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FIRST GLOBAL

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India Research

Sector: Real Estate

Initiating Coverage

DLF Ltd. (DLF.BO/DLFU.IN)

Market Perform with Underperform bias

(CMP: Rs.416.05, Mkt. Cap: Rs.706.1 bn $15.2 bn, Oct 09, '09)

Relevant Index: S&P CNX Nifty Index: 4945.2 (Oct 09, '09)

De-leveraging, disposal of non-core assets and clearing of dues by DAL allay some of the concerns related to DLF's financials

Signs of demand revival in the residential segment and focus on affordable housing to drive cash generation… But any increase in interest rates on housing loans possibly at the year end, could adversely impact demand

October 10, 2009

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Table of Contents

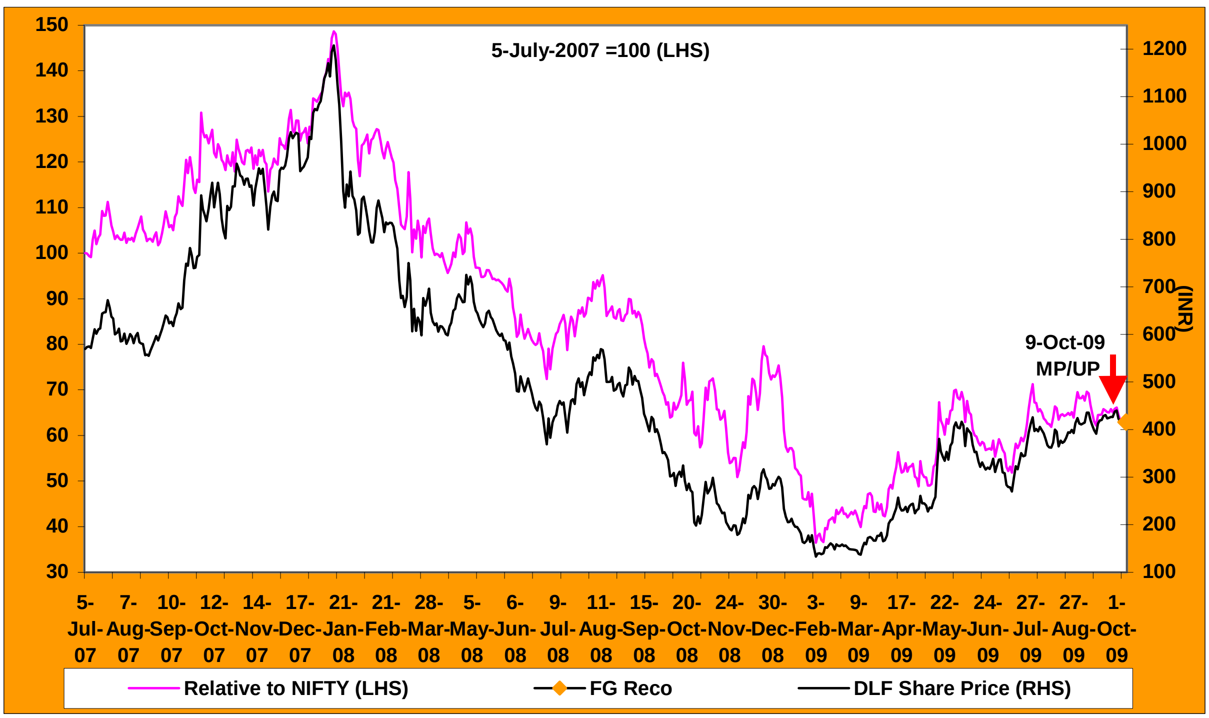
Price and Rating History Chart

Ratings Key

Positive Ratings	B = Buy	BD = Buy at Declines	OP = Outperform
	S-OP = Sector Outperform	M-OP = Market Outperform	MO-OP = Moderate Outperform
Neutral Ratings	H = Hold	MP = Market Perform	SP = Sector Perform
Negative Ratings	S = Sell	SS = Sell into Strength	UP = Underperform
	A = Avoid	MO-UP = Moderate Underperform	S-UP = Sector Underperform

ST: Short Term **MT: Medium Term** **LT: Long Term**

DLF Ltd. (DLF.BO/ DLFU.IN)



Represents an Upgrade

Represents a Downgrade

Represents Reiteration of Existing Rating

Details of First Global's Rating System given at the end of the report

Financial Snapshot (Consolidated)

Key Financials					
YE March (Rs. mn)	**FY07**	**FY08**	**FY09**	**FY10E**	**FY11E**
Total Revenues	**26,374**	**144,375**	**100,354**	**73,279**	**85,858**
Revenue Growth (Y-o-Y)	*43.7%*	*447.4%*	*(30.5%)*	*(27.0%)*	*17.2%*
EBIDTA	**14,897**	**97,151**	**55,900**	**34,061**	**40,781**
EBIDTA Growth (Y-o-Y)	*98.6%*	*552.1%*	*(42.5%)*	*(39.1%)*	*19.7%*
Net Profit	**19,326**	**78,133**	**44,682**	**22,732**	**29,427**
Net Profit Growth (Y-o-Y)	*371.1%*	*304.3%*	*(42.8%)*	*(49.1%)*	*29.5%*
Net Profit Excl. extra-ordinaries	**19,326**	**78,133**	**44,682**	**22,732**	**29,427**
Net Profit Growth Excl. extra-ordinaries (Y-o-Y)	*371.1%*	*304.3%*	*(42.8%)*	*(49.1%)*	*29.5%*
Shareholders Equity	**26,051**	**187,387**	**227,578**	**248,331**	**275,633**
Number of Diluted shares (mn)	**1,516**	**1,666**	**1,703**	**1,697**	**1,697**

Key Operating Ratios					
YE March	**FY07**	**FY08**	**FY09**	**FY10E**	**FY11E**
Diluted EPS Excl. extra-ordinaries (Rs.)	**12.7**	**46.9**	**26.2**	**13.4**	**17.3**
EPS Growth (Y-o-Y)	*(51.7%)*	*268.1%*	*-44.1%*	*-48.9%*	*29.5%*
CEPS Excl. extra-ordinaries (Rs.)	13.1	47.4	27.6	15.1	19.3
EBIDTA (%)	**56.5%**	**67.3%**	**55.7%**	**46.5%**	**47.5%**
NPM (%)	**73.3%**	**54.1%**	**44.5%**	**31.0%**	**34.3%**
Tax/PBT (%)	23.8%	18.2%	13.0%	19.8%	20.0%
RoE (%)	**96.4%**	**70.6%**	**21.4%**	**9.5%**	**11.2%**
RoCE (%)	**22.7%**	**34.5%**	**13.4%**	**6.9%**	**8.6%**
Return on Operating Assets (%)	13.8%	38.6%	14.2%	7.1%	8.9%
Book Value Per share (Rs.)	17.2	112.5	133.5	146.2	162.3
Debt/Equity (x)	2.8x	0.6x	0.7x	0.4x	0.3x
Dividend Payout Ratio (%)	20.6%	10.2%	7.0%	8.7%	8.1%

Free Cash Flow Analysis					
YE March (Rs. mn)	**FY07**	**FY08**	**FY09**	**FY10E**	**FY11E**
Operating Cash Flow	(62,229)	(20,563)	(2,450)	56,690	37,033
Total Free Cash Flow	(76,847)	(87,673)	(40,877)	59,913	22,143

Market Cap. and Enterprise Value Data as on October 09, 2009		
Current Market Price (Rs.)		416.05
No. of Basic Shares (mn)		1697
	Rs. bn	**US $ bn**
Market Cap.	**706.1**	**15.2**
Total Debt *	163.2	3.5
Cash & Cash Equivalents *	12.0	0.3
Enterprise Value	**857.4**	**18.4**

**** Debt & Cash & Cash Equivalents as on FY 09; Ex. Rate: INR 46.50***

Valuation Ratios		
YE March	**FY10E**	**FY11E**
P/E (x)	**31.1x**	**24.0x**
P/BV (x)	2.8x	2.6x
P/CEPS (x)	27.6x	21.6x
EV/EBIDTA (x)	**23.8x**	**19.4x**
Market Cap./ Sales (x)	9.6x	8.2x
Net cash/Market Cap (%)	NM	NM
Dividend Yield (%)	0.2%	0.3%

NM Not Meaningful

DuPont Model

YE March	**FY07**	**FY08**	**FY09**	**FY10E**	**FY11E**
EBIDTA/Sales (%)	56.5%	67.3%	55.7%	46%	47%
Sales/Operating Assets (x)	0.3x	0.7x	0.3x	0.2x	0.3x
EBIDTA/Operating Assets (%)	**18.8%**	**47.6%**	**17.1%**	**9.7%**	**12.1%**
Operating Assets/ Net Assets (x)	0.8x	0.9x	0.9x	0.9x	0.9x
Net Earnings/ EBIDTA (%)	129.7%	80.4%	79.9%	66.7%	72.2%
Net Assets/ Equity (x)	4.7x	2.1x	1.8x	1.6x	1.4x
Return on Equity (%)	**96.4%**	**70.6%**	**21.4%**	**9.5%**	**11.2%**

Common Sized Profit & Loss Account

YE March	**FY07**	**FY08**	**FY09**	**FY10E**	**FY11E**
Total Revenues	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Cost of land, plots and constructed properties	27.6%	27.7%	32.2%	39.0%	39.7%
Personnel	4.0%	2.1%	4.5%	7.1%	6.8%
Selling, General & Administrative Expenses	11.5%	2.8%	7.0%	6.4%	5.0%
Miscellaneous Expenses	0.4%	0.2%	0.6%	1.0%	1.0%
EBIDTA	**56.5%**	**67.3%**	**55.7%**	**46.5%**	**47.5%**
Depreciation and Amortization	2.2%	0.6%	2.4%	3.9%	3.9%
Interest Paid	11.7%	2.1%	5.5%	7.6%	4.2%
Non-Operating Income	53.7%	1.7%	3.9%	3.8%	3.8%
Profit Before Tax	**96.3%**	**66.2%**	**51.7%**	**38.7%**	**43.2%**
Tax	41.4%	26.3%	14.3%	7.7%	8.6%
Net Profit	**73.3%**	**54.1%**	**44.5%**	**31.0%**	**34.3%**
Net Profit Excl. extra-ordinaries	**73.3%**	**54.1%**	**44.5%**	**31.0%**	**34.3%**

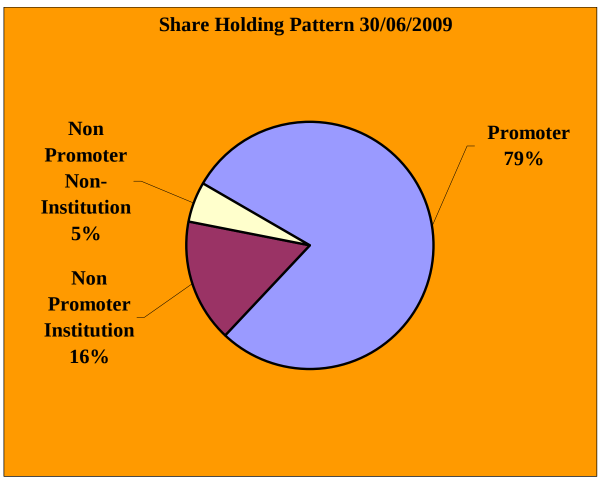
Top Management Team

Designation	Name
Chairman	K P Singh
Vice Chairman	Rajiv Singh
Managing Director	T C Goyal
Whole-time Director	Pia Singh
Executive Director	Kameshwar Swarup
Director	G S Talwar
Director	D V Kapur
Director	M M Sabharwal
Director	K N Memani
Director	Ravinder Narain
Director	Brijendra Bhushan
Director	Narendra Pal Singh
Company Secretary	Subhash C Setia

Capital Issue History

Date	Equity Capital	Reason
30/06/1995	3.51	Equity shares issued
28/03/2006	37.76	Debenture Conversion
31/03/2006	37.77	Debenture Conversion
2/5/2006	302.15	Bonus Issue
24/11/2006	302.63	Equity shares issued
5/12/2006	305.44	Equity shares issued
22/12/2006	305.73	Equity shares issued
13/03/2007	305.88	Equity shares issued
15/05/2007	305.97	Equity shares issued
28/06/2007	340.97	Public Issue
31/12/2008	340.54	Buy Back of Shares
31/03/2009	339.44	Buy Back of Shares

Key Statistics



Industry:	Real Estate
52 Week Hi:Lo:	Rs.447.30 / 124.05
CMP:	Rs. 416.05
Avg Daily Vol (20 days):	11.23 mn
Avg Daily Val (20 days):	Rs 4714.99 mn

Performance over 52 weeks:	
DLF:	Up 34.71 %
Nifty:	Up 40.74 %

Key Ratios (Consolidated)

YE March	FY07	FY08	FY09	FY10E	FY11E
Cost of land, plots and constructed properties / Sales (%)	27.6%	27.7%	32.2%	39.0%	39.7%
Other Income/EBT (%)	55.7%	2.6%	7.6%	9.7%	8.8%
EBITDA Margin (%)	**56.5%**	**67.3%**	**55.7%**	**46.5%**	**47.5%**
Tax / PBT (%)	23.8%	18.2%	13.0%	19.8%	20.0%
Net Profit Margin (%)	73.3%	54.1%	44.5%	31.0%	34.3%
RoE (%)	**96.4%**	**70.6%**	**21.4%**	**9.5%**	**11.2%**
RoCE (%)	**22.7%**	**34.5%**	**13.4%**	**6.9%**	**8.6%**
Sales/Operating Assets (x)	0.3x	0.7x	0.3x	0.2x	0.3x
Optg. Assets/Total Assets (x)	0.8x	0.9x	0.9x	0.9x	0.9x
Return on Optg. Assets (%)	**13.8%**	**38.6%**	**14.2%**	**7.1%**	**8.9%**
Debt/ Equity (X)	**2.8x**	**0.6x**	**0.7x**	**0.4x**	**0.3x**
Interest Coverage (x)	**4.8x**	**31.3x**	**10.1x**	**6.1x**	**11.3x**
Interest / Debt (%)	4.4%	2.8%	3.9%	4.1%	3.9%
Growth in Gross Block (%)	79.5%	186.1%	64.4%	3.4%	8.4%
Sales Growth (%)	43.7%	447.4%	(30.5%)	(27.0%)	17.2%
Operating (EBITDA) Profit Growth (%)	98.6%	552.1%	(42.5%)	(39.1%)	19.7%
Net Profit Growth (%)	371.1%	304.3%	(42.8%)	(49.1%)	29.5%
Debtors (Days of net sales)	208	192	347	312	281
Creditors (Days of Raw Materials)	85	241	211	232	232
Inventory (Days of Optg. Costs)	1,806	731	897	1,032	929
Current Ratio (x)	**2.8x**	**3.7x**	**4.0x**	**4.2x**	**3.5x**
Net Current Assets/Capital Employed (%)	60.9%	59.8%	58.0%	57.2%	54.3%
Number of Diluted Shares (mn)	1,516	1,666	1,704	1,697	1,697
Fully Diluted EPS (Rs.)	12.7	46.9	26.2	13.4	17.3
Fully Diluted EPS Excl. extra-ordinaries (Rs.)	**12.7**	**46.9**	**26.2**	**13.4**	**17.3**
EPS Growth Excl. extra-ordinaries (%)	(51.7%)	268.1%	(44.1%)	(48.9%)	29.5%
Dividend Payout (%)	20.6%	10.2%	7.0%	8.7%	8.1%
Fully Diluted CEPS (Rs.)	13.1	47.4	27.6	15.1	19.3
Book Value Per Share (Rs.)	17.2	112.5	133.5	146.2	162.3

DLF Ltd.'s Business in Pictures (FY09) (Consolidated)

(All figures are in Rs. Mn except where stated otherwise. All percentages are percent of revenues, unless stated otherwise)

Operations/Value added
Total Revenues: Rs.100,354

Revenue Mix
DAL: Rs.40,040 (38%)
Non-DAL: Rs.65, 449 (62%)

Cost of Land, Plot, Construction Properties
Rs.32, 295 mn (32.2%)

Personnel:
Rs.4, 537 mn(4.5%)
Other Expenses:
Rs.7,662 mn(7.6%)

Area Under development at end of Q1FY10
Total area under development: 42.14 mn sqft
Residential: 25.01 mn sqft (59.3%)
Office/Commercial: 17.13 mn sqft (40.7%)

Operating cost includes cost of land, raw material cost (cement, steel, glass), development expenses, design and engineering expenses, and other direct operating expenses.

EBIDTA
Rs.55,900 mn
(55.7%)

Land Break-up-Segment wise
Total Development area: 423 mn Sqft
Residential: 290 mn sqft (69%)
Affordable houses: 254 mn sqft (88%)
Luxury: 32mn sqft (11%)
Super Luxury: 4 mn sqft (1%)
Offices: 68 mn sqft (16%)
Retail and CC*: 53 mn sqft (13%)
Hotels: 12mn Sqft (3%)

Below Operating Line

Net Interest: Rs.5,548 mn(5.5%)
Depreciation: Rs.2,390 mn (2.4%)
Non –Operating Income: Rs. 3,960 mn

Land Break-up-Region Wise
Total Development area: 423 mn Sqft
Super Metros: 242 mn sq ft (57%)
Metros: 93 mn sqft (22%)
Tier-I: 57 mn sqft (14%)
Tier-II: 31mn sqft (7%)

Profit Before Tax
Rs.51,922 mn(51.7%)

Taxes
Rs. 6,754 mn (6.7%)

Competition
Unitech Ltd
HDIL
D.S. Kulkarni
Sobha Developers
Orbit Corporation

Profit After Tax
Rs.44,682 mn (44.5%)

Assets
Rs. 4,88,906 mn
(100%)

Balance Sheet (FY09)

Liabilities
Rs. 4,88,906 mn
(100%)

Fixed Assets: Rs. 79,124 mn (16.2%)
Capital WIP: Rs 56,882 mn (11.6%)
Investments: Rs. 14,025 mn (2.9%)
Loans & Advances: Rs 97,120 mn (19.9%)
Debtors: Rs. 95,449 mn (19.5%)
Inventory: Rs.109, 282 mn (22.4%)
Cash: Rs. 11,956 mn (2.4%)

Debt: Rs.163,201 mn (33.4%)
Sundry Creditors: Rs. 25,719 mn (5.3%)
Provisions: Rs. 36,840 mn (7.5%)
Curr. Liabilities: Rs. 15,685 mn (3.2%)
Reserves: Rs. 224,184mn (45.9%)
Equity: Rs. 3,394 mn (0.7%)
Preference: Rs.13, 960 mn (2.9%)
Minority Interest: Rs. 6,336 mn (1.3%)

**CC means Commercial complexes*

The Story…

DLF Ltd. (DLF.BO/DLFU.IN) has been setting its house in order. Battered but not beaten by sluggish demand and its own borrowing excesses, India's largest real-estate developer in terms of revenues, earnings and market capitalization is selling off non-core assets, clearing the excess debt off its balance sheet and has realigned plans to focus on affordable housing that'll keep cash flowing in.

The company's game plan is fairly aggressive. By the end of FY10, the management is confident of bringing net debt down from Rs.151.6 bn to Rs. 62 bn. To achieve the redemption targets, it plans to sell its investments in hotels and wind power and exit long-gestation projects. Additionally, the Rs.25 bn received from group company DLF Asset Limited (DAL) – the primary buyer of commercial properties from DLF – as part payment of its dues, will also be used to retire debt. We, however, believe DLF may not be able to dispose off non-core assets as planned due to the prevailing economic conditions. Of the targeted amount of Rs.55 bn from asset sale for FY10, it could only generate only Rs.5 bn in the first quarter and balance expected to generate in rest of the year. We expect net debt to be brought down to about Rs 91.6 bn by the end of FY10, as a result of which its debt-equity ratio would decline from 0.66x to 0.40x.

We, however, believe DLF may not be able to dispose off non-core assets as planned due to the prevailing economic conditions. Of the targeted amount of Rs.55 bn from asset sale for FY10, it could only generate only Rs.5 bn in the first quarter and balance expected to generate in rest of the year. We expect net debt to be brought down to about Rs 90.1 bn by the end of FY10, as a result of which its debt-equity ratio would decline from 0.66x to 0.40x

DLF's focus is now on affordable housing. ***About 88% of the 290 mn sq. ft. under development in the residential segment is meant for the middle-income group.*** It has also brought some of its existing projects in the super-luxury and luxury categories into the affordable range by reducing the sizes of apartment units and altering amenities. With plenty of pent up demand in this price segment, the strategy to focus on affordable housing will help DLF generate strong and steady cash flows, provided the units are priced appropriately.

With plenty of pent up demand in this price segment, the strategy to focus on affordable housing will help DLF generate strong and steady cash flows, provided the units are priced appropriately

While a demand revival in the commercial and office segments is still some time away, the outlook for the residential segment has clearly improved due to a correction in prices. But a lot still depends upon the return of consumer confidence. If overall domestic economic activity remains subdued for long, real-estate demand may not revive even at lower price points on anticipated lines, as income uncertainty would then overshadow the affordability factor. And, what could also worsen the demand scenario is the possibility of a rise in interest rates in Q3-Q4 FY10, as a result of increase in government borrowings. ***In these times of uncertainty, one of DLF's major strengths is that it has a de-risked portfolio, with projects spread across geographies and verticals. At the same time, with a significant proportion of its land bank located in metros and super metros, the company is set to gain from the bigger benefits of an economic revival in these locations.***

A lot still depends upon the return of consumer confidence. If overall domestic economic activity remains subdued for long, real-estate demand may not revive even at lower price points on anticipated lines, as income uncertainty would then overshadow the affordability factor. And, what could also worsen the demand scenario is the possibility of a rise in interest rates in Q3-Q4 FY10, as a result of increase in government borrowings

We expect DLF to sell around 11.8mn sq. ft. of residential space and 4.1 mn sq. ft. of office and retail space in FY10. Revenues for the year are likely to come in at Rs.73.2 bn marking a negative growth of 27.0%. In FY11, as demand revives further, we expect the company to sell 15 mn sq. ft. of residential units and 5 mn sq. ft. of office space which will bring in revenues of Rs.85.8 bn, representing a growth of 17.2%. With the company's focus on affordable housing, however, we expect EBIDTA margin to decline by 920 bps Y-o-Y to 46.5% in FY10 and improve to 47.5% in FY11. We expect DLF to post an EPS of Rs.13.4 in FY10.

The stock currently trades at a P/E multiple of 31.1x FY10 earnings, which is hardly cheap. Our estimated Net asset value stands at Rs. 305 per share at the end of FY10. In spite of the company's quality land bank, ability to scale-up quickly, recent uptick in demand in the residential segment, improved balance sheet and focus on monetizing non-core assets, a revival in demand in the commercial and office segments is still some time away. We rate DLF as Market Perform with Underperform bias.

Comparative valuations – Indian peers

Company	EPS (Rs.)		P/E (x)		P/S (x)		P/BV (x)		EV/EBIDTA (x)		EV/Sales (x)		EBIDTA %	ROE %	ROCE %	Annual EPS Growth	Annual Sales Growth
	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY10E	FY10E	11E/10E	11E/10E
DLF	**13.4**	**17.3**	**31.1**	**24.0**	**9.6**	**8.2**	**2.8**	**2.6**	**23.8**	**19.4**	**11.1**	**9.2**	**46.5%**	**9.5%**	**6.9%**	**29.5%**	**17.2%**
Unitech	4.2	5.7	23.5	17.3	7.4	6.1	2.2	2.0	18.4	14.6	7.4	6.1	48.2%	12.7%	7.9%	35.3%	23.0%
Indiabulls	3.8	7.7	76.4	37.9	18.1	9.6	1.5	1.5	48.0	20.7	12.0	6.4	24.9%	7.5%	11.2%	101.4%	88.6%
HDIL	17.0	21.8	21.1	16.5	7.4	5.3	1.8	1.6	19.1	14.8	10.0	7.2	52.5%	9.4%	NM	27.8%	39.3%
Parsvnath Developers	5.9	6.5	23.6	21.2	2.7	2.1	1.2	1.1	15.2	14.6	4.5	3.5	29.6%	9.8%	16.7%	11.3%	30.8%
Puravankara Projects	4.7	5.4	24.7	21.5	6.9	5.3	1.7	1.6	32.5	30.5	8.3	6.5	25.7%	NM	NM	14.7%	28.9%
Sobha Developers	12.0	14.9	21.5	17.4	2.4	1.9	1.6	1.5	16.1	13.9	4.3	3.4	26.8%	3.1%	6.3%	23.8%	26.2%
Omaxe	4.3	4.2	28.3	29.6	2.1	2.0	NM	NM	18.0	19.6	3.9	3.7	21.6%	14.8%	19.4%	-4.1%	6.2%

Source: FG estimates for DLF & Unitech and Bloomberg estimates for all others
**NM-Not Meaningful*

Key Growth Drivers

Focus on affordable housing for the middle-income segment

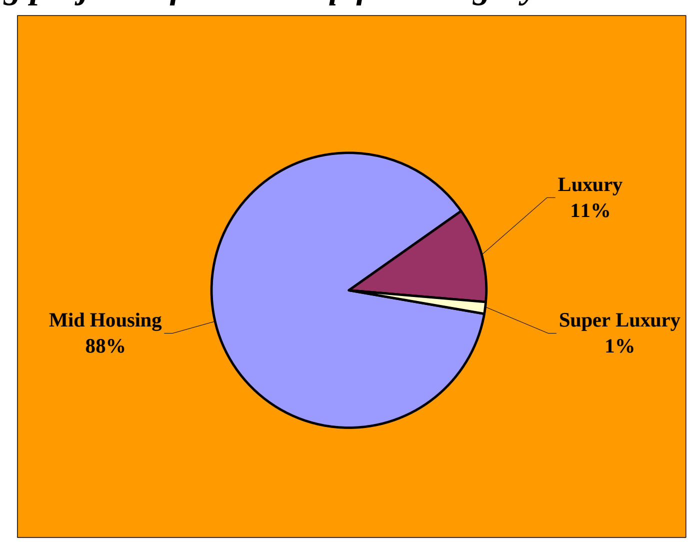
Catering to strong demand for affordable housing to improve cash flows

As a move to counter sluggish demand, DLF revised its strategy in FY09 when it shifted focus from the super-luxury and luxury-housing segments to the 'affordable housing' market for the middle-income group. The company has launched affordable housing projects in cities in the South and the North at competitive prices. ***It has also sought to bring its existing projects in the super-luxury and luxury categories into the affordable segment by reducing the sizes of apartment units and altering amenities. These initiatives have evoked a lot of buyer interest. In Q1 FY10, DLF received robust response for its Capital Greens project at Swatantra Bharat Mills (SBM) in Delhi, which is one of its first mid-income projects at a city- centric location. Going forward, the company plans to launch similar projects in cities like Chandigarh, Indore etc.*** The company has also re-launched its residential projects in Bangalore and Chennai at a discount of 25-30% to its initial soft launch price.

About 88% of the 290 mn sq. ft. under development in the residential segment is meant for the middle-income group. With plenty of pent up demand in the segment, the strategy to focus on affordable housing will help DLF generate strong and steady cash flows, provided the units are priced appropriately. In the office and commercial segments in which demand continues to remain sluggish, DLF has rescheduled some of its projects under construction. In Q2 FY09, it temporarily stopped development of 18.4 mn sq. ft. of office space and 12mn sq. ft. of retail space.

About 88% of the 290 mn sqft under development in the residential segment is meant for the middle-income group. With plenty of pent up demand in the segment, the strategy to focus on affordable housing will help DLF generate strong and steady cash flows, provided the units are priced appropriately

Housing projects of 290 mn sq. ft.: Category wise break up (%)



Source: Company Reports and FG Research

De-leveraging balance sheet & conserving capital

Sale of non-core assets & exiting long-gestation, capital- intensive projects will help in conserving capital for new projects

DLF's management plans to reduce net debt from Rs.151.6 bn to Rs. 62 bn by the end of FY10. To meet its debt redemption targets, the company is putting non-core assets on the block. It is confident of raising Rs.9 bn from the sale of its wind power business, Rs.8.5 bn from the convention centre project in Dwarka, Delhi and Rs.20 bn from the sale of several hotel projects. The company has already received Rs.3.36 bn from state governments, following its exit from the long gestation, capital-intensive township projects at Bidadi in Karnataka and Dankuni in West Bengal By the end of Q1 FY10, DLF had raised an aggregate of Rs.5 bn from sale of non-core assets and it is hopeful of raising another Rs.50 bn by the year end. The amounts raised from sale of non-core assets may also be used for acquiring land for new projects like the company's recent acquisition of 300 acres in Gurgaon for Rs.7 bn.

The company has already received Rs.3.36 bn from state governments, following its exit from the long gestation, capital-intensive township projects at Bidadi in Karnataka and Dankuni in West Bengal By the end of Q1 FY10, DLF had raised an aggregate of Rs.5 bn from sale of non-core assets and it is hopeful of raising another Rs.50 bn bv the vear end

Non-core asset divestment plan for FY10 (Rs in Mn)

	Rs in mn
Wind power business	9,000
Delhi Convention centre	8,500
Hotels	20,000
Exit from Bidadi and Dankuni (Kolkatta) Projects	3,360
Total	**40,860**

Source: Company Reports and FG Research

Recovery of amounts due from DAL

Better cash flows to drive investments in future projects

DLF Assets Pvt. Ltd. (DAL), a company owned by DLF's promoters, is the primary buyer of commercial properties constructed by DLF. It purchases completed projects at the market price and then sells/leases the units to final consumers. In the past few quarters, since property demand was sluggish due to the economic downturn, DAL was unable to sell properties to the final buyers and pay DLF on time. Its payment dues to DLF had touched Rs.54 bn in Q3 FY09.

In May 2009, DLF's promoters offloaded a 9.9% stake in the company through a Qualified Institutional Placement (QIP) -- 168 mn shares were sold at a price of Rs.230 per share. A part of the funds raised was invested in DAL, which in turn helped DAL pay the amounts due to DLF.

In Q1 FY10, DLF received Rs.25 bn of the Rs.48.65 bn due from DAL and an additional Rs.5 bn expected to be received by the end of FY10. The amounts realized will improve DLF's cash flows and drive investments in future projects.

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Recovery of dues from DAL (Rs. In Mn)

	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10
Debtors From DAL Rs in mn	19,360	33,820	48,040	54,000	48,650	23,650
Increase/(decrease) in debtors		*14,460*	*14,220*	*5,960*	*(5,350)*	*(25,000)*

Source: Company Reports and FG Research

De-risked portfolio

Land bank spread across major cities and projects diversified across verticals help maintain a de-risked portfolio

DLF's total development area is currently 423 mn sq. ft. (down from 753 mn sq. ft. after its exit from Bidadi and Dankuni projects). While in the past the company's projects were concentrated in the North, in the past 2-3 years, it has acquired land in metros and super metros across the country including major cities like Kolkata, Mumbai, Pune, Bangalore, Chennai and Hyderabad. Once economic recovery sets in, DLF will benefit from the early revival likely to be seen in the metros and super metros where 79% of its land is located.

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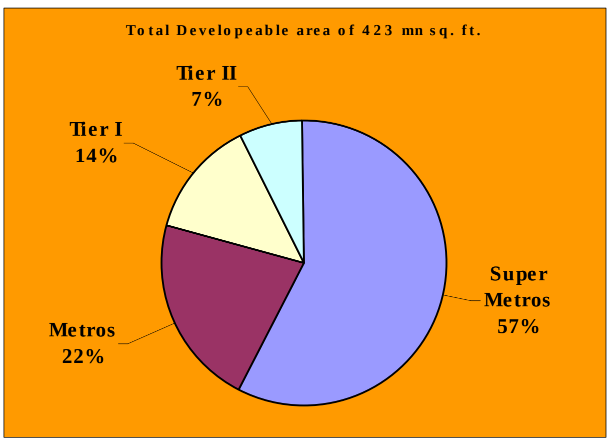
DLF's projects are well diversified across verticals with 290 mn sq. ft. (69%) under housing construction, 68 mn sq. ft. (16%) being developed into office space, 53mn sq. ft. (13%) of development in retail and 12 mn sq. ft. (3%) in hotels.

DLF's diversification across geographies and verticals helps in de-risking its portfolio.

DLF's land bank: (Region wise break up)



Source: Company Reports and FG Research

Accretions to the land bank over the years have been made at a significantly low cost, which enables the company price its projects competitively. Most of the land had been paid for at the end of June 2009, barring an amount of Rs. 2.47 bn payable to the government on completion of legal formalities.

Brand equity and extensive experience

Strong brand equity and diverse experience will continue to lower marketing & execution risks

In the much maligned real-estate business, DLF's strong brand image is seen as a reflection of quality, reliability and customer satisfaction. ***The popularity of the DLF brand has spread from the North to other regions of the country over the past few years and this has made marketing of projects easier in both the residential and commercial sectors***.

DLF's other major strength lies in its 60 years of experience in property development. It has developed property of over 238 mn sq. ft. including well-known colonies in the National Capital Region such as Krishna Nagar, Greater Kailash, Hauz Khas and an integrated 3,000 acre township called DLF City. It is a leader in office space, has a large portfolio of residential & retail projects and has also expanded into SEZs and hotels. ***Its long and impressive track record in property development lowers execution risks.***

Key Concerns

DLF faces the inherent risks associated with real-estate businesses i.e., risks associated with price, property location, government policies and liquidity. The other key concerns are:

Delayed economic recovery

Delayed economic recovery may adversely impact demand for affordable housing

The growth in the Indian IT sector was the main demand driver for office and residential space over the past few years. With the global economic crisis putting the brakes on IT growth, demand for office space has been subdued. The slowdown in the IT sector has also had a cascading effect on the residential and commercial segments.

While a revival in demand in the commercial and office segments is still some time away, we believe there is pent-up demand for affordable housing, at the right price and at low interest rates.

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But a lot depends upon the return of consumer confidence. If overall domestic economic activity remains subdued for long, real-estate demand may not revive even at lower price points on anticipated lines, as income uncertainty would then overshadow the affordability factor.

Interest rates may bottom out

Housing demand may be affected by rise in interest rates

Interest rates on housing loans have declined by around 300 bps from their peak in November 2008 and seem to have stabilized at the current levels of 9-10%. We believe overall interest rates are likely to rise in Q4 FY10 or early FY11 with the increase in government borrowings. The resultant increase in the cost of buying property could impact housing demand. High interest burden will also adversely impact finances of developers like DLF who have large borrowings.

Floating interest rate charged on home loans on 20 years Home Loans

Banks Name	Upto Rs. 3mn	Rs. 3mn to Rs. 10mn	Rs. 10mn and above
SBI (unto 3 years)	8	8	8
SBI (after 3 years)	10.25	10.75	11
HDFC	9	9-9.5	9.50
ICICI Bank	9	9-9.5	9.75
Canara Bank	9.25	9.25	9.75

**Rates are for affordable houses upto Rs. 3mn*
Sources: Banks and FG research

Sale of non-core assets

Shortfall in amounts raised from sale of non-core assets could impact plans to reduce debt

In FY09, DLF's gross debt increased by 33% to Rs.163.6 bn. The company repaid some of its short-term debt in the first quarter of FY10. The net debt at the end of July 2009 was 116.8 bn. To reduce its borrowings further, it plans to raise Rs 55 bn through sale of non-core assets. The company is also expected to receive Rs.30 bn due from DLF Assets Limited (DAL). With the additional funds, management expects to reduce net debt to Rs. 62 bn.

DLF's debt reduction plan is dependent on its ability to realize the desired amounts from sale of non-core assets. Of the target of Rs.55 bn set for FY10, the company managed to raise only Rs.5 bn in Q1 FY10. On a conservative basis, we expect net debt to come down to Rs 91.6 bn at the end of FY10. The debt-equity ratio will then significantly decline from 0.66x in FY09 to 0.40x in FY10

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De-leveraging plan (Rs in mn)

	Rs in Mn
Gross Opening Debt (as on 1st April-09)	163,200
Less: Net debt repaid during Q1FY10	15,450
Less: Cash in hand	17,010
Net Debt	130,740
Less: Equity shown as Debt / JV Co. Debt	13,880
Net Debt (as on 1st July, 2009)	116,860
Payments due in FY09-10	
Debt Payment due in FY09-10	36,460
Less: Already paid in first Four months of FY10	24,810
Balance payable during FY09-10	11,650
Redemption plan for FY09-10	
Net Debt (as on 1st July, 2009)	116,860
Funding sources for redemption:	
Amount raised from sale of non-core assets	50,000
Additional inflow from DAL during FY10	5,000
Net Debt expected at the end of FY10	61,860

Source: Company Reports and FG Research

Company Background

DLF was established in 1946 as Delhi Land & Finance Pvt. Ltd. and was later promoted by Mr. KP Singh as DLF Ltd., which is now India's largest real estate company in terms of revenues, earnings, market capitalisation and developable area. DLF's major shareholders are KP Singh and family, who have a stake of approximately 78.4% in the company. DLF has around 753 mn sq. ft. of land development area, which declined to 423 mn sq. ft. after its exit from the Badadai and Dankuni projects in April 2009. DLF has 17,000 acres of land bank spread across 32 cities, mostly in India's metros and key urban areas. 79% of the company's land is in the super metro and metro areas and it is already a major player in locations across the country. DLF has track record of 60 years in real estate development and is known for the development of 238 mn sq. ft., including well-known colonies, such as Krishna Nagar, Greater Kailash and Hauz Khas, as well as an entire integrated 3,000 acre township, DLF City. The company is a leader in the office space and has a large portfolio of residential and retail projects. DLF is now expanding into SEZs and hotels.

DLF's revenues come primarily from the construction of properties/plots, as well as lease rentals arising out of letting commercial office space and retail space. The construction of properties/plots contributes 84.5% of the company's total revenues and lease rentals contribute 5.0%, while the balance 10.5% includes maintenance income (3.1%), hotel revenues (3.0%), power supply income (2.5%), and property management services and cinemas operations.

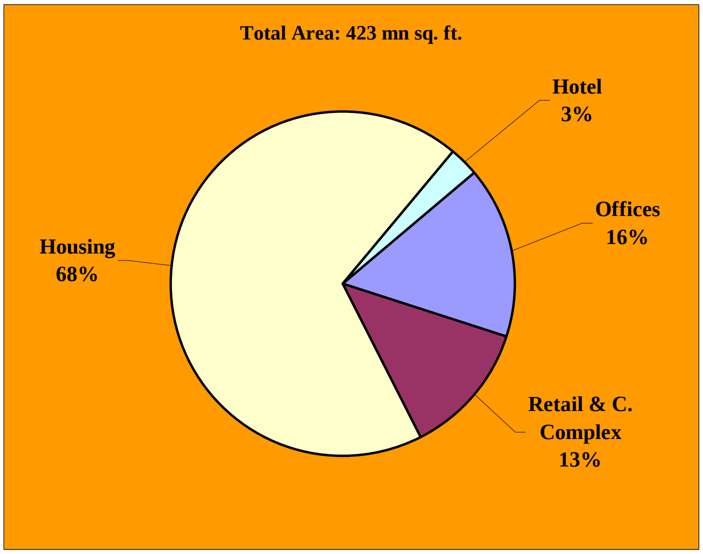
DLF has collaborated with internationally renowned architectural consultants, such as Hafeez Contractor, The Jerde Partnership Inc. and Mohit Gujral. The company has also undertaken strategic initiatives, such as entering into a joint venture with Laing O'Rourke for construction expertise, Hilton for hotel development, and Prudential Insurance for developing and selling life insurance products. DLF's clientele for commercial space includes MNCs, such as Canon, Nokia, IBM-Daksh, Sapient, Microsoft, etc.

Section I

Business Highlights

DLF has four business segments, namely residential, office, retail & commercial complexes and hotels. The company has plans to develop a total of 423 mn sq. ft. over the next 10-11 years.

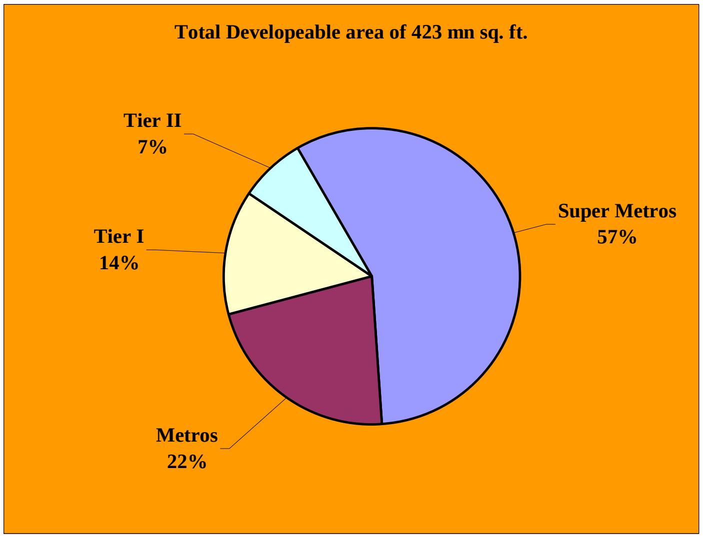
DLF's land bank: 423 mn sq. ft. (Segment wise break up)



Source: Company Reports and FG Research

Currently, DLF has 290 mn sq. ft. (68% of total area) of land resources targeted at the residential business, 29% for offices, retail and commercial complexes, and the balance 3% for hotels.

DLF's land bank: 423 mn sq. ft. (Region wise break up)



Source: Company Reports and FG Research

Geographically, 79% of DLF's land resources are concentrated in the super metros and metro, which have a lower absorption risk. Thus, the revival in economic activity will result in real estate prices staging an earlier recovery in these areas. Moreover, the company can launch more city centric projects, as the balance 21% of its land lies in Tier-I and II cities.

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City category as per DLF

Super Metros	NCR, Mumbai
Metros	Chennai, Bangalore & Kolkatta
Tier 1	Chandigarh, Pune, Goa, Cochin, Nagpur, Hyderabad, Coimbatore & Bhubneshwar
Tier 2	Vadodara, Ghandinagar, Ludhiana, Amritsar, Jalandhar, Sonepath, Panipat, Lucknow, Indore, Shimla

Source: Company Reports and FG Research

DLF's NAV calculation

Valuation (Rs in mn)	NAV Rs. in Mn	%	NAV per share
Office	252,731	41%	149
Residential	198,508	32%	117
Retail and C. Complexes	100,957	16%	59
Total Real Estate NAV	**552,197**	**90%**	**325**
Hotels	16,569	3%	10
LOR JV	6,000	1%	4
Other non core assets	37,500	6%	22
Total non-Core assets	**60,069**	**10%**	**35**
Total NAV	**612,266**		**361**
Net debt	(91,684)	-18%	-54
Less land cost payable	(2,470)	-0.5%	-1
Total value	**518,112**		**305**
Value/share (Rs)	**305**		
No of shares in Mn	1,697		

After taking into consideration the assumptions mentioned below, we have arrived at a net asset value of Rs.305 per share for DLF. The bifurcation is shown in the above table.

Key assumptions for calculating DLF's NAV:

- We have assumed that the entire land area of 423 mn sq. ft. will be developed by 2021
- The price realization has been assumed at a discount of 35% to the peak rate for residential and 30% to rentals. We have further assumed an inflation rate of 4% in FY11 and 6% p.a. post FY11, irrespective of the verticals/regions.

Selling price & rental assumptions

Selling prices	Rentals office (Rs/sqft/pm)	Rentals retail (Rs/sqft/pm)	Mid Housing (Rs/sqft)	Luxury (Rs/sqft)	Super Luxury (Rs/sqft)	Office (Rs/sqft)	Retail (Rs/sqft)
Super Metros	70	81	3,200	5,760	12,480	7,368	7,854
Metros	32	42	2,028	2,396	3,275	3,316	4,098
Tier 1	28	32	1,761	2,028	2,476	2,947	3,073
Tier 2	25	28	1,434	1,659	1,997	2,579	2,732

- We have arrived at the cash flow from different projects as per the development schedule and then discounted that cash flow to the end of FY10 in order to calculate the present value of the cash flow.

- The discount rate (WACC) of 14.3% is calculated:
  - Risk free interest rate of 7%
  - Market risk premium of 6.2%
  - Beta of 1.3%,
  - Cost of debt as 14% with a tax rate of 25%,

- For arriving at the market value of commercial and retail assets, we have assumed a cap rate of 11.4% for office space and 12.3% for retail and commercial complex projects.

- We have assumed the construction cost based on a inflation rate of 4% in FY11 and 6% p.a. post FY11, irrespective of the verticals/regions

Construction cost assumptions

Construction cost	Office (Rs/sqft)	Retail (Rs/sqft)	Mid Housing (Rs/sqft)	Luxury (Rs/sqft)	Super Luxury (Rs/sqft)
Super Metros	1,700	2,210	1,700	1,900	2,500
Metros	1,470	1,911	1,501	1,729	2,184
Tier 1	1,271	1,652	1,325	1,416	1,789
Tier 2	1,207	1,491	1,133	1,345	1,597

Source: FG Research

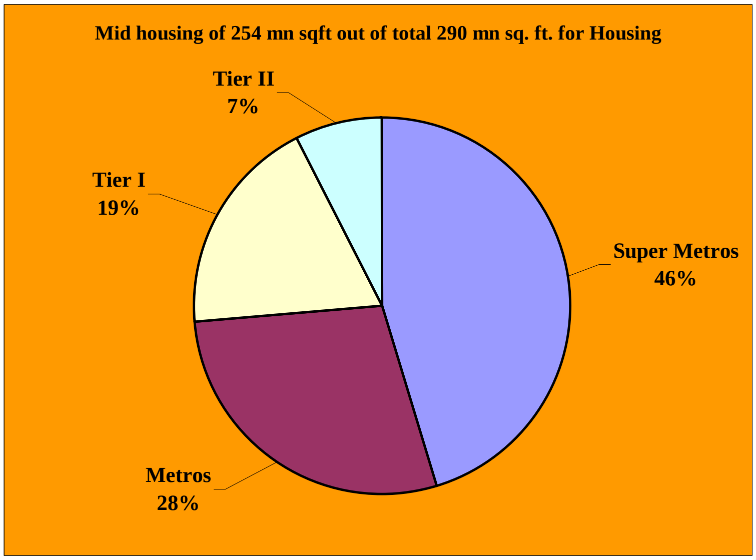
Residential segment

Out of DLF's total potential land for development, the residential segment comprises 290 mn sq. ft., down from 477 mn sq. ft. after the company's exit from the Bidadi and Dankuni townships projects.

Out of the total potential land for affordable residential development of 254mn sq. ft., 46% is from the super metros and 28% from the metros, which clearly indicates that any revival in economic activity will benefit DLF the most, as the demand for affordable houses will come at the right price points

However, DLF's area under construction for homes increased from 12.1 mn sq. ft. at the end of Q4 FY08 to 25 mn sq.ft. at the end of Q1 FY10. In view of DLF's increased focus on the residential segment, it is expected to contribute approximately 50% of the company's total revenues in FY10 and 59% in FY11E. Out of the total potential land for residential development (290 mn sq. ft.), the affordable segment has a share of 254 mn sq. ft. (88%), the Luxury segment 32 mn sq. ft. (11%) and the Super luxury 4 mn sq. ft. (1%). Out of the total potential land for affordable residential development of 254mn sq. ft., 46% is from the super metros and 28% from the metros, which clearly indicates that any revival in economic activity will benefit DLF the most, as the demand for affordable houses will come at the right price points.

Affordable segment: 254mn sq. ft. (Region wise break up)



Source: Company Reports and FG Research

DLF's land under development at the end of Q1 FY10

Business category	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10
Residential	8.5	8.5	7.5	12.1	16.3	15.4	14.4	16.2	25.0
Office (commercials)	29.5	34.4	39.8	38.2	36.4	35.6	22.8	15.3	17.1
Retail	13.0	13.4	11.6	11.3	12.4	12.2	8.2	4.5	0.0
Total	**51.0**	**56.4**	**58.9**	**61.6**	**65.0**	**63.2**	**45.4**	**36.0**	**42.1**

Source: Company Reports and FG Research

At the end of Q1 FY10, DLF's total area under development stood at 42 mn sq. ft., out of which 25 mn sq. ft. was for housing and 17.1 mn sq.ft. for offices and commercial complexes.

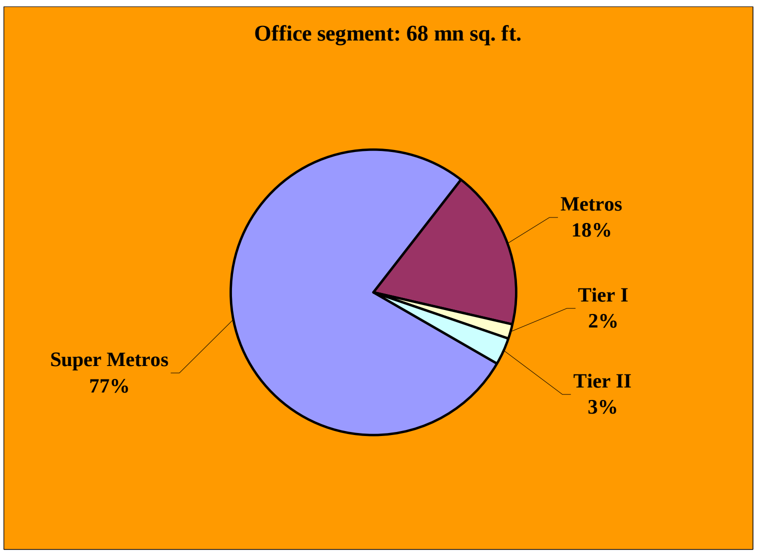
Amidst the dwindling demand scenario in the real estate sector, most realtors have now begun chanting the affordability mantra and developers are focusing mainly on affordable housing. Currently, DLF has 25 mn sq. ft. of homes under construction that fall under the affordable housing category. We expect the company to launch 23 mn sq. ft. of projects in FY10 and 16.5 mn sq. ft. of projects in FY11. We expect DLF to sell around 11.8 mn sq. ft. and 15 mn sq. ft. of residential units in FY10 and FY11 respectively. DLF's residential development will peak in FY15, with its entire land bank being fully developed by FY21, as we have adopted a conservative view and have assumed an execution period of 10-11 years for the full development of the company's current land bank.

Amidst the dwindling demand scenario in the real estate sector, most realtors have now begun chanting the affordability mantra and developers are focusing mainly on affordable housing

Office segment

The Office segment was one of the most attractive segments for DLF until 2008, though the scenario has now changed, with demand for office space still failing to pick up after witnessing a decline. The demand for offices is closely linked to the macro economic environment, particularly to the IT/ITeS sector in India, which has been passing through a rough phase in the last one and half years. The Indian IT/ITES sector is in a bad shape due to the US and European economies going into a recession, resulting in a decline in business volumes. Hence, the demand for offices has declined, as a result of which, rentals have fallen by 30-35% in different regions across India. The fall in rentals was clearly evident in the decline in DLF's area under construction from 38.2 mn sq. ft. at the end of Q4 FY08 to 17 mn sq. ft. at the end of Q1 FY10. DLF's total potential land for office development declined from 164 mn sq. ft. to 68 mn sq. ft. following the company's decision to exit the Bidadi and Dankuni projects until it is able to arrange for project financing. Despite money being infused into DLF through DAL, the company's area under development for offices increased by merely 2 mn sq. ft. in Q1 FY10.

Office segment: 68 mn sq. ft. (Region wise break up)



Source: Company Reports and FG Research

We believe that DLF will go slow in the construction of office space for the next two years, as the demand is sluggish and the company has low working capital. We expect DLF to build a total of 4.8 mn sq. ft. of office space in FY10 and 2 mn sq. ft. in FY11. We expect the Office segment to contribute approximately 32% of the company's revenues in FY10E and FY11E.

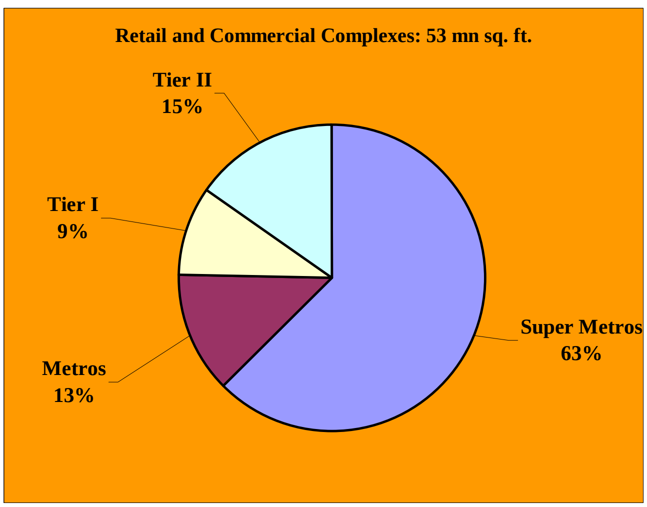
We believe that DLF will go slow in the construction of office space for the next two years, as the demand is sluggish and the company has low working capital

Retail & commercial complex segment

With the rapid growth of the Indian economy over the last few years, the rising income of the Indian middle class population had made the Indian retail sector a red-hot space. Hence, a number of retailers jumped on to the bandwagon, with some players entering into tie-ups with international companies, while others increased their number of outlets. However, with the economy slowing down and the job environment becoming uncertain, retailers began to feel the heat of sluggish demand. This was clearly evident in the decline in DLF's retail area under construction from 11 mn sq. ft. at then end of Q4 FY08 to an almost negligible level at the end of Q1 FY10. DLF's retail area under construction stood at 12.2 mn sq. ft. at the end of the Q3 FY09, though the company was forced to suspend construction of 7.7 mn sq. ft. due to lack of project finance and low demand. DLF has also postponed all its new launches planned in the retail space due to lack of incremental leasing, as customers continue to remain in a wait and watch mode. DLF's total potential land for retail development now stands at 53 mn sq. ft., down from 92 mn sq. ft., as of September 30, 2008, primarily due to the company scraping the Dankuni and Bidadi projects on account of land acquisition issues. We expect DLF to build total office space of 0.1 mn sq. ft. in FY10 and 1.0 mn sq. ft. in FY11. We expect the Retail and commercial complex segment to contribute approximately 4% of the company's total revenues in FY10 and 5.6% in FY11E.

DLF has also postponed all its new launches planned in the retail space due to lack of incremental leasing, as customers continue to remain in a wait and watch mode

Retail Area: 53 mn sq. ft. (Region wise break up)



Source: Company Reports and FG Research

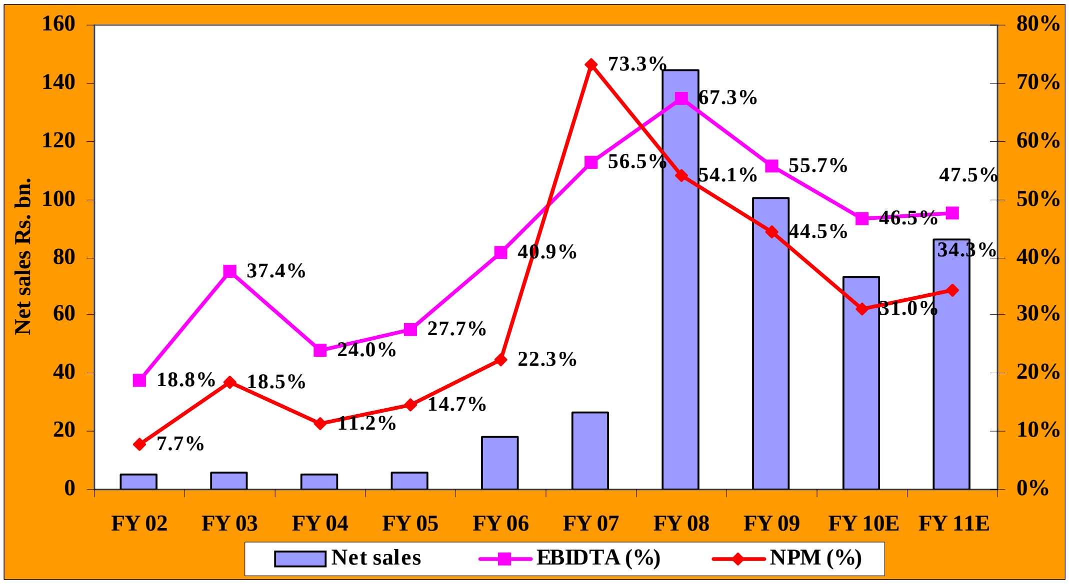
Section II

Financial Highlights

Sales and Margins

Over the period of FY04-09, DLF's topline has recorded a CAGR of 81.7% to Rs.100.35 bn and the company recorded a negative topline growth of 30.5% in FY09 for the first time since FY05. We expect the company's topline to record a negative growth of 27% to Rs.73.2 bn in FY10.

Net Sales, EBIDTA & PAT margin trend (consolidated)



Source: Company Reports, FG Research

EBIDTA margin to decline due to focus on mid-income houses…

Given the likely revival in the broader economy over the next few quarters and consequently, acceleration in demand, we expect DLF to liquidate its residual land bank at a faster pace and on more favourable terms

DLF's EBIDTA margin has been on an upward trend since FY04, up from 24% to 67% in FY08, mainly on account of the property boom and company's product offerings in the office & retail space, which earn higher margins. The upward trend in the EBIDTA margin reversed in FY09, due to the property bubble going bust and the company recorded an operating margin of 55.7% for the year. We expect the EBIDTA margin to decline further to 46.5% in FY10 and settle at around 47.5% in FY11, as the company has launched new projects at significant discounts in city-centric locations across the country. DLF has re-drawn all its new project launches, made modifications in its flats and projects, and also adopted multiple raw material sourcing strategies in order to reduce its construction costs. Given the likely revival in the broader economy over the next few quarters and consequently, acceleration in demand, we expect DLF to liquidate its residual land bank at a faster pace and on more favourable terms.

Revenue Mix

We expect the company's topline to record a negative growth of 27% to Rs.73.2 bn in FY10, out of which the residential segment is expected to contribute 46.50% (total sales of Rs.73.2 bn), while the balance from the sales & rental of office & retail space. DLF is expected to launch 23.9 mn sq. ft. of residential property, 1.2 mn sq. ft. of office space, and 0.5 mn sq. ft. of retail space in FY10. We expect the company to sell 11.8 mn sq. ft. of residential space and 4.1 mn sq. ft. of office & retail space in FY10.

Revenue mix (consolidated) Rs. Mn

	FY10E	FY11E
Residential	34,069	47,532
Office	23,512	27,336
Retail	2,795	4,788
Other Income	12,346	5,031
Total Sales	**73,279**	**85,858**

Source: Company Reports and FG Research

Debt repayment to drive improvement in leverage ratio

DLF plans to raise Rs.55 bn by selling its non-core assets and has received Rs.25 bn from DAL as receivables. DLF plans to reduce its net debt from Rs.151.6 bn as on FY09 to Rs.62 bn. To our mind, the company's debt reduction is dependent on its ability to sell its non-core assets. Hence, we have adopted a conservative view and estimate DLF's net debt to remain at Rs.91.6 bn at the end of FY10 and expect the company to repay Rs.58 bn towards debt reduction. The company's debt equity will decline significantly from 0.66x in FY09 to 0.40x in FY10E.

Free cash flow turns positive due to decline in debtors & working capital…

Historically, DLF has been consistently generating negative operating cash flow, mainly due to the land acquisitions to create land bank and increase in working capital over the years. In FY10, DLF is expected to generate positive operating cash flow, mainly due to a decline in debtors in particular and an overall reduction in its working capital in general.

Free Cash Flow Analysis (Consolidated)

YE March (Rs. mn)	FY07	FY08	FY09	FY10E	FY11E
EBITA	**14,319**	**96,250**	**53,511**	**31,169**	**37,453**
Less: Adjusted Taxes	3,411	17,507	6,960	6,187	7,491
NOPLAT	**10,908**	**78,744**	**46,550**	**24,982**	**29,962**
Plus: Depreciation	578	901	2,390	2,892	3,328
Gross Cashflow	**11,486**	**79,644**	**48,940**	**27,874**	**33,291**
Less: Increase in Working Capital	73,715	100,207	51,390	(28,815)	(3,742)
Operating Cashflow	**(62,229)**	**(20,563)**	**(2,450)**	**56,690**	**37,033**
Less: Net Capex	17,631	59,081	38,364	(4,798)	15,683
Less: Increase in Net Other Assets	(3,013)	8,029	63	1,575	(793)
FCF From Operation	**(76,847)**	**(87,673)**	**(40,877)**	**59,913**	**22,143**
FCF after Investment	**(76,847)**	**(87,673)**	**(40,877)**	**59,913**	**22,143**
Total FCF	**(76,847)**	**(87,673)**	**(40,877)**	**59,913**	**22,143**

Source: Company Reports and FG research

Return ratios to decline sharply…

Since 2004, DLF's RoE was on an upward trend, but declined sharply in FY09, due to decline in the operating margin. We expect the RoE to decline further to 9.5% in FY10, on account of a decline in the company's margins due to its focus on mid-income housing projects, which earn lower margins. The company's net earnings to EBIDTA ratio is also expected to decline from 84.7% in FY04 to 66.7% in FY10E, which will also contribute to the decline in return ratios.

We expect the RoE to decline further to 9.5% in FY10, on account of a decline in the company's margins due to its focus on mid-income housing projects, which earn lower margins

Dupont Model

DuPont Model

YE March	**FY07**	**FY08**	**FY09**	**FY10E**	**FY11E**
EBIDTA/Sales (%)	56.5%	67.3%	55.7%	46%	47%
Sales/Operating Assets (x)	0.3x	0.7x	0.3x	0.2x	0.3x
EBIDTA/Operating Assets (%)	**18.8%**	**47.6%**	**17.1%**	**9.7%**	**12.1%**
Operating Assets/ Net Assets (x)	0.8x	0.9x	0.9x	0.9x	0.9x
Net Earnings/ EBIDTA (%)	129.7%	80.4%	79.9%	66.7%	72.2%
Net Assets/ Equity (x)	4.7x	2.1x	1.8x	1.6x	1.4x
Return on Equity (%)	**96.4%**	**70.6%**	**21.4%**	**9.5%**	**11.2%**

Source: Company Reports and FG research

Quarterly Result Analysis (Consolidated)

YE March (Rs. mn)	Q1 FY10	Q1 FY09	*Y-o-Y change %*	Q4 FY09
Net Sales	**16,499**	**38,106**	***(56.7%)***	**11,223**
Less:				
Cost of land, plots and constructed properties	5,583	11,184	*(50.1%)*	4,914
Purchase of Finished Goods	1,073	876	*22.5%*	863
Advertisement and sales promotion Exp.	1,270	1,577	*(19.5%)*	2,526
Personnel	1,132	1,025	*10.4%*	1,375
Total Expenditure	**9,057**	**14,662**	***(38.2%)***	**9,677**
EBIDTA	**7,441**	**23,445**	***(68.3%)***	**1,546**
Less: Depreciation	734	546	*34.5%*	516
EBIT	**6,707**	**22,899**	***(70.7%)***	**1,029**
Less: Interest	2,874	541	*430.9%*	1,625
Add: Other income	961	357	*169.0%*	2,291
Profit Before Extra-ordinary items and Tax	**4,794**	**22,715**	***(78.9%)***	**1,695**
Less: Total Tax	**993**	**3,766**	***(73.6%)***	**(2)**
Profit After Tax Before Minority Interest	**3,801**	**18,948**	***(79.9%)***	**1,697**
Minority Interest - Share of loss/(profit)	(165)	107	***(253.5%)***	100
Share of Profit/ (Loss) in Associates	6	201	***(97.1%)***	7
Profit After Tax	**3,960**	**18,640**	***(78.8%)***	**1,591**
Profit After Tax Excl. extra-ordinaries	3,960	18,640	*(78.8%)*	1,591
Shares Outstanding (mn)	1,697	1,705		1,697
Reported EPS (Rs.)	**2.33**	**10.93**	***(78.7%)***	**0.94**
Proforma EPS (Rs.)	**2.33**	**10.93**	***(78.7%)***	**0.94**
Margin Analysis				
EBIDTA Margin	45.1%	61.5%		13.8%
Proforma NPM	24.0%	48.9%		14.2%
Effective Tax Rate	20.7%	16.6%		-0.1%
Cost Analysis				
RM/Net Sales	33.8%	29.3%		43.8%
Purchase of Finished Goods	6.5%	2.3%		7.7%
Adv.& Sales Promotion Expenses./Net Sales	7.7%	4.1%		22.5%
Other Expenses./Net Sales	0.0%	0.0%		0.0%
Personnel/Net Sales	6.9%	2.7%		12.2%

Source: Company Reports

A Y-o-Y comparison makes DLF's overall numbers for Q1 FY10 appear unattractive, as the company's topline in absolute terms for the quarter came in lower than the bottomline recorded in Q1 FY09. However, a sequential comparison reveals that DLF posted a good set of numbers for Q1 FY10. The company recorded net revenues of Rs.16.50 bn in Q1 FY10, down 56.74% Y-o-Y, but up 47% sequentially, driven by sales of 2.5 mn sq. ft. of residential space of DLF Capital Greens project at Swatantra Bharat Mills (SBM), which is one of the company's first mid-income projects at a city centric location, and 1 mn sq. ft. of commercial space in the NCR region. The EBIDTA margin declined 16.4% Y-o-Y, mainly on account of the company's focus on mid-income residential houses instead of the commercial and retail space. DLF reported a net profit of Rs.3.96 bn for the quarter, down 78.8% Y-o-Y, but up 149% sequentially, driven mainly by a sharp rise of 431% Y-o-Y in interest expense to Rs.2.87 bn. The EPS for the quarter came in at Rs.2.23.

Other major highlights in Q1 FY10

- ***Area under development increases by 8.8 mn sq ft.:*** DLF launched 8.8 mn sq. ft. of residential houses in the quarter, while its office and retail space declined 2.7 mn sq. ft., which led to an overall increase in the company's area under construction from 35.5 mn sq. ft. to 42 mn sq. ft. The company appears optimistic over enquires for leasing of commercial space, though it still remains to be seen if these enquiries actually convert into leases and sales in the coming months.

  The company appears optimistic over enquires for leasing of commercial space, though it still remains to be seen if these enquiries actually convert into leases and sales in the coming months

- ***De-levering balance sheet:*** DLF's balance sheet witnessed an improvement in Q1 FY10, as the company's gross debt declined by Rs.15.45 bn to Rs.147.75 bn (DLF repaid Rs.34.6 bn of outstanding debt and availed new loans of Rs.19.15 bn). The company's mandatory debt repayable for FY10 stands at Rs.36.46 bn, out of which Rs.24.81 bn has already been paid in the first four months of FY10.

- ***Sale of non-core assets:*** DLF sold off its non-core assets amounting to Rs.5 bn in Q1 FY10 and is expected to sell an additional Rs.50 bn in the current fiscal.

- ***Concern over receivables from DAL fades away:*** Receivables from DAL declined from Rs.48.65 bn to Rs.23.65 bn, following a stake dilution of 9.9% by DLF's promoters through Qualified Institutional Placement (QIP) to raise Rs.38.6 bn. DAL is expected to contribute an additional Rs.5 bn in FY10.

Financials (Consolidated)

Earnings Model (Consolidated)

YE March Rs. mn	Q1 FY09	Q2 FY09	Q3 FY09	Q4 FY09	FY FY09	Q1 FY10	Q2 FY10E	Q3 FY10E	Q4 FY10E	FY FY10E	FY FY11E
Total Revenue	**38,106**	**37,444**	**13,667**	**11,223**	**100,354**	**16,499**	**18,320**	**18,943**	**19,518**	**73,279**	**85,858**
Less:											
Cost of land, plots and constructed properties	11,184	11,806	1,856	4,914	28,593	5,583	6,373	6,423	6,516	24,894	31,108
Net	**11,184**	**11,806**	**1,856**	**4,914**	**28,593**	**5,583**	**6,373**	**6,423**	**6,516**	**24,894**	**31,108**
Cost of revenue - others	876	1,057	974	863	3,702	1,073	879	852	878	3,683	3,005
Personnel	1,025	582	1,210	1,375	4,537	1,132	1,188	1,367	1,503	5,190	5,812
Other expenditure	1,577	1,829	1,907	2,526	7,550	1,270	1,374	1,383	1,425	5,451	5,151
Total Cost	**14,662**	**15,274**	**5,947**	**9,677**	**44,382**	**9,057**	**9,814**	**10,024**	**10,322**	**39,218**	**45,077**
EBIDTA	**23,445**	**22,170**	**7,720**	**1,546**	**55,972**	**7,441**	**8,505**	**8,918**	**9,196**	**34,061**	**40,781**
Less: Depreciation	546	505	788	516	2,388	734	667	798	693	2,892	3,328
EBIT	**22,899**	**21,665**	**6,932**	**1,029**	**53,585**	**6,707**	**7,839**	**8,120**	**8,503**	**31,169**	**37,453**
Interest Paid	541	469	938	1,625	5,548	2,874	947	842	894	5,557	3,609
Non-operating Income	357	958	1,361	2,291	3,960	961	641	530	625	2,757	3,263
Profit Before Tax	**22,715**	**22,154**	**7,356**	**1,695**	**51,996**	**4,794**	**7,533**	**7,809**	**8,234**	**28,370**	**37,106**
Profit Before Tax Excl. extra-ordinaries	**22,715**	**22,154**	**7,356**	**1,695**	**51,996**	**4,794**	**7,533**	**7,809**	**8,234**	**28,370**	**37,106**
Tax	3,768	3,225	1,058	(257)	7,558	916	1,507	1,562	1,647	5,631	7,421
Profit After Tax before Minority Interest	**18,948**	**19,342**	**6,818**	**1,697**	**45,182**	**3,801**	**6,027**	**6,247**	**6,587**	**22,738**	**29,685**
Minority Interest	107	75	20	100	275	(165)	37	57	78	7	258
Profit After Tax	**18,640**	**19,354**	**6,708**	**1,591**	**44,696**	**3,960**	**5,990**	**6,190**	**6,509**	**22,732**	**29,427**
Profit After Tax Excl. extra-ordinaries	**18,640**	**19,354**	**6,708**	**1,591**	**44,696**	**3,960**	**5,990**	**6,190**	**6,509**	**22,732**	**29,427**
Diluted EPS (Rs.)	10.92	11.33	3.93	0.94	26.24	2.33	3.53	3.65	3.84	13.39	17.34
Diluted EPS Excl. extraordinaries (Rs.)	10.92	11.33	3.93	0.94	26.24	2.33	3.53	3.65	3.84	13.39	17.34
Margins											
EBIDTA Margin (%)	61.5%	59.2%	56.5%	13.8%	55.8%	45.1%	46.4%	47.1%	47.1%	46.5%	47.5%
EBIT Margin (%)	60.1%	57.9%	50.7%	9.2%	53.4%	40.7%	42.8%	42.9%	43.6%	42.5%	43.6%
PBT Margin (%)	59.6%	59.2%	53.8%	15.1%	51.8%	29.1%	41.1%	41.2%	42.2%	38.7%	43.2%
NPM (%)	48.9%	51.7%	49.1%	14.2%	44.5%	24.0%	32.7%	32.7%	33.3%	31.0%	34.3%
NPM Excl. extra-ordniaries (%)	48.9%	51.7%	49.1%	14.2%	44.5%	24.0%	32.7%	32.7%	33.3%	31.0%	34.3%
Effective Tax Rate (%)	16.6%	12.7%	7.3%	(0.1%)	13.1%	20.7%	20.0%	20.0%	20.0%	19.8%	20.0%

Profit & Loss A/c

YE March (Rs. mn)	FY07	FY08	FY09	FY10E	FY11E
Total Revenue	**26,374**	**144,375**	**100,354**	**73,279**	**85,858**
Less:					
Cost of land, plots and constructed properties	7,278	39,998	32,295	28,577	34,113
Personnel	1,051	2,998	4,537	5,190	5,812
Selling, General & Administrative Expenses	3,045	3,987	6,994	4,719	4,293
Miscellaneous Expenses	103	242	628	733	859
Total Operating Expenditure	**11,477**	**47,224**	**44,454**	**39,218**	**45,077**
EBIDTA	**14,897**	**97,151**	**55,900**	**34,061**	**40,781**
Less: Depreciation	578	901	2,390	2,892	3,328
EBIT	**14,319**	**96,250**	**53,511**	**31,169**	**37,453**
Interest Paid	3,076	3,100	5,548	5,557	3,609
Non-operating Income	14,159	2,464	3,960	2,757	3,263
Profit Before tax	**25,402**	**95,614**	**51,922**	**28,370**	**37,106**
Tax	6,052	17,391	6,754	5,631	7,421
Minority Interest	24	91	486	7	258
Net Profit	**19,326**	**78,133**	**44,682**	**22,732**	**29,427**
Net Profit Excl. extra-ordinaries	**19,326**	**78,133**	**44,682**	**22,732**	**29,427**

Common size Profit & Loss A/c

YE March	FY07	FY08	FY09	FY10E	FY11E
Total Revenue	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Less:					
Cost of land, plots and constructed properties	27.6%	27.7%	32.2%	39.0%	39.7%
Personnel	4.0%	2.1%	4.5%	7.1%	6.8%
Selling, General & Administrative Expenses	11.5%	2.8%	7.0%	6.4%	5.0%
Miscellaneous Expenses	0.4%	0.2%	0.6%	1.0%	1.0%
Total Operating Expenditure	**43.5%**	**32.7%**	**44.3%**	**53.5%**	**52.5%**
EBIDTA	**56.5%**	**67.3%**	**55.7%**	**46.5%**	**47.5%**
Less: Depreciation	2.2%	0.6%	2.4%	3.9%	3.9%
EBIT	**54.3%**	**66.7%**	**53.3%**	**42.5%**	**43.6%**
Interest Paid	11.7%	2.1%	5.5%	7.6%	4.2%
Non-operating Income	53.7%	1.7%	3.9%	3.8%	3.8%
Profit Before tax	**96.3%**	**66.2%**	**51.7%**	**38.7%**	**43.2%**
Tax	22.9%	12.0%	6.7%	7.7%	8.6%
Minority Interest	73.3%	54.1%	44.5%	31.0%	34.3%
Net Profit	**73.3%**	**54.1%**	**44.5%**	**31.0%**	**34.3%**
Net Profit Excl. extra-ordinaries	**73.3%**	**54.1%**	**44.5%**	**31.0%**	**34.3%**

Balance Sheet

YE March (Rs. mn)	FY07	FY08	FY09	FY10E	FY11E
Liabilities					
Equity Capital	3,059	3,410	3,394	3,394	3,394
Reserves & Surplus	22,992	183,977	224,184	244,937	272,239
Equity	**26,051**	**187,387**	**227,578**	**248,331**	**275,633**
Preference Share Capital	9,498	9,496	13,960	13,960	13,960
Net Worth	**35,549**	**196,883**	**241,538**	**262,291**	**289,593**
Minority Interest	92	3,895	6,336	6,343	6,600
Net Deferred tax liability/(Asset)	197	359	(414)	(414)	(414)
Total Loans	**99,327**	**122,771**	**163,201**	**105,201**	**80,201**
Capital Employed	**135,165**	**323,907**	**410,662**	**373,421**	**375,981**
Assets					
Gross Block	18,044	51,626	84,867	87,711	95,097
Less: Depreciation	2,412	3,435	5,743	8,635	11,963
Net Block	**15,632**	**48,191**	**79,124**	**79,076**	**83,134**
Capital WIP	26,219	51,840	56,882	49,240	57,537
Investments	**2,107**	**9,102**	**14,025**	**8,794**	**8,586**
Intangible Assets	8,935	20,931	22,651	22,651	22,651
Current Assets					
Inventories	56,799	94,544	109,282	110,874	114,693
Sundry Debtors	15,057	76,106	95,449	62,728	66,146
Cash and Bank Balance	4,155	21,421	11,956	13,517	8,837
Loans and Advances	52,258	73,686	97,120	92,332	94,444
Other Current Assets	74	243	2,417	1,832	2,146
Total Current Assets	**128,343**	**266,001**	**316,224**	**281,283**	**286,265**
Less: Current Liabilities & Provisions					
Sundry Creditors	2,678	31,129	25,719	24,959	28,688
Provisions	12,948	29,518	36,840	24,343	32,039
Other Current Liabilities	30,446	11,511	15,685	18,320	21,464
Total Current Liabilities & Provisions	**46,072**	**72,157**	**78,244**	**67,622**	**82,191**
Capital Applied	**135,165**	**323,907**	**410,662**	**373,421**	**375,981**

Common Size Balance Sheet

YE March	FY07	FY08	FY09	FY10E	FY11E
Liabilities					
Equity Capital	2.3%	1.1%	0.8%	0.9%	0.9%
Reserves & Surplus	17.0%	56.8%	54.6%	65.6%	72.4%
Equity	**19.3%**	**57.9%**	**55.4%**	**66.5%**	**73.3%**
Preference Share Capital	7.0%	2.9%	3.4%	3.7%	3.7%
Net Worth	**26.3%**	**60.8%**	**58.8%**	**70.2%**	**77.0%**
Minority Interest	0.1%	1.2%	1.5%	1.7%	1.8%
Net Deferred tax liability/(Asset)	0.1%	0.1%	-0.1%	-0.1%	-0.1%
Total Loans	73.5%	37.9%	39.7%	28.2%	21.3%
Capital Employed	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Assets					
Gross Block	13.3%	15.9%	20.7%	23.5%	25.3%
Less: Depreciation	1.8%	1.1%	1.4%	2.3%	3.2%
Net Block	11.6%	14.9%	19.3%	21.2%	22.1%
Capital WIP	19.4%	16.0%	13.9%	13.2%	15.3%
Investments	**1.6%**	**2.8%**	**3.4%**	**2.4%**	**2.3%**
Intangible Assets	6.6%	6.5%	5.5%	6.1%	6.0%
Current Assets					
Inventories	42.0%	29.2%	26.6%	29.7%	30.5%
Sundry Debtors	11.1%	23.5%	23.2%	16.8%	17.6%
Cash and Bank Balance	3.1%	6.6%	2.9%	3.6%	2.4%
Loans and Advances	38.7%	22.7%	23.6%	24.7%	25.1%
Other Current Assets	0.1%	0.1%	0.6%	0.5%	0.6%
Total Current Assets	**95.0%**	**82.1%**	**77.0%**	**75.3%**	**76.1%**
Less: Current Liabilities & Provisions					
Sundry Creditors	2.0%	9.6%	6.3%	6.7%	7.6%
Provisions	9.6%	9.1%	9.0%	6.5%	8.5%
Other Current Liabilities	22.5%	3.6%	3.8%	4.9%	5.7%
Total Current Liabilities & Provisions	**34.1%**	**22.3%**	**19.1%**	**18.1%**	**21.9%**
Capital Applied	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Cash Flow

YE March (Rs. mn)	FY07	FY08	FY09	FY10E	FY11E
Cash Inflows					
From Operations					
Profit Before Tax	25,402	95,614	51,922	28,370	37,106
Depreciation	578	901	2,390	2,892	3,328
Less:					
Dividend Payout	3,989	7,981	3,124	1,986	2,383
Tax Paid	6,052	17,391	6,754	5,631	7,421
Operating Cashflow	**15,939**	**71,143**	**44,434**	**23,645**	**30,631**
Changes in Capital Structure					
Increase in Equity Share capital	2,681	351	(15)	0	0
Increase in Share premium	(97)	90,382	9	0	0
Increase in Other reserves	(1,932)	361	(1,847)	(0)	0
Increase in Pref. Capital	9,498	(3)	4,464	0	0
Increase in Others	14	162	(773)	0	0
Inc/(Dec) in Loans	58,006	23,444	40,431	(58,000)	(25,000)
Inc/(Dec) in Minority Interest	38	3,803	2,442	7	258
Inc/(Dec) in Equity/Loans/MI	**68,208**	**118,500**	44,710	**(57,993)**	**(24,742)**
Adjustments					
Diff. in Depreciation	(53)	123	(82)	(0)	(0)
Total Inflows	**84,094**	**189,766**	89,063	**(34,349)**	**5,888**
Cash Outflows					
Working Capital Changes					
Inc/(Dec) in Provisions	9,584	16,570	7,322	(12,497)	7,696
Inc/(Dec) in Current Liabilities	18,502	9,516	(1,235)	1,875	6,873
Less:					
Inc/(Dec) in Inventory	47,995	37,745	14,738	1,592	3,819
Inc in Debtors	8,476	61,049	19,342	(32,721)	3,418
Inc/(Dec) in Loans & Advances	41,486	21,428	23,434	(4,788)	2,112
Inc/(Dec) in Other Current Assets	49	169	2,174	(585)	314
Inc/(Dec) in Working Capital	**69,920**	**94,306**	53,602	(25,880)	(4,907)
Capex/Investments					
Inc/(Dec) in Investments	(6,042)	6,995	4,923	(5,231)	(208)
Addition to Gross Block	7,991	33,582	33,241	2,844	7,386
Inc/(Dec) in Capital WIP	9,586	25,622	5,042	(7,642)	8,297
Inc/(Dec) in Other Assets	433	11,995	1,720	0	0
Inc/(Dec) in Fixed Assets/ Investments	**11,968**	**78,194**	**44,926**	**(10,029)**	**15,475**
Inc/(Dec) in Cash/Bank Balance	2,205	17,266	(9,465)	1,561	(4,680)
Total Outflows	**84,094**	**189,766**	**89,063**	**(34,349)**	**5,888**

Common Size Cash Flow

YE March	FY07	FY08	FY09	FY10E	FY11E
Cash Inflows					
From Operations					
Profit Before Tax	30.2%	50.4%	58.3%	(82.6%)	630.2%
Depreciation	0.7%	0.5%	2.7%	(8.4%)	56.5%
Less:					
Dividend Payout	4.7%	4.2%	3.5%	(5.8%)	40.5%
Tax Paid	7.2%	9.2%	7.6%	(16.4%)	126.0%
Operating Cashflow	**19.0%**	**37.5%**	**49.9%**	**(68.8%)**	**520.2%**
Changes in Capital Structure					
Increase in Equity Share capital	3.2%	0.2%	(0.0%)	0.0%	0.0%
Increase in Share premium	(0.1%)	47.6%	0.0%	0.0%	0.0%
Increase in Other reserves	(2.3%)	0.2%	(2.1%)	0.0%	0.0%
Increase in Pref Capital	11.3%	(0.0%)	5.0%	0.0%	0.0%
Increase in Others	0.0%	0.1%	(0.9%)	0.0%	0.0%
Inc/(Dec) in Loans	69.0%	12.4%	45.4%	168.9%	(424.6%)
Inc/(Dec) in Minority Interest	0.0%	2.0%	2.7%	(0.0%)	4.4%
Inc/(Dec) in Equity/Loans/MI	**81.1%**	**62.4%**	**50.2%**	**168.8%**	**(420.2%)**
Adjustments					
Prior Period Adjustments	0.0%	0.0%	0.0%	0.0%	0.0%
Diff.in Depreciation	(0.1%)	0.1%	(0.1%)	0.0%	(0.0%)
Total Inflows	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Cash Outflows					
Working Capital Changes					
Inc/(Dec) in Provisions	11.4%	8.7%	8.2%	36.4%	130.7%
Inc/(Dec) in Current Liabilities	22.0%	5.0%	(1.4%)	(5.5%)	116.7%
Less:					
Inc/(Dec) in Inventory	57.1%	19.9%	16.5%	(4.6%)	64.9%
Inc in Debtors	10.1%	32.2%	21.7%	95.3%	58.0%
Inc/(Dec) in Loans & Advances	49.3%	11.3%	26.3%	13.9%	35.9%
Inc/(Dec) in Other Current Assets	0.1%	0.1%	2.4%	1.7%	5.3%
Inc/(Dec) in Working Capital	**83.1%**	**49.7%**	**60.2%**	**75.3%**	**(83.3%)**
Capex/Investments					
Inc/(Dec) in Investments	(7.2%)	3.7%	5.5%	15.2%	(3.5%)
Addition to Gross Block	9.5%	17.7%	37.3%	(8.3%)	125.4%
Inc/(Dec) in Capital WIP	11.4%	13.5%	5.7%	22.2%	140.9%
Inc/(Dec) in Other Assets	0.5%	6.3%	1.9%	0.0%	0.0%
Inc. in Misc. Assets	0.0%	0.0%	0.0%	0.0%	0.0%
Inc/(Dec) in Fixed Assets/ Investments	**14.2%**	**41.2%**	**50.4%**	**29.2%**	**262.8%**
Inc/(Dec) in Cash/Bank Balance	2.6%	9.1%	(10.6%)	(4.5%)	(79.5%)
Total Outflows	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Free Cash Flow

YE March (Rs. mn)	FY07	FY08	FY09	FY10E	FY11E
EBITA	**14,319**	**96,250**	**53,511**	**31,169**	**37,453**
Less: Adjusted Taxes	3,411	17,507	6,960	6,187	7,491
NOPLAT	**10,908**	**78,744**	**46,550**	**24,982**	**29,962**
Plus: Depreciation	578	901	2,390	2,892	3,328
Gross Cashflow	**11,486**	**79,644**	**48,940**	**27,874**	**33,291**
Less: Increase in Working Capital	73,715	100,207	51,390	(28,815)	(3,742)
Operating Cashflow	**(62,229)**	**(20,563)**	**(2,450)**	**56,690**	**37,033**
Less: Net Capex	17,631	59,081	38,364	(4,798)	15,683
Less: Increase in Net Other Assets	(3,013)	8,029	63	1,575	(793)
FCF From Operation	**(76,847)**	**(87,673)**	**(40,877)**	**59,913**	**22,143**
FCF after Investment	**(76,847)**	**(87,673)**	**(40,877)**	**59,913**	**22,143**
Total FCF	**(76,847)**	**(87,673)**	**(40,877)**	**59,913**	**22,143**

IMPORTANT DISCLOSURES

Price Target

Price targets (if any) are derived from a subjective and/or quantitative analysis of financial and non-financial data of the concerned company using a combination of P/E, P/Sales, earnings growth, and its stock price history.

The risks that may impede achievement of the price target/investment thesis are –

- **Better demand for commercial and retail segment than expected.**
- **Company launching higher number of units than expected will impact the stock.**
- **Higher Realisation than expected would lead to higher profitability**
- **Any regulatory development on opening up of realty sectors for FDI would impact the stock**

First Global's Rating System

Our rating system consists of three categories of ratings: Positive, Neutral and Negative. Within each of these categories, the rating may be absolute or relative. When assigning an absolute rating, the price target, if any, and the time period for the achievement of this price target, are given in the report. Similarly when assigning a relative rating, it will be with respect to certain market/sector index and for a certain period of time, both of which are specified in the report.

Rating in this report is relative to: CNX Nifty Index

Positive Ratings

(i) Buy (B) – *This rating means that we expect the stock price to move up and achieve our specified price target, if any, over the specified time period.*

(ii) Buy at Declines (BD) – *This rating means that we expect the stock to provide a better (lower) entry price and then move up and achieve our specified price target, if any, over the specified time period.*

(iii) Outperform (OP) – *This is a relative rating, which means that we expect the stock price to outperform the specified market/sector index over the specified time period.*

Neutral Ratings

(i) Hold (H) – *This rating means that we expect no substantial move in the stock price over the specified time period.*

(ii) Marketperform (MP) – *This is a relative rating, which means that we expect the stock price to perform in line with the performance of the specified market/sector index over the specified time period.*

Negative Ratings

(i) Sell (S) – *This rating means that we expect the stock price to go down and achieve our specified price target, if any, over the specified time period.*

(ii) Sell into Strength (SS) – *This rating means that we expect the stock to provide a better (higher) exit price in the short term, by going up. Thereafter, we expect it to move down and achieve our specified price target, if any, over the specified time period.*

(iii) Underperform (UP) – *This is a relative rating, which means that we expect the stock price to underperform the specified market/sector index over the specified time period.*

(iv) Avoid (A) – *This rating means that the valuation concerns and/or the risks and uncertainties related to the stock are such that we do not recommend considering the stock for investment purposes.*

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