India Property Sector

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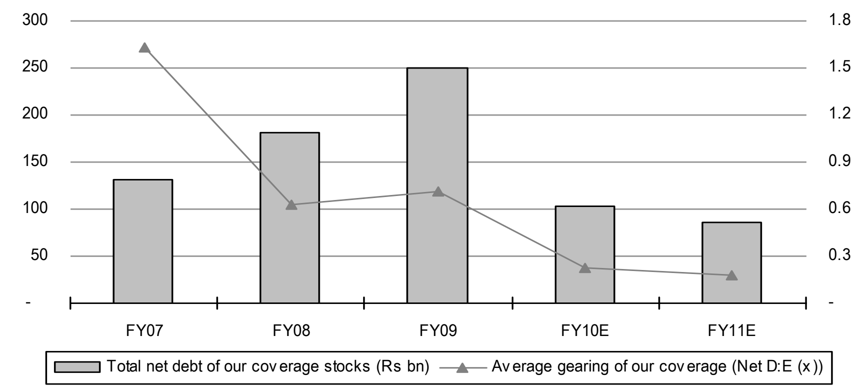
SECTOR REVIEW

Second life

FY10 to be the year of de-leveraging for developers

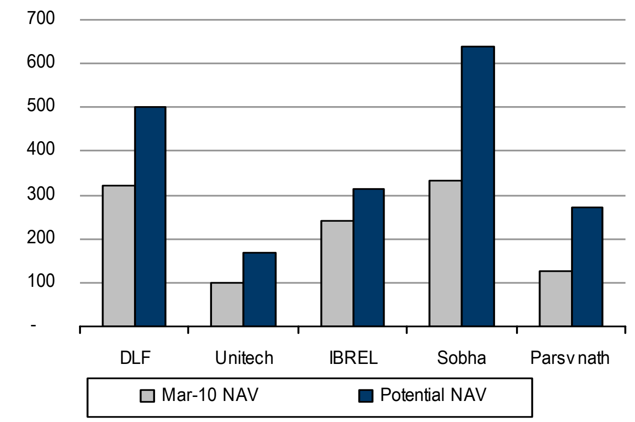


Note: Based on assumptions on fund-raising by developers
Source: Credit Suisse estimates

- **Despite over a 100% rise in property stocks this quarter, we remain positive on the sector, with 20%+ potential upside in our top picks DLF, Unitech and IBREL.**
- **Volatility in property stocks will remain a lasting feature as NAVs are linked to asset prices. Just as there were real reasons for the 60-70% NAV declines in 2008, a liquidity improvement and demand revival could cause NAVs to rise by another 30-120% over the next 12 months.**
- **We calculate that average gearing in our coverage could decline from 0.7x to 0.2x, given developers' fund-raising plans. This would have a beneficial impact on developers' new launches and business plans.**
- **The outlook has turned positive, with increased investor demand, a gradual revival of end-user demand and possibly wider participation through the REITs/REMFs. Demand could pick up faster than expected and the possibility of a property price increase cannot be ruled out, although this is not in our estimates currently.**
- **All said, substantial risks remain and valuations are no longer as compelling. Equity issuances are only plans and a demand revival needs wider participation from end users. Investors are better advised to focus on secular themes that are expected to do well, such as (1) affordable housing and city-centric residential; (2) projects in tier I/II cities; and (3) developers that will be able to aggressively de-leverage.**
- **We like DLF for the quality of its land bank and the efforts it is making to improve its liquidity situation. We like Unitech for its thrust in affordable housing and IBREL for the net cash on its balance sheet after its recent QIP issuance.**

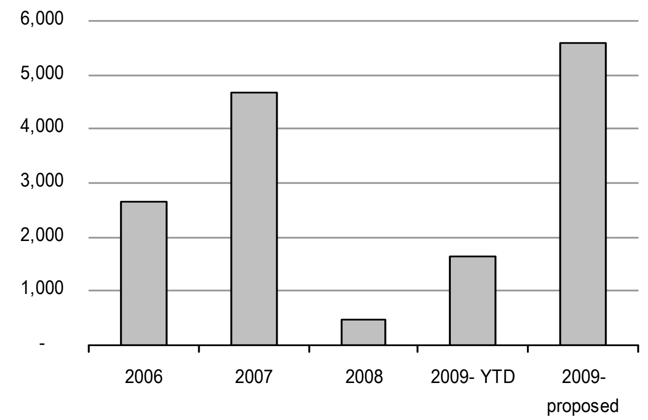
Focus charts and tables

Figure 1: NAVs could go up by 30-120% in the current upgrade cycle (Rs/share)



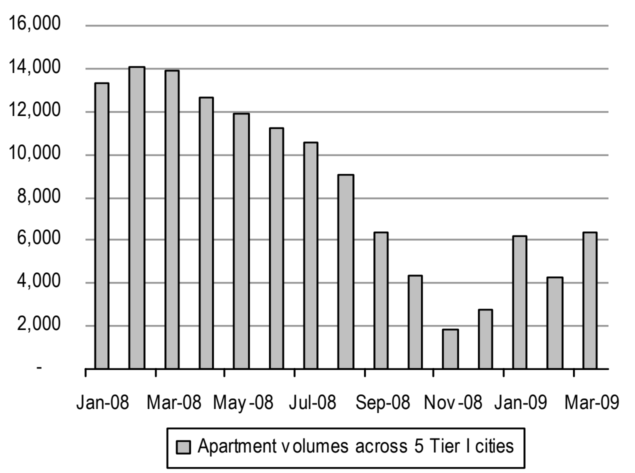
Source: Credit Suisse estimates

Figure 2: Companies have announced big equity raising plans with the equity market picking up (Rs mn)



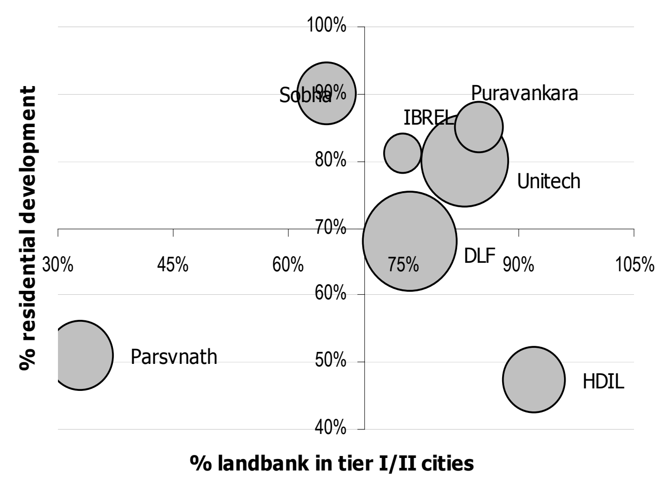
Source: NSE data, company data, Credit Suisse estimates

Figure 3: Residential volumes are picking up



Source: PropEquity Research, Credit Suisse estimates

Figure 4: Comparison of developers on land bank quality



Source: Company data, Credit Suisse estimates

Figure 5: Comparison of key developers' de-leveraging strategy

	Equity	Private equity	Non-strategic land/assets	Non- core business	Land acquisition
DLF	No plans	Yes	In progress	Looking to exit Hotels, Power	Opportunistic
Unitech	US$ 325mn done. Additional promoter warrants & QIP proposed	Yes	In progress	Looking to exit hotels	Opportunistic
IBREL	US$550mn done	Yes	No plans	No	Yes. Sitting on net cash
HDIL	Promoter warrants and QIP	Yes	Selling FSI	n.a.	Yes, opportunistic
Sobha	QIP	Yes	In progress	No	No immediate plans
Parsvnath	QIP	Yes	No plans to sell land	No	Yes for SEZs
Puravankara	QIP	Yes	Done	n.a.	No immediate plans

Source: Company data, Credit Suisse estimates

Second life

What justified our peak NAV of Rs800 on DLF?

It is not about DLF, but what goes into the NAV calculation. And it is definitely not trying to present a blue-sky scenario for the property sector. Property companies' NAVs have swung widely as we move from extreme optimism to complete pessimism. Using DLF as an example, we deconstruct the 60-70% fall in our NAVs for developers from the peak in September 2007. In hindsight, we acknowledge the obvious mistakes of valuing an ever-increasing debt-funded land bank and assumptions of unlimited demand and high property prices co-existing. However, our current NAVs could also turn out to be conservative. Given lower gearing and improved liquidity for developers, their focus on new launches, good initial response to the launches and the positive election results, our assumptions on annual volumes and a 10% price decline in FY10 could potentially see revisions and we could have a 30-120% increase in NAVs for our coverage universe in the next 12 months.

We could be entering an upgrade cycle where NAVs could rise by 30-120% over the next 12 months

Current theme – de-leveraging balance sheets

The one big change that has happened for real estate developers in the last three months is the improvement in liquidity. Banks have lent US$2.7 bn to developers in the last three months and old loans have been restructured. US$1.6 bn in equity funding has already been raised, with another US$5.6 bn proposed, although market volatility has raised some concern more recently. Developers are also working hard to rid themselves of the excess land acquired in the last two years. Accordingly, we calculate that the average gearing for our coverage could decline from 0.7x to 0.2x. While the entire sector will likely benefit from this improvement in liquidity, the big difference will be if the situation changes in 2H09. Developers that are able to de-leverage in the interim would be in a position to be more flexible in their business strategy and aggressively launch new projects.

Developers are trying to raise liquidity by restructuring loans, raising equity, selling non-strategic land and exiting non-core businesses

Future theme – affordable housing in tier I/II cities

In the last two months there has been a definite buzz in the property market. Although volume is not taking place at the same pace as it did at the 2007 peak (or even a year ago), there is a visible improvement now than in the October 2008 to February 2009 period. However, the recovery is still shallow with recent volume coming more from investors and pent-up demand. For the volume pick-up to continue, gaining mass demand is critical. We like (1) attractively priced city-centric residential projects where the risk of oversupply is limited and investor and end-user demand is likely to be higher; (2) middle to low-cost housing for the vast opportunity that it offers; and (3) tier I/II cities with better investor interest and an existing shortage of affordable housing. We would avoid retail development, given retailers' current financial problems, the lack of investor interest and over supply and we would also be cautious about the commercial segment due to the slower recovery in demand and potential risk of over supply.

Property market showing signs of improvement, although recovery is still shallow

We expect affordable housing, city-centric residential and tier I/II locations to do well

Staying focused on preferred plays

With the 100-200% increase in property stocks in the last three months, valuations are no longer as compelling. Also, substantial risks remain in that capital-raising is still only proposed and not completed yet and the demand recovery is still shallow. Investors are better advised to focus on secular themes that are expected to do well. We prefer (1) developers with large exposure to city-centric and middle to low-income housing, (2) developers with a larger presence in tier I/II cities ,and (3) developers that will be able to either aggressively de-leverage or deploy their net cash to tangible value accretive projects.

Valuations are not cheap anymore; prefer developers focussed on affordable housing in tier I/II cities and those that will be able to de-leverage

We like DLF for the quality of its land bank and the efforts it is making to improve its liquidity situation. We also like Unitech for its thrust in affordable housing and IBREL for the net cash on balance sheet after its recent equity issuance.

Valuation summary

Figure 6: **Regional property valuation summary**

Company	Rating	Share price (lcy)	Target price (lcy)	+/- (%)	Mkt cap (US$ bn)	Year-end NAV (lcy /sh)	(Disc.)/ prem. (%)	Core P/E (x) FY09/08	Core P/E (x) FY10E/09E	Core P/E (x) FY11E/10E	P/B (x) FY10E	RoE (%) FY10E	Gearing (%) FY10E
India developers													
DLF	O	331.5	390.00	18	11.66	320.00	4	12.2	22.2	17.0	2.34	10	31
Unitech	O	81.1	100.00	23	3.43	100.00	-19	10.5	20.5	17.0	2.29	13	105
IBREL	O	200.3	240.00	20	1.67	240.00	-17	385.2	82.8	30.8	1.00	1	net cash
Sobha Developers	N	213.5	210.00	-2	0.32	334.00	-36	14.2	18.5	15.2	1.31	7	161
Parsvnath	U	83.2	75.00	-10	0.32	126.00	-34	13.9	19.8	16.2	0.75	4	97
Hong Kong developers													
Cheung Kong	N	86.00	86.24	0	25.70	95.87	-10	13.3	17.8	11.3	0.84	5	16
Sino Land	U	12.22	7.52	-38	7.64	11.57	6	22.2	13.9	18.8	0.97	5	8
Sun Hung Kai Props	N	89.80	85.54	-5	29.71	95.08	-6	18.7	19.3	25.0	1.01	6	17
Kerry Properties	U	33.50	23.64	-29	6.17	33.79	-1	21.5	22.0	16.7	1.00	5	32
Hong Kong investors													
Great Eagle	O	14.82	19.97	35	1.17	29.32	-49	8.0	8.7	8.0	0.36	4	2
Hang Lung Properties	N	24.00	20.10	-16	12.84	25.19	-5	19.4	32.9	15.4	1.49	5	Net cash
Hong Kong Land	N	3.26	2.20	-33	7.33	3.52	-7	20.4	12.5	10.5	0.80	7	22
Hysan	N	17.24	13.83	-20	2.34	21.28	-19	14.9	14.7	15.1	0.55	4	5
Swire	N	71.50	65.90	-8	8.42	94.14	-24	20.4	16.9	16.6	0.79	7	21
Wharf	O	28.10	27.20	-3	9.98	30.96	-9	12.4	15.6	12.2	0.80	5	39
China developers													
China Aoyuan	N	1.94	1.80	-7	0.56	2.97	-35	64.7	32.3	21.6	0.87	3	22
China Overseas Land	N	15.94	16.30	2	16.79	16.35	-3	31.3	19.2	15.6	3.21	18	40
China Resources Land	O	15.84	22.70	43	10.27	22.70	-30	42.8	28.3	17.8	1.99	8	33
Greentown	N	11.04	11.70	6	2.19	16.70	-34	23.0	13.0	9.9	1.79	15	143
Guangzhou R&F	N	16.78	18.00	7	6.98	22.60	-26	26.6	17.7	13.4	3.19	19	89
Hopson	O	10.70	17.40	63	2.20	24.90	-57	9.1	7.4	6.0	0.72	10	56
Shimao Property	O	12.90	16.50	28	5.88	20.70	-38	44.5	15.7	12.3	2.00	14	50
Singapore developers													
Allgreen Properties	O	0.99	1.22	23	1.08	0.69	43	24.8	16.5	16.5	0.67	4	43
Capitaland	O	3.55	4.21	19	10.34	4.21	-16	7.9	32.3	22.2	1.17	4	40
City Developments	N	8.77	8.13	-7	5.47	8.13	8	14.4	17.2	15.1	1.44	9	42
Keppel Land	N	2.17	2.46	13	2.09	3.07	-29	6.8	11.4	14.5	0.93	7	38
Wing Tai Holdings	O	1.31	1.51	15	0.71	1.89	-31	4.4	10.9	10.1	0.63	6	38

O = OUTPERFORM, N = NEUTRAL, U = UNDERPERFORM; Prices as of 18 Jun 09

Source: Company data, Credit Suisse estimates

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What justified our peak NAV of Rs800 for DLF?

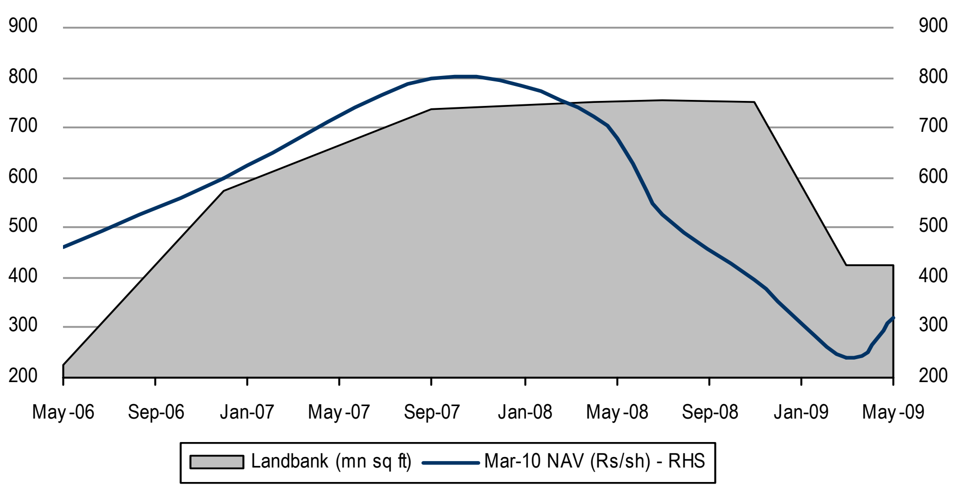
It is not about DLF, but what goes into the NAV calculation. And it is definitely not, we trying to present a blue-sky scenario for the property sector. In the last three years, property company NAVs have swung widely as we moved from a period of extreme optimism to a period of extreme pessimism. Using DLF as an example, we tried to deconstruct the 60-70% fall in our NAVs for developers from the peak in September 2007. In hindsight, we acknowledge the obvious mistakes of valuing an ever-increasing debt-funded land bank and assumptions of unlimited demand and high property prices co-existing. However, our current NAVs could also turn out to be conservative with room for upside. Given the lower gearing and improved liquidity position of developers, their focus on new launches, good initial response to the launches and the positive election results, our assumptions on annual volumes, a 10% price decline in FY10 could potentially see revisions and we could have a further 30-120% increase in NAVs for our coverage universe in the next 12 months. However, for this to happen we need to see a further improvement in sector liquidity f and for demand revival to be sustained.

Deconstructing the 60-70% fall in NAVs

Our current NAV for DLF is 60% lower than the peak in September 2007

We have almost gone through an entire property cycle between 2006 and 2009. Using DLF as an example, we tried to deconstruct the 60-70% fall in our NAVs for developers from the peak in September 2007. Our March 2010 NAV estimate for DLF (which started at Rs461 as of May 2006) peaked at Rs800 as of September 2007. We saw the trough in March 2009 at Rs239 and have since seen a recovery to Rs320 in June 2009. The increase in NAV between May 2006 and September 2007 was driven by a larger land bank and higher property prices. The decrease in NAV between September 2007 and March 2009 was driven by liquidity constraints leading to a smaller land bank, a property price correction and less volume.

Figure 7: **Our current March 2010 NAV for DLF is 60% lower than our Sept. 2007 estimate**



Source: DLF, Credit Suisse estimates

DLF's developable land bank has reduced from 738 mn sq ft in September 2007 to 425 mn sq ft in June 2009, as the company undertook a strategic review of its land bank to conserve its cash flow. Our volume estimates for FY10 have reduced from 42 mn sq ft as of September 2007 to 12 mn sq ft as of June 2009. For FY11 these were reduced from 52 mn sq ft as of September 2007 to 17 mn sq ft as of June 2009.

Figure 8: **Comparison between peaks and troughs and current assumptions**

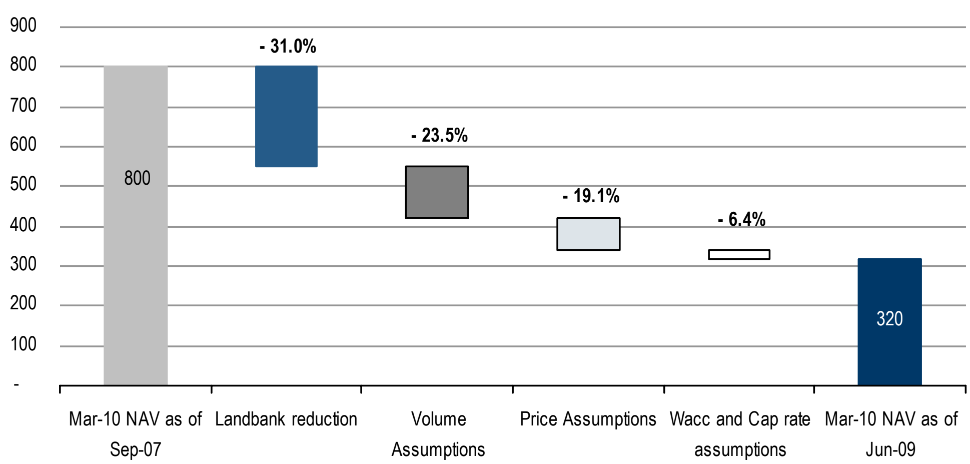
Key assumptions		Sep-07	Mar-09	Jun-09
March 2010 NAV	Rs/share	671	208	320
Peak land bank	mn sq ft	738	751	425
Land bank valued	mn sq ft	615	461	425
WACC	%	12.0	14.6	13.0
Cap rate	%	9-10	10.5-12.0	9.5-10.5
FY10 price assumption vs current prices	%	+15	-15	-10
FY11 and beyond price assumption	% p.a.	Nil	Nil	+5
FY10 volume	mn sq ft	42	8	12
FY11 volume	mn sq ft	52	14	17

Source: DLF, Credit Suisse estimates

Lower land bank, lower volume and lower prices have been the key drivers of NAV downgrades

More than 31% of the reduction in our NAV was due to DLF's reduced land bank. Another 19% reduction in our NAV has come from lower pricing/margin assumptions and a 25% reduction has come from changes in volume and cash flow assumptions. WACC and capitalisation rate (cap rate) assumptions have contributed only 6.4% to the decline in our NAV.

Figure 9: **Affordability to remain lower than 2004 levels**



Source: Company data, Credit Suisse estimates

Mistakes that are unlikely to be repeated

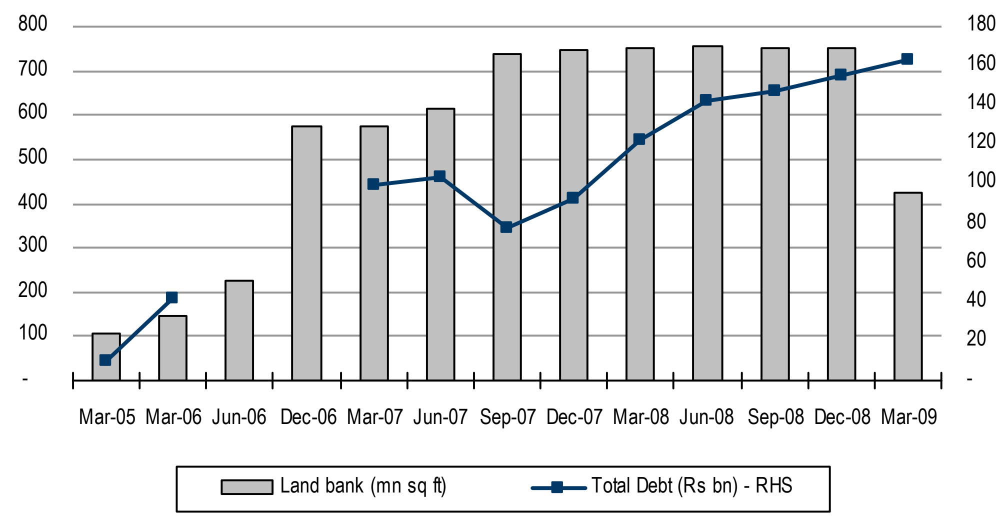
Valuing debt-funded land bank and assuming high volumes at higher prices were the obvious mistakes, in hindsight

We believe some of the assumptions in our NAV calculation have changed permanently. With the benefit of hindsight, we now see these as mistakes. We believe that the market and we have learnt enough in the last two years to not repeat these mistakes.

Valuing land bank acquired with debt

Developers' aggressive land acquisition using debt resulted in their gearing levels rising sharply which also created a significant asset-liability mismatch. Developers built up a land bank which would have been developed over the next 15-20 years while the debt had to be repaid in the next four years. DLF's total debt increased from Rs40 bn as of March 2006 to Rs100 bn as of March 2007 and Rs160 bn as of March 2009 as the company ramped up its land bank from 144 mn sq ft (March 2006) to 751 mn sq ft by March 2008.

Figure 10: **Land acquisition resulted in a sharp increase in gearing**



Source: DLF, Credit Suisse estimates

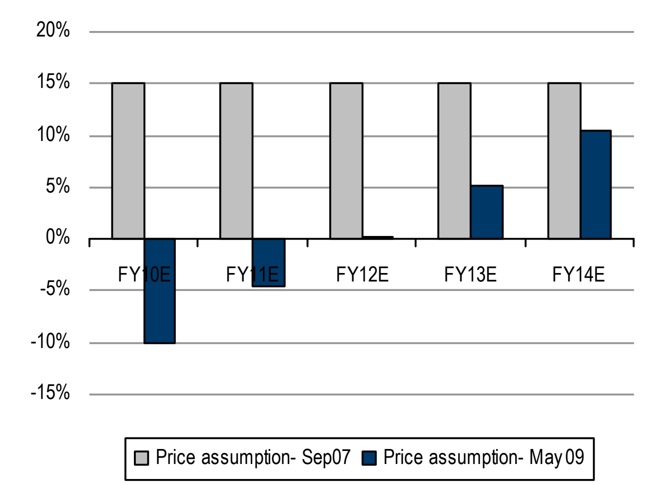
We have now learnt that the situation was unsustainable and only the land acquired with equity or internal accruals holds any actual value. Further, developers have also learnt from this and are currently rationalising their land bank. Developers are exiting land agreements either at cost or a small profit and are not looking to acquire land anytime soon.

Debt-funded land acquisition is unsustainable in the medium term

Unlimited volume at high prices

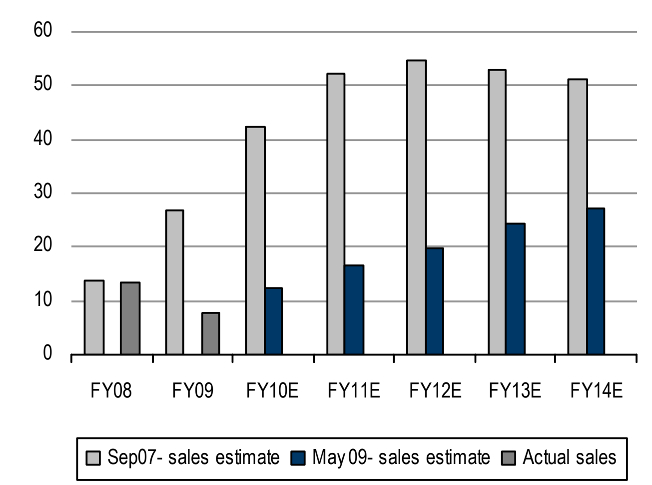
Another mistake the market made was assuming 2005-06 volume levels (a very high volume year, at a time when real estate prices had just begun rising) at 2008 prices (prices had become unaffordable after a 3-4x rise). Demand elasticity for property prices is very high in the medium-term. However, high property prices and high demand can only be sustained for short periods of time.

Figure 11: **Price assumption in Sept. 2007 and now versus current price**



Source: Credit Suisse estimates

Figure 12: **Volume assumptions (mn sq ft)**



Source: Credit Suisse estimates

Rs500 NAV for DLF is still possible

Our current assumptions on price and volume could turn out to be conservative

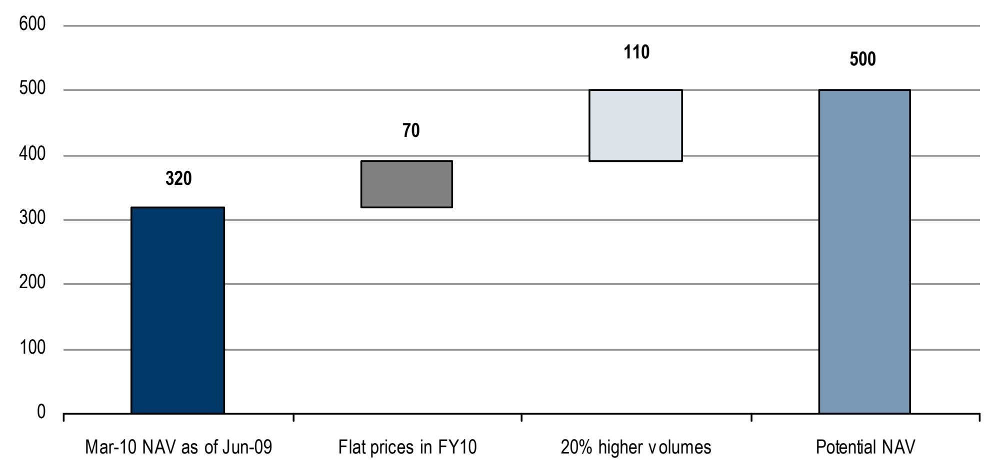
While it will be extremely difficult (even unlikely) to foresee that we might have an NAV of Rs800 on DLF anytime soon, there are however some assumptions that could turn out to be conservative, leading to an expansion in our estimated NAV for DLF. These are:

- **A 10% price decline in FY10.** We are assuming pricing in FY10 will be 10% lower than the current prices. This might turn out to be conservative and we may have to change this, given the election results and the recent absorption trends for affordable housing. Further, the lower gearing and improved liquidity position could ease the pressure on developers to cut prices. Therefore property prices may be either flat or +5% for FY10. However, this would not impact demand as the current prices are very much in an affordable range.

- **Volume assumptions.** Our current volume assumption is 70% lower than our peak assumption. It is also lower than the company's guidance of 15 mn sq ft for FY10. The recent trend in volume suggests that there may be potential upside risk. While we do acknowledge that the recent increase in residential volume contains a large element of pent-up demand, fence sitters and investor demand, nonetheless the trends are positive – especially for developers focused on the affordable housing opportunity in tier I/II cities.

If we were to assume a flat pricing in FY10 and 20% higher volume and cash flow for DLF, we would arrive at an NAV of Rs500.

Figure 13: **Faster execution and better pricing could take DLF's NAV to Rs500**



Source: Company data, Credit Suisse estimates

Implying a potential 30-120% upgrade to NAVs

If we were to assume a flat pricing in FY10 and 20% higher volume and cash flow for our coverage, we see an upside potential ranging from 30-116% from our current NAVs.

Figure 14: **Impact of faster execution and better pricing on NAV of our coverage**

Rs per share	DLF	Unitech	IBREL	Sobha	Parsvnath
March 2010 NAV	320	100	240	334	126
Flat prices in FY10	70	27	28	118	57
20% higher volume & cash flow	110	43	45	186	89
Potential NAV	500	170	313	638	272
% change	56	70	30	91	116

Source: Company data, Credit Suisse estimates

However, for this to happen we need to see a further improvement in sector liquidity and for demand revival to be sustained. Also, this will not be an industry phenomenon but will be developer-specific. The liquidity and gearing of developers will be an important differentiating factor. Developers that can improve liquidity and reduce gearing will be able to aggressively launch projects as demand picks up.

Developers that are able to lower gearing and improve liquidity will benefit disproportionately

Current theme – de-leveraging balance sheets

The one big change that has happened for real estate developers in the last three months is the improvement in the liquidity situation. Banks have lent US$2.7 bn to developers in the last three months and old loans have been restructured. US$1.6 bn equity funding has already been raised, with another US$5.6 bn proposed, although market volatility has raised some concern more recently. Developers are also working hard to rid themselves of the excess land acquired in the last two years. Accordingly, we calculate that the average gearing for our coverage could decline from 0.7x to 0.2x. While the entire sector should benefit from this improvement in liquidity, the big difference will be if the situation changes in 2H09. Developers that are able to de-leverage in the interim would be in a position to be more flexible in their business strategy and aggressively launch new projects.

Sector lending has eased

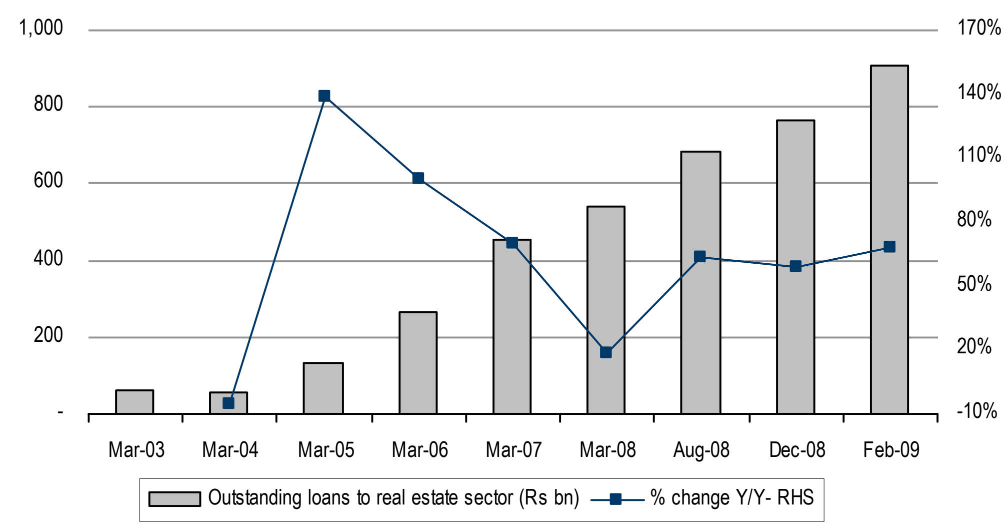
Banks, and especially PSU banks, have started lending to real estate developers after a near freeze in liquidity between September and December 2008. Also, the RBI guidelines providing for the restructuring of corporate loans has provided an opportunity for developers to convert their short-term borrowing into longer duration loans.

PSU banks have increased their exposure to developers

Banking sector exposure to developers increased US$3 bn between January and March

While mutual funds –which formerly loaned large sums to real estate companies through debt funds and fixed maturity plans (FMPs) – have become more circumspect and withdrawn funding to the sector, banks and particularly public sector banks have stepped up the funding to fill in this gap. Outstanding loans to real estate developers from the banking sector increased to Rs908 bn (US$18 bn) as of February 2009 from Rs539 bn (US$10.8 bn) in March 2008 and Rs765 bn (US$15.3 bn) in December 2008.

Figure 15: **Outstanding developer loans for the banking sector are higher than December 2008 levels**



Source: RBI, Credit Suisse estimates

Most short-term loans have been restructured

The Reserve Bank of India (RBI) guidelines providing for the restructuring of corporate loans also has brought much respite to developers. Based on our discussion with a number of developers, we estimate that more than 75% of short-term borrowing has already been restructured, refinanced or rescheduled and developers are working towards having their remaining debt restructured before 30 June (the current cut-off date for restructuring real estate loans, as announced by the RBI). This has reduced the extent of the asset-liability mismatch for most developers with the repayment of loans now spread over the next six to eight years with, in many cases, an additional repayment moratorium for the next two years.

More than 75% of short-term borrowing has already been restructured, refinanced or rescheduled

Volatility creating challenges for equity offerings

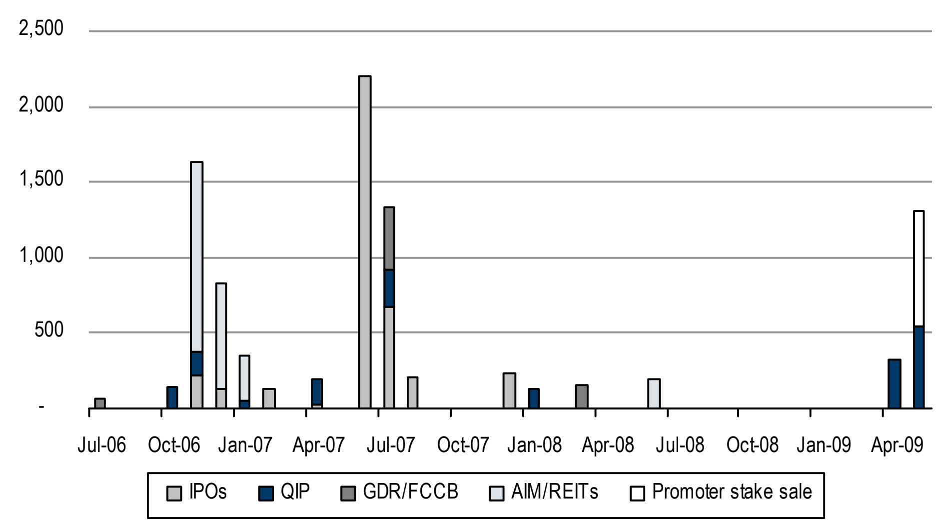
The sector (having raised US$1.6 bn in the last two months in an equity issuances/stake sale) is now running into difficulty due to the recent stock market volatility. While developers have announced plans to raise a further US$5.6 bn, offerings are stuck as the CMP is below the SEBI floor price and investors are uncomfortable paying a premium at this point in time.

Appetite for fresh equity showing signs of a pick up

Investor appetite for the real estate sector seems to be returning. After managing to raise US$7.2 bn between September 2006 and December 2007, real estate companies managed a cumulative fund raising of only US$474 mn in 2008 – as investors stayed away from equity markets in general and property stocks in particular. However, this seems to be changing now with more than US$1.6 bn being raised by property companies in 2009 to date.

Equity market fund raising showing signs of revival

Figure 16: US$7 bn raised from September 2006 to 2007 by real estate sector (US$ mn)



Source: Company data, Credit Suisse estimates

Developers are looking to cash in on the opportunity

In addition to the US$1.6 bn fund raising already completed, developers have announced plans to raise a further US$5.6 bn in order to: (1) reduce gearing and strengthen their balance sheets; (2) meet cash flow requirements for current projects and new launches; and (3) develop flexibility to selectively participate in new project opportunities.

Developers have announced plans to raise a further US$5.6 bn in equity

Figure 17: **Companies have announced their major fund-raising plans**

Company	Amount (US$ mn)	Likely instrument	Status
Unitech	325	QIP	Completed
IBREL	550	QIP	Completed
DLF Group	760	Promoter stake sale	Completed
Unitech	2,000	QIP	EGM approval received
Unitech	230	Promoter warrants	EGM approval received
Sobha	300	QIP	EGM approval received
HDIL	600	QIP	EGM approval received
HDIL	100	Promoter warrants	EGM approval received
Parsvnath	500	QIP	EGM approval received
Puravankara	150	QIP	EGM approval received
AnantRaj Ind.	400	QIP	EGM on 25 June 2009
AnantRaj Ind.	36	Promoter warrants	EGM on 25 June 2009
Omaxe	360	QIP	EGM on 6 July 2009
Orbit Corp	100	QIP	EGM on 9 July 2009
Akruti City	500	QIP	Shareholder approval via postal ballot by 16 July 2009
Ansal Properties & Infrastructure	300	QIP	EGM date to be announced

Source: BSE website, Company filings, Credit Suisse estimates

Volatility in equity markets has raised some concerns

More recently, with the volatility in the equity markets, there is some question as to whether companies will be able to complete the Qualified Institutional Placement (QIP) offering, especially if investors are unwilling to pay a premium over the current market price (CMP) in the QIP issuance. The minimum floor price (as per the SEBI [Securities and Exchange Board of India] formula) is presently higher than the current market price for most developers planning the QIP issuance. There is a risk that some of the proposed fund-raising might be postponed or may not happen at all.

Some headwinds for fund raising due to equity market volatility

Figure 18: **CMP is currently below the minimum floor price**

Company	CMP	Floor price as of 18 May 2009	Difference (%)
Sobha	213	224	(5)
Unitech	80	84	(5)
Ansal Properties & Infrastructure	58	62	(8)
Omaxe	99	107	(8)
Parsvnath	84	94	(10)
HDIL	228	256	(11)
Akruti City	482	556	(13)
AnantRaj Ind	95	111	(14)
Orbit	166	193	(14)
Puravankara	81	95	(15)

** Floor price calculated by assuming the QIP offering takes place on 22 June 2009*

Source: Bloomberg data, Credit Suisse estimates

Focus is back on real estate and medium-term opportunities

The previously opportunistic diversification of developers into new sectors – hotels, telecoms, power and other unrelated businesses – while also trying to build 15-20 years of land bank all combined to further accentuate the liquidity problem for developers. However, developers are sensibly returning to focusing on the real estate business and medium-term opportunities. Developers are currently looking to raise liquidity by exiting/monetising these projects.

Rationalisation of land bank

In a complete reversal of the trend seen between 2006 and 2008 – when developers were trying to outbid each other in an effort to build a large land bank – developers are now reviewing their existing land bank and are aggressively rationalising their land bank in order to reduce land payment commitments. Developers have looked to exit projects where:

Developers are looking to exit projects with substantial outstanding land payments and where development is not planned in the medium term

(1) Land that was partly acquired and or had outstanding land payment commitments attached.

(2) Land bank that does not fit in with the companies' development plans over the next three to four years.

The exit strategy has been achieved by convincing government authorities to either cancel the land allotment altogether and refund the money or to allot only a part of the total land against the advance given for land purchases. Some developers have also cancelled private land acquisitions and taken back advances from land aggregators/sellers. Additionally, developers have also sought a refund on land development charges and licence fees (which they paid previously)) from government authorities, as the development plans on such land parcels have been put on hold. Recent examples of such transactions are as below:

- BPTP (not listed) surrendered a 95 acre commercial plot in Noida. It had paid only Rs13 bn out of the Rs50 bn payable and took possession of 21 acres of land in the same area.
- Puravankara (PPRO.BO, Rs81, NOT RATED) surrendered 10 acres out of the 30 acre Hi-tech city project in Hyderabad against cancellation of the outstanding land payment in the project.
- Haryana Government has refunded Rs2 bn of the licence fees to DLF as the company postponed its development plans.
- DLF has exited its Bidadi and Dankuni township projects, as it did not fit in with the company's development plans for the next three to four years.
- Sobha Developers has managed to reduce its outstanding land payments to Rs1.7 bn as of March 2009 from Rs6.6 bn as of March 2008 by cancelling its private land acquisition deals and recovering the advances from land aggregators/sellers.

Exiting/monetising non-core assets

Developers are also seeking an exit from non-core assets and businesses that were planned in the heat of the bull market. These include investments in hotel projects, and sectors such as power and telecom, etc. The objective is to curtail future cash outflow from these projects while also raising near-term liquidity, where possible.

Developers are now focusing on their core business

Figure 19: **Recent announcements on exit of non-core assets**

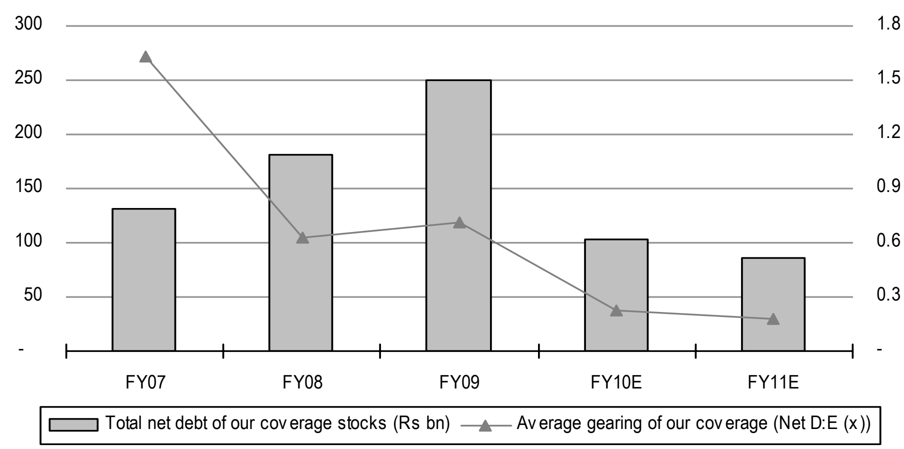
Developer	Asset type	Cash inflow (Rs bn)	Status	Comments
Unitech	Hotel	4.3	Completed	Two hotel projects in Gurgaon
Unitech	Hotel	7-10	Proposed	Four hotel projects in Noida, Kolkata and Bangalore
Unitech	Telecom	5-6	Partially completed	Divested 67.25% stake to Telenor (TEL.OL, NKr46.35, U, TP NKr45.00, MW). Importantly, this eliminates the need for future capital commitment
DLF	Hotel	8-10	Proposed	Multiple hotel plots
DLF	Power	8-10	Proposed	250 MW of operational wind power

Source: Company data, Credit Suisse estimates

Coverage gearing could reduce from 0.7x to 0.2x

Based on the assumption of some fund-raising, as announced by the developers, we calculate that the average gearing for our coverage universe could decline from 0.7x to 0.2x. This will have a beneficial impact on the developers' new launches and business plans.

Figure 20: **FY10 to be the year of de-leveraging for developers**



Note: Based on certain assumptions on fund-raising by developers

Source: Credit Suisse estimates

Rewards for de-leveraging to be disproportionate

Three months ago, if there were two pressure points on developers they were tight liquidity and lack of demand weighing down property prices – now at least one of those has improved. As a result we expect the pressure on developers to cut property prices to ease and we could potentially see a period of stable property prices over the next 12-18 months, as demand gradually returns to normal levels. While the entire sector is likely to benefit from the improvement in liquidity seen so far, the biggest difference will be if the situation was to change from here.

Even if liquidity was to deteriorate at some point in the future, many developers would have done enough to change their fortunes decisively. Developers that can de-leverage their balance sheet by raising more equity, selling non-core assets, getting rid of excess land bank and generating cash flow from operations would be in a position to take advantage of the sector recovery. This would allow them to be more flexible in their business strategy and aggressively launch new projects. Developers that do not or are unable to do so run the risk of being left behind.

For developers with net cash, the opportunity lies in investing in projects which can be cheaply acquired today due to the absence of competition from other developers. However the market would need proof that:

(1) There is a tangible value in the project.

(2) Execution is certain within a reasonable time frame.

Future theme – affordable housing in tier I/II cities

In the last two months, there has been a definite buzz in the property market. Although volume is not taking place at the pace as during the 2007 peak (or even a year ago), there is a visible improvement now than in the October 2008 to February 2009 period. However, the recovery is still shallow, with recent volume coming more from investors and pent-up demand. In order for the volume pick-up to continue, gaining mass-market demand is critical. We like (1) attractively priced city-centric residential projects where the risk of oversupply is limited and investor and end-user demand is likely to be higher; (2) middle to low-cost housing for the vast opportunity that it offers; and (3) tier I/II cities with better investor interest and an existing shortage of affordable housing. We would avoid retail development given retailers' current financial problems, the lack of investor interest and oversupply, and we would also be cautious about the commercial segment, due to a slower recovery in demand and the potential risk of oversupply.

There is a definite buzz in the residential market

In the last two months there was a definite buzz in the residential market. Although volume is not happening at the same pace as the 2007 peak (or even a year ago), there is some improvement over the October 2008 to February 2009 period. This is clearly reflected in the better take-up in the new launches by developers and higher mortgage disbursements by banks and HFCs. A 20-25% decline in property prices and a 300 bp fall in mortgage rates have made housing more affordable resulting in increased inquiries and improved volume.

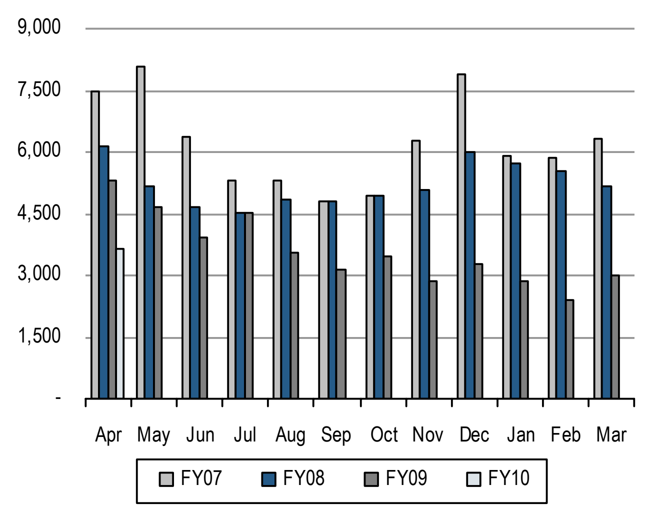
Residential demand showing signs of coming to life

While volume is still lower than a year ago, there are multiple sources of data that points to a recovery in volume both on a MoM and QoQ basis.

Registration data shows an improvement in volumes since March 2009

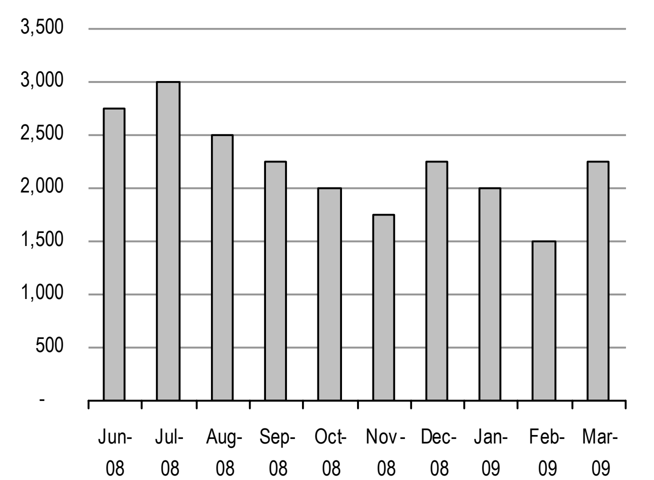
According to registration data in Mumbai and Gurgaon, recovery became visible from March 2009. Mumbai registrations in March rose 24% over February 2009 and 4% over January. Registrations in Gurgaon were up 50% over February and 12% over January 2009. In April, Mumbai registrations were 22% higher than for March.

Figure 21: **March and April registrations in Mumbai are showing signs of a pick-up (nos.) …**



Source: Deputy Inspector General of Registrations, Credit Suisse estimates

Figure 22: **… similarly, March volume in Gurgaon was also higher than in January and February (nos.)**

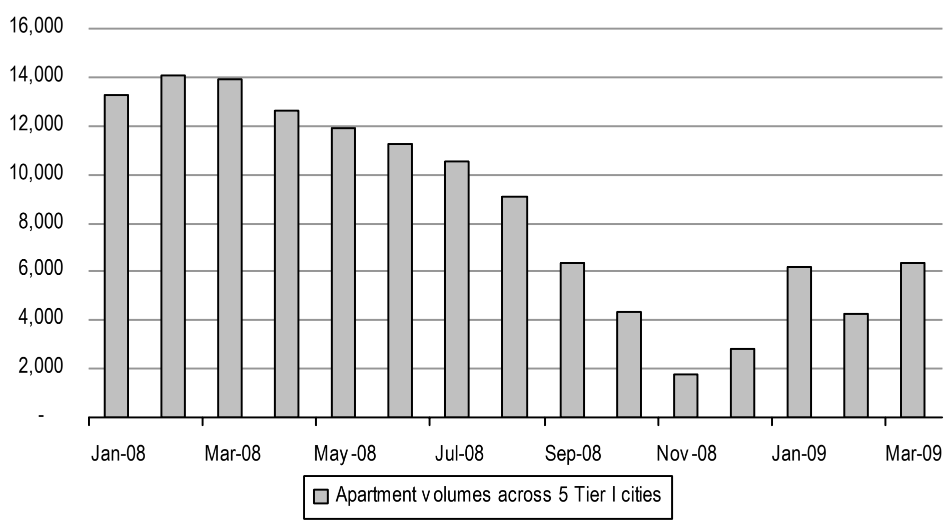


Source: DRO, Credit Suisse estimates

According to data collected by PropEquity (a property research firm) apartment volume in India's top five cities (Mumbai, Gurgaon, Bangalore, Chennai and Hyderabad) in March 2009 was 6,391 lower than the 13,939 units in March 2008, but there was an increase of 49% over the 4,286 units in February 2009. Further volume from January to March 2009 is 89% higher than for the October to December 2008 period – implying an improving trend for 2009.

Volume in January to March 2009 was 89% higher than the October to December 2008 period, implying an improving trend for 2009

Figure 23: **2009 YTD volume points to an improving residential market (nos.)**



Source: PropEquity Research, Credit Suisse estimates

Anecdotal evidence also suggests that recent launches by developers have done very well. Quite a few projects are again being sold out in less than one month, reminiscent of the situation in 2005-07 and a welcome change from 2008 when news flow on discounts on projects dominated the market. Some examples of recent launches (and there are many such examples) are:

Anecdotal evidences also points to improving sentiment

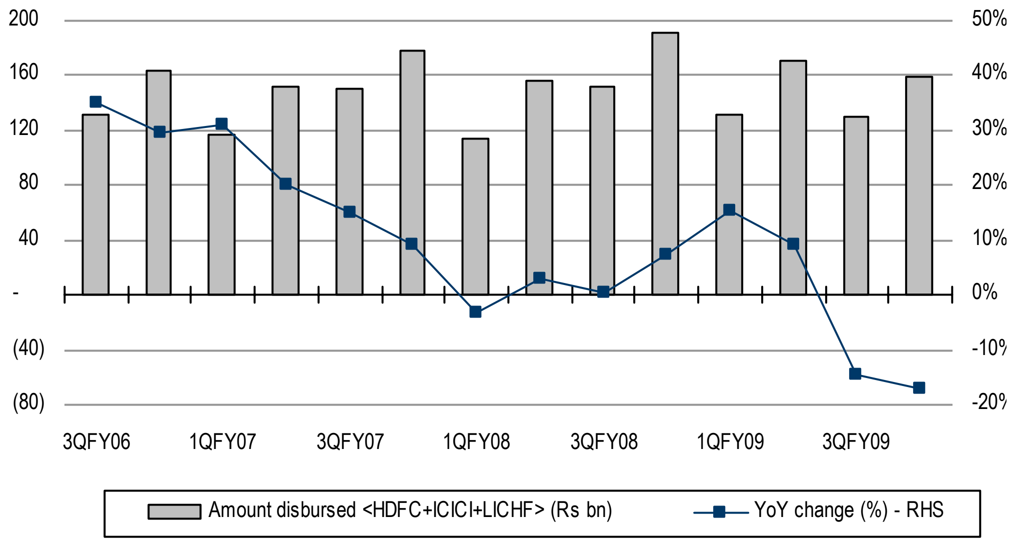
- BPTP received 3,700 bookings against 1,000 units on offer at its Park Elite Floors project in Faridabad.
- Jaypee Greens (not listed) sold 3,300 apartments priced between Rs2-3 mn within 24 hours of launching its 70-acre housing project on the Noida-Greater Noida Expressway.
- Unitech's project in Gurgaon (Uniworld Gardens II) with over 800 apartments was sold out within a month of its launch. Unitech has also managed bookings of 3.2 mn sq ft in the last three months against bookings of less than 1 mn sq ft for the whole of 2008.
- DLF's project in Delhi (Capital Greens) consisting of 1,356 units was sold out on the first day it went on sale.

Mortgage disbursements gaining momentum

Mortgage disbursements in 4Q FY09 were also higher than 3Q FY09 and were similar to 4QFY06 levels. While Housing Development Finance Corp (HDFC.BO, Rs2300.00, NEUTRAL, TP Rs2092.00) and LIC Housing Finance (LICH.BO, Rs580.25, NOT RATED) showed YoY growth in disbursements, ICICI Bank's (ICBK.BO, Rs717.15, NEUTRAL, TP Rs661.00) disbursements declined 95% YoY. ICICI has been reducing its exposure to the mortgage market and a large part of its market share has been gained by State Bank of India (SBI.BO, Rs1724.00, UNDERPERFORM, TP Rs1357.00) (with its attractive offering) which is not included in Figure 26.

Mortgage disbursement are expected to pick up

Figure 24: **Mortgage disbursements have picked up in 4Q FY09**



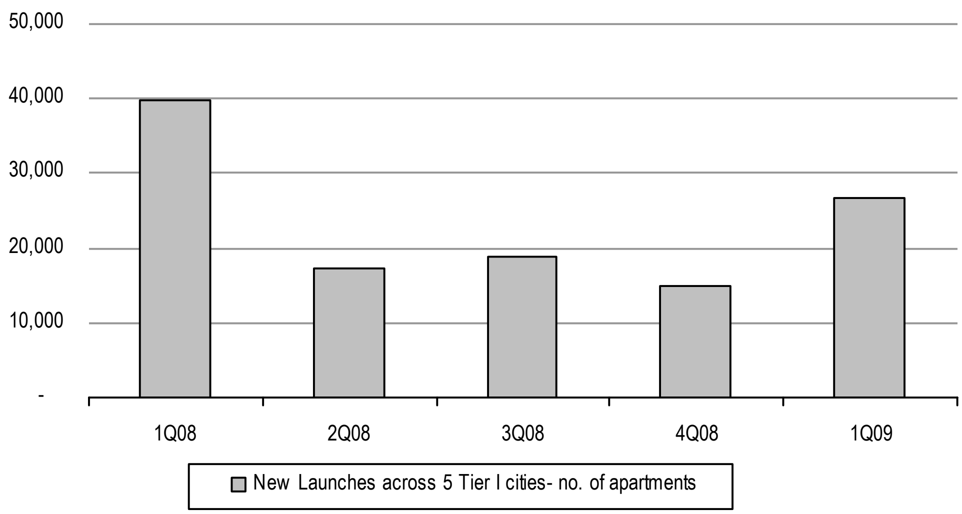
Source: Company data, Credit Suisse estimates

Developers' new launches are picking up

Sensing an opportunity, developers have also accelerated the launch of projects in 2009. New apartment launches in 1Q09 were 79% higher than the launches in the previous quarter. We are seeing a revival in launches after nearly a year of slowdown.

New launches in 1Q09 were 79% higher than 4Q08

Figure 25: **Developers are launching new projects to meet anticipated demand**

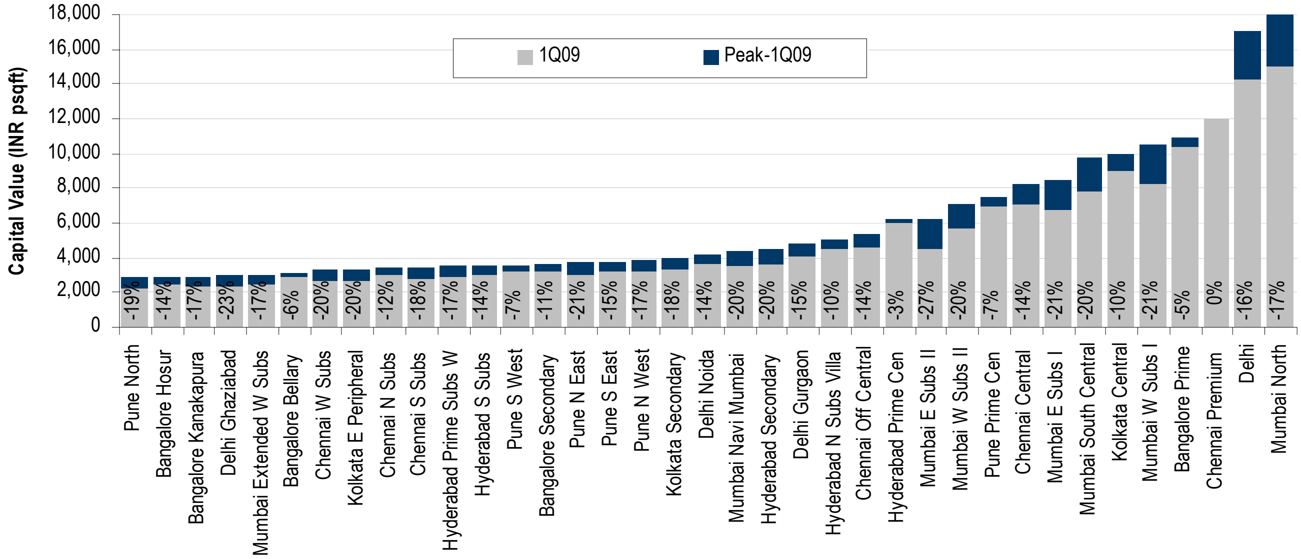


Source: PropEquity Research, Credit Suisse estimates

Property prices have corrected 20-25% from the peak

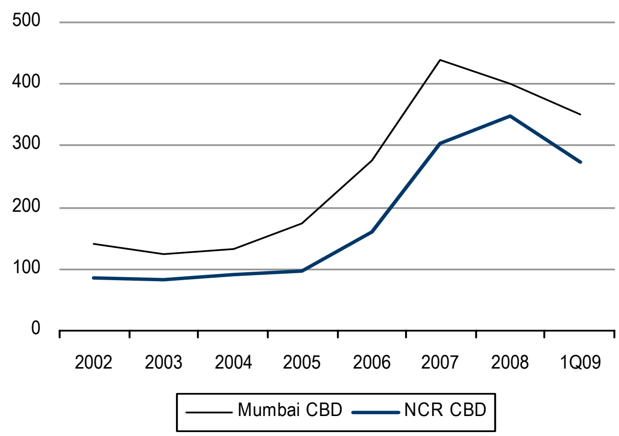
Property prices started declining from the second half of 2008 and have declined by 20-25% from the peak in the last nine months. More encouragingly, new launches are nearly 35-40% lower than developer's earlier expectation.

Figure 26: Residential prices have corrected 15-20% in most locations



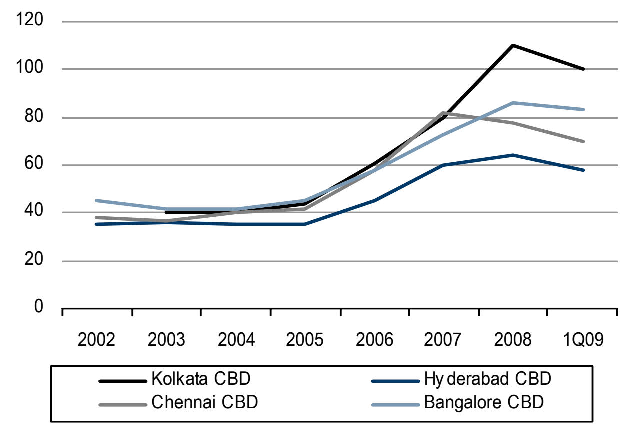
Source: Jones Lang LaSalle, Credit Suisse estimates

Figure 27: Commercial rental trends (Rs/sq ft/month)



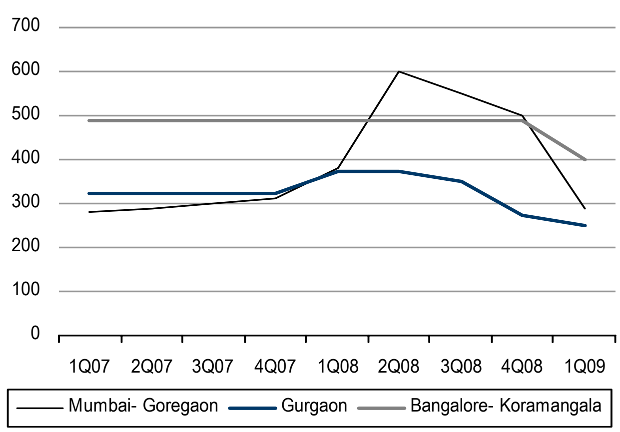
Source: Cushman & Wakefield, Credit Suisse estimates

Figure 28: Commercial rental trends (Rs/sq ft/month)



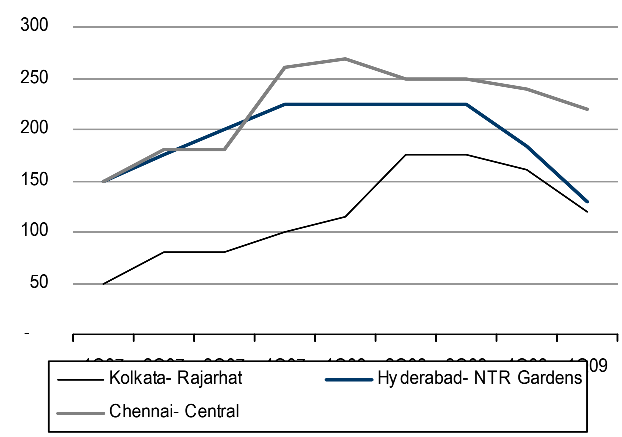
Source: Cushman & Wakefield, Credit Suisse estimates

Figure 29: Mall rental trends (Rs/sq ft/month)



Source: Cushman & Wakefield, Credit Suisse estimates

Figure 30: Mall rental trends (Rs/sq ft/month)



Source: Cushman & Wakefield, Credit Suisse estimates

Mortgage rates are now down to more reasonable levels

The Reserve Bank of India's (RBI) steps to infuse liquidity into the economy – through a series of repo and reverse-repo rates and reduced CRR – has begun to have an impact on lending rates. Mortgage rates are now down 125-225 bp from the peak. Although the current rates, at 9.75-10.25%, are higher than the lows of 7.5-8% in 2006, the rates are attractive enough to encourage people to purchase homes earlier.

Mortgage rates are now down 125-225 bp from the peak

Figure 31: **Mortgage rates have seen a 125-225 bp decline from the peak**

	< Rs3 mn		> Rs3 mn	
%	**Earlier**	**Now**	**Earlier**	**Now**
LIC Housing Finance	11.50	8.75	11.50	9.75
HDFC	12.00	9.25	12.00	9.75
SBI Housing	11.00	9.75	11.50	10.25
ICICI	11.00	9.25	11.50	9.75

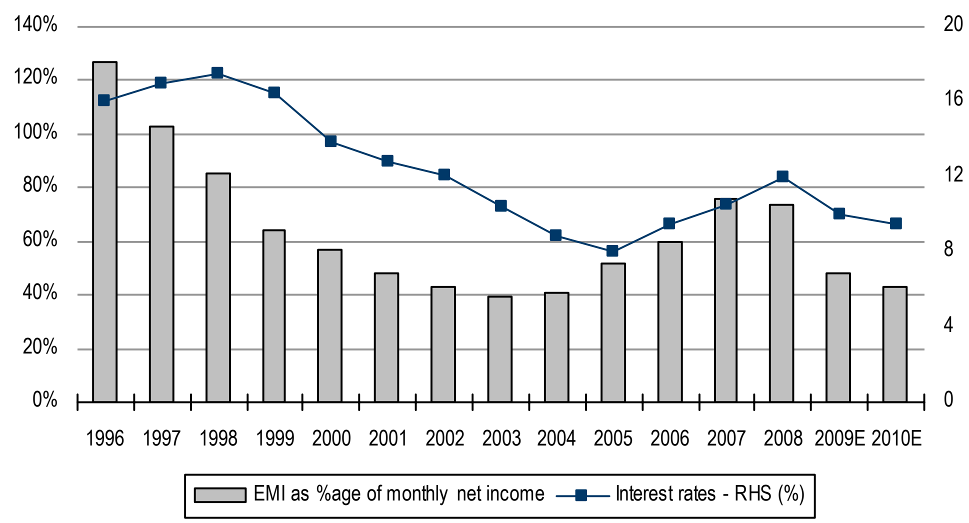
Source: Company data, Credit Suisse estimates

Lower mortgage rates and falling property prices have helped improve affordability

With a 20% correction in property prices and a 125-225 bp decline in mortgage rates, affordability (as measured by the EMI [equated monthly instalment] as a percentage of monthly net income) has improved significantly from 2007-08 levels. It is now very close to the levels seen in 2002-03 when there was a strong pick-up in demand.

Affordability is now close to the levels seen in 2002-03

Figure 32: **Affordability to remain lower than 2004 levels**



Source: Credit Suisse estimates

Recovery is still shallow and needs time to become broad-based

The property market recovery appears shallow with an initial burst of demand coming in more from investors and fence sitters. For the volume pick-up to continue, gaining mass demand is critical. Lower employee additions by IT/ITES companies and lower wage hikes and payouts indicate that the uncertainty in the macro environment is not completely finished.

Currently more investor-driven and pent-up demand for property

Investors and fence sitters have jumped in to buy homes in 2009 at the first sign of price stability

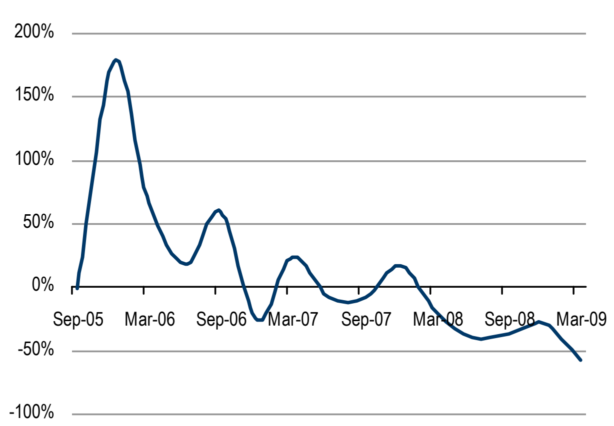
Although data is not available to support this, the sharp surge in volume and projects being sold out within days of launch are clear signs that this demand is largely from investors and pent-up demand from fence sitters. Investors active in the property market between 2004 and 2007 (industry estimates put investor demand at 60-70% of the total volume during 2004-06 in some northern India markets) stepped out of the market in 2008. Also, many genuine buyers who were in need of and could afford to buy homes were sitting on the fence in 2008 in anticipation of a further fall in property prices. These investors and fence sitters have since jumped in to buy homes in 2009 at the first sign of some stability in property prices. For the volume pick-up to continue, gaining mass demand is critical.

Uncertainty in the macro environment is not completely finished

Demand outlook from IT/ITES sector is still weak

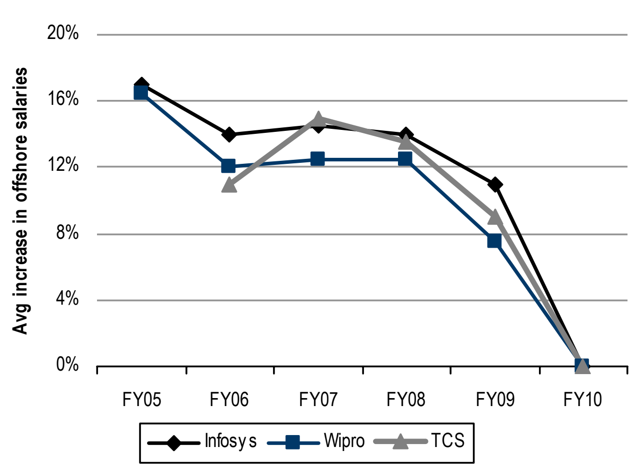
The election results, improvements in the financial markets and the easing of liquidity have made everything look better now – but there are still many questions about whether we can call this a full-fledged recovery. A glance at the headcount growth of various IT companies, even in the March 2009 quarter, shows no improvement in the pace of employee additions. Also, guidance on hiring is not very encouraging – indicating the lower growth expectation of these companies. This trend does not bode well for real estate demand, as the IT/ITES sector has been a large contributor to both residential and commercial real estate demand in recent times.

Figure 33: **IT firms' net employee adds continue to remain weak**



Source: Company data, Credit Suisse estimates

Figure 34: **Fixed wage rises for IT companies are slowing**



Source: Company data, Credit Suisse estimates

Furthermore, data on the average annual wage hikes given by Infosys Technologies (INFY.BO, Rs1771.00, OUTPERFORM, TP Rs1825.00, MW), Wipro (WIPR.BO, Rs381.50, NEUTRAL, TP Rs400.00, MW), Tata Consultancy Services (TCS.BO, Rs375.95, OUTPERFORM, TP Rs362.50, MW), is not encouraging. There has not been a wage hike from any of the large IT companies in 2009 which has a bearing on an individual's willingness to borrow.

Our preferred themes for the next 12-18 months

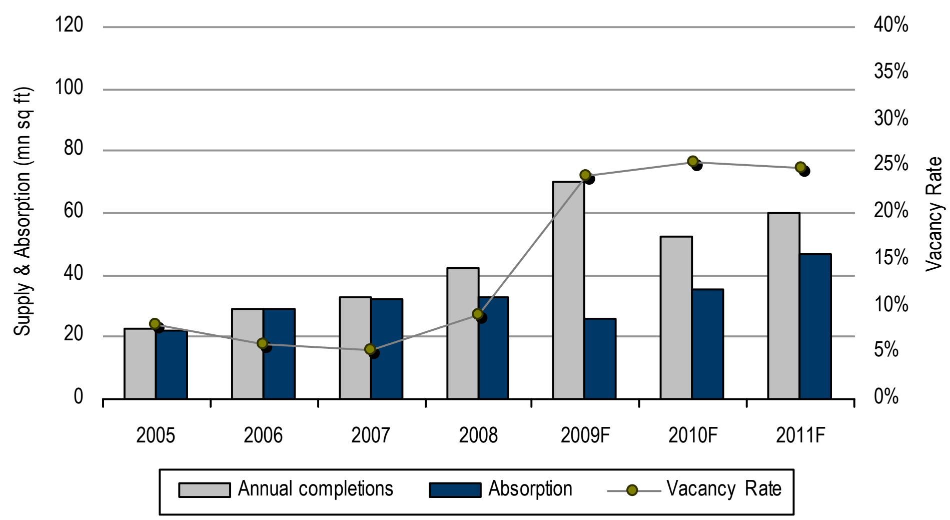
The next 12-18 months will not be a market where every product/segment is expected to do well. Within residential we like mid/low cost housing for the vast opportunity that it offers; attractively priced city-centric residential projects where the risk of over supply is limited and investor and end-user demand will likely be higher. We would avoid the retail malls segment given the financial problems of retailers, the lack of investor interest and over supply. We are cautious about the commercial segment on account of a slower recovery in demand and the potential risk of over supply. We also prefer tier I/II cities with better investor interest and an existing shortage of affordable housing over tier III cities.

We are cautious on the office segment – recovery may stretch into 2011

Inability of supply to fully adjust to lower demand will result in higher vacancies and lower rentals until 2011

The lower demand from the IT/ITES sector will have a negative impact on the commercial office segment. The office space under construction in anticipation of potential demand has not been able to fully adjust to the changed demand scenario. While some supply has been deferred and or cancelled, a large part will still be completed, resulting in an increase in vacancy rates in 2009. Over 70% of the planned completions in 2009 are expected to become operational – adding a total of 52 mn sq ft to the office supply. Hence vacancy rates are expected to increase to 18-22% from the current 7-8% level. Rentals have declined up to 40-50% in the past three quarters. The pace of decline is expected to slow in future, but rentals are not expected to increase before 2011.

Figure 35: **Commercial supply, absorption and vacancy (2005-11E)**



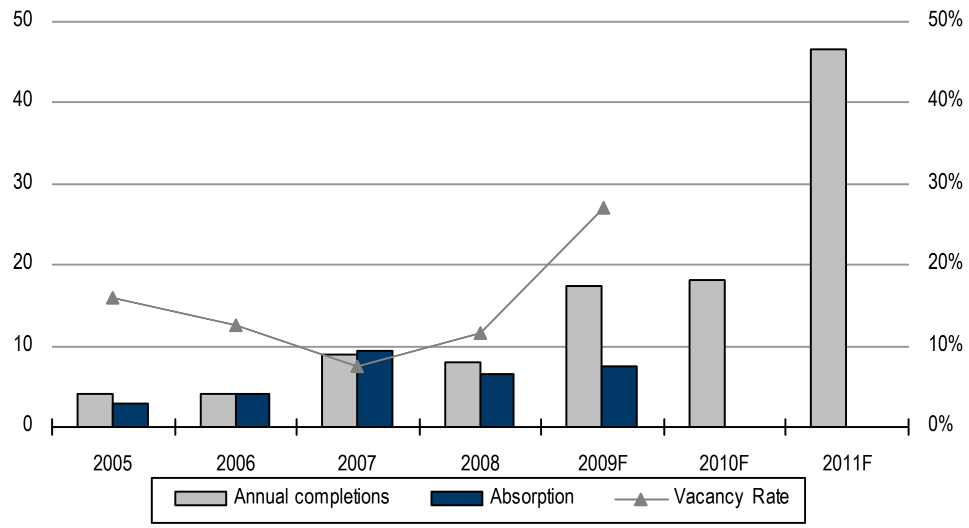
Source: Jones Lang LaSalle, Credit Suisse estimates

Avoid retail mall development – oversupply of mall space and financial problems of retailers

Over supply and financial problem of retailers makes mall development a segment to skip

India's retail story has not panned out as expected. The shift from unorganised retailing to the organised sector has not happened at the fast pace that was expected. High rentals, lower demand, poor inventory management and aggressive expansion have led to severe financial problems for retailers. Subhiksha (not listed), one of India's early retail entrants, recently filed for bankruptcy. Most retailers have had a serious rethink about their strategy and have slowed their expansion plans. Consequently, the supply of retail malls that was being built in anticipation of demand from retailers has no takers today. As per an estimate by Jones Lang LaSalle, vacancy rates in retail malls are headed to 25%+ levels in 2009 and to possibly over 30% in 2010.

Figure 36: **Retail supply, absorption and vacancy (2006-11E)**



Source: Jones Lang LaSalle, Credit Suisse estimates

Residential – we prefer affordable housing and select city-centric projects

Demand from the IT/ITES employees (the key driver of residential volumes from 2006-07) is expected to remain weak, given the lower wage hikes and slower hiring announced by IT companies. Within residential, we like affordable housing for the vast opportunity that it offers, attractively priced city-centric residential projects where the risk of oversupply is limited, and investor and end-user demand is likely to be higher.

Affordable housing – volume opportunity

Affordable housing includes projects with apartments priced at Rs1-3 mn, depending on the location, and are targeted at industrial workers and other lower to middle class households. We believe affordable housing will be the key for developers looking to convert from land holders to land developers. Affordable housing offers developers the opportunity to improve their asset turns because of the large volume opportunity that it offers. We believe that in the next 12-18 months, affordable housing will emerge as the key opportunity due to the following:

- **Size of the opportunity is large**. We estimate the affordable housing opportunity (demand from mid-income households) to be ~133 mn sq ft p.a. It is the second-largest segment after low-income housing and accounts for 28% of total housing demand in tier I/II and tier III cities.

We estimate the affordable housing opportunity to be 133 mn sq ft p.a.

Figure 37: **Tier I, II & III demand estimation (by number of households)**

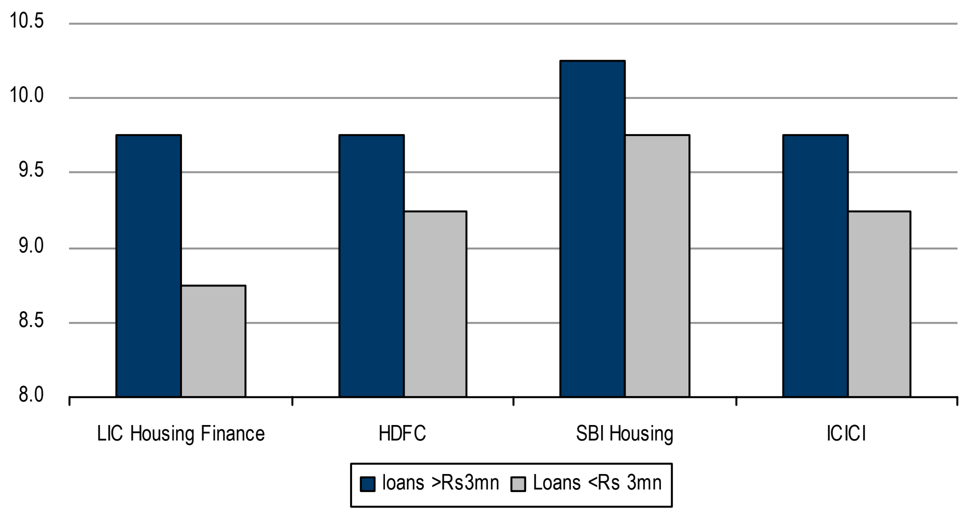
Housing category	Income class (Rs '000 p.a.)	2005-06E households ('000)	2009-10E households ('000)	YoY growth (%)	Value of house (Rs)	Avg. apartment size (sq ft)	Annual demand (mn sq ft)
Low-income	200-500	6,374	8,729	8.2	1-2 mn	400-800	162
Mid-income	500-1,000	1,850	3,540	17.6	2-4 mn	800-1000	133
Higher mid-income	1,000-2,000	996	2,169	21.5	3.5-8 mn	1000-1300	97
High-income	2,000-5,000	404	923	22.9	7.5-20 mn	1250-1750	44
Luxury	>5,000	140	360	26.6	20 mn+	2,500	28
Total		**9,764**	**15,721**				**464**

Source: NCAER estimates, Credit Suisse estimates

- **Affordable housing is most relevant in today's environment.** Most households in the high to middle-income housing and high-income housing segments are from the IT/ITES sector. Demand in this segment is expected to remain weak given the challenges the sector is facing currently. However, there is a large pent-up demand for affordable and low-income housing in India. However, operating in the low-income housing segment requires a different skill set, something which developers will take time to master. In the interim, affordable housing offers an opportunity to developers to go after volume.

- **Mortgage rates are lower; making buying a more "affordable" option** – Most banks offer an additional incentive in the form of a 50-100 bp lower mortgage rate for loans of less than Rs3 mn in total.

Figure 38: **Most banks are offering lower mortgage rates for loans below Rs3 mn**



Source: Company data, Credit Suisse estimates

The majority of launches recently have been in the affordable category

- Most of the new launches in 1Q09 have been in the affordable housing segment, as clearly indicated by the smaller unit size and the lower pricing seen in 1Q09 new launches.

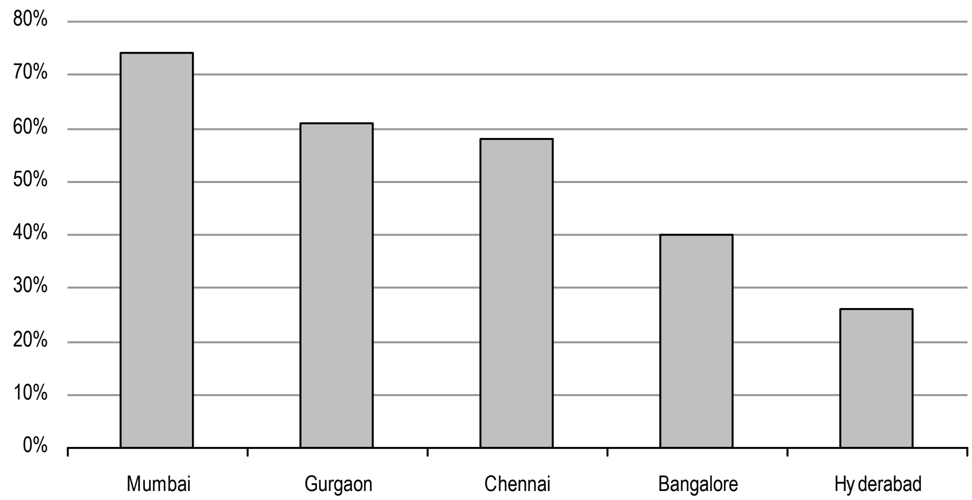
Figure 39: **Lower unit size and lower pricing indicate that new launches were largely in the affordable category**

	Price (Rs per sq ft)			Avg. unit size (sq ft)		
	1-3Q08	1Q09	% change	1-3Q08	1Q09	% change
Mumbai	5,633	3,220	-43	1,237	817	-34
Gurgaon	2,543	1,940	-24	1,946	1,215	-38
Chennai	2,945	2,573	-13	1,375	1,115	-19
Bangalore	2,694	1,898	-30	1,552	1,112	-28
Hyderabad	2,797	2,136	-24	1,879	1,386	-26

Source: PropEquity Research, Credit Suisse estimates

- **Absorption rate is also encouraging.** According to data collected by PropEquity, the absorption rate in recently launched projects, which were mostly affordable housing, has been encouraging, which indicates that there is good appetite for such projects

Figure 40: **Absorption rates of projects launched in 1Q09**



Source: PropEquity Research, Credit Suisse estimates

City-centric projects – a niche opportunity

Additionally, we like attractively priced city-centric projects for the niche opportunity it offers. These are projects in prime city locations. The risk of over supply in these locations is much lower given the scarcity of such undeveloped land parcels. We believe there is sufficient demand for these projects provided they are attractively priced. Also, investor interest in such projects is expected to be high given the attractive pricing.

We prefer tier I/II over tier III locations

Organised real estate development will remain restricted to tier I/II and III locations

Given the size of the country and its large number of towns, we expect the addressable opportunity for developers would be in larger towns and cities. Developers have focused on certain tier I, II and III locations. Our classification of the cities into tier I, II and III locations is based on the current stage of real estate development in each of the locations. While these locations together account for only 15% of India's total households, their share in the "above Rs200,000 p.a. income class households" is much higher at 52% and in the "above Rs500,000 p.a. income class households" at 70%.

Figure 41: **Classification of tier I, II and III cities**

Classification	Locations	IT/ITES penetration (%)	No. of households ('000s)	Characteristics
Tier I	Mumbai, Delhi, Bangalore	62	8,054	Strong IT/ITES presence. Well-established demand with the presence of large numbers of middle-income and low-income households.
Tier II	Chennai, Hyderabad, Pune, Kolkata	34	6,548	Increasing IT/ITES penetration and a large industry penetration. Large population of industrial workers and significant IT/ITES manpower pool.
Tier III	State capital and important district headquarters (100 cities)	1	16,803	Large population, low real estate costs, availability of land for integrated development and potential demand for quality housing.

Source: Credit Suisse estimates

Tier I/II is a larger market than all of tier III combined

The seven cities constituting tier I and II locations accounted for nearly 7.1% of the total population in 1991, which is more than the 6.9% contributed by the combined 93 tier III cities. The tier I and II cities are also growing faster with the share in overall population increasing from 5.8% in 1991 to 7.1% in 2001. In terms of demand split, we estimate that tier I and II locations have an annual demand potential of 348 mn sq ft, contributing nearly 60% of our estimated residential demand. Potential demand in average tier III cities is about 2,500 units p.a., according to our estimates.

Figure 42: **Tier I and II locations**

	1991 (%)	2001 (%)	Estimated annual market size (mn sq ft)
Tier I cities			
NCR*	1.0	1.3	68
Mumbai	1.5	1.6	66
Bangalore	0.5	0.7	48
Tier II cities			
Kolkata	1.3	1.6	60
Chennai	0.6	0.8	38
Hyderabad	0.5	0.7	38
Pune	0.3	0.4	30
Tier I & II	**5.8**	**7.1**	**348**
Tier III cities	**7.0**	**6.9**	**240**
Total of Tier I,II and III	**12.8**	**14.0**	**589**

** NCR = Delhi + Gurgaon + Noida*

Source: Census of India, Credit Suisse estimates

Tier III cities – will remain a difficult market

We prefer developers with a larger presence in tier I/II (larger cities) over tier III locations (State capitals and smaller towns). There are many reasons why we believe the real estate opportunity over the next 12-18 months will be limited in tier III cities and developers who are focused on tier I/II cities are expected to see higher volume growth. The challenges of operating in a tier III city would be as follows:

- **Demand revival will be much later.** Investors staying away from tier III cities and lacking end user demand creation will impact volume. Investors at this time would be focused on the attractive opportunities available in the tier I/II cities while the end user demand creation will take time as Industrial and IT/ITES projects are postponed.
- **Increased overheads in tier III to act as a deterrent.** Potential demand in an average tier III city is about 2,500 units p.a., according to our estimate. Given the smaller size of the opportunity at each location, developers will need to handle multiple projects across the length and breadth of the country. This will lead to an increase in overheads, which developers will not be able to pass on to the home buyer as developers currently have no pricing power.
- **Movement of IT/ITES industry to tier III cities may not happen**: Increasing rentals and a shortage of manpower have encouraged the IT/ITES sector to evaluate the possibility of setting up offices in tier III cities. However, now with the reduced requirement of manpower and falling rentals in tier I/II cities, the incentive to set up offices in tier III cities has withered given the additional infrastructural challenges.

Staying focused on preferred plays

With the 100-200% increase in property stocks in the last three months, valuations are no longer as compelling. Also, substantial risks remain in that capital-raising is still only proposed and not completed yet, and the demand recovery is still shallow. Investors are better advised to focus on secular themes that are expected to do well. We prefer (1) developers with large exposure to city-centric and middle/low income housing; (2) developers with a larger presence in tier I/II cities; and (3) developers that will be able to either aggressively de-leverage or deploy their net cash to tangible value-accretive projects.

We like DLF for the quality of its land bank and the efforts it is making to improve its liquidity situation. We like Unitech for its thrust in affordable housing, and IBREL for the net cash on its balance sheet after its recent QIP issuance.

Property stocks are no longer cheap

Stocks are no longer cheap after the recent outperformance

Property stocks have had a good run recently. Most stocks are up 100-200% in the last three months on the back of improving liquidity in the sector and on expectations of fund-raising activities by developers. However, substantial risks remain, as highlighted earlier in the report. The capital-raising by developers is only planned at this point and there is a risk that not all the developers will be able to complete the fund-raising. Equity issuances have run into problems with the recent market volatility and a demand revival would need wider participation from end-users. As a result, valuations are no longer as compelling as they were three months ago.

Figure 43: **Property stocks have rallied 100-200% in the last three months**

	Current price	Price performance (%)		
	(Rs)	Three months	Six months	12 months
DLF Limited	331	93	7	(28)
Unitech Limited	80	198	81	(57)
Indiabulls Real Estate	199	106	25	(44)
Sobha Developers	213	180	82	(41)
Parsvnath	84	140	67	(45)
HDIL	228	210	36	(44)
Puravankara	81	100	48	(56)
Phoenix Mills	110	95	36	(53)
Brigade Enterprises	78	128	57	(50)
Orbit Corp	166	217	142	(57)
SENSEX	14,522	62	44	(0)

Note: Prices as of 19 June 2009. Source: Bloomberg, Credit Suisse estimates

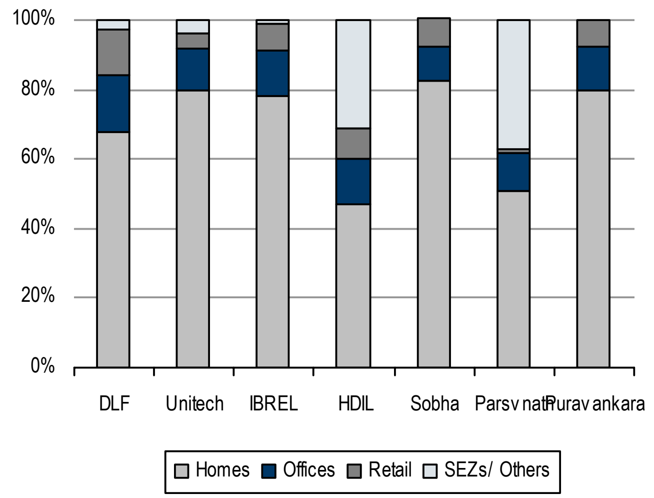
DLF, Unitech and IBREL are our top picks

Investors are better advised to focus on secular themes that are expected to do well. We like developers with (1) large exposure to city-centric and affordable housing; (2) a larger presence in tier I/II cities; and (3) to the ability to either aggressively de-leverage or deploy their net cash into tangible value-accretive projects. We have compared developers across these parameters to understand the relative strength of each. We have also included HDIL (HDIL.BO, Rs228.1, NOT RATED) and Puravankara (PPRO.BO, Rs80.5, NOT RATED) in our comparison.

Puravankara, Unitech, IBREL and DLF have a land bank profile more suited to the current opportunity

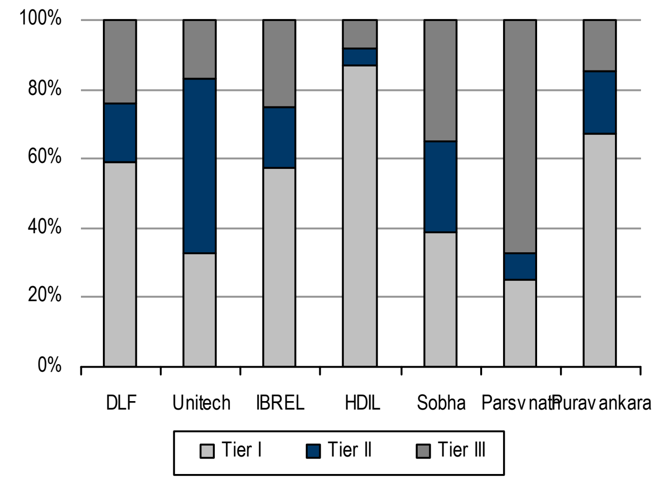
As highlighted earlier, we prefer developers with residential land banks in tier I/II cities. This would allow the developers to go after the volume opportunity in those cities.

Figure 44: **Development mix for key developers**



Source: Company data, Credit Suisse estimates

Figure 45: **Location split for developers**

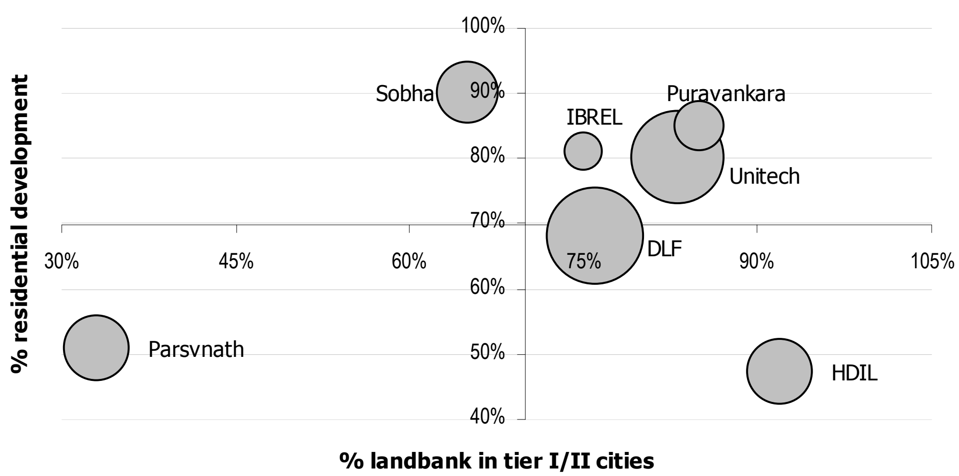


Source: Company data, Credit Suisse estimates

By combining the two, we clearly find that Puravankara, Unitech, IBREL and DLF have land banks more suited to the present opportunity. Also, the large land banks of DLF and Unitech reduce their dependence on a particular geography, which should enable them to launch projects at multiple tier I/II locations. Parsvnath has a very small presence in tier I/II cities, while HDIL's volumes are expected to come proportionately more from the sale of TDRs (transfer of development rights). Puravankara additionally is targeting the affordable housing through its 100% subsidiary Provident Housing (not listed).

Puravankara, Unitech, IBREL and DLF have a land bank more suited to the present opportunity

Figure 46: **Comparison of developers on quality of landbank**



Note : The size of the bubble indicates the land bank size for the developer
Source: Company data, Credit Suisse estimates

IBREL's net cash, DLF, Unitech and Puravankara's intent is positive

Figure 47: **Liability profile of key developers**

	Net gearing	EBIT/interest cover	Outstanding land payment		Debt repayment scheduled in FY10	
	Mar-09	FY09	Rs mn	Rs/share	Rs mn	Rs/share
DLF	0.68	2.9	5,020	3	32,000	19
Unitech*	1.64/ 1.08	1.6	25,000	12	17,000	8
IBREL	net cash	n.a.	nm	-	-	-
HDIL	0.91	1.6	5,500	20	4,500	16
Sobha	1.73	1.0	1,700	23	2,000	27
Parsvnath	0.96	0.9	9,900	54	2,300	12
Puravankara	0.58	1.2	nm	-	2,790	13

** Unitech's gearing is 1.08x after the recent equity issuance*

Source: Company data, Credit Suisse estimates

Key takeaways from the above are:

Gearing is a concern for Sobha, Parsvnath, Unitech and HDIL

- Gearing is a concern for Sobha, Parsvnath, Unitech and HDIL. While Unitech's gearing has improved to 1.08x after the recent QIP issuance, it still remains high. IBREL is most comfortable with net cash, while gearing for DLF and Puravankara is manageable.
- EBIT/interest cover for all developers (except IBREL, which is net cash) are low, a result of the low asset turns for these developers. The current projects under development are only a small proportion of their total land bank (10-20%). Interest servicing could become an issue for Sobha and Parsvnath in FY10.
- Outstanding land payments are high for Parsvnath, given its relative size. While land payments are not due immediately, it will remain a strain on the developers' cash flows.
- While a large part of the debt has been restructured into longer maturities, Parsvnath, Sobha and Puravankara have larger debt repayments relative to their size.

Figure 48: **Comparison on strategy for de-leveraging for key developers**

	Equity	Private equity	Non-strategic land/assets	Non-core business	Land acquisition
DLF	No plans	Yes	In progress	Looking to exit Hotels, Power	Opportunistic
Unitech	US$325 mn done. Additional promoter warrants & QIP proposed	Yes	In progress	Looking to exit hotels	Opportunistic
IBREL	US$550 mn done	Yes	No plans	No	Yes. Sitting on net cash
HDIL	Promoter warrants and QIP	Yes	Selling FSI	n.a.	Yes, opportunistic
Sobha	QIP	Yes	In progress	No	No immediate plans
Parsvnath	QIP	Yes	No plans to sell land	No	Yes for SEZs
Puravankara	QIP	Yes	Done	n.a.	No immediate plans

Source: Company data, Credit Suisse estimates

We like DLF's and Unitech's strategy of exploring all avenues to reduce gearing

A comparison of developers' strategies to de-leverage reveals that all but DLF (cannot do an equity issuance until October 2009 after the recent buy-back) are planning to raise equity funds. We like DLF and Unitech's strategy of exploring all avenues to reduce gearing. Only IBREL, which is sitting on net cash, and Parsvnath, despite its high gearing, are looking to actively acquire new land.

We like DLF, Unitech and IBREL

We maintain our OUTPERFORM rating on DLF, Unitech and IBREL. We like DLF for the quality of its land bank and the efforts it is making to improve its liquidity situation. We like Unitech for its thrust in affordable housing and IBREL for the net cash on its balance sheet after its recent QIP issuance.

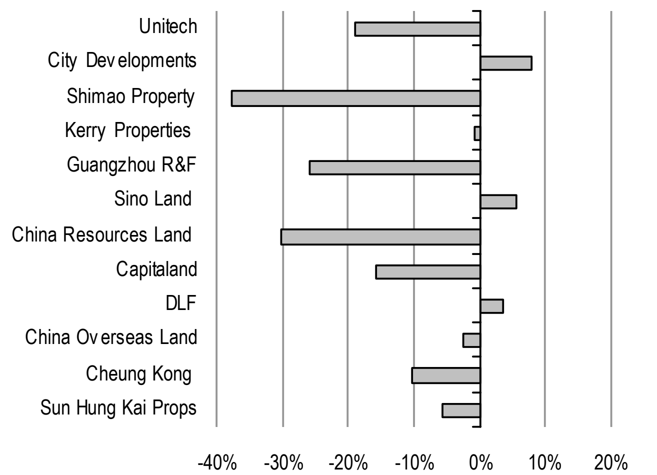
We maintain a NEUTRAL rating on Sobha, due to concerns over its high gearing and concentration in the Bangalore market. We maintain our UNDERPERFORM rating on Parsvnath, due to concerns over its high gearing, its large presence in tier III cities and its strategy to continue with land acquisitions for SEZs.

Regional valuation comparison

Price/NAV comparison

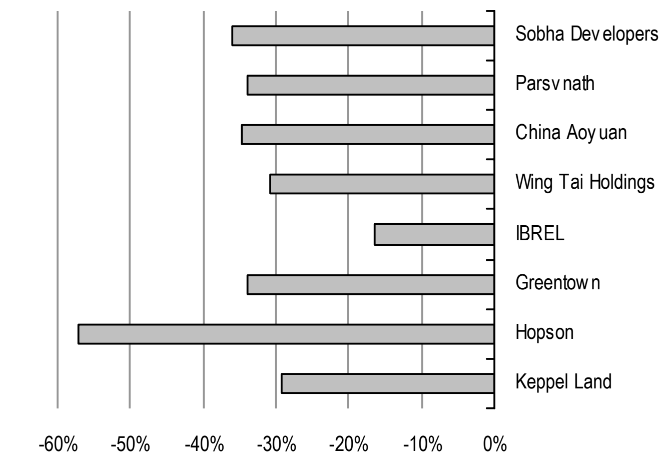
DLF is one of the three large cap property developers currently trading at a premium to NAV. Unitech is trading at an 18% discount to NAV versus the 11% average discount for larger developers in the region.

Figure 49: **Average discount to NAV of 11% for larger developers in the region (market cap of >US$3 bn)**



Source: Company data, Credit Suisse estimates

Figure 50: **Average discount to NAV of 34% for smaller developers in the region (market cap of <US$3 bn)**

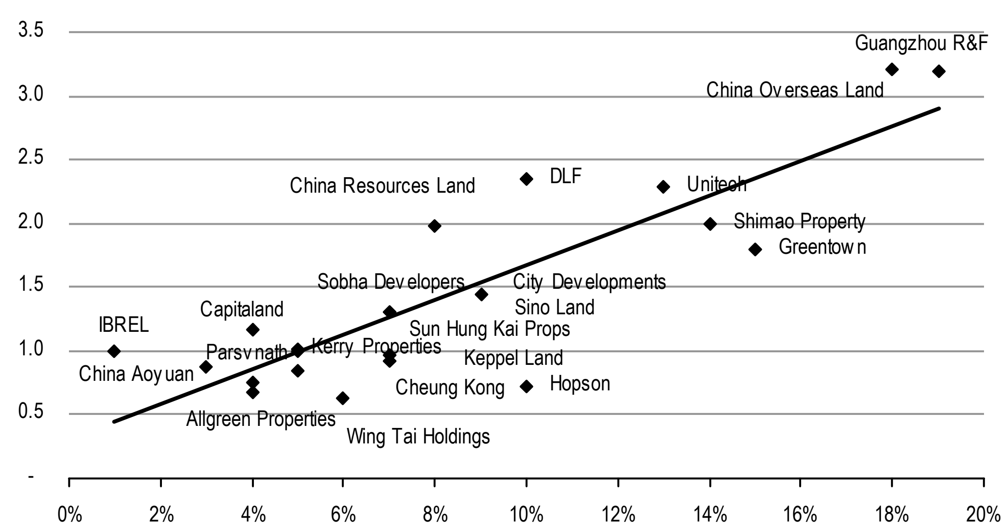


Source: Company data, Credit Suisse estimates

Indian developers appear expensive on a P/B versus RoE basis

When compared with the region, Indian developers might appear expensive on a P/B valuation basis. However, their book values are understated, as a significant value for these stocks comes from the older, previously purchased land which adds very little contribution to book value.

Figure 51: **DLF and Unitech appear expensive on a P/B versus RoE basis**



Source: Bloomberg data, Credit Suisse estimates

Risks

(1) We have assumed that the current easy liquidity will continue for some time and developers will be able to de-leverage their balance sheets. If the liquidity environment were to worsen again, then only those developers that manage to raise liquidity in the interim would benefit.

(2) For a demand revival to be sustained, continuous improvement in the economy will be required. If the global environment again turns for the worse, then we might again see a slowdown in demand.

(3) Lower interest rates and consequently the easing in mortgage rates have also helped in making housing affordable again. If interest rates start rising again, then affordability might be impacted negatively, thereby putting pressure on demand.

Figure 52: **Regional property valuation summary**

Company	Rating	Share price (lcy	Target price (lcy)	+/- (%)	Mkt cap (US$ bn)	Year-end NAV (lcy /sh)	(Disc)/ prem. (%)	Core P/E (x) FY09/08	Core P/E (x) FY10E/09E	Core P/E (x) FY11E/ 10E	P/B (x) FY10E	RoE (%) FY10E	Gearing (%) FY10E
India developers													
DLF	O	331.5	390.00	18	11.66	320.00	4	12.2	22.2	17.0	2.34	10	31
Unitech	O	81.1	100.00	23	3.43	100.00	-19	10.5	20.5	17.0	2.29	13	105
IBREL	O	200.3	240.00	20	1.67	240.00	-17	385.2	82.8	30.8	1.00	1	net cash
Sobha Developers	N	213.5	210.00	-2	0.32	334.00	-36	14.2	18.5	15.2	1.31	7	161
Parsvnath	U	83.2	75.00	-10	0.32	126.00	-34	13.9	19.8	16.2	0.75	4	97
Hong Kong developers													
Cheung Kong	N	86.00	86.24	0	25.70	95.87	-10	13.3	17.8	11.3	0.84	5	16
Sino Land	U	12.22	7.52	-38	7.64	11.57	6	22.2	13.9	18.8	0.97	5	8
Sun Hung Kai Props	N	89.80	85.54	-5	29.71	95.08	-6	18.7	19.3	25.0	1.01	6	17
Kerry Properties	U	33.50	23.64	-29	6.17	33.79	-1	21.5	22.0	16.7	1.00	5	32
Hong Kong investors													
Great Eagle	O	14.82	19.97	35	1.17	29.32	-49	8.0	8.7	8.0	0.36	4	2
Hang Lung Properties	N	24.00	20.10	-16	12.84	25.19	-5	19.4	32.9	15.4	1.49	5	Net cash
Hong Kong Land	N	3.26	2.20	-33	7.33	3.52	-7	20.4	12.5	10.5	0.80	7	22
Hysan	N	17.24	13.83	-20	2.34	21.28	-19	14.9	14.7	15.1	0.55	4	5
Swire	N	71.50	65.90	-8	8.42	94.14	-24	20.4	16.9	16.6	0.79	7	21
Wharf	O	28.10	27.20	-3	9.98	30.96	-9	12.4	15.6	12.2	0.80	5	39
China developers													
China Aoyuan	N	1.94	1.80	-7	0.56	2.97	-35	64.7	32.3	21.6	0.87	3	22
China Overseas Land	N	15.94	16.30	2	16.79	16.35	-3	31.3	19.2	15.6	3.21	18	40
China Resources Land	O	15.84	22.70	43	10.27	22.70	-30	42.8	28.3	17.8	1.99	8	33
Greentown	N	11.04	11.70	6	2.19	16.70	-34	23.0	13.0	9.9	1.79	15	143
Guangzhou R&F	N	16.78	18.00	7	6.98	22.60	-26	26.6	17.7	13.4	3.19	19	89
Hopson	O	10.70	17.40	63	2.20	24.90	-57	9.1	7.4	6.0	0.72	10	56
Shimao Property	O	12.90	16.50	28	5.88	20.70	-38	44.5	15.7	12.3	2.00	14	50
Singapore developers													
Allgreen Properties	O	0.99	1.22	23	1.08	0.69	43	24.8	16.5	16.5	0.67	4	43
Capitaland	O	3.55	4.21	19	10.34	4.21	-16	7.9	32.3	22.2	1.17	4	40
City Developments	N	8.77	8.13	-7	5.47	8.13	8	14.4	17.2	15.1	1.44	9	42
Keppel Land	N	2.17	2.46	13	2.09	3.07	-29	6.8	11.4	14.5	0.93	7	38
Wing Tai Holdings	O	1.31	1.51	15	0.71	1.89	-31	4.4	10.9	10.1	0.63	6	38

O = OUTPERFORM, N = NEUTRAL, U = UNDERPERFORM; Prices as of 18 Jun 09

Source: Company data, Credit Suisse estimates

Asia Pacific / India
Real Estate Management & Development

DLF Ltd

(DLF.BO / DLFU IN)

Rating	OUTPERFORM* [V]
Price (19 Jun 09, Rs)	331.50
Target price (Rs)	(from 350.00) 390.00¹
Chg to TP (%)	17.6
Market cap. (Rs mn)	562,620 (US$ 11,658)
Enterprise value (Rs mn)	641,237
Number of shares (mn)	1,697.19
Free float (%)	20.50
52-week price range	568.05 - 132.90

*Stock ratings are relative to the relevant country benchmark.
¹Target price is for 12 months.
[V] = Stock considered volatile (see Disclosure Appendix).

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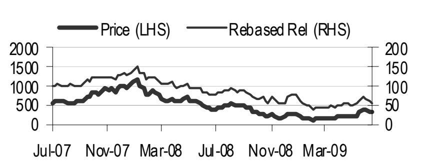
Improving prospects

- **Event:** We raise our target price for DLF to Rs390 from Rs350, set at a 20% premium to our March 2010 NAV which implies 18% potential upside from current levels. We maintain our OUTPERFORM rating. We have marginally revised up our NAV estimate for DLF 2% to Rs320 as we review our estimates.
- **View:** We set the target price at a 20% premium to our real estate GAV for DLF, to reflect our preference for DLF's improved gearing and liquidity, its strong brand name and its low-cost land bank. DLF is targeting new launches of 15 mn sq ft in FY10. Over 76% of DLF's land bank is in tier I/II locations and many of the land parcels are city-centric. Over 68% of the planned development is residential. We expect DLF to generate Rs7.8 bn (Rs46/share) in net cash in FY10 from (1) cash flow from existing and new projects; (2) inflow from DLF Assets (DAL); (3) refunds from government authorities returning land/development rights; and (4) the sale of non-strategic land assets.
- **Catalyst:** DLF's receivables from DAL would still be over US$600 mn even if part of the proceeds from the promoter stake sale is given to DLF. If DAL can pay the entire outstanding amount to DLF, it would remove the concern on the stock. Also, DLF is looking to monetise its hotel land and power projects which could potentially provide it with additional liquidity of over US$500 mn.
- **Valuation:** We marginally raised our revenue estimates for FY10 and FY11 by 1% and 2%, respectively. FY10E EPS is expected to decline 45% YoY to Rs14.91 on account of lower sales to DAL and thereafter increase to Rs24.75 by FY12E. DLF is trading at a 4% premium to forward NAV and 22x FY10E P/E and 17x FY11E P/E and 2.2x forward P/BV. With 18% potential upside, we reiterate our OUTPERFORM rating on the stock.

Share price performance



The price relative chart measures performance against the BOMBAY SE 30 SHARE SENSITIVE index which closed at 14521.89 on 19/06/09
On 19/06/09 the spot exchange rate was Rs48.26/US$1

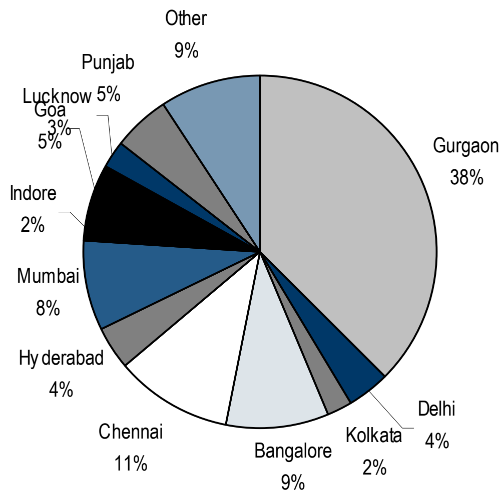
Performance Over	1M	3M	12M
Absolute (%)	-12.2	91.2	-30.7
Relative (%)	-13.5	18.5	-28.0

Financial and valuation metrics

Year	3/09A	3/10E	3/11E	3/12E
Revenue (Rs mn)	100,440.0	74,386.5	89,467.6	112,560.9
EBITDA (Rs mn)	54,880.7	35,559.3	44,753.6	57,552.6
EBIT (Rs mn)	57,492.6	36,327.6	45,427.1	57,743.0
Net attributable profit (Rs mn)	46,291.6	25,302.2	33,051.5	42,003.0
EPS (CS adj., Rs)	27.28	14.91	19.47	24.75
Change from previous EPS (%)	n.a.	0	0.5	1.0
Consensus EPS	n.a.	10.78	12.56	18.89
EPS growth (%)	-40.5	-45.3	30.6	27.1
P/E (x)	12.2	22.2	17.0	13.4
Dividend yield (%)	—	0.45	0.60	0.75
EV/EBITDA (x)	13.1	18.0	13.6	10.0
ROE (%)	21.7	10.2	12.0	13.6
Net debt/equity (%)	67.8	31.2	17.0	6.2
Current est. NAV (Rs)	—	320.0	—	—
Disc./(prem.) to curr. NAV (%)	—	3.6	—	—

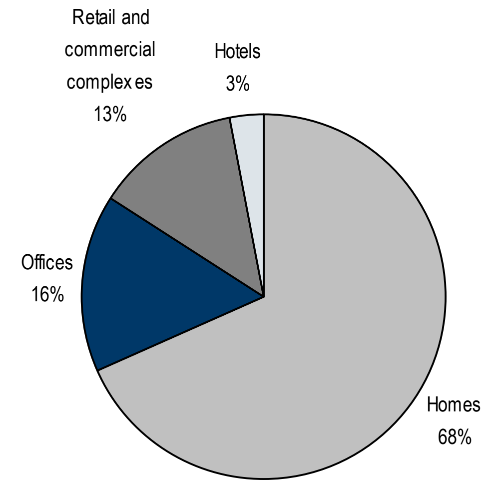
Source: Company data, Thomson Financial Datastream, Credit Suisse estimates.

Figure 53: 76% of DLF's land bank is in tier I/II cities



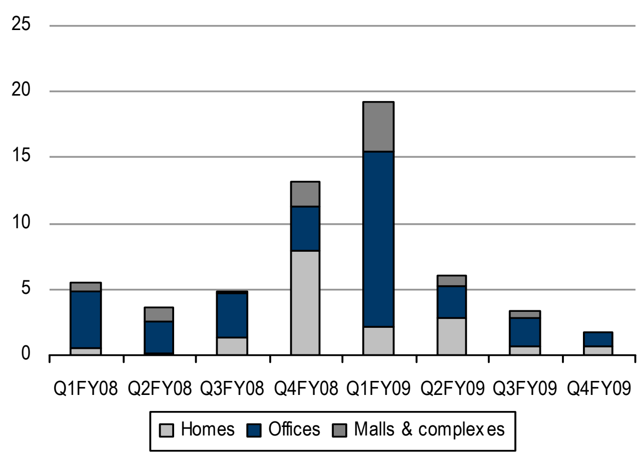
Source: Company data, Credit Suisse estimates

Figure 54: Land bank split by proposed development



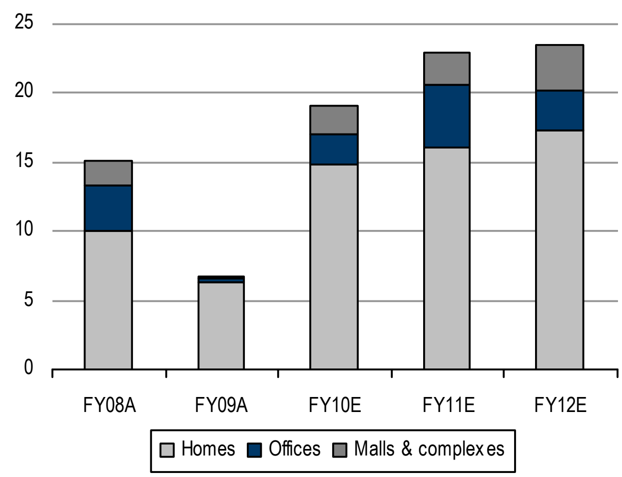
Source: Company data, Credit Suisse estimates

Figure 55: FY09 volumes impacted by slowdown (mn sq ft)



Source: Company data, Credit Suisse estimates

Figure 56: Expect 19msf of pre-sales and leases in FY10 (mn sq ft)



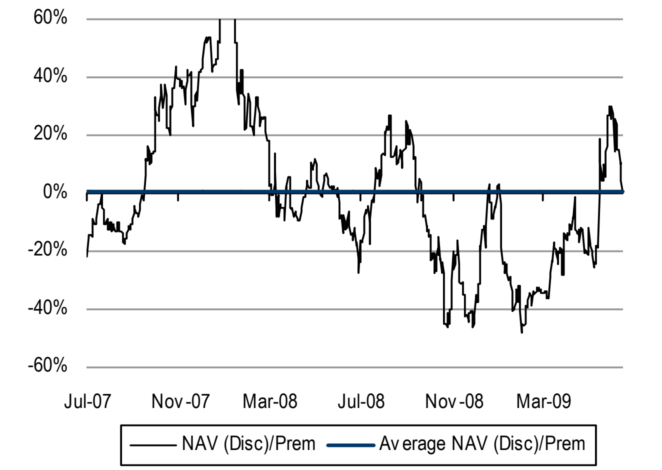
Source: Company data, Credit Suisse estimates

Figure 57: Strong cash flow generation in FY10 from asset sales to substantially lower gearing

	FY07A	FY08A	FY09A	FY10E	FY11E	FY12E
Operating cash flows	(46,888)	(8,208)	(13,168)	97,503	49,937	46,402
Investment cash flow	(11,971)	(78,194)	(45,799)	(13,237)	(13,036)	(11,555)
Financing cash flow	61,699	103,096	47,393	(88,746)	(36,901)	(34,846)
Total cash flow	2,840	16,694	(11,574)	(4,480)	-	-
Net debt	**94,561**	**99,183**	**158,704**	**79,992**	**48,605**	**20,062**
Net debt: equity (x)	**3.63**	**0.53**	**0.68**	**0.31**	**0.17**	**0.06**

Source: Company data, Credit Suisse estimates

Figure 58: Premium/(discount) to 12-month NAV



Source: Bloomberg, Credit Suisse estimates

Figure 59: Price to 12-month forward book value

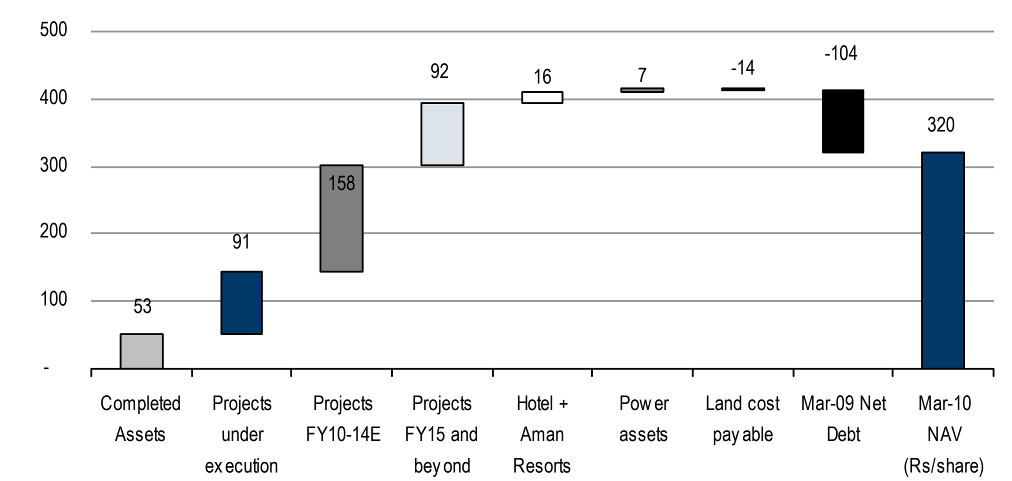
Source: Bloomberg, Credit Suisse estimates

Figure 60: March 2010 NAV breakdown

	Area (mn sq ft)	Value (Rs mn)	Rs/share	Comments
Investment assets	17	89,560	53	7.2 mn sq ft of plots, 9 mn sq ft of commercial and 1 mn sq ft of retail
Projects under execution	51	75,594	45	
Projects FY10-14E	135	269,117	159	
Projects FY15 and beyond	218	156,268	92	
Real estate GAV	**422**	**590,539**	**348**	
Less: Land cost payable		(5,020)	(3)	As of March 2009
Real estate valuation		**585,519**	**345**	
Hotel land	13	10,770	6	Land acquisition cost
Aman Resorts		16,000	9	Acquisition cost
Power assets		11,350	7	350 MW of wind and 52 MW of CPPs
Less: Net debt		(79,992)	(47)	As of March 2010
Net asset value		**543,647**	**320**	
Premium to NAV		118,108	70	20% premium to real estate GAV
Target price		**661,755**	**390**	

Source: Company data, Credit Suisse estimates

Figure 61: Breakdown of DLF's NAV



Source: Company data, Credit Suisse estimates

Financial summary

Figure 62: **Summary P&L**

Year-end Mar 31 (Rs mn)	FY06	FY07	FY08	FY09	FY10E	FY11E	FY12E
Revenue	**18,357**	**26,374**	**144,375**	**100,440**	**74,387**	**89,468**	**112,561**
Expenses	(10,857)	(11,477)	(47,224)	(45,559)	(38,827)	(44,714)	(55,008)
EBITDA	**7,500**	**14,897**	**97,151**	**54,881**	**35,559**	**44,754**	**57,553**
Depreciation & amortisation	(358)	(578)	(901)	(2,355)	(2,982)	(3,327)	(3,810)
Other income	1,245	14,159	2,464	4,967	3,750	4,000	4,000
EBIT	8,387	28,478	98,714	57,493	36,328	45,427	57,743
Interest expense	(1,685)	(3,076)	(3,100)	(3,574)	(2,575)	(1,544)	(1,339)
Profit before tax	6,702	25,402	95,614	53,919	33,753	43,884	56,404
Income tax	(2,590)	(6,052)	(17,391)	(7,115)	(8,101)	(10,532)	(14,101)
Profit before minority	4,112	19,350	78,223	46,805	25,652	33,351	42,303
Minority/ Associates	(10)	(14)	(103)	(513)	(350)	(300)	(300)
PAT	**4,102**	**19,336**	**78,120**	**46,292**	**25,302**	**33,051**	**42,003**
EPS (Rs)	**3.1**	**12.6**	**45.8**	**27.3**	**14.9**	**19.5**	**24.7**

Source: Company data, Credit Suisse estimates

Figure 63: **Summary balance sheet**

Year-end Mar 31 (Rs mn)	FY06	FY07	FY08	FY09	FY10E	FY11E	FY12E
Assets							
Cash	1,950	4,155	21,421	11,980	7,500	7,500	7,500
Receivables	6,581	15,057	76,106	96,570	56,045	61,279	69,387
Inventories	8,804	56,799	94,544	110,776	105,752	87,161	74,932
Other current assets	10,797	52,332	73,929	98,880	78,170	85,839	94,275
Sundry Creditors	1,251	2,678	17,046	20,456	23,524	27,053	31,110
Customer advances	10,682	23,611	14,083	470	(532)	(1,946)	(10,579)
Other current liabilities	6,053	19,783	41,028	46,903	45,472	49,935	58,324
Net current assets	**10,146**	**82,272**	**193,843**	**250,377**	**179,003**	**166,737**	**167,238**
Fixed assets	8,166	15,632	48,191	67,837	95,325	107,310	127,371
Capital work in progress	16,633	26,219	51,840	69,560	50,827	47,052	33,237
Investments	8,149	2,107	9,102	13,830	15,330	16,830	18,330
Goodwill	8,500	8,935	20,931	22,120	22,120	22,120	22,120
Deferred tax asset	(183)	(197)	(359)	340	1,190	1,890	2,589
Total assets	**51,410**	**134,968**	**323,548**	**424,065**	**363,796**	**361,939**	**370,885**
Liabilities							
Share capital	378	3,059	3,410	3,394	3,394	3,394	3,394
Reserves	9,661	22,992	183,977	230,850	253,174	282,254	319,293
Shareholders' funds	**10,038**	**26,051**	**187,387**	**234,244**	**256,568**	**285,648**	**322,687**
Debt	41,320	108,825	132,267	184,640	101,448	70,061	41,518
Minorities	54	92	3,895	5,180	5,780	6,230	6,680
Total liabilities	**51,413**	**134,968**	**323,548**	**424,065**	**363,796**	**361,939**	**370,885**

Source: Company data, Credit Suisse estimates

Figure 64: Summary cash flow

Year-end Mar 31 (Rs mn)	FY06	FY07	FY08	FY09	FY10E	FY11E	FY12E
EBIT	8,387	28,478	98,714	57,493	36,328	45,427	57,743
Depreciation	358	578	901	2,355	2,982	3,327	3,810
Taxes paid	(2,590)	(6,052)	(17,391)	(7,115)	(8,101)	(10,532)	(14,101)
Non-cash adjustments	1	14	3,712	772	250	150	150
Change in working capital	(2,380)	(69,906)	(94,144)	(66,674)	66,044	11,566	(1,200)
Operating cash flow	**3,776**	**(46,888)**	**(8,208)**	**(13,168)**	**97,503**	**49,937**	**46,402**
Change in fixed assets	(22,904)	(18,013)	(71,199)	(41,071)	(11,737)	(11,536)	(10,055)
Change in investments	(7,749)	6,042	(6,995)	(4,728)	(1,500)	(1,500)	(1,500)
Investment cash flow	**(30,653)**	**(11,971)**	**(78,194)**	**(45,799)**	**(13,237)**	**(13,036)**	**(11,555)**
Change in debt	31,645	67,505	23,442	52,374	(83,193)	(31,387)	(28,543)
Change in equity	148	1,260	90,733	(1,407)	(0)	-	-
Interest income/(expenses)	(1,685)	(3,076)	(3,100)	(3,574)	(2,575)	(1,544)	(1,339)
Dividend paid	(18)	(3,989)	(7,979)	-	(2,978)	(3,971)	(4,964)
Financing cash flow	**30,091**	**61,699**	**103,096**	**47,393**	**(88,746)**	**(36,901)**	**(34,846)**
Extraordinary items	(1,688)	(635)	572	2,133	0	(0)	0
Total cash flow	**1,526**	**2,205**	**17,266**	**(9,441)**	**(4,480)**	**-**	**-**
Year beginning cash	424	1,950	4,155	21,421	11,980	7,500	7,500
Year-end cash	1,950	4,155	21,421	11,980	7,500	7,500	7,500

Source: Company data, Credit Suisse estimates

Figure 65: Key operating metrics

Year-end Mar 31 (Rs mn)	FY06	FY07	FY08	FY09	FY10E	FY11E	FY12E
Growth YoY (%)							
Revenue	201.9	43.7	447.4	(30.4)	(25.9)	20.3	25.8
EBITDA	345.9	98.6	552.1	(43.5)	(35.2)	25.9	28.6
PAT	374.2	371.4	304.0	(40.7)	(45.3)	30.6	27.1
EPS	(56.0)	307.5	262.4	(40.5)	(45.3)	30.6	27.1
Margins (%)							
EBITDA/revenue	40.9	56.5	67.3	54.6	47.8	50.0	51.1
EBIT/revenue	45.7	108.0	68.4	57.2	48.8	50.8	51.3
PAT/revenue	22.3	73.3	54.1	46.1	34.0	36.9	37.3
Other metrics							
Net debt/ equity (x)	3.11x	3.63x	.53x	.68x	.31x	.17x	.06x
EV/EBITDA (x)	n.a.	n.a.	6.7x	13.0x	17.9x	13.5x	10.0x
RoCE (%)	14.8	23.2	35.2	13.4	7.0	9.6	11.9
RoAE (%)	46.7	106.8	72.0	21.7	10.2	12.0	13.6
Book value per share (Rs)	1.2	11.3	99.9	128.0	141.5	158.9	181.0

Source: Company data, Credit Suisse estimates

Asia Pacific / India
Real Estate Management & Development

Unitech Ltd

(UNTE.BO / UT IN)

Rating	**OUTPERFORM* [V]**
Price (19 Jun 09, Rs)	81.05
Target price (Rs)	(from 80.00) 100.00[1]
Chg to TP (%)	23.4
Market cap. (Rs mn)	165,702 (US$ 3,434)
Enterprise value (Rs mn)	220,955
Number of shares (mn)	2,044.44
Free float (%)	48.80
52-week price range	188.60 - 23.10

**Stock ratings are relative to the relevant country benchmark.*
[1]Target price is for 12 months.
[V] = Stock considered volatile (see Disclosure Appendix).

Research Analysts

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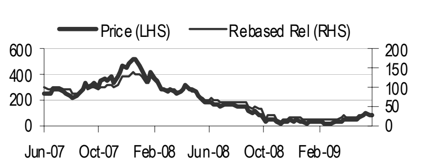
Affordable housing for growth

- **Event:** We raise our target price for Unitech to Rs100 from Rs80, set at par to our March 2010 NAV, which implies 23% potential upside from current levels. We maintain our OUTPERFORM rating. We revised up our NAV estimate for Unitech by 25% to Rs100 on the back of increasing our volume estimates given Unitech's thrust on affordable housing.
- **View:** The recent US$325 mn QIP issuance has provided Unitech with the liquidity to launch new projects. 14 mn sq ft of projects have been launched by Unitech in the last three months and pre-sales of ~3.2 mn sq ft were achieved. Unitech is targeting new launches of 30 mn sq ft and pre-sales of 20 mn sq ft in FY10. Unitech has a ready land bank to pursue its affordable housing strategy. Over 83% of Unitech's land bank is in tier I/II locations and 80% of the planned development is residential. We set the target price at par to our NAV for Unitech, to reflect our preference for affordable housing despite Unitech's high net gearing of 1.05x in FY10.
- **Catalyst:** Unitech is looking to raise cash flow by exiting hotels and selling institutional plots. Unitech has already raised Rs1 bn (US$200 mn) in the last three months by selling two hotels, an office property and school plots. More such deals could provide it with funds to accelerate new launches. The company has also gained shareholder approval for an equity issuance of up to Rs100 bn. Further dilution at closer to our NAV would be positive, as it will reduce Unitech's interest payments and improve liquidity.
- **Valuation:** On the back of higher volume assumptions, we raise our revenue estimates for FY10 and FY11 by 1% and 9%, respectively. FY10E EPS is expected to decline 49% YoY to Rs3.95 due to lower profit and the recent dilution and thereafter increase to Rs4.78 in FY11E. Unitech is trading at a 19% discount to forward NAV and 20x FY10E P/E and 17x FY11E P/E and 1.8x forward P/BV. With 23% potential upside, we reiterate our OUTPERFORM rating on the stock.

Share price performance



The price relative chart measures performance against the BOMBAY SE 30 SHARE SENSITIVE index which closed at 14521.89 on 19/06/09
On 19/06/09 the spot exchange rate was Rs51.13/US$1

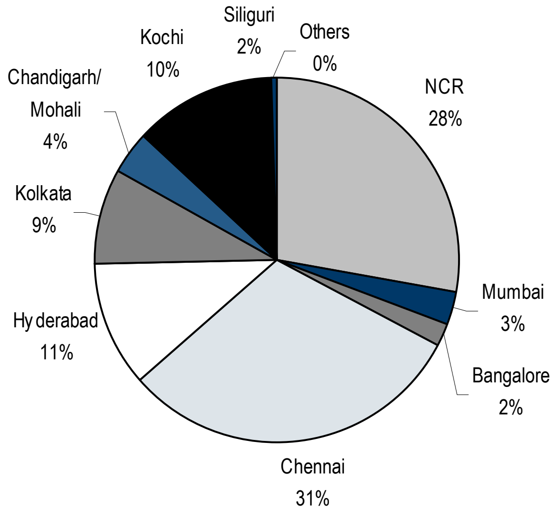
Performance Over	1M	3M	12M
Absolute (%)	14.5	200.2	-57.0
Relative (%)	12.7	86.1	-55.4

Financial and valuation metrics

Year	3/08A	3/09E	3/10E	3/11E
Revenue (Rs mn)	41,400.3	33,653.4	29,732.1	38,586.8
EBITDA (Rs mn)	22,286.4	19,566.4	14,800.8	17,486.8
EBIT (Rs mn)	23,481.9	20,123.4	15,174.7	17,718.7
Net attributable profit (Rs mn)	16,613.4	12,552.6	8,015.8	9,731.1
EPS (CS adj., Rs)	10.23	7.73	3.95	4.78
Change from previous EPS (%)	n.a.	1.3	3.5	2.6
Consensus EPS	n.a.	6.18	3.67	4.23
EPS growth (%)	27.2	-24.4	-48.9	21.1
P/E (x)	7.9	10.5	20.5	16.9
Dividend yield (%)	0.31	—	0.12	0.12
EV/EBITDA (x)	10.0	11.3	14.9	12.8
ROE (%)	59.7	29.4	13.1	12.5
Net debt/equity (%)	201.9	164.1	105.4	98.0
Current est. NAV (Rs)	—	100.0	—	—
Disc./(prem.) to curr. NAV (%)	—	-19.0	—	—

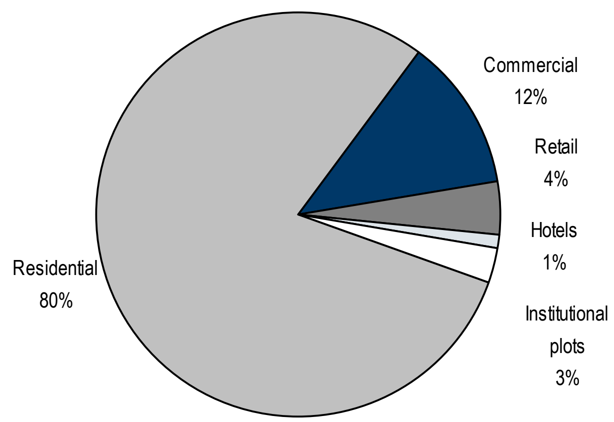
Source: Company data, Thomson Financial Datastream, Credit Suisse estimates.

Figure 66: **83% of the land bank is in tier I/II cities**



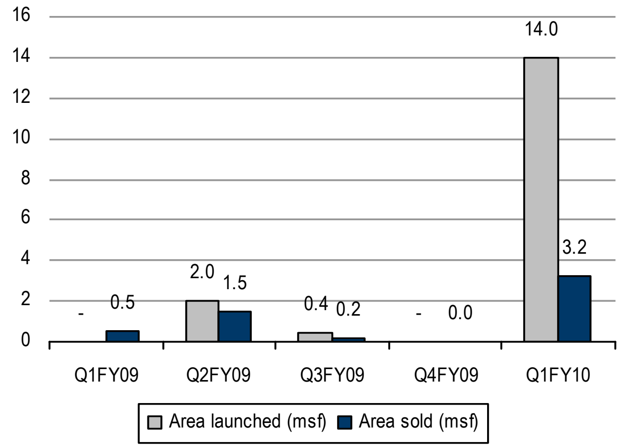
Source: Company data, Credit Suisse estimates

Figure 67: **Land bank split by proposed development**



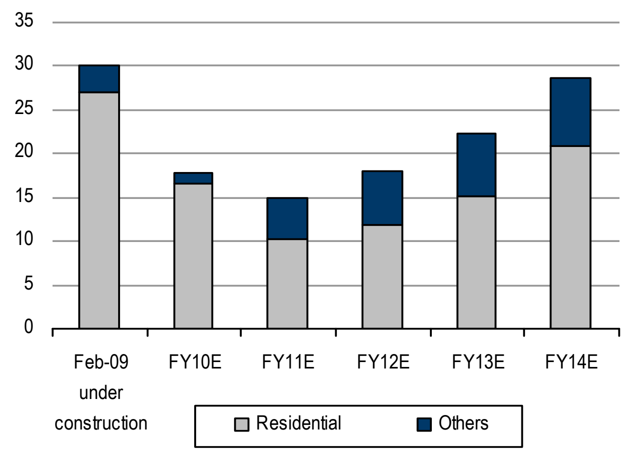
Source: Company data, Credit Suisse estimates

Figure 68: **14 mn sq ft launched in the last three months**



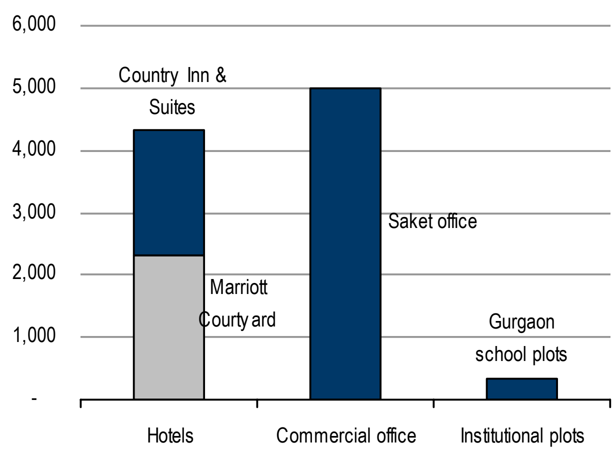
Source: Company data, Credit Suisse estimates

Figure 69: **We expect 18 mn sq ft of launches in FY10**



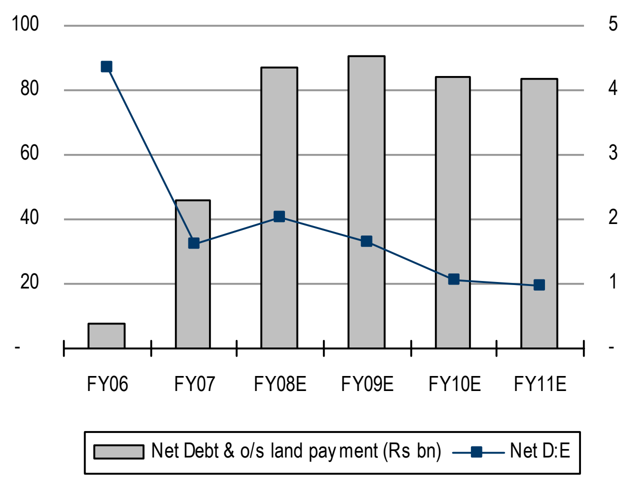
Source: Company data, Credit Suisse estimates

Figure 70: **Rs1 bn (US$200 mn) raised by asset sales**



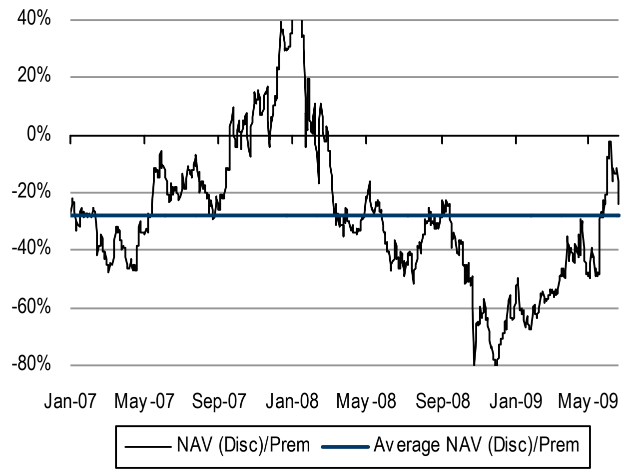
Source: Company data, Credit Suisse estimates

Figure 71: **Net debt : equity to fall below 1x in FY11**



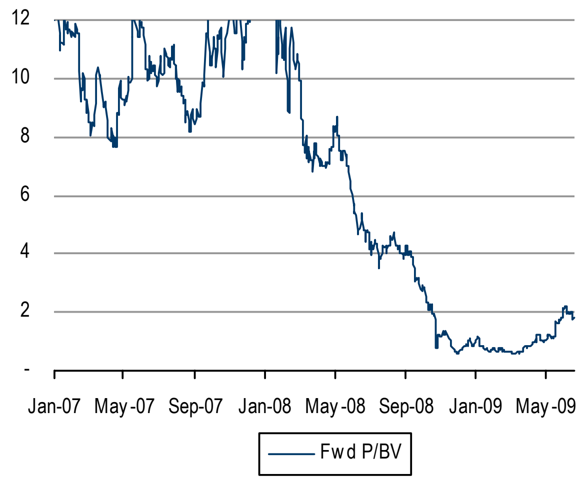
Source: Company data, Credit Suisse estimates

Figure 72: **Premium/(discount) to 12-month NAV**



Source: Bloomberg, Credit Suisse estimates

Figure 73: **Price to 12-month forward book value**



Source: Bloomberg, Credit Suisse estimates

Figure 74: **March 2010 NAV breakdown**

	Mn sq ft	Value (Rs bn)	Rs per share	Comments
Residential development	310.1	174,449	85.3	
Commercial	46.0	72,194	35.3	
Retail	15.6	28,936	14.2	
Real estate GAV		**275,579**	**134.8**	
Less: land cost to be paid		(27,868)	(13.6)	As of March 2009
Real estate valuation		**247,711**	**121.2**	
Telecom investment		22,132	10.8	1x book value
Other business		1,183	0.6	8x FY10 profits
Fund management fees		3,117	1.5	DCF of development and management fees
Less: net debt		(69,244)	(33.9)	As of March 2010
March 2010 NAV		**204,955**	**100.2**	

Source: Company data, Credit Suisse estimates

Financial summary

Figure 75: **Summary P&L**

Year-end 31 March (Rs mn)	FY05A	FY06A	FY07A	FY08A	FY09E	FY10E	FY11E
Revenue	6,499	9,322	32,975	41,400	33,653	29,732	38,587
Expenses	(5,659)	(7,496)	(14,598)	(19,114)	(14,087)	(14,931)	(21,100)
EBITDA	841	1,825	18,377	22,286	19,566	14,801	17,487
Depreciation & amortisation	(113)	(112)	(73)	(205)	(218)	(376)	(518)
Other income	134	141	902	1,401	775	750	750
EBIT	862	1,854	19,205	23,482	20,123	15,175	17,719
Interest expense	(297)	(465)	(1,287)	(2,804)	(4,161)	(4,407)	(4,320)
Profit before tax	564	1,390	17,919	20,678	15,963	10,768	13,399
Income tax	(216)	(513)	(4,864)	(3,986)	(3,352)	(2,692)	(3,618)
Extraordinaries	(11)	(5)	3	(5)	-	-	-
Profit before minorities	337	871	13,058	16,687	12,611	8,076	9,781
Minorities/associates	(3)	(31)	3	(73)	(58)	(60)	(50)
Profit after tax	334	841	13,061	16,613	12,553	8,016	9,731
EPS (Rs)	0.2	0.5	8.0	10.2	7.7	3.9	4.8

Source: Company data, Credit Suisse estimates

Figure 76: **Summary balance sheet**

Year-end 31 March (Rs mn)	FY05A	FY06A	FY07A	FY08A	FY09E	FY10E	FY11E
Assets							
Cash	2,718	3,899	10,227	14,083	12,867	8,208	4,036
Receivables	853	1,032	1,458	7,460	14,920	16,412	14,770
Inventories	16,562	30,870	86,995	136,076	152,382	136,293	104,766
Other current assets	1,404	2,860	18,397	29,444	37,688	42,375	46,669
Sundry creditors	2,008	5,270	7,312	8,497	14,870	10,409	11,450
Customer advances	13,702	23,428	40,413	71,119	79,000	34,493	12,083
Other current liabilities	558	1,333	7,014	12,295	18,772	40,344	29,981
Net current assets	5,269	8,630	62,339	95,150	105,215	118,042	116,728
Fixed assets	1,301	3,596	5,980	10,454	21,619	22,743	26,404
Capital work in progress	133	1,268	2,153	20,982	6,170	5,550	7,944
Investments	502	145	4,548	14,165	17,380	17,380	17,380
Goodwill	845	824	1,126	1,126	4,250	4,250	4,250
Deferred tax asset	(121)	(151)	(20)	(60)	(140)	(240)	(340)
Total assets	7,929	14,311	76,125	141,817	154,495	167,724	172,366
Liabilities							
Share capital	125	125	1,623	3,247	3,247	4,089	4,089
Reserves	1,782	2,443	18,305	32,752	46,566	69,712	79,204
Shareholders' funds	1,907	2,568	19,928	35,999	49,813	73,801	83,293
Debt	5,812	11,507	56,185	104,660	103,368	92,500	87,500
Minority	210	237	13	1,159	1,314	1,424	1,574
Total liabilities	7,929	14,311	76,125	141,817	154,495	167,724	172,366

Source: Company data, Credit Suisse estimates

Figure 77: **Summary cash flow**

Year-end 31 March (Rs mn)	FY05A	FY06A	FY07A	FY08A	FY09E	FY10E	FY11E
EBIT	862	1,854	19,205	23,482	20,123	15,175	17,719
Depreciation	113	112	73	205	218	376	518
Taxes paid	(216)	(513)	(4,864)	(3,986)	(3,352)	(2,692)	(3,618)
Non-cash adjustments							
Change in working capital	(1,687)	(2,180)	(47,380)	(28,956)	(11,281)	(17,486)	(2,858)
Operating cash flow	(929)	(727)	(32,965)	(9,255)	5,709	(4,627)	11,761
Change in fixed assets	(918)	(3,487)	(3,137)	(23,479)	189	(880)	(6,573)
Change in investments	(151)	358	296	(9,617)	(3,215)	-	-
Investment cash flow	(1,997)	(3,856)	(35,806)	(42,351)	2,683	(5,506)	5,188
Change in debt	4,115	5,694	44,678	48,475	(1,292)	(10,868)	(5,000)
Change in equity	-	-	-	-	-	16,211	-
Interest income/(expenses)	(297)	(465)	(1,287)	(2,804)	(4,161)	(4,407)	(4,320)
Dividend paid	(112)	(188)	(477)	(475)	-	(239)	(239)
Financing cash flow	1,708	1,185	7,108	2,845	(2,770)	(4,810)	(4,371)
Extraordinary items	(70)	(4)	(781)	1,011	1,554	150	200
Total cash flow	1,638	1,182	6,328	3,855	(1,215)	(4,660)	(4,171)
Year beginning cash	1,079	2,718	3,899	10,227	14,083	12,867	8,208
Year end cash	2,718	3,899	10,227	14,083	12,867	8,208	4,036

Source: Company data, Credit Suisse estimates

Figure 78: **Key operating metrics**

Year-end 31 March (Rs mn)	FY05A	FY06A	FY07A	FY08A	FY09E	FY10E	FY11E
Growth YoY (%)							
Revenue	28.2	43.4	253.8	25.5	(18.7)	(11.7)	29.8
EBITDA	38.2	117.2	906.9	21.3	(12.2)	(24.4)	18.1
PAT	12.0	152.0	1,453.5	27.2	(24.4)	(36.1)	21.4
EPS	12.0	152.0	1,453.5	27.2	(24.4)	(49.3)	21.4
Margins (%)							
EBITDA/revenue	12.9	19.6	55.7	53.8	58.1	49.8	45.3
EBIT/revenue	13.3	19.9	58.2	56.7	59.8	51.0	45.9
PAT/revenue	5.1	9.0	39.6	40.1	37.3	27.0	25.2
Other metrics							
Net debt / equity (x)	1.23	4.35	1.61	2.02	1.64	1.05	.98
EV/EBITDA (x)	160.2	76.3	9.7	9.8	11.3	16.9	14.2
RoCE (%)	8.6	10.4	30.9	17.4	10.7	7.1	7.6
RoAE (%)	18.2	39.2	116.1	59.7	29.4	13.1	12.5
Book value per share (Rs)	1.0	1.4	12.3	21.5	29.9	35.4	40.0

Source: Company data, Credit Suisse estimates

Asia Pacific / India
Real Estate Management & Development

Indiabulls Real Estate Limited

(INRL.BO / IBREL IN)

Rating	**OUTPERFORM* [V]**
Price (19 Jun 09, Rs)	200.30
Target price (Rs)	(from 225.00) 240.00[1]
Chg to TP (%)	19.8
Market cap. (Rs mn)	80,383 (US$ 1,666)
Enterprise value (Rs mn)	66,968
Number of shares (mn)	401.32
Free float (%)	83.28
52-week price range	376.30 - 83.80

**Stock ratings are relative to the relevant country benchmark.*
[1]Target price is for 12 months.
[V] = Stock considered volatile (see Disclosure Appendix).

Research Analysts
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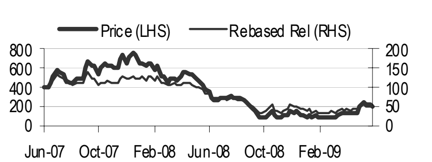
Net cash provides comfort

- **Event:** We raise our target price for Indiabulls Real Estate to Rs240 from Rs225, set at par to our March 2010 NAV which implies 20% potential upside from current levels. We maintain our OUTPERFORM rating. We revised up our NAV estimate for IBREL 7% to Rs240 on the back of better-than-expected launches by IBREL in the last two months.
- **View:** Over 38% of IBREL's NAV is in net cash which gives us much comfort. Another 19% comes from projects completed/under execution. IBREL has launched 10.2 mn sq ft of projects in the last six months which is encouraging given the earlier delays in its real estate plans. IBREL is targeting new launches of another 9.8 mn sq ft in FY10. Its power projects are also showing progress with financial approvals received for the first phase of the 1,320 MW Amravati power project. The land acquisition has been completed for the Amravati I and Nashik projects.
- **Catalysts:** (1) the financial closure and placing of orders for the power project will lead to a project valuation of proposed power projects versus our 1x P/B valuation currently; (2) a de-merger and/or equity offering by its power subsidiary could result in unlocking value for IBREL; (3) the deployment of the QIP proceeds (US$550 mn) into NAV accretive projects and land acquisitions; and (4) progress on the Nashik SEZ, where the land is already in IBREL's possession. We are currently valuing the project at cost due to the lack of visibility on the development timeframe.
- **Valuation:** On the back of higher volume assumptions, we raise our revenue estimates for FY10 and FY11by 1% and 9%, respectively. FY10E EPS is expected to increase 365% YoY to Rs2.42 on account of revenue recognition on its projects and thereafter increase to Rs8.69 by FY12E. IBREL is trading at a 17% discount to forward NAV and 83x FY10E P/E and 31x FY11E P/E and 1.1x forward P/BV. With 20% potential upside, we reiterate our OUTPERFORM rating on the stock.

Share price performance



The price relative chart measures performance against the BOMBAY SE 30 SHARE SENSITIVE index which closed at 14521.89 on 19/06/09
On 19/06/09 the spot exchange rate was Rs48.26/US$1

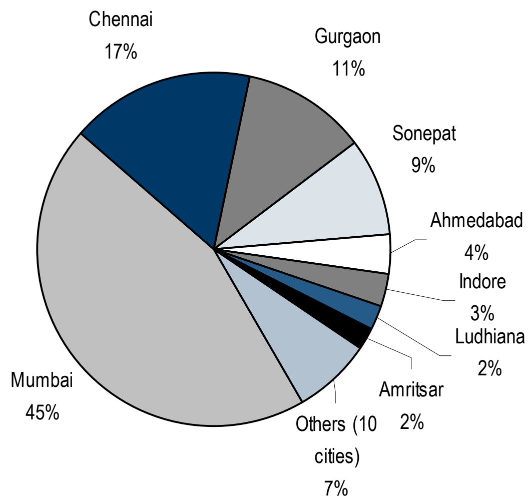
Performance Over	1M	3M	12M
Absolute (%)	0.1	110.0	-46.8
Relative (%)	-1.4	30.1	-44.7

Financial and valuation metrics

Year	3/09A	3/10E	3/11E	3/12E
Revenue (Rs mn)	2,086.5	5,933.7	15,567.6	24,450.9
EBITDA (Rs mn)	-569.7	141.3	3,012.8	5,614.9
EBIT (Rs mn)	1,635.0	2,344.8	5,849.5	7,868.6
Net attributable profit (Rs mn)	134.1	975.9	2,625.1	3,501.5
EPS (CS adj., Rs)	0.52	2.42	6.51	8.69
Change from previous EPS (%)	n.a.	0.8	21.5	
Consensus EPS	n.a.	4.02	8.05	16.32
EPS growth (%)	-96.7	364.8	169.0	33.4
P/E (x)	384.5	82.7	30.8	23.1
Dividend yield (%)	—	0.7	1.5	2.5
EV/EBITDA (x)	-136.7	474.1	31.9	21.7
ROE (%)	0.3	1.5	3.2	4.1
Net debt/equity (%)	net cash	net cash	18.8	48.6
Current est. NAV (Rs)	—	240.0	—	—
Disc./(prem.) to curr. NAV (%)	—	-16.5	—	—

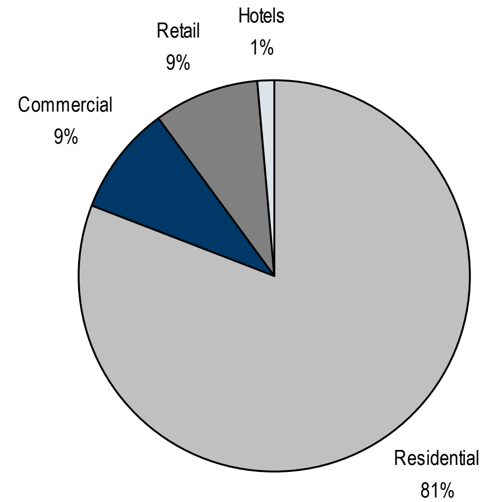
Source: Company data, Thomson Financial Datastream, Credit Suisse estimates.

Figure 79: Land bank (excluding IPIT, land for power projects and 3,000 acre Nashik SEZ)



Source: Company data, Credit Suisse estimates

Figure 80: Land bank split by proposed development



Source: Company data, Credit Suisse estimates

Figure 81: More than 10.2 mn sq ft under execution and 9.8 mn sq ft planned for launch in FY10

Launched/soft launch				Proposed in FY10			
Project	City	Area (mn sq ft)	Stake (%)	Project	City	Area (mn sq ft)	Stake (%)
Castlewood	Delhi	1.3	51	Indiabulls Riverside	Ahmedabad	1.5	100
Indiabulls Greens	Chennai	1.3	51	Indiabulls Greens	Navi Mumbai	1.1	100
Centrum park	Gurgaon	1.6	51	Lake View Park	Chennai	0.9	100
High Street	Vadodara	0.6	100	Indiabulls Paramount	Gurgaon	2.6	51
Central park	Ahmedabad	0.6	100	Hillside View	Vizag	0.5	100
Central park	Indore	2.1	100	Indiabulls Metropolitan	Gurgaon	1.5	51
Indiabulls City – plots	Sonepat	2.0	51	Indiabulls Orion	Gurgaon	0.7	51
Central Park (soft launch)	Madurai	0.3	100	Indiabulls City	Sonepat	1.0	51
Central Park (soft launch)	Hyderabad	0.4	100				

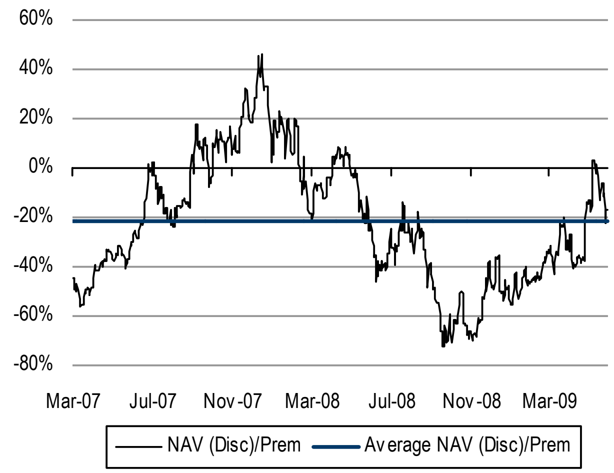
Source: Company data, Credit Suisse estimates

Figure 82: Status of the proposed 6,600 MW power projects

	Amravati I	Amravati II	Nashik	Bhaiyathan (74% stake)	Chattisgarh
Size (MW)	1,320	1,320	1,320	1,320	1,320
Target commissioning date	Phase I (June 2012); Phase II (November 2012)	Phase I (June 2013); Phase II (December 2014)	Phase I (June 2013); Phase II (June 2014)	Phase I (June 2013); Phase II (December 2013)	Phase I (June 2014); Phase II (December 2014)
Land	Yes (1,350 acres)	No	Yes (1,000 acres out of the 3,000 acres IBREL Nashik SEZ)	No (1,400 acres identified and under acquisition)	No
Water	Yes	Yes	Yes	Yes	No
Fuel	Yes	Yes	Yes	Yes (captive coal block with estimated 350 MT reserves)	Yes
EPC ordering	No	No	No	No	No
Environmental clearances	Yes	Yes	No	Yes	No
Off-take arrangement	MoU for 1,000 MW signed with TPTCL	No	No	MoU for 65% of power with CSEB	No
Financing status					
- Equity	In place	No	No	No	No
- Debt	Sanctions received. Financial closure pending	No	No	No	No

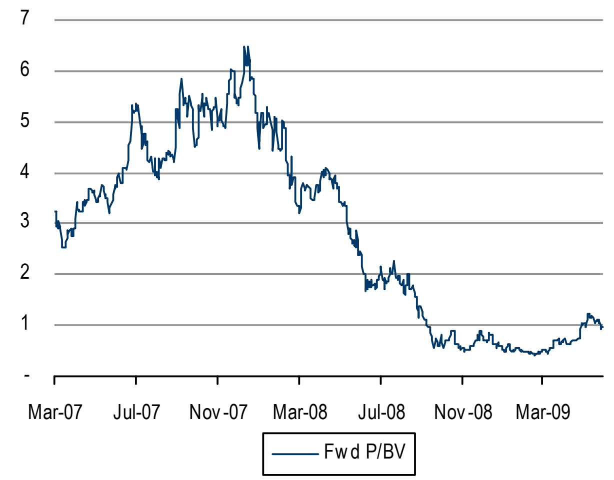
Source: Company data, Credit Suisse estimates

Figure 83: Premium/(discount) to 12-month NAV



Source: Bloomberg, Credit Suisse estimates

Figure 84: Price to 12-month forward book value



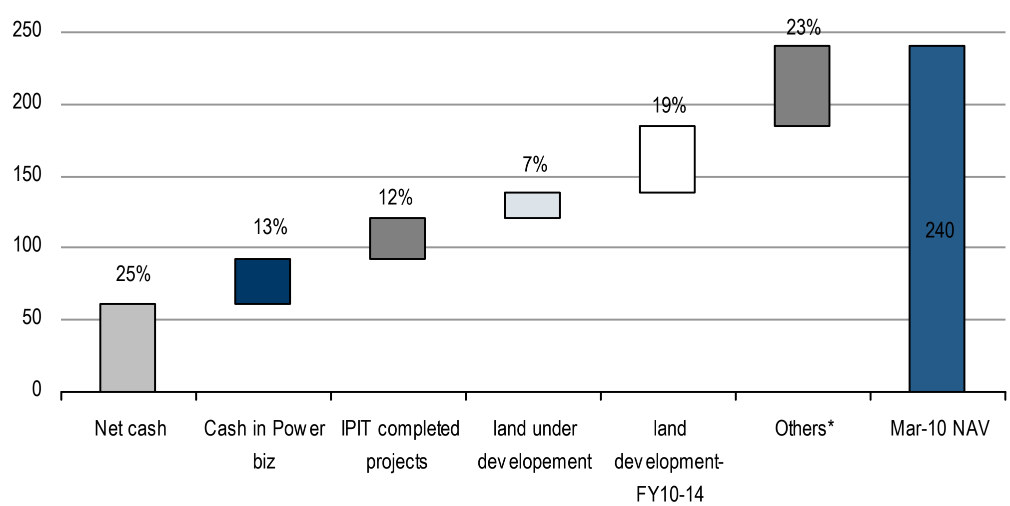
Source: Bloomberg, Credit Suisse estimates

Figure 85: March 2010 NAV breakdown

	Valuation basis	Rs mn	Rs/share
1. Real estate land bank		**32,936**	**82**
Projects under execution	DCF-based NAV	7,086	18-
Projects FY10-14E	DCF-based NAV	18,511	46-
Projects FY15 and beyond	DCF-based NAV	6,038	15
Hotel/resort	Land cost	500	1
Nashik SEZ	Land cost	801	2
2. IPIT projects	**DCF-based NAV**	**23,670**	**59**
3. Power business	**1x P/B**	**15,512**	**39**
4. Net cash in hand	**1x**	**24,350**	**61**
NAV	**1+2+3+4**	**96,468**	**240**

Source: Company data, Credit Suisse estimates

Figure 86: 57% of NAV comes from cash and projects already launched/completed



** Others includes: residual IPIT projects, land for power projects and real estate projects beyond FY14*
Source: Company data, Credit Suisse estimates

Financial summary

Figure 87: **Summary P&L**

Year-end 31 March (Rs mn)	FY07A	FY08A	FY09E	FY10E	FY11E	FY12E
Revenue	139	1,407	2,086	5,934	15,568	24,451
Expenses	(144)	(1,426)	(2,656)	(5,792)	(12,555)	(18,836)
EBITDA	**(4)**	**(20)**	**(570)**	**141**	**3,013**	**5,615**
Depreciation	(8)	(33)	(108)	(150)	(200)	(250)
Other income	316	6,240	2,313	2,354	3,037	2,504
EBIT	**303**	**6,187**	**1,635**	**2,345**	**5,850**	**7,869**
Interest expense	(53)	(522)	(244)	(81)	(81)	(81)
Profit before tax	250	5,665	1,391	2,264	5,768	7,787
Income tax	(119)	(1,598)	(698)	(770)	(1,961)	(2,648)
Profit before minorities	131	4,067	693	1,494	3,807	5,140
Minorities/associates	(125)	(65)	(398)	(357)	(1,021)	(1,585)
PAT	**6**	**4,002**	**295**	**1,137**	**2,786**	**3,555**
EPS	**0.0**	**16.0**	**0.5**	**2.4**	**6.5**	**8.7**

Source: Company data, Credit Suisse estimates

Figure 88: **Summary balance sheet**

Year-end 31 March (Rs mn)	FY07A	FY08A	FY09E	FY10E	FY11E	FY12E
Assets						
Cash	12,129	16,219	17,092	37,887	27,389	18,506
Receivables	59	1,165	975	1,268	1,521	1,825
Inventories	1,993	11,441	27,625	31,004	34,939	37,127
Other current assets	3,645	49,716	20,753	18,254	18,911	19,645
Sundry creditors	-	-	250	375	469	586
Other current liabilities	4,672	21,458	2,516	3,434	4,395	5,531
Net current assets	**13,153**	**57,083**	**63,680**	**84,603**	**77,896**	**70,985**
Fixed assets	246	1,493	1,852	3,202	4,502	5,752
Capital work in progress	2	753	2,500	17,700	44,950	72,200
Investments	5,944	675	11,575	11,575	11,575	11,575
Deferred tax asset	(7)	(7)	(10)	(10)	(10)	(10)
Total assets	**19,339**	**59,996**	**79,596**	**117,070**	**138,912**	**160,502**
Liabilities						
Share capital	359	482	515	803	803	803
Reserves	11,180	40,715	53,009	79,937	82,196	85,014
Shareholders' funds	**11,539**	**41,197**	**53,524**	**80,740**	**82,999**	**85,817**
Debt	4,382	7,341	14,572	24,472	43,035	60,222
Minority	3,418	11,671	11,500	11,857	12,878	14,463
Total liabilities	**19,339**	**60,209**	**79,596**	**117,069**	**138,912**	**160,502**

Source: Company data, Credit Suisse estimates

Figure 89: Summary cash flow

Year-end 31 March (Rs mn)	FY08A	FY09E	FY10E	FY11E	FY12E
EBIT	3,697	-659	141	3,363	5,915
Depreciation	33	108	150	200	250
Taxes paid	(1,598)	(695)	(770)	(1,961)	(2,648)
Non-cash adjustments	(3,805)	-	-	-	-
Change in working capital	(39,840)	(5,724)	(128)	(3,791)	(1,972)
Operating cash flow	**(41,512)**	**(6,969)**	**(607)**	**(2,190)**	**1,545**
Change in fixed assets	(2,242)	(2,002)	(16,700)	(28,750)	(28,750)
Change in investments	9,014	(10,900)	-	-	-
Investment cash flow	**(34,740)**	**(19,871)**	**(17,307)**	**(30,940)**	**(27,205)**
Change in debt	2,959	7,231	9,900	18,563	17,187
Change in equity	38,130	11,625	26,944	1,043	1,607
Interest income/(expense)	1,968	2,050	2,122	2,406	1,873
Dividend paid	(4,228)	(161)	(865)	(1,570)	(2,344)
Financing cash flow	**4,090**	**874**	**20,795**	**(10,499)**	**(8,883)**
Extraordinary items	-	-	-	-	-
Total cash flow	**4,090**	**874**	**20,795**	**(10,499)**	**(8,883)**
Year beginning cash	12,129	16,219	17,092	37,887	27,389
Year end cash	16,219	17,092	37,887	27,389	18,506

Source: Company data, Credit Suisse estimates

Figure 90: Key operating metrics

Year-end 31 Mar (Rs mn)	FY07	FY08A	FY09E	FY10E	FY11E	FY12E
Growth YoY (%)						
Revenue	n.a.	911	48.3	184.4	162.4	57.1
EBITDA	n.a.	349	2,798.8	nm	2,032.8	86.4
PAT	n.a.	67,119	(96.5)	627.6	169.0	33.4
EPS	n.a.	50,049	(96.7)	366.9	168.9	33.3
Margins (%)						
EBITDA/revenue	(3.1)	(1.4)	(27.3)	2.4	19.4	23.0
EBIT/revenue	218.0	439.9	78.4	39.5	37.6	32.2
PAT/revenue	4.1	284.6	14.1	19.2	17.9	14.5
Other metrics						
Net debt/equity (x)	-.67	-.22	-.05	-.17	.19	.49
EV/EBITDA (x)	n.m.	n.m.	n.m.	474.1	31.9	21.8
RoCE (%)	2.1	13.8	1.4	1.8	3.3	3.8
RoAE (%)	0.1	14.6	0.3	1.5	3.2	4.1
Book value per share (Rs)	28.6	102.2	132.8	200.3	205.9	212.9

Source: Company data, Credit Suisse estimates

Asia Pacific / India
Real Estate Management & Development

Sobha Developers Ltd

(SOBH.BO / SOBHA IN)

Rating		NEUTRAL* [V]
Price (19 Jun 09, Rs)		213.50
Target price (Rs)	(from 75)	210.00[1]
Chg to TP (%)		-1.6
Market cap. (Rs mn)	15,564.58	(US$ 322.52)
Enterprise value (Rs mn)		34,347
Number of shares (mn)		72.90
Free float (%)		13.00
52-week price range		386.70 - 75.70

*Stock ratings are relative to the relevant country benchmark.
[1]Target price is for 12 months.
[V] = Stock considered volatile (see Disclosure Appendix).

Research Analysts

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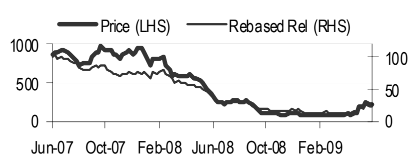
Fairly valued, maintain NEUTRAL

- **Event:** We raise our target price for Sobha Developers to Rs210 from Rs75, based on an average 37% discount to our March 2010 NAV which implies 2% downside from current levels. We maintain our NEUTRAL rating. We revised up our NAV estimate for Sobha by 69% to Rs334 on the back of lower WACC and assume a 5% p.a. hike in property prices from FY11 onwards.
- **View:** We employ an average 37% discount to calculate our target price for Sobha, to reflect its high gearing of 1.7x and its high concentration risk in Bangalore. With an EBIT/interest cover of 1x, we believe Sobha will barely be able to meet its interest commitments. Net debt should remain unchanged at Rs19 bn over March 2009 to March 2012. Further, with Sobha's strategy of adopting a 'wait and watch' approach on the affordable housing opportunity and with over 48% of its land bank in and around Bangalore, Sobha's volume will lag its peers.
- **Catalyst:** The company has signed a term sheet with M/s Purna partners (not listed) for private equity investment of Rs2.25 bn for the development of its projects in Bangalore and other cities. On finalisation, this could provide it with much-needed funds to launch new projects. The company has also gained shareholder approval for an equity issuance of up to Rs15 bn. Even if it can raise half this amount, it would substantially lower the company's gearing and reduce the interest expense in future years.
- **Valuation:** On the back of improved liquidity and a better macro environment, we raise our revenue estimates for FY10 and FY11 by 13% and 14%, respectively, and introduce earnings estimates for FY12. FY10E EPS is expected to decline 24% YoY to Rs11.51 and thereafter increase to Rs16.42 by FY12E, translating into a CAGR of 3% over FY10-12. Sobha is trading at a 36% discount to forward NAV and 19x FY10E P/E and 15x FY11E P/E and a one-year forward P/B of 1.3x. As the current price implies 2% downside, we maintain our NEUTRAL rating on the company.

Share price performance



The price relative chart measures performance against the BOMBAY SE 30 SHARE SENSITIVE index which closed at 14521.89 on 19/06/09
On 19/06/09 the spot exchange rate was Rs48.26/US$1

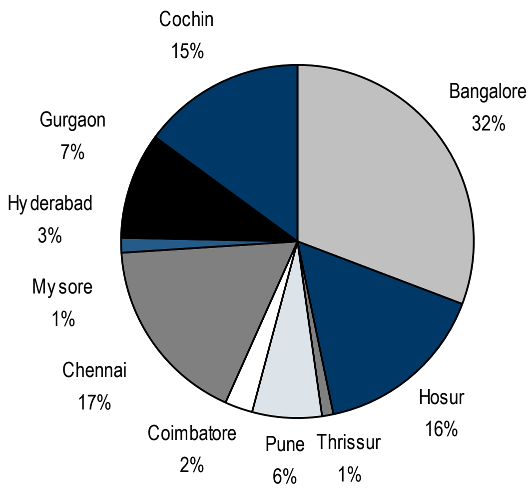
Performance Over	1M	3M	12M
Absolute (%)	43.1	177.3	-44.8
Relative (%)	41.0	71.9	-42.6

Financial and valuation metrics

Year	3/09A	3/10E	3/11E	3/12E
Revenue (Rs mn)	9,769.4	10,531.9	11,708.9	13,212.2
EBITDA (Rs mn)	2,719.4	2,324.0	2,580.3	2,875.6
EBIT (Rs mn)	2,494.0	2,084.6	2,287.0	2,516.2
Net attributable profit (Rs mn)	1,097.0	838.9	1,024.2	1,197.0
EPS (CS adj., Rs)	15.05	11.51	14.05	16.42
Change from previous EPS (%)	n.a.	19.2	23.0	
Consensus EPS	n.a.	10.52	15.19	23.26
EPS growth (%)	-51.9	-23.5	22.1	16.9
P/E (x)	14.2	18.6	15.2	13.0
Dividend yield (%)	0.47	0.47	0.47	0.47
EV/EBITDA (x)	12.7	14.8	13.3	12.0
ROE (%)	10.3	7.3	8.3	9.0
Net debt/equity (%)	173.4	161.3	148.9	137.7
Current est. NAV (Rs)	—	334.0	—	—
Disc./(prem.) to curr. NAV (%)	—	-36.1	—	—

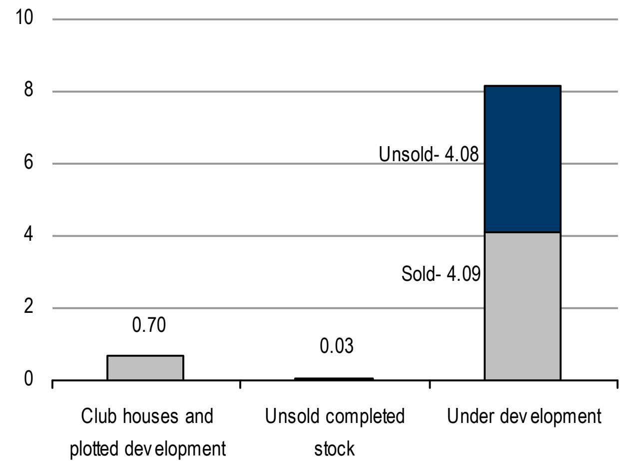
Source: Company data, Thomson Financial Datastream, Credit Suisse estimates.

Figure 91: Total land bank of 3,051 acres



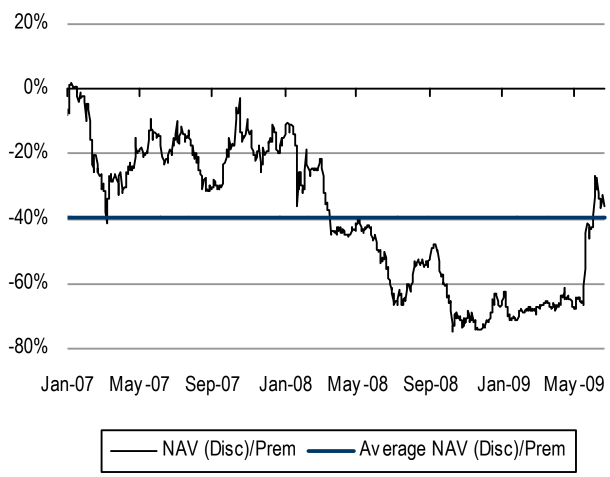
Source: Company data, Credit Suisse estimates

Figure 92: Over 50% of area under development is pre-sold (mn sq ft)



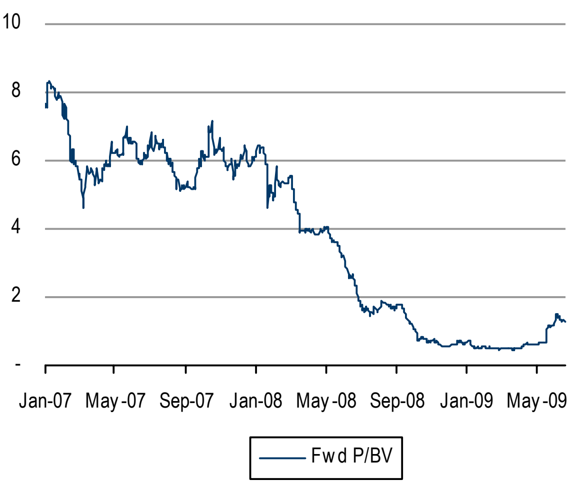
Source: Company data, Credit Suisse estimates

Figure 93: Premium/(discount) to 12-month NAV



Source: Bloomberg, Credit Suisse estimates

Figure 94: Price to 12-month forward book value



Source: Bloomberg, Credit Suisse estimates

Figure 95: March 2010 NAV and price target derivation

	NAV (Rs/share)			Target price derivation		
	Area (mn sq ft)	**Rs mn**	**Rs/share**	**Multiple (x)**	**Rs mn**	**Rs/share**
Projects under execution	9	8,240	113	1	8,240	113
Projects FY10-14E	33	13,703	188	0.8	10,963	150
Projects FY15 and beyond	129	20,871	286	0.7	14,610	200
Construction business	6x FY11 PAT	1,983	27	6x FY11 PAT	1,983	27
Less: land cost payable		(1,700)	(23)		(1,700)	(23)
Less: net debt		(18,782)	(258)		(18,782)	(258)
Net value		**24,316**	**334**		**15,314**	**210**

Source: Company data, Credit Suisse estimates

Financial summary

Figure 96: **Summary P&L**

Year-end 31 March (Rs mn)	FY06A	FY07A	FY08A	FY09E	FY10E	FY11E	FY12E
Revenue	6,266	11,874	14,344	9,769	10,532	11,709	13,212
Expenses	(4,870)	(9,297)	(10,608)	(7,050)	(8,208)	(9,129)	(10,337)
EBITDA	1,396	2,576	3,737	2,719	2,324	2,580	2,876
Depreciation & amortisation	(128)	(244)	(350)	(360)	(389)	(443)	(509)
Other income	19	20	20	135	150	150	150
EBIT	1,287	2,352	3,406	2,494	2,085	2,287	2,516
Interest expense	(219)	(486)	(615)	(1,039)	(981)	(939)	(941)
Profit before tax	1,067	1,866	2,791	1,455	1,104	1,348	1,575
Income tax	(182)	(251)	(483)	(358)	(265)	(323)	(378)
Profit before minorities	885	1,615	2,309	1,097	839	1,024	1,197
Minorities/associates	-	-	(28)	-	-	-	-
PAT	**885**	**1,615**	**2,281**	**1,097**	**839**	**1,024**	**1,197**
EPS (Rs)	**14.0**	**22.2**	**31.3**	**15.0**	**11.5**	**14.0**	**16.4**

Source: Company data, Credit Suisse estimates

Figure 97: **Summary balance sheet**

Year-end 31 March (Rs mn)	FY06A	FY07A	FY08A	FY09E	FY10E	FY11E	FY12E
Assets							
Cash	450	684	287	209	312	359	235
Receivables	803	1,580	5,548	3,553	3,886	3,999	4,152
Inventories	2,665	3,908	8,393	10,541	15,913	19,607	24,331
Other current assets	5,056	11,028	17,277	19,025	14,658	12,304	10,133
Sundry creditors	256	914	811	892	981	1,091	1,231
Customer advances	3,374	2,265	1,103	721	1,222	1,304	2,266
Other current liabilities	774	2,481	3,832	3,689	3,887	4,299	4,743
Net current assets	**4,569**	**11,539**	**25,759**	**28,025**	**28,680**	**29,575**	**30,610**
Fixed assets	1,020	1,948	2,142	2,160	2,270	2,327	2,417
Investments	27	528	28	28	28	28	28
Deferred tax asset	(17)	(22)	11	31	19	6	(8)
Total assets	**5,599**	**13,992**	**27,940**	**30,243**	**30,996**	**31,935**	**33,047**
Liabilities							
Share capital	211	729	729	729	729	729	729
Reserves	1,070	7,426	9,152	10,164	10,918	11,857	12,968
Shareholders' funds	**1,281**	**8,155**	**9,881**	**10,893**	**11,647**	**12,586**	**13,697**
Debt	4,318	5,837	17,831	19,122	19,122	19,122	19,122
Minorities	-	-	228	228	228	228	228
Total liabilities	**5,599**	**13,992**	**27,940**	**30,243**	**30,996**	**31,935**	**33,047**

Source: Company data, Credit Suisse estimates

Figure 98: Summary cash flow

Year-end 31 March (Rs mn)	FY06A	FY07A	FY08A	FY09E	FY10E	FY11E	FY12E
EBIT	582	1,287	2,352	3,406	2,494	2,085	2,287
Depreciation	74	128	244	350	360	389	443
Taxes paid	(123)	(188)	(245)	(516)	(378)	(253)	(310)
Non-cash adjustments	-	-	-	-	-	-	-
Change in working capital	(1,925)	(1,826)	(6,736)	(14,618)	(2,343)	(552)	(849)
Operating cash flow	**(1,392)**	**(599)**	**(4,385)**	**(11,377)**	**133**	**1,669**	**1,571**
Change in fixed assets	(423)	(593)	(1,170)	(541)	(378)	(500)	(500)
Change in investments	190	(27)	(501)	500	-	-	-
Investment cash flow	**(1,625)**	**(1,218)**	**(6,056)**	**(11,418)**	**(245)**	**1,169**	**1,071**
Change in debt	1,762	1,998	1,518	11,994	1,291	-	-
Change in equity	0	-	6,157	-	-	-	-
Interest income/(expenses)	(109)	(219)	(486)	(615)	(1,039)	(981)	(939)
Dividend paid	(72)	(166)	(470)	(555)	(85)	(85)	(85)
Financing cash flow	**(44)**	**395**	**663**	**(594)**	**(78)**	**103**	**47**
Extraordinary items	(0)	(11)	(429)	(3)	-	-	-
Total cash flow	**(44)**	**384**	**234**	**(597)**	**(78)**	**103**	**47**
Year beginning cash	109	66	450	684	287	209	312
Year-end cash	66	450	684	287	209	312	359

Source: Company data, Credit Suisse estimates

Figure 99: Key operating metrics

Year-end 31 March (Rs mn)	FY06A	FY07A	FY08A	FY09E	FY10E	FY11E	FY12E
Growth YoY (%)							
Revenue	35.4	89.5	20.8	(31.9)	7.8	11.2	12.8
EBITDA	121.1	84.5	45.0	(27.2)	(14.5)	11.0	11.4
PAT	161.4	82.5	41.2	(51.9)	(23.5)	22.1	16.9
EPS	161.4	58.8	41.2	(51.9)	(23.5)	22.1	16.9
Margins (%)							
EBITDA/revenue	22.3	21.7	26.0	27.8	22.1	22.0	21.8
EBIT/revenue	20.5	19.8	23.7	25.5	19.8	19.5	19.0
PAT/revenue	14.1	13.6	15.9	11.2	8.0	8.7	9.1
Other metrics							
Net debt/equity (x)	3.00	.57	1.77	1.73	1.61	1.49	1.38
EV/EBITDA (x)	n.a.	7.9	8.6	12.2	14.4	13.1	11.9
RoCE (%)	25.1	20.7	13.4	6.5	5.2	5.5	5.9
RoAE (%)	96.1	34.2	25.3	10.3	7.3	8.3	9.0
Book value per share (Rs)	20.2	111.9	138.7	152.5	162.9	175.8	191.0

Source: Company data, Credit Suisse estimates

Parsvnath Developers Ltd

(PARV.BO / PARSV IN)

Rating	**UNDERPERFORM* [V]**
Price (19 Jun 09, Rs)	83.15
Target price (Rs)	(from 29.00) 75.00¹
Chg to TP (%)	-9.8
Market cap. (Rs mn)	15,357.47 (US$ 318.22)
Enterprise value (Rs mn)	34,492
Number of shares (mn)	184.70
Free float (%)	20.00
52-week price range	162.30 - 31.25

**Stock ratings are relative to the relevant country benchmark.*
¹Target price is for 12 months.
[V] = Stock considered volatile (see Disclosure Appendix).

Research Analysts
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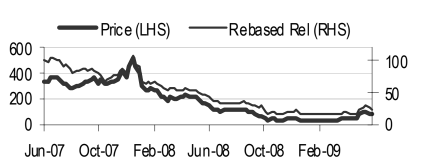
Precariously poised

- **Event:** We raised our target price for Parsvnath Developers to Rs75 from Rs29, based on an average 40% discount to our March 2010 NAV which implies a 10% downside from current levels. We maintain our UNDERPERFORM rating. We revised up our NAV estimate for Parsvnath by 83% to Rs126 on the back of lowering WACC and assume a 5% p.a. hike in property prices from FY11 onwards.
- **View:** We employ an average 40% discount to calculate our target price for Parsvnath, to reflect its high gearing of 1x; its high concentration risk in tier III cities (two thirds of its land bank); focus on SEZ and commercial projects (47% of land bank); and unpaid land cost of Rs10 bn. With an EBIT/interest cover of 0.9x in FY09 and 0.6x in FY10, Parsvnath will find it difficult to meet its interest commitments let alone Rs2.3 bn of debt repayments scheduled for FY10. Further, Parsvnath's strategy to continue with its land acquisitions for the SEZ projects and not to exit from non-strategic land parcels will put considerable strain on its balance sheet. The wide geographic spread of its projects is also likely to make it difficult for Parsvnath to keep costs under control, as fixed costs from geographic diversification are very high.
- **Catalyst:** Parsvnath is looking to gain private equity investment in its projects. Red Fort Capital, a private equity fund has recently invested Rs900 mn (US$18 mn) in a Delhi residential project. More such deals could provide it with much-needed funds to launch new projects. The company has also gained shareholder approval for an equity issuance of up to Rs25 bn. We estimate it needs at least a US$170 mn equity infusion (36% post-money dilution at CMP) to reach FY10 EBIT/interest cover of 1x.
- **Valuation:** We raise our revenue estimates for FY10 and FY11 by 15% and 13%, respectively, on the back of improved liquidity and a better macro environment. FY10E EPS is expected to decline 30% YoY to Rs4.20 and thereafter increase to Rs5.14 in FY11E. Parsvnath is trading at a 34% discount to forward NAV and 20x FY10E P/E and 16x FY11E P/E and 0.74x forward P/B. With 10% downside, we maintain our UNDERPERFORM rating.

Share price performance



The price relative chart measures performance against the BOMBAY SE 30 SHARE SENSITIVE index which closed at 14521.89 on 19/06/09
On 19/06/09 the spot exchange rate was Rs51.13/US$1

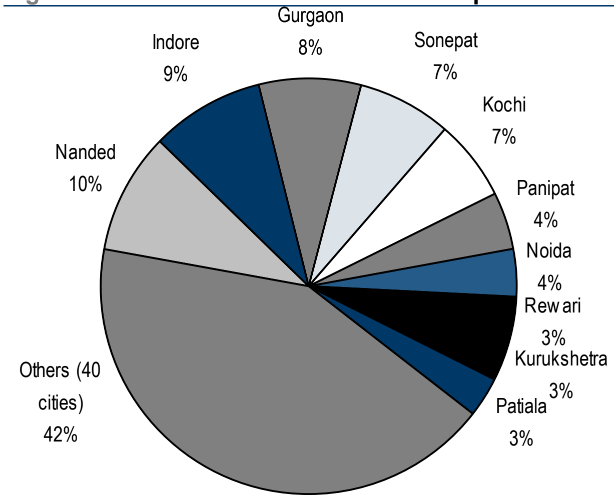
Performance Over	1M	3M	12M
Absolute (%)	32.0	132.3	-48.8
Relative (%)	30.0	44.0	-46.8

Financial and valuation metrics

Year	3/08A	3/09E	3/10E	3/11E
Revenue (Rs mn)	17,713.3	7,963.8	7,422.1	9,403.4
EBITDA (Rs mn)	6,144.5	2,076.8	1,781.0	2,246.7
EBIT (Rs mn)	6,563.4	2,112.6	1,753.3	2,025.7
Net attributable profit (Rs mn)	4,243.9	1,107.4	775.7	949.1
EPS (CS adj., Rs)	22.98	6.00	4.20	5.14
Change from previous EPS (%)	n.a.	-0.4	38.9	29.8
Consensus EPS	n.a.	6.12	5.18	14.32
EPS growth (%)	45.2	-73.9	-30.0	22.3
P/E (x)	3.6	13.9	19.8	16.2
Dividend yield (%)	3.6	0.6	0.6	0.6
EV/EBITDA (x)	4.8	16.6	19.9	16.4
ROE (%)	25.1	5.7	3.8	4.5
Net debt/equity (%)	73.2	95.7	97.4	100.4
Current est. NAV (Rs)	—	126.0	—	—
Disc./(prem.) to curr. NAV (%)	—	-34.0	—	—

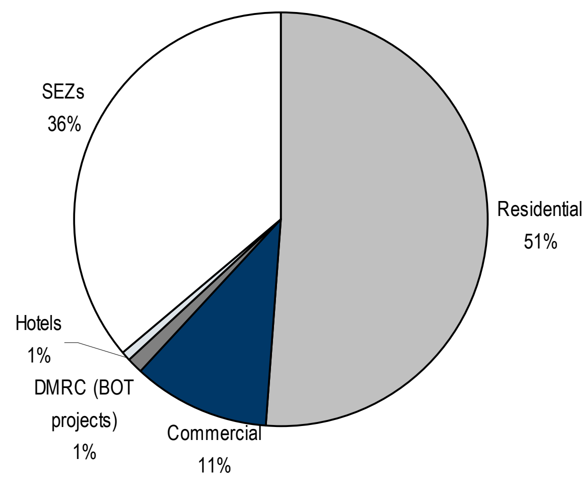
Source: Company data, Thomson Financial Datastream, Credit Suisse estimates.

Figure 100: **Total land bank – 207.5 mn sq ft**



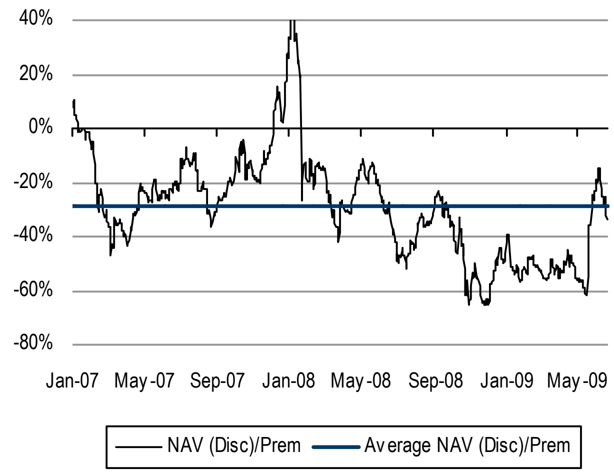
Source: Company data, Credit Suisse estimates

Figure 101: **Land bank split by proposed development**



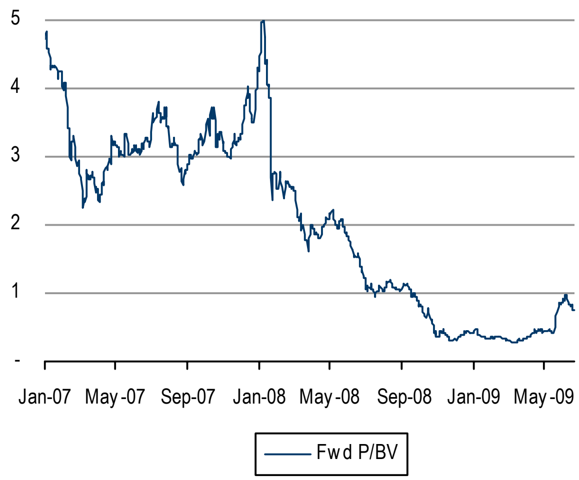
Source: Company data, Credit Suisse estimates

Figure 102: **Premium/(discount) to 12-month NAV**



Source: Bloomberg, Credit Suisse estimates

Figure 103: **Price to 12-month forward book value**



Source: Bloomberg, Credit Suisse estimates

Figure 104: **March 2010 NAV and price target derivation**

	NAV (Rs/share)			Target price derivation		
	Area (mn sq ft)	**Rs mn**	**Rs/share**	**Multiple (x)**	**Rs mn**	**Rs/share**
Projects under execution	62	13,595	74	1	13,595	74
Projects FY10-14E	39	21,556	117	0.8	17,245	93
Projects FY15 and beyond	104	16,888	91	0.7	11,822	64
Hotels	2.6	1,260.2	6.8	1	1,260	7
Less: land cost payable		(9,900)	(54)		(9,900)	(54)
Less: net debt		(20,084)	(109)		(20,084)	(109)
Net value		**23,316**	**126**		**13,938**	**75**

Source: Company data, Credit Suisse estimates

Financial summary

Figure 105: **Summary P&L**

Year-end 31 March (Rs mn)	FY05A	FY06A	FY07A	FY08A	FY09E	FY10E	FY11E
Revenue	3,032	6,438	15,103	17,713	7,964	7,422	9,403
Expenses	(2,308)	(4,998)	(10,929)	(11,569)	(5,887)	(5,641)	(7,157)
EBITDA	**724**	**1,440**	**4,174**	**6,145**	**2,077**	**1,781**	**2,247**
Depreciation & amortisation	(20)	(42)	(143)	(239)	(284)	(338)	(531)
Other income	36	99	242	658	320	310	310
EBIT	741	1,497	4,273	6,563	2,113	1,753	2,026
Interest expense	(11)	(27)	(193)	(391)	(708)	(795)	(839)
Profit before tax	730	1,470	4,080	6,172	1,404	958	1,187
Income tax	(73)	(400)	(981)	(1,928)	(297)	(182)	(238)
Profit before minorities	657	1,070	3,099	4,244	1,107	776	949
Minority/ associates	-	-	(176)	0	-	-	-
PAT	**657**	**1,070**	**2,922**	**4,244**	**1,107**	**776**	**949**
EPS (Rs)	**4.4**	**7.2**	**15.8**	**23.0**	**6.0**	**4.2**	**5.1**

Source: Company data, Credit Suisse estimates

Figure 106: **Summary balance sheet**

Year-end 31 March (Rs mn)	FY05A	FY06A	FY07A	FY08A	FY09E	FY10E	FY11E
Assets							
Cash	841	412	5,458	4,228	2,000	2,000	2,000
Receivables	434	638	5,579	12,814	13,000	10,000	7,500
Inventories	2,471	3,894	16,438	22,611	29,815	29,282	35,432
Other current assets	1,642	3,608	7,129	7,477	6,163	3,891	2,068
Sundry creditors	210	395	3,704	3,630	5,263	5,789	6,252
Customer advances	2,565	3,543	3,386	2,451	3,672	3,476	5,740
Other current liabilities	588	855	2,580	6,736	7,200	3,833	3,836
Net current assets	**2,026**	**3,760**	**24,934**	**34,314**	**34,843**	**32,074**	**31,172**
Fixed assets	155	529	1,106	2,649	5,998	10,334	13,437
Investments	42	80	534	144	144	144	144
Deferred tax asset	(0)	1	32	9	59	109	159
Total assets	**2,223**	**4,543**	**26,996**	**38,567**	**45,424**	**50,574**	**38,102**
Liabilities							
Share capital	82	989	1,847	1,847	1,847	1,847	1,847
Reserves	934	1,022	13,071	17,050	18,049	18,717	19,558
Shareholders' funds	**1,016**	**2,012**	**14,918**	**18,897**	**19,896**	**20,564**	**21,405**
Debt	1,207	2,359	11,695	18,205	21,135	22,084	23,493
Minorities	-	-	0	14	14	14	14
Total liabilities	**2,223**	**4,370**	**26,613**	**37,116**	**41,045**	**42,662**	**44,912**

Source: Company data, Credit Suisse estimates

Figure 107: **Summary cash flow**

Year-end 31 March (Rs mn)	FY05A	FY06A	FY07A	FY08A	FY09E	FY10E	FY11E
EBIT	741	1,497	4,273	6,563	2,113	1,753	2,026
Depreciation	20	42	143	239	284	338	531
Taxes paid	(72)	(401)	(1,013)	(1,906)	(347)	(232)	(288)
Non-cash adjustments	(36)	(99)	(242)	(658)	(320)	(310)	(310)
Change in working capital	(392)	(2,163)	(16,128)	(10,609)	(2,758)	2,769	902
Operating cash flow	**260**	**(1,124)**	**(12,967)**	**(6,370)**	**(1,028)**	**4,318**	**2,861**
Change in fixed assets	(133)	(414)	(721)	(1,766)	(3,634)	(4,674)	(3,634)
Change in investments	(39)	(38)	(460)	396	-	-	-
Investment cash flow	**(173)**	**(452)**	**(1,181)**	**(1.369)**	**(3,634)**	**(4,674)**	**(773)**
Change in debt	722	1,152	9,337	6,510	2,930	949	1,409
Change in equity	-	-	10,960	383	-	-	-
Interest income/(expenses)	26	72	49	267	(388)	(485)	(529)
Dividend paid	(19)	(74)	(540)	(648)	(108)	(108)	(108)
Financing cash flow	**729**	**1,150**	**19,805**	**6.512**	**2,434**	**355**	**773**
Extraordinary items	(2)	(2)	(612)	(2)	-	-	-
Total cash flow	**815**	**(429)**	**5,045**	**(1,229)**	**(2,228)**	**0**	**(0)**
Year beginning cash	26	841	412	5,458	4,228	2,000	2,000
Year-end cash	841	412	5,458	4,228	2,000	2,000	2,000

Source: Company data, Credit Suisse estimates

Figure 108: **Key operating metrics**

Year-end 31 March (Rs mn)	FY05A	FY06A	FY07A	FY08A	FY09E	FY10E	FY11E
Growth YoY (%)							
Revenue	170.4	112.3	134.6	17.3	(55.0)	(6.8)	26.7
EBITDA	248.8	98.8	189.9	47.2	(66.2)	(14.2)	26.1
PAT	256.7	62.5	173.8	45.2	(73.9)	(30.0)	22.3
EPS	256.7	62.5	119.9	45.2	(73.9)	(30.0)	22.3
Margins (%)							
EBITDA/revenue	23.9	22.4	27.6	34.7	26.1	24.0	23.9
EBIT/revenue	24.4	23.3	28.3	37.1	26.5	23.6	21.5
PAT/revenue	21.7	16.6	19.3	24.0	13.9	10.5	10.1
Other metrics							
Net debt/equity (x)	.32	.93	.38	.73	.96	.97	1.00
EV/EBITDA (x)	n.a.	n.a.	5.3	4.8	16.8	20.1	16.6
RoCE (%)	43.3	33.0	20.8	14.2	4.1	3.2	3.5
RoAE (%)	94.3	70.5	34.6	25.1	5.7	3.8	4.5
Book value per share (Rs)	6.8	13.6	80.8	102.3	107.7	111.3	115.9

Source: Company data, Credit Suisse estimates

Appendix I: Market trends by city

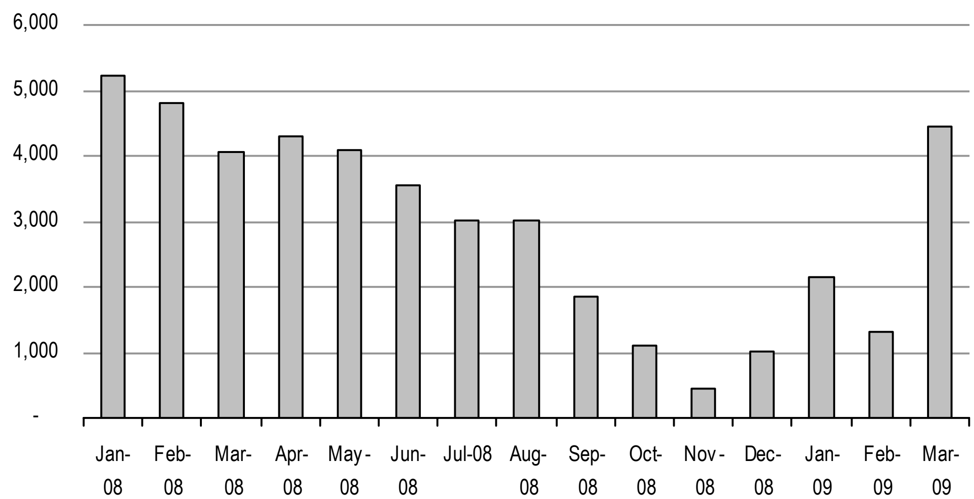
Mumbai market trends

We expect affordable housing and attractively priced city-centric projects to dominate the Mumbai property market in the next 12 months. Commercial demand is likely to remain weak and with large planned supply in Lower Parel and BKC, we expect rents to remain under pressure. Retail supply is expected to be significantly higher than demand, putting further pressure on the weakening rents.

Residential segment

Residential demand is looking up, with volumes in March 2009 showing a good pick-up on the back of new launches. Most of the recent launches have been in the affordable housing category and have seen a good response.

Figure 109: **March 2009 volume showed a good pickup on the back of new launches in the affordable housing category (no. of apartments)**



Source : PropEquity Research, Credit Suisse estimates

Residential prices have corrected to up 23% from the peak in Mumbai. The correction in the mid-market segment has been lower than that for high-end projects in similar locations. More recently, after the election results, developers have increased prices for most of their projects by 5-10%.

Figure 110: **Residential price trends**

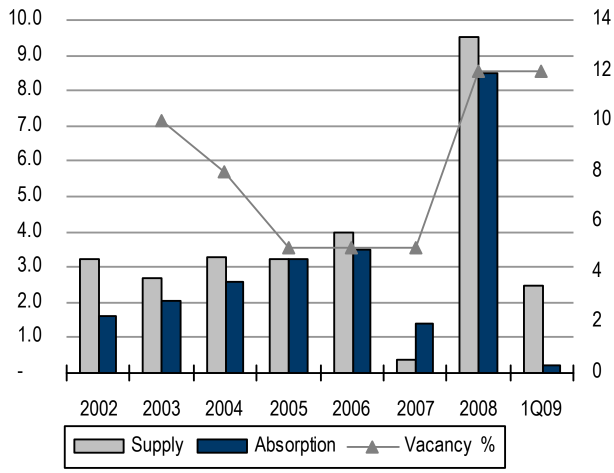
	Capital value	Price trends (%)		
High-end	**Rs/sq ft**	**3M**	**6M**	**12M**
South Central (Napeansea Rd, Pedder Rd, etc.)	45,000-62,000	-4	-11	-10
North (Bandra, Khar, etc.)	22,000-27,000	-9	-18	-18
Far North (Andheri, Goregaon, etc.)	7,500-11,000	-10	-21	-21
Mid-end				
South Central (Napeansea Rd, Pedder Rd, etc.)	34,000-43,000	0	-4	-4
North (Bandra, Khar, etc.)	13,000-19,000	-3	-6	-6
Far North (Andheri, Goregaon, etc.)	6,000-8,000	-10	-20	-23

Source: Cushman & Wakefield, Credit Suisse estimates

Commercial segment

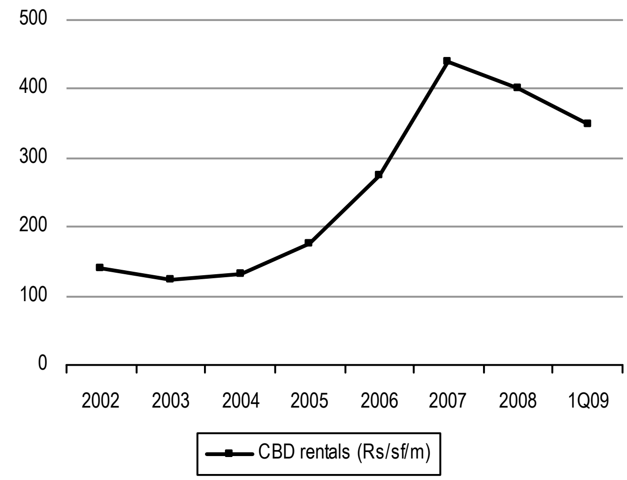
Supply of office space in 2008 outstripped demand, resulting in vacancy rates rising to close to 12%. Office rentals are down 20% from their peak in 2007.

Figure 111: **Vacancy rates have risen sharply**



Source: Cushman & Wakefield, Credit Suisse estimates

Figure 112: **CBD rentals are down 20% from their peak**

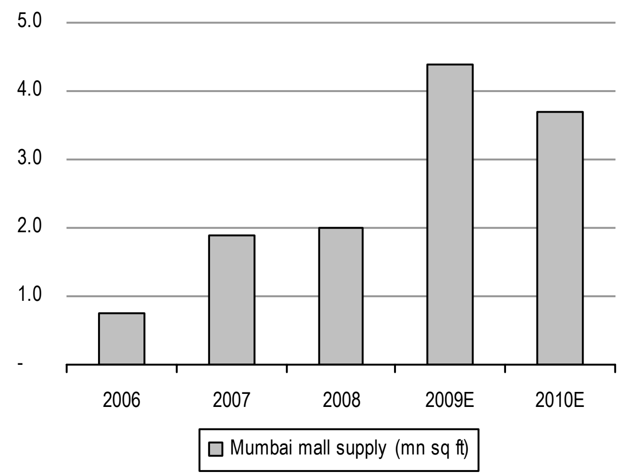


Source: Cushman & Wakefield, Credit Suisse estimates

Retail segment

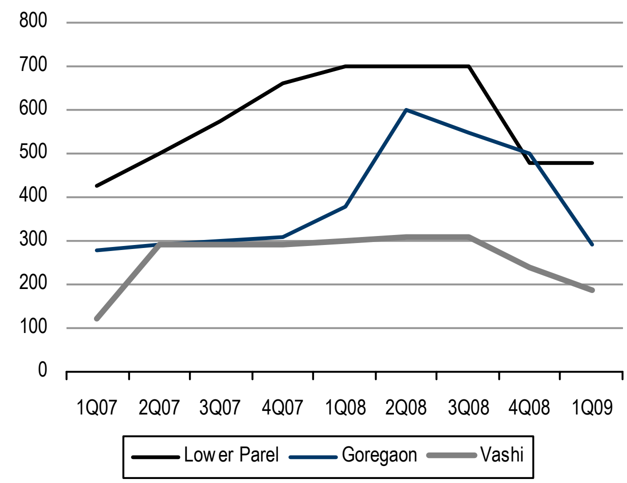
2009 and 2010 are expected to see significant mall space additions. This would put further pressure on rentals, which have already seen a 25-40% correction from levels a year ago.

Figure 113: **Large mall space is slated for completion in 2009 and 2010**



Source: Cushman & Wakefield, Credit Suisse estimates

Figure 114: **Prime mall rentals are down 25-40% from one year ago**



Source: Cushman & Wakefield, Credit Suisse estimates

NCR market trends

We expect affordable housing in Gurgaon and Noida and attractively priced city-centric projects in Delhi to dominate the NCR property market in the next 12 months. Commercial demand is likely to remain weak and we expect vacancy rates to rise to mid-teens in 2009. Retail supply is expected to be significantly higher than demand, putting further pressure on the weakening rents.

Residential segment

Residential prices have corrected by as much as 10-20% from the peak in Gurgaon, Noida and Delhi. Recent launches have been at even lower price points as developers have cut down on the projects specifications in order to price the projects attractively.

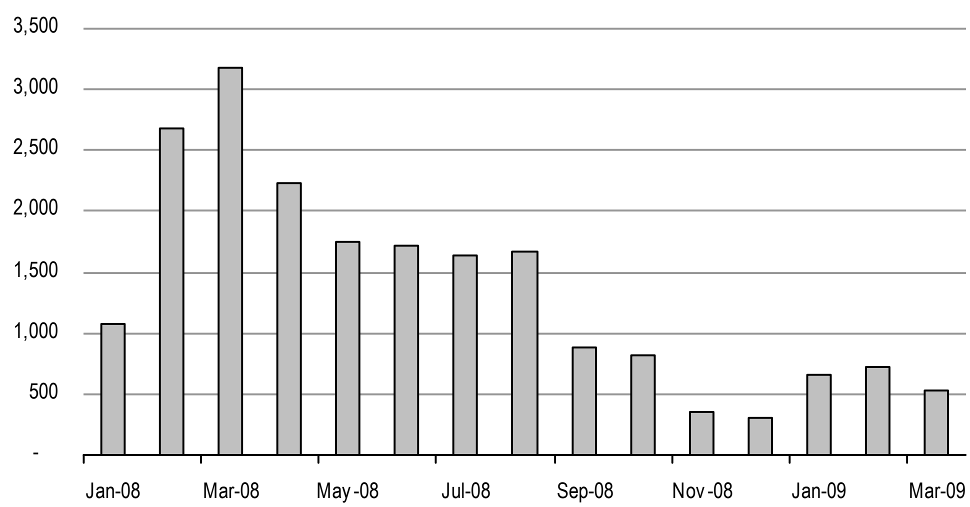
Figure 115: **Residential price trends**

	Capital value	Price trends (%)		
High-end	**Rs/sq ft**	**3M**	**6M**	**12M**
South East (GK I&II, Friends colony)	20,000-23,000	0	-12	-12
Gurgaon	5,000-11,000	-1	-9	7
Noida	5,200-6,200	0	-12	-12
Mid-end				
South East (GK I&II, Friends colony)	18,000-20,000	0	-10	-10
Gurgaon	3,800-5,000	-2	-20	-20
Noida	3,000-4,500	0	-17	-17

Source: Cushman & Wakefield, Credit Suisse estimates

Primary residential volumes in Gurgaon have seen only a marginal pick-up. Incremental volumes have been largely in the new launches seen 1Q09. Large investor stock in Gurgaon has meant that the pick-up in secondary volumes will take time to translate into primary volumes for developers.

Figure 116: **Gurgaon volumes have picked up only marginally (no. of apartments)**

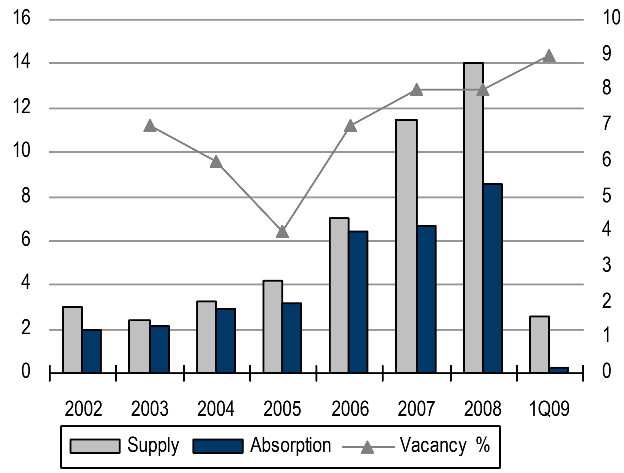


Source : PropEquity Research, Credit Suisse estimates

Commercial segment

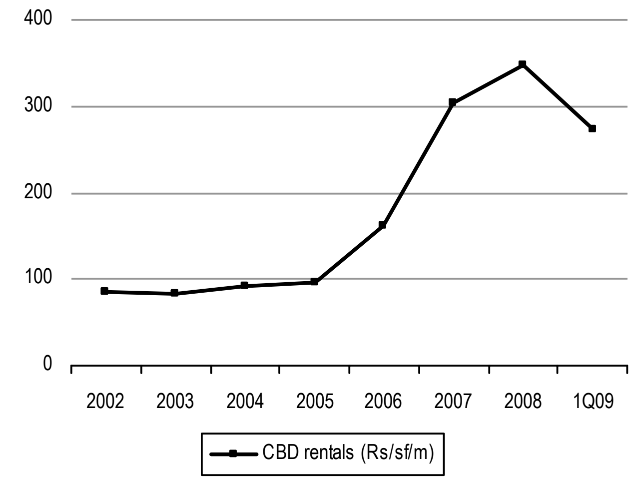
Supply of office space in 2008 outstripped demand, resulting in vacancy rates rising to close to 8%. Office rentals are down 20% from their peak in 2007. With a lot more office supply expected in 2009, we expect vacancy rates to increase to mid-teens in 2009.

Figure 117: **Vacancy rates set to rise to mid-teens in 2009**



Source: Cushman & Wakefield, Credit Suisse estimates

Figure 118: **CBD rentals are down 20% from their peak**

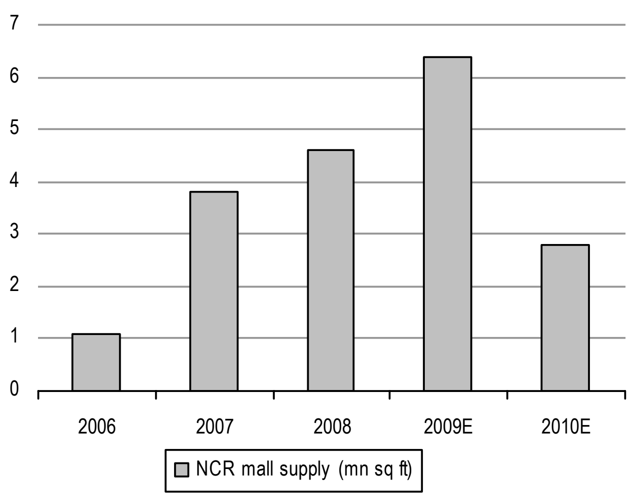


Source: Cushman & Wakefield, Credit Suisse estimates

Retail segment

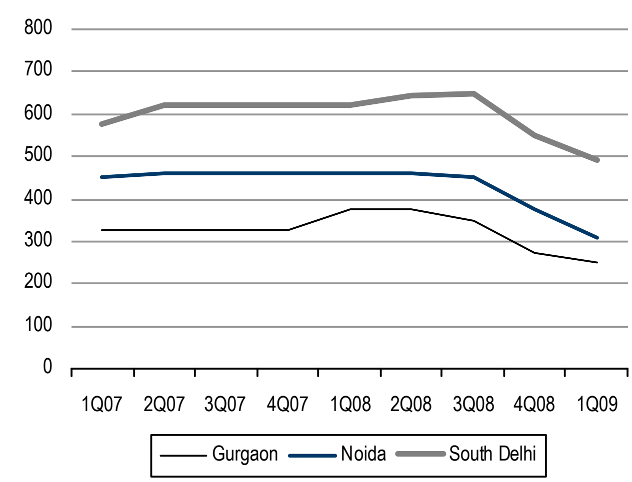
2009 and 2010 are expected to see significant additional mall space. This would put further pressure on rentals, which have already seen a 25-35% correction from levels a year ago. Over 6 mn sq ft of additions are expected in 2009 after 4.6 mn sq ft of additions in 2008.

Figure 119: **Mall supply to substantially increase in 2009 and 2010**



Source: Cushman & Wakefield, Credit Suisse estimates

Figure 120: **Prime mall rentals are down 25-35% from the peak**



Source: Cushman & Wakefield, Credit Suisse estimates

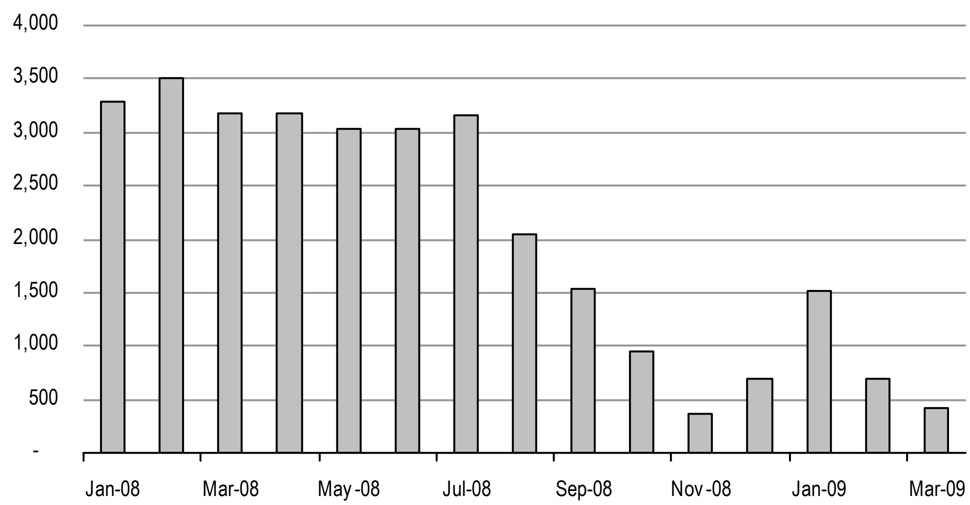
Bangalore market trends

We expect weak residential demand in Bangalore to continue, given the slowdown in the IT sector. Volumes have not seen a meaningful pick-up to date. Commercial space vacancy is already high at 16%. Retail mall rentals are expected to come under significant pressure, given the large supply expected in 2009 and 2010.

Residential segment

The majority of the demand in Bangalore is from people working in the IT/ITES sector. The slowdown in the IT/ITES sector has had a big impact on demand. Consequently, volumes have not seen a significant improvement.

Figure 121: **Volume pickup seen in January 2009 hasn't been sustained**



Source: PropEquity Research, Credit Suisse estimates

Residential prices have corrected by 3-17% in the last six months in Bangalore. The recent launches have been at an even lower price points, as developers have cut down on the projects specifications in order to price the projects attractively.

Figure 122: **Residential price trends**

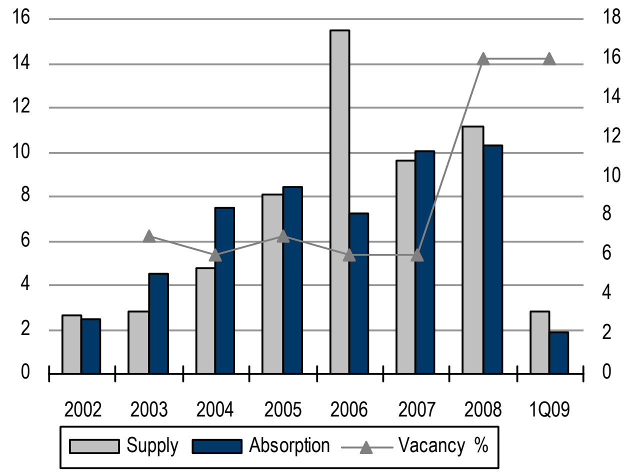
	Capital value	Price trends (%)		
High-end	**Rs/sq ft**	**3M**	**6M**	**12M**
Central (Lavelle Rd, Ulsoor Rd)	13,000-16,000	-9	-17	-16
South (Koramangala)	6,800-8,800	-3	-13	-13
North (Hebbal, Yelahanka)	5,500-7,500	-7	-7	-7
Mid-end				
Central (Lavelle Rd, Ulsoor Rd)	5,500-6,500	-6	-14	-14
South (Koramangala)	4,800-6,300	-4	-8	-8
North (Hebbal, Yelahanka)	2,800-4,000	-3	-3	-3

Source: Cushman & Wakefield, Credit Suisse estimates

Commercial segment

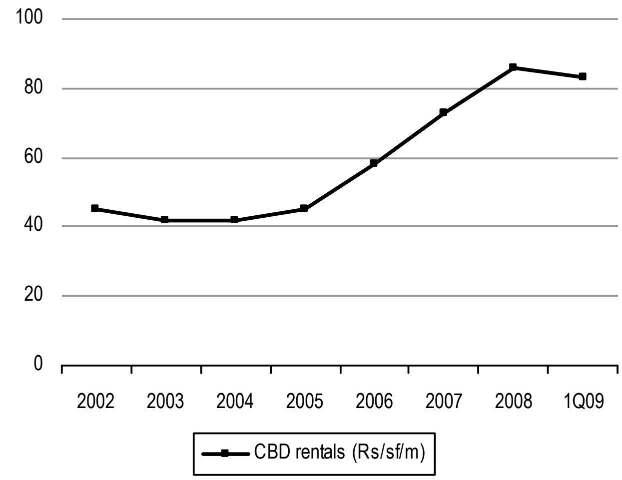
Significant additional office space in 2008 has resulted in vacancy rates rising to close to 16%. The majority of the oversupply has been in the peripheral markets of Whitefield. CBD rentals have seen little correction to date due to the lack of any meaningful supply.

Figure 123: **Vacancy rates are in high teens with significant oversupply in peripheral markets**



Source: Cushman & Wakefield, Credit Suisse estimates

Figure 124: **CBD rentals in Bangalore have seen little correction due to lack of meaningful supply**

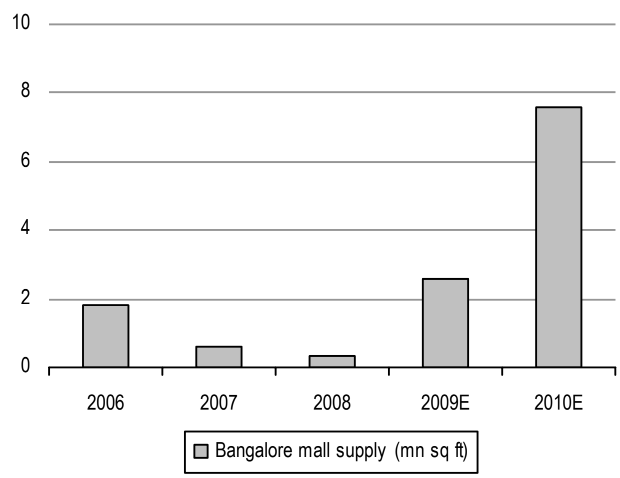


Source: Cushman & Wakefield, Credit Suisse estimates

Retail segment

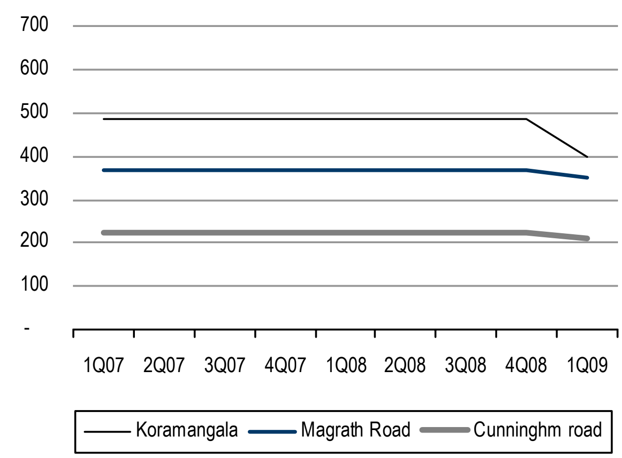
Mall space additions in Bangalore were weak in 2007 and 2008. However, supply is set to increase multifold in 2009 and 2010, which could put pressure on rentals. Rentals are showing signs of weakening in 1Q09 and we expect a 30-40% correction in mall rentals in 2009.

Figure 125: **Mall supply set to increase multifold after hardly any supply in 2007 and 2008**



Source: Cushman & Wakefield, Credit Suisse estimates

Figure 126: **The lack of mall supply resulted in stability in rentals**



Source: Cushman & Wakefield, Credit Suisse estimates

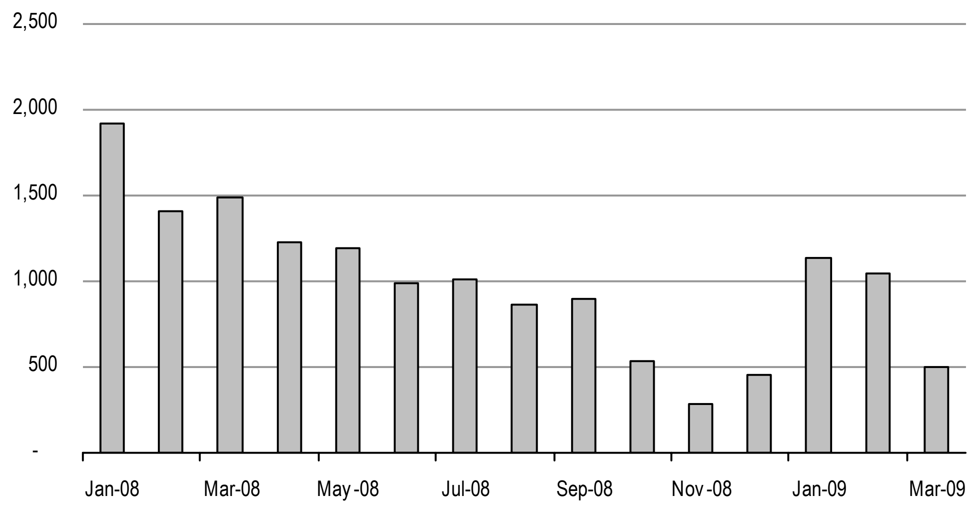
Chennai market trends

We expect decent residential demand in Chennai given the 18-20% correction in prices seen in the upcoming locations. However, planned supply in these locations is still very large. Commercial demand is likely to remain weak and we expect vacancy rates to remain in mid-teens until at least 2011. Mall rentals have declined 12-22% from the peak and we expect a further 20-30% correction given the large number of completions expected in 2009.

Residential segment

Residential volumes in the first three months of 2009 have been encouraging. The recent launches at lower prices have triggered a recovery in demand.

Figure 127: **2009 absorption trends have been positive (no. of apartments)**



Source: PropEquity Research, Credit Suisse estimates

Residential prices at high-end projects have remained fairly stable on account of no new supply announced in the last 12 months. Prices in the upcoming locations have seen a 15-20% correction as developers faced with oversupply and falling demand resorted to price cuts.

Figure 128: **Residential price trends**

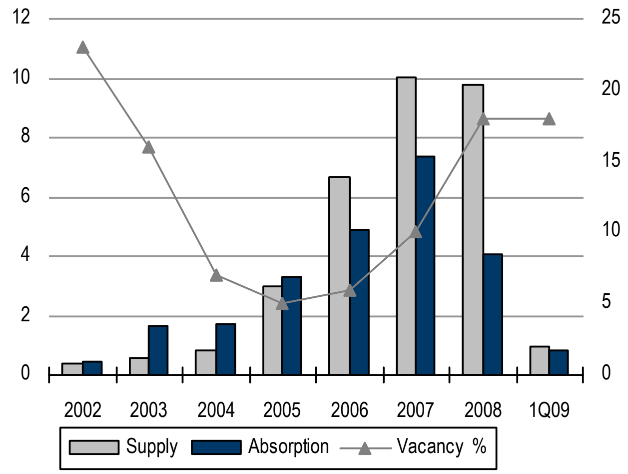
	Capital value	Price trends (%)		
High-end	**Rs/sq ft**	**3M**	**6M**	**12M**
Adyar	5,500-9,000	-6	-6	-6
Anna Nagar	6,000-9,000	0	0	0
Kilpauk	4,000-8,000	0	0	0
Mid-end				
Adyar	4,500-6,500	0	0	0
Perungudi	2,500-2,800	-13	-18	-18
Velachery	3,800-4,000	-3	-3	-3

Source: Cushman & Wakefield, Credit Suisse estimates

Commercial segment

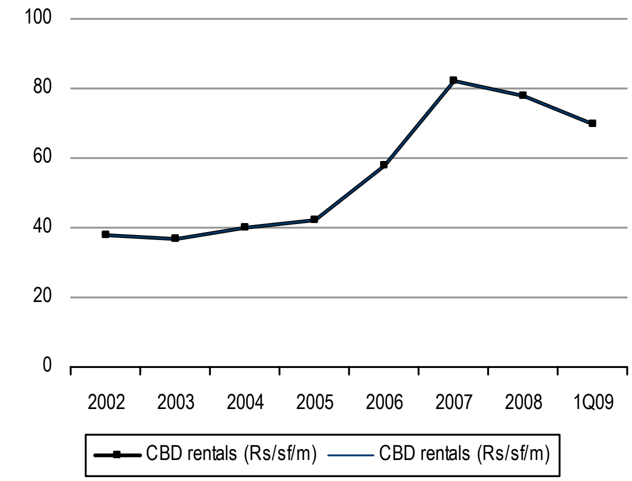
Supply in 2008 increased substantially from locations such as OMR Road and Siruseri, resulting in a sharp increase in vacancy rates to 18%. We expect vacancy rates to remain in the high teens until at least 2011. CBD rentals corrected only 15% from the peak, as most of the new supply was in peripheral locations.

Figure 129: **large supply in 2008 pushed vacancy rates to around 18% in 2008**



Source: Cushman & Wakefield, Credit Suisse estimates

Figure 130: **CBD rentals are only down 15% from the peak**

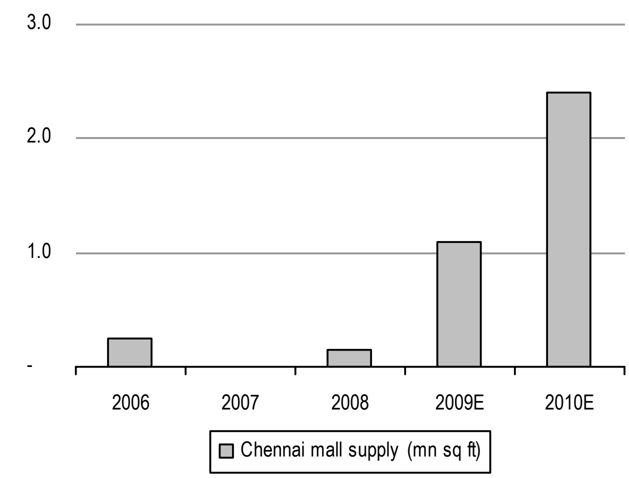


Source: Cushman & Wakefield, Credit Suisse estimates

Retail segment

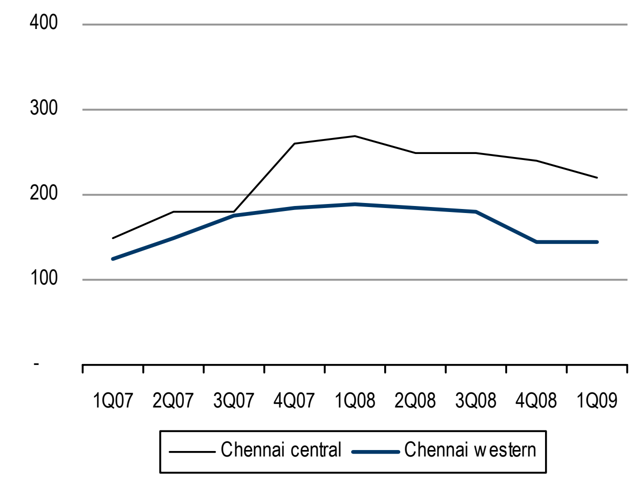
Mall space additions in Chennai were weak in 2007 and 2008. However, supply is set to increase multifold in 2009 and 2010, which could pressure on rentals. Rentals have declined 12-22% from the peak and we expect a further 20-30% correction in mall rentals in 2009.

Figure 131: **2009 and 2010 expected to witness large mall space additions**



Source: Cushman & Wakefield, Credit Suisse estimates

Figure 132: **Retail mall rentals have declined 12-22% from the peak**



Source: Cushman & Wakefield, Credit Suisse estimates

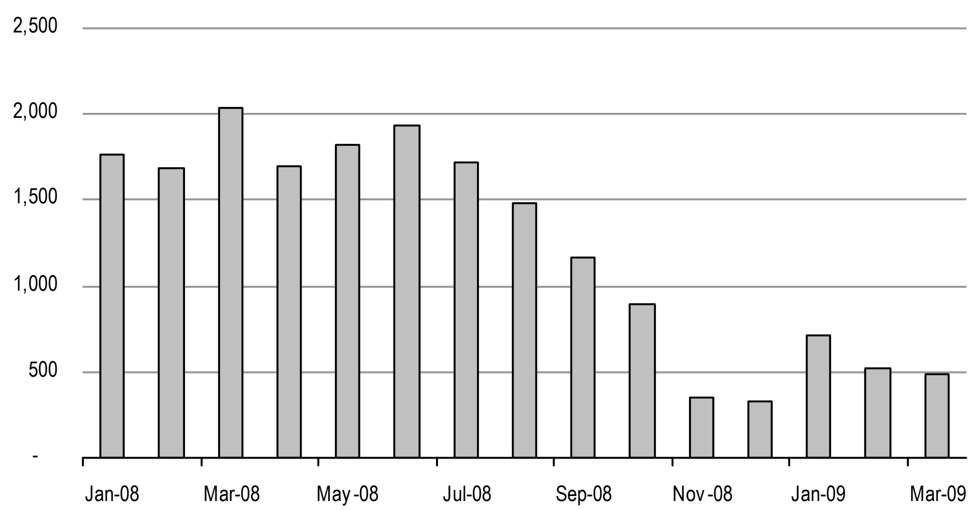
Hyderabad market trends

We expect weak residential demand in Hyderabad to continue, given the slowdown in the IT sector. Volumes have not seen a meaningful pick-up to date. Commercial vacancy rates are above 20%, as supply has not been able to adjust to the lower demand. It is already high at 16%. Retail mall rentals have corrected 30-40% from the peak and will remain under pressure given the large supply expected in 2009 and 2010.

Residential segment

While absorption in 2009 has increased over the November-December 2008 levels, they still remain weak. Similar to the concern in the Bangalore market, the majority of demand is from people working in the IT/ITES sector. Volumes will take time to pick up.

Figure 133: **No meaningful pick-up in residential volumes (no. of apartments)**



Source: PropEquity Research, Credit Suisse estimates

Residential prices have corrected by up to 8-20% from the peak in Hyderabad. A larger correction was seen in the upcoming locations, like Kukatpally where the announced supply was far higher than demand.

Figure 134: **Residential price trends**

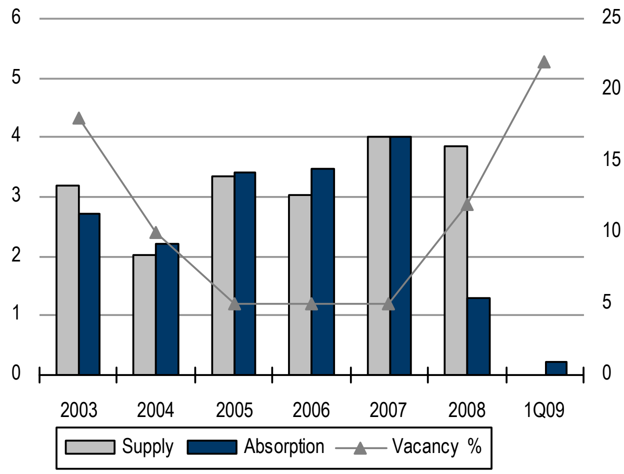
	Capital value	Price trends (%)		
High-end	**Rs/sq ft**	**3M**	**6M**	**12M**
Banjara Hills	5,900-6,100	-12	-8	-8
Madhapur/Gachibowli	3,500-4,100	-7	-16	-16
Kukatpally	3,100-3,700	-11	-20	-20
Mid-end				
Banjara Hills	3,300-4,100	-3	-8	-8
Madhapur/Gachibowli	2,400-3,000	-4	-10	-10
Kukatpally	2,300-2,800	-2	-9	-9

Source: Cushman & Wakefield, Credit Suisse estimates

Commercial segment

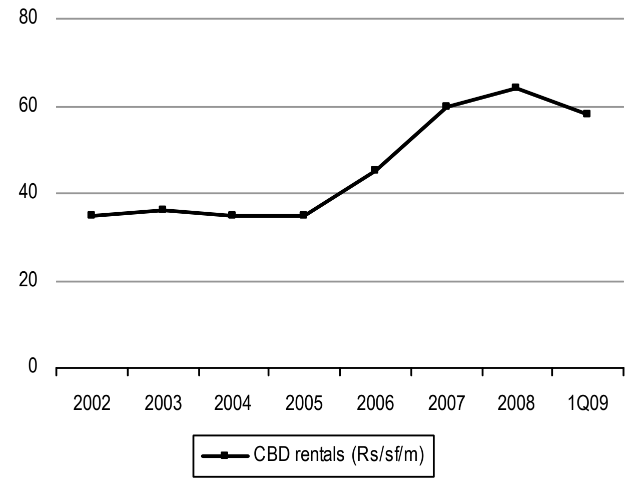
Vacancy rates are above 20% in Hyderabad as absorption has slowed down. Absorption in 2008 was only 30% of 2007 levels. The supply has not been able to fully adjust to the lower demand and we will continue to witness oversupply in 2009 as well.

Figure 135: **Significant dip in absorption in 2008 with the IT/ITES slowdown**



Source: Cushman & Wakefield, Credit Suisse estimates

Figure 136: **CBD rentals are down 10% from the peak**



Source: Cushman & Wakefield, Credit Suisse estimates

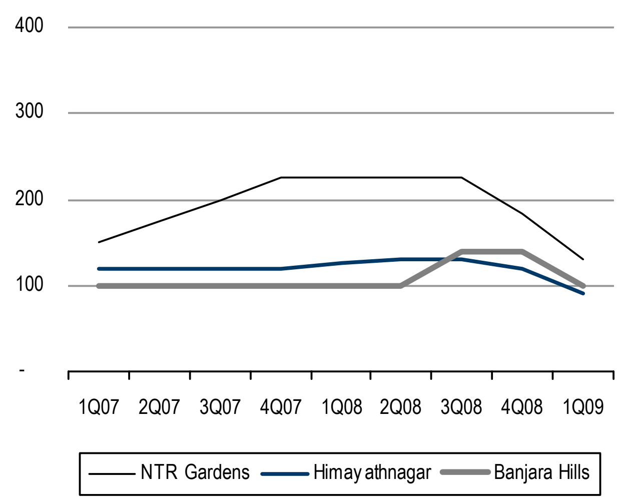
Retail segment

Mall rentals started correcting in 4Q08 in Hyderabad on expectations of a substantial increase in supply in 2009. Rentals have already corrected 30-40% from the peak. Over 6 mn sq ft of mall space is currently slated for completion by 2010.

Figure 137: **Mall space addition trends**

Source: Cushman & Wakefield, Credit Suisse estimates

Figure 138: **Mall rentals are down 30-40% from the peak**



Source: Cushman & Wakefield, Credit Suisse estimates

Kolkata market trends

The Kolkata market has seen a relatively smaller residential price correction as the earlier rise in price was also not as steep as in some of the other tier I/II markets. The office vacancy rate is up 16% on account of the increase in supply in 2008, even as demand slowed down. Retail supply is expected to be significantly higher than demand, putting further pressure on the weakening rentals.

Residential segment

The Kolkata market has seen less residential price correction when compared to most markets. Prices have corrected only 6-14% from the peak, as the earlier rise in prices was not as steep as that seen in the other markets. Given the large supply coming up in Rajarhat, prices have been under relatively more pressure there.

Figure 139: **Residential price trends**

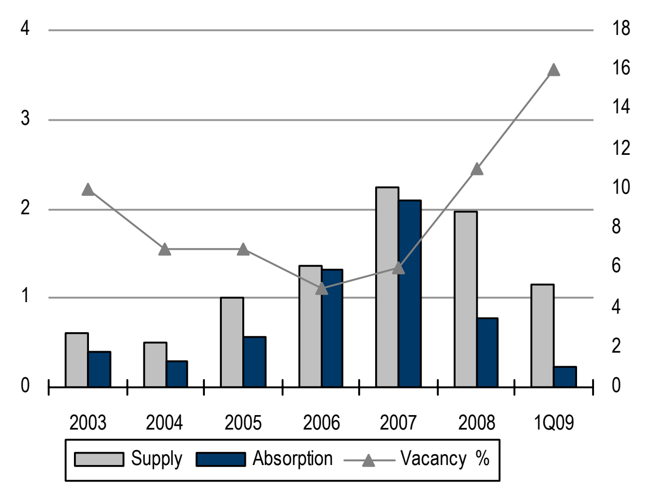
	Capital value	Price trends (%)		
High end	**Rs/sq ft**	**3M**	**6M**	**12M**
South Central (Queens Park, Rainy Park)	8,500-9,500	-5	-8	-8
South East (EM Bypass)	4,200-5,400	-6	-6	-6
Rajarhat	2,200-2,800	-9	-14	-14
Mid end				
South Central (Queens Park, Rainy Park)	4,200-5,200	-6	-6	-6
South East (EM Bypass)	2,300-2,800	-7	-7	-7
Rajarhat	1,700-2,000	-8	-8	-8

Source: Cushman & Wakefield, Credit Suisse estimates

Commercial segment

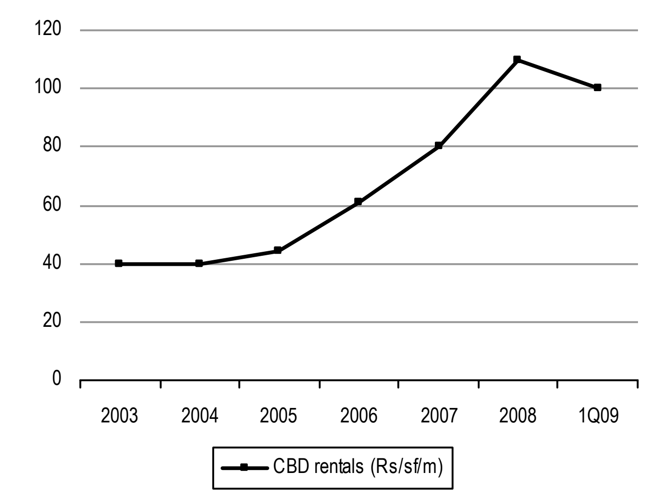
With the increase in supply seen in 2008 and 1Q09, vacancy rates are now at 16%. We expect vacancy rates to increase to over 20% in 2009, with a lot more office supply expected in 2009,.

Figure 140: **Vacancy rates at 16% in 1Q09**



Source: Cushman & Wakefield, Credit Suisse estimates

Figure 141: **CBD rentals have corrected 10% from the peak**

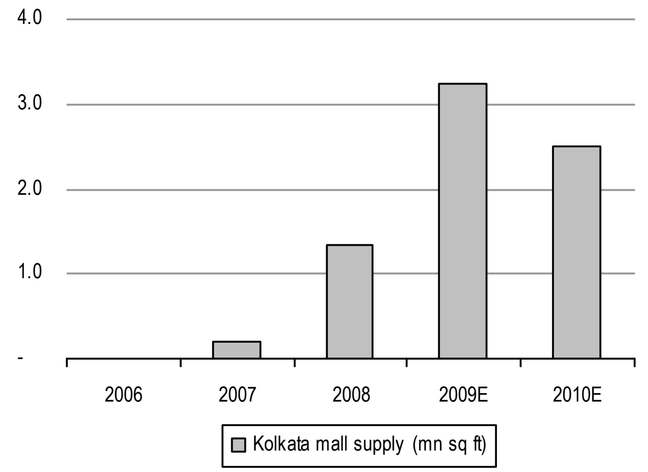


Source: Cushman & Wakefield, Credit Suisse estimates

Retail segment

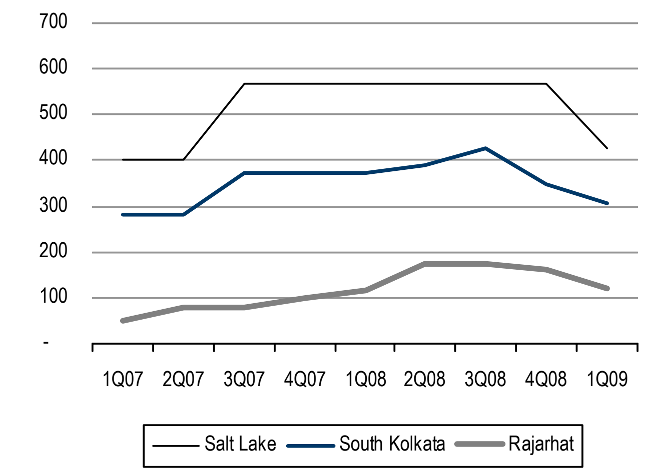
Mall rentals were weak in 2008 as over 1.4 mn sq ft of new retail space was added in 2008. Cumulative supply of over 5.5 mn sq ft is expected by 2010 in Kolkata.

Figure 142: **Mall space addition to continue into 2009 and 2010**



Source: Cushman & Wakefield, Credit Suisse estimates

Figure 143: **Mall rentals have corrected 22-31% from the peak**



Source: Cushman & Wakefield, Credit Suisse estimates

Companies Mentioned *(Price as of 19 Jun 09)*
DLF Ltd (DLF.BO, Rs331.50, OUTPERFORM [V], TP Rs390.00)
Indiabulls Real Estate Limited (INRL.BO, Rs200.30, OUTPERFORM [V], TP Rs240.00)
Parsvnath Developers Ltd (PARV.BO, Rs83.15, UNDERPERFORM [V], TP Rs75.00)
Sobha Developers Ltd (SOBH.BO, Rs213.50, NEUTRAL [V], TP Rs210.00)
Unitech Ltd (UNTE.BO, Rs81.05, OUTPERFORM [V], TP Rs100.00)
Akruti City (AKRU.BO, Not Rated, CMP Rs 481.70)
Allgreen Properties (AGRN.SI, S$.92, OUTPERFORM [V], TP S$1.22)
AnantRaj Industries (ANRA.BO, Not Rated, CMP Rs 95.10)
Ansal properties and Infrastructure (ANSP.BO, Not Rated, CMP Rs 57.65)
Capitaland (CATL.SI, S$3.61, OUTPERFORM [V], TP S$4.21)
Cheung Kong Holdings (0001.HK, HK$88.90, NEUTRAL [V], TP HK$86.24)
China Aoyuan Property Group Limited (3883.HK, HK$1.99, NEUTRAL [V], TP HK$1.80)
China Overseas Land & Investment (0688.HK, HK$16.56, NEUTRAL [V], TP HK$16.30)
China Resources Land Ltd (1109.HK, HK$16.50, OUTPERFORM [V], TP HK$22.70)
City Developments (CTDM.SI, S$8.69, NEUTRAL [V], TP S$8.13)
Great Eagle Hdg. (0041.HK, HK$16.16, OUTPERFORM [V], TP HK$19.97)
Greentown China Holdings Ltd (3900.HK, HK$11.00, NEUTRAL [V], TP HK$11.70)
Guangzhou R&F Properties Co Ltd (2777.HK, HK$16.88, NEUTRAL [V], TP HK$18.00)
Hang Lung Properties (0101.HK, HK$24.35, NEUTRAL [V], TP HK$20.10)
HDIL (HDIL.BO, Not Rated, CMP Rs 228.10)
Hongkong Land Holdings (HKLD.SI, $3.40, NEUTRAL, TP $3.17)
Hopson Development Holdings (0754.HK, HK$11.10, OUTPERFORM [V], TP HK$17.40)
Housing Development Finance Corp (HDFC.BO, Rs2300.00, NEUTRAL [V], TP Rs2092.00)
Hysan Development Co. (0014.HK, HK$18.40, NEUTRAL, TP HK$13.83)
ICICI Bank (ICBK.BO, Rs729.00, NEUTRAL [V], TP Rs661.00)
Infosys Technologies Ltd. (INFY.BO, Rs1764.05, OUTPERFORM, TP Rs1825.00, MARKET WEIGHT)
Keppel Land (KLAN.SI, S$2.17, NEUTRAL [V], TP S$2.46)
Kerry Properties (0683.HK, HK$34.25, UNDERPERFORM [V], TP HK$23.64)
LIC Housing Finance (LICH.BO, Not Rated, CMP Rs 580.25)
Omaxe (OMAX.BO, Not Rated, CMP Rs 98.95)
Orbit Corp (ORCP.BO, Not Rated, CMP Rs 165.50)
Puravankara (PPRO.BO, Not Rated, CMP Rs 81)
Shimao Property Holdings Ltd (0813.HK, HK$13.24, OUTPERFORM [V], TP HK$16.50)
Sino Land (0083.HK, HK$12.42, UNDERPERFORM [V], TP HK$7.52)
State Bank Of India (SBI.BO, Rs1690.00, UNDERPERFORM [V], TP Rs1357.00)
Sun Hung Kai Properties (0016.HK, HK$92.85, NEUTRAL [V], TP HK$85.54)
Swire Pacific 'A' (0019.HK, HK$72.45, NEUTRAL [V], TP HK$65.90)
Tata Consultancy Services (TCS.BO, Rs369.00, OUTPERFORM [V], TP Rs362.50, MARKET WEIGHT)
Telenor (TEL.OL, NKr45.05, UNDERPERFORM [V], TP NKr45.00, MARKET WEIGHT)

Wharf Holdings (0004.HK, HK$28.50, OUTPERFORM [V], TP HK$32.63)
Wing Tai Holdings (WTHS.SI, S$1.41, OUTPERFORM [V], TP S$1.51)
Wipro Ltd. (WIPR.BO, Rs380.45, NEUTRAL [V], TP Rs400.00, MARKET WEIGHT)

Disclosure Appendix

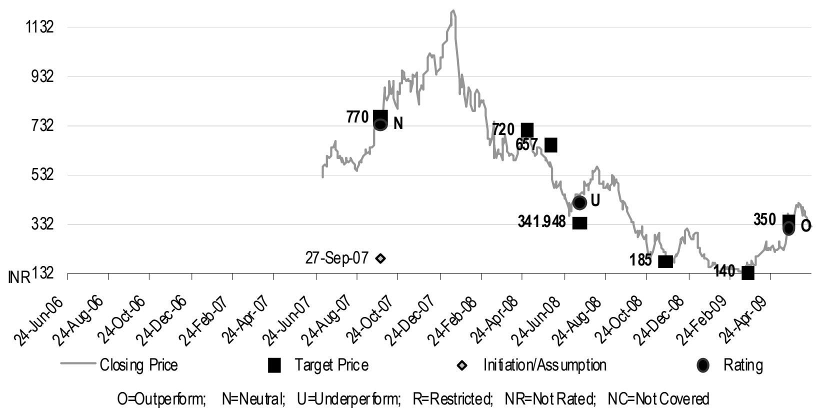
Important Global Disclosures

I, Anand Agarwal, certify that (1) the views expressed in this report accurately reflect my personal views about all of the subject companies and securities and (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

See the Companies Mentioned section for full company names.

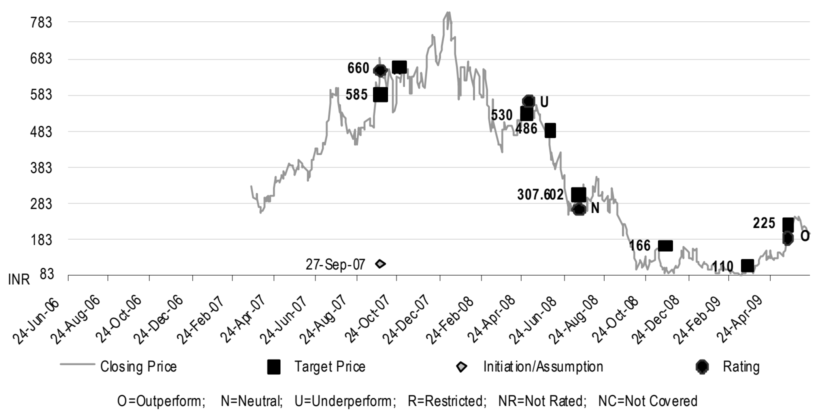
3-Year Price, Target Price and Rating Change History Chart for DLF.BO

DLF.BO Date	Closing Price (INR)	Target Price (INR)	Rating	Initiation/ Assumption
27-Sep-07	741.6	770	N	X
29-Apr-08	725.85	720		
3-Jun-08	582.45	657		
15-Jul-08	426.95	341.948	U	
17-Nov-08	231.45	185		
19-Mar-09	173.35	140		
18-May-09	322.65	350	O	



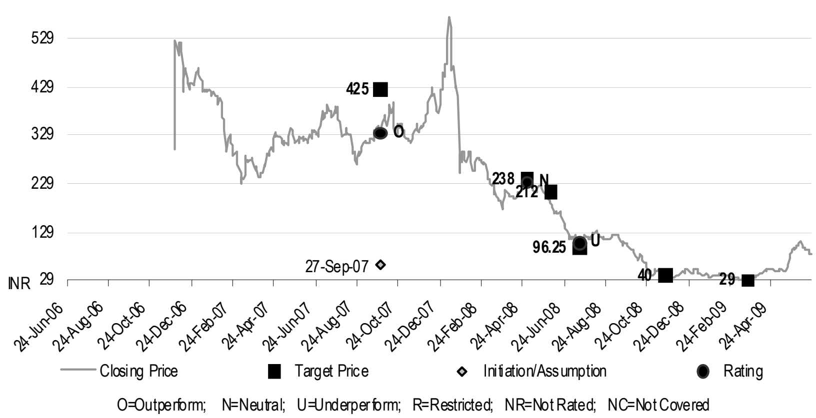
3-Year Price, Target Price and Rating Change History Chart for INRL.BO

INRL.BO Date	Closing Price (INR)	Target Price (INR)	Rating	Initiation/ Assumption
27-Sep-07	653.25	585	N	X
25-Oct-07	627.8	660		
29-Apr-08	557.35	530		
2-May-08	565.65		U	
3-Jun-08	444.45	486		
15-Jul-08	267	307.602	N	
17-Nov-08	101.15	166		
19-Mar-09	95.4	110		
18-May-09	189.55	225	O	



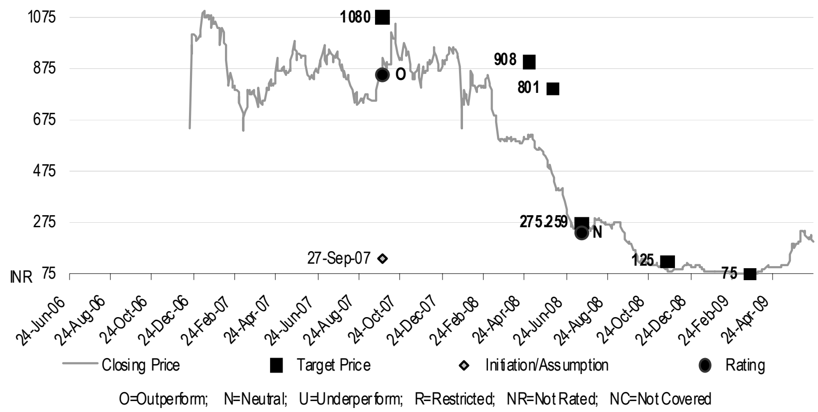
3-Year Price, Target Price and Rating Change History Chart for PARV.BO

PARV.BO Date	Closing Price (INR)	Target Price (INR)	Rating	Initiation/ Assumption
27-Sep-07	334.2	425	O	X
29-Apr-08	233.25	238	N	
3-Jun-08	189.3	212		
15-Jul-08	108.2	96.25	U	
17-Nov-08	40.95	40		
19-Mar-09	35.8	29		



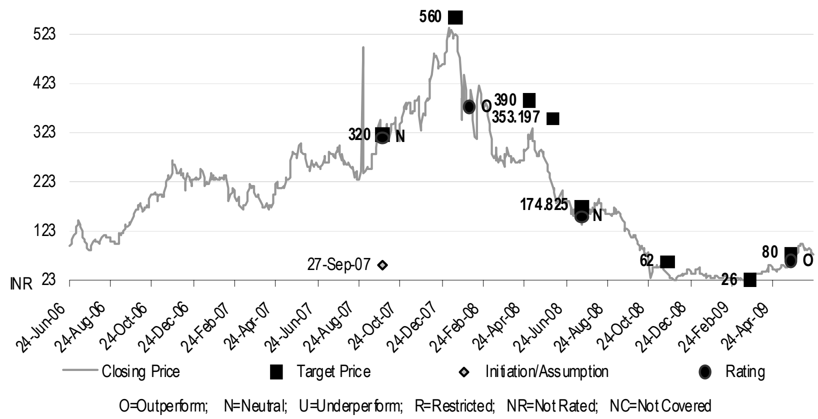
3-Year Price, Target Price and Rating Change History Chart for SOBH.BO

SOBH.BO Date	Closing Price (INR)	Target Price (INR)	Rating	Initiation/ Assumption
27-Sep-07	856.15	1080	O	X
29-Apr-08	622.3	908		
3-Jun-08	470.75	801		
15-Jul-08	240.4	275.259	N	
17-Nov-08	91.45	125		
19-Mar-09	77	75		



3-Year Price, Target Price and Rating Change History Chart for UNTE.BO

UNTE.BO Date	Closing Price (INR)	Target Price (INR)	Rating	Initiation/ Assumption
27-Sep-07	314.25	320	N	X
11-Jan-08	519.55	560		
1-Feb-08	378.65		O	
29-Apr-08	317.5	390		
3-Jun-08	219.3	353.197		
15-Jul-08	153.55	174.825	N	
17-Nov-08	42.75	62		
19-Mar-09	27	26		
18-May-09	64.5	80	O	



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Analysts' stock ratings are defined as follows:

Outperform (O): The stock's total return is expected to outperform the relevant benchmark* by at least 10-15% (or more, depending on perceived risk) over the next 12 months.

Neutral (N): The stock's total return is expected to be in line with the relevant benchmark* (range of ±10-15%) over the next 12 months.

Underperform (U): The stock's total return is expected to underperform the relevant benchmark* by 10-15% or more over the next 12 months.

Relevant benchmark by region: As of 29th May 2009, Australia, New Zealand, U.S. and Canadian ratings are based on (1) a stock's absolute total return potential to its current share price and (2) the relative attractiveness of a stock's total return potential within an analyst's coverage universe, with Outperforms representing the most attractive, Neutrals the less attractive, and Underperforms the least attractive investment opportunities. Some U.S. and Canadian ratings may fall outside the absolute total return ranges defined above, depending on market conditions and industry factors. For Latin American, Japanese, and non-Japan Asia stocks, ratings are based on a stock's total return relative to the average total return of the relevant country or regional index; for European stocks, ratings are based on a stock's total return relative to the analyst's coverage universe**. For Australian and New Zealand stocks a 22% and a 12% threshold replace the 10-15% level in the Outperform and Underperform stock rating definitions, respectively, subject to analysts' perceived risk. The 22% and 12% thresholds replace the +10-15% and -10-15% levels in the Neutral stock rating definition, respectively, subject to analysts' perceived risk.*

***An analyst's coverage universe consists of all companies covered by the analyst within the relevant sector.*

Restricted (R): In certain circumstances, Credit Suisse policy and/or applicable law and regulations preclude certain types of communications, including an investment recommendation, during the course of Credit Suisse's engagement in an investment banking transaction and in certain other circumstances.

Volatility Indicator [V]: A stock is defined as volatile if the stock price has moved up or down by 20% or more in a month in at least 8 of the past 24 months or the analyst expects significant volatility going forward.

Analysts' coverage universe weightings are distinct from analysts' stock ratings and are based on the expected performance of an analyst's coverage universe* versus the relevant broad market benchmark**:

Overweight: Industry expected to outperform the relevant broad market benchmark over the next 12 months.

Market Weight: Industry expected to perform in-line with the relevant broad market benchmark over the next 12 months.

Underweight: Industry expected to underperform the relevant broad market benchmark over the next 12 months.

**An analyst's coverage universe consists of all companies covered by the analyst within the relevant sector.*
***The broad market benchmark is based on the expected return of the local market index (e.g., the S&P 500 in the U.S.) over the next 12 months.*

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	Global Ratings Distribution	
Outperform/Buy*	36%	(58% banking clients)
Neutral/Hold*	42%	(59% banking clients)
Underperform/Sell*	20%	(47% banking clients)
Restricted	2%	

**For purposes of the NYSE and NASD ratings distribution disclosure requirements, our stock ratings of Outperform, Neutral, and Underperform most closely correspond to Buy, Hold, and Sell, respectively; however, the meanings are not the same, as our stock ratings are determined on a relative basis. (Please refer to definitions above.) An investor's decision to buy or sell a security should be based on investment objectives, current holdings, and other individual factors.*

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Price Target: (12 months) for (DLF.BO)

Method: Our price target of Rs390 for DLF is based on a sum-of-the-parts valuation. At our target price, the stock would trade at a 20% premium to our 12-month fwd NAV (Net Asset Value) of Rs320 for DLF. In a rapidly improving environment, we believe a 20% premium to NAV for DLF is justified given a) stable to potentially increasing property prices in FY11; b) improved gearing and lower cost of borrowing; c) potential for faster recovery in volumes and d) new land/projects acquisition leading to increase in NAV.

Risks: The key risks to our Rs390 target price for DLF are: 1) Counter party risk arising from DLF Assets (DAL), a promoter family entity buying commercial assets from DLF; 2) any slowdown/oversupply in NCR and Kolkata, which together account for about 60% of DLF's landbank; and 3) overall slowdown in economic growth in India in general and IT/ITES sector in particular.

Price Target: (12 months) for (INRL.BO)

Method: Our target price of Rs240 for Indiabulls Real Estate is based on sum of the parts with Rs59 for its stake in IPIT, Rs82 (at par to our 12-month forward net asset value) for the real estate business, Rs61 for the net cash on hand, and Rs39 being IBREL's stake in the book value of the power business.

Risks: The key risks to our Rs240 target price for Indiabulls Real Estate are: 1) execution risks given that the company is a new entrant and has no experience in real estate development; 2) Land acquisition risks at some of its larger SEZ projects; 3) overall slowdown in economic growth in India in general and IT/ITES sector in particular; and 4) positive surprise to our target price may come from progress on the Raigarh and Thane SEZs and power projects which are not part of our valuation and investment of surplus cash into NAV accretive projects.

Price Target: (12 months) for (PARV.BO)

Method: We arrive at a target price of Rs75 for Parsvnath on a sum of parts valuation. At our target price, the stock will trade at 40% discount to our NAV of Rs126 for Parsvnath. We believe that the discount is warranted due to 1) a worsening receivable position in a slowing volume environment; and 2) significant exposure to Tier III cities which could be hurt the most by a slowdown in the sector and 3) high gearing.

Risks: The risks to our Rs75 target price for Parsvnath are 1) overall slowdown in economic growth in India in general and IT/ITES sector in particular is a key risk to the real estate business; 2) Increasing competition, delays in infrastructure creation and lack of employment generation in Tier III cities could adversely impact Parsvnath, given that 2/3rd of its land reserves are situated in Tier III cities; 3)Execution risks as the company attempts to complete development of 160msf by FY12 against a track record of having delivered 5.8msf till date; and 4) risk of failure as the company diversifies into telecom services and explore development in overseas market

Price Target: (12 months) for (SOBH.BO)

Method: Our price target of Rs210 for Sobha Developers is based on a sum-of-the-parts valuation. At our target price, the stock will trade at 37% discount to NAV of Rs334 which is justified given a) high gearing; b) large part of the NAV coming from projects to be launched after FY12; and c) relatively small scale, with concentration of landbank in Bangalore

Risks: The key risks to our Rs210 target price for Sobha Developers are: 1) any slowdown in Bangalore market, which accounts for about 48% of Sobha's landbank; 2) strategic derisking by key clients; and 3) overall slowdown in economic growth in India in general and IT/ITES sector in particular.

Price Target: (12 months) for (UNTE.BO)

Method: Our target price for Unitech is Rs100 based on our sum-of-the parts valuation. At our price target, the stock would trade at par to our FY09E NAV (Net Asset Value) of Rs100, with Rs120 as the value of the real estate business, Rs 11 as the value of investment in Telecom and Rs3 as the value of other businesses, with net debt of Rs34. We believe that par to NAV is justified given a) Unitech's improving leverage b) the company's focus on new launches. For the stock to trade at premium to NAV, Unitech will have to demonstrate ability to sell large volumes.

Risks: The key risks to our Rs100 target price for Unitech are: 1) any slowdown/oversupply in Chennai, NCR and Kolkata, which together account for about 62% of Unitech's landbank; 2) execution risks from the significant scale-up in the level of activity. And 3) overall slowdown in economic growth in India in general and IT/ITES sector in particular.

Please refer to the firm's disclosure website at www.credit-suisse.com/researchdisclosures for the definitions of abbreviations typically used in the target price method and risk sections.

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