October 2009

Real Estate

Building Up

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Bet on city-centric focused plays: The ongoing recovery in the real estate sector has been faster than expected. While the residential vertical is in a strong growth phase, we expect other verticals such as the retail and commercial sectors to recover faster than expected. We believe, at this stage of the real estate cycle, well managed mid-cap companies with a city-centric focus provide good investment bets. The ongoing recovery in the real estate vertical has been primarily strong in tier-1 cities, such as Mumbai, Delhi and Banglore, while recovery is still to gain momentum in tier-2 and tier-3 cities. We expect tier-1 city-centric players to outperform those with high concentration in tier-2 and tier-3 cities.

Key RE companies have strong monetization visibility: Key mid-cap RE companies have strong monetization visibility over the next three to four years, with top three or four key projects accounting for most of their NAV. The acceleration in the RE recovery will allow these RE companies to accelerate their monetization process and pursue NAV enhancement strategies.

RE sector to enjoy increased access to institutional funding: Worldwide the maturity of the real estate sector is gauged by the availability and access to institutional funding. While the access to institutional funding for domestic real estate companies increased significantly since FY06, the domestic real estate industry continues to be at a nascent growth stage. We expect increased access to institutional funding such as REITs and REMFs to drive growth in the domestic sector over the next few years.

Top picks: The RE sector seems firmly set for recovery, following the successful balance sheet recapitalization by key RE companies and the pick-up in RE activity. We believe key mid cap real estate companies, with a city-centric focus, robust financials and strong near-term monetization visibility, are well placed to capitalize on the growth phase ahead, as they can shift focus to project monetization and pursue NAV enhancement strategies. Again many of the key mid-cap real estate stocks are trading at discounts to their NAV and provide good investment opportunities. Our top picks in the mid-cap real estate segment are Anant Raj, Mahindra Lifespaces and Phoenix Mills.

VALUATION SUMMARY

COMPANY	RATING	CMP	MKT CAP	NAV	TP	EPS (RS/SH)		P/E (X)		ADJ. BV (RS/SH)		P/B (X)	
		(RS/SH)	(RS B)	(RS/SH)	(RS/SH)	FY10	FY11	FY10	FY11	FY10	FY11	FY10	FY11
Anant Raj	Buy	131	38	194	194	7.3	10.4	18.0	12.6	120	129	1.1	1.0
Phoenix Mills	Buy	153	22	220	220	6.0	8.0	25.6	19.1	109	116	1.4	1.3
Mah Life	Buy	322	13	511	511	20.7	26.3	15.5	12.2	236	263	1.4	1.2
Brigade	Buy	115	13	164	164	6.9	10.2	16.7	11.3	91	97	1.3	1.2
Puravankara	Neutral	96	21	124	124	5.3	7.9	18.2	12.2	68	74	1.4	1.3
Peninsula	Neutral	78	22	88	88	8.0	11.7	9.7	6.6	40	46	2.0	1.7

Source: MOSL

Bet on city-centric focused plays

The ongoing recovery in the real-estate sector has been faster than expected

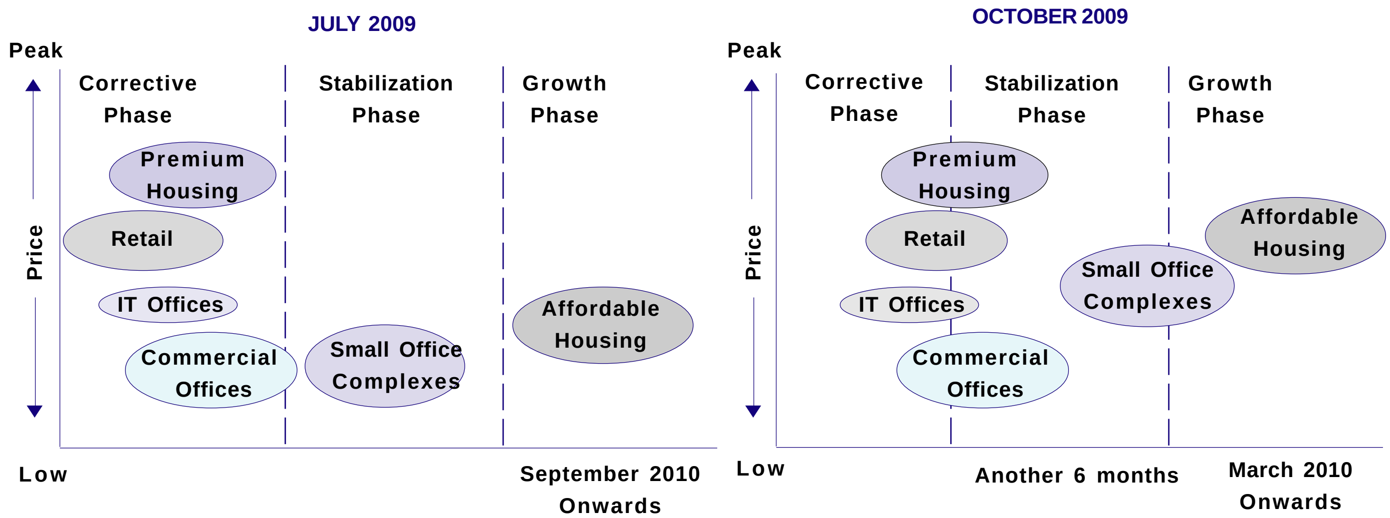
The ongoing recovery in the real estate sector has been faster than expected. While the residential vertical is in a strong growth phase, we expect other verticals such as the retail and commercial sectors to recover faster than expected. We believe, at this stage of real estate cycle, well managed mid-cap companies with a city-centric focus, robust financials and strong near-term monetization provide good investment bets. The ongoing recovery in the real estate vertical has been primarily strong in tier-1 cities, such as Mumbai, Delhi and Banglore, while recovery is still to gain momentum in tier-2 and tier-3 cities. We expect tier-1 city-centric players to outperform those with high concentration in tier-2 and tier-3 cities.

City-centric locations provide higher monetization visibility due to high economic activity, which results in constant job creation and increased demand for office space, residential units and retail malls. City-centric locations also benefit from an increasing trend of urbanization in India. India's Planning Commission estimates that the share of urban population in India's total population would rise to 37% by 2016 from 28% in FY09. Again, most of the mid-cap real estate companies are local or regional players, due to which they have strong contacts with local authorities and a sound understanding of the local market. These attributes allow them to accumulate upcoming attractive land locations for development at relatively lower costs and be more effective than other players in these markets. The ongoing recovery in the real estate vertical has been primarily strong in tier-I cities such as Mumbai, Delhi, Bangalore and Chennai, while recovery has yet to gain momentum in tier-II and tier-III cities. We expect city-centric players to outperform players with high concentration in tier-II and tier-III cities.

The sharp recovery in the residential vertical implies that consumers are fast regaining confidence to make big ticket purchases

The sharp recovery in the residential vertical implies that consumers are fast regaining confidence to make big ticket purchases. Increasing consumer confidence bodes positively for other real estate verticals such as retail, which is a pure play on the domestic consumption. The demand outlook for commercial offices from IT companies is also improving, with indications of pick-up in hiring, by key IT companies. We see this trend to gain strength going into FY11.

VARIOUS RE VERTICALS IN DIFFERENT PHASES OF THE BUSINESS CYCLE

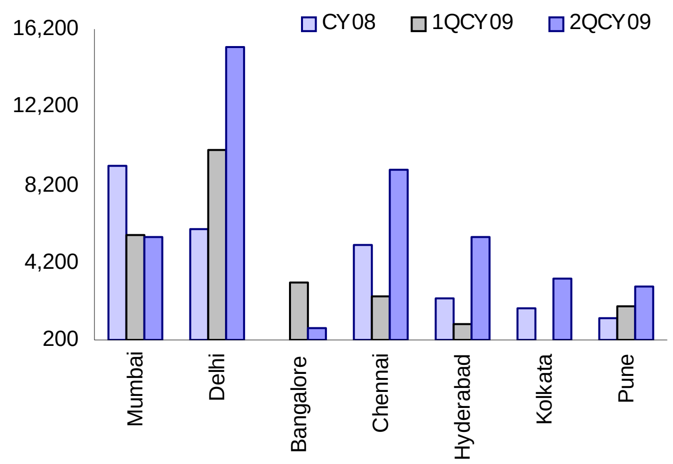


Source: MOSL

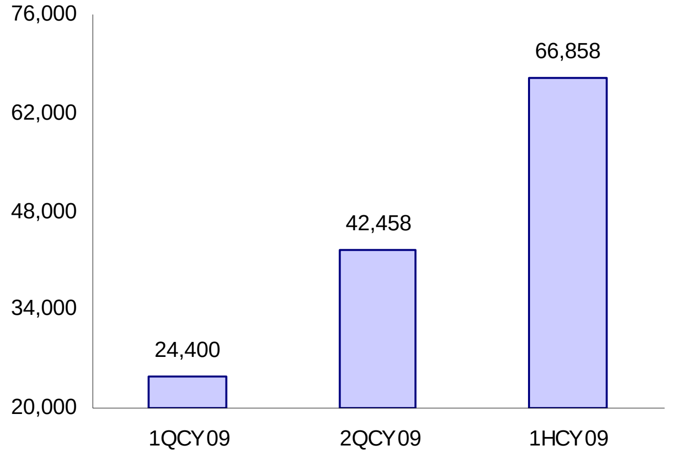
Strong recovery in residential vertical

There has been a sharp increase in launches in the residential vertical in CY09. As per Jones Lang LaSalle Meghraj (JLLM), while the total new launches in 1QCY09 across 7 key metro cities were ~24,400 units, we have witnessed ~42,458 units of new launches in 2QCY09. Tier-1 cities of Delhi and Mumbai alone accounted for almost 64% of the launches in 2QCY09.

NEW LAUNCHES ACROSS KEY CITIES (NOS)



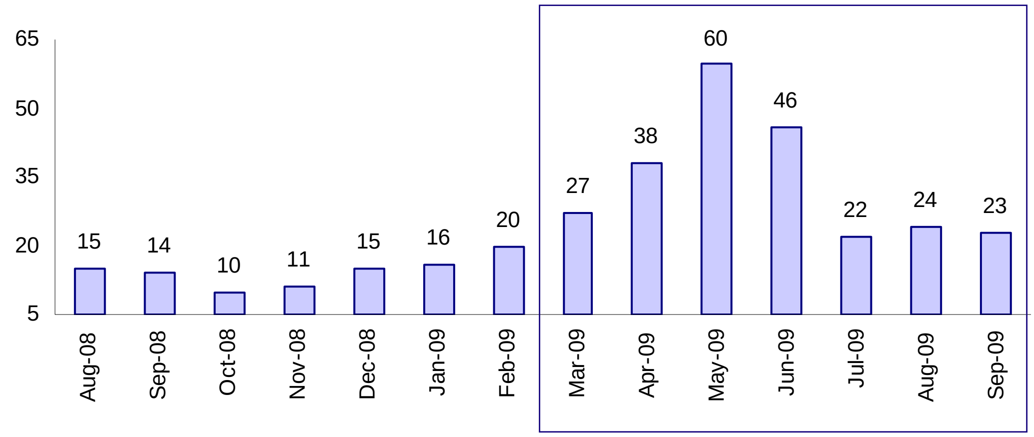
NEW LAUNCHES ACROSS 7 KEY CITIES IN CY08/1HCY09 (NOS)



Source: JLLM/MOSL

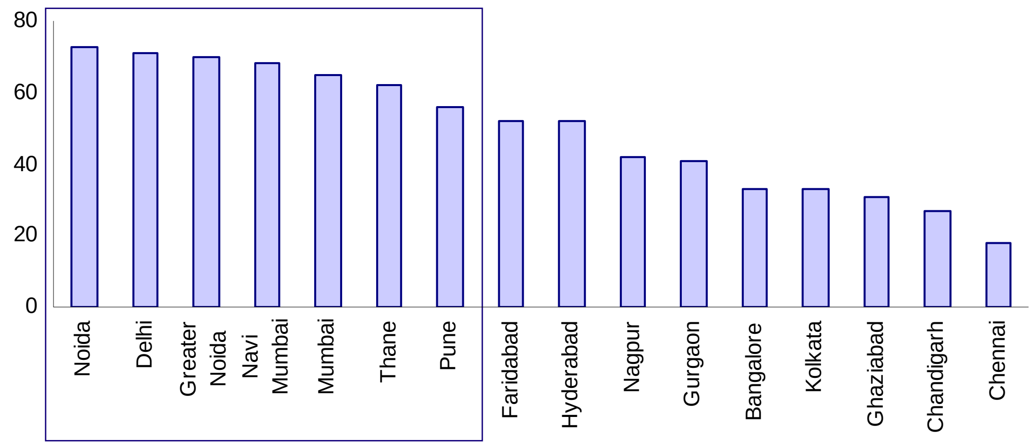
Tier-1 cities of Delhi and Mumbai alone accounted for almost 64% of the launches in 2QCY09

PAN INDIA ABSORBTION RATES HAVE ALSO RECOVERED SHARPLY IN CY09



The ongoing RE recovery has been largely limited to key tier-1 cities

RECOVERY LARGELY LIMITED TO KEY CITIES (ABSORPTION RATES%)

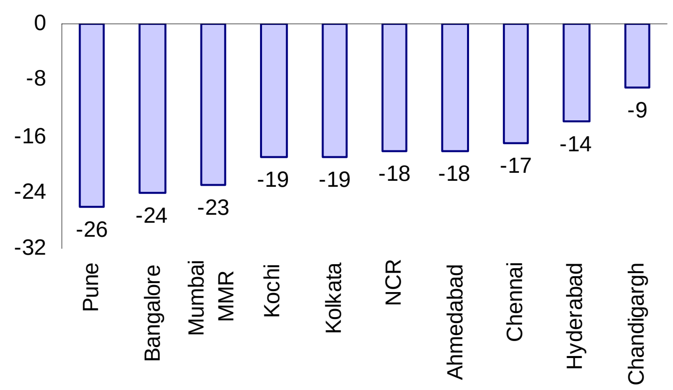


Source: Industry/MOSL

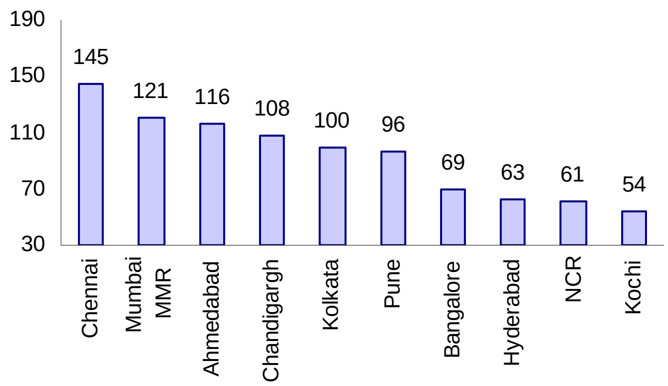
A sharp pick-up in the residential vertical was driven by aggressive price cuts in the real estate sector led by industry leaders such as DLF, Unitech, HDIL and Lodha. Between July 2008 and March 2009, average prices in key tier-1 cities such as Mumbai and Delhi fell by almost ~20%.

AVERAGE CHANGE IN CAPITAL VALUES ACROSS CITIES

FALL DURING JUL-08 TO MAR-09 (%)



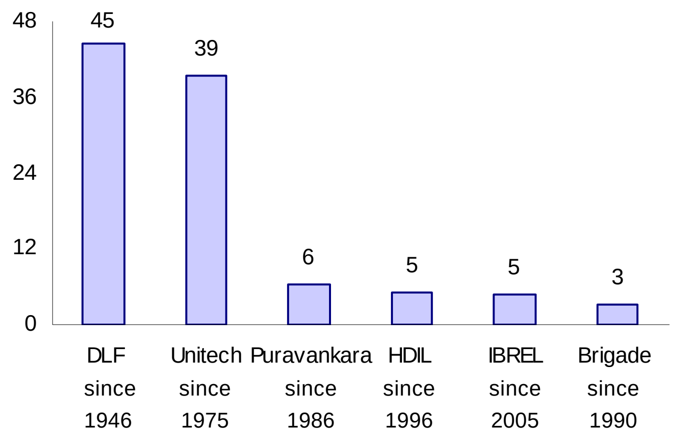
INCREASE DURING 2005 TO JUL-08 (%)



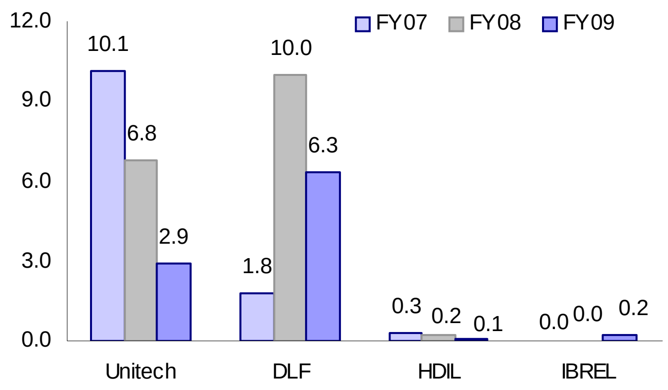
Source: CRISIL

HISTORICAL SALES IN THE RESIDENTIAL VERTICAL

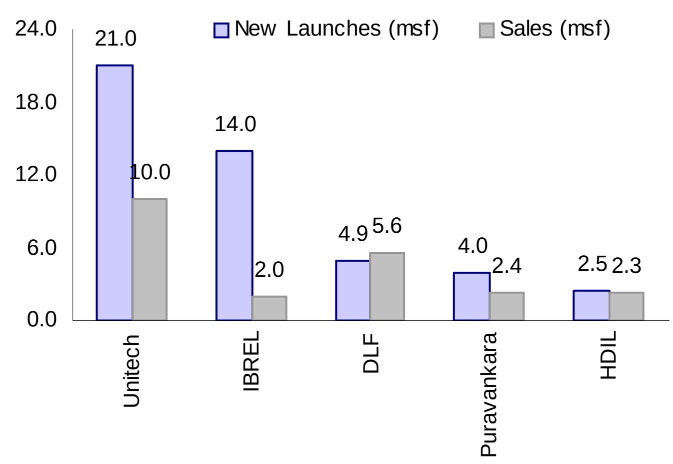
TILL DATE (MSF)



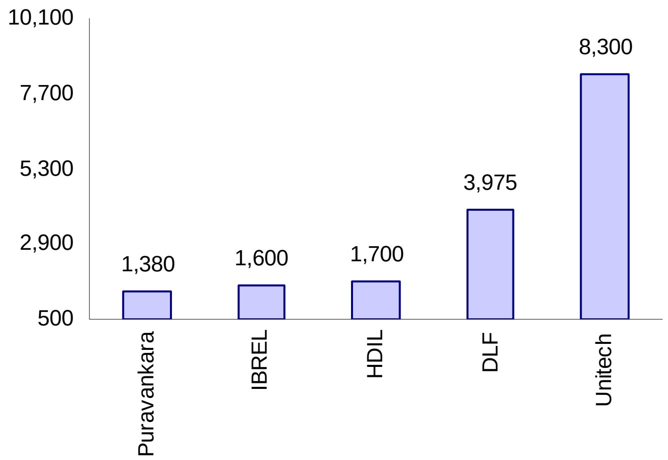
IN THE LAST 3 YEARS (MSF)



NEW LAUNCHES WITNESSED ENCOURAGING RESPONSE



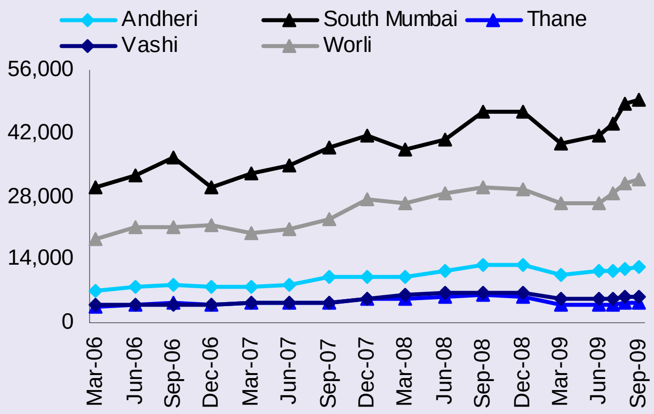
KEY DEVELOPERS HAVE SOLD ~19,000 APARTMENTS SINCE MARCH 2009



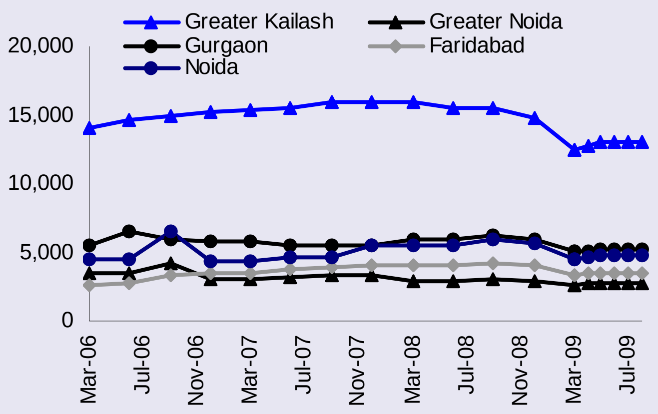
Source: Company/MOSL

City-wise key trends

MUMBAI RESIDENTIAL PROPERTY PRICES (RS/SF)



NCR RESIDENTIAL PROPERTY PRICES (RS/SF)



Source: Bloomberg/MOSL

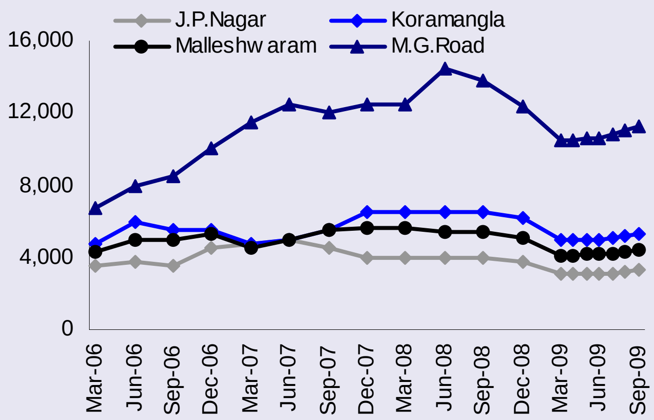
Mumbai

- Residential prices have increased by 5-15% in key projects across Mumbai since July 2009. This is due to sustained recovery in residential sales over the past 2-3 months.
- While sales momentum had slowed down to some extent in August 2009, compared to May-July 2009, sales volumes have picked momentum despite price increases by key developers, largely representing festive season purchases.
- Sales volumes are likely to regain momentum further in the festive period.

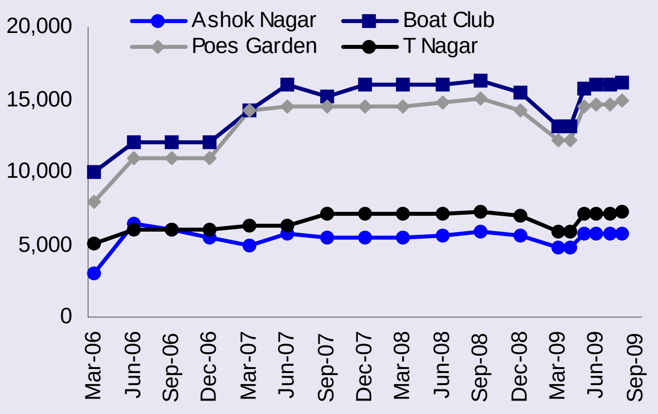
Delhi/NCR

- Sales in the NCR region in general and particularly in South Delhi picked up momentum since July 2009.
- Phase II of DLF's Capital Greens projects evoked a very encouraging response with the entire project being sold on the first day of launch, despite the price being higher by 30% compared to the phase I.
- RE prices are likely to further increase by 5-10% in the next few months, which would result in prices in select areas re-testing their recent highs. One of the key reasons for this sharp recovery is overseas (NRI) investor demand (INR/USD arbitrage).

BANGALORE RESIDENTIAL PROPERTY PRICES (RS/SF)



CHENNAI RESIDENTIAL PROPERTY PRICES (RS/SF)



Source: Bloomberg/MOSL

Bangalore

- There has been an increase in transaction volumes post the elections, largely representing end user demand. However, there has been no increase in prices, as excess inventory is still being absorbed.
- Response to affordable housing in the range of Rs1m-1.5m has evoked very positive response (eg, Puravankara's project 'Provident Welworth City' in North Bangalore priced at Rs1,750/sf).
- DLF increased the prices of its project 'DLF New Town' at Bannerghatta Road, which has now got all necessary government approvals, from Rs1,850/sf to Rs2,100/sf.

Chennai

- There has been an upward trend in volumes across the affordable housing as well as attractively-priced city-centric projects. There have been selective price increases in some projects.
- Most developers have altered their development plans in order to develop affordable housing projects (lowering total area and reconfiguring flats to 1/2 BHK).
- Affordable housing projects in suburbs such as OMR and GSRT Road witnessed robust transaction volumes. Dugar Constructions sold ~350 units within three days of project launch. North Chennai has witnessed momentum with the launch of Unitech's first project there, which has been fully sold out (~1,300 units).

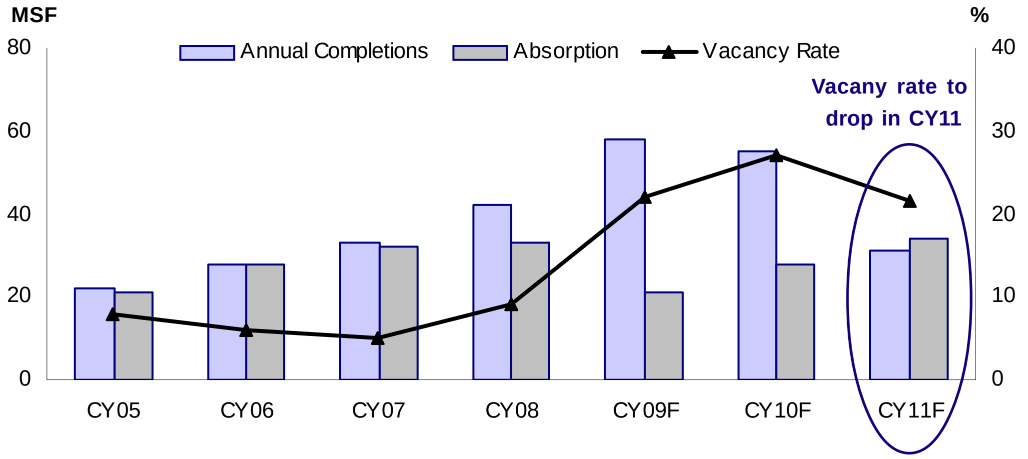
Visible signs of revival in the commercial sector

While recovery in the residential vertical has been very strong, recovery in other real estate verticals such as commercial and retail has been lagging. However, subtle signs of recovery are now visible in the commercial vertical. Key projects in Delhi and Mumbai have attracted enquiries over the past few months, largely from non-IT companies and for projects with a completion schedule of less than one year. Again, vacancy rates and rentals are no longer declining and seem to be bottoming out.

The vacancy levels and rentals are likely to reduce from CY11 onwards, due to the sharp supply curtailment as several key developers have put on their commercial projects on hold

The vacancy levels and rentals are likely to reduce from CY11 onwards, due to the sharp supply curtailment as several key developers have put on their commercial projects on hold. Jones Lang LaSalle Meghraj (JLLM) says about 57msf of commercial office space is likely to be operational by CY09, in the top seven cities. Vacancy levels are likely to drop to 20% in CY11 from ~24% currently. According to JLLM commercial office demand is likely to be driven by sectors like telecom, semi-conductors, autos, KPO, logistics and warehousing. Transaction volumes from non-IT companies have started picking up over the last three months mainly in metros such as Mumbai, Delhi and Bangalore; these metros accounted for ~60% of the absorption in 2QCY09.

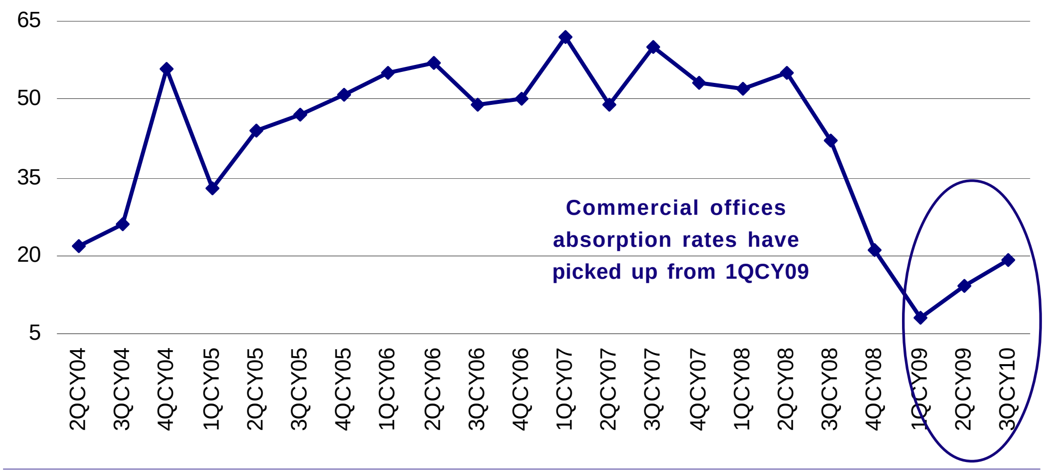
VACANCY LEVELS IN THE COMMERCIAL VERTICAL TO DROP IN FY11



Source: JLLM/MOSL

COMMERCIAL ABSORPTION RATES HAVE WITNESSED A PICK UP (%)

Commercial absorption rates has been witnessing a pick up from 1QCY09 onwards



Source: JLLM/MOSL

Improvement in IT sector outlook positive for RE companies

Improvement in the IT sector outlook is positive for the real estate sector. Leading IT companies including Infosys have announced salary hikes and promotions. This should result in improvement in sentiment and boost real estate demand. Historically, IT companies accounted for ~80% of commercial demand and have been a significant driver of residential demand. Renewed momentum in demand is expected in IT hubs like Bangalore, Chennai and Hyderabad.

Rentals in tier I amd tier II cities are likely to be under pressure owing to the high quantity of IT stock

TREND IN IT AND NON-IT RENTALS AND STOCK

	TOTAL (MSF)	STOCK (MSF)				RENTAL (RS/SF PM)		
		IT	AS % OF TOTAL	NON IT	AS % OF TOTAL	IT	NON IT	IT AS % OF NON IT
Tier I								
Delhi	30.5	19.7	64.5	10.8	35.5	60	215	27.9
Mumbai	38.4	24.6	64.2	13.8	35.8	64	220	29.1
Bangalore	42.4	37.1	87.4	5.4	12.6	36	90	40.0
Chennai	29.8	27.3	91.4	2.6	8.6	37	70	52.9
Total Tier I	**141.2**	**108.7**	**77.0**	**32.5**	**23.0**	**-**	**-**	
Tier II								
Kolkata	7.3	6.0	82.8	1.3	17.2	40	105	38.1
Hyderabad	14.4	10.9	75.7	3.5	24.3	39	60	65.0
Pune	20.3	16.4	80.8	3.9	19.2	35	65	53.8
Total Tier II	**42.0**	**33.3**	**79.4**	**8.7**	**20.6**	**-**	**-**	
Grand Total	**183.2**	**142.0**	**77.5**	**41.2**	**22.5**	**-**	**-**	

Source: JLLM/MOSL

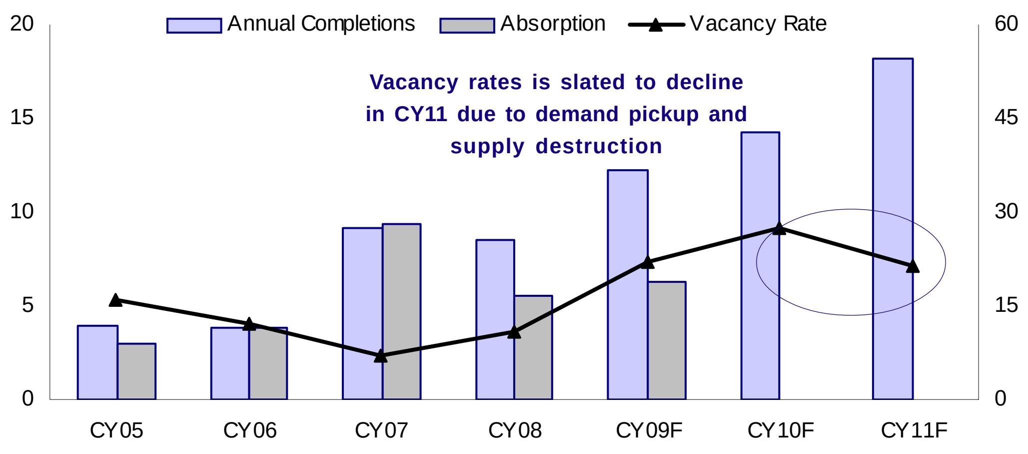
Retail vertical to reflect consumer sentiment

The sharp recovery in big ticket purchases such as residences, bodes positively for the other real-estate verticals such as retail, which is highly dependent on consumer spending and consumer confidence

The sharp recovery in the residential vertical implies consumers have regained the confidence to make high value purchase. This bodes positively for the other real estate verticals such as retail, which is highly dependent on consumer spending and consumer confidence.

As per JLLM, retail supply of ~12.6msf is likely to be delivered in CY09, of which, Delhi and Mumbai form ~70% or ~8.9msf. As several developers have altered their retail development plans to residential or mixed-use development, the demand-supply mismatch in CY10 is likely to reduce vacancy rates across key cities in CY11. The vacancy rate across cities is likely to declined to 22% in CY11.

WITH MOST KEY PROJECTS BEING SHELVED OR DELAYED, VACANCY RATES ARE LIKLEY TO DROP IN CY11 (MSF)



Source: JLLM/MOSL

Signs of upturn visible

1) Increase in asset prices

One of the key signs of recovery in the RE vertical is reversal in asset prices

One of the key signs of recovery in the RE vertical is reversal in asset prices. Since June 2009 residential real estate prices in key cities such as Mumbai and Delhi have increased by 15-20% on average. Similarly residential real estate prices in other key cities such as Bangalore and Chennai have increased between 8-12%, since June 2009. While asset prices are yet to witness appreciation for other verticals such as commercial and retail, capital values for both these verticals are fast stabilizing and vacancy rates are expected to decline in 2011.

KEY DEVELOPERS HAVE ALREADY STARTED INCREASING RATES

	LOCATION	REVISED RATE (RS/SF)	BASE RATE (RS/SF)	CHG. (%)	TYPE	AREA (SF)	UNIT RATE (RS M)
DLF							
Capital Greens	Shivaji Marg, Delhi	7,900	5,800	36	2bhk	1,210	9.6
					3bhk	1,420-1,545	11.2 to 12.2
					4bhk	2,570-2,630	20.3 to 20.8
Unitech							
The Residences	Sector 33, Gurgaon	3,395	3,295	3	1bhk	825	2.7
Uniworld Resorts					2bhk	1,060	3.5
					3bhk	1,535	5.1
Unihomes	Sec 117, Noida	2,995	2,930	2	1bhk	580	1.7
					2bhk	766	2.3
					3bhk	951-990	2.8 to 2.9
IBREL							
Sky	Lower Parel, Mumbai	24,000	22,000	9	3bhk	2900-3600	69.8-86.4
					4bhk	5,200	124.8
					5bhk	5,900	141.6
					6bhk	8,800	211.2
HDIL							
Premier Residences	Kurla (W), Mumbai	6,151	5,251	17	1bhk	670	3.5
					2bhk	925-965	5.4 to 5.2
Metropolis Residences	Andheri, Mumbai	10,500	7,651	37	2bhk	1,140	8.7
					3bhk	1,385-1,650	10.1 to 13.1
					4bhk	2,120	16.2
Galaxy Apartments	Kurla (E) , Mumbai	4,951	4,251	16	1bhk	650	2.8
					2bhk	950	4.0
Jaypee Greens							
Wish Town Klassic	Sector 129 and 134, Noida	3,429	3,300	4	1bhk	620-670	2.1 to 2.3
					2bhk	1,120	3.8
					3bhk	1,420	4.8
Lodha							
Casa Ultima	Pokhran road no2, Thane, Mumbai	4,392	3,942	11	1bhk	594	2.6
		4,364	3,978	10	2bhk	792	3.5
Casa Royale	BalKhum road, Thane, Mumbai	3,996	3,627	10	1bhk	585	2.3
		3,996	3,537	13	2bhk	792	3.2
Casa Univis	Ghodbunder road, Thane	3,294	3,024	9	2bhk	1,026	3.4
	launched in Rs2,997/sf in Dec09	3,492	3,240	8	3bhk	1,170	4.1
		4,005	3,195	25	3bhk	1,368	5.5
		3,897	3,501	11	3bhk	1,557	6.2

Source: Company/MOSL

During 1HFY10 key land transactions worth ~Rs55b has already been announced

2) Renewed appetite for land acquisition—a signal for real estate recovery: During 1HFY10 key land transactions worth ~Rs55b were announced. Successful recapitalization of balance sheets by key RE companies improved their financial condition. The encouraging response to their recent project launches will augment their cash flows. Developers are once again considering land acquisitions and recent land auctions have evoked positive response. As most of the auctions have been for mixed use/commercial projects, the positive response signals a likely recovery in the commercial vertical.

The ongoing real estate sector recovery has been faster than expected. This recovery in the residential vertical coupled with other recovery signals elsewhere in the real estate sector suggest that the pace of recovery for the commercial and retail verticals is likely to be faster than our earlier expectation.

DETAILS OF LAND TRANSACTIONS ANNOUNCED DURING 2QFY10

DEVELOPER	DATE	LAND AREA (ACRES)	DEAL SIZE (RS B)	RATE @ FSI OF 2.5X (RS/SF)	RESERVE PRICE (RS M)	BID PRICE (RS M)	PRE-MIUM (%)	LOCATION
NAPC	Sep-09	0.5	0.2	2,938	NA	NA	NA	-
Godrej Properties	Sep-09	100	NA	NA	NA	NA	NA	Acquisition for Godrej Garden City township of 250acres
Piramal Sunteck	Aug-09	NA	0.3	NA	NA	NA	NA	two plots with sizes ranging from 1500-3500 sq mtrs acquired
Dynamix Balwas Group	Sep-09	7	6.0	7,871	6,000	NA	-	Crown Mill, Prabhadevi, Mumbai
IBREL	Aug-09	4	13.8	31,589	13,760	10,950	-20.4	Nariman Point, Mumbai
DLF	Aug-09	350	17.5	459	17,500	17,000	-2.9	Sec42, 53 and 53, Gurgaon, NCR
Hiranandani	Jul-09	135	8.0	544	NA	NA	-	Bangalore (80acres), Chennai (35acres), Hyderabad (20acres)
Lodha	Jul-09	10	7.1	6,520	7,100	7,080	-0.3	Finlay Mill, Lower Parel, Mumbai
Anant Raj	Jul-09	39	1.7	407	NA	NA	-	Noida (1.8msf), Manesar (1.4msf) and Gurgaon (0.2msf)
Total		**646**	**54.6**	**776.1**	**-**	**-**	**-**	

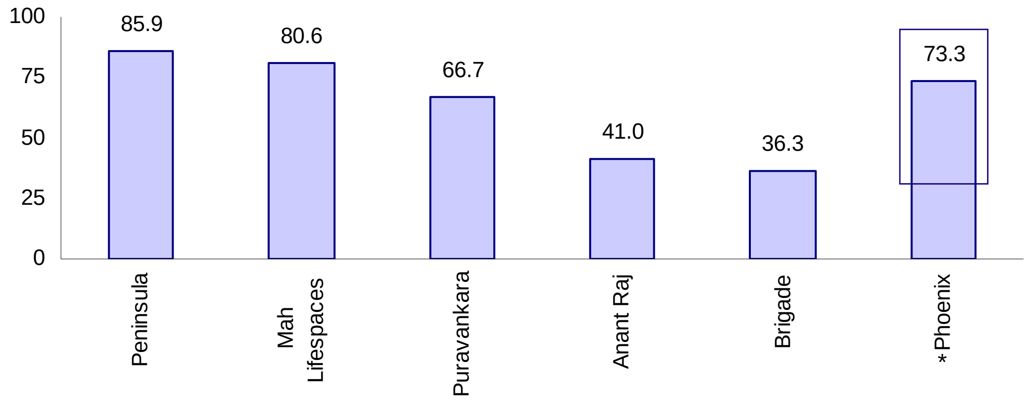
Note: Rate/sf is calculated considering FSI of 2.5x *Source: Company/MOSL*

Key mid-cap RE companies have strong monetization visibility

Key mid cap RE companies have strong monetization visibility over the next three to four years

Key mid cap RE companies have strong monetization visibility over the next three to four years, with the top three or four key projects accounting for the lion's share of their NAV. The acceleration in the ongoing RE recovery, will allow RE companies to accelerate their monetization process and pursue NAV enhancement strategies.

MONETIZATION VISIBILITY OVER THE NEXT FOUR YEARS (CASHFLOWS OVER FY10-14 AS % OF TOTAL)



Phoneix includes capitalized value of commercial and retail assets *Source: Company/MOSL*

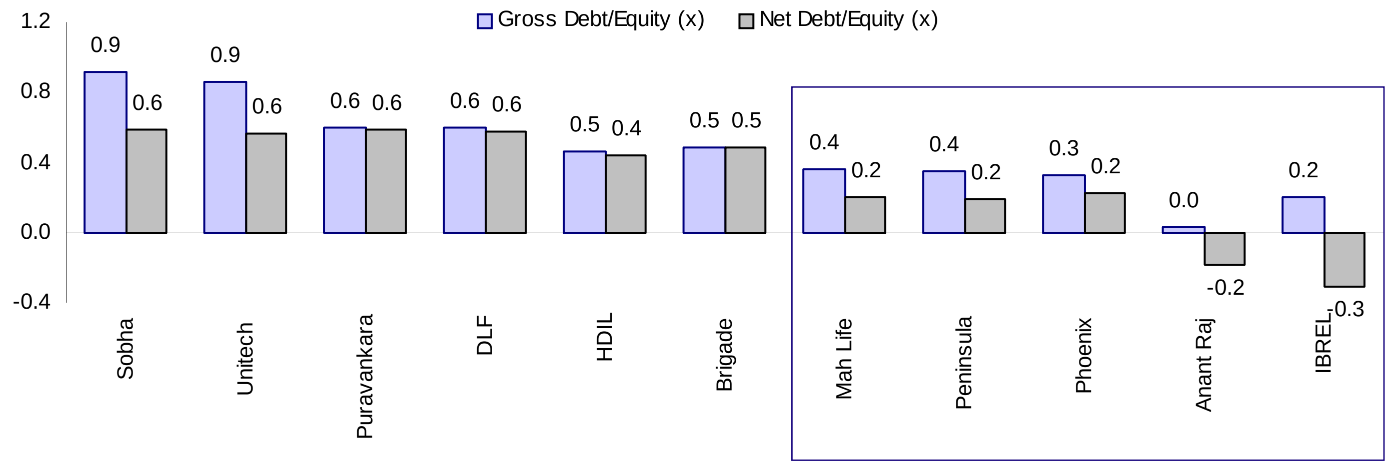
TOP KEY PROJECTS A SUBSTANTIAL PART OF NAV

COMPANY	LOCATION (MSF)	TYPE	AREA (MSF)	GAV (RS M)	AS % OF GAV	GAV/SH (RS)
Phoenix						
High Street Phoenix	Parel, Mumbai	Mixed Use	3.3	33,391	61.0	231
Market City Kurla	Kurla, Mumbai	Mixed Use	1.0	5,556	10.2	38
Market City Pune	Ngar Road, Pune	Mixed Use	1.1	5,343	9.8	37
Market City Bangalore West	Rajaji Nagar, Bangalore	Mixed Use	1.3	2,996	5.5	21
Total Phoenix Mills			**6.6**	**47,286**	**86.4**	**326**
Anant Raj						
Keerti Nagar Mall	Delhi	Retail	0.8	11,397	14.5	39
Bhagwandas	Delhi	Residential	0.3	6,597	8.4	22
Hauz Khas	Delhi	Residential	0.3	5,186	6.6	18
Rai IT Park	Delhi	Commercial	3.0	5,515	7.0	19
Total - Anant Raj			**4.3**	**28,695**	**36.4**	**97**
Brigade						
Brigade Gateway	Bangalore	Mix - Enclaves	4.7	11,632	31.6	104
Brigade Metropolis	Bangalore	Mix - Enclaves	2.1	2,464	6.7	22
SEZ Mangalore	Mangalore	Commercial	3.3	4,065	11.1	36
Orchard	Bangalore	Residential	3.4	2,872	7.8	26
Total - Brigade			**13.5**	**21,033**	**57.2**	**187**
Peninsula						
Peninsula Business Park	Lower Parel, Mumbai	Commercial	1.2	13,246	36.5	47
Rallis India	Hyderabad	Residential	3.8	5,321	14.7	19
Pune Township	Pune	Residential	4.3	4,697	13.0	17
Peninsula Techno Park	Off BKC, Kurla, Mumbai	Commercial	0.2	2,026	5.6	7
Total - Peninsula			**9.5**	**25,290**	**69.8**	**90**
Puravankara						
Camelot Hillls	Bangalore	Residential	12.0	7,301	13.5	34
Edapalli	Kochi	Residential	5.6	4,184	7.8	20
Yelahanka Area	Bangalore	Residential	6.1	3,705	6.9	17
KIADP Sarjapur	Bangalore	Residential	7.5	3,050	5.7	14
Total - Puravankara			**31.2**	**18,240**	**33.8**	**85**

Source: Company/MOSL

Most of the mid cap companies have robust financials with low leverage, which would help them focus on project monetization and pursue NAV enhancement strategies.

MOST MID CAP RE COMPANIES ENJOY LOW LEVERAGE



Source: Company/MOSL

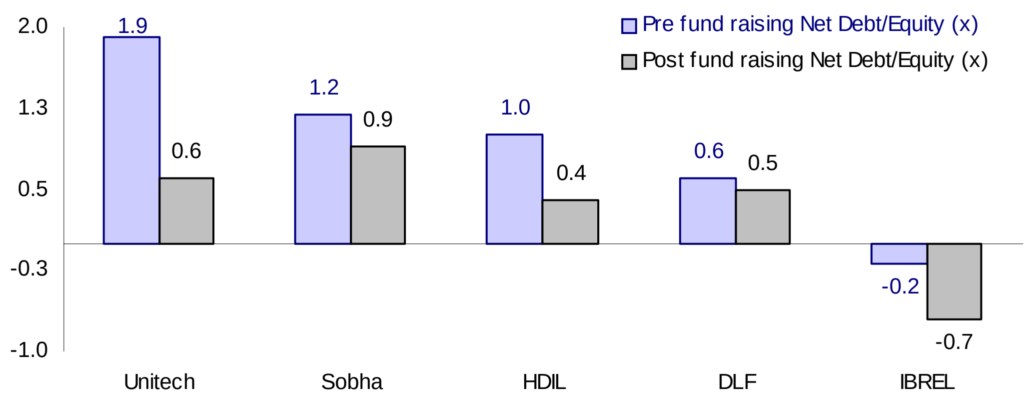
Most of the RE companies were faced with a severe liquidity crunch in September 2008. However a spate of events since January 2009, starting with 1) an RBI debt-restructuring package for RE companies, 2) de-freezing of the RE market and 3) revival of capital markets have led to a reversal in the liquidity outlook for most of the key RE companies.

REAL ESTATE QIP'S DONE TILL DATE

DATE	COMPANY	ISSUE SIZE (RS B)	SHARE PRICE (RS)	SHARES ISSUED (M)	OBJECTS OF THE ISSUE	PRE ISSUE DILUTION
17-Apr-09	Unitech	16	39	418	To reduce debt	26% dilution through QIP
13-May-09	DLF Promoters	39	230	168	To reduce debtors (largely representing outstanding from DAL)	~9.9%Stake sale by promoters
18-May-09	IBREL	27	185	144	For Power/Real Estate	56% dilution through QIP
26-Jun-09	Unitech	28	81	342	To reduce debt and fund projects	16% dilution through QIP
1-Jul-09	Sobha	5	209	25	To reduce debt and fund projects	34.5% dilution through QIP
1-Jul-09	HDIL	17	240	70	To reduce debt and fund projects	25.5% dilution through QIP
20-Aug-09	Orbit	1	185	8	To reduce debt and fund projects	21.5% dilution through QIP
3-Oct-09	Parsvnath	2	121	14	To reduce debt and fund projects	7.5% dilution through QIP
		134	**-**	**-**		

Source: Company/MOSL

KEY RE COMPANIES' LEVERAGE HAS REDUCED POST FUND RAISING



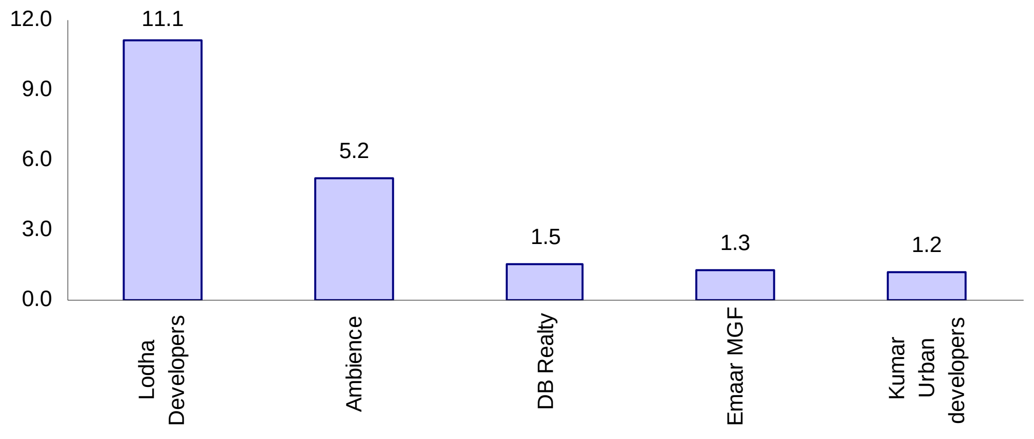
Source: Company/MOSL

Leverage remains high for unlisted players

While most of the key listed players have managed to lower their solvency risk through 1) equity infusion from the capital markets, 2) asset sales and 3) debt restructuring. Several key unlisted players continue to have high leverage currently, which they are trying to address through equity raising from the IPO route. Already announcements for fund raising of US$4b has been announced by key unlisted real estate companies.

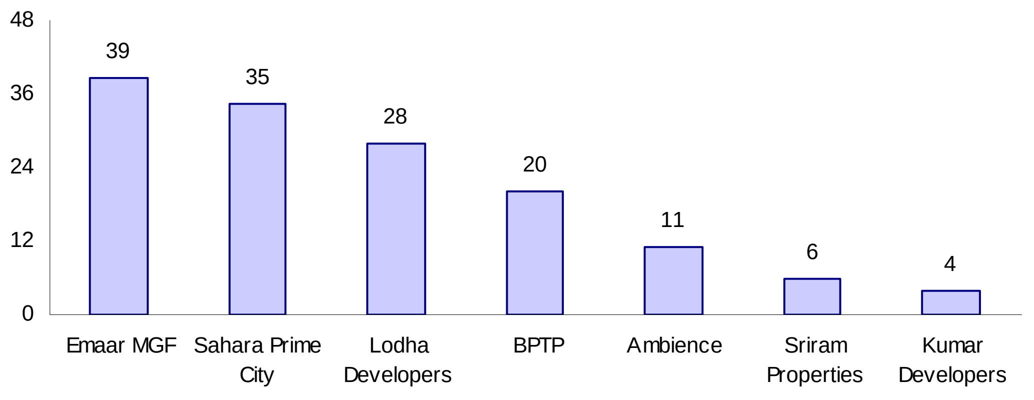
Leverage remains high for unlisted players

HOWEVER, LEVERAGE REMAINS HIGH FOR UNLISTED PLAYERS (GROSS DEBT EQUITY, X)



Source: Company

UNLISTED COMPANIES BANKING ON IPO'S TO LOWER THEIR LEVERAGE (PLANNED ISSUE SIZE, RS B)



Source: Company

KEY DETAILS OF RE COMPANIES LIKELY TO BE LISTED OVER THE NEXT ONE YEAR

COMPANY	LOCATION FOCUS	LANDBK (ACRES)	AREA DEVE. TILL DATE (MSF)	UNDER CONST. (MSF)	PLANNED DEVELOP -MENT	UNITS SOLD (NOS)	FY09 REVEN -UES	FY09 NET PROFIT	TOTAL DEBT	NET -WORTH	DEBT/ EQUITY (X)
Lodha Dev.	Mumbai	3,196	10	30	36	3,459	9,506	957	29,549	2,661	11.1
Ambience	NCR	817	4	4	84	3	4,422	392	27,344	5,272	5.2
DB Realty	Mumbai	702	16	19	22	NA	4,712	1,459	12,357	8,114	1.5
Emaar MGF	PAN India	11,340	NA	26	NA	NA	9,606	-720	60,733	47,725	1.3
Kumar Urban Dev.	Pune	1,702	2	3	64	NA	2,391	331	4,338	3,746	1.2
Total		**17,757**	**32**	**82**	**206**	**3,462**	**30,637**	**2,419**	**134,321**	**67,518**	**2.0**

Source: Company

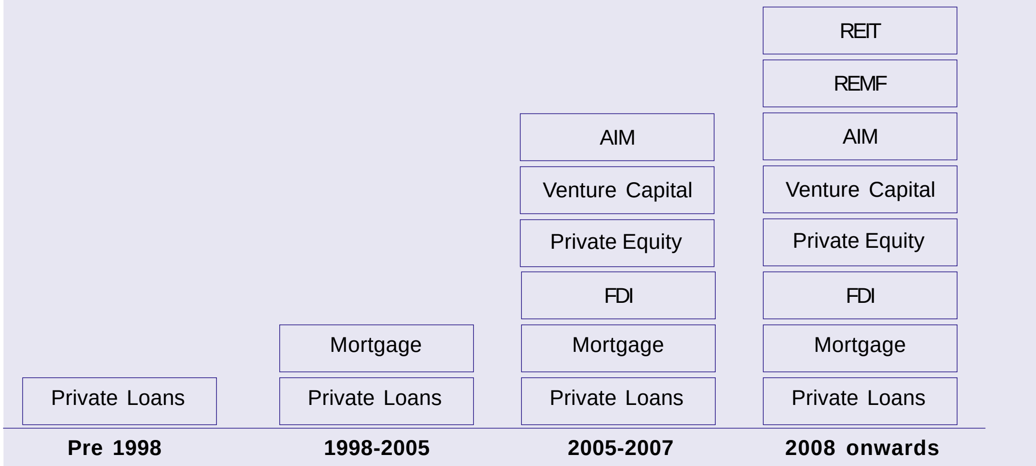
RE sector to enjoy increased access to institutional funding

All over the world the maturity of the real estate sector is gauged by the availability and access to institutional funding. Until FY05 domestic RE companies had limited access to institutional funding. However, this changed from FY06 as reforms allowed FDI investments into real estate in India.

Access to institutional funding is believed to be a direct derivative of better corporate governance and improved transparency and is therefore viewed worldwide, as a reflection of market maturity

Over FY07-09 the RE industry attracted unprecedented FDI investment of ~US$5.5b (~50% of this was in FY09). Access to institutional funding is believed to be a direct derivative of better corporate governance and improved transparency and is therefore viewed worldwide, as a reflection of market maturity. Despite the progress that the Indian RE industry has witnessed in the past few years based on availability and access to institutional funding, the Indian RE market is in a nascent stage of development compared with the RE market in developed countries.

ACCESS TO IMPROVED INSTITUTIONAL FUNDING



Source: MOSL

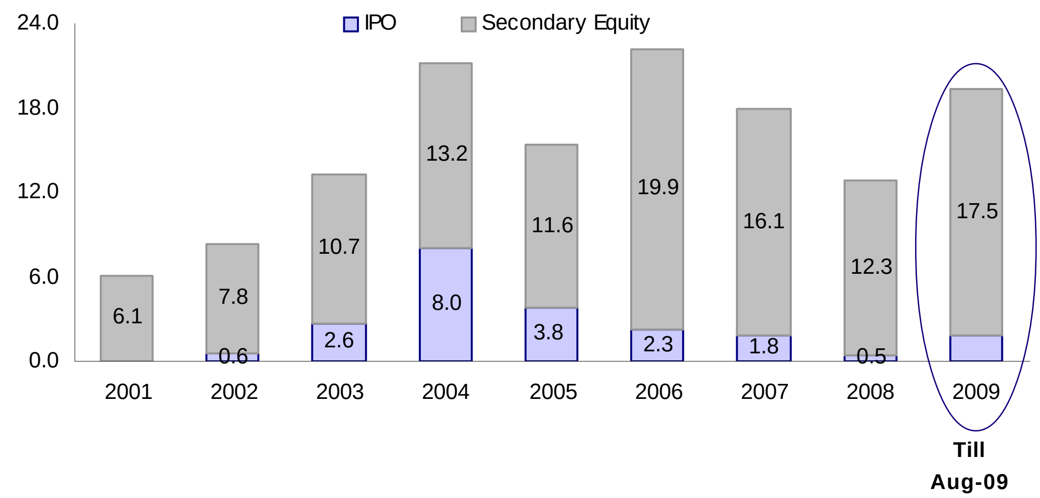
Access to REIT models a key necessity

The Indian real estate market currently lacks any monetization vehicle for capital intensive verticals such as commercial offices and retail malls. As such access to monetization models such as REIT's is a necessity for the Indian real estate sector. Indian real estate companies had briefly tried to access the global REIT markets in FY08, by launching business trusts, which comprised of semi finished FDI approved projects. However, the ability of Indian companies to successfully raise funds from the global REIT market suffered a set back due to the global financial turmoil in FY08 and the poor performance of all the Indian listed business trusts.

Since February 2009 the global real estate investment trust (REIT) market has witnessed a sharp pullback and record equity infusion of ~US$16b. Equity infusion by investors at this point in the cycle suggests they see value and opportunity at current price levels. We believe the improvement in the global REIT market will be positive for commercial real estate in India, which lacks a monetization vehicle.

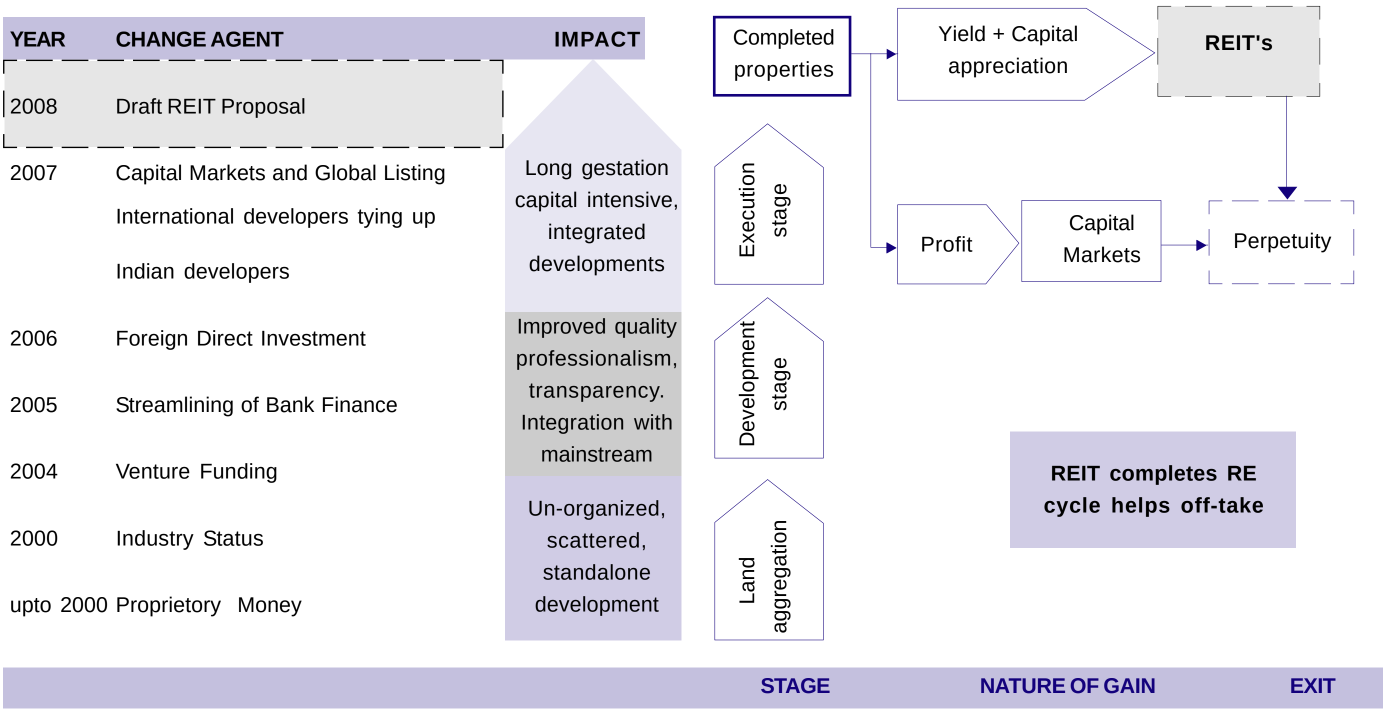
If the recovery in REIT demand continues it might prompt leading commercial real estate players such as DLF (through DLF Assets Ltd/DLF Office Trust), Unitech (through Unitech Corporate Parks) and IBREL (through Indiabulls Properties Investment Trust) to revive and re-draw their REIT/trust plans in the overseas markets. Recently SEBI also hinted at introducing revised Draft REIT plans, which could allow key RE players to set up REITs in domestic markets.

FUND RAISING BY REITS GLOBALLY (US$ B)



Source: NAREIT

REIT MODEL COMPLETES RE CYCLE



Source: India REIT/MOSL

Credit availability for RE sector has improved

RBI data reveals continued record growth

- August 2009 over August 2008, bank loans to RE sector grew by 41.5%.
- The increase of total bank exposure to RE sector since August 2008 is Rs285b.
- Between Feb-09-Aug-09, total bank exposure to RE sector increased by Rs59b to Rs967b in August 2009 (3.7% of non food gross bank credit) compared to Rs908b in February 2009 (3.6% of non food gross bank credit).
- Real estate sector accounted for almost 9.2% of total non food gross bank credit in Aug-09 vs 4.2% in Aug-08.

Housing loans continue to remain weak

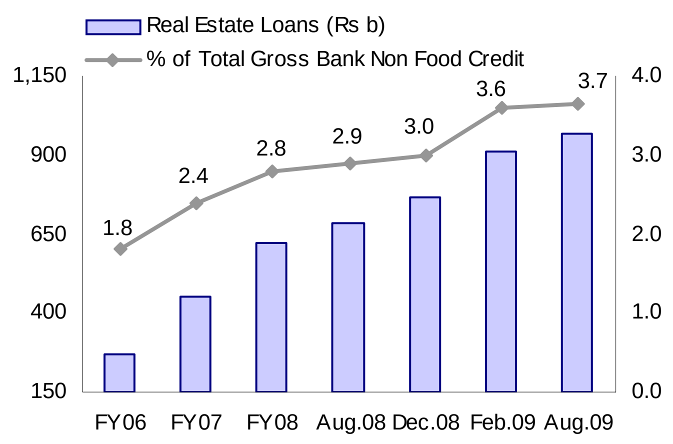
- Housing loans in August 2009 dropped -51% YoY to Rs146b vs Rs299b in Aug-08 reflecting weak end use demand.
- Housing loans as a percentage of total non food gross bank credit stood at 4.7% in Aug-09 vs 6.2% in Aug-08.
- The share of housing loans to total Gross Bank Non Food Credit has been steadily declining from 12.8% in FY06 to 10.9% in August 2009.
- India has a low mortgage penetration of <6%, compare to developed countries where the mortgage penetration rates are mostly upwards of >50%.

NON FOOD BANK SECTOR CREDIT FLOW (RS B)

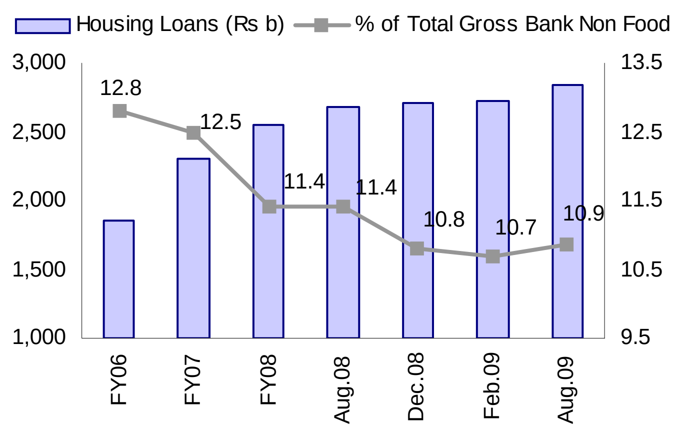
	FY08	FY09	AUG-08	AUG-09
Real Estate	114	345	206	284
% Growth YoY		*204.0*		*41.5*
% of Total Non Food Credit Flow	*3.1*	*8.5*	*4.2*	*9.2*
Housing	269	190	299	146
% Growth YoY		*-29.4*		*-51.1*
% of Total Non Food Credit Flow	*7.3*	*4.7*	*6.2*	*4.7*
Total Non Food Bank Credit Flow	**3,710**	**4,063**	**4,848**	**3,087**

FY08 data is till 15th Feb 2008, while FY09 data is till 27th Feb 2009 *Source: RBI*

INCREASE IN BANK LOAN EXPOSURE TO RE SECTOR IN INDIA (RS B)



HOUSING LOANS YET TO PICK UP (RS B)



Source: RBI

Provisioning on commercial real estate exposures increased - real estate loans could become pricey

- The sharp increase in credit to the commercial real estate sector, witnessed over the last one year and due to the high restructured loans in this sector, RBI on a prudent basis has cautioned the banks against likely non-performing assets (NPAs) and it has proposed to increase the provisioning requirement for loans to the commercial real estate sector classified as 'standard assets' from the present level of 0.40% to 1%. This is likely to make real estate loans more costly for real estate companies.
- However, we note that definition of commercial real estate has changed to exclude hospitals, hotels and education institutes etc post Mar-09. Thus, the commercial real estate exposure under the new higher provisioning requirement would stand reduced.

Key factors responsible for the surge in bank loans to RE sector

- The sharp jump in bank loans by ~Rs285b between Dec-08 and Feb-09 is despite the fact, that RE companies have during the same period scaled down or postponed their capex plans and recently key listed players have raised around US$2.7b of cash from the capital markets.
- Key factors which could perhaps be responsible for the surge in bank loans to RE sector are: (1) companies replaced short-term debt from non-bank sources (MFs, insurance companies, financial institutions, etc) with longer-term bank loans, (2) companies took fresh bank loans during 4QFY09 to repay debt maturing towards the end of March 2009 and (3) Banks classify loans as real estate exposure where a collateral is in form of land / RE (RBI has however recently introduced norms to correct this).
- In September 2008, key RE companies had Rs187b of short-term debt repayment obligations, of which Rs71b was due in FY09 and Rs116b due in FY10. Bulk of this short-term debt for several companies comprised unsecured non-convertible debentures (NCD) issued to MFs, insurance companies and financial institutions. Most of the RE companies have indicated that they have managed to reschedule or replace short-term debt obligations with long-term bank loans.
- Key large RE companies in India (listed and unlisted) had an aggregate loans of Rs532b as on Mar-09. Debt for few of the listed RE companies witnessed small decline in June-09. We expect debt levels for key listed RE companies to decline further in 3QFY10, as they have recently raised equity from the capital markets and also witnessed a upswing in RE activity, which is likely to boost their cash flows.

TOTAL GROSS DEBT OF KEY RE COS (RS B)

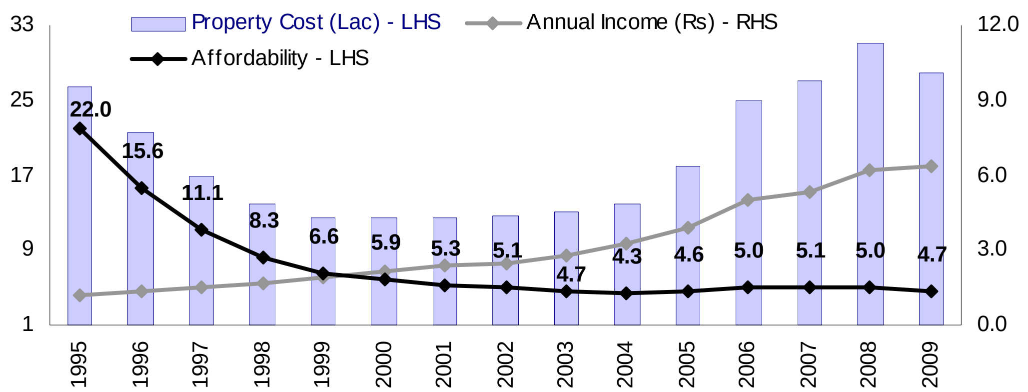
	4QFY08 MAR-08	2QFY09 SEP-08	3QFY09 DEC-08	4QFY09 MAR-09	YOY CHG (%)	1QFY10 JUN-09	QOQ CHG (%)
DLF	123	147	155	164	33	148	-10
Unitech	86	100	109	91	5	83	-9
IBREL*	3	4	4	12	299	12	0
HDIL	31	39	41	41	34	43	5
MLL*	2	2	2	3	66	3	0
Puravankara	7	8	8	8	16	8	2
Bombay Dyeing*	14	15	15	17	21	17	0
Omaxe*	21	21	21	20	-5	20	0
Parsvnath	18	21	21	19	6	19	0
Sobha	18	19	19	19	7	19	-4
Peninsula Land	3	3	3	3	14	4	21
Total Gross Debt (I)	**326**	**379**	**398**	**398**	**22**	**376**	**-5**
Total Gross Debt ex-DLF	**203**	**232**	**243**	**234**	**15**	**229**	**-2**
Unlisted Companies							
Lodha Developers	25	-	-	30	20	-	-
Ambience	22	-	-	27	23	-	-
DB Realty	6	-	-	12	105	-	-
Emaar MFG	55	-	-	61	10	-	-
Kumar Urban developers	6	-	-	4	-21	-	-
Total - Unlisted Companies (II)	**114**	**-**	**-**	**134**	**18**	**-**	**-**
Grand Total (I+II)	**440**	**-**	**-**	**532**	**21**	**-**	**-**

*Note: * Assumed gross debt as of June FY09 is same as March-09*

Source: Company/MOSL

AFFORDABILITY HAS IMPROVED (X)

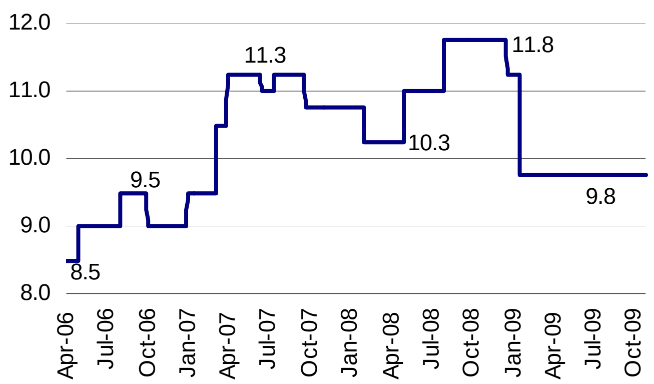
Recent RE price corrections has improved affordability



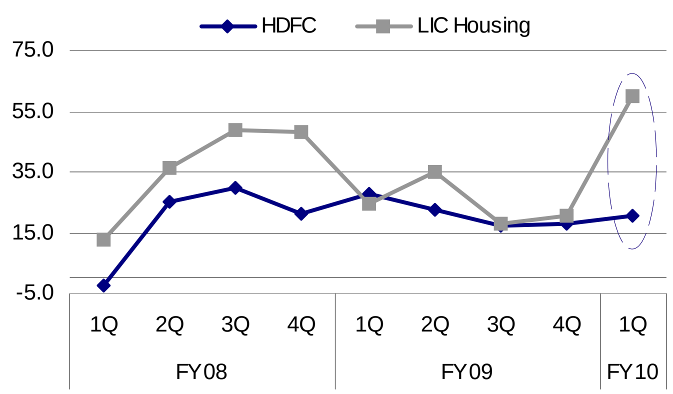
Source: HDFC

MORTAGAGE RATES COMING DOWN

FLOATING MORTGAGE RATE (%)



MORTGAGE DISBURSEMENT GROWTH (%)



Source: Bloomberg

Valuation and view

We expect stocks to move to NAV premiums earlier than expected

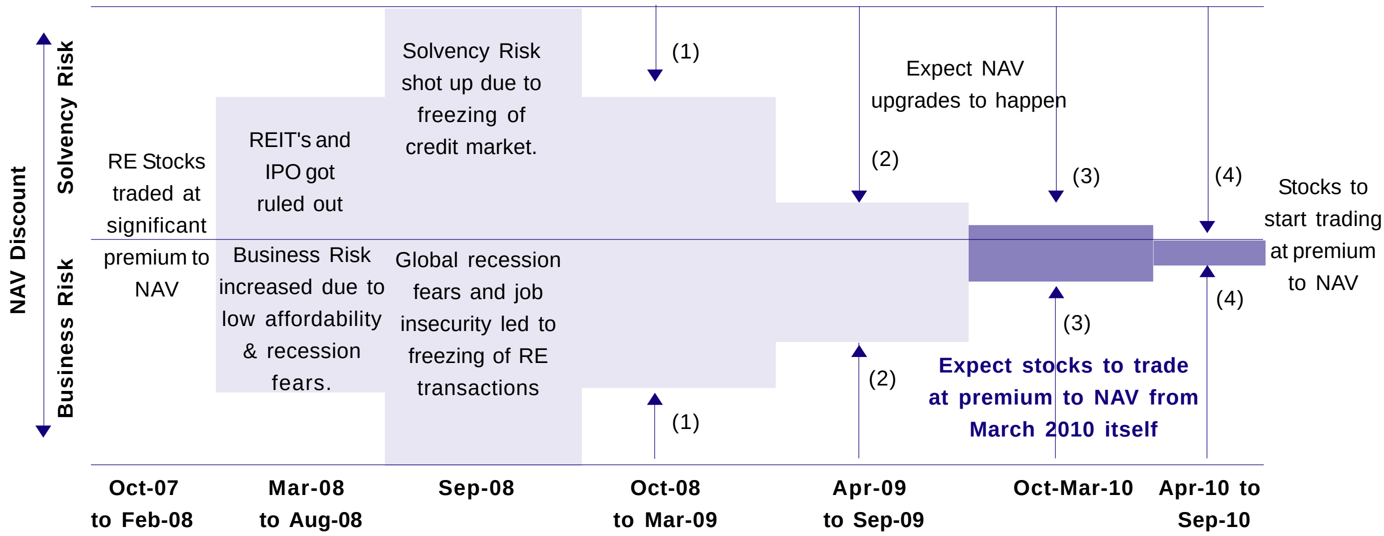
We are positively surprised by the sharp ongoing recovery in the RE sector. Historically RE cycles are longer and the correction process more moderated. However the current RE sector recovery has been faster than expected. Consequently we expect RE stocks to move from NAV discounts to NAV premiums faster than earlier expected.

We expect some key RE stocks to start trading at a premium to NAV from March 2010 onwards itself, if the expected revival in the commercial and retail vertical transpires by then

RE stocks had last traded at a premium to their NAV from October 2007 to February 2008, when the solvency and business risk was perceived to be low. After the successful (i) rescheduling and restructuring of debt and (ii) capital raising and (iii) fund raising through asset sale, the liquidity risk for key RE companies has been dealt with. The accelerated recovery in the real estate vertical is increasingly lowering the business risk for the sector.

While earlier, we expected RE stocks to start trading at a premium to NAV around September 2010 onwards, we now expect some key RE stocks to start trading at a premium to NAV from March 2010 onwards itself, if the expected revival in the commercial and retail vertical transpires by then.

NAV DISCOUNTS TO REVERSE

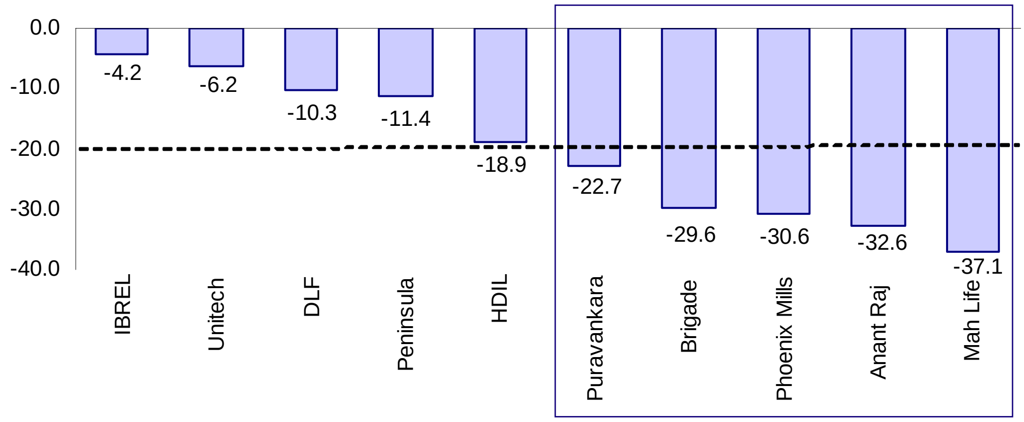


(1) RBI restructuring package/de-freezing of RE sector and initial success of affordable housing sector
(2) Successfully re-equitizing of the RE sector/Price stimulation to attract end use buyers
(3) Internal cash generation and asset sale to lower solvency risks/ RE demand likely to improve around festive time
(4) Expect RE sector reenter growth phase, RE stocks to start trading at premium at NAV

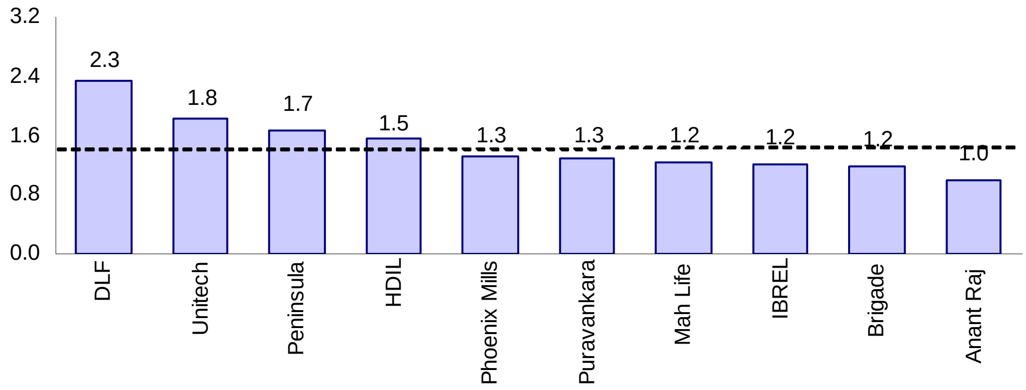
Source: MOSL

....HOWEVER, ACCELERATED RECOVERY IMPLIES NAV TO MOVE TO PREMIUM MUCH EARLIER

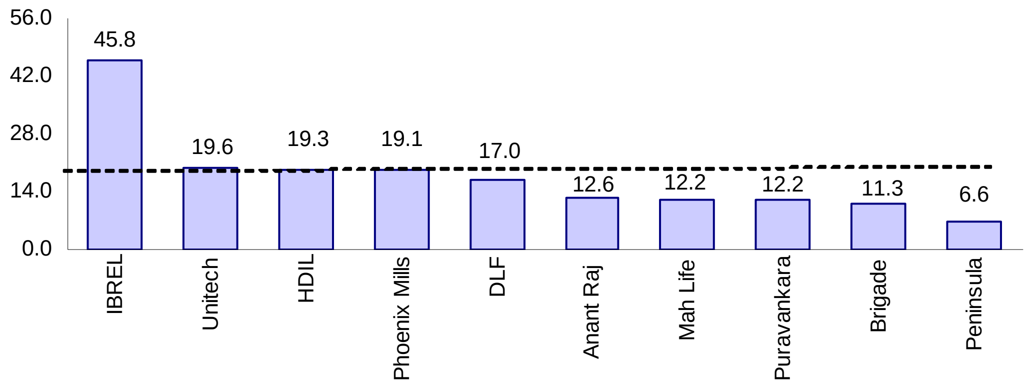
RE STOCKS IN OUR COVERAGE UNIVERSE TRADE AT 20% DISCOUNT TO NAV



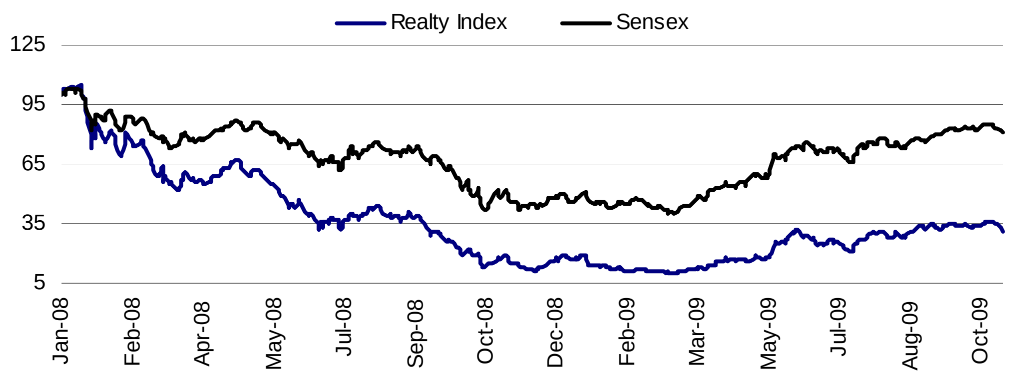
RE STOCKS IN OUR COVERAGE UNIVERSE ARE TRADING AT ~1.5X FY10 BV



RE STOCKS IN OUR COVERAGE UNIVERSE ARE TRADING AT ~18X FY11E EPS



REALTY INDEX CONTINUES TO UNDERPERFORM THE SENSEX



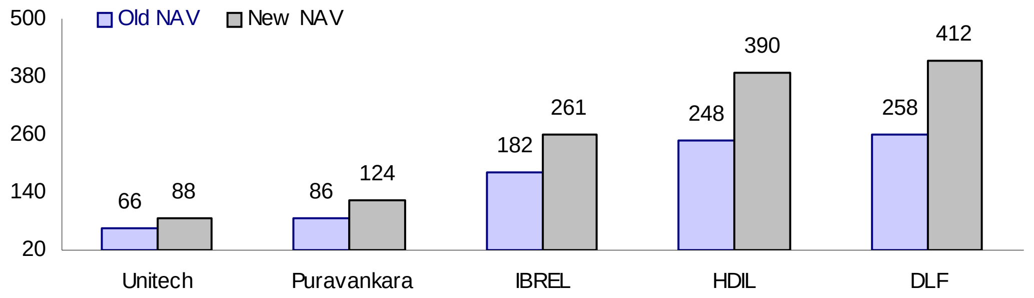
Source: Bloomberg/MOSL

Recent NAV upgrades significant

We expect the NAV up cycle to gain momentum with the revival in the commercial and retail verticals.

After a spate of continuous downgrades, since October 2008, wherein our NAV valuations for key RE companies were reduced by almost ~55%, the NAV values for key RE companies under our coverage witnessed sharp NAV revisions. This has been primarily due to the de-freezing of real- estate activity, significant pick up in the mid-income residential vertical and a sharp reduction in leverage for most of the key RE companies. We have since March 2009, revised our NAV estimates upwards by ~25% for most of the key RE companies. We expect the NAV up cycle to gain momentum with the revival in the commercial and retail verticals.

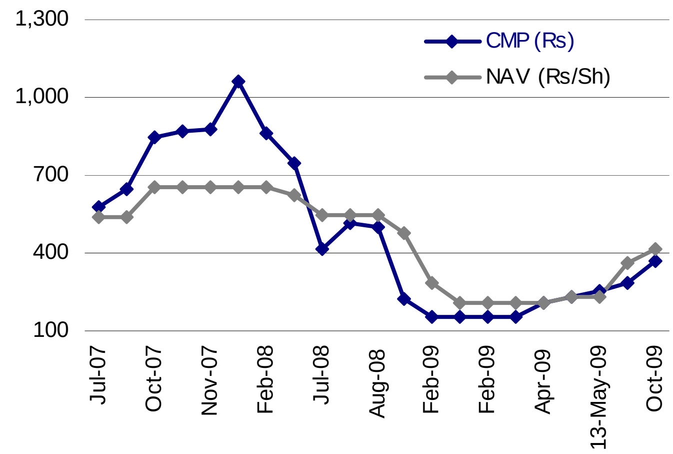
NAV UPGRADES FOR KEY RE COMPANIES UNDER OUR COVERAGE (RS/SHARE)



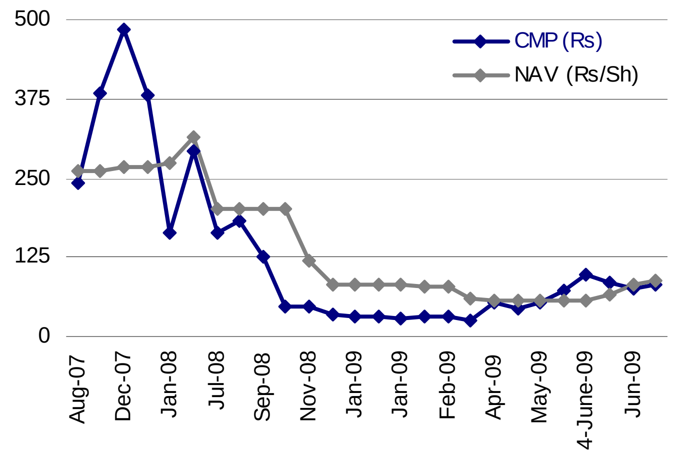
Source: MOSL

TRENDS IN OUR NAV MOVEMENT SINCE COVERAGE: AFTER A SPATE OF DOWNGRADES SINCE FY09, TREND IS STARTING TO REVERSE

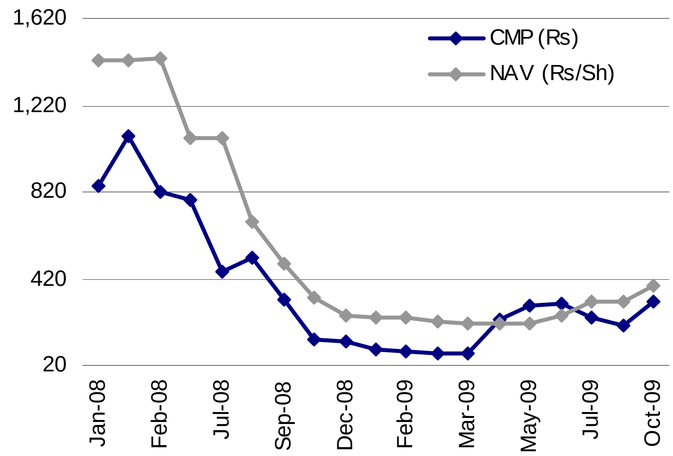
DLF



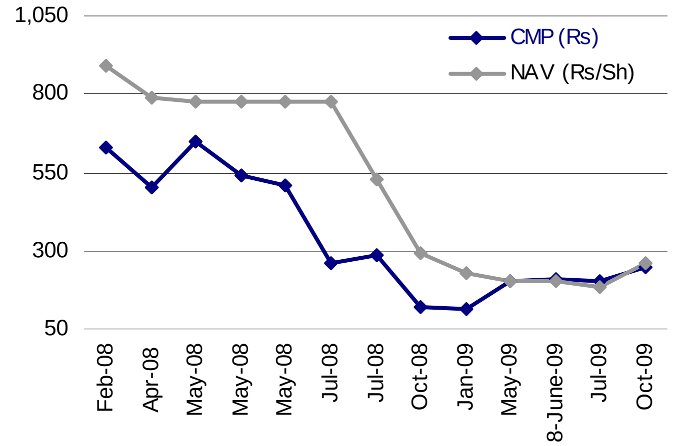
UNITECH



HDIL



IBREL



Source: MOSL

Our view on key mid-cap RE stocks

The RE sector seems to be well set on the path to recovery following the successful balance sheet recapitalization by key RE companies and the pick-up in RE activity. We believe key mid-cap real estate companies, with a city-centric focus, robust financials and strong near-term monetization visibility, are well placed to capitalize on the growth phase ahead, as they can now shift focus to project monetization and pursue NAV enhancement strategies. Again many of the key mid-cap real estate stocks are trading at discounts to their NAV and provide good entry points for these key mid-cap real estate companies. Our top picks in the mid-cap real estate segment are Anant Raj, Mahindra Lifespaces and Phoenix Mills, which trade at 33%, 37% and 31% discount to NAV.

Anant Raj

Anant Raj Industries (ARIL) has a sound business model, which is more resilient to the cyclicality of the real estate (RE) business compared with its peers. Its concentration on city-centric projects in the National Capital Region (NCR), in-house construction capabilities, no leveraging to pursue land-bank aggregation, multiple revenue streams with high monetization visibility and no pan-India ambitions differentiate ARIL from its peers. We expect revenue CAGR of 54% over FY09-12 and net profit CAGR of 20%. The stock trades at ~1x FY11E BV of Rs129 and 33% discount to its FY11E NAV of Rs194, which is attractive compared with industry peers that trade at ~1.5x FY11E BV and 20% discount to NAV. We initiate coverage with **Buy**; our target price of Rs194 implies a 38% upside.

Mahindra Lifespaces

MLL has a healthy balance sheet, with low leverage and no major land outstanding, this coupled with its strong management differentiates the company from its peers. MLL is comfortably placed compared to its industry peers as it has a low leverage of 0.1x.Our SOTP value for MLL is Rs511/share: (1) Chennai SEZ at Rs100/share, (2) Jaipur SEZ at Rs169/share, (3) residential vertical at Rs170/share, and (4) cash/other rental assets at Rs73/share. The stock trades at ~1.2x FY11E adjusted book value of Rs263 and at 37% discount to its SOTP value of Rs511. Maintain **Buy**.

Phoenix Mills

PML is the pioneer in the development of large scale, mixed format retail development in India. It is a unique low risk play on the booming domestic consumption story with no retail specific risks. PML through its subsidiaries and associate companies is undertaking 40 key retail/hospitality projects, comprising of ~50msf, across the country. PML owns one of the most successful malls in India in High Street Phoenix (HSP), Parel, Mumbai. We estimate, post the completion of expansion at HSP, rental income from HSP to increase from ~Rs1.3b in FY10 to ~Rs1.9b in FY12. . We estimate PML's revenues and net profit to grow at a CAGR of 58% and 51% respectively, over FY09-12. We initiate coverage on PML with a **Buy** and a target price of Rs220, which is based on 1x its FY11 NAV of Rs220.

Peninsula

Peninsula Land (PLL) focuses on an asset-light business model with clear visibility on monetization and project execution. PLL's land bank of ~14msf is paid up entirely, hence its monetization has high visibility. The ongoing projects are in prime locations of Mumbai and have largely been sold. While we are positive on PLL's business model, due to its quality land bank with a strong near term monetization visibility, we believe it is fairly priced. Our FY11 NAV for PLL is Rs88/share, 11% discount to its prevailing price. Our FY11 NAV for PLL is Rs88/share. Our target price for PLL is based on 1x its FY11 NAV of Rs88/share, we initiate coverage on the stock with a **Neutral** rating.

Purvankara

Puravankara Projects (PPL) is a leading South India-based real estate company, which focuses mainly on developing middle-income residential properties and has almost 70% of its land bank in Bangalore. It has a strong marketing network, with sales offices in Bangalore, Chennai, Kochi, Mumbai and the UAE and representative offices in the US and Britain Our FY11 NAV for PPL is Rs124/sh. The residential vertical accounts for 96% of GAV and the commercial vertical accounts for 4% of GAV. PPL trades at a P/B of 1.3x its FY11 book value of Rs74/sh and at 23% discount to its NAV of Rs124/sh. We believe PPL may continue to trade at a discount to NAV due to its high exposure to low margin affordable housing vertical, high debt and likely fresh capex for land acquisition for PHIL. We maintain **Neutral**.

Brigade

Brigade Enterprise's (BEL) is a Bangalore based real estate developer now looking to expand its operations across other key southern cities such as Chennai, Hyderabad, Kochi and Mysore. It currently has a land bank of ~28msf, ~19.6msf residential, ~6msf commercial, ~1.1 hotel and ~0.8msf retail. We believe BEL due to its high quality concentrated land bank, robust financials and focused management is well poised to capitalize on the ongoing real estate recovery. BEL trades at ~30% discount to its FY11 NAV of Rs164/share. We initiate **Buy** with a target price of Rs164/share, offering 42% upside.

VALUATION SUMMARY

COMPANY	RATING	CMP (RS/SH)	MKT CAP (RS B)	NAV (RS/SH)	TP (RS/SH)	EPS (RS/SH) FY10	EPS (RS/SH) FY11	P/E (X) FY10	P/E (X) FY11	ADJ. BV (RS/SH) FY10	ADJ. BV (RS/SH) FY11	P/B (X) FY10	P/B (X) FY11
Anant Raj	Buy	131	38	194	194	7.3	10.4	18.0	12.6	120	129	1.1	1.0
Phoenix Mills	Buy	153	22	220	220	6.0	8.0	25.6	19.1	109	116	1.4	1.3
Mah Life	Buy	322	13	511	511	20.7	26.3	15.5	12.2	236	263	1.4	1.2
Brigade	Buy	115	13	164	164	6.9	10.2	16.7	11.3	91	97	1.3	1.2
Puravankara	Neutral	96	21	124	124	5.3	7.9	18.2	12.2	68	74	1.4	1.3
Peninsula	Neutral	78	22	88	88	8.0	11.7	9.7	6.6	40	46	2.0	1.7

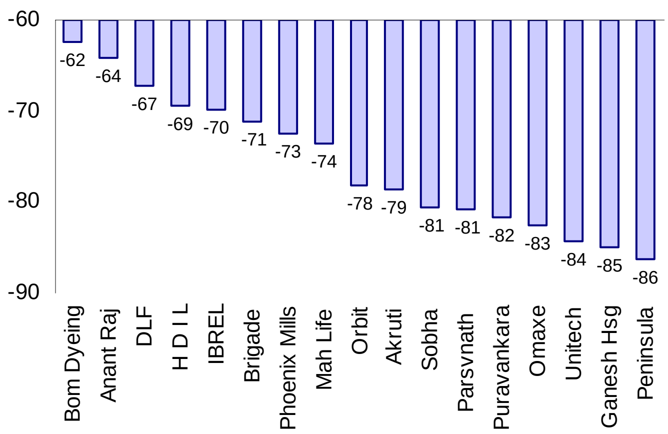
Source: MOSL

RE NAVS ACROSS COMPANIES (RS/SHARE)

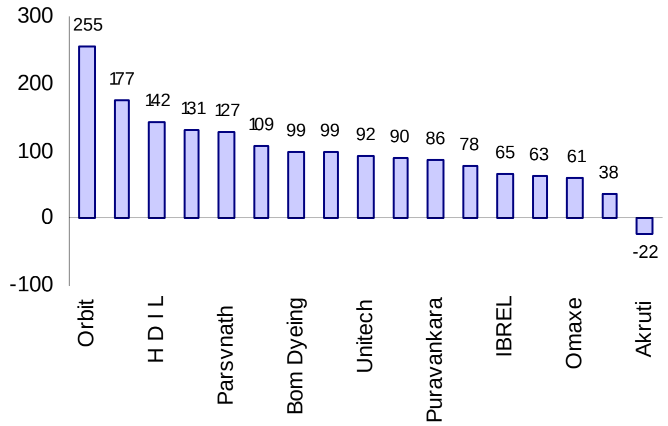
	ANANT RAJ	PHOENIX	MAH LIFE	BRIGADE	PURA--VANKARA	PENINSULA
Apartments	95	10	171	117	244	57
Villas	0	0	0	0	0	0
Plots/Inst Plots	0	0	0	0	0	0
Commercial	62	34	0	124	9	65
Hotels	53	186	0	39	0	0
Retail	54	276	0	41	0	0
Others	4		270	0	0	1
Total	**268**	**507**	**441**	**321**	**253**	**122**
Add: Misc	0	35	0	0	0	7
Gross Asset Value	**268**	**543**	**441**	**321**	**253**	**129**
Less: Tax	62	13	0	62	56	130
Add: Cash	21	32	90	9	1	29
Less: Debt	0	25	0	71	38	1
Less: Land Cost	7	7	0	0	13	11
Less: Operating Exp & others	27	17	0	29	23	0
Net Asset Value	**194**	**220**	**518**	**164**	**124**	**88**
CMP 30 Oct 09 (Rs/sh)	131	153	247	115	71	78
% Prem/Disc	-32.6	-30.6	-52.3	-29.6	-43.1	-11.4

Source: MOSL

KEY RE STOCKS TRADE AT ~76% DISCOUNT TO PEAK PRICES



RE STOCKS HAVE JUMPED ~100% YTD

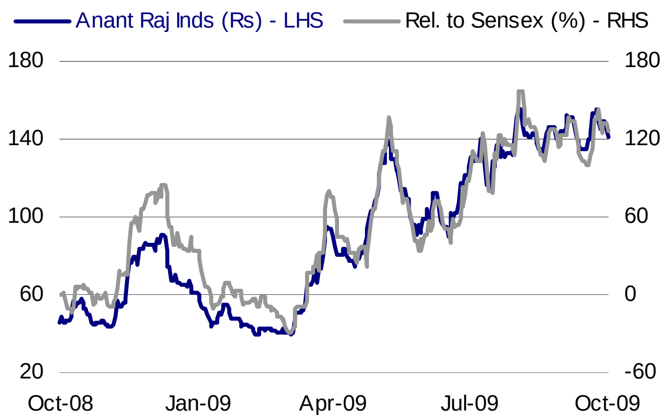


**Prices as of 27 October 2009*

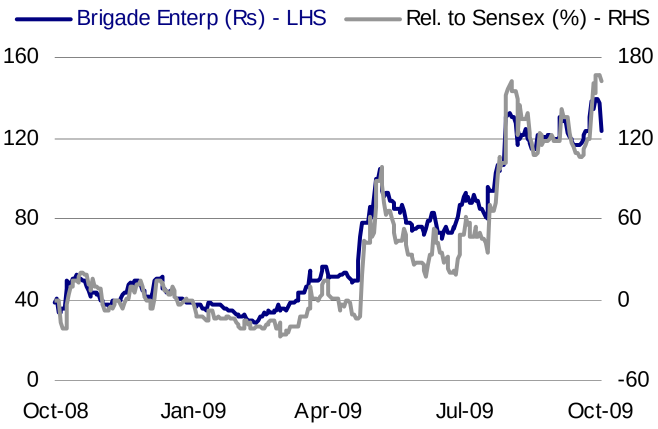
Source: MOSL

STOCK PERFORMANCE OF KEY MID-CAP RE COMPANIES (1 YEAR)

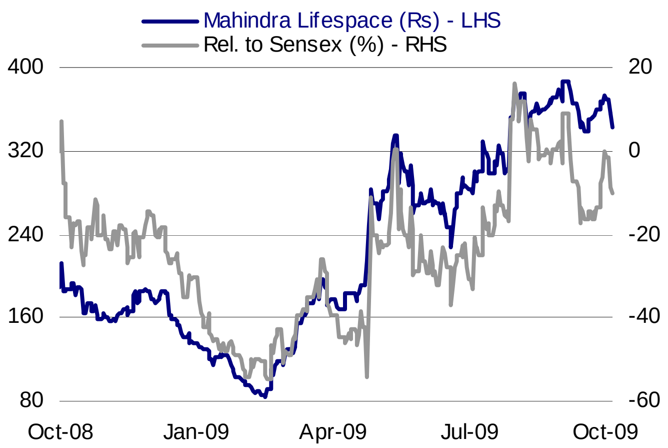
ANANT RAJ INDUSTRIES



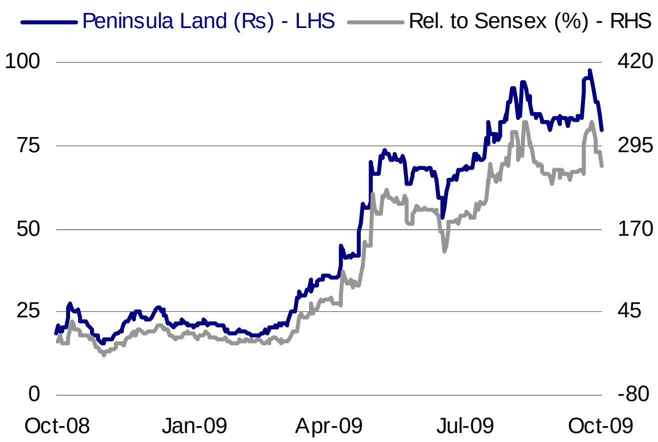
BRIGADE ENTERPRISES



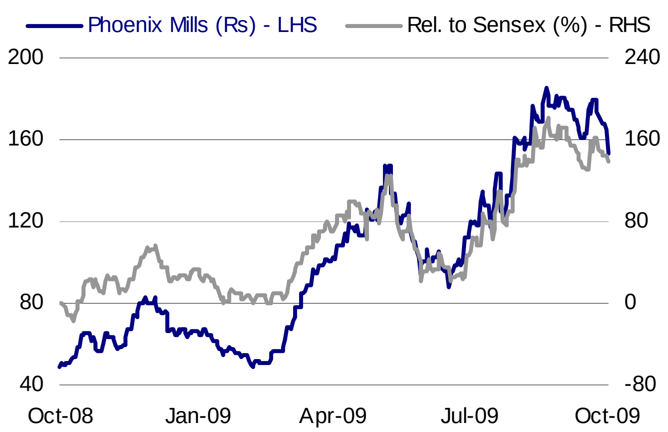
MAHINDRA LIFESPACES



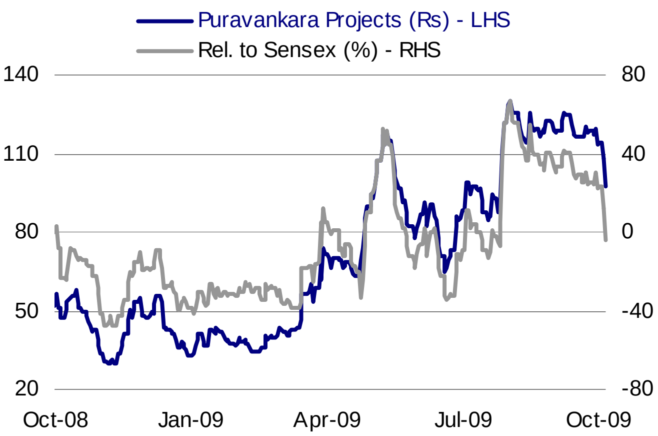
PENINSULA LAND



PHOENIX MILLS



PURAVANKARA PROJECTS



*Prices as of 27 October 2009

Source: Bloomberg

COMPARATIVE FINANCIALS

	Y/E END	CMP (RS)	SALES (RS M)	SALES GR. (%)	EBITDA (RS M)	EBITDA GR. (%)	NP (RS M)	NP GR. (%)	NPM (%)
DLF	Mar-09	370	100.4	-30.4	54.9	-43.5	46.3	-40.7	46.1
	Mar-10		78.2	-22.1	42.9	-21.9	26.8	-42.0	34.3
	Mar-11		102.5	31.0	55.7	30.0	37.5	39.6	36.6
Unitech	Mar-09	82	28.9	-29.7	15.9	-27.7	9.7	-42.0	33.4
	Mar-10		33.8	16.8	17.1	7.5	10.8	11.5	31.9
	Mar-11		30.2	-10.6	14.2	-17.1	10.0	-7.5	33.0
IBREL	Mar-09	250	2.1	48.3	-0.6	-27.3	0.3	-92.6	14.1
	Mar-10		2.0	-3.7	0.5	24.7	0.7	143.2	35.7
	Mar-11		5.7	184.4	1.9	32.9	1.4	95.7	24.6
HDIL	Mar-09	317	17.3	-27.4	7.8	-54.0	7.9	-44.2	45.5
	Mar-10		16.5	-4.3	6.9	-11.2	4.5	-42.8	27.2
	Mar-11		21.0	26.8	9.0	29.6	5.7	25.9	27.0
Anant Raj	Mar-09	131	2.5	-58.5	2.2	-60.7	2.1	-52.5	82.7
	Mar-10		4.4	77.0	2.4	9.4	2.1	3.1	48.2
	Mar-11		6.8	54.0	3.8	59.3	3.1	42.9	44.7
Phoenix Mills	Mar-09	153	1.0	21.3	0.6	20.2	0.8	79.5	77.1
	Mar-10		1.6	62.9	1.1	79.8	0.9	12.7	53.3
	Mar-11		2.4	48.8	1.7	57.1	1.2	33.9	47.9
Mahindra	Mar-09	322	3.4	47.9	0.7	10.9	0.6	-3.5	18.7
Lifespaces	Mar-10		4.1	20.6	1.2	59.3	0.8	32.0	20.5
	Mar-11		5.6	35.8	1.8	59.9	1.1	26.7	19.1
Brigade	Mar-09	115	4.0	-20.8	0.6	-57.3	0.9	-15.0	22.0
	Mar-10		4.3	8.3	1.5	140.0	0.8	-10.6	18.1
	Mar-11		6.4	50.7	2.3	56.7	1.1	48.2	17.8
Puravankara	Mar-09	96	4.4	-21.4	1.3	-36.8	1.4	-39.8	32.5
	Mar-10		5.2	17.9	1.3	-4.1	1.1	-21.8	21.5
	Mar-11		5.2	17.9	1.3	-4.1	1.1	-21.8	21.5
Peninsula	Mar-09	78	5.7	58.3	1.5	-2.0	1.6	9.7	28.9
	Mar-10		6.0	5.4	3.2	114.6	2.2	48.2	37.4
	Mar-11		8.0	33.6	4.6	45.5	3.3	47.4	41.2

Source: MOSL

COMPARATIVE VALUATIONS

	Y/E END	CMP (RS/SH)	EV (RS M)	EPS (RS/SH)	P/E (X)	EV/ EBITDA (X)	DPS (RS/SH)	DIV. YIELD (%)	ROE (%)	ROCE (%)	ADJ. BV (RS/SH)	P/BV (X)
DLF	Mar-09	370	782.4	26.9	13.8	14.3	1.4	0.4	18.7	15.5	123.2	3.0
	Mar-10		718.7	15.6	23.7	16.8	0.8	0.2	9.8	10.4	137.9	2.7
	Mar-11		691.8	21.8	17.0	12.4	1.1	0.3	12.1	13.8	158.4	2.3
Unitech	Mar-09	82	280.3	6.0	13.8	17.6	0.1	0.1	18.7	13.2	24.7	3.3
	Mar-10		237.1	4.5	18.2	13.8	0.0	0.1	9.9	10.4	40.8	2.0
	Mar-11		229.9	4.2	19.6	16.2	0.0	0.1	8.4	7.8	45.0	1.8
IBREL	Mar-09	250	60.4	1.1	218.2	-105.9	7.0	2.8	0.5	2.0	213.5	1.2
	Mar-10		87.3	2.8	89.7	175.7	3.0	1.2	0.8	1.5	204.0	1.2
	Mar-11		87.4	5.4	45.8	46.5	5.0	2.0	1.6	2.4	205.9	1.2
HDIL	Mar-09	317	108.5	24.6	12.9	13.9	2.0	0.6	15.3	8.6	158.8	2.0
	Mar-10		91.3	13.0	24.3	13.2	1.3	0.4	6.9	6.2	188.3	1.7
	Mar-11		84.9	16.4	19.3	9.5	1.6	0.5	7.9	7.3	204.7	1.5
Anant Raj	Mar-09	131	34.3	7.0	18.6	15.5	0.6	0.5	6.2	8.6	112.7	1.2
	Mar-10		36.9	7.3	18.0	15.3	1.0	0.8	6.0	8.0	119.9	1.1
	Mar-11		36.5	10.4	12.6	9.5	1.0	0.8	8.0	10.8	129.4	1.0
Phoenix Mills	Mar-09	153	25.7	5.3	28.9	42.7	0.0	0.0	5.1	5.1	104.6	1.5
	Mar-10		29.3	6.0	25.6	27.0	1.0	0.6	5.5	5.7	109.4	1.4
	Mar-11		31.2	8.0	19.1	18.3	1.2	0.8	6.9	7.1	116.0	1.3
Mahindra	Mar-09	322	15.0	15.7	20.5	20.7	3.5	1.1	6.9	7.8	219.6	1.5
Lifespaces	Mar-10		15.5	20.7	15.5	13.4	4.0	1.2	8.5	9.3	235.7	1.4
	Mar-11		16.3	26.3	12.2	8.8	5.0	1.6	9.7	12.5	262.8	1.2
Brigade	Mar-09	115	17.9	7.7	14.9	29.6	1.2	1.0	3.9	4.3	88.8	1.3
	Mar-10		19.8	6.9	16.7	13.7	1.0	0.9	7.6	7.9	91.4	1.3
	Mar-11		19.2	10.2	11.3	8.5	1.0	0.9	10.5	10.7	97.2	1.2
Puravankara	Mar-09	96	15.6	6.8	14.2	11.9	0.7	0.8	10.6	6.5	63.9	1.5
	Mar-10		14.7	5.3	18.2	11.7	0.5	0.6	7.8	5.9	67.9	1.4
	Mar-11		13.2	7.9	12.2	10.5	0.8	0.9	10.7	9.8	74.0	1.3
Peninsula	Mar-09	78	23.3	4.8	16.2	15.8	0.5	0.7	13.3	16.1	36.1	2.2
	Mar-10		22.8	8.0	9.7	7.2	0.8	1.0	20.2	22.8	39.5	2.0
	Mar-11		20.7	11.7	6.6	4.5	1.2	1.5	25.4	30.8	46.3	1.7

Source:MOSL

Companies

BSE Sensex: 15,896 S&P CNX: 4,712 30 October 2009

Anant Raj Industries

STOCK INFO.	BLOOMBERG
BSE Sensex: 15,896	ARCP IN
	REUTERS CODE
S&P CNX: 4,712	ANRA.BO

30 October 2009

Buy

Previous Recommendation: Buy

Rs131

Y/E MARCH	2008	2009	2010E	2011E
Net Sales (Rs m)	6,038	2,508	4,437	6,832
EBITDA (Rs m)	5,623	2,197	2,415	3,847
NP (Rs m)	4,364	2,073	2,137	3,054
EPS (Rs)	14.8	7.0	7.3	10.4
EPS Growth (%)	182.4	-52.5	3.1	42.9
BV/Share (Rs)	98.4	112.7	119.9	129.4
P/E (x)	8.8	18.6	18.0	12.6
P/BV (x)	1.3	1.2	1.1	1.0
EV/EBITDA (x)	5.9	15.5	15.3	9.5
EV/ Sales (x)	5.5	13.7	8.3	5.3
RoE (%)	15.0	6.2	6.0	8.0
RoCE (%)	26.1	8.6	8.0	10.8

Sound business model: Anant Raj Industries (ARIL) has a sound business model, which is more resilient to the cyclicality of the real estate (RE) business compared with its peers. Its concentration on city-centric projects in the National Capital Region (NCR), in-house construction capabilities, no leveraging to pursue land-bank aggregation, multiple revenue streams with high monetization visibility and no pan-India ambitions differentiate ARIL from its peers.

Focused city-centric player: ARIL is a focused city-centric real-estate developer with four decades' experience in the NCR. It is one of the largest land owners in Delhi, with a fully-paid land bank of ~982 acres. Given its city-centric focus and large holdings of prime land in and around Delhi, ARIL will be a key beneficiary of the ongoing revival in the real-estate sector.

Shift in focus to expedite monetization: In the past ARIL focused mainly on verticals such as retail, IT parks/SEZs and hotels. It now plans to expand into self-financing residential projects, which will significantly expedite the monetization of its land bank and make its business model less capital intensive. It intends to launch 21.4msf of residential projects, located largely in Delhi.

NAV of Rs194; stock at 33% discount; Buy: ARIL has a robust business model with multiple revenue streams and high monetization visibility. We expect revenue CAGR of 54% over FY09-12 and net profit CAGR of 20%. The stock trades at ~1x FY11E BV of Rs129 and 33% discount to its FY11E NAV of Rs194, which is attractive compared with industry peers that trade at ~1.5x FY11E BV. Maintain **Buy** with target price of Rs194 implies a 49% upside.

KEY FINANCIALS	
Shares Outstanding (m)	294.6
Market Cap. (Rs b)	41.6
Market Cap. (US$ b)	0.9
Past 3 yrs. Sales Growth (%)	9.8
Past 3 yrs. NP Growth (%)	28.5
Dividend Payout (%)	9.6
Dividend Yield (%)	0.4

STOCK DATA	
52-Week Range	164/37
Major Shareholders (as of June 2009)	%
Promoter	61.4
Domestic Inst	0.2
Foreign	27.2
Others	11.3
Average Daily Turnover	
Volume ('000 shares)	674.8
Value (Rs million)	73.6
1/6/12 Month Rel. Performance (%)	-7/22/107
1/6/12 Month Abs. Performance (%)	-14/61/183

High quality landbank, Delhi forms ~50% of landbank

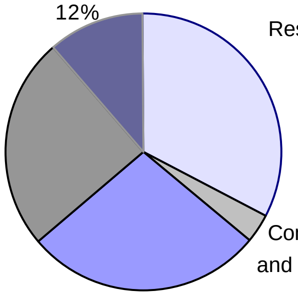
ARIL is a focused city-centric real estate developer, with four decades of experience in the National Capital Region (NCR). It is one of the largest land owners in Delhi. Of ARIL's fully-paid land bank of ~982acres, ~525acres is within Delhi, while most of its remaining land bank is within 30km of Delhi. Since February 2009, there has been a strong recovery in the residential real estate sector, in key tier-1 cities – particularly Mumbai and Delhi. Given its city-centric focus and large holdings of prime land in and around Delhi, we believe that ARIL will be a key beneficiary of the ongoing revival in the real estate sector.

ARIL has a total development potential of ~65msf (ARIL's share). Its development plans are well-diversified, with strong focus on commercial development. ARIL's development plans include: 21.4msf residential (32%), 18msf IT parks (28%), 16.2msf SEZs, 7.5msf hotels (12%) and 2msf commercial/retail (3%).

VERTICAL-WISE DEVELOPMENT PLANS

VERTICAL	MSF
Residential	21.4
Commercial and Retail	2.0
IT Parks	18.0
SEZ	16.2
Hotels	7.5
Total	**65.2**

Source: Company/MOSL



Foray into residential vertical

To make its business model less capital intensive, ARIL has shifted focus towards the development of self-financing residential projects. It plans to launch three key residential projects over FY10-11. Also, in 1QFY10, ARIL acquired three residential projects totaling ~3.4msf for a total consideration of Rs1.7b, which is required to be paid over the next 2-3 months. These projects include: 1.8msf at Noida at Rs600/sf, 0.2msf at Gurgaon at Rs800/sf and 1.4msf at Manesar at Rs350/sf.

DETAILS OF ARIL'S RECENT LAND ACQUISITIONS

LOCATION	AREA (MSF)	COST (RS M)	COST (RS/SF)
Noida	1.8	1,080	600
Manesar	1.4	490	350
Gurgaon	0.2	160	800
Total	**3.4**	**1,730**	**509**

Source: Company/MOSL

In-house construction arm provides comfort on execution

We have assumed that ARIL would be able to develop and sell its entire land bank of ~50msf (excluding SEZs) by FY20. We model ARIL's total launches to increase from 1.5msf in FY10 to 2.2msf in FY11 and peak at 6.2msf in FY15, led by residential launches. We model the residential launches of ~0.3msf in FY11, which represents three residential launches in prime areas in Delhi. On the other hand, we model the launches of commercial IT parks to increase from 0.7msf in FY10 to 1.2msf in FY13 and peak at 2.0msf in FY16, largely owing to its IT parks launches in Panchkula, Greater Noida and Jaipur.

ARIL'S LAUNCH PLANS (MSF)*

	TOTAL	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Residential	21.4	0.2	0.3	1.5	2.7	3.2	3.3	3.1	2.8	1.7	2.7	0.0
IT Parks	18.0	0.7	1.2	2.0	2.0	1.7	1.8	2.0	1.8	1.8	1.6	0.1
Commercial	2.0	0.3	0.4	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Hotels	7.5	0.4	0.3	1.1	1.3	1.1	1.1	0.7	0.0	0.0	0.0	0.0
Total	**49.0**	**1.5**	**2.2**	**4.7**	**6.1**	**6.0**	**6.2**	**5.7**	**4.6**	**3.5**	**4.3**	**0.1**

*Excluding SEZ

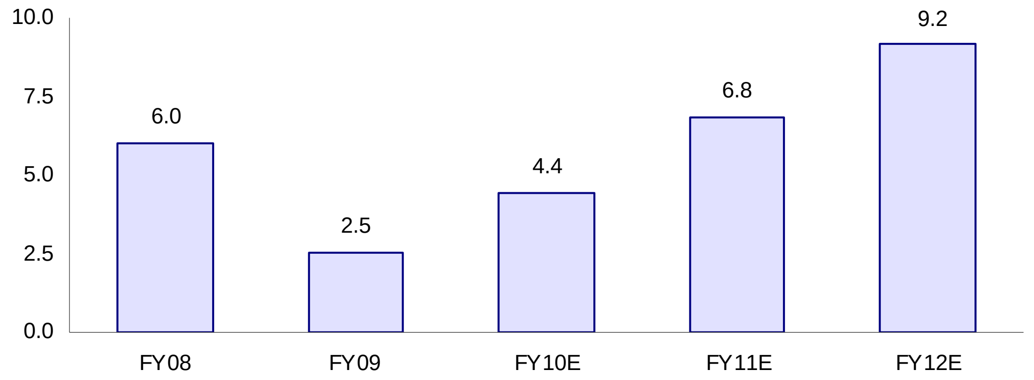
Source: MOSL

Strong financial outlook

High visibility on monetization provides clarity on ARIL's financial outlook. We expect ARIL's revenues to increase by 77% YoY to Rs4.4b in FY10 and increase to Rs9.2b in FY12. The increase in revenues would be largely led by revenues from residential projects and higher rental income.

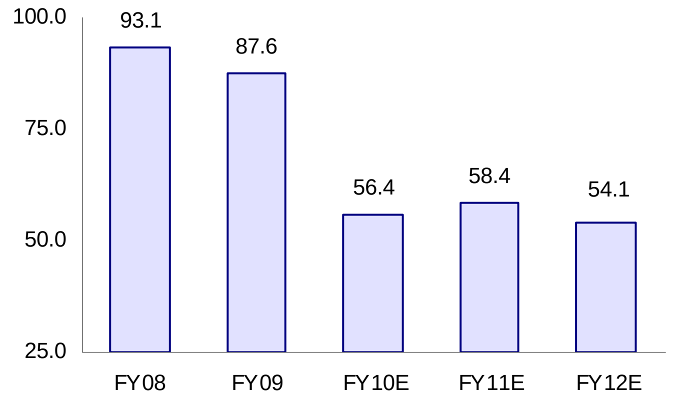
ROBUST INCREASE IN REVENUES (RS B)

REVENUE TO INCREASE BY 54% CAGR

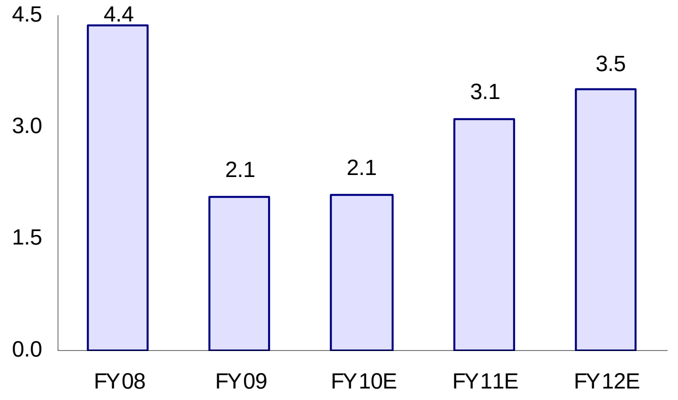


Source: Company/MOSL

EBITDA MARGINS LIKELY TO CONSOLIDATE AT ~54%



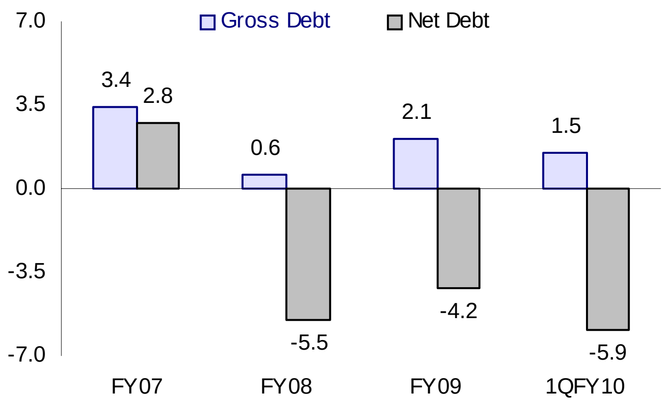
PAT CAGR OF 20% OVER FY09-12 (RS B)



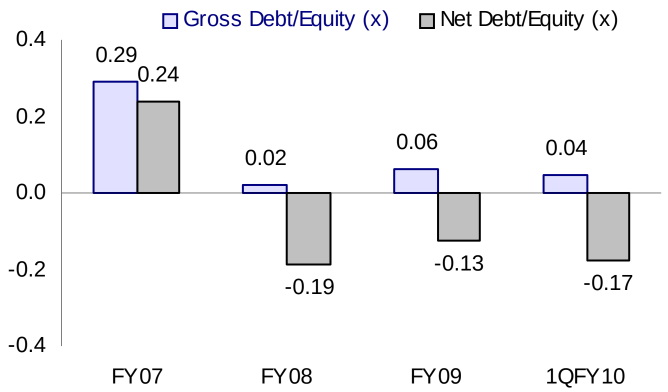
Source: Company/MOSL

ARIL BOASTS OF COMFORTABLE NET CASH POSITION

TREND IN GROSS DEBT AND NET DEBT (RS B)



TREND IN DEBT/EQUITY RATIO (X)



Note: ARIL also raised equity of Rs9b through QIP / ADR / GDR and preferential issues since FY07 *Source: Company/MOSL*

NAV of Rs194; stock at 33% discount; Buy

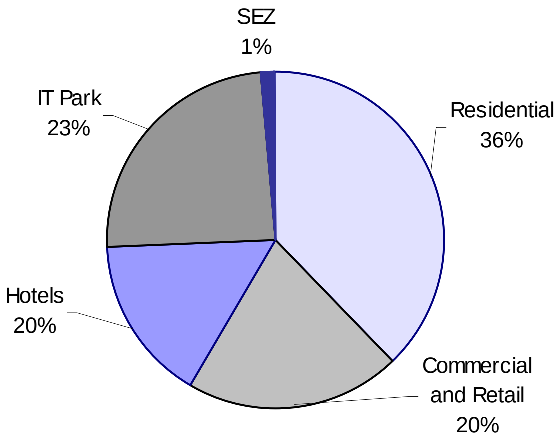
We believe that ARIL is well placed to reap the benefits of the recent recovery in the real estate sector owing to (1) its high quality land bank concentrated in tier-I cities, (2) high visibility on monetization, (3) robust business model with steady flow of rental income, and (iv) robust financials with net cash position. Our FY11E NAV for ARIL is Rs194/share. The residential vertical constitutes 36% of GAV while the commercial and hospitality verticals constitute 20% and 19.8% of GAV, respectively. The stock trades at ~1x FY11E BV of Rs129 and 33% discount to its FY11 NAV of Rs194, which is attractive compared to industry peers that trade at ~1.5x FY11E BV. Maintain **Buy** with target price of Rs194 implies 49% upside.

NAV OF RS194/SHARE

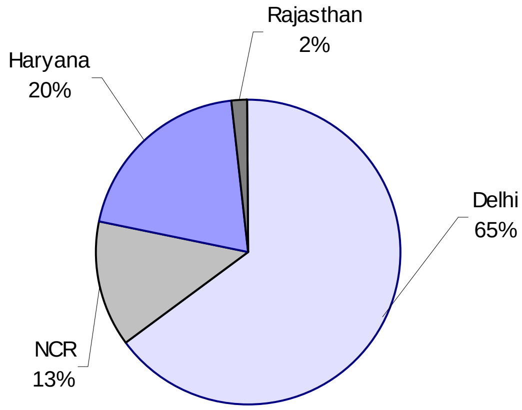
VERTICAL	RS M	NAV/SHARE (RS)	% OF NAV	% OF GAV
Residential	28,015	95	49.1	35.5
Commercial and Retail	15,792	54	27.7	20.0
Hotels	15,573	53	27.3	19.8
IT Park	18,324	62	32.1	23.2
SEZ	1,134	4	2.0	1.4
Gross Annual Value	**78,837**	**268**	**138.3**	**100.0**
Less: Net Debt	-6,200	-21	-10.9	-7.9
Less: Other Op Exp	7,884	27	13.8	10.0
Tax	18,132	62	31.8	23.0
Land cost	2,000	7	3.5	2.5
Net Asset Value	**57,021**	**194**	**100.0**	**72.3**

Source: Company/MOSL

VERTICAL-WISE GAV ANALYSIS



CITY-WISE GAV ANALYSIS



Source: MOSL

NAV calculation: key assumptions

1. Our NAV estimate factors in development plans that will be executed over the next 10 years.
2. 5% CAGR in RE prices across cities and verticals (residential, commercial and retail).
3. 5% CAGR in construction cost for all verticals.
4. Occupancy rates of 90%, in both the commercial and retail segments.
5. Cap rate of 11% in the commercial and retail verticals.
6. Cap rate of 12% and 70% occupancy rate for hotels.
7. WACC of 14.3%.

NAV calculation: what we have not considered

ARIL has planned the development of two IT SEZs of ~3.9msf and 12.3msf at Manesar. It has already received final notification for 25acres at Manesar, and formal approval (notification awaited) for 225acres. The company has put on hold the development of these SEZs considering the current sluggish demand for commercial IT/ITES projects. We have not ascribed any value to these SEZs as we await further clarity on the commercial demand environment for the huge supply that would be generated by these SEZs. We have considered only the land value for these SEZ projects, Rs1b in our NAV calculation.

INCOME STATEMENT (RS MILLION)

Y/E MARCH	2008	2009	2010E	2011E	2012E
Net Sales	**6,038**	**2,508**	**4,437**	**6,832**	**9,155**
Change (%)	*190.2*	*-58.5*	*77.0*	*54.0*	*34.0*
Construction expenses	258	148	1,669	2,454	3,693
Staff Cost	59	63	103	150	195
Selling & Adminstrative exp	98	101	250	382	509
EBITDA	**5,623**	**2,197**	**2,415**	**3,847**	**4,758**
% of Net Sales	*93.1*	*87.6*	*54.4*	*56.3*	*52.0*
Depreciation	82	86	177	215	238
Interest	33	5	36	36	46
Other Income	296	701	686	599	489
PBT	**5,804**	**2,806**	**2,888**	**4,196**	**4,963**
Tax	1,438	733	751	1,141	1,424
Rate (%)	*24.8*	*26.1*	*26.0*	*27.2*	*28.7*
Reported PAT	**4,364**	**2,071**	**2,137**	**3,054**	**3,539**
EO Income (net of exp.)	0	-2	0	0	0
Adjusted PAT	**4,364**	**2,073**	**2,137**	**3,054**	**3,539**
Change (%)	*247.9*	*-52.5*	*3.1*	*42.9*	*15.9*

BALANCE SHEET (RS MILLION)

Y/E MARCH	2008	2009	2010E	2011E	2012E
Share Capital	589	589	589	589	589
Reserves	28,415	32,431	34,746	37,543	40,695
Net Worth	**29,006**	**33,198**	**35,335**	**38,132**	**41,284**
Loans	580	2,102	1,500	2,050	2,500
Deffered Tax Liability	19	26	26	26	26
Capital Employed	**29,609**	**36,013**	**37,548**	**40,895**	**44,497**
Gross Fixed Assets	12,772	14,131	19,421	23,648	23,996
Less: Depreciation	420	518	1,050	1,266	1,504
Net Fixed Assets	**12,352**	**13,613**	**18,371**	**22,382**	**22,492**
Capital WIP	3,855	7,211	4,453	4,358	9,958
Investments	1,486	3,089	3,089	3,089	3,089
Curr. Assets	**14,366**	**13,305**	**14,088**	**16,002**	**15,472**
Inventory	777	126	3,674	4,364	3,463
Debtors	3,098	2,405	3,759	3,270	3,131
Cash & Bank Balance	6,048	6,257	3,042	4,032	4,976
Loans & Advances	4,443	4,517	3,613	4,336	3,902
Current Liab. & Prov.	**2,457**	**1,260**	**2,452**	**4,936**	**6,515**
Creditors	197	99	488	1,195	1,971
Advance received	25	65	722	2,109	2,462
Other Liabilities	880	160	160	160	160
Provisions	1,354	936	1,082	1,473	1,922
Net Current Assets	**11,909**	**12,046**	**11,635**	**11,066**	**8,958**
Application of Funds	**29,610**	**36,013**	**37,548**	**40,895**	**44,497**

E: MOSL Estimates

RATIOS

Y/E MARCH	2008	2009	2010E	2011E	2012E
Basic (Rs)					
Adjusted EPS	**14.8**	**7.0**	**7.3**	**10.4**	**12.0**
Growth (%)	182.4	-52.5	3.1	42.9	15.9
Cash EPS	15.1	7.3	7.9	11.1	12.8
Book Value	98.4	112.7	119.9	129.4	140.1
DPS	1.4	0.6	1.0	1.0	1.5
Payout (incl. Div. Tax.)	10.3	9.6	15.5	10.9	14.1
Valuation (x)					
P/E	8.8	18.6	18.0	12.6	10.9
Cash P/E	8.6	17.8	16.6	11.8	10.2
EV/EBITDA	5.9	15.5	15.3	9.5	7.6
EV/Sales	5.5	13.7	8.3	5.3	3.9
Price/Book Value	1.3	1.2	1.1	1.0	0.9
Dividend Yield (%)	342.9	152.4	254.0	254.0	381.0
Profitability Ratios (%)					
RoE	15.0	6.2	6.0	8.0	8.6
RoCE	26.1	8.6	8.0	10.8	11.7
Leverage Ratio					
Debt/Equity (x)	0.0	0.1	0.0	0.1	0.1

CASH FLOW STATEMENT (RS MILLION)

Y/E MARCH	2008	2009	2010E	2011E	2012E
PBT before EO Items	5,802	2,804	2,888	4,196	4,963
Add : Depreciation	82	86	177	215	238
Interest	33	5	36	36	46
Less : Direct Taxes Paid	1,438	733	751	1,141	1,424
(Inc)/Dec in WC	5,224	-73	2,805	-1,560	-3,052
CF from Operations	**-743**	**2,246**	**-454**	**4,865**	**6,875**
(Inc)/Dec in FA	-3,588	-4,703	-2,177	-4,131	-5,949
(Pur)/Sale of Investments	-362	-1,603	0	0	0
CF from Investments	**-3,949**	**-6,306**	**-2,177**	**-4,131**	**-5,949**
(Inc)/Dec in Networth	13,415	2,964	385	74	110
(Inc)/Dec in Debt	-2,823	1,521	-602	550	450
Less : Interest Paid	33	5	36	36	46
Dividend Paid	447	199	331	331	497
CF from Fin. Activity	**10,112**	**4,282**	**-584**	**257**	**18**
Inc/Dec of Cash	**5,422**	**210**	**-3,215**	**990**	**944**
Add: Beginning Balance	626	6,048	6,257	3,042	4,032
Closing Balance	**6,047**	**6,257**	**3,042**	**4,032**	**4,976**

Brigade Enterprises

STOCK INFO.	BLOOMBERG
BSE Sensex: 15,896	BRGD IN
	REUTERS CODE
S&P CNX: 4,712	BRIG.BO

Y/E MARCH	2008	2009	2010E	2011E
Net Sales (Rs m)	4,986	3,951	4,279	6,447
EBITDA (Rs m)	1,413	604	1,450	2,273
NP (Rs m)	1,020	867	775	1,149
EPS (Rs)	9.1	7.7	6.9	10.2
EPS Growth (%)	-66.6	-15.0	-10.6	48.2
BV/Share (Rs)	82.5	88.8	91.4	97.2
P/E (x)	12.7	14.9	16.7	11.3
P/BV (x)	1.4	1.3	1.3	1.2
EV/EBITDA (x)	11.1	29.6	13.7	8.5
EV/ Sales (x)	3.2	4.5	4.6	3.0
RoE (%)	11.4	3.9	7.6	10.5
RoCE (%)	17.4	4.3	7.9	10.7

KEY FINANCIALS	
Shares Outstanding (m)	112.3
Market Cap. (Rs b)	13.8
Market Cap. (US$ b)	0.3
Past 3 yrs. Sales Growth (%)	-1.6
Past 3 yrs. NP Growth (%)	8.8
Dividend Payout (%)	41.3
Dividend Yield (%)	1.0

STOCK DATA	
52-Week Range	146/28
Major Shareholders (as of September 2009)	%
Promoter	57.5
Domestic Inst	1.2
Foreign	4.9
Others	36.4
Average Daily Turnover	
Volume ('000 shares)	351.8
Value (Rs million)	36.8
1/6/12 Month Rel. Performance (%)	-5/86/164
1/6/12 Month Abs. Performance (%)	-12/125/240

30 October 2009

Buy

Initiating Coverage

Rs115

South based quality developer: Brigade Enterprises (BEL) is a Bangalore based real estate developer now looking to expand its operations across other key southern cities such as Chennai, Hyderabad, Kochi and Mysore. It currently has a land bank of ~28msf, including 19.4msf residential, 6.4msf commercial, 1.2 hotel and 0.9msf retail. We believe BEL due to its high quality concentrated land bank, robust financials and focused management is well poised to capitalize on the ongoing real estate recovery.

High monetization visibility: BEL's two key projects in Bangalore, (i) Gateway in Malleswaram and (ii) Metropolis in Whitefield, both mixed-use enclaves are in advanced stages of completion and ready for monetization. Both these projects form ~39% of our GAV (Gateway forms 32% of GAV and Metropolis forms ~7% of GAV).

Value unlocking from hospitality vertical could be a near term catalyst: BEL is considering raising funds by diluting stake in its hospitality subsidiary, Brigade Hospitality Services, to Private Equity Investors. Negotiations are underway and the deal is likely to be finalized in FY10. This is likely to boost cash flows as the hospitality subsidiary does not require substantial funds for executing its projects. BEL currently has 220rooms which are operational, which includes the recently launched Brigade Mercure, which currently operates at ~60% occupancy with ARRs of over US$125 per night.

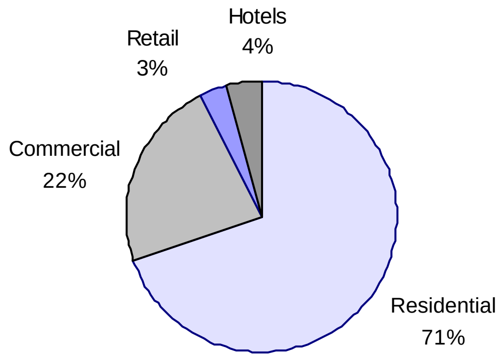
Valuation and view: Our FY11E NAV is Rs164/share. We are positive on BEL, due to its high quality concentrated land bank with strong monetization visibility. BEL trades at ~30% discount to its NAV of Rs164/share. We initiate coverage with a **Buy** rating and a target price of Rs164/share, offering 42% upside.

Quality land bank, with high monetization visibility

BEL is a Bangalore based developer now looking to expand its operations into other key southern cities such as Chennai, Hyderabad, Kochi and Mysore. Till FY08, the company had completed 67 properties with 5.7msf of saleable area. It currently has a landbank of ~28msf, including 19.4msf residential, 6.4msf commercial, 1.2msf hotel and 0.9msf retail. Its two key projects in Bangalore, (i) Gateway in Malleswaram and (ii) Metropolis in Whitefield, both mixed-used enclaves are in advanced stages of completion and likely to be monetized by FY11. BEL has plans to launch 8-9msf of affordable housing projects over FY10-11, largely in Bangalore and Mysore.

BEL'S VERTICAL-WISE DEVELOPMENT DETAILS

VERTICAL	MSF
Residential	19.4
Commercial	6.4
Retail	0.9
Hotels	1.2
Total	**27.9**



Source: Company/MOSL

Brigade Gateway and Metropolis constitute ~39% of GAV

We have valued BEL's Gateway project at Rs11.6b or Rs104/share, which is ~32% of GAV. The residential development at Gateway consists of ~1,257 apartments, of which ~1,050 units (84%) have already been sold. It has also started giving possession of apartments at this project. Leasing is underway at the commercial office space, North Star and retail space, Orion, which is ~40% leased. Columbia Asia Hospital, its 200-bed hospital has been completed and leased. The Gateway project includes 230-key five star hotel, Sheraton, which is likely to be completed by FY10.

BRIGADE GATEWAY - GAV ANALYSIS

PROJECT	TYPE	GAV (RS M)	GAV/SH (RS)	AREA (MSF)	CONTRIBUTION TO GAV %	RATE (RS/SF)
Brigade North Star	Commercial Office	7,457	66	1.1	20.3	59
Brigade Gateway Apts	1257 apartments	755	7	2.3	2.1	3,750
Sheraton	Hotels of 230keys	636	6	0.3	1.7	4,000
Orion Mall	Retail	388	3	0.8	1.1	50
Columbia Asia Hospital	200 bed hospital	2,396	21	0.1	6.5	NA
Total		**11,632**	**104**	**4.7**	**31.6**	**-**

Source: Company/MOSL

We have valued BEL's Metropolis project at Rs2.5b or Rs24/share, which is ~7% of GAV. The residential development at Metropolis consists of ~1,618 apartments, of which ~1,248 units (77%) have already been sold and BEL has given possession for the first phase of the residential development. Construction is underway at its commercial development, Summit 1 and 2.

BRIGADE METROPOLIS - GAV ANALYSIS

PROJECT	TYPE	GAV (RS M)	GAV/ SH. (RS)	AREA (MSF)	CONTRI. TO GAV %	RATE (RS/SF)
Metropolis Residential	1,626 apartments	228	2	1.6	0.6	1,950
Summit 1 and 2	Commercial - IT	2,072	18	0.5	5.6	41
The Arcade Mall	Retail	164	1	0.1	0.4	60
Total		**2,464**	**22**	**2.1**	**6.7**	**0.0**

Source: Company/MOSL

Sales have picked up over the last few months. BEL sold ~96 units during 1QFY10 v/s ~25 units during 4QFY09. BEL has taken a price increase of 5-10% across its residential projects. It has sold ~76% of the total units and has an unsold inventory of ~836 units, of which ~370 units are in its Metropolis project in Whitefield in Bangalore.

BEL HAS SOLD ~76% OF THE TOTAL RESIDENTIAL UNITS ACROSS PROJECTS

PROJECT	LOCATION	AREA (MSF)	TOTAL UNITS	UNITS SOLD	SOLD (%)	UNSOLD INVENTORY
Gateway - Residential	Malleswaram, Bangalore	2.2	1,257	1,050	84	207
Metropolis - Residential	Whitefield, Bangalore	2.5	1,618	1,248	77	370
Others	Bangalore	0.5	542	283	52	259
Total		**5.3**	**3,417**	**2,581**	**76**	**836**

Source: Company/MOSL

Value unlocking from hospitality vertical could be a near-term catalyst

BEL is considering raising funds by selling some stake in its hospitality subsidiary, Brigade Hospitality Services, to PE investors. Negotiations are underway and the deal is likely to be finalized in FY10. This could result in significant value unlocking for BEL and strengthen its cash flows. Including the recently launched Brigade Mercure Homestead Residences, a 4-star property with 126 rooms, BEL currently has 220 operational rooms. Brigade Mercure is operating at ~60% occupancy, with ARR of over US$125 per night. BEL has plans to develop ~1.2msf of hotel projects, mostly in Bangalore.

BEL'S HOTEL DEVELOPMENT PLANS

HOTEL	LOCATION	TOTAL SF	BEL'S SHARE SF
Homestead 111 (Mercure)	Bangalore	100,000	100,000
Brigade Gateway (Sheraton)	Bangalore	300,000	300,000
Homestead 4, Jayanagar	Bangalore	40,000	40,000
Brigade Holiday Inn	Bangalore	300,000	300,000
Cochin Resort	Cochin	100000	100,000
Sheraton Hotel	Bangalore	300,000	300,000
Business Hotel Chennai	Chennai	NA	NA
Homestead IV - Completed	Jayanagar, Bangalore	11,066	5,754
Galaxy Club, Malleswaram	Gateway, Bangalore	52,000	52,000
Total		**1,203,067**	**1,197,755**

Source: Company/MOSL

NAV of Rs164/share

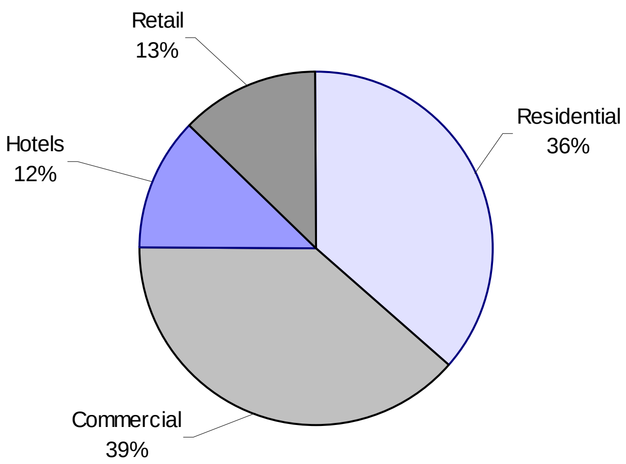
We believe that BEL is well placed to reap the benefits of the recent recovery in the real estate sector owing to its quality landbank with high monetization visibility and robust balance sheet. Our FY11E NAV for BEL is Rs164/share. The residential vertical forms ~36% GAV while the commercial vertical forms ~38% if GAV. The retail and hotel projects form ~12.5% and 12% of GAV respectively. The stock trades at ~1.2x FY11E BV of Rs97 and 30% discount to its FY11 NAV of Rs164. We initiate coverage with **Buy**; our target price of Rs164 implies 42% upside.

NAV OF RS164/SHARE

PARTICULARS	RS M	NAV/SHARE	% NAV	% GAV
Residential	13,088	117	71	35.6
Commercial	13,901	124	76	37.8
Hotels	4,411	39	24	12.0
Retail	4,591	41	25	12.5
Rental Property	772	7	4	2.1
Gross Annual Value	**36,764**	**328**	**200**	**100.0**
Less: Net Debt	6,978	62	38	19.0
Less: Other Op Exp	3,309	29	18	9.0
Tax	8,088	72	44	22.0
Land cost	0	0	0	0.0
Net Asset Value	**18,389**	**164**	**100**	**50.0**

Source: MOSL

VERTICAL-WISE GAV ANALYSIS



Source: Company/MOSL

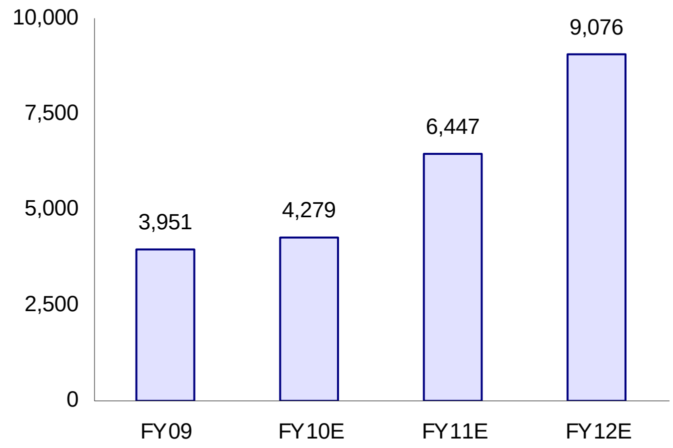
NAV calculation: key assumptions

1. Our NAV estimate factors in development plans that will be executed over the next 10 years.
2. 5% CAGR in RE prices across cities and verticals (residential, commercial and retail).
3. 5% CAGR in construction cost for all verticals.
4. Occupancy rates of 90%, in both the commercial and retail segments.
5. Cap rate of 11% in the commercial and retail verticals.
6. Cap rate of 12% and 70% occupancy rate for hotels.
7. WACC of 14.3%.

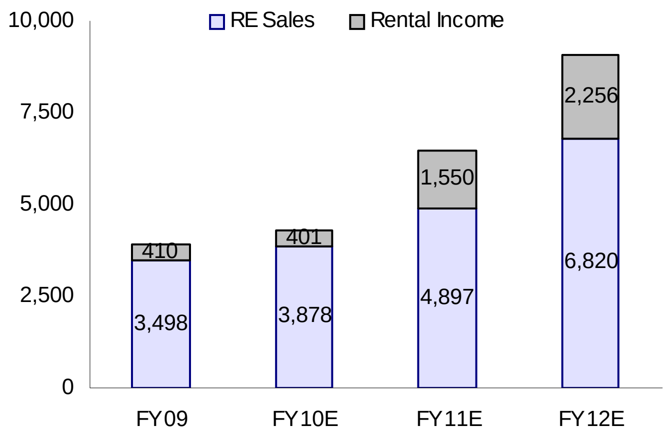
Robust financials

We expect revenue to increase from Rs4b in FY09 to Rs9b in FY12, CAGR of 32%, driven primarily by a sharp increase in contribution from its key projects, Gateway and Metropolis. We expect net profit to increase from Rs867m in FY09 to around Rs1.7b in FY12, a CAGR of 25%. We estimate EBITDA margin to improve from 15.3% in FY09 to 33.9% in FY10 and 35.3% in FY11.

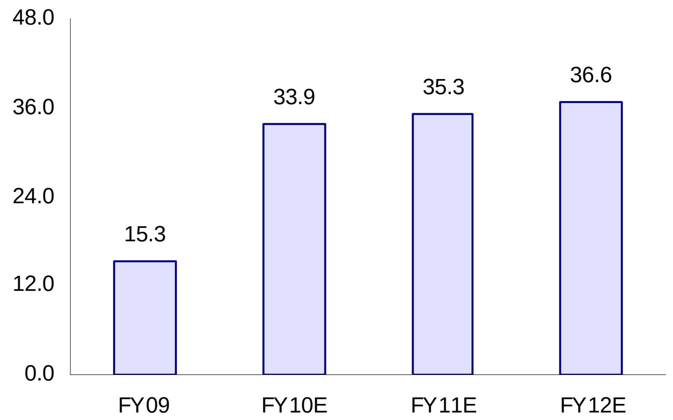
REVENUE CAGR OF 32% OVER FY09-12 (RS M)



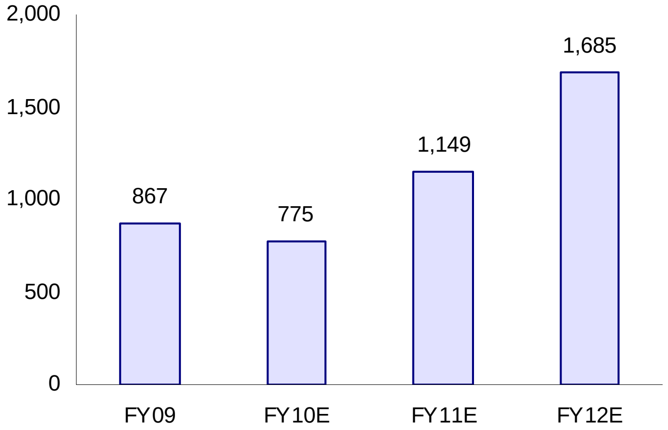
REVENUE BREAK UP (RS M)



EBITDA MARGINS TREND (%)



PAT CAGR OF 25% OVER FY09-12 (RS M)



Source: Company/MOSL

Overall launches to peak in FY13

We estimate BEL's overall launches to peak in FY13, led by launches in the residential vertical. We model BEL's launches to increase from 2.4msf in FY10 to 4.4msf in FY11 and peak at 5.9msf in FY13. We model the commercial and hotel launches to peak in FY13, with ~1.2msf of commercial launches and ~0.3msf of hotel launches.

BEL'S OVERALL LAUNCH PLAN (MSF)

	UPTO FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	TOTAL
Residential	4.4	1.3	3.6	4.2	4.4	0.7	0.0	0.0	18.7
Retail	1.2	0.5	0.0	0.0	0.0	0.0	0.0	0.0	1.7
Commercial	1.1	0.5	0.6	0.7	1.2	1.2	0.8	0.2	6.4
Hotels	0.1	0.1	0.2	0.3	0.3	0.2	0.0	0.0	1.2
Total	**6.8**	**2.4**	**4.4**	**5.3**	**5.9**	**2.1**	**0.9**	**0.2**	**28.1**

Source: MOSL

INCOME STATEMENT (RS MILLION)

Y/E MARCH	2008	2009	2010E	2011E	2012E
Net Sales	**4,986**	**3,951**	**4,279**	**6,447**	**9,076**
Change (%)	*22.2*	*-20.8*	*8.3*	*50.7*	*40.8*
Construction expenses	3,233	3,133	2,385	3,568	4,989
Staff Cost	340	215	354	514	668
EBITDA	**1,413**	**604**	**1,450**	**2,273**	**3,324**
% of Net Sales	*28.3*	*15.3*	*33.9*	*35.3*	*36.6*
Depreciation	101	151	193	406	734
Interest	37	31	228	301	289
Other Income	85	135	63	76	107
PBT	**1,360**	**557**	**1,092**	**1,642**	**2,407**
Tax	344	175	317	493	722
Rate (%)	*25.3*	*31.4*	*29.0*	*30.0*	*30.0*
Reported PAT	**1,016**	**382**	**775**	**1,149**	**1,685**
Adjusted PAT	**1,020**	**867**	**775**	**1,149**	**1,685**
Change (%)	*39.1*	*-15.0*	*-10.6*	*48.2*	*46.6*

BALANCE SHEET (RS MILLION)

Y/E MARCH	2008	2009	2010E	2011E	2012E
Share Capital	1,123	1,123	1,123	1,123	1,123
Reserves	8,141	8,848	9,133	9,791	10,739
Net Worth	**9,264**	**9,971**	**10,255**	**10,913**	**11,862**
Loans	2,975	5,405	7,650	7,400	7,050
Deffered Tax Liability	-15	-15	-15	-15	-15
Capital Employed	**12,224**	**15,360**	**17,890**	**18,298**	**18,897**
Gross Fixed Assets	1,236	1,865	2,953	7,199	10,070
Less: Depreciation	308	451	799	1,205	1,939
Net Fixed Assets	**928**	**1,414**	**2,154**	**5,993**	**8,131**
Capital WIP	4,060	6,774	7,325	3,548	1,954
Investments	4,058	222	250	250	250
Curr. Assets	**6,920**	**10,535**	**12,901**	**14,899**	**17,649**
Inventory	3,023	6,040	7,531	8,401	10,081
Debtors	29	45	171	121	229
Cash & Bank Balance	188	443	792	1,089	1,522
Loans & Advances	3,679	4,006	4,407	5,288	5,817
Current Liab. & Prov.	**4,062**	**3,855**	**4,740**	**6,392**	**9,087**
Creditors	1,398	2,046	0	0	0
Advance received	0	0	4,171	5,268	7,418
Other Liabilities	2,056	1,465	0	0	0
Provisions	608	344	569	1,124	1,669
Net Current Assets	**2,858**	**6,680**	**8,161**	**8,507**	**8,562**
Misc. Expenses	319	269	0	0	0
Application of Funds	**12,223**	**15,360**	**17,890**	**18,298**	**18,897**

E: MOSL Estimates

RATIOS

Y/E MARCH	2008	2009	2010E	2011E	2012E
Basic (Rs)					
Adjusted EPS	**9.1**	**7.7**	**6.9**	**10.2**	**15.0**
Growth (%)	*-66.6*	*-15.0*	*-10.6*	*48.2*	*46.6*
Cash EPS	2.0	0.9	1.7	2.8	4.3
Book Value	82.5	88.8	91.4	97.2	105.7
DPS	0.0	0.0	1.0	1.0	1.5
Payout (incl. Div. Tax.)	25.9	41.3	81.4	54.9	56.2
Valuation (x)					
P/E	12.7	14.9	16.7	11.3	7.7
Cash P/E	57.9	121.4	66.8	41.6	26.7
EV/EBITDA	11.1	29.6	13.7	8.5	5.6
EV/Sales	3.2	4.5	4.6	3.0	2.0
Price/Book Value	1.4	1.3	1.3	1.2	1.1
Dividend Yield (%)	227.9	136.7	547.9	547.9	821.8
Profitability Ratios (%)					
RoE	11.4	3.9	7.6	10.5	14.2
RoCE	17.4	4.3	7.9	10.7	14.5
Leverage Ratio					
Debt/Equity (x)	0.3	0.5	0.7	0.7	0.6

CASH FLOW STATEMENT (RS MILLION)

Y/E MARCH	2008	2009	2010E	2011E	2012E
PBT before EO Items	1,360	557	1,092	1,642	2,407
Add : Depreciation	101	151	193	406	734
Interest	37	31	228	301	289
Less : Direct Taxes Paid	344	175	317	493	722
(Inc)/Dec in WC	2,106	3,567	1,132	49	-378
CF from Operations	**-952**	**-2,516**	**64**	**1,807**	**3,086**
(Inc)/Dec in FA	-2,050	-3,352	-1,483	-468	-1,277
(Pur)/Sale of Investments	-4,048	3,836	-28	0	0
CF from Investments	**-6,097**	**484**	**-1,511**	**-468**	**-1,277**
(Inc)/Dec in Networth	6,736	47	410	140	210
(Inc)/Dec in Debt	573	2,430	2,245	-250	-350
Less : Interest Paid	37	31	228	301	289
Dividend Paid	263	158	631	631	947
CF from Fin. Activity	**7,009**	**2,288**	**1,795**	**-1,042**	**-1,376**
Inc/Dec of Cash	**-40**	**255**	**349**	**297**	**433**
Add: Beginning Balance	225	188	443	792	1,089
Closing Balance	**184**	**444**	**792**	**1,089**	**1,522**

Mahindra Lifespaces

STOCK INFO.	BLOOMBERG
BSE Sensex: 15,896	MLIFE IN
	REUTERS CODE
S&P CNX: 4,712	MALD.BO

30 October 2009

Buy

Previous Recommendation: Buy

Rs322

Y/E MARCH	2008	2009	2010E	2011E
Net Sales (Rs m)	2,311	3,418	4,122	5,598
EBITDA (Rs m)	654	725	1,156	1,848
NP (Rs m)	449	641	845	1,072
EPS (Rs)	16.0	15.7	20.7	26.3
EPS Growth (%)	279.9	-2.0	32.0	26.7
BV/Share (Rs)	207.2	226.7	242.8	269.9
P/E (x)	19.8	20.5	15.5	12.2
P/BV (x)	1.6	1.4	1.3	1.2
EV/EBITDA (x)	23.7	20.7	13.4	8.8
EV/Sales (x)	6.7	4.4	3.8	2.9
RoE (%)	7.8	6.9	8.5	9.7
RoCE (%)	8.0	7.8	9.3	12.5

KEY FINANCIALS	
Shares Outstanding (m)	40.8
Market Cap. (Rs b)	14.0
Market Cap. (US$ b)	0.3
Past 3 yrs. Sales Growth (%)	25.7
Past 3 yrs. NP Growth (%)	89.2
Dividend Payout (%)	22.3
Dividend Yield (%)	1.0

STOCK DATA	
52-Week Range	397/83
Major Shareholders (as of September 2009)	%
Promoter	51.1
Domestic Inst	15.0
Foreign	18.9
Others	15.0
Average Daily Turnover	
Volume ('000 shares)	134.3
Value (Rs million)	28.2
1/6/12 Month Rel. Performance (%)	-7/51/-3
1/6/12 Month Abs. Performance (%)	-14/90/73

Jaipur SEZ operational within two years of ground breaking: Mahindra Lifespaces (MLL) received notification in 4QFY09 for two sector-specified SEZs within the Jaipur SEZ, Light Engineering and Handicrafts. Each one measures 250 acres, which increased the notified area to 1,250 acres, including 750 acres of its IT SEZ. It completed the development of phase I of the IT SEZ (380 acres) and has commenced development of its Light Engineering and Handicrafts SEZs. We have valued the Jaipur SEZ at Rs6.8b or Rs169/share.

Strong traction at the Chennai SEZ: The management is in advanced stages of acquiring an additional ~300 acres, which would be an extension of the processing area at the 1,400-acre Chennai SEZ. MLL is likely to launch the additional ~300 acres of processing area in FY10-11. During 2QFY10, MLL soft launched the first phase of its residential project with Ayala, christened *Aqualily*. As per our channel checks, MLL has sold 30-40% of the total 45 units on offer.

Residential launches to gain momentum: MLL's new project launches are likely to gain momentum, given the recovery in the residential real estate vertical. Sales across under construction projects were boosted by the festive demand and MLL achieved sales of Rs1.5b during 1HFY10. MLL currently has 1.9msf under construction spread across projects in Mumbai, Chennai, Faridabad and Pune. It has planned new launches of 5.3msf of residential projects in Chennai (2.3msf), Pune (0.3msf), Nagpur (1.3msf) and Gurgaon (1.4msf).

Strong near-term growth catalysts: MLL's cash flow is likely to be strong in FY10 with major contributions from (i) sale of additional ~300 acres (extension of the processing area) at the Chennai SEZ, cash flows from the sale of processing area at Jaipur SEZ and (ii) phase-II residential launch in Chennai SEZ.

Attractive valuations: MLL has a healthy balance sheet, with low leverage and no major land outstanding. This coupled with its strong management differentiates the company from its peers. MLL is comfortably placed compared to its industry peers as it has a low leverage of 0.1x.Our SOTP value for MLL is Rs511/share: (1) Chennai SEZ at Rs100/share, (2) Jaipur SEZ at Rs169/share, (3) residential vertical at Rs170/share, and (4) cash/other rental assets at Rs73/share. The stock trades at ~1.2x FY11E adjusted book value of Rs263 and at 37% discount to its SOTP value of Rs511. Maintain **Buy**.

Jaipur SEZ: operational within two years of ground breaking

As on 3 March 2009 (i) the Light Engineering and the Handicrafts SEZs, spread across 250 acres each, were inaugurated and (ii) MLL tied up with SBI to set up SBI's North India hub in the DTA part of its Jaipur SEZ. Of the total area of 3,000 acres at the Jaipur SEZ, ~2,700 acres have been acquired and the management expects the balance land area to be acquired in FY10. MLL has already received commitments for 476 acres in the processing area from key tenants such as Infosys, Wipro, Tech Mahindra, Deutsche Bank, Nagarro, Nucleus Software, Talbros, and Viteos.

Construction is underway at its 1.6msf e-Volve Tech Park, part of the IT/ITes SEZ, which is likely to be completed by FY11. Of the 1.6msf, 0.2msf was leased to Deutsche Bank in 2QFY09, of which ~0.1msf is operational. It is likely to launch the residential development in 4QFY11. We expect the future capex requirement at Jaipur SEZ to be self-financed through the sale of the processing area. We assume the sale of the entire processing area by FY13 and launch of the residential area in FY11 (realization of Rs1,750/sf). We have valued the Jaipur SEZ at Rs6.8b or Rs169/share.

DETAILS OF KEY TENANTS AT JAIPUR SEZ

COMPANY	AREA (ACRES)
QH Talbros	6
Wipro	100
Infosys	200
Tech Mahindra	15
Nucleus Software	17.5
Total	**338.5**
Tech Park, e-Volve (msf)	2

Source: Company

COMPANIES AT THE JAIPUR SEZ

IT/ ITES	E-VOLVE TECH PARK	HANDICRAFT	LIGHT ENGINEERING
Infosys	Deutsche Bank	Pinkcity Enterprises	QH Talbros
Tech Mahindra		Artasia	Marsons
Wipro		Indian Wedding Cards	Polymed
Nucleus Software		A.L. Paper House	Tijaria
Nagarro,			Veto Electronics
ICICI			Dynamic Cables
Tru Worth			Genus

Source: Company

Strong traction at the Chennai SEZ

The company is focusing on monetizing 250 acres of non-processing residential/commercial property, which will provide 12msf of saleable area. MLL is also in advanced stages of acquiring additional ~300 acres of land, which would be an extension of the current processing area at the 1,400-acre Chennai SEZ. MLL is likely to launch the additional ~300 acres of processing area in FY10-FY11. Currently, we have not ascribed any value to the additional ~300 acres of land.

MLL had plans to launch two new residential projects during FY10: (i) phase II of its residential development at the SEZ and (ii) project under a 51:49 JV with Ayala. During 2QFY10, MLL soft launched the first phase of its residential project with Ayala, christened *Aqualily*. As per our channel checks, MLL has sold 30-40% of the total 45 units on offer. Further, MLL is likely to launch the phase II of its residential development at the Chennai SEZ during FY10 which would aid cash flows. We believe that this would further accelerate the monetization process at the Chennai SEZ. . During 2QFY10, workforce at the Chennai SEZ increased to 15,000 vs 12,500 in 1QFY10. Of its total client base of 47companies, 33 companies are currently operational. It has projected an employee base of 0.1m+ by FY14. We have valued the Chennai SEZ at Rs4.1b or Rs100/share.

PROJECTED EMPLOYEE BASE OF OVER 0.1M BY 2014 IN MAHINDRA WORLD CITY, CHENNAI SEZ

CUSTOMER	CURRENT EMPLOYEE POPULATION	% OF THE TOTAL BUILD-OUT COMPLETED/UNDER PROGRESS	PROJECTED EMPLOYEE BASE IN 2010
Infosys	6,500	40	20,000
Wipro	1,000	30	10,000
Cap Gemini	1,500	40	5,000
Mastek	1,500	40	3,000
Renault Nissan	1,000	40	3,000
Mindtree	450	100	2,500
Timken	150	100	300
Lincoln Electric	150	85	300
BMW	120	100	250
Braun	50	100	200
Total	**12,270**		**44,550**

Source: Company

Residential projects likely to pick up

MLL's new project launches are likely to gain momentum, given the recovery in the residential real estate vertical. Sales across under construction projects were boosted by the festive demand and MLL achieved sales of Rs1.5b during 1HFY10. MLL currently has 1.9msf under construction spread across projects in Mumbai, Chennai, Faridabad and Pune. It has planned new launches of 5.3msf of residential projects in Chennai (2.3msf), Pune (0.3msf), Nagpur (1.3msf) and Gurgaon (1.4msf). We value MLL's residential vertical at Rs170/share.

SOTP value of Rs511/share

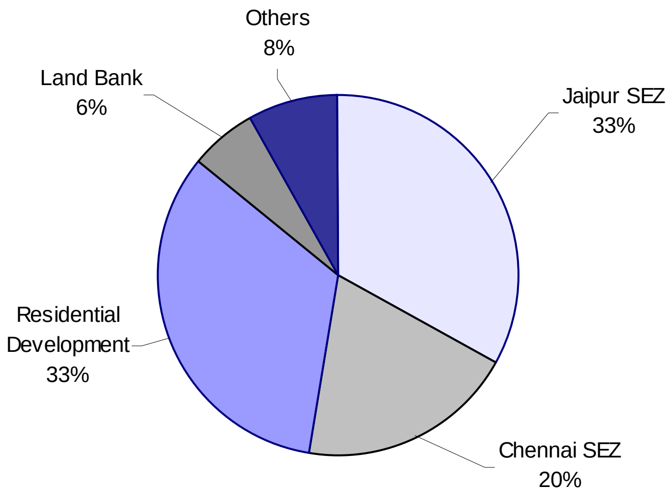
MLL has a healthy balance sheet, with low leverage and no major land outstandings or debtors. This, coupled with its strong management, differentiates the company from its peers. MLL is likely to have robust cash flows in FY10, with major contribution from (i) sale of additional ~300 acres (extension of the processing area) at the Chennai SEZ, and Jaipur SEZ, and (ii) phase-II residential launch in Chennai SEZ. Our SOTP value for MLL is Rs511/share: (1) Chennai SEZ at Rs100/share, (2) Jaipur SEZ at Rs169/share, (3) residential vertical at Rs170/share, and (4) cash/other rental assets at Rs73/share. The stock trades at ~1.2x FY11E adjusted book value of Rs263 and at 37% discount to its SOTP value of Rs511. Maintain **Buy**.

SOTP OF RS511/SHARE

PARTICULARS	ACRES	METHOD	VALUE	RS/SH	% OF TOTAL
Jaipur SEZ	3,000	DCF	6,876	169	33
Chennai SEZ	250	DCF	4,091	100	20
Residential Development	6	NAV	6,928	170	33
Land Bank		Land Value	1,289	32	6
Others (Cash and Rental Inc.)		Actuals	1,681	41	8
Total			**20,865**	**511**	**100**

Source: MOSL

VERTICAL-WISE GAV ANALYSIS



Source: MOSL

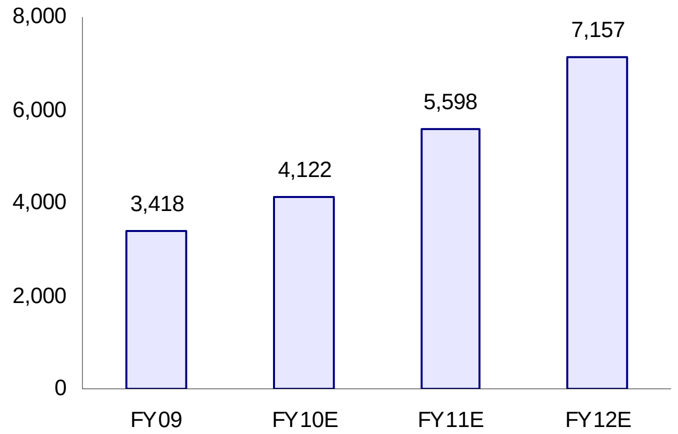
NAV calculation: key assumptions

1) The land bank will be developed over the next 10 years. We have assumed selling rates and capitalization rates for properties depending on the location, asset type and asset quality
2) Stagnant realizations for all cities and verticals (residential, commercial and retail)
3) Tax rate of 33.9% at the corporate level for all projects (excluding SEZs)
4) Average construction period of 24 months for residential projects
5) **Accounting practice:** Commencement of revenue recognition post incurring 25% cost (including land cost). There are certain technical factors that also need to be met - measurement of plinth, minimum collection of 10%, etc.

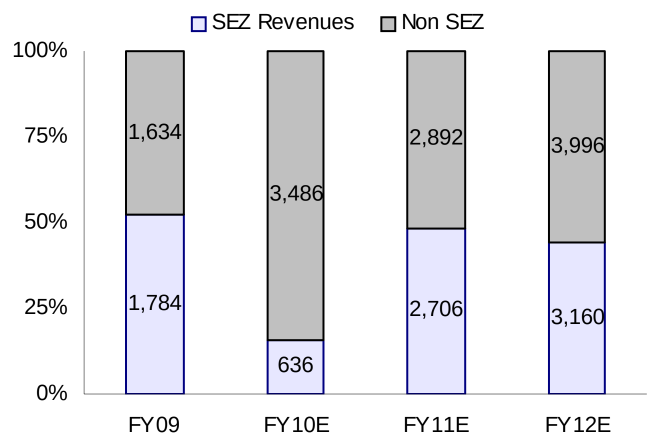
Strong financials

Revenue to increase at a CAGR of 28%, over FY09-FY12: We expect revenue to increase at a CAGR of 28% from Rs3.4b in FY09 to Rs7b by FY12, primarily driven by a sharp increase in SEZ revenue. We estimate revenue from Chennai and Jaipur SEZs to increase from Rs1.8b in FY09 to Rs3.2b by FY12, a CAGR of 21%.

REVENUE CAGR OF 28% OVER FY09-FY12 (RS M)

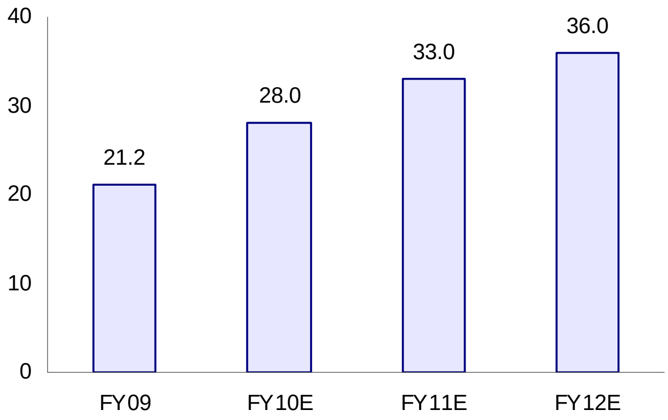


HEALTHY REVENUE MIX (RS M)

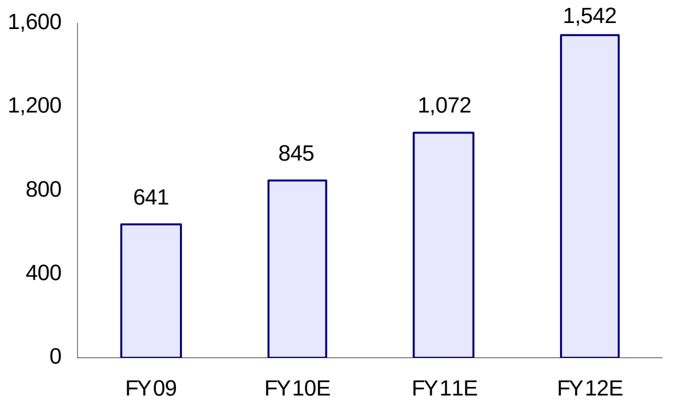


Source: Company/MOSL

EBITDA MARGINS TREND (%)



ROBUST GROWTH IN NET PROFIT (RS M)



Source: Company/MOSL

INCOME STATEMENT (RS MILLION)

Y/E MARCH	2008	2009	2010E	2011E	2012E
Net Sales	**2,311**	**3,418**	**4,122**	**5,598**	**7,157**
Change (%)	*6.8*	*47.9*	*20.6*	*35.8*	*27.8*
Total Expenses	1,657	2,692	2,967	3,749	4,580
EBITDA	**654**	**725**	**1,156**	**1,848**	**2,576**
% of Net Sales	*28.3*	*21.2*	*28.0*	*33.0*	*36.0*
Depreciation	42	-39	85	92	99
Interest	21	38	125	133	100
Other Income	335	294	265	291	349
PBT	**926**	**1,021**	**1,210**	**1,915**	**2,726**
Tax	204	299	363	575	818
Rate (%)	*22.0*	*29.3*	*30.0*	*30.0*	*30.0*
Reported PAT	**664**	**641**	**846**	**1,072**	**1,908**
Adjusted PAT	**449**	**641**	**845**	**1,072**	**1,542**
Change (%)	*271.2*	*-3.5*	*32.0*	*26.7*	*43.9*

BALANCE SHEET (RS MILLION)

Y/E MARCH	2008	2009	2010E	2011E	2012E
Equity Capital	408	408	408	408	408
Reserves	8,049	8,841	9,499	10,606	12,234
Net Worth	**8,557**	**9,349**	**9,907**	**11,014**	**12,642**
Loans	2,855	3,321	3,665	4,215	3,665
Minority Interest	449	856	858	1,130	1,501
Capital Employed	**11,934**	**13,651**	**14,430**	**16,360**	**17,808**
Goodwill	290	290	290	290	290
Gross Fixed Assets	990	1,708	2,109	2,249	2,422
Less: Depreciation	244	205	346	438	537
Net Fixed Assets	**746**	**1,503**	**1,763**	**1,811**	**1,884**
Investments	3,304	1,083	1,083	1,083	1,083
Curr. Assets	**8,927**	**12,140**	**12,484**	**14,346**	**19,840**
Inventory	6,626	7,677	7,374	8,356	10,202
Debtors	447	733	509	531	705
Cash & Bank Balance	461	1,449	1,284	1,059	2,084
Loans & Advances	1,135	1,993	2,562	2,954	3,514
Other Current Assets	258	288	754	1,445	3,335
Curr. Liab. & Prov.	**1,666**	**1,821**	**1,190**	**1,171**	**5,290**
Net Current Assets	**7,262**	**10,319**	**11,294**	**13,176**	**14,550**
Appl. of Funds	11,934	13,651	14,430	16,360	17,808

E: MOSL Estimates

RATIOS

Y/E MARCH	2008	2009	2010E	2011E	2012E
Basic (Rs)	**17.5**	**17.7**	**20.8**	**32.9**	**46.8**
Adjusted EPS	**16.0**	**15.7**	**20.7**	**26.3**	**37.8**
Growth (%)	279.9	-2.0	32.0	26.7	43.9
Cash EPS	18.7	16.7	22.9	35.1	49.2
Book Value	207.2	226.7	242.8	269.9	309.8
DPS	2.5	3.5	4.0	5.0	6.0
Payout (incl. Div. Tax.)	17.0	22.3	22.1	17.4	14.7
Valuation (x)					
P/E (consolidated)	19.8	20.5	15.5	12.2	8.5
Cash P/E	17.2	19.2	14.1	9.2	6.5
EV/EBITDA	23.7	20.7	13.4	8.8	5.7
EV/Sales	6.7	4.4	3.8	2.9	2.1
Price/Book Value	1.6	1.4	1.3	1.2	1.0
Dividend Yield (%)	0.8	0.8	2.4	1.2	1.3
Profitability Ratios (%)					
RoE	7.8	6.9	8.5	9.7	12.2
RoCE	8.0	7.8	9.3	12.5	15.9
Leverage Ratio					
Debt/Equity (x)	0.3	0.4	0.4	0.4	0.3

CASH FLOW STATEMENT (RS MILLION)

Y/E MARCH	2008	2009	2010E	2011E	2012E
PBT before EO Items	**926**	**1,021**	**1,210**	**1,915**	**2,726**
Add : Depreciation	42	-39	85	92	99
Interest	21	38	125	133	100
Less: Dir. Taxes Paid	173	299	363	575	818
(Inc)/Dec in WC	-2,679	-2,070	-1,139	-2,107	-350
CF from Oper.	**-1,547**	**-1,730**	**49**	**-406**	**1,980**
(Inc)/Dec in FA	-802	-31	-232	-272	-391
(Pur)/Sale of Investments	-1,546	2,221	0	0	0
CF from Invest.	**-2,374**	**2,138**	**-146**	**-272**	**-391**
(Inc)/Dec in Networth	612	312	-100	269	366
(Inc)/Dec in Debt	2,374	466	344	550	-550
Less : Interest Paid	21	38	125	133	100
Dividend Paid	121	161	187	234	280
CF from Fin. Activity	**2,843**	**579**	**-68**	**453**	**-564**
Inc/Dec of Cash	**-1,044**	**988**	**-164**	**-225**	**1,025**
Add: Beginning Balance	1,505	461	1,449	1,284	1,059
Closing Balance	**461**	**1,449**	**1,284**	**1,059**	**2,084**

Peninsula Land

STOCK INFO.	BLOOMBERG
BSE Sensex: 15,896	PENL IN
	REUTERS CODE
S&P CNX: 4,712	PHOE.BO

Y/E MARCH	2008	2009	2010E	2011E
Net Sales (Rs m)	3,574	5,656	5,961	7,965
EBITDA (Rs m)	1,509	1,478	3,172	4,617
NP (Rs m)	1,369	1,502	2,226	3,282
EPS (Rs)	4.4	4.8	8.0	11.7
EPS Growth (%)	-5.2	9.3	66.0	47.4
BV/Share (Rs)	31.3	36.1	39.5	46.3
P/E (x)	17.7	16.2	9.7	6.6
P/BV (x)	2.5	2.2	2.0	1.7
EV/EBITDA (x)	15.5	15.8	7.2	4.5
EV/Sales (x)	6.5	4.1	3.8	2.6
RoE (%)	14.0	13.3	20.2	25.4
RoCE (%)	18.9	16.1	22.8	30.8

KEY FINANCIALS	
Shares Outstanding (m)	279.5
Market Cap. (Rs b)	22.2
Market Cap. (US$ b)	0.5
Past 3 yrs. Sales Growth (%)	31.5
Past 3 yrs. NP Growth (%)	8.0
Dividend Payout (%)	10.0
Dividend Yield (%)	0.7

STOCK DATA	
52-Week Range	101/15
Major Shareholders (as of September 2009)	%
Promoter	53.7
Domestic Inst	4.8
Foreign	21.4
Others	20.2
Average Daily Turnover	
Volume ('000 shares)	556.1
Value (Rs million)	30.7
1/6/12 Month Rel. Performance (%)	0/82/234
1/6/12 Month Abs. Performance (%)	-8/121/310

30 October 2009

Neutral

Initiating Coverage

Rs78

Asset-light business model: Peninsula Land (PLL) focuses on an asset-light business model with clear visibility on monetization and project execution. PLL's land bank of ~14msf is fully paid up, the ongoing projects are in prime locations of Mumbai and have largely been sold. PLL's future projects are located in tier I and tier II cities like Hyderabad, Pune and Nashik, which augments monetization visibility.

Robust cash flows, strong financial outlook: The projects under construction, two residential and two commercial projects, in Mumbai, are ~84% sold and account for ~48% of GAV. PLL is likely to report strong cash inflows over FY10 and FY11 led by cash flows from its commercial projects in Mumbai. In 1QFY10 PLL's board approved raising up to Rs7.5b, mainly to be used to augment its land bank.

Revised development plans to aid faster monetization: PLL has revised the development plan for two of its projects, 4.3msf in Pune and 3.8msf in Hyderabad, from commercial to residential development. PLL's shift in focus to the self-funding residential vertical gives clarity on faster monetization. PLL plans to launch 5.3msf in FY10 including 5.2msf of residential projects, 0.1msf of commercial projects in Nagpur and 6msf of residential projects in FY11.

Valuation and view: While we are positive on PLL's business model, due to its quality land bank with a strong near term monetization visibility, we believe it is fairly priced. Our FY11 NAV for PLL is Rs88/share, 9% premium to its prevailing price. Our target price for PLL is based on 1x its FY11 NAV of Rs88/share, we initiate coverage on the stock with a **Neutral** rating.

Project development overview

Peninsula Land (previously Morarjee Realties, MRL), the real-estate arm of the Ashok Piramal Group, managed by Urvi Piramal, boasts an asset-light development-focused strategy. PLL's strategy is focused on developing properties across key tier-I and tier-II cities in western and southern India. The company started its real-estate business with development of textile-mill land, and subsequently strategically increased its land bank to 14msf (excluding the three planned SEZs in Goa spread over 13.2msf). The company has developed and delivered ~5msf so far and has construction underway on ~2.6msf. Over the years PLL has developed brands across verticals: *Ashok* – residential, *Peninsula* – office and *Crossroads* – retail.

Indigo, a Rs1.6b domestic fund, was raised to augment the land bank and to derisk the business model with an increased number of projects. Unlike peers, PLL's strategy is involvement in the development process, from land acquisition to delivery.

LOCATION-WISE LAND BANK

LOCATION	AREA (MSF)
Mumbai	2.7
Hyderabad	3.8
Pune	4.3
Nashik	2.9
Nagpur	0.1
Goa	0.3
Total	**14.1**

VERTICAL-WISE LAND BANK

VERTICAL	MSF
Residential	12.6
Commercial/IT Parks	1.5
Total	**14.1**

Source: Company/MOSL

Strong cash flow in FY10-11

The current projects under construction, two residential and two commercial projects, all located in Mumbai, are ~84% sold out and account for ~48% of GAV. PLL is likely to report strong cash inflows of ~Rs13b over FY10 and FY11 led by cash flows from its commercial projects in Mumbai. In 1QFY10 PLL's board approved raising up to Rs7.5b, mainly to be used to augment its land bank. This is likely to enhance PLL's cash flows.

CURRENT PROJECTS HAVE BEEN ~84% SOLD

	AREA (MSF)	AREA SOLD (MSF)	SOLD (%)
Ashok Towers	1.1	1.1	97
Ashok Gardens	0.9	0.9	97
Peninsula Bus Park	1.2	0.6	51
Peninsula Techno Park	0.9	0.9	100
Total	**4.1**	**3.5**	**84**

Source: Company/MOSL

CASH FLOWS OVER THE NEXT 18 MONTHS

INFLOWS	RS M	OUTFLOWS	RS M
Peninsula Bus Park	9,100	Construction Cost	
Peninsula Techno Park (22% share)	2,090	- Mumbai Projects	350
Others	2,500	- New Launches	8,000
Ashok Towers, Gardens	-		-
Total	**13,690**	**Total**	**8,350**

Source: Company/MOSL

Revised development plans to lower capital intensity

PLL has revised the development plan for two of its projects, a 4.3msf project in Pune and a 3.8msf project in Hyderabad, from commercial to residential development. PLL has a land bank of ~14msf which includes 12.6msf of residential development and 1.5msf of commercial development. PLL's shift in focus towards the self-funding residential vertical is likely to lower the capital intensity of the company and accelerate its monetization. PLL plans to launch 5.3msf in FY10 including 5.2msf of residential projects, and 6msf of residential projects in FY11.

Strong monetization visibility

PLL focuses on an asset-light business model with clear visibility on monetization and project execution - the company has adopted among the best international practices in the industry leading to strong investor confidence. PLL's land bank of ~14msf is paid up entirely hence its monetization has high visibility. PLL's current projects, all in Mumbai account for 48% of GAV. Its planned residential developments in Pune and Hyderabad account for 13% of GAV and 14% of GAV while its residential developments in tier II city of Nashik account for 8% of GAV. We expect PLL's landbank to be monetized over the next six years.

PROJECTS TO BE MONETIZED OVER THE NEXT SIX YEARS

PROJECT	LOCATION	CATEGORY	AREA MSF	% OF DEV PLANS	EXP. LAUNCH	REALIZAT. RS/SF	COST RS/SF	GAV RS M	% OF GAV	GAV RS/SH
Peninsula Business Park	Lower Parel, Mumbai	Commercial	1.2	8.2	FY08	165	2,200	13,246	36.5	47.4
Peninsula Techno Park^^	Off BKC, Kurla, Mumbai	Commercial IT	0.2	1.4	FY08	140	2,200	2,026	5.6	7.2
Ashok Towers	Parel, Mumbai	Residential	1.1	7.6	FY06	18,000	3,250	1,258	3.5	4.5
Ashok Gardens^^	Parel Tank Rd, Mumbai	Residential	0.2	1.4	FY07	16,500	-	858	2.4	3.1
Pune Township	Pune	Township	4.3	30.5	FY10	2,600	1,100	4,697	13.0	16.8
Rallis India	Hyderabad	Commercial	3.8	27.0	FY11	3,200	1,200	5,321	14.7	19.0
Nashik Township	Nashik	Township	2.2	15.6	FY11	2,500	1,100	2,239	6.2	8.0
Nashik Residential	Nashik	Residential	0.7	4.8	FY10	2,500	1,100	719	2.0	2.6
Total			**13.6**	**96.5**				**36,244**	**83.8**	**100.6**

^^PLL's 22% stake *Source: Company/MOSL*

NAV of Rs88/share

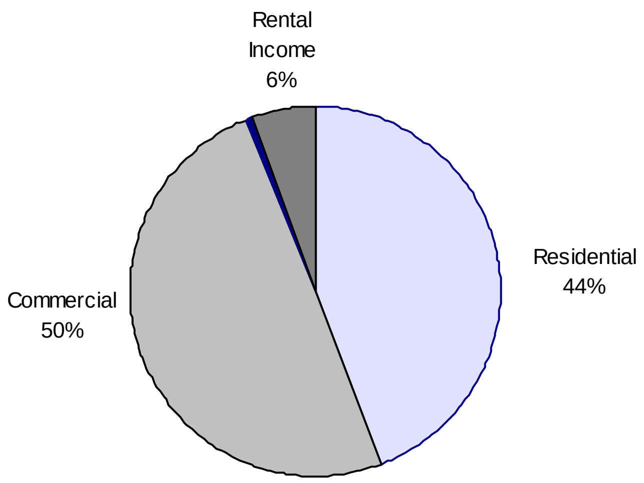
We estimate FY10 NAV to be Rs88/share based on our NAV calculation for all verticals. The residential segment accounts for 44% of gross asset value (GAV) while the commercial vertical accounts for 50%. For the purpose of calculating NAV, we have assumed that the company would develop its entire land bank of ~14msf. Our NAV calculation values the cash flows the company would derive (assuming the company develops its entire land bank), by discounting the number to the present value after deducting all applicable taxes and operational costs. We have assumed selling rates and capitalization rates for the properties depending on location, asset type and asset quality. The NAV discount or premium is then adjusted for the 'realizability' and 'quality' of those assets.

NAV OF RS88/SHARE

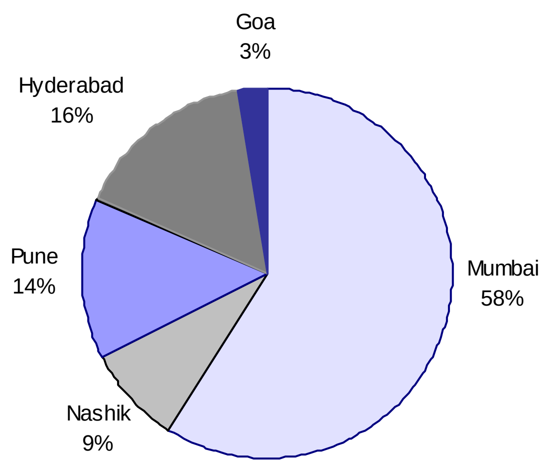
	(RS M)	PER/SHARE (RS)	% OF NAV	% OF GAV
Residential	15,965	57	65	44
Commercial	18,078	65	74	50
Total	34,042	122	138	94
Add: Realty Fund Fees	160	1	1	0
Add: Rental Income	2,036	7	8	6
Gross Asset Value (GAV)	**36,239**	**130**	**147**	**100**
Less: Tax	7,972	29	-32	-22
Add: Cash	2,035	7	-8	-6
Add: Amt towards Goa SEZ land	402	1	-2	-1
Less: Debt	3,050	11	-12	-8
Less: Land Cost	0	0	0	0
Less: Operating Exp	3,064	11	-12	-8
Net Asset Value (NAV)	**24,589**	**88**	**100**	**68**

Source: MOSL

VERTICAL-WISE GAV ANALYSIS



CITY-WISE GAV ANALYSIS



Source: Company/MOSL

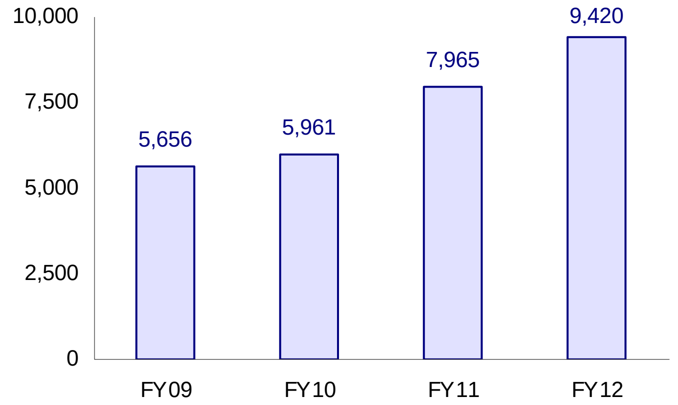
Key assumptions

1) The land bank of 14msf is developed over the next six years. Depending on the location, asset type and asset quality, we have assumed selling rates and capitalization rates for the properties.
2) 5% CAGR in realizations and construction costs across cities and verticals.
3) Cap rate of 11% and 90% occupancy for commercial projects.
4) Tax rates at corporate level of 33.9% for all projects (excluding IT SEZs).
5) For residential projects, an average construction period of 24 months; for IT parks, 18 months; commercial offices, 18-24 months.
6) WACC of 14%.

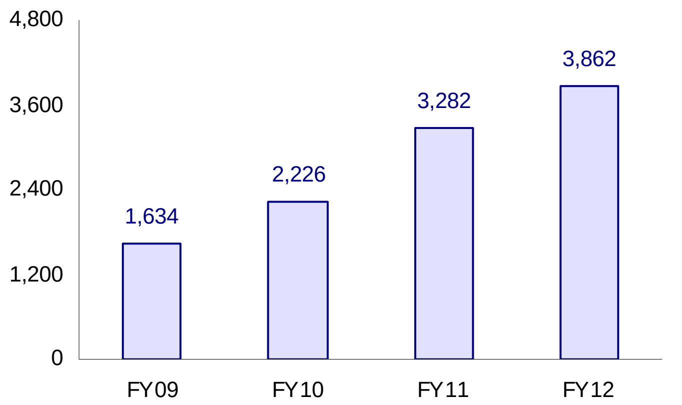
Strong financials

We expect revenue to increase from Rs5.6bm in FY09 to Rs9.4b in FY12, CAGR of 19%, driven primarily by its pre-sold properties in Mumbai and new launches. We expect earnings to increase from Rs1.6b in FY09 to around Rs3.8b in FY12. We estimate EBITDA margin to improve from 26.1% in FY09 to 53% in FY10 and 58% in FY12.

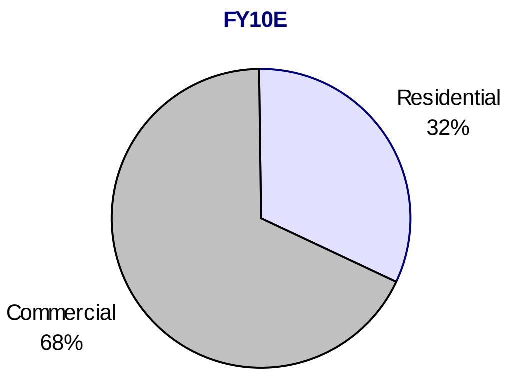
REVENUE CAGR OF 22% OVER FY09-12 (RS M)

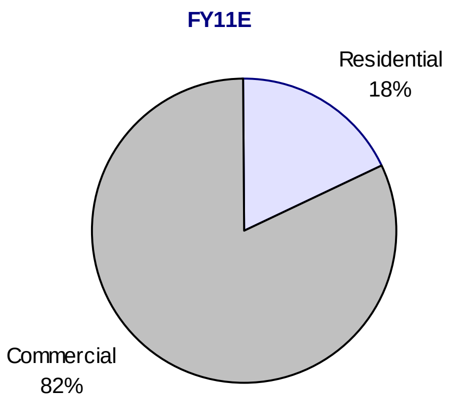


SHARP INCREASE IN PAT (RS M)



HEALTHY REVENUE MIX





Source: Company/MOSL

Overall launches to peak in FY13

We estimate PLL's overall launches to increase from 0.6msf in FY10 to 2msf in FY11. We model PLL's total launches to peak at 3msf in FY13, led by launch of its residential project in Hyderabad and township project in Nashik.

PLL'S LAUNCH PLANS (MSF)

	UPTO FY09	FY10	FY11	FY12	FY13	FY14	FY15	TOTAL
Apartments	1.2	0.3	1.5	2.4	3.0	2.5	1.6	12.5
Commercial	0.4	0.3	0.5	0.3	0.0	0.0	0.0	1.5
Total	**1.6**	**0.6**	**2.0**	**2.7**	**3.0**	**2.5**	**1.6**	**14.1**

Source: MOSL

INCOME STATEMENT (RS MILLION)

Y/E MARCH	2008	2009	2010E	2011E	2012E
Net Sales	**3,574**	**5,656**	**5,961**	**7,965**	**9,420**
Change (%)	*9.2*	*58.3*	*5.4*	*33.6*	*18.3*
Construction expenses	1,505	3,411	1,960	2,495	2,911
Staff Cost	0	0	1	2	3
Office & site establis. exps	561	767	828	853	1,013
EBITDA	**1,509**	**1,478**	**3,172**	**4,617**	**5,495**
% of Net Sales	*42.2*	*26.1*	*53.2*	*58.0*	*58.3*
Depreciation	26	40	98	100	216
Interest	277	177	194	188	192
Other Income	477	696	213	294	352
PBT	**1,683**	**1,957**	**3,092**	**4,622**	**5,440**
Tax	194	324	866	1,340	1,578
Rate (%)	*11.5*	*16.5*	*28.0*	*29.0*	*29.0*
Reported PAT	**1,489**	**1,634**	**2,226**	**3,282**	**3,862**
Change (%)	*-5.2*	*9.7*	*48.2*	*47.4*	*17.7*

BALANCE SHEET

Y/E MARCH	2008	2009	2010E	2011E	2012E
Share Capital	559	559	559	559	559
Reserves	8,809	9,986	10,841	12,630	14,935
Net Worth	**9,368**	**10,545**	**11,400**	**13,189**	**15,493**
Loans	2,709	3,432	3,050	3,200	3,200
Deffered Tax Liability	156	192	192	192	192
Capital Employed	**12,262**	**14,199**	**14,672**	**16,611**	**18,916**
Gross Fixed Assets	1,340	1,608	1,639	1,672	3,598
Less: Depreciation	59	93	191	291	507
Net Fixed Assets	**1,281**	**1,515**	**1,448**	**1,381**	**3,091**
Capital WIP	52	72	383	1,102	920
Investments	2,599	1,424	1,424	1,424	1,424
Curr. Assets	**9,531**	**11,972**	**12,885**	**14,585**	**15,956**
Inventory	5,468	5,873	5,975	6,264	5,398
Debtors	404	1,952	2,151	1,062	1,892
Cash & Bank Balance	1,023	1,478	1,932	4,193	5,034
Loans & Advances	2,587	2,617	2,774	3,014	3,579
Other Current Assets	48	52	52	52	52
Current Liab. & Prov.	**1,818**	**1,241**	**1,826**	**2,138**	**2,632**
Creditors	690	750	1,200	1,500	1,875
Provisions	284	322	406	374	440
Net Current Assets	**7,714**	**10,731**	**11,059**	**12,447**	**13,323**
Application of Funds	**12,262**	**14,199**	**14,672**	**16,611**	**18,916**

E: MOSt Estimates

RATIOS

Y/E MARCH	2008	2009	2010E	2011E	2012E
Basic (Rs)					
Adjusted EPS	**4.4**	**4.8**	**8.0**	**11.7**	**13.8**
Growth (%)	-5.2	9.3	66.0	47.4	17.7
Cash EPS	10.1	10.4	19.0	27.9	32.7
Book Value	31.3	36.1	39.5	46.3	54.9
DPS	0.8	0.5	0.8	1.2	1.4
Payout (incl. Div. Tax.)	16.7	10.0	10.0	10.0	10.0
Valuation (x)					
P/E (standalone)	17.7	16.2	9.7	6.6	5.6
Cash P/E	7.7	7.5	4.1	2.8	2.4
EV/EBITDA	15.5	15.8	7.2	4.5	3.6
EV/Sales	6.5	4.1	3.8	2.6	2.1
Price/Book Value	2.5	2.2	2.0	1.7	1.4
Dividend Yield (%)	1.0	0.7	1.0	1.5	1.8
Profitability Ratios (%)					
RoE	14.0	13.3	20.2	25.4	25.2
RoCE	18.9	16.1	22.8	30.8	31.7
Leverage Ratio					
Debt/Equity (x)	0.3	0.3	0.3	0.2	0.2

CASH FLOW STATEMENT (RS MILLION)

Y/E MARCH	2008	2009	2010E	2011E	2012E
PBT before EO Items	**1,683**	**1,957**	**3,092**	**4,622**	**5,440**
Add : Depreciation	26	40	98	100	216
Interest	277	177	194	188	192
Less : Direct Taxes Paid	194	324	866	1,340	1,578
(Inc)/Dec in WC	-1,423	-2,563	126	873	-36
CF from Operations	**234**	**-871**	**2,645**	**4,443**	**4,235**
(Inc)/Dec in FA	-271	-295	-343	-752	-1,743
(Pur)/Sale of Investments	-2,354	1,174	0	0	0
CF from Investments	**-2,625**	**879**	**-343**	**-752**	**-1,743**
(Inc)/Dec in Networth	4,310	201	-1,018	-1,018	-1,018
(Inc)/Dec in Debt	-1,426	723	-382	150	0
Less : Interest Paid	277	177	194	188	192
Dividend Paid	255	168	254	374	440
CF from Fin. Activity	**2,352**	**578**	**-1,848**	**-1,430**	**-1,650**
Inc/Dec of Cash	**-158**	**455**	**454**	**2,261**	**841**
Add: Beginning Balance	1,181	1,023	1,478	1,932	4,193
Closing Balance	**1,023**	**1,478**	**1,932**	**4,193**	**5,034**

Phoenix Mills

STOCK INFO.	BLOOMBERG
BSE Sensex: 15,896	PHNX IN
	REUTERS CODE
S&P CNX: 4,712	PENL.BO

30 October 2009

Buy

Initiating Coverage

Rs153

Y/E MARCH	2008	2009E	2010E	2011E
Net Sales (Rs m)	821	996	1,623	2,415
EBITDA (Rs m)	501	602	1,082	1,701
NP (Rs m)	428	768	865	1,158
EPS (Rs)	3.2	5.3	6.0	8.0
EPS Growth (%)	-90.4	68.1	12.7	33.9
BV/Share (Rs)	94.7	104.6	109.4	116.0
P/E (x)	48.5	28.9	25.6	19.1
P/BV (x)	1.6	1.5	1.4	1.3
EV/EBITDA (x)	50.3	42.7	27.0	18.3
EV/Sales (x)	30.7	25.8	18.0	12.9
RoE (%)	3.3	5.1	5.5	6.9
RoCE (%)	6.3	5.1	5.7	7.1

KEY FINANCIALS	
Shares Outstanding (m)	144.8
Market Cap. (Rs b)	22.2
Market Cap. (US$ b)	0.5
Past 2 yrs. Sales Growth (%)	0.4
Past 2 yrs. NP Growth (%)	38.3
Dividend Payout (%)	22.1
Dividend Yield (%)	-

STOCK DATA	
52-Week Range	192/45
Major Shareholders (as of September 2009)	%
Promoter	65.9
Domestic Inst	5.2
Foreign	21.9
Others	6.9
Average Daily Turnover	
Volume ('000 shares)	176.8
Value (Rs million)	21.2
1/6/12 Month Rel. Performance (%)	-7/2/131
1/6/12 Month Abs. Performance (%)	-14/42/207

Play on the domestic consumption boom: Phoenix Mills (PML) is pioneer in development of large-scale, mixed-format retail development in India. It is a unique, low-risk play on the booming domestic consumption story with no retail specific risks. Through its subsidiaries and associate companies is undertaking 40 key retail/hospitality projects, totaling ~50msf, across the country. It owns one of the most successful malls in India in High Street Phoenix (HSP), Parel, Mumbai. We estimate, post completion of expansion at HSP, rental income from HSP to increase from ~Rs1.3b in FY10 to ~Rs1.9b in FY12.

Organized retail sector to become 14% of retail trade by FY13: As per Global Retail Development Index (GRDI) organized retail in India is set to increase from ~5% in 2007 to ~14% by 2013. Industry experts estimate the number of operational malls to cross 412, with 205msf by 2010, and a further 715 malls to be added by 2015, on the back of major retail developments in Tier-II and Tier- III cities in India. We believe PML is well poised to capture this strong growth.

Has an enviable track record of attracting strategic financial investors: PML has an enviable track record of attracting strategic financial investors for its key projects at significant premiums to cost. Since FY07, it has attracted ~US$578m of investments at various SPV levels from marquee investors. We believe these strategic financial alliances provide PML the requisite financial muscle to pursue large, capital-intensive projects.

Value unlocking potential from strategic investments: PML has strategic investments in i) Entertainment World Developers Pvt Limited (EWDPL) with a 40% equity stake and ii) 74% stake in BARE, the owners of United Mall brand in Uttar Pradesh. Both these companies are primarily engaged in developing mid-sized malls in Tier 2 and 3 cities. PML's total investment in these companies stand at ~Rs3.5b. EWDPL has filed for an IPO, which could potentially value EWDPL at ~Rs16b post issue and PML's diluted holding at 33%.

Buy with a target price of Rs220: We believe PML is a low-risk play on the booming domestic consumption story, without retail specific risks. We estimate PML's revenues and net profit to grow at a CAGR of 58% and 51% respectively, over FY09-12. We initiate coverage on PML with a **Buy** and a target price of Rs220, which is based on 1x its FY11 NAV of Rs220.

NAV of Rs220/share

PML through its subsidiaries and associate companies is undertaking 40 key retail/hospitality projects, totaling of ~50msf, across the country. PML owns one of the most successful malls in India in High Street Phoenix (HSP), Parel, Mumbai. Our NAV value for PML is Rs220/share. The retail vertical accounts for almost 73% of the GAV value, while the commercial vertical accounts for 9% of GAV and the residential vertical ~3% of GAV. PML's flagship mall HSP, Parel in Mumbai alone accounts for 61% of PML's GAV. We have valued PML's 40% stake in EWDPL at Rs2.5b, which is significantly lower than the implied value for EWDPL based on its proposed IPO issue. Again, we have not valued the projects under PML's 74% subsidiary Big Apple and valued it at PML's total equity investment into the company of ~Rs858m.

NAV OF RS220/SHARE

NAV CALCULATIONS	RS M	PER/SHARE (RS)	% OF NAV	% OF GAV
Residential	1,514	10	5	3
Commercial	4,984	34	16	9
Retail	**40,029**	**276**	**125**	**73**
- Parel, Mumbai	26,964	186	84	49
- Kurla, Mumbai	3,487	24	11	6
- Bangalore, West	1,630	11	5	3
- Bangalore, East	1,287	9	4	2
- Pune	4,765	33	15	9
- Chennai	1,896	13	6	3
Hotels	**4,691**	**32**	**15**	**9**
- Shangri-La, Parel	3,606	25	11	7
- Other Market City Hotels	1,084	7	3	2
EWDPL	**2,511**	**17**	**8**	**5**
Big Apple	**858**	**6**	**3**	**2**
Parking/ Event Revenues	**125**	**1**	**0**	**0**
Gross Asset Value (GAV)	**54,711**	**378**	**171**	**100**
Less: Tax	10,756	74	-34	-20
Add: Cash	731	5	2	1
Less: Debt	7,852	54	-25	-14
Less: Land Cost Outstanding	0	0	0	0
Less: Operating Exp	4,924	34	-15	-9
Net Asset Value (NAV)	**31,911**	**220**	**100**	**58**

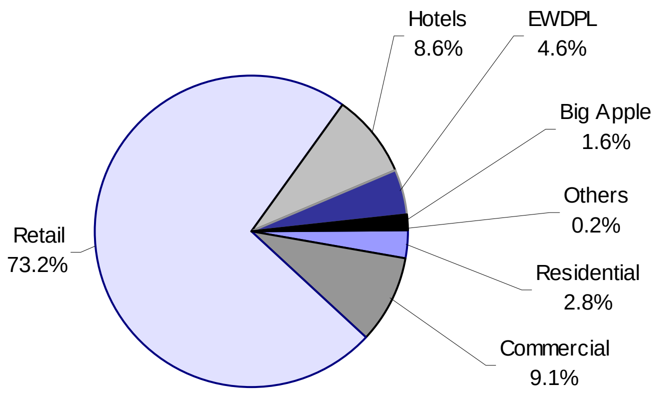
Source: MOSL

CITY-WISE GAV BREAK-UP (RS M)

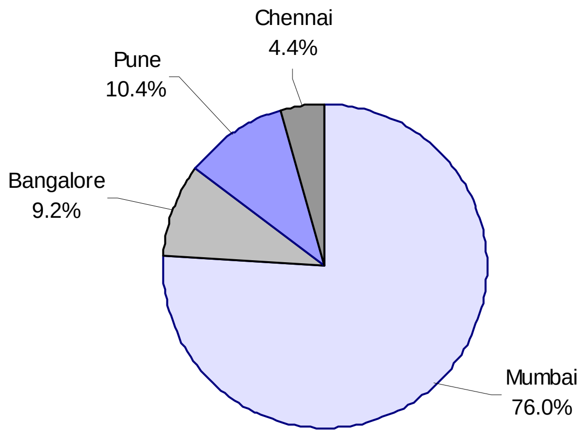
LOCATION	APARTMENTS	RETAIL	HOTEL	COMMERCIAL	TOTAL	% OF GAV	RS/SH.
Mumbai	-	30,451	3,863	4,634	38,947	76	269
Bangalore	1,328	2,917	449		4,694	9	32
Pune	-	4,765	228	350	5,343	10	37
Chennai	186	1,896	151		2,233	4	15
Total	**1,514**	**40,029**	**4,691**	**4,984**	**51,217**	**100**	**354**

Source: Company/MOSL

VERTICAL-WISE GAV ANALYSIS



CITY-WISE GAV ANALYSIS



Source: Company/MOSL

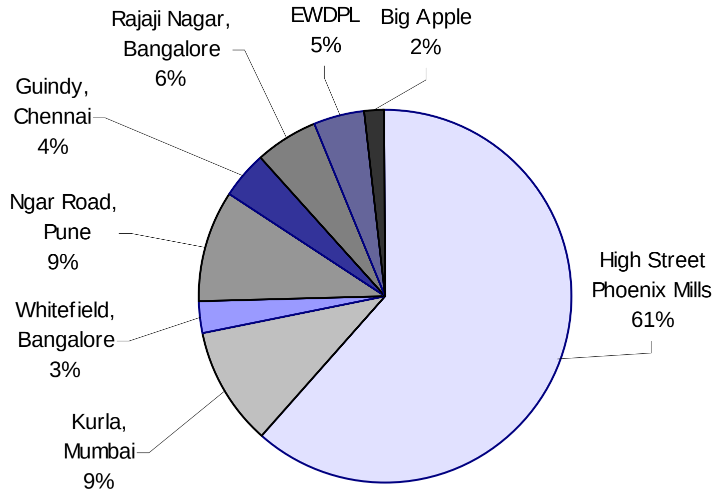
PROJECT-WISE VALUATIONS

PARTICULARS	LOCATION	AREA (MSF)	PML'S STAKE (%)	GAV (RS M)	% OF TOTAL GAV
High Street Phoenix Mills (HSP)	Parel, Mumbai	3.3	100*	33,391	61.0
Market Cities	Kurla, Mumbai	3.6	24.4	5,556	10.2
	Whitefield, Bangalore	2.8	28.1	1,390	2.5
	Nagar Road, Pune	2.8	50.5	5,343	9.8
	Guindy, Chennai	2.8	29.2	2,233	4.1
	Rajaji Nagar, Bangalore	2.7	70.0	2,996	5.5
EWDPL	15 malls largely in Tier 2 and Tier 3 cities	14.0	40.0	2,511	4.6
Big Apple		12.0	74.0	858	1.6
Parking/ Event Rev.		-	NA	125	0.2
Total		**43.8**		**54,711**	**99.4**

** Stake in 650,000sf hotel project is only 53%, while 3,35,000sf of residential area already sold*

Source: Company/MOSL

PROJECT-WISE BREAK-UP OF GAV



Source: Company/MOSL

High Street Phoenix—the jewel in the crown

PML pioneered development of large-scale, mixed-format retail development in India, with its 3.1msf flagship mall, High Street Phoenix Mall (HSP) in Parel, Mumbai. HSP has, over the past decade, emerged as a jewel in PML's crown, due to its unique format and prime location. HSP is the only successful retail and entertainment destination in South Mumbai, which is one of the richest and largest urban consumption centers in the world.

STATUS OF HSP MALL–

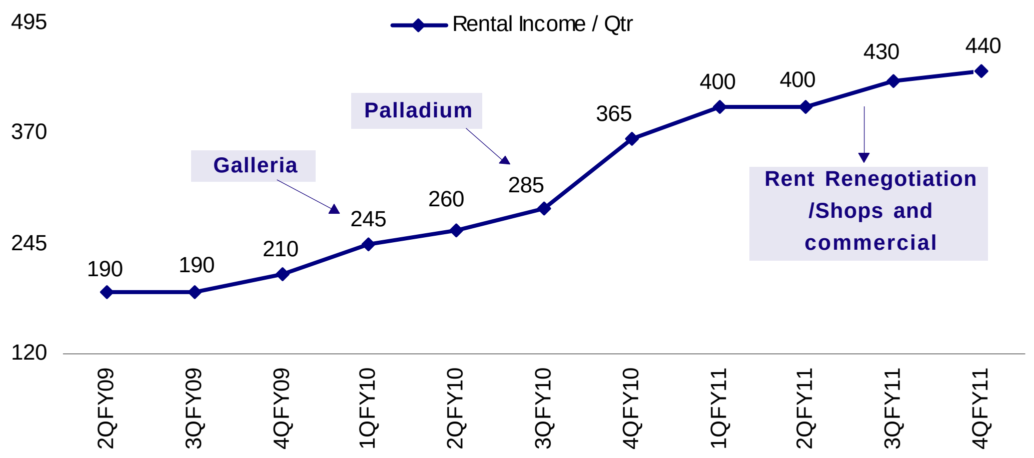
	RETAIL+ F&B (SF)	COMM+ ERCIAL (SF)	HOTEL* (SF)	TOTAL (SF)	RETAIL (RS/SF/ MTH)	COMM ERCIAL (RS/SF/MTH)	TOTAL# (RS M)	KEY FORMATS	COMMENTS
Phase 1	200,000	100,000	-	300,000	139	159	502	Coutyard	Almost 100,000sf currently with Big Bazaar/ Pantaloon and Lifestyle. Current rental Rs64/sf/month on an average. Rents coming up for renegotiation from Jul-10 onwards, likely to increase to ~Rs130/sf
Phase 2	250,000	-	-	250,000	165	-	495	Skyzone/ Quorum	F&B of 50,000sf, ~400 keys 5-star hotel tie-up with Shangri La
Phase 3	360,000	35,000	344,500	739,500	180	164	846	Grand Galleria/ Paladium	Average rentals at Grand Galleria Rs240/sf, while for Palladium it is Rs180/sf. Palladium rentals low due to low rentals for Landmark and Zara.
Phase 4	300,000	-	-	300,000	205	-	738	Under Construction	Expected to be operational by FY12
Total	**1,110,000**	**135,000**	**344,500**	**1,589,500**	**176**	**160**	**2,581**		

** Only PHL's share of 53 taken, # Hotel revenues not considered* *Source: Company/MOSL*

Repricing, expansion to drive HSP growth over FY10-12

We expect PML's flagship retail store to grow significantly over FY10-12, driven by 1) repricing of old rental contracts of ~100,000sf by 100% in FY11, 2) start of operations of a 400-room Shangri-La hotel and leasing of 35,000sf of incremental commercial space by FY11-12 and 3) the addition of phase-four retail area of ~300,000sf by FY12. We expect the average quarterly run rate of rental income from HSP to increase from Rs260m/qtr in 2QFY10 to Rs440m/qtr by 4QFY11 (ex hotel).

RENTAL RUN RATE AT HSP TO INCREASE FROM RS260M/QTR TO RS440M/QTR BY 4QFY11 (RS M)



Source: Company/MOSL

Aims to replicate HSP's success

PML aims to replicate the success of its HSP mall in places such as Kurla, a central Mumbai suburb, Bangalore (Whitefield and Rajaji Nagar), Pune and Chennai. It is in an advanced stage of completing five large Market City retail malls aggregating ~7msf, slated for completion between FY11 and FY13. We expect rental income for these malls to commence from FY12.

UPCOMING MARKET CITY PROJECTS (MSF)

CITY	CHENNAI (GUINDY)	BANGALORE (WHITE FIELD)	PUNE (NAGAR RD)	MUMBAI (KURLA)	BANGALORE (RAJAJI NAGAR)
PML's stake (%)	**29.2**	**28.1**	**50.5**	**24.4**	**70.0**
Retail	1.5	0.9	1.5	1.4	0.6
Hotel	0.3	0.4	0.3	0.4	0.3
Commercial	0.0	0.0	0.4	1.2	0.0
Residential	0.3	0.7	0.0	0.0	1.2
Parking	0.8	0.9	0.7	0.6	0.6
Total Area (msf)	**2.8**	**2.8**	**2.8**	**3.6**	**2.7**

Source: Company/MOSL

Track record of attracting strategic investors

PML has an enviable track record of attracting strategic financial investors to most of its key projects at significant premiums. Since FY07 it has attracted ~US$578m of investments at various SPV levels from marquee investors. PE investors like MPC Synergy, IL&FS, Horizon Fund, Yatra Capital and Edelweiss Fund have invested in various PML projects. These PE investors have contributed equity at a significant premium resulting in higher stake for PML. We believe these strategic financial alliances provide PML the requisite financial muscle to pursue large capital-intensive projects.

DETAILS OF PML'S EQUITY CONTRIBUTION TO VARIOUS MARKET CITY PROJECTS (RS M)

	LAND AREA (ACRES)	LAND COST	TOTAL EQUITY	DEBT	PML'S EQUITY INVESTMENT	PML EQUITY COMMITMENT TO SPV	PML EQUITY STAKE IN SPV (%)
Kurla, Mumbai	21.08	2,986	3,097	5,400	260	8.4	24.4
Chennai	16.54	766	1,501	1,501	243	16.2	29.2
Pune	16.7	1,930	1,567	1,567	336	21.4	50.5
Bangalore (E)	14.79	1,642	1,701	1,701	71	4.2	28.1
Bangalore (W)	17	2,042	3,130	3,130	2,160	69.0	70.0
Total	**86.11**	**9,366**	**10,996**	**13,299**	**3,070**		

Source: Company/MOSL

Value unlocking potential from strategic investments

PML has strategic investments in i) Entertainment World Developers Pvt Limited (EWDPL) and ii) 74 stake in BARE, the owners of United Mall brand in Uttar Pradesh. Both these companies are primarily engaged in developing mid sized malls in Tier 2 and 3 cities. EWDPL plans to go for an IPO, which would value the company at ~Rs16b post issue, valuing PML's diluted stake at Rs5-6b v/s its investment of Rs1.5b and our valuation of Rs2.8b.

EWDPL'S DEVELOPMENT PLANS - AREA (MSF)

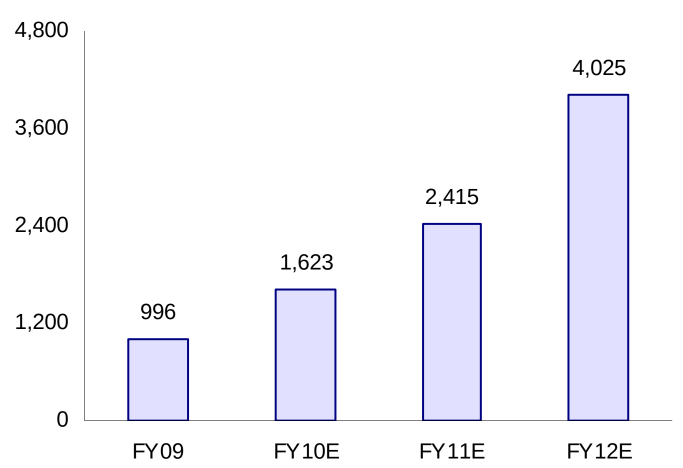
LOCATION	RETAIL	COM--MERCIAL	RESI--DENTIAL	HOTEL	TOTAL (MSF)	EWDPL'S STAKE (%)
I) FDI Projects						
Bijalpur	-	-	5.0	-	5.0	60.0
MR-10 Indore	1.1	0.5	-	0.3	1.8	56.1
Jabalpur	0.3	0.1	-	0.1	0.5	51.8
Raipur	0.6	0.1	-	0.1	0.9	67.0
Chandigarh	0.4	-	-	0.1	0.5	51.0
Bhilai	0.4	0.1	-	0.1	0.5	17.0
Udaipur-Residential	-	-	1.0	-	1.0	51.0
Kanadia	-	-	2.0	-	2.0	67.0
Udaipur Mixed	0.3	-	-	0.1	0.3	100.0
Trivandrum	0.3	-	-	0.1	0.3	90.0
Total FDI Projects - (I)	**3.3**	**0.8**	**8.0**	**0.8**	**12.9**	
II) Non-FDI Projects	-	-	-	-	-	
Indore, RNT	0.3	0.1	-	-	0.3	50.0
Ujjain	0.2	0.0	-	0.1	0.3	100.0
Nanded	0.2	0.0	-	0.1	0.2	84.0
Amravati	0.2	-	-	0.1	0.2	100.0
Total Non-FDI Projects - (II)	**0.8**	**0.1**	**-**	**0.2**	**1.1**	**-**
Total EWDPL (I+II)	**4.1**	**0.9**	**8.0**	**1.0**	**14.0**	**-**

Source: Company/MOSL

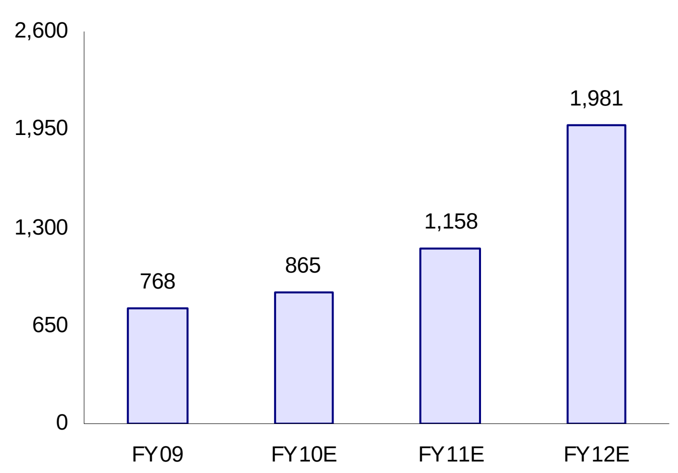
Robust financials

We expects PML's flagship retail store HSP to drive growth over FY10-11, driven by (1) re-pricing of old rental contracts of 100,000 sf by Rs100 in FY11, (2) commencement of 400 rooms Shangri-La hotel, (3) leasing of 35,000sf of incremental commercial space by FY11-12 and (4) addition of Phase 4 retail area of 300,000sf by FY12. We expect the average quarterly run rate of rental income from HSP to increase from Rs230m/qtr in 2QFY10 to Rs440m/qtr by 4QFY11 (ex hotel). Contributions from the 5 market city projects currently under construction are likely to start reflecting from FY11-12 onwards. We have currently assumed no contribution from projects under Big Apple, which we have currently valued at book value as it is currently at very nascent stage.

REVENUES TO POST 61% CAGR OVER FY09-12 (RS M)



NET PROFIT CAGR OF 39% OVER FY09-12 (RS M)

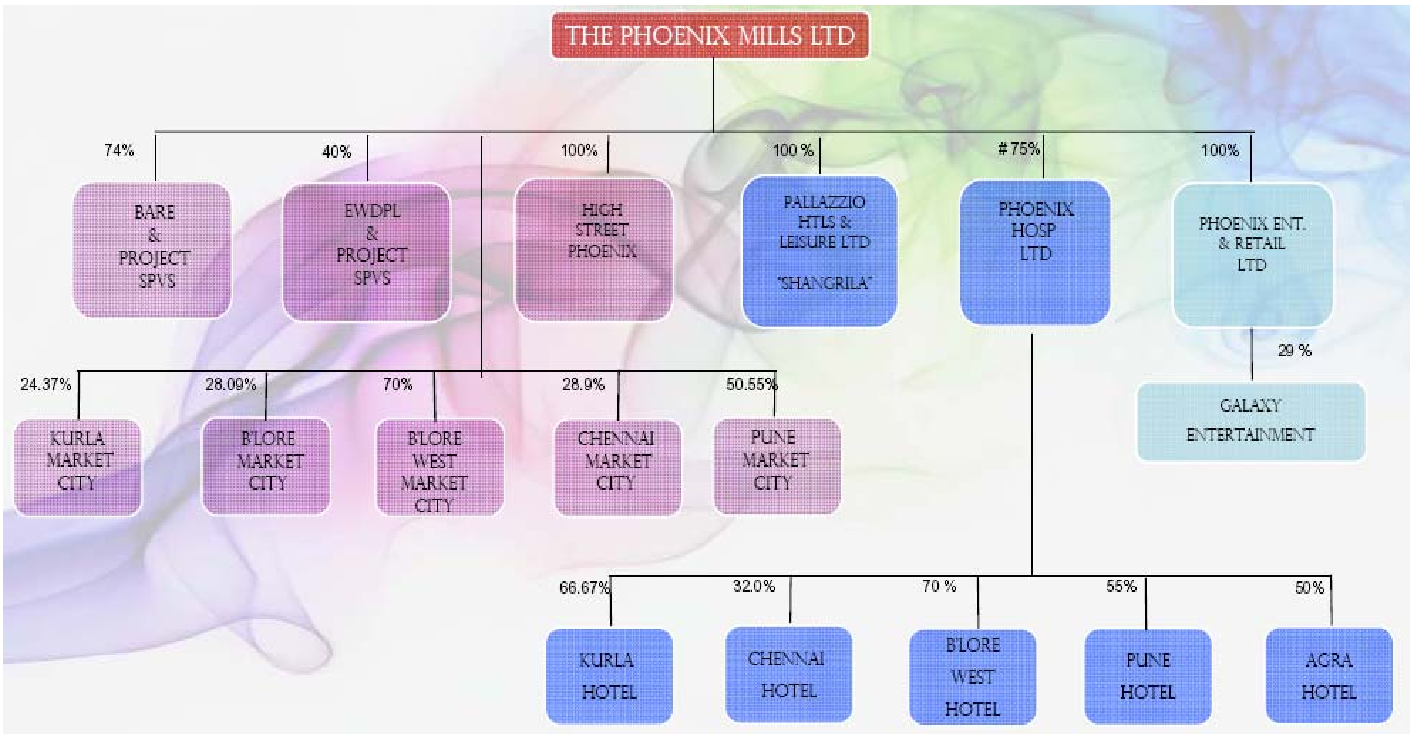


Source: Company/MOSL

Buy with a target price of Rs220

We believe PML is a low-risk play on the booming domestic consumption story, without retail specific risks. We estimate PML's revenues and net profit to grow at a CAGR of 58% and 51% respectively, over FY09-12. We initiate coverage on PML with a **Buy** and a target price of Rs220, which is based on 1x its FY11 NAV of Rs220.

COMPANY STRUCTURE



Source: Company

INCOME STATEMENT (RS MILLION)

Y/E MARCH	2008	2009	2010E	2011E	2012E
Net Sales	**821**	**996**	**1,623**	**2,415**	**4,025**
Change (%)	*-17.0*	*21.3*	*62.9*	*48.8*	*66.6*
EBITDA	**501**	**602**	**1,082**	**1,701**	**2,616**
% of Net Sales	*61.0*	*60.4*	*66.7*	*70.4*	*65.0*
Depreciation	76	93	113	133	165
Interest	45	55	133	348	372
Other Income	240	503	402	362	406
PBT	**620**	**957**	**1,238**	**1,582**	**2,484**
Tax	192	190	309	387	569
Rate (%)	*31.0*	*19.8*	*24.9*	*24.5*	*22.9*
Reported PAT	**428**	**768**	**865**	**1,158**	**1,981**
Adjusted PAT	**428**	**768**	**865**	**1,158**	**1,981**
Change (%)	*6.5*	*79.5*	*12.7*	*33.9*	*71.1*

BALANCE SHEET (RS MILLION)

Y/E MARCH	2008	2009	2010E	2011E	2012E
Equity Capital	271	290	290	290	290
Reserves	12,574	14,858	15,564	16,517	17,482
Net Worth	**12,845**	**15,147**	**15,853**	**16,807**	**17,772**
Loans	3,048	5,452	7,852	9,552	11,732
Capital Employed	**16,696**	**22,706**	**25,812**	**28,466**	**31,611**
Gross Fixed Assets	3,689	4,881	7,675	9,747	14,045
Less: Depreciation	369	462	576	708	873
Net Fixed Assets	**3,320**	**4,419**	**7,100**	**9,038**	**13,172**
Capital WIP	5,006	9,004	8,505	8,172	6,243
Investments	6,340	4,525	4,525	4,525	4,525
Curr. Assets	**4,296**	**6,344**	**7,629**	**9,307**	**10,709**
Debtors	216	351	978	1,456	2,205
Cash & Bank Balance	22	1,910	731	529	1,404
Inventory	3	3	13	240	129
Loans and Advances	4,052	4,077	5,895	6,843	6,842
Current Liab. & Prov.	**2,263**	**1,583**	**1,934**	**2,338**	**2,909**
Creditors	2,253	1,794	2,121	2,580	3,399
Provisions	217	228	309	387	569
Net Current Assets	**2,029**	**4,758**	**5,682**	**6,730**	**7,671**
Application of Funds	**16,696**	**22,706**	**25,812**	**28,466**	**31,611**

E: MOSL Estimates

RATIOS

Y/E MARCH	2008	2009	2010E	2011E	2012E
Basic (Rs)					
Adjusted EPS	**3.2**	**5.3**	**6.0**	**8.0**	**13.7**
Growth (%)	-90.4	68.1	12.7	33.9	71.1
Cash EPS	3.7	5.9	7.2	9.2	14.4
Book Value	94.7	104.6	109.4	116.0	122.7
DPS	4.0	0.0	1.0	1.2	2.6
Payout (incl. Div. Tax.)	39.6	22.1	18.4	17.7	22.0
Valuation (x)					
P/E	48.5	28.9	25.6	19.1	11.2
Cash P/E	41.2	25.7	21.2	16.7	10.6
EV/EBITDA	50.3	42.7	27.0	18.3	12.4
EV/Sales	30.7	25.8	18.0	12.9	8.1
Price/Book Value	1.6	1.5	1.4	1.3	1.2
Dividend Yield (%)	2.6	0.0	0.6	0.8	1.7
Profitability Ratios (%)					
RoE	3.3	5.1	5.5	6.9	11.1
RoCE	6.3	5.1	5.7	7.1	9.5
Leverage Ratio					
Debt/Equity (x)	0.2	0.4	0.5	0.6	0.7

CASH FLOW STATEMENT (RS MILLION)

Y/E MARCH	2008	2009E	2010E	2011E	2012E
PBT before Extraordinary Items	620	957	1,238	1,582	2,484
Add : Depreciation	76	93	113	133	165
Interest	45	55	133	348	372
Less : Direct Taxes Paid	192	190	309	387	569
(Inc)/Dec in WC	135	841	2,103	1,249	65
CF from Operations	**-288**	**742**	**-992**	**389**	**2,453**
(Inc)/Dec in FA	-6,077	-5,191	-2,295	-1,738	-2,369
(Pur)/Sale of Investments	-6,232	1,815	0	0	0
CF from Investments	**-13,173**	**-2,150**	**-2,295**	**-1,738**	**-2,369**
(Inc)/Dec in Networth	11,705	1,703	0	0	-579
(Inc)/Dec in Debt	-494	2,404	2,400	1,700	2,180
Less : Interest Paid	45	55	133	348	372
Dividend Paid	169	169	159	204	437
CF from Fin. Activity	**13,377**	**3,295**	**2,108**	**1,148**	**791**
Inc/Dec of Cash	**-85**	**1,887**	**-1,179**	**-202**	**875**
Add: Beginning Balance	107	22	1,910	731	529
Closing Balance	**22**	**1,909**	**731**	**529**	**1,404**

E: MOSL Estimates

Puravankara Projects

STOCK INFO.	BLOOMBERG
BSE Sensex: 16,353	PVKP IN
	REUTERS CODE
S&P CNX: 4,847	PPRO.BO

30 October 2009

Neutral

Previous Recommendation: Neutral

Rs97

Y/E MARCH	2008	2009	2010E	2011E
Net Sales (Rs m)	5,658	4,449	5,246	6,430
EBITDA (Rs m)	2,075	1,312	1,257	2,127
NP (Rs m)	2,400	1,444	1,129	1,682
EPS (Rs)	11.2	6.8	5.3	7.9
EPS Growth (%)	85.9	-39.8	-21.8	49.0
BV/Share (Rs)	56.8	63.9	67.9	74.0
P/E (x)	8.6	14.2	18.2	12.2
P/BV (x)	1.7	1.5	1.4	1.3
EV/EBITDA (x)	6.7	11.9	11.7	6.2
EV/Sales (x)	2.5	3.5	2.8	2.1
RoE (%)	19.8	10.6	7.8	10.7
RoCE (%)	15.0	6.5	5.9	9.8

KEY FINANCIALS	
Shares Outstanding (m)	213.5
Market Cap. (Rs b)	20.8
Market Cap. (US$ b)	0.4
Past 3 yrs. Sales Growth (%)	3.3
Past 3 yrs. NP Growth (%)	5.8
Dividend Payout (%)	12.0
Dividend Yield (%)	0.7

STOCK DATA	
52-Week Range	137/26
Major Shareholders (as of September 2009)	%
Promoter	90.0
Domestic Inst	1.2
Foreign	6.4
Others	2.5
Average Daily Turnover	
Volume ('000 shares)	218.6
Value (Rs million)	16.4
1/6/12 Month Rel. Performance (%)	-16/-4/-4
1/6/12 Month Abs. Performance (%)	-18/39/88

Play on the South India residential market: Puravankara Projects (PPL) is a leading south-based real estate company, focusing mainly on developing middle income residential properties and has almost 70% of its land bank in Bangalore. It has a strong marketing network, with sales offices in Bangalore, Chennai, Kochi, Mumbai and UAE, and representative offices in US and UK. Currently PPL has ~19msf under construction, 18.6msf residential (including 5.7msf under PHIL) and 0.53msf commercial.

Advanced stages of land acquisition: The ongoing recovery in the real estate sector has prompted PPL to evaluate fresh land acquisitions for its future growth plans. In this regard, PPL is evaluating acquisition of ~250 acres of land for PHIL across key south cities (affordable housing) and ~70 acres of land for PPL (for a villa project in Bangalore). As per the management, most of these projects would be on a joint development basis and hence would not have any major capex requirement.

Affordable housing could be a big opportunity: PPL through its 100% subsidiary has plans to launch affordable homes with unit price of Rs1-2m, largely 1-2-3BHK homes. In its phase-1, PHIL plans to launch ~65,000 homes in key cities in the south - Bangalore, Chennai and Hyderabad. The management hopes to launch 18,000- 20,000 flats in CY09 itself. In phase-2, it would look at replicating its model in several other key cities in India such as Cochin, Pune, Jaipur, Coimbatore, New Delhi, Nagpur, Kolkata, etc. It has already launched 2 projects or ~5.7msf, 2.2msf in Chennai (67% sold) and 3.5msf in Bangalore (30% sold).

Valuation and view: Our FY11 NAV for PPL is Rs124/sh. The residential vertical accounts for 96% of GAV and the commercial vertical accounts for 4% of GAV. PPL trades at a P/B of 1.3x its FY11 book value of Rs74/sh and at 23% discount to its NAV of Rs124/sh. We believe PPL may continue to trade at a discount to NAV due to its high exposure to low margin affordable housing vertical, high debt and likely fresh capex for land acquisition for PHIL. We maintain **Neutral**.

NAV of Rs124/share

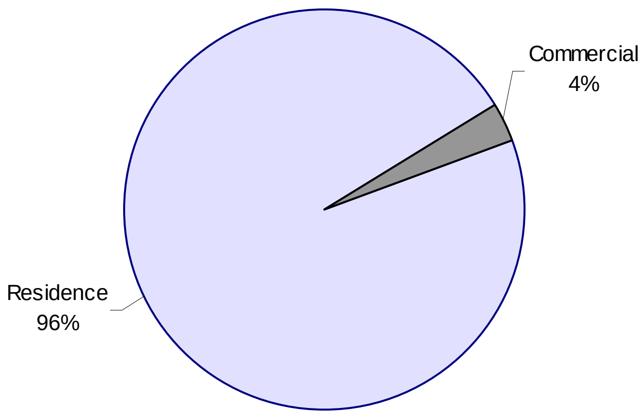
We have upgraded our NAV for PPL to Rs124/share from Rs72/share to account for (i) reduction of WACC rate and (ii) 5% CAGR in real estate prices v/s zero increase earlier. The residential vertical accounts for 96% of GAV and the commercial vertical accounts for 4% of GAV. PPL trades at a P/B of 1.3x its FY11 book value of Rs74/sh and at 23% discount to its NAV of Rs124/sh. We believe PPL may continue to trade at a discount to NAV due to its high exposure to low margin affordable housing vertical, high debt and likely fresh capex for land acquisition for PHIL. We maintain **Neutral**.

FY10 NAV OF RS124/SHARE

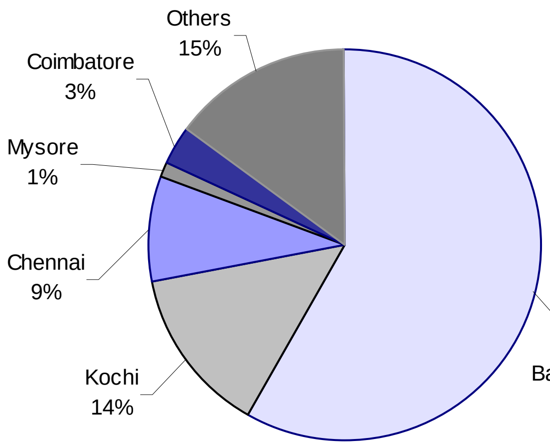
	RS M	RS/SHARE	% OF NAV	% OF GAV
Residence	51,992	244	196	96
Commercial	2,000	9	8	4
Hotel	0	0	0	0
Gross Asset Value (GAV)	**53,992**	**253**	**203**	**100**
Less: Tax	11,878	56	-45	-22
Add: Cash	268	1	1	0
Less: Debt	8,146	38	-31	-15
Less: Land Cost	2,800	13	-11	-5
Less: Operating Exp	4,859	23	-18	-9
Net Asset Value (NAV)	**26,576**	**124**	**100**	**49**

Source: Company/MOSL

VERTICAL-WISE GAV ANALYSIS



CITY-WISE GAV ANALYSIS



Source: Company/MOSL

NAV calculation: key assumptions

1) We have assumed that PPL will be able to develop and sell its development area of 125msf.
2) 5% CAGR in RE prices across all verticals and cities.
3) We have assumed a tax rate of ~12.4% for ~20msft of land bank, as these projects enjoy Sec 80 (IB) benefits.
4) We have assumed 5% CAGR in the cost of construction across all verticals and cities.
5) We have assumed average construction period of 24 months for residential projects.

KEY FINANCIALS (RS M)

PARTICULARS	FY09				FY10		YOY	QOQ
	1Q	2Q	3Q	4Q	1Q	2Q	%	%
Gross Debt	6,524	8,050	8,269	8,146	8,297	8,326	3.4	0.4
Cash	396	374	698	268	262	276	-26.1	5.3
Net Debt	**6,128**	**7,676**	**7,571**	**7,878**	**8,035**	**8,050**	4.9	0.2
YoY Chg (%)	*-13.2*	*-1,487.1*	*146.6*	*27.6*	*31.1*	*4.9*	-	-
Net Worth	12,746	13,251	13,501	13,649	13,751	14,360	8.4	4.4
Net Debt/Equity (x)	**0.5**	**0.6**	**0.6**	**0.6**	**0.6**	**0.6**	-3.2	-4.1
Customer Advances	2,839	2,772	2,895	2,952	3,025	2,939	6.0	-2.9
YoY Chg (%)	*-22.4*	*-16.4*	*-6.3*	*-6.3*	*6.6*	*6.0*	-	-
Properties held for development	13,016	13,630	13,839	13,924	13,994	13,338	-2.1	-4.7
YoY Chg (%)	*73.1*	*76.8*	*67.2*	*7.8*	*7.5*	*-2.1*	-	-

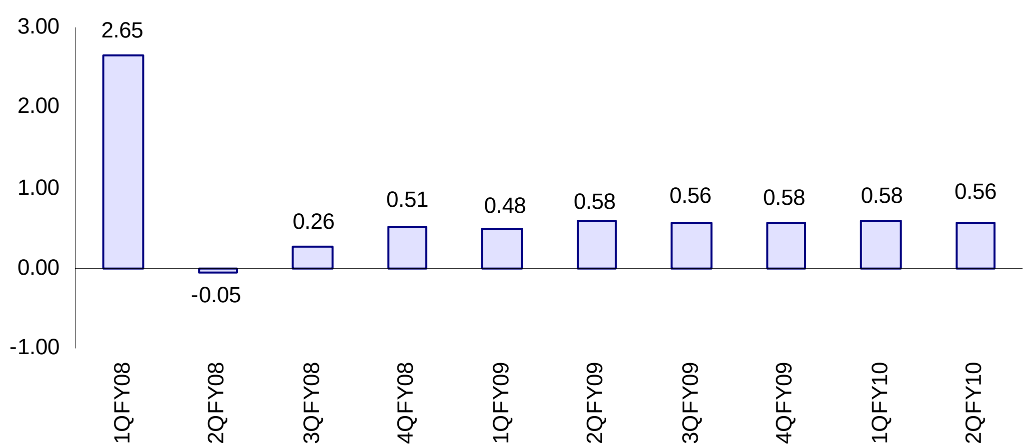
Source: Company/MOSL

BREAK-UP OF (SECURED) DEBT OUTSTANDING AS OF JUNE 2009 (RS M)

	1QFY09	2QFY09	3QFY09	4QFY09	1QFY10	2QFY10
Term loans	5,289	5,731	6,825	6,002	5,825	5,260
Debentures	0	550	550	550	550	550
Cash credits and others	485	1,019	43	1,554	1,882	2,477
Total secured loans	**5,774**	**7,300**	**7,418**	**8,106**	**8,257**	**8,286**
Amount due as on June-09						
Standard Chartered Bank	950	800	650	500	350	200
HSBC	1,433	1,700	1,500	1,700	1,700	1,600
ICICI Bank	1,380	1,080	650	200	50	0
HDFC	950	950	950	950	950	912
ICICI Home Finance	500	1,130	1,130	1,130	1,250	1,250
LIC	0	0	2,000	2,000	2,000	2,000
Others	75	70	45	9	9	9

Source: Company/MOSL

TREND IN DEBT-EQUITY OF 0.6X



Source: Company/MOSL

PPL'S DEVELOPMENT PLANS (MSF)

	ONGOING			FUTURE			TOTAL		
	DEVELOP-ABLE AREA	SALEABLE AREA	LAND AREA	DEVELOP-ABLE AREA	SALEABLE AREA	LAND AREA	DEVELOP ABLE AREA	SALEABLE AREA	LAND AREA
Hyderabad	0.0	0.0	0.2	6.4	6.2	1.3	6.4	6.2	1.5
Bangalore	7.6	5.5	2.7	75.6	71.5	23.4	83.2	77.0	26.1
Mysore	0.0	0.0	0.0	1.5	1.3	0.7	1.5	1.3	0.7
Kochi	2.1	1.7	1.1	11.1	11.1	1.6	13.2	12.8	2.7
Kolkata	2.3	0.4	0.4	0.0	0.5	0.0	2.3	0.8	0.4
Chennai	1.4	0.9	2.5	13.4	12.8	4.3	14.8	13.8	6.7
Coimbatore	0.0	0.0	0.0	2.4	2.4	1.0	2.4	2.4	1.0
Colombo	0.0	0.0	0.0	1.4	1.4	1.1	1.4	1.4	1.1
Total	**13.4**	**8.4**	**6.8**	**111.7**	**107.0**	**33.3**	**125.2**	**115.5**	**40.1**

Source:Company

PHIL'S PHASE I DEVELOPMENT PLANS

LOCATION	NO OF HOMES	AREA (MSF)	AREA/UNIT (SF)
Bangalore	19,500	19.3	990
Chennai	16,000	14.4	900
Hyderabad	15,000	13.5	900
Mysore	7,000	6.3	900
Coimbatore	7,000	6.3	900
Total	**64,500**	**59.8**	**927**

Source: Company/MOSL

KEY DETAILS OF ONGOING PROJECTS

NO	PROJECT	LOCATION	DEVELOPABLE AREA (MSF)	SALEABLE AREA (MSF)	TOTAL FLATS (NOS)	AREA/FLAT (SF)
	Residential					
1	Vantage (81%)	HSR Layout, Bangalore	0.1	0.1	76	1,316
2	Atria I (62%)	Sanjay Nagar, Bangalore	0.3	0.2	131	1,221
3	Elita Promenade (49%)	JP Nagar, Bangalore	2.6	1.3	1,573	795
4	Venezia	Yelankaha, Bangalore	2.1	2.1	1,332	1,569
5	Highlands	Mallasandra, Bangalore	2.5	1.4	1,589	856
6	Grand Bay	Marine Drive, Kochi	0.5	0.5	265	1,887
7	Eternity	Kakkanad, Kochi	1.0	0.8	600	1,333
8	Swan Lake	OMR, Chennai	0.8	0.8	522	1,590
9	Jade	Vadapalani, Chennai	0.1	0.1	55	1,636
10	Moon reach	Airport-Seaport road, Bangalore	0.4	0.2	196	765
11	Ocenea	Marine Drive, Kochi	0.3	0.3	96	2,708
12	Parkway (55%)	Hall Road, Bangalore	0.0	0.0	10	2,000
13	Elita Garden Vista (36%)	Rajarhat, Kolkata	2.3	0.4	1,376	269
	Total Residential (I)		**12.9**	**8.0**	**7,821**	**1,020**
14	Cosmo City	Pudupakkam, Chennai	2.2	1.1	2,174	506
15	Welworth Housing	Doddaballapur Rd, Bangalore	3.5	1.6	3,360	461
	Total Provident (II)		**5.7**	**2.7**	**5,534**	**479**
	Total Residential (I+II)		**18.6**	**10.6**	**13,355**	**796**
	Commercial					
16	Moneto		0.4	0.4	-	-
17	Primus (60%)		0.2	0.1	-	-
	Total Commercial (II)		**0.5**	**0.5**	**-**	**-**
	Total Projects (I+II)		**13.4**	**8.4**	**-**	**-**

Source: Company/MOSL

INCOME STATEMENT (RS MILLION)

Y/E MARCH	2008	2009	2010E	2011E	2012E
Net Sales	**5,658**	**4,449**	**5,246**	**6,430**	**8,421**
Change (%)	*35.7*	*-21.4*	*17.9*	*22.6*	*31.0*
Construction Expenses	3,583	2,639	2,443	3,276	4,173
Staff Cost	207	85	105	96	168
Office & Site Establis. Exps	0	216	1,049	482	674
EBITDA	**2,075**	**1,312**	**1,257**	**2,127**	**2,976**
% of Net Sales	*36.7*	*29.5*	*24.0*	*33.1*	*35.3*
Depreciation	0	0	24	37	42
Interest	-98	-8	118	150	314
Other Income	0	0	56	62	68
PBT	**2,173**	**1,319**	**1,171**	**2,001**	**2,689**
Tax	67	26	193	500	672
Rate (%)	*3.1*	*2.0*	*16.5*	*25.0*	*25.0*
Share of Associate Profits	294.6	151.0	151.0	181.2	0.0
Reported PAT	**2,400**	**1,444**	**1,129**	**1,682**	**2,017**
Adjusted PAT	**2,400**	**1,444**	**1,129**	**1,682**	**2,017**
Change (%)	*85.9*	*-39.8*	*-21.8*	*49.0*	*19.9*

BALANCE SHEET (RS MILLION)

Y/E MARCH	2008	2009	2010E	2011E	2012E
Share Capital	1,067	1,067	1,067	1,067	1,067
Reserves	11,060	12,582	13,426	14,721	14,259
Net Worth	**12,127**	**13,649**	**14,493**	**15,789**	**15,326**
Loans	6,524	8,146	7,650	6,000	6,550
Capital Employed	**18,651**	**21,818**	**22,166**	**21,812**	**21,899**
Gross Fixed Assets	611	632	685	749	833
Less: Depreciation	115	169	200	238	279
Net Fixed Assets	**497**	**463**	**484**	**511**	**554**
Investments	887	1,038	1,038	1,038	1,038
Propert. held for develmnt	12,920	13,924	13,924	13,924	13,924
Curr. Assets	**9,090**	**11,051**	**11,343**	**12,281**	**10,744**
Inventory	1,080	1,171	3,110	5,036	2,430
Debtors	824	1,146	4,312	3,523	2,884
Cash & Bank Balance	350	268	659	461	1,158
Loans & Advances	2,878	2,766	3,262	3,262	4,272
Current Liab. & Prov.	**4,732**	**4,659**	**4,624**	**5,943**	**4,362**
Provisions	510	14	134	205	345
Net Current Assets	**4,358**	**6,392**	**6,719**	**6,338**	**6,383**
Application of Funds	**18,661**	**21,817**	**22,166**	**21,812**	**21,899**

E: MOSL Estimates

RATIOS

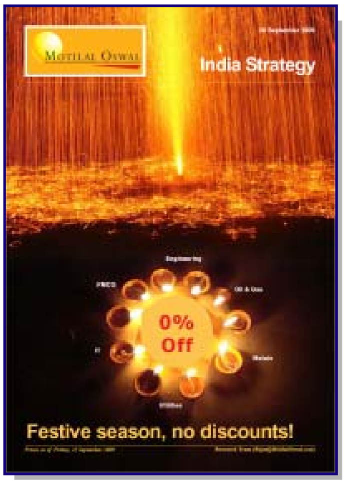
Y/E MARCH	2008	2009	2010E	2011E	2012E
Basic (Rs)					
Adjusted EPS	**11.2**	**6.8**	**5.3**	**7.9**	**9.4**
Growth (%)	85.9	-39.8	-21.8	49.0	19.9
Cash EPS	9.9	6.1	4.7	7.2	9.6
Book Value	56.8	63.9	67.9	74.0	71.8
DPS	2.0	0.7	0.5	0.8	1.4
Payout (incl. Div. Tax.)	20.3	12.0	12.0	12.0	15.0
Valuation (x)					
P/E	8.6	14.2	18.2	12.2	10.2
Cash P/E	9.7	15.9	20.5	13.3	10.0
EV/EBITDA	6.7	11.9	11.7	6.2	4.4
EV/Sales	2.5	3.5	2.8	2.1	1.6
Price/Book Value	1.7	1.5	1.4	1.3	1.3
Dividend Yield (%)	2.1	0.8	0.6	0.9	1.5
Profitability Ratios (%)					
RoE	19.8	10.6	7.8	10.7	13.2
RoCE	15.0	6.5	5.9	9.8	13.7
Leverage Ratio					
Debt/Equity (x)	0.5	0.6	0.5	0.4	0.4

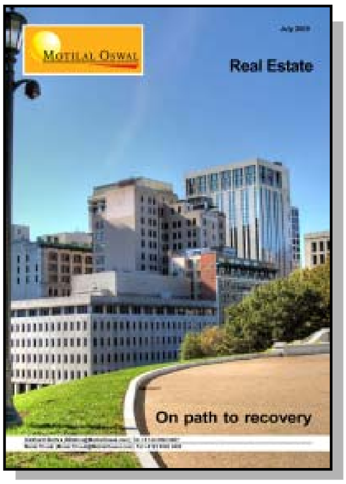
CASH FLOW STATEMENT (RS MILLION)

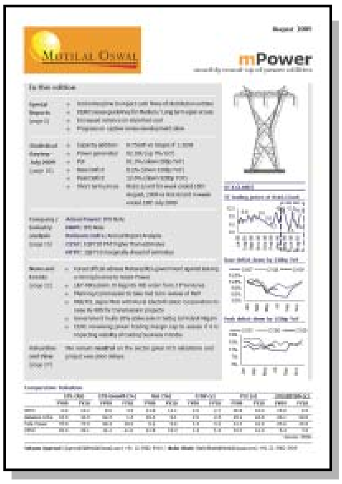
Y/E MARCH	2008	2009	2010E	2011E	2012E
PBT before EO Items	2,162	1,319	1,171	2,001	2,689
Add : Depreciation	0	0	24	37	42
Interest	-98	-8	118	150	314
Less : Direct Taxes Paid	67	26	193	500	672
(Inc)/Dec in WC	-3,160	-2,116	64	183	653
CF from Operations	**-6,771**	**-1,695**	**1,335**	**2,053**	**3,025**
(Inc)/Dec in FA	-108	34	-45	-64	-84
(Pur)/Sale of Investments	-516	-151	0	0	0
CF from Investments	**-624**	**-117**	**-45**	**-64**	**-84**
(Inc)/Dec in Networth	7,996	277	-151	-181	-2,135
(Inc)/Dec in Debt	-237	1,622	-496	-1,650	550
Less : Interest Paid	-98	-8	118	150	314
Dividend Paid	487	177	134	205	345
CF from Fin. Activity	**7,370**	**1,730**	**-899**	**-2,187**	**-2,243**
Inc/Dec of Cash	**-24**	**-82**	**391**	**-198**	**698**
Add: Beginning Balance	374	350	268	659	461
Closing Balance	**350**	**268**	**658**	**461**	**1,158**

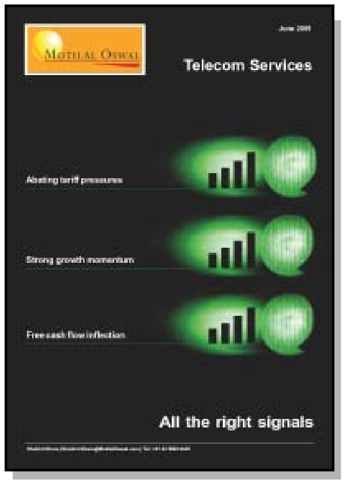
E: MOSL Estimates

NOTES









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1. Analyst ownership of the stock	No	No	No	No	No	No
2. Group/Directors ownership of the stock	No	No	No	No	No	No
3. Broking relationship with company covered	No	No	No	No	No	No
4. Investment Banking relationship with company covered	No	No	No	No	No	No

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