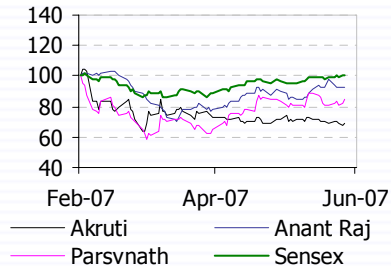
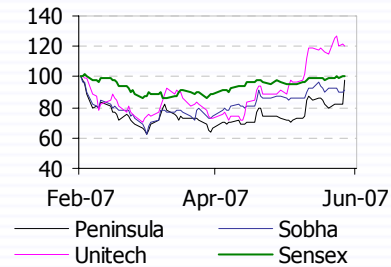


Relative Performance



Source: ENAM Research, Bloomberg

Relative Performance



Source: ENAM Research, Bloomberg

Financial summary

| Company | Price (Rs.) | Mkt cap (USD mn) | Sales (Rs bn) | | EBITDA (Rs bn) | | EPS (Rs.) | | RoE (%) | | RoCE (%) | | Tgt Price (Rs.) | Relative to Sector |
|------------------|-------------|------------------|---------------|-------|----------------|-------|-----------|-------|---------|-------|----------|-------|-----------------|--------------------|
| | | | FY08E | FY09E | FY08E | FY09E | FY08E | FY09E | FY08E | FY09E | FY08E | FY09E | | |
| DLF Ltd | 550^ | 22,869 | 138 | 230 | 95 | 163 | 44.4 | 79.9 | 77 | 62 | 50 | 57 | 404 | UP |
| Unitech Ltd | 546 | 10,868 | 46 | 76 | 20 | 42 | 15.4 | 34.0 | 59 | 68 | 32 | 46 | 526 | N |
| Sobha Dev. | 918 | 1,646 | 16 | 25 | 5 | 8 | 34.5 | 46.8 | 25 | 27 | 20 | 20 | 907 | N |
| Parsvnath Dev. | 318 | 1,443 | 23 | 41 | 8 | 14 | 24.6 | 43.8 | 27 | 37 | 26 | 36 | 483 | OP |
| Anant Raj Indus. | 1,135 | 957 | 8 | 15 | 5 | 9 | 111.5 | 184.7 | 22 | 24 | 21 | 20 | 1,256 | OP |
| Akruiti Nirman | 360 | 590 | 10 | 23 | 3 | 5 | 26.4 | 53.8 | 29 | 41 | 26 | 31 | 352 | N |
| Peninsula Land | 540 | 558 | 6 | 10 | 4 | 6 | 45.3 | 76.1 | 56 | 51 | 34 | 36 | 472 | UP |

Source: Company, ENAM Research, Industry estimates; ^ Assumed at upper price band; Note: OP: Outperformer; N: Neutral; UP: Underperformer

Real Estate Sector Report

Time to 'bank' on execution

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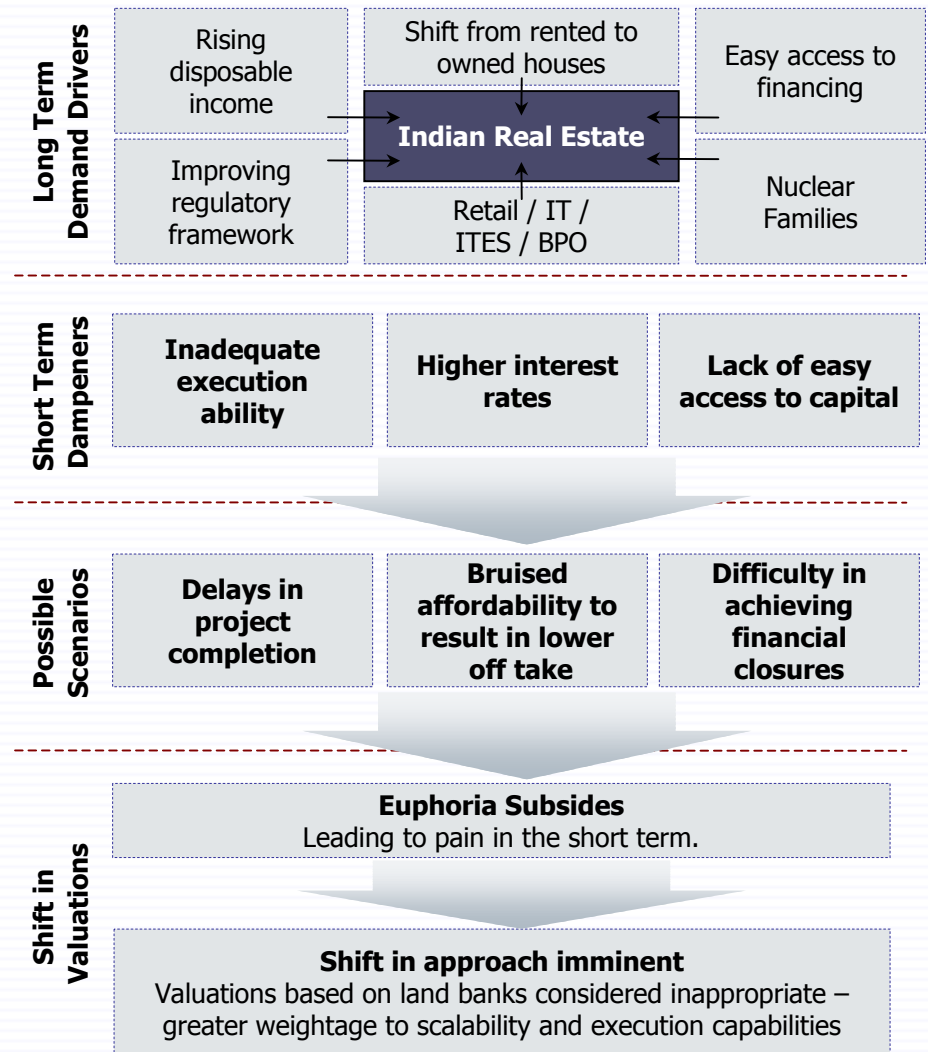
Investment Summary

- ➔ **Much gain after some immediate pain**
 - Robust long term opportunity
 - ▶ Combination of demographics and income growth to continue to catapult demand
 - However, short term conditions unfavourable
 - ▶ Dampened affordability, rising interest rates and oversupply to play spoilsport in the near term

- ➔ **Current valuations: On blue sky scenario**
 - Valuations do not factor near term concerns
 - ▶ Inevitable execution delays and lack of easy access to capital to lower projected RoEs
 - ▶ Subdued demand and the resultant price correction in the short term to affect project IRRs
 - Focus to shift from owning land to execution
 - ▶ Owning land → Actual Execution → Cash flows
 - ▶ Stock prices to remain volatile due to the current expectation-reality mismatch

- ➔ **Recommendations:**
 - Attractive entry points ahead
 - ▶ Stock prices expected to correct to reflect current unfavorable conditions
 - We recommend entry at lower levels to benefit from the secular growth opportunity
 - Initiating coverage on the following companies
 - ▶ **Outperformer:** Parsvnath Developers, Anant Raj
 - ▶ **Neutral:** Unitech, Sobha Developers, Akruti Nirman
 - ▶ **Underperformer:** DLF, Peninsula Land

Indian Realty: Long Term Opportunity Intact



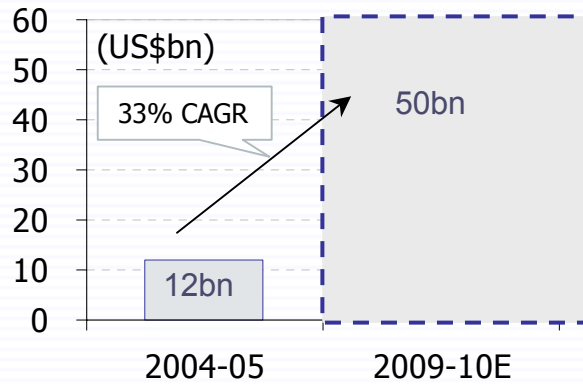
Source: ENAM Research



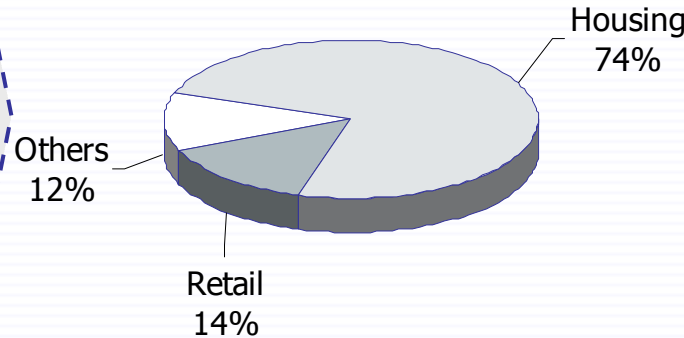
Industry Dynamics

Long Term Opportunity Intact

Real estate market



~USD 50bn market in 2010



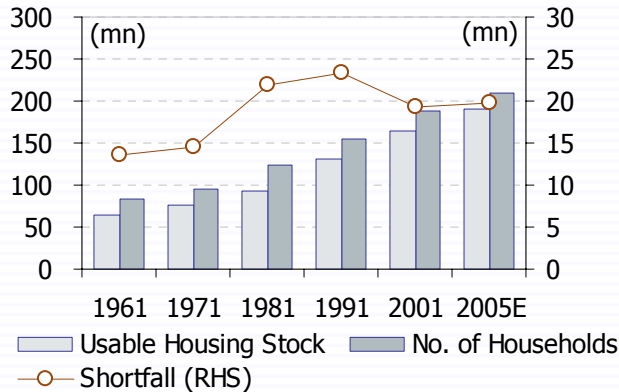
Real Estate Potential in India

- Market expected to grow at 33% thru 2005-10 to USD 50bn
- Housing:** Current shortage seen at ~19.8mn housing units
- 5x increase in office space** over the next 3-5 years
- Over ~200 mn sq. ft. for organized retail** by 2010
- Over **~50,000 new hotel rooms** in the next 5 years

Source: Industry Experts, TSMG estimates, ENAM Estimates

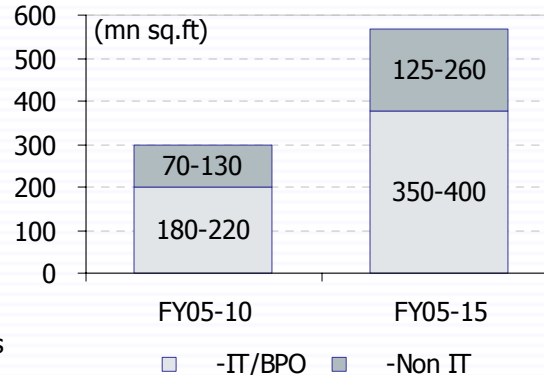
Opportunity for all real estate players - large & still real

Residential



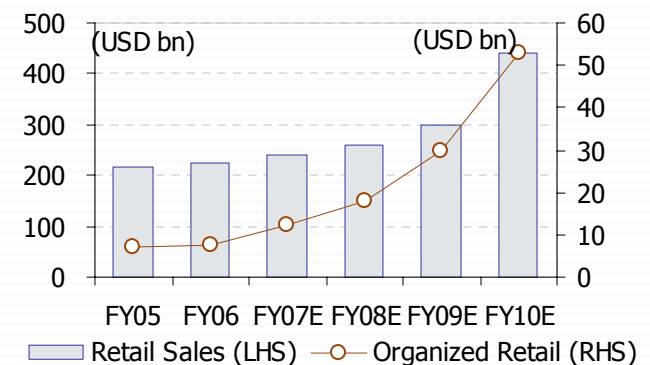
Source: HDFC

Commercial



Source: DGCI and Statistics & Economic Survey

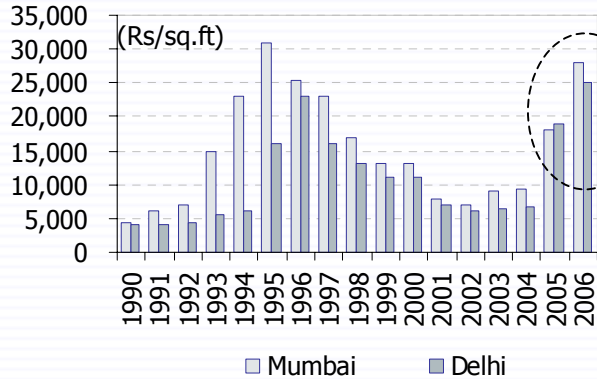
Retail



Source: Images 2006

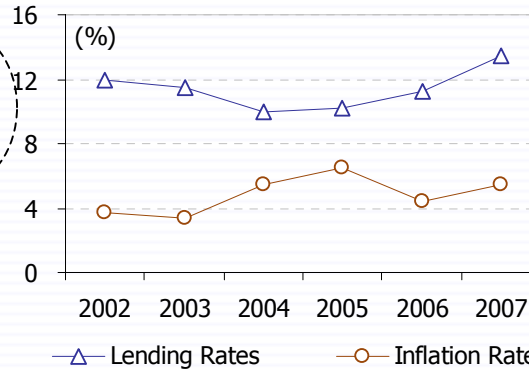
But not without cyclical hiccups...

Rapid surge in property prices



Source: ENAM Research

Higher Interest Rates



Source: HDFC

Sensitivity of EMI to rising rates

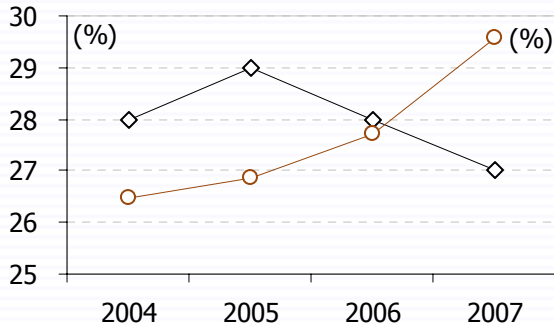
| Interest Rate (%) | EMI (Rs) |
|-------------------|----------|
| 7.5 | 806 |
| 8.5 | 868 |
| 9.5 | 933 |
| 10.5 | 999 |
| 11.5 | 1067 |

Source: ENAM Research;

Note: Tenure/EMI increase for a Rs. 100,000 20 year loan

..Resulting in a shift to lower gear in the short term

Higher interest rates leading to slowdown in off take

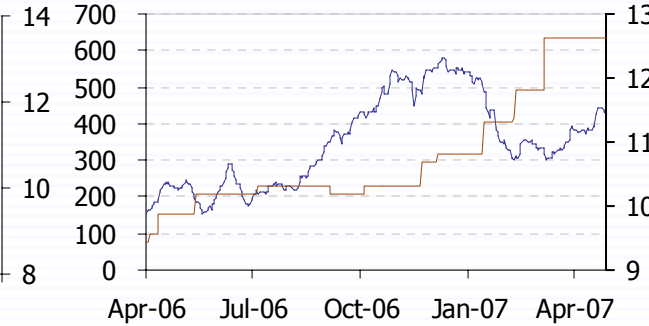


Source: HDFC, Trammell Crow Meghraj, ENAM Research

Free float weighted index of stocks under coverage and Ansal Housing, Ansal Properties & D.S Kulkarni Developers

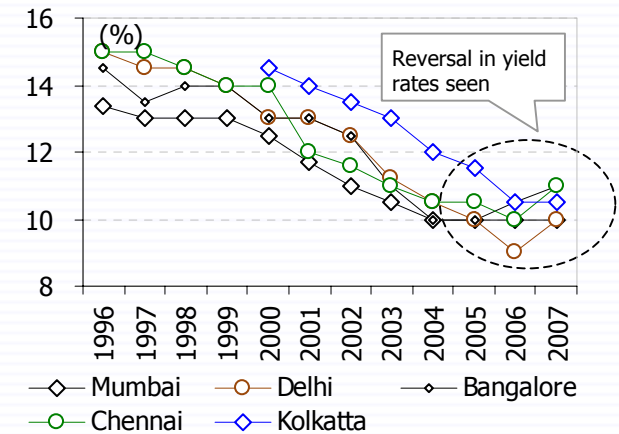
* Average of home loan rates for HDFC Bank and ICICI Bank

Real estate sector highly sensitive to interest rates



Real Estate Index (LHS)#
* Interest Rate Index (RHS)*

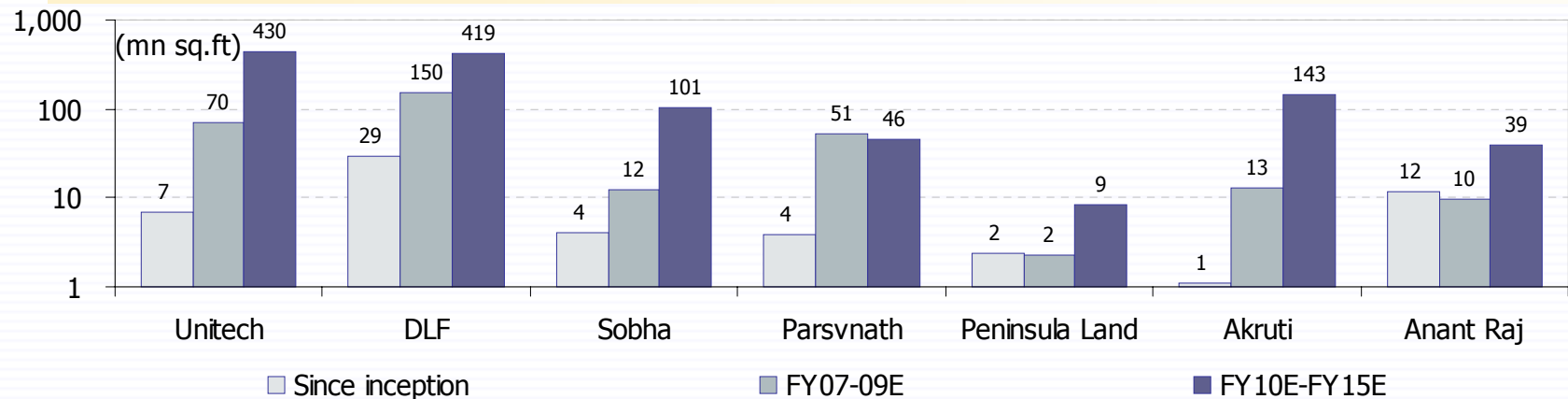
Yield Rates Bottoming out



While mortgage rates are being seen as peaking out, another 25bps hike (expected) could further derail the sector's growth trajectory in the near term

Blue sky assumptions to be tested

Huge Scale up in Execution: Can it be achieved?



Source: Company estimates

Valuations based on 10-15x Scale up from current execution levels

Even if achieved, this would lead to either/both of the following scenarios:

Over Build -> Price Crash -> Consolidation

- Increased supply to lead to glut in key markets
- Prices lowered to clear inventory
- Consolidation among smaller players
- Shift in focus from volume to quality

Supply withheld-> Prices maintained -> Lower offtake than current assumptions

- Supply withheld to not exceed demand
- Price not allowed to correct
- Off take at lower levels than that assumed in current valuations

Thus, while current players could scale up 5-6x over the longer term, we believe current valuations based on 10-15x scalability are too aggressive

Other implicit assumptions...

| Variable | Assumption | Comment |
|---------------------------|-------------------|---|
| Real estate prices | 5% escalation YoY | Real estate prices have moved up significantly in the last 2 years, with signs of cooling off being seen Unsustainable growth rate of prices to stabilize, if not fall Competition may lead to undercutting and a fall in prices for all |
| Demand | Sustainable | Developers are planning to build 10-15x their total development since inception Most of the portfolio consists of residential offerings targeting the top 10 to 15 cities Can all players sell all the stock being developed in such an aggressive timeframe? |
| Interest Rate & Liquidity | Easy Access | Mortgage rates have risen by at least 4% from the bottom over the past 18 months RBI clamps down on Bank funding through adverse risk weights and other measures |

...may not hold water in light of the current scenario

Prices stagnating in pockets

| City | Residential | Trend | Commercial | Trend |
|------------------|-------------------------------------|-------|-------------------------|-------|
| Bangalore | Marathalli, Whitefield, Airport Rd. | ↔ | Peripheral - ITPL | ↔ |
| | Banerghatta Road | ← | Whitefield /Elect. City | ↔ |
| | Indiranagar, Cunningham Road | ↔ | Peripheral Outer Ring | ← |
| Mumbai | South | ↔ | South | ↔ |
| | Central | ↔ | Suburban | ↔ |
| | Suburban | ↔ | Navi Mumbai | ↔ |

Source: Cushman & Wakefield ← Stagnant, likely to rise ↔ Stagnant

Restrictions of Lending to Developers

| Date | Regulation |
|--------|--|
| Apr-06 | Risk weight on exposures to commercial real estate raised to 150 per cent |
| Apr-06 | Provisioning for standard advances raised to 1.0 per cent for residential housing loans beyond Rs.2mn and commercial real estate loans |
| Apr-07 | Proposed clamping down on overseas financing via ECBS for real estate to contain inflation. |

Source: RBI

Adjustment in the current blue sky scenarios to provide attractive entry points, going forward

Massive supply coming...prices already weakening!!

City wise planned supply*

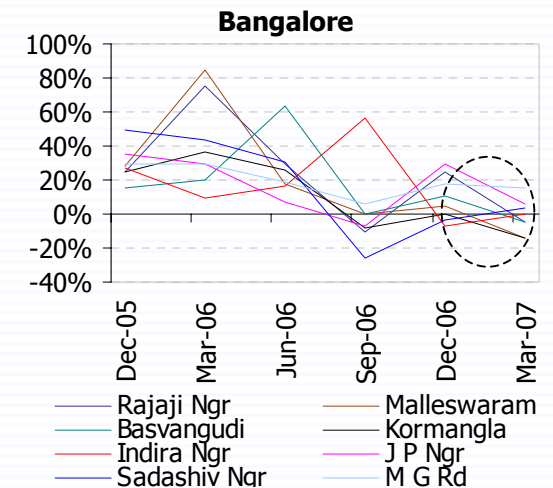
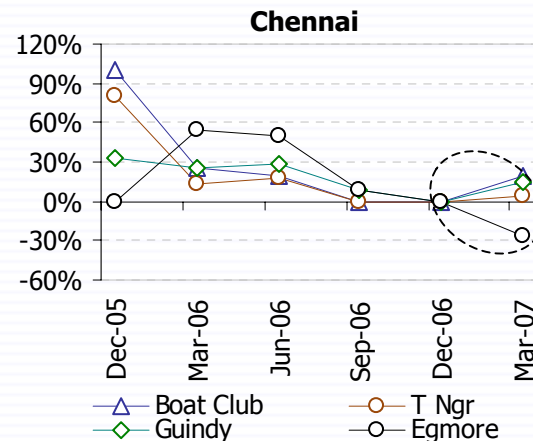
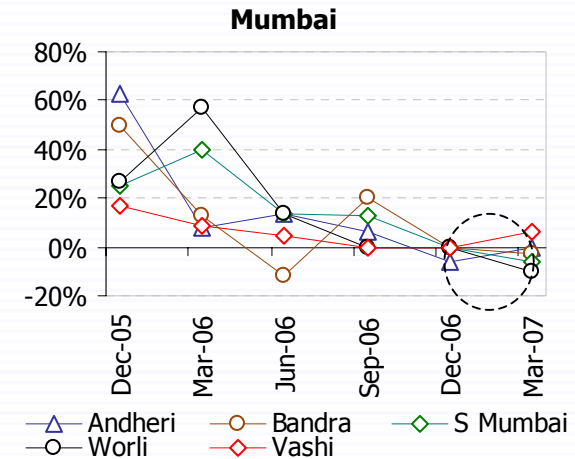
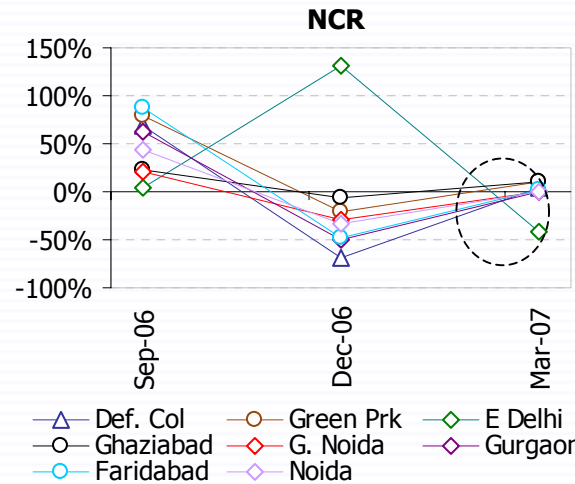
| City | Mn sq. ft. |
|------------------|--------------|
| NCR | 505.9 |
| Residential | 374.6 |
| Commercial | 112.6 |
| Others | 18.5 |
| Chennai | 209.6 |
| Residential | 141.5 |
| Commercial | 37.1 |
| Others | 30.9 |
| Bangalore | 117.8 |
| Residential | 76.4 |
| Commercial | 25.8 |
| Others | 15.6 |
| Kolkata | 305.4 |
| Residential | 245.5 |
| Commercial | 41.7 |
| Others | 18.2 |
| Mumbai | 128.9 |
| Residential | 117.6 |
| Commercial | 8.0 |
| Others | 3.2 |

Executed since inception

| Company | mn sq. ft. |
|------------------|------------|
| Akruti | 1.4 |
| Anant Raj | 11.8 |
| Parsvnath | 3.8 |
| Peninsula Land | 2.4 |
| Sobha Developers | 4.5 |
| Unitech | 7 |
| DLF | 29 |

Source: ENAM Research; *Note: Includes only plans of companies covered in this report

Price trend (q/q) over the last year, given the current supply



Source: Cushman & Wakefield, Knight Frank India

Can the prices truly sustain, given the exponential jump in planned supply?

Valuation approaches will evolve

- ➔ **Consensus on appropriate valuation methodology yet to emerge**
 - Earnings multiple approaches some time away, given uncertainty of execution visibility and monetization of land gains (historical purchase, future land sale v/s construction)
- ➔ **Our recommended valuations approach: Key components**
 1. **Land bank value:** Market value of land based on: Historical cost + appreciation from readying the land for development
 - ▶ Stages: Land acquisition and aggregation -- > title clearances -- > zoning -- > plan approvals and other clearances
 2. **Conversion margin on sold properties:** Multiple on conversion margin – This is based on actual execution schedule of projects without factoring in any land gain
 3. **Leased properties:** Valued as income yielding assets on a rent capitalization basis
 4. **Other real estate related businesses:** Asset management, contractual construction, facilities management, etc valued on a multiple of FY09 operating income
- ➔ **Valuations based on 3 scenarios of Execution**
 - Best Case: Respective company’s estimates
 - Base Case: Our estimate of what the company can execute
 - Bear Case: Execution growth at a 35% p.a. from FYE 07 for all companies

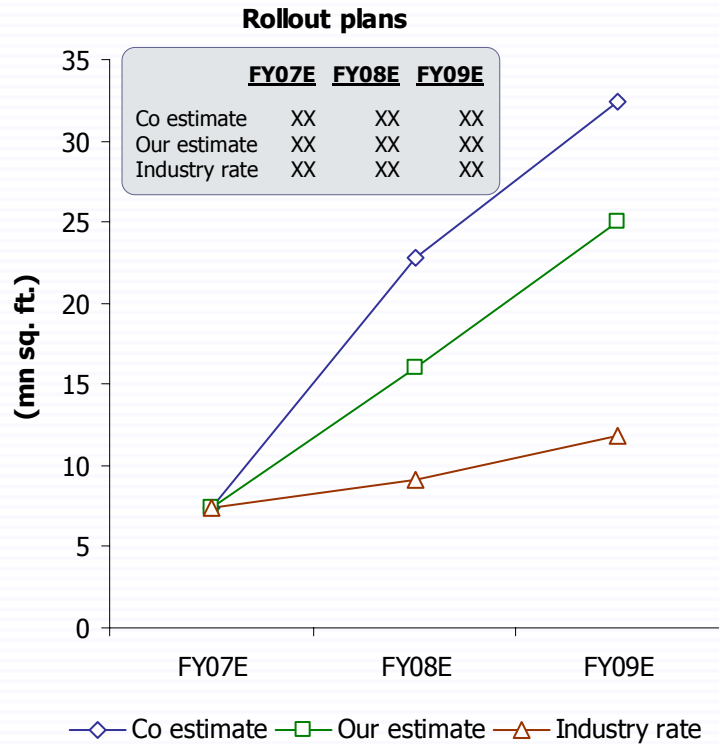
Key Assumptions

| Components of Valuation | Assumptions | | |
|--|-------------|-----------|-----------|
| | Bear Case | Base Case | Best Case |
| Conversion margin multiple (x) | 8 | 10 | 12 |
| Land Value appreciation (x) | 1.5 | 2 | 3 |
| Finished Projects – Cap Rate (x) | 12 | 10 | 8 |
| Related Businesses – FY09 OPM multiple (x) | 8 | 10 | 12 |

Source: ENAM Research

- ➔ **Based on the project locations, portfolio diversification, brand name, balance sheet size, quality of construction, we have assumed marginal differences in our assumptions to reflect individual company valuations**

Valuation Methodology: An Example



Conversion Margin

Best Case

| (Rs bn) | Conversion Margin (Rs./psf) | | | |
|---------------------------|--|-------|-------|-------|
| | 1,000 | 1,200 | 1,500 | 1,800 |
| Conv. Margin Multiple (x) | Sensitivity matrix for valuing conversion margin as per company estimates of execution | | | |
| 5 | | | | |
| 6 | | | | |
| 7 | | | | |
| 8 | | | | |

Base Case

| (Rs bn) | Conversion Margin (Rs./psf) | | | |
|---------------------------|---|-------|-------|-------|
| | 1,000 | 1,200 | 1,500 | 1,800 |
| Conv. Margin Multiple (x) | Sensitivity matrix as per our estimates of what the company can execute | | | |
| 5 | | | | |
| 6 | | | | |
| 7 | | | | |
| 8 | | | | |

Bear Case

| (Rs bn) | Conversion Margin (Rs./psf) | | | |
|---------------------------|--|-------|-------|-------|
| | 1,000 | 1,200 | 1,500 | 1,800 |
| Conv. Margin Multiple (x) | Sensitivity matrix as per industry growth rate of 30% CAGR | | | |
| 5 | | | | |
| 6 | | | | |
| 7 | | | | |
| 8 | | | | |

Final Valuations

| | |
|-----------------------------------|-----------|
| Conversion Margin | XX |
| Land Value | XX |
| Asset Management | XX |
| Completed Assets | XX |
| Total | XX |
| Less: Net debt + Unpaid land cost | |
| Best Case target price | XX |

| | |
|-----------------------------------|-----------|
| Conversion Margin | XX |
| Land Value | XX |
| Asset Management | XX |
| Completed Assets | XX |
| Total | XX |
| Less: Net debt + Unpaid land cost | |
| Base Case target price | XX |

| | |
|-------------------------------|-----------|
| Conversion Margin | XX |
| Land Value | XX |
| Asset Management | XX |
| Completed Assets | XX |
| Total | XX |
| Less: Net debt + Unpaid la | XX |
| Bear Case target price | XX |

| Land Value | | Land value calculated as a multiple to book value | | | Asset Management | | Annual fee income from real estate funds | | | Completed Assets | | Leased assets valued on a capitalization basis | | |
|-------------------|-----------|---|-----------|-----------|--------------------------|-----------|--|-----------|-----------|-----------------------------|-----------|--|-----------|-----------|
| (Rs bn) | | Bear Case | Base Case | Best Case | (Rs bn) | | Bear Case | Base Case | Best Case | (Rs bn) | | Bear Case | Base Case | Best Case |
| | | 1.5x | 2x | 3x | | | 8x | 10x | 12x | | | 8x | 10x | 12x |
| Book Value | XX | | | | Fee income (FY09) | XX | | | | Rental income (FY09) | XX | | | |

Alternative Approach: NAV

- **In addition to the above methodology, we have further calculated the Net Asset Value (NAV) using a Discounted Cash Flow (DCF) approach for the companies covered***
- **NAV Valuation Methodology Adopted**
 1. Calculation of inflows from sale (build and sell projects) and capitalized value (leased assets)
 2. Deducting of land cost, construction cost as well as administration cost, interest and tax outgo
 3. Discounting the same at an assumed cost of capital
- **Key Assumptions**
 - Escalation in selling prices: 5% p.a.
 - Escalation in construction costs: 4% p.a.
 - Contingency costs: 2% of development costs
 - Discount rate used: 14%
 - Completion schedule: As per our estimates

NAV Valuation Methodology

| Type | Methodology |
|--------------------------|---|
| Build and Sell Projects | Discounted Cash Flow based on actual cash flow from sales |
| Build and Lease projects | Rent Capitalization method after 100% completion |
| Construction | EBIDTA Multiple |

Source: ENAM Research

* DLF not included

How the key players stack up...

| | Execution Ability | Balance Sheet Size | Pricing Power | Portfolio Diversification | Quality Focus | Comments |
|-----------------------------|-------------------|--------------------|---------------|---------------------------|---------------|--|
| Unitech | ● | ● | ● | ● | ● | <ul style="list-style-type: none"> ■ Largest listed player with a diversified portfolio across segments. Strong execution skills |
| Sobha Developers | ● | ● | ● | ○ | ● | <ul style="list-style-type: none"> ■ Quality player, backwardly-integrated, premium pricing, however, mainly focused in Bangalore |
| Peninsula Land | ○ | ○ | ● | ○ | ● | <ul style="list-style-type: none"> ■ Rich promoter pedigree, asset light strategy, with a western India focus. Unproven execution |
| Parsvnath Developers | ○ | ● | ○ | ● | ○ | <ul style="list-style-type: none"> ■ Presence in 46 cities in 17 states across all real estate segments. Unproven execution |
| Anant Raj Industries | ● | ● | ○ | ○ | ● | <ul style="list-style-type: none"> ■ NCR focused player with a high quality land bank. However lacks a strong brand name |
| Akruti Nirman | ○ | ○ | ○ | ○ | ○ | <ul style="list-style-type: none"> ■ Predominantly Mumbai-based player with outsourced constr. Unproven execution |

High
 Medium
 Low

Source: ENAM Research

Peer Comparison

DLF Ltd

CMP: 550^ RECO: UP

| (Rs bn) | Best Case | Base Case | Bear Case |
|---|-------------|------------|------------|
| Rollout in FY09 (mn sq ft) | 63.7 | 35.0 | 26.0 |
| Conversion margin assumed (Rs./psf) | 1500 | 1500 | 1500 |
| Multiple to conversion margin (x) | 10.0 | 10.0 | 10.0 |
| Conversion Margin Value (Rs. Bn) | 956 | 525 | 390 |
| Book Value of land (Rs. Bn) | 70 | 70 | 70 |
| Multiple to book value (x) | 3.0 | 2.0 | 1.5 |
| Land Value (Rs. Bn) | 210 | 140 | 105 |
| Rental income (FY09) (Rs. Bn) | 13 | 13 | 13 |
| Multiple assigned (x) | 12.0 | 10.0 | 8.0 |
| Completed Assets | 156 | 130 | 104 |
| Total Valuation | 1322 | 795 | 599 |
| Less: Net debt + Unpaid land cost | 107 | 107 | 107 |
| Target Price (Rs) | 712 | 404 | 289 |

^ Assumed at upper price band

Unitech Ltd

CMP: 546 RECO: N

| (Rs bn) | Best Case | Base Case | Bear Case |
|--|------------|------------|------------|
| Rollout in FY09 (mn sq ft) | 32.4 | 22.7 | 20.8 |
| Conversion margin assumed (Rs./psf) | 1250 | 1250 | 1250 |
| Multiple to conversion margin (x) | 10.0 | 10.0 | 10.0 |
| Conversion Margin Value (Rs. Bn) | 405 | 284 | 260 |
| Book Value of land (Rs. Bn) | 75 | 75 | 75 |
| Multiple to book value (x) | 3.0 | 2.0 | 1.5 |
| Land Value (Rs. Bn) | 225 | 150 | 113 |
| Rental income (FY09) (Rs. Bn) | 6 | 6 | 6 |
| Multiple assigned (x) | 12.0 | 10.0 | 8.0 |
| Completed Assets | 67 | 56 | 45 |
| Annual income from asset management | 2 | 2 | 2 |
| Multiple assigned (x) | 12.0 | 10.0 | 8.0 |
| Asset Management | 24 | 20 | 16 |
| Total Valuation | 720 | 510 | 433 |
| Less: Net debt + Unpaid land cost | 83 | 83 | 83 |
| Target Price (Rs) | 786 | 526 | 432 |
| Net Asset Value/ share (ENAM estimates) | | 428 | |

Sobha Developers

CMP: 918 RECO: N

| (Rs bn) | Best Case | Base Case | Bear Case |
|--|-------------|------------|------------|
| Rollout in FY09 (mn sq ft) | 8.1 | 5.2 | 3.7 |
| Conversion margin assumed (Rs./psf) | 1150 | 1150 | 1150 |
| Multiple to conversion margin (x) | 10.0 | 10.0 | 10.0 |
| Conversion Margin Value (Rs. Bn) | 93 | 60 | 42 |
| Book Value of land (Rs. Bn) | 32 | 32 | 32 |
| Multiple to book value (x) | 2.0 | 1.5 | 1.2 |
| Land Value (Rs. Bn) | 63 | 47 | 38 |
| Fee income | 0.6 | 0.6 | 0.6 |
| Multiple assigned (x) | 12.0 | 10.0 | 8.0 |
| Contractual Business | 7 | 6 | 5 |
| Total Valuation | 163 | 113 | 85 |
| Less: Net debt + Unpaid land cost | 47 | 47 | 47 |
| Target Price (Rs) | 1593 | 907 | 517 |
| Net Asset Value/ share (ENAM estimates) | | 935 | |

Parsvnath Developers

CMP: 318 RECO: OP

| (Rs bn) | Best Case | Base Case | Bear Case |
|--|------------|------------|------------|
| Rollout in FY09 (mn sq ft) | 26.6 | 13.2 | 9.2 |
| Conversion margin assumed (Rs./psf) | 350 | 350 | 350 |
| Multiple to conversion margin (x) | 10.0 | 10.0 | 10.0 |
| Conversion Margin Value (Rs. Bn) | 93 | 46 | 32 |
| Book Value of land (Rs. Bn) | 39 | 39 | 39 |
| Multiple to book value (x) | 1.5 | 1.3 | 1.0 |
| Land Value (Rs. Bn) | 59 | 49 | 39 |
| Rental income (FY09) (Rs. Bn) | 3 | 3 | 3 |
| Multiple assigned (x) | 12.0 | 10.0 | 8.0 |
| Completed Assets | 34 | 28 | 22 |
| Total Valuation | 186 | 124 | 94 |
| Less: Net debt + Unpaid land cost | 34 | 34 | 34 |
| Target Price (Rs) | 822 | 483 | 324 |
| Net Asset Value/ share (ENAM estimates) | | 438 | |

Source: ENAM Research

Peer Comparison

Anant Raj Industries

CMP: 1,135 RECO: OP

| (Rs bn) | Best Case | Base Case | Bear Case |
|--|-------------|-------------|------------|
| Rollout in FY09 (mn sq ft) | 7.7 | 4.8 | 1.4 |
| Conversion margin assumed (Rs./psf) | 1200 | 1200 | 1200 |
| Multiple to conversion margin (x) | 10.0 | 10.0 | 10.0 |
| Conversion Margin Value (Rs. Bn) | 92 | 57 | 17 |
| Book Value of land (Rs. Bn) | 9 | 9 | 9 |
| Multiple to book value (x) | 3.0 | 2.0 | 1.5 |
| Land Value (Rs. Bn) | 26 | 17 | 13 |
| Rental income (FY09) (Rs. Bn) | 2 | 2 | 2 |
| Multiple assigned (x) | 12.0 | 10.0 | 8.0 |
| Completed Assets | 24 | 20 | 16 |
| Total Valuation | 142 | 94 | 46 |
| Less: Net debt + Unpaid land cost | 25 | 25 | 25 |
| Target Price (Rs) | 2124 | 1256 | 367 |
| Net Asset Value/ share (ENAM estimates) | | 1187 | |

Akruti Nirman

CMP: 360 RECO: N

| (Rs bn) | Best Case | Base Case | Bear Case |
|--|-------------|------------|------------|
| Rollout in FY09 (mn sq ft) | 9.2 | 3.1 | 2.7 |
| Conversion margin assumed (Rs./psf) | 1200 | 1200 | 1200 |
| Multiple to conversion margin (x) | 6.0 | 6.0 | 6.0 |
| Conversion Margin Value (Rs. Bn) | 66 | 23 | 20 |
| Book Value of land (Rs. Bn) | 6 | 6 | 6 |
| Multiple to book value (x) | 1.5 | 1.3 | 1.0 |
| Land Value (Rs. Bn) | 9 | 8 | 6 |
| Rental income (FY09) (Rs. Bn) | 0 | 0 | 0 |
| Multiple assigned (x) | 12.0 | 10.0 | 8.0 |
| Completed Assets | 4 | 3 | 2 |
| Total Valuation | 79 | 33 | 28 |
| Less: Net debt + Unpaid land cost | 10 | 10 | 10 |
| Target Price (Rs) | 1036 | 352 | 276 |
| Net Asset Value/ share (ENAM estimates) | | 399 | |

Peninsula Land

CMP: 540 RECO: UP

| (Rs bn) | Best Case | Base Case | Bear Case |
|--|------------|------------|------------|
| Rollout in FY09 (mn sq ft) | 1.6 | 1.4 | 1.0 |
| Conversion margin assumed (Rs./psf) | 1200 | 1200 | 1200 |
| Multiple to conversion margin (x) | 8.0 | 8.0 | 8.0 |
| Conversion Margin Value (Rs. Bn) | 15 | 13 | 9 |
| Book Value of land (Rs. Bn) | 3 | 3 | 3 |
| Multiple to book value (x) | 2.0 | 1.5 | 1.0 |
| Land Value (Rs. Bn) | 7 | 5 | 3 |
| Rental income (FY09) (Rs. Bn) | 1 | 1 | 1 |
| Multiple assigned (x) | 12.0 | 10.0 | 8.0 |
| Completed Assets | 6 | 5 | 4 |
| Annual income from asset management | 0 | 0 | 0 |
| Multiple assigned (x) | 12.0 | 10.0 | 8.0 |
| Asset Management | 4 | 3 | 2 |
| Total Valuation | 32 | 26 | 19 |
| Less: Net debt + Unpaid land cost | 7 | 7 | 7 |
| Target Price (Rs) | 600 | 472 | 299 |
| Net Asset Value/ share (ENAM estimates) | | 504 | |

Source: ENAM Research



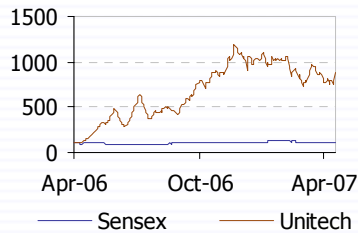
Companies Section

Stock Data

| | |
|------------------------|-------------------|
| No. of shares | : 810mn |
| Market cap | : Rs.459bn |
| 52 week high/low | : Rs 624 / Rs 123 |
| Avg. daily vol. (6mth) | : 3.6mn shares |
| Bloomberg code | : UT IN |
| Reuters code | : UNTE.BO |

Shareholding (%) Mar-07 QoQ chg

| | | | |
|-------------|---|------|-------|
| Promoters | : | 74.6 | 0.0 |
| FIIIs | : | 7.4 | 0.8 |
| MFs / UTI | : | 0.3 | (0.0) |
| Banks / FIs | : | 0.0 | 0.0 |
| Others | : | 17.7 | (0.8) |

Relative Performance

Source: ENAM Research, Bloomberg

Financial summary

| Y/E March | Sales (Rs mn) | PAT (Rs mn) | EPS (Rs.) | Change (YoY %) | P/E (x) | RoE (%) | RoCE (%) | EV/EBITDA (x) |
|-----------|------------------|----------------|--------------|-------------------|------------|------------|-------------|------------------|
| 2006 | 9,322 | 846 | 1.0 | 145 | 0.0 | 33.9 | 19.3 | 3.7 |
| 2007 | 33,183 | 13,054 | 16.1 | 1,444 | 24.1 | 142.9 | 61.1 | 16.9 |
| 2008E | 45,501 | 12,469 | 15.4 | (4) | 35.5 | 58.7 | 32.2 | 23.7 |
| 2009E | 75,981 | 27,599 | 34.0 | 121 | 16.0 | 68.4 | 45.5 | 11.6 |

Source: *Consensus broker estimates, Company, ENAM estimates

Unitech

Relative to Sector: **Neutral**

Rs 546

Target Price: Rs 526

Potential Upside: **-4%**

Proxy to India's real estate play

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June 6, 2007

Investment Summary

Company background

- Started in 1972, Unitech is India's largest listed real estate company with ~30 years of experience in infrastructure and real estate development

Investment argument

- Land bank of ~10,500 acres with a developable area of ~500mn sq. ft. across the residential, commercial, retail, hospitality and SEZ space
- Multiple revenue streams from development profits, sale of additional projects to Unitech Corporate Park (UCP), investment management fees and carry structure
- Large scale of operations planned on a high quality land bank with clear titles
- Continued focus on highly profitable and less risky residential segment (~70%+ of future revenues)
- Plans of a pan-India footprint to reduce its dependence on the NCR (< 25% over 3-5 years)

Key risk factors

- Multifold jump in planned activity, with a pan-India presence, poses **significant execution challenges**
- Significant portion of revenue from longer gestation projects

Valuation

- At CMP of Rs.546, the stock trades at a marginal premium to our base case valuation of Rs.526. We believe the stock is fairly valued and initiate coverage with Sector **Neutral** rating and a price target of **Rs.526**.

Development Plan Summary

| | Total Land Area | Estimated Total Saleable Area | |
|--------------------|-----------------|-------------------------------|---------------|
| | (Acres) | (mn sq.ft) | (mn sq. yard) |
| NCR | 2,441 | 107.7 | 1.2 |
| Chennai | 2,085 | 104.7 | 1.4 |
| Kolkata | 5,198 | 167.1 | 4,8 |
| Kochi | 673 | 38.3 | 0.4 |
| Hyderabad | 359 | 18.7 | 0.4 |
| Bangalore | 103 | 9.9 | |
| Mohali, Chandigarh | 350 | 11.8 | 0.3 |
| Agra | 1,500 | 31.4 | 1.3 |
| Varanasi | 1,500 | 34..1 | 1.6 |
| Total | 14,209* | 523.6 | 11.5 |

Source: Company; * Note: As of 21/09/2006 – Share of Unitech in land at certain locations is less than 100%. Unitech's share in total land shown above is 10,332 acres

Recent Additions to Land Bank

| City | Area (Acres) | Project Type |
|--------------|--------------|------------------------|
| Siliguri | 232 | Township |
| Noida | 71 | Apartments |
| Noida | 53 | Apartments |
| Chandigarh | 73 | Retail & Entertainment |
| Total | 429 | - |

Source: Company

Business Strategy

Unitech's 3 pronged business strategy

| Presence across segments | Multiple Revenue Streams | Focus on high value adds |
|--|--|---|
| <ul style="list-style-type: none"> ➤ Residential <ul style="list-style-type: none"> ■ Strategic locations, superiors quality, large integrated projects ➤ Commercial <ul style="list-style-type: none"> ■ Focus on IT, ITeS built to suit as well as multi-tenanted projects ➤ Retail <ul style="list-style-type: none"> ■ Focus on quality, mall management, preferred anchor relationships ➤ Hospitality <ul style="list-style-type: none"> ■ Build a portfolio of budget, 4 star, serviced apartments, resorts, etc ■ Partner with global brands ➤ SEZ <ul style="list-style-type: none"> ■ Build infrastructure, bring in quality tenants, enhance value ➤ Entertainment <ul style="list-style-type: none"> ■ Family entertainment models based on international arrangements | <ul style="list-style-type: none"> ➤ Real Estate Projects <ul style="list-style-type: none"> ■ Land bank totaling ~500mn sq. ft. across ~10,500 acres of land ➤ Early exit before completion <ul style="list-style-type: none"> ■ Sale of specific projects to real estate funds such as UCP to monetize projects early on ■ Plans for additional such structures for hospitality and retail projects ➤ Regular fee income <ul style="list-style-type: none"> ■ Investment fee of 2% of sum invested ▶ Project management fee of 5% of construction costs ▶ Performance fee of 20% above a hurdle rate (only on exit) | <ul style="list-style-type: none"> ➤ Investing in high value areas <ul style="list-style-type: none"> ■ Efficient capital allocation in higher value added segment of land acquisition and aggregation ■ Continued focus on high return low risk residential segment ■ Build and sell model rather than lease to ensure efficient rotation of capital ➤ Emerging growth markets <ul style="list-style-type: none"> ■ Focus to remain in high growth markets of emerging suburban areas ➤ Land acquisition <ul style="list-style-type: none"> ■ Major source of land sourced from government agencies resulting in softer payment terms and clear titles |

Source: ENAM Research

Competitive Advantage

- ➔ **High quality land bank**
 - Over ~60% of land bank acquired from government-hence no title/ zoning risks
 - Added advantage of soft payment terms provided
 - Focused on high growth suburban areas of major cities

- ➔ **Efficient capital allocation**
 - Investing in high value added segment of the real estate chain (acquisition and aggregation of land)
 - Focus on residential segment (~61%) - most profitable & capital efficient segment
 - Outright sale of commercial & retail properties to allocate capital more efficiently

- ➔ **Large scale of operations**
 - Experience in execution of large projects better positions it to successfully implement new projects
 - Ability to identify and procure land parcels in strategic locations to establish its footprint across the country

- ➔ **Multiple revenue streams**
 - Co-investment with UCP allows for efficient exit of projects early on, freeing capital for further growth
 - Investment & projects management fee along with a performance carry provides additional revenues
 - ▶ Investment management fee – 2% of sum invested
 - ▶ Project management fee – 5% of construction costs
 - ▶ Carry – 20% above a hurdle rate (only on exit)

Projects offered to Unitech Corporate Park

| Project | Location | Type | Total Area (acres) | Start | End | Leasable Area (mn sq. ft.) | Valuation * (Rs mn) |
|--------------|----------|-------------|--------------------|--------|--------|----------------------------|---------------------|
| G1-ITC | Gurgaon | IT/ITES SEZ | 24.7 | Feb-07 | Jul-09 | 3.26 | 11,143 |
| G2-IST | Gurgaon | IT/ITES SEZ | 28.4 | Oct-05 | Mar-09 | 3.75 | 9,441 |
| N1 | Noida | IT Park in | 19.3 | Jul-06 | Dec-08 | 2.03 | 4,102 |
| N2 | Noida | IT/ITES SEZ | 29.7 | Jan-07 | Jun-09 | 3.13 | 6,730 |
| N3 | Noida | IT/ITES SEZ | 50 | Jan-07 | Jun-09 | 4.95 | 3,523 |
| K1 | Kolkata | IT/ITES SEZ | 45.4 | Dec-05 | Apr-10 | 4.35 | 6,434 |
| Total | | | 197.5 | | | 21.47 | 41,373 |

Source: Company; Note: * Valuation as per Jones Lang Lasalle as on November 8, 2006

Multiple Revenue Streams

| Development Profits | Sale of properties to UCP | Investment Mgmt & performance Fees |
|--|---|---|
| <ul style="list-style-type: none"> ■ Profit from sale of projects undertaken by the company ■ Rental Income from lease of commercial/ retail/ hospitality projects | <ul style="list-style-type: none"> ■ Early exit from sale of under construction projects to Unitech Corporate Parks Plc ■ Sale through SPV route in pre-identified projects | <ul style="list-style-type: none"> ■ Investment mgmt fees of 2% of committed capital ■ Proj mgmt fee of 5% of construction costs ■ Performance carry of 20% of returns above a hurdle rate |

Source: ENAM Research

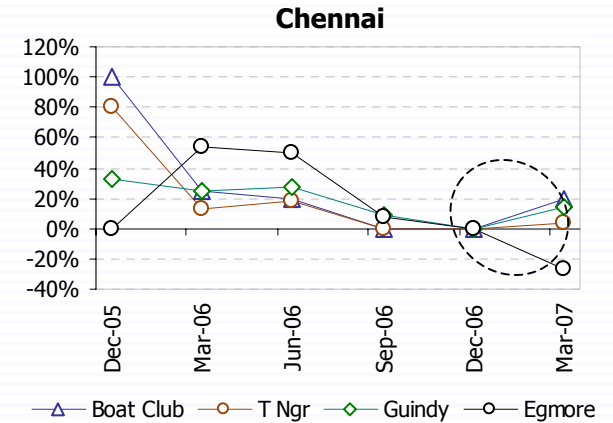
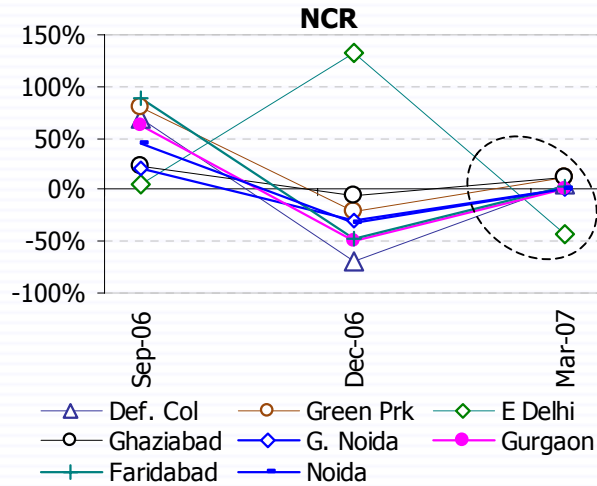
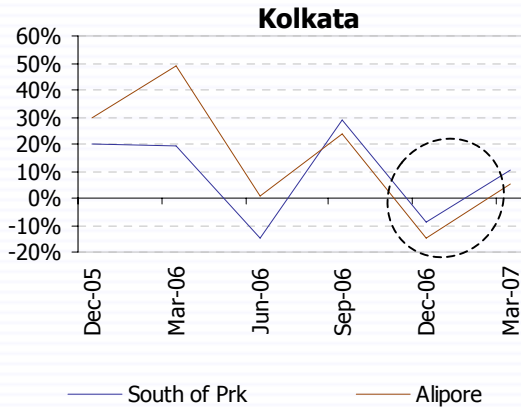
Development Snapshot

Planned pipeline of projects

| (mn sq. ft.) | Since Inception | FY07 to FY09E | Beyond FY09E |
|----------------|-----------------|---------------|--------------|
| Unitech | 7.0 | 69.5 | 430.0 |
| Residential | N/A | 43.9 | 330.0 |
| Commercial | N/A | 21.8 | 70.0 |
| Others | N/A | 3.7 | 30.0 |

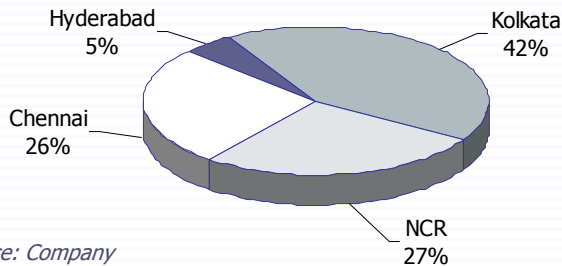
Source: Company

Price Change q/q*



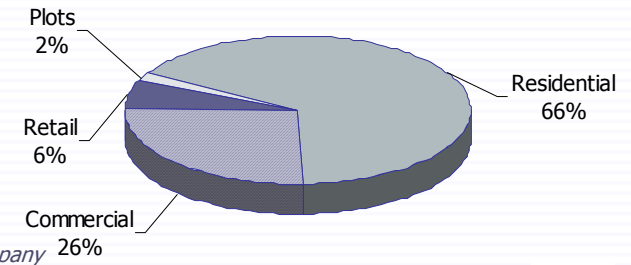
Source: Cushman & Wakefield; Knight Frank India
* In Unitech's key areas of operation

Location wise break-up



Source: Company

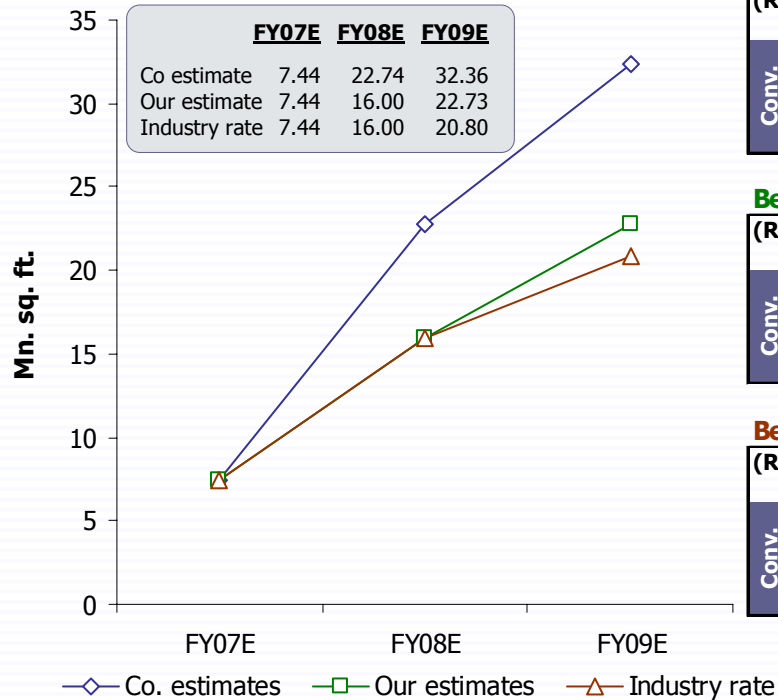
Segmental Contribution



Source: Company

Valuations

Rollout plans



Conversion Margin

Best Case

| (Rs bn) | | Conversion Margin (Rs./psf) | | | |
|---------------------------|----|-----------------------------|-------|-------|-------|
| | | 1,000 | 1,250 | 1,500 | 1,800 |
| Conv. Margin Multiple (x) | 9 | 291 | 364 | 437 | 524 |
| | 10 | 324 | 405 | 485 | 582 |
| | 11 | 356 | 445 | 534 | 641 |
| | 12 | 388 | 485 | 582 | 699 |

Best Case

| (Rs bn) | | Conversion Margin (Rs./psf) | | | |
|---------------------------|----|-----------------------------|-------|-------|-------|
| | | 1,000 | 1,250 | 1,500 | 1,800 |
| Conv. Margin Multiple (x) | 9 | 205 | 256 | 307 | 368 |
| | 10 | 227 | 284 | 341 | 409 |
| | 11 | 250 | 313 | 375 | 450 |
| | 12 | 273 | 341 | 409 | 491 |

Best Case

| (Rs bn) | | Conversion Margin (Rs./psf) | | | |
|---------------------------|----|-----------------------------|-------|-------|-------|
| | | 1,000 | 1,250 | 1,500 | 1,800 |
| Conv. Margin Multiple (x) | 9 | 187 | 234 | 281 | 337 |
| | 10 | 208 | 260 | 312 | 374 |
| | 11 | 229 | 286 | 343 | 412 |
| | 12 | 250 | 312 | 374 | 449 |

Final Valuations

| | |
|-------------------------------|------------|
| Conversion Margin | 405 |
| Land Value | 225 |
| Asset Management | 24 |
| Completed Assets | 67 |
| Total | 720 |
| Less: Net debt+Unpaid Lar | 83 |
| Best case target price | 786 |

| | |
|-------------------------------|------------|
| Conversion Margin | 284 |
| Land Value | 150 |
| Asset Management | 20 |
| Completed Assets | 56 |
| Total | 510 |
| Less: Net debt+ Unpaid La | 83 |
| Base case target price | 526 |

| | |
|-------------------------------|------------|
| Conversion Margin | 260 |
| Land Value | 113 |
| Asset Management | 16 |
| Completed Assets | 45 |
| Total | 433 |
| Less: Net debt+Unpaid Lar | 83 |
| Bear case target price | 432 |

Land Value

| (Rs bn) | | Bear Case | Base Case | Best Case |
|-------------------|-----------|-----------|-----------|-----------|
| (x) | | 1.5 | 2 | 3 |
| Book Value | 75 | 112.5 | 150 | 225 |

Asset Management

| (Rs bn) | | Bear Case | Base Case | Best Case |
|--------------------------|----------|-----------|-----------|-----------|
| (x) | | 8 | 10 | 12 |
| Fee income (FY09) | 2 | 16 | 20 | 24 |

Completed Assets

| (Rs bn) | | Bear Case | Base Case | Best Case |
|-----------------------------|------------|-----------|-----------|-----------|
| (x) | | 8 | 10 | 12 |
| Rental income (FY09) | 5.6 | 44.6 | 55.7 | 66.8 |

NAV Approach

| Y/E 2006 | 2007 | 2008E | 2009E | 2010E | 2011E | 2012E | Beyond 2012E |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|
| Square feet completed | 7.1 | 12.8 | 23.1 | 57.4 | 72.9 | 82.5 | 153.2 |
| Operating Cash Flow | 24,997 | 88,309 | 75,730 | 125,888 | 84,834 | 29,383 | 367,729 |
| Less: Interest Costs | 3,020 | 4,038 | 5,486 | 3,643 | 3,887 | 3,633 | 2,518 |
| Contingency | 125 | 213 | 246 | 597 | 1,666 | 2,418 | 2,849 |
| Net Cash Flow (Pre-tax) | 21,851 | 84,059 | 69,997 | 121,649 | 79,281 | 23,331 | 362,361 |
| Less: Taxation | 4,864 | 4,427 | 9,797 | 26,206 | 30,728 | 31,237 | 78,639 |
| Free Cash Flow | 16,988 | 79,631 | 60,200 | 95,443 | 48,554 | (7,906) | 283,722 |

Sensitivity Matrix

| (Rs mn) | | Selling price escalation (%) | | | | |
|----------|----|------------------------------|-----|-----|-----|-----|
| | | 0 | 3 | 5 | 7 | 10 |
| WACC (%) | 12 | 281 | 378 | 450 | 527 | 654 |
| | 13 | 275 | 369 | 439 | 514 | 637 |
| | 14 | 269 | 361 | 428 | 501 | 621 |
| | 15 | 263 | 353 | 419 | 490 | 606 |
| | 16 | 258 | 345 | 409 | 478 | 592 |

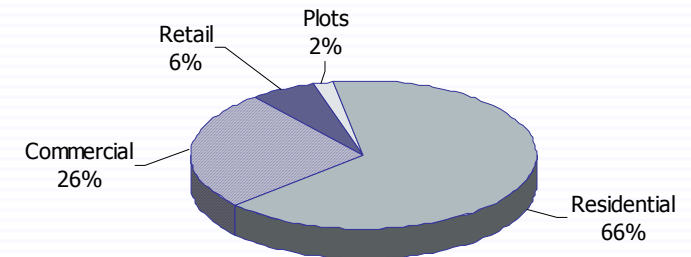
Note: Escalation in construction costs assumed to be constant

| | |
|---|----------------|
| Net Cash Flows over FY08E to FY12E | 559644 |
| Discount rate | 14% |
| Net Present Value | 347,767 |
| No. of shares | 812 |
| Net Asset Value per share | 428 |

Key Assumptions

| Variable | Assumption |
|---------------------------------------|------------|
| Escalation in selling price | 5% |
| Escalation in construction costs | 4% |
| Contingencies considered (% of costs) | 2% |
| No of years considered beyond 2012E | 3 |

Segmental Contribution



Source: ENAM Research, Pre tax contribution to valuation considered

Company Financials

Income statement

(Rs mn)

| Y/E March | 2006 | 2007 | 2008E | 2009E |
|-------------------------|--------------|---------------|---------------|---------------|
| Net sales | 9,322 | 33,183 | 45,501 | 75,981 |
| Other operating income | 0 | 0 | 0 | 0 |
| Total income | 9,322 | 33,183 | 45,501 | 75,981 |
| Cost of goods sold | 6,501 | 12,865 | 19,705 | 26,407 |
| Advt/Sales/Distrn O/H | 995 | 0 | 5,536 | 7,338 |
| Operating Profit | 1,825 | 20,318 | 20,260 | 42,236 |
| Other income | 141 | 700 | 770 | 847 |
| PBIDT | 1,967 | 21,018 | 21,031 | 43,084 |
| Depreciation | 112 | 80 | 97 | 201 |
| Interest | 465 | 3,020 | 4,038 | 5,486 |
| Pre-tax profit | 1,390 | 17,918 | 16,896 | 37,397 |
| Tax provision | 513 | 4,864 | 4,427 | 9,797 |
| (-) Minority Interests | 33 | 0 | 0 | 0 |
| Associates | 2 | 0 | 0 | 0 |
| Adjusted PAT | 846 | 13,054 | 12,469 | 27,599 |
| E/o income / (Expense) | (5) | 0 | 0 | 0 |
| Reported PAT | 841 | 13,054 | 12,469 | 27,599 |

Key ratios

(%)

| Y/E March | 2006 | 2007 | 2008E | 2009E |
|--------------------------|-------------|--------------|-------------|-------------|
| Sales growth | 43.4 | 256.0 | 37.1 | 67.0 |
| OPM | 19.6 | 61.2 | 44.5 | 55.6 |
| Oper. profit growth | 117.2 | 1,013.2 | (0.3) | 108.5 |
| COGS / Net sales | 69.7 | 38.8 | 43.3 | 34.8 |
| Overheads/Net sales | 10.7 | 0.0 | 12.2 | 9.7 |
| Depreciation / G. block | 2.5 | 1.3 | 0.7 | 0.8 |
| Effective interest rate | 6.5 | 12.0 | 9.2 | 10.2 |
| Net wkg.cap / Net sales | 0.4 | 0.6 | 0.8 | 0.7 |
| Net sales / Gr block (x) | 2.8 | 6.3 | 4.3 | 3.9 |
| RoCE | 19.3 | 61.1 | 32.2 | 45.5 |
| Debt / equity (x) | 3.7 | 2.6 | 1.8 | 1.1 |
| Effective tax rate | 36.9 | 27.1 | 26.2 | 26.2 |
| RoE | 33.9 | 142.9 | 58.7 | 68.4 |
| EPS (Rs.) | 1.0 | 16.1 | 15.4 | 34.0 |
| EPS Growth | 145.2 | 1,443.5 | (4.5) | 121.3 |
| CEPS (Rs.) | 1.2 | 16.2 | 15.5 | 34.3 |

Source: Company, ENAM Research

Company Financials

Balance sheet

(Rs mn)

| Y/E March | 2006 | 2007 | 2008E | 2009E |
|-------------------------|---------------|---------------|---------------|----------------|
| Total assets | 14,486 | 56,450 | 76,026 | 114,733 |
| Gross block | 4,530 | 6,082 | 14,865 | 24,604 |
| Net fixed assets | 3,620 | 5,065 | 13,751 | 23,289 |
| CWIP | 1,268 | 5,371 | 8,622 | 15,272 |
| Investments | 145 | 145 | 145 | 145 |
| Wkg. cap. (excl cash) | 4,731 | 33,405 | 41,151 | 63,727 |
| Cash / Bank balance | 3,899 | 11,640 | 11,533 | 11,476 |
| Others/Def tax assets | 824 | 824 | 824 | 824 |
| Capital employed | 14,486 | 56,449 | 76,026 | 114,732 |
| Equity capital | 125 | 1,623 | 3,247 | 3,247 |
| Reserves | 2,704 | 13,813 | 23,766 | 50,472 |
| Borrowings | 10,449 | 39,805 | 47,805 | 59,805 |
| Others | 1,208 | 1,208 | 1,208 | 1,208 |

Cash flow

(Rs mn)

| Y/E March | 2006 | 2007 | 2008E | 2009E |
|---------------------|--------------|---------------|---------------|---------------|
| Sources | 6,687 | 43,988 | 22,189 | 39,800 |
| Cash profit | 27 | 13,134 | 12,566 | 27,800 |
| Retained earnings | 27 | 13,134 | 12,566 | 27,800 |
| Issue of equity | (50) | 1,499 | 1,623 | 0 |
| Borrowings | 6,686 | 29,355 | 8,000 | 12,000 |
| Others | 24 | 0 | 0 | 0 |
| Applications | 6,687 | 43,988 | 22,189 | 39,800 |
| Capital expenditure | 3,518 | 5,629 | 12,034 | 16,389 |
| Investments | (358) | 0 | 0 | 0 |
| Net current assets | 2,180 | 28,674 | 7,746 | 22,576 |
| Change in cash | 1,346 | 9,685 | 2,409 | 835 |

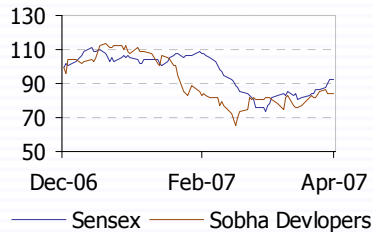
Source: Company, ENAM Research

Stock Data

| | |
|------------------------|--------------------|
| No. of shares | : 72mn |
| Market cap | : Rs 62.4bn |
| 52 week high/low | : Rs 1179 / Rs 620 |
| Avg. daily vol. (1mth) | : 370,800 shares |
| Bloomberg code | : SOBHA IN |
| Reuters code | : SOBH.BO |

Shareholding (%) Mar-07 QoQ chg

| | | | |
|-------------|---|------|-------|
| Promoters | : | 87.0 | 0.0 |
| FIIIs | : | 5.8 | 4.0 |
| MFs / UTI | : | 0.7 | (1.7) |
| Banks / FIs | : | 0.2 | (0.2) |
| Others | : | 6.2 | (2.1) |

Relative Performance

Source: ENAM Research, Bloomberg

Financial summary

| Y/E March | Sales (Rs mn) | PAT (Rs mn) | EPS (Rs.) | Change (YoY %) | P/E (x) | RoE (%) | RoCE (%) | EV/EBITDA (x) |
|-----------|------------------|----------------|--------------|-------------------|------------|------------|-------------|------------------|
| 2006 | 6,252 | 885 | 41.9 | 155 | 0.0 | 95.7 | 30.0 | 2.8 |
| 2007 | 11,865 | 1,615 | 22.2 | (47) | 36.1 | 32.6 | 23.4 | 24.8 |
| 2008E | 16,489 | 2,514 | 34.5 | 56 | 26.6 | 25.4 | 20.0 | 18.1 |
| 2009E | 25,198 | 3,411 | 46.8 | 36 | 19.6 | 26.6 | 20.2 | 12.2 |

Source: *Consensus broker estimates, Company, ENAM estimates

Sobha Developers

Relative to Sector: **Neutral**

Rs 918

Target Price: Rs 907
Potential Upside: **-1%**

A premium quality player

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June 6, 2007

Investment Summary

➔ Company background

- Incorporated in 1995, Sobha Developers Limited (Sobha), has developed ~13.75mn sq. ft. since its inception in 1995
- Sobha enjoys the distinction of being the preferred contractual developer for Infosys (66 projects totaling 8.54mn sq. ft.)

➔ Investment argument

- *High quality developer with plans to develop 32 residential projects, aggregating ~13.37mn sq. ft. & 42 contractual projects totaling ~10.8mn sq. ft.*
- Association with Infosys gives it further critical visibility for its contractual projects
- Unique business model of contractual & own development helps hedge from the asset cycle risk.
- Sobha's 'backward integration' enables it to maintain its high quality, without depending on 3rd party contractors

➔ Key risk factors

- Multifold jump in projects poses an execution challenge
- Major portion of near term projects within Bangalore exposes Sobha to a geographical concentration risk

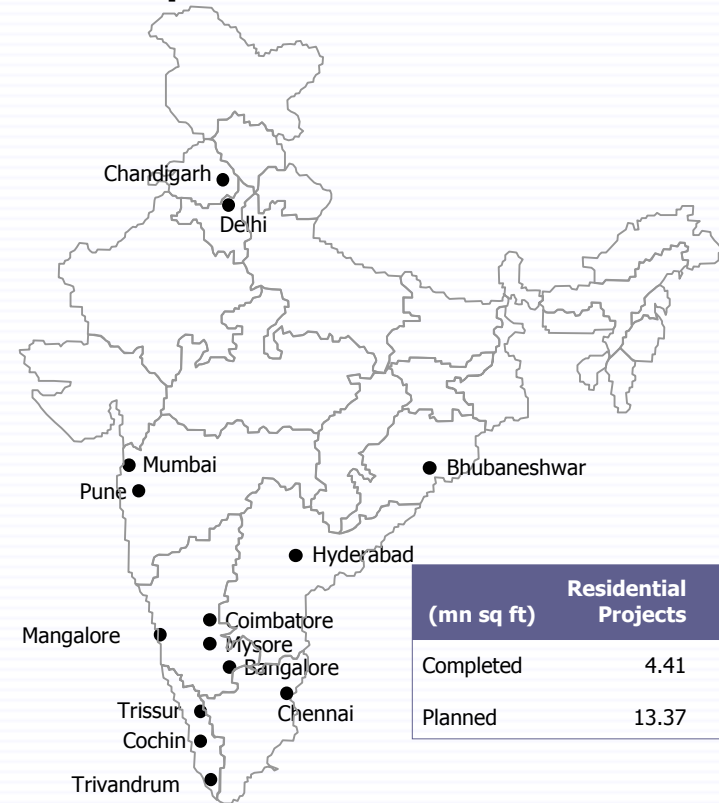
➔ Valuation

- At CMP of Rs.918, the stock trades at a marginal premium to our base case valuation of Rs.907. We believe the stock is fairly valued and initiate coverage with Sector **Neutral** rating and a price target of **Rs.907**.

Sobha's Scorecard

| Year ended FY07 | No of Projects | SBA (mn sq. ft) |
|----------------------|----------------|-----------------|
| Development Projects | 26 | 4.41 |
| Commercial Projects | 2 | 0.11 |
| Contractual Projects | 83 | 9.23 |
| Total | 111 | 13.75 |

Planned pan-India Presence



| (mn sq ft) | Residential Projects | Contractual Projects |
|------------|----------------------|----------------------|
| Completed | 4.41 | 9.23 |
| Planned | 13.37 | 10.8 |

Source: Company

Business Strategy

- **Shifting focus to own development work**
 - Plans to increase share of its own real estate projects as against contractual projects
 - ▶ To result in increased execution capability for own projects
 - ▶ Higher margins from of 25-30% from own real estate projects as against 14-16% margins in contractual projects
 - ▶ Sobha has locked in critical land bank of 3,624 acres as on March 9th 2007 for its own real estate projects

- **Differentiating itself with high quality**
 - Sobha strives to ensure that it delivers the highest quality in its projects
 - ▶ Backward integration to help in maintaining standards without dependence on 3rd parties
 - ▶ Ability to charge a premium over its peers

- **Expanding its reach**
 - Expansion to lucrative markets outside of Karnataka
 - ▶ To expand its footprint to cities like Coimbatore, Pune, Mysore and Trichur by FY08
 - ▶ Subsequently to launch projects in key markets of Chennai, Cochin, NCR & Hosur by FY09

- **Capitalizing on Infosys' patronage**
 - Preferred developer for all the real estate requirements of Infosys Technologies
 - ▶ Key catalyst in helping Sobha establish its mark, improve its visibility and build its brand

Land Summary (as on 9th March, 2007)

| Location | Total Land | Acres | | Amt Paid (Rs mn) | | Amt Payable | |
|--------------|--------------|--------------|--------------|------------------|------------|---------------|---------------|
| | | Land Res. | Land Arr.* | Land Res. | Land Arr.* | Land Res. | Land Arr.* |
| Bangalore | 1,768 | 1,768 | 0 | 5,606 | 0 | 11,850 | 0 |
| Mysore | 63 | 63 | 0 | 90 | 0 | 264 | 0 |
| Pune | 329 | 329 | 0 | 550 | 0 | 420 | 0 |
| Chennai | 2,882 | 482 | 2,400 | 467 | 141 | 0 | 8,471 |
| Cochin | 734 | 419 | 315 | 1,784 | 146 | 0 | 1,547 |
| Trissur | 62 | 62 | 0 | 468 | 0 | 0 | 0 |
| Coimbatore | 130 | 26 | 104 | 24 | 10 | 0 | 172 |
| Hosur | 1,000 | 261 | 739 | 300 | 0 | 118 | 1,182 |
| Gurgaon | 214 | 214 | 0 | 680 | 0 | 9,000 | 0 |
| Total | 7,182 | 3,624 | 3,558 | 9,969 | 297 | 21,652 | 11,372 |

Source: Company; Res: reserves; Arr: Arrangement;
 * Note: Land is locked in via a MoU, affidavit, agreement with a third party, etc. and not currently in the company's name

Business Model

| Developmental Work | | |
|---|---|---|
| Sobha carries an asset risk as it purchases land for its developmental projects | Since land purchase requires a larger capital outlay, Sobha has fewer devpmt projects | Land aggregation and price rises are captured in the final selling price |
| High asset cycle risk | Lower volumes | High profit margins |
| Contractual Work | | |
| Contractual work is carried out on land parcels acquired by the client | Contractual projects do not require much capital infusion, except for capacity addition | Since land does not belong to Sobha, profit earned is only on the construction activity |
| Low asset cycle risk | Higher volumes | Low profit margins |

Source: ENAM Research

Competitive Advantage

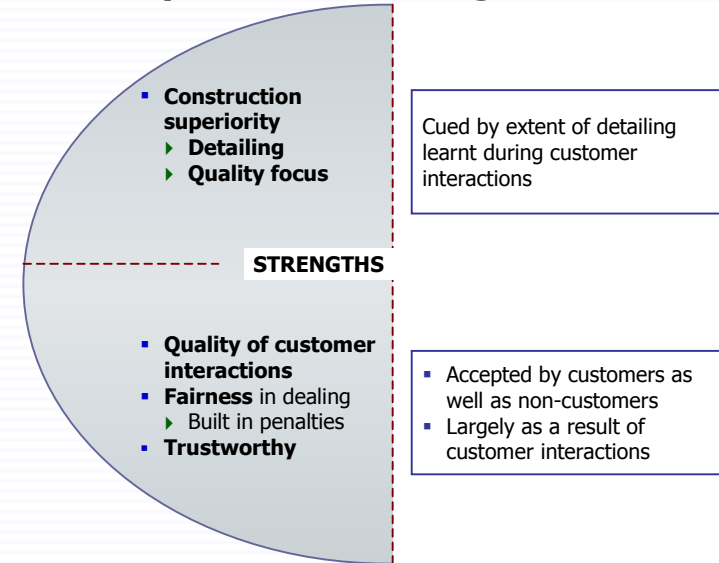
- ➔ **Premium quality player**
 - Sobha is regarded as a high quality developer having successfully created a brand, by providing world-class structures, in a time-bound manner
 - ▶ Allows for higher margins than peers
 - ▶ Also results in higher amount of presales upon launch

- ➔ **Preferred developer for Infosys Technologies**
 - Being the preferred developer for Infosys Technologies gives Sobha high visibility in its contractual work
 - ▶ Provides opportunity to showcase its capabilities
 - ▶ Has built up ability to provide world-class office space as demanded by multinational companies entering India.

- ➔ **Backward integration**
 - 'Backward integration' enables Sobha to build key competencies in executing its projects
 - ▶ In-house glazing, metal works, wood works, concrete block making, designing and procurement
 - ▶ Strategy has helped maintain high quality standards without being dependant on any third party for key products and services.

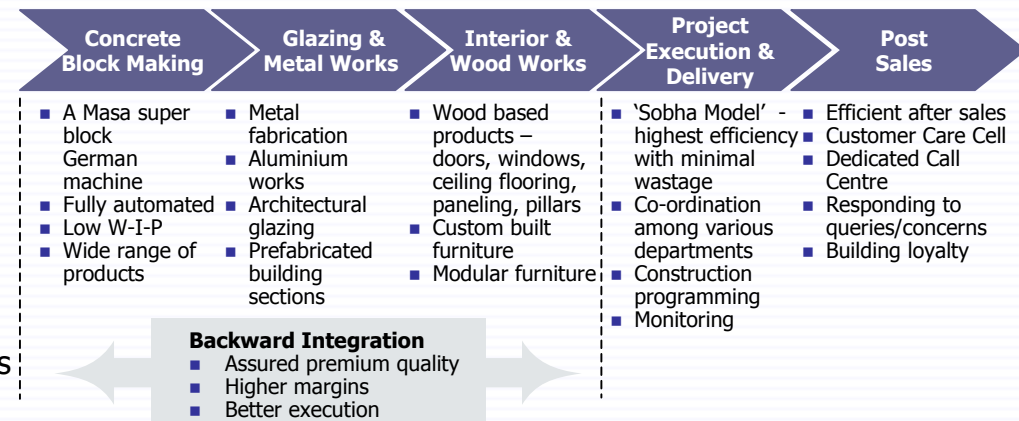
- ➔ **Multiple revenue streams**
 - In addition to own development work, regular income from low risk, high volume contracts de-risks Sobha's business model from the asset cycle risk

Competitive Advantages



Source: Company, ENAM Research

Backward Integration; Forward Thinking



Source: ENAM Research

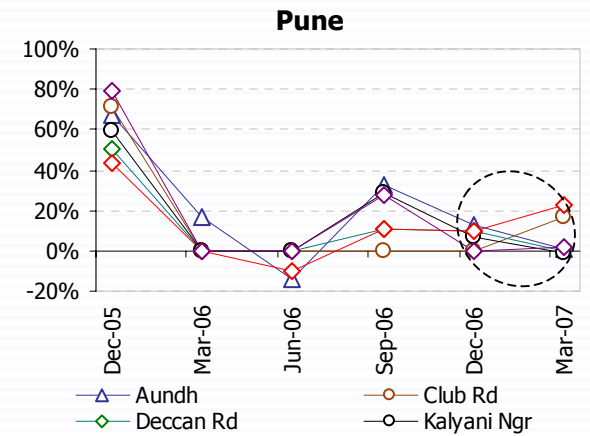
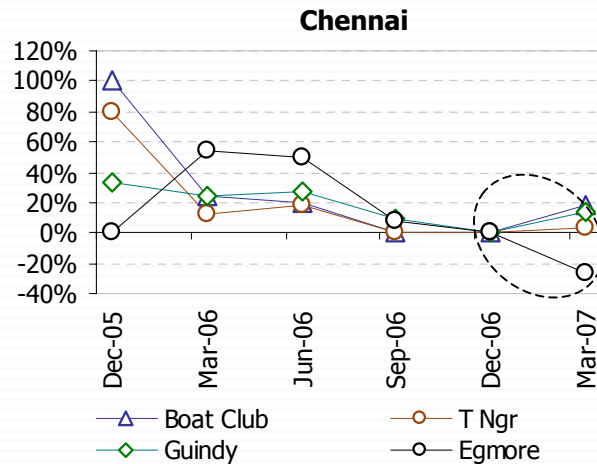
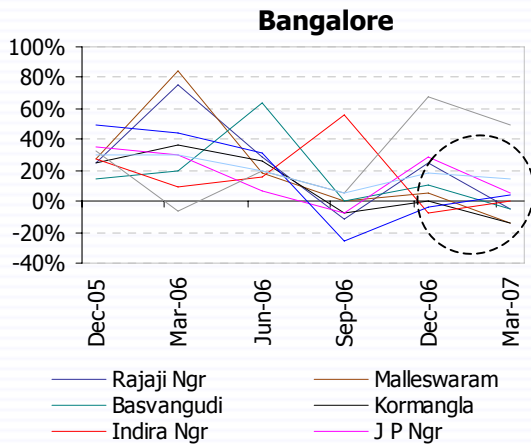
Development Snapshot

Planned pipeline of projects

| (mn sq. ft.) | Since Inception | FY07 to FY09E | Beyond FY09E |
|-------------------------|-----------------|---------------|--------------|
| Sobha Developers | 4.5 | 12.4 | 101 |
| Residential | 4.4 | 10.3 | 71.8 |
| Commercial | 0.1 | 2.1 | 29.2 |
| Others | 0.0 | 0 | 0 |

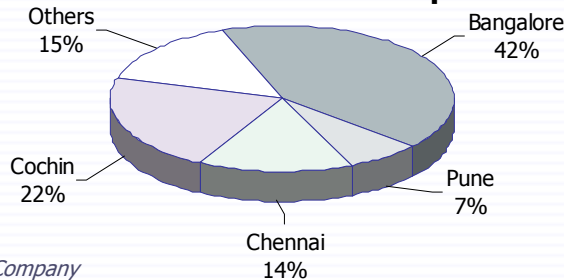
Source: Company

Price Change q/q*



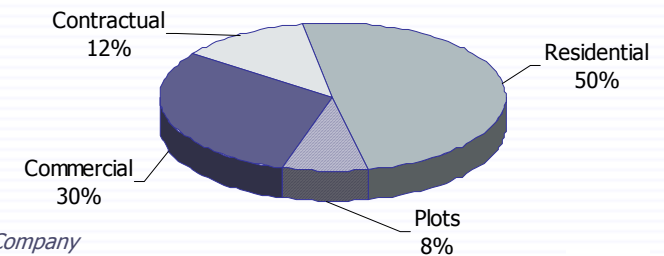
Source: Cushman & Wakefield; Knight Frank India
* In Sobha Developer's key areas of operations

Location wise break-up



Source: Company

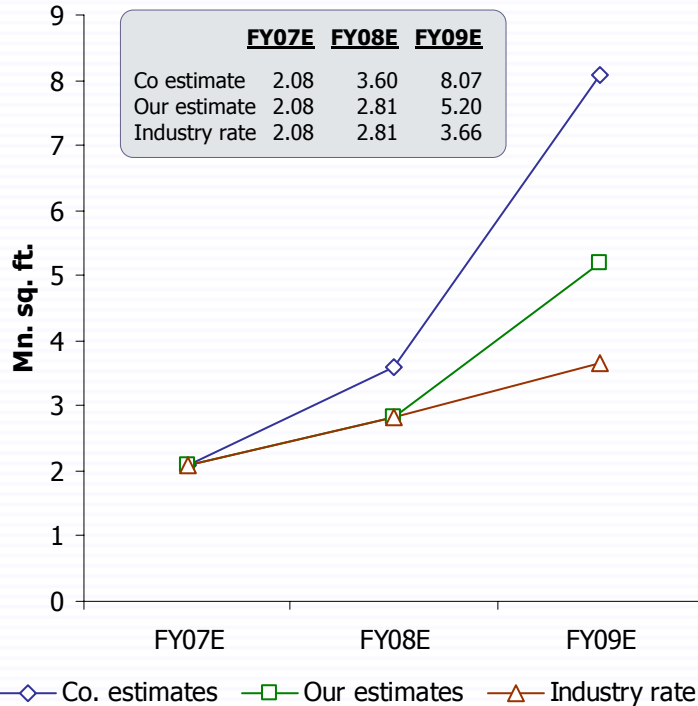
Segmental Contribution



Source: Company

Valuations

Roll out Plans



Conversion Margin

Best Case

| (Rs bn) | | Conversion Margin (Rs./psf) | | | |
|---------------------------|----|-----------------------------|-------|-------|-------|
| | | 950 | 1,150 | 1,350 | 1,550 |
| Conv. Margin Multiple (x) | 9 | 69 | 84 | 98 | 113 |
| | 10 | 77 | 93 | 109 | 125 |
| | 11 | 84 | 102 | 120 | 138 |
| | 12 | 92 | 111 | 131 | 150 |

Best Case

| (Rs bn) | | Conversion Margin (Rs./psf) | | | |
|---------------------------|----|-----------------------------|-------|-------|-------|
| | | 950 | 1,150 | 1,350 | 1,550 |
| Conv. Margin Multiple (x) | 9 | 44 | 54 | 63 | 73 |
| | 10 | 49 | 60 | 70 | 81 |
| | 11 | 54 | 66 | 77 | 89 |
| | 12 | 59 | 72 | 84 | 97 |

Best Case

| (Rs bn) | | Conversion Margin (Rs./psf) | | | |
|---------------------------|----|-----------------------------|-------|-------|-------|
| | | 950 | 1,150 | 1,350 | 1,550 |
| Conv. Margin Multiple (x) | 9 | 31 | 38 | 44 | 51 |
| | 10 | 35 | 42 | 49 | 57 |
| | 11 | 38 | 46 | 54 | 62 |
| | 12 | 42 | 50 | 59 | 68 |

Final Valuations

| | |
|-------------------------------|-------------|
| Conversion Margin | 93 |
| Land Value | 63 |
| Contractual Business | 7 |
| Total | 163 |
| Less: Net debt + Unpaid la | 47 |
| Best Case target price | 1593 |

| | |
|-------------------------------|------------|
| Conversion Margin | 60 |
| Land Value | 47 |
| Contractual Business | 6 |
| Total | 113 |
| Less: Net debt + Unpaid la | 47 |
| Base Case target price | 907 |

| | |
|-------------------------------|------------|
| Conversion Margin | 42 |
| Land Value | 38 |
| Contractual Business | 5 |
| Total | 85 |
| Less: Net debt + Unpaid la | 47 |
| Bear Case target price | 517 |

Land Value

| (Rs bn) | | Bear Case | Base Case | Best Case |
|-------------------|-------------|-----------|-----------|-----------|
| | | 1.2 | 1.5 | 2 |
| | (x) | | | |
| Book Value | 31.6 | 37.92 | 47.4 | 63.2 |

Contractual Business

| (Rs bn) | | Bear Case | Base Case | Best Case |
|--------------------------|------------|-----------|-----------|-----------|
| | | 8 | 10 | 12 |
| | (x) | | | |
| Fee income (FY09) | 0.6 | 4.8 | 6.0 | 7.2 |

NAV Approach

| Y/E 2006 | 2007 | 2008E | 2009E | 2010E | 2011E | 2012E | Beyond 2012E |
|--------------------------------|--------------|----------------|----------------|---------------|---------------|---------------|----------------|
| Square feet completed* | 2.1 | 2.8 | 5.2 | 5.8 | 8.6 | 10.3 | 78.9 |
| Operating Cash Flow | 1,351 | (3,811) | 1,181 | 29,608 | 28,698 | 29,499 | 178,780 |
| Less: Administration Costs | 1,542 | 2,082 | 2,186 | 2,623 | 3,148 | 3,777 | 19,282 |
| Interest Costs | 481 | 688 | 903 | 1,141 | 1,198 | 1,258 | 5,692 |
| Contingency | 57 | 472 | 572 | 340 | 464 | 523 | 3,964 |
| Net Cash Flow (Pre-tax) | (729) | (7,053) | (2,480) | 25,504 | 23,889 | 23,940 | 149,842 |
| Less: Taxation | 251 | 709 | 1,462 | 4,255 | 7,501 | 2,214 | 32,790 |
| Free Cash Flow | (980) | (7,762) | (3,941) | 21,249 | 16,388 | 21,726 | 117,052 |

*Note: Does not include contractual projects

Sensitivity Matrix

| (Rs mn) | | Selling price escalation (%) | | | | |
|----------|----|------------------------------|-----|------|------|------|
| | | 0 | 3 | 5 | 7 | 10 |
| WACC (%) | 12 | 482 | 807 | 1049 | 1313 | 1756 |
| | 13 | 464 | 770 | 998 | 1246 | 1663 |
| | 14 | 446 | 735 | 950 | 1184 | 1577 |
| | 15 | 429 | 702 | 905 | 1126 | 1496 |
| | 16 | 413 | 672 | 863 | 1072 | 1421 |

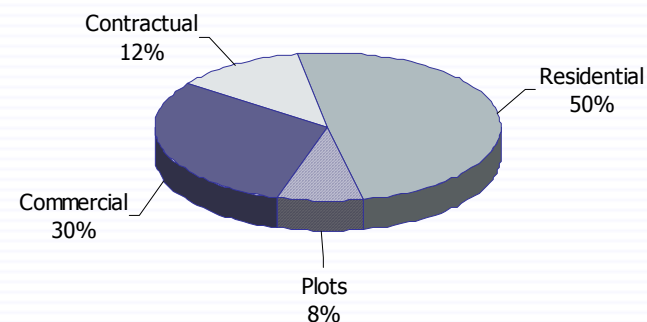
Note: Escalation in construction costs assumed to be constant

| | |
|---|---------------|
| Net Cash Flows | 163732 |
| Discount rate | 14% |
| Net Present Value from Real Estate | 62,139 |
| Valuation of contractual business | 6,000 |
| Total Equity Value | 68,139 |
| No. of shares | 73 |
| Net Asset Value | 935 |

Key Assumptions

| Variable | Assumption |
|--|------------|
| Escalation in selling price | 5% |
| Escalation in construction costs | 4% |
| Contingencies considered (% of costs) | 2% |
| No of years considered beyond 2012E | 6 |
| Contractual Projects - Operating Margin | 15% |
| Construction Business EV/EBIDTA multiple | 10 |

Segmental Contribution



Source: ENAM Research, Pre tax contribution to valuation considered

Company Financials

Income statement

(Rs mn)

| Y/E March | 2006 | 2007 | 2008E | 2009E |
|-------------------------|--------------|---------------|---------------|---------------|
| Real estate projects | 4,228 | 7,538 | 12,489 | 21,198 |
| Contractual projects | 2,024 | 4,327 | 4,000 | 4,000 |
| Total income | 6,252 | 11,865 | 16,489 | 25,198 |
| Cost of goods sold | 4,035 | 7,761 | 9,714 | 15,430 |
| Advt/Sales/Distrn O/H | 835 | 1,542 | 2,082 | 2,186 |
| Operating Profit | 1,382 | 2,562 | 4,693 | 7,583 |
| Other income | 21 | 29 | 35 | 42 |
| PBIDT | 1,403 | 2,591 | 4,727 | 7,625 |
| Depreciation | 129 | 244 | 290 | 508 |
| Interest | 208 | 481 | 1,214 | 2,244 |
| Pre-tax profit | 1,067 | 1,866 | 3,223 | 4,872 |
| Tax provision | 182 | 251 | 709 | 1,462 |
| Adjusted PAT | 885 | 1,615 | 2,514 | 3,411 |
| Reported PAT | 885 | 1,615 | 2,514 | 3,411 |

Key ratios

(%)

| Y/E March | 2006 | 2007 | 2008E | 2009E |
|--------------------------|-------------|-------------|-------------|-------------|
| Sales growth | 38.0 | 89.8 | 39.0 | 52.8 |
| OPM | 22.1 | 21.6 | 28.5 | 30.1 |
| Oper. profit growth | 157.9 | 85.3 | 83.2 | 61.6 |
| COGS / Net sales | 64.5 | 65.4 | 58.9 | 61.2 |
| Overheads/Net sales | 13.4 | 13.0 | 12.6 | 8.7 |
| Depreciation / G. block | 10.3 | 10.5 | 8.4 | 7.6 |
| Effective interest rate | 6.3 | 9.5 | 9.9 | 10.0 |
| Net wkg.cap / Net sales | 0.5 | 0.7 | 1.1 | 1.1 |
| Net sales / Gr block (x) | 6.9 | 6.6 | 5.7 | 5.0 |
| RoCE | 30.0 | 23.4 | 20.0 | 20.2 |
| Debt / equity (x) | 3.4 | 0.7 | 1.7 | 1.8 |
| Effective tax rate | 17.1 | 13.5 | 22.0 | 30.0 |
| RoE | 95.7 | 32.6 | 25.4 | 26.6 |
| Payout ratio (Div/NP) | 16.4 | 21.3 | 0.0 | 0.0 |
| EPS (Rs.) | 41.9 | 22.2 | 34.5 | 46.8 |
| EPS Growth | 155.4 | (47.1) | 55.7 | 35.6 |
| CEPS (Rs.) | 47.9 | 25.5 | 38.5 | 53.8 |
| DPS (Rs.) | 6.9 | 4.7 | 0.0 | 0.0 |

Source: Company, ENAM Research

Company Financials

Balance sheet

(Rs mn)

| Y/E March | 2006 | 2007 | 2008E | 2009E |
|-------------------------|--------------|---------------|---------------|---------------|
| Total assets | 5,616 | 14,484 | 29,842 | 40,753 |
| Gross block | 1,252 | 2,334 | 3,473 | 6,691 |
| Net fixed assets | 999 | 1,839 | 2,688 | 5,398 |
| CWIP | 21 | 109 | 2,130 | 3,176 |
| Investments | 27 | 528 | 528 | 528 |
| Wkg. cap. (excl cash) | 4,119 | 11,325 | 24,030 | 30,954 |
| Cash / Bank balance | 450 | 684 | 467 | 697 |
| Capital employed | 5,616 | 14,483 | 29,843 | 40,753 |
| Equity capital | 211 | 729 | 729 | 729 |
| Reserves | 1,070 | 7,895 | 10,409 | 13,820 |
| Borrowings | 4,318 | 5,837 | 18,683 | 26,183 |
| Others | 17 | 22 | 22 | 22 |

Cash flow

(Rs mn)

| Y/E March | 2006 | 2007 | 2008E | 2009E |
|---------------------|--------------|--------------|---------------|---------------|
| Sources | 2,833 | 9,111 | 15,650 | 11,419 |
| Cash profit | 1,008 | 1,864 | 2,805 | 3,919 |
| (-) Dividends | 172 | 390 | 0 | 0 |
| Retained earnings | 836 | 1,474 | 2,805 | 3,919 |
| Issue of equity | 0 | 6,118 | 0 | 0 |
| Borrowings | 1,997 | 1,519 | 12,846 | 7,500 |
| Applications | 2,833 | 9,111 | 15,650 | 11,419 |
| Capital expenditure | 595 | 1,172 | 3,160 | 4,265 |
| Investments | 27 | 501 | 0 | 0 |
| Net current assets | 1,828 | 7,205 | 12,706 | 6,924 |
| Change in cash | 384 | 234 | (216) | 230 |

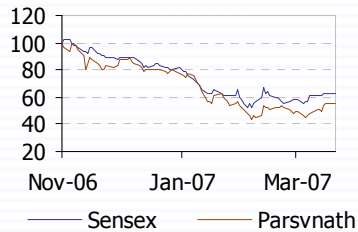
Source: Company, ENAM Research

Stock Data

| | |
|------------------------|------------------|
| No. of shares | : 185mn |
| Market cap | : Rs 60bn |
| 52 week high/low | : Rs 579/ Rs 222 |
| Avg. daily vol. (6mth) | : 3.6mn shares |
| Bloomberg code | : PARSV IN |
| Reuters code | : PARV.BO |

Shareholding (%) Mar-07 QoQ chg

| | | |
|-------------|--------|-------|
| Promoters | : 80.3 | 0.3 |
| FII's | : 3.1 | (1.0) |
| MFs / UTI | : 0.6 | (0.3) |
| Banks / FIs | : 0.1 | (0.2) |
| Others | : 15.9 | 1.2 |

Relative Performance

Source: ENAM Research, Bloomberg

Financial summary

| Y/E March | Sales (Rs mn) | PAT (Rs mn) | EPS (Rs.) | Change (YoY %) | P/E (x) | RoE (%) | RoCE (%) | EV / EBITDA (x) |
|-----------|------------------|----------------|--------------|-------------------|------------|------------|-------------|--------------------|
| 2006 | 6,438 | 1,066 | 5.8 | 62 | 0.0 | 70.3 | 45.1 | 1.3 |
| 2007 | 15,103 | 2,922 | 15.8 | 174 | 16.4 | 34.5 | 27.6 | 12.8 |
| 2008E | 23,416 | 4,541 | 24.6 | 55 | 12.9 | 27.0 | 25.7 | 9.1 |
| 2009E | 41,409 | 8,084 | 43.8 | 78 | 7.3 | 36.7 | 36.4 | 5.2 |

Source: *Consensus broker estimates, Company, ENAM estimates

Parsvnath Developers

Rs 318Relative to Sector: **Outperformer**Target Price: Rs 483
Potential Upside: 52%

A diversified player with pan-India reach

Investment Summary

➔ Company background

- Having completed ~15mn sq. ft. of development across segments, Parsvnath Developers Ltd (PDL) has embarked on an aggressive roadmap to establish a national presence with a well diversified portfolio

➔ Investment argument

- Project portfolio of 109 projects (~153mn sq. ft.), geographically diversified across 46 cities in 17 states.
- PDL is also developing 12 SEZ projects (Formal approval –4; In Principle approval – 8) totaling 195.83mn sq. ft.
- Diverse mix of projects across categories and segments
- It has won 12 DMRC (Delhi Metro Rail Corp) projects totaling 2.07mn sq. ft.(5 completed - 0.3mn sq. ft.)
- Plans to increase footprint to 20 States and 250 cities.
- Targeted rental income of Rs.11,350mn p.a. by 2011
- It also has plans to develop malls in 200 cities in India, as well as 20 large highway malls

➔ Key risk factors

- *Multifold jump in activity (15mn sq. ft. to 153mn sq. ft.) in newer markets poses significant execution challenges*
- High dependence on township projects over next 5 years

➔ Valuation

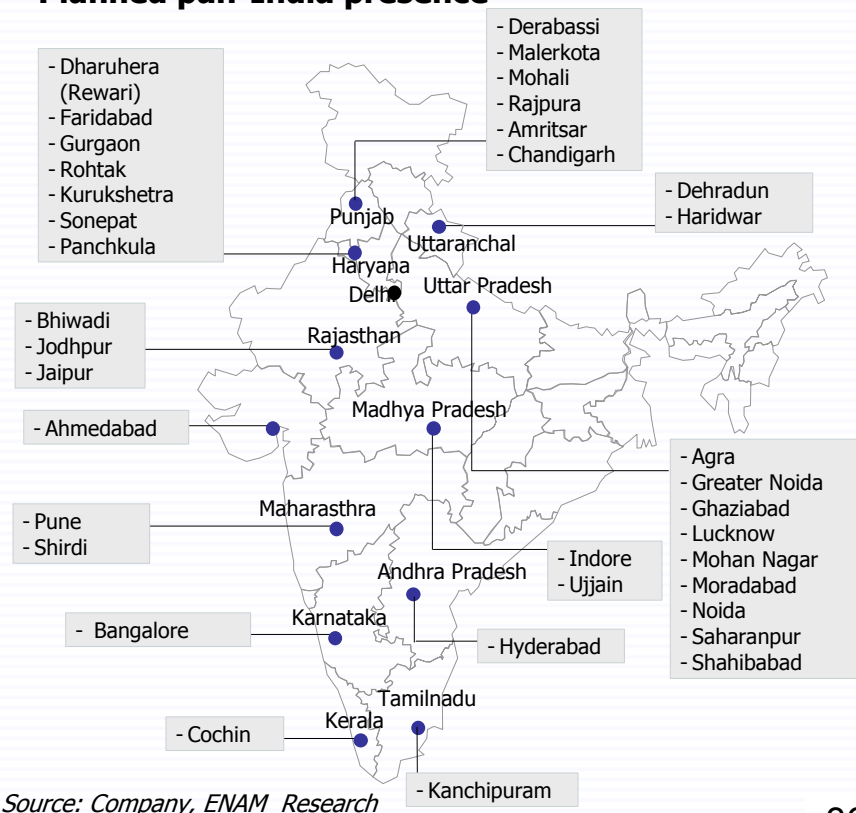
- At CMP of Rs.318, the stock trades at a significant discount to our base case valuation of Rs.483. We believe the stock is currently undervalued and initiate coverage with Sector **Outperformer** rating and a price target of **Rs.483**

Parsvnath's Scorecard*

| Year ended | No of Projects | SBA (mn sq. ft) |
|----------------------|----------------|-----------------|
| Residential Projects | 9 | 3.08 |
| Commercial Projects | 9 | 0.40 |
| DMRC I Projects | 5 | 0.30 |
| Total | 24 | 3.79 |

Source: Company; * Note: Refers to completed and handed over projects

Planned pan-India presence



Source: Company, ENAM Research

Business Strategy

➔ Pursuing a diversified portfolio

- Diversified portfolio mix across 46 cities & 17 states to hedge itself against the prevalent asset cycle risk
 - ▶ Categories - Residential, commercial, SEZ, Township
 - ▶ Segments - High income, middle income
- To pursue additional DMRC opportunities made available in the next 2-3 years in the NCR and other cities

➔ 2010 target

- Increase footprint to 20 States and 250 cities with Integrated Townships, Residential Group Housing, Shopping Malls, Hotels, IT Parks etc.
 - ▶ To develop malls in 200 cities in India, ranging in size from 0.3 to 0.5mn sq. ft.
 - ▶ To develop 20 large highway malls (built up area of 2.5mn to 10mn sq. ft. per mall)

➔ Plot sales to reduce execution risk

- More than ~30% of the developable area earmarked for other use such as educational institutes, hospitals etc. to be sold outright, as plots reducing the execution risk

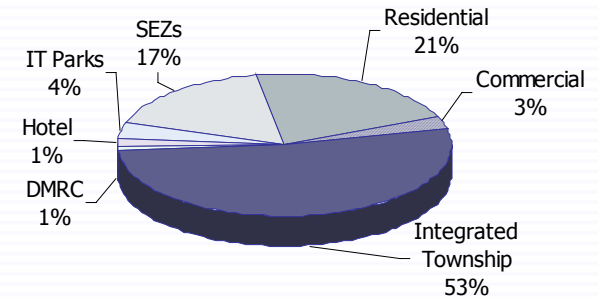
➔ New initiatives

- Proposed development of a multimedia-cum-film city at Chandigarh totaling 15.62mn sq. ft. across 30 acres
- Development of a bus terminus project from B.E.S.T Ltd. at Bandra Kurla Complex in Mumbai along with a commercial / shopping complex

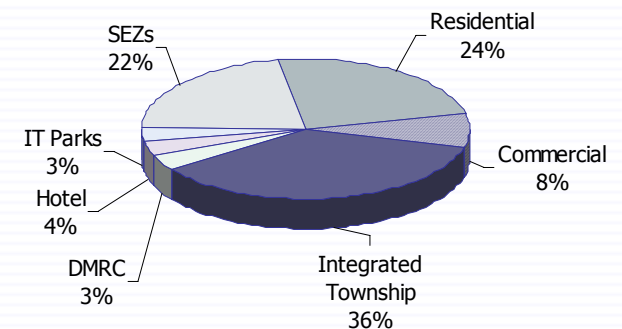
Planned Project Portfolio

| Segment | No. of Projects | Saleable Area* (sq. ft in mn) | Est. Cost (Rs. bn) |
|---------------------|-----------------|-------------------------------|--------------------|
| Residential | 32 | 32.63 | 50.8 |
| Commercial | 22 | 4.74 | 16.3 |
| Integrated Township | 18 | 79.90 | 76.4 |
| DMRC | 12 | 2.06 | 7.2 |
| Hotel | 17 | 2.27 | 7.4 |
| IT Parks | 4 | 6.01 | 6.5 |
| SEZs | 4 | 26.18 | 46.0 |
| Total | 109 | 153.79 | 210.6 |

Breakup of saleable area



Breakup of total cost



Source: Company, ENAM Research; * Note: Includes total land bank

Competitive Advantage

Multiple revenue streams

- PDL is consciously building multiple revenue streams to hedge itself from any cyclicalty
 - ▶ To retain 30-35% of the commercial properties to earn regular rental income from the same.
 - ▶ It also has the concession for 12 DMRC stations where it shall earn rental income
 - ▶ Foray into hospitality segment with 21 planned projects
 - ▶ Re-Development of Bus Stations on BOT Basis

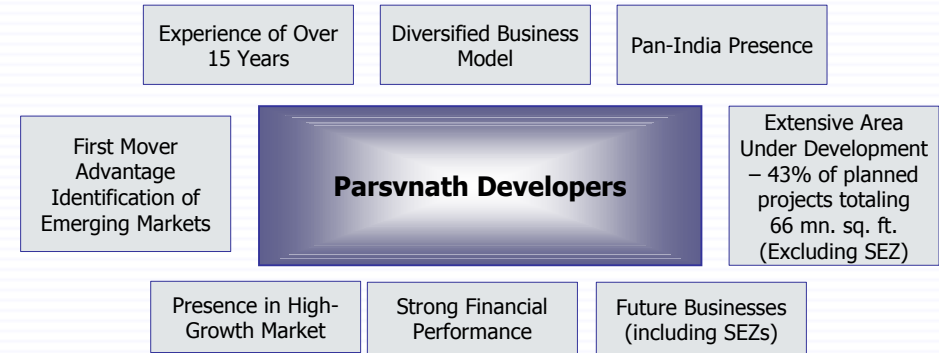
Presence across the value chain

- Development rights totaling ~153mn sq. ft.
- In house materials purchase and construction ability with no third party dependence
- Strong marketing network spanning 46 cities

Scaling up execution capability

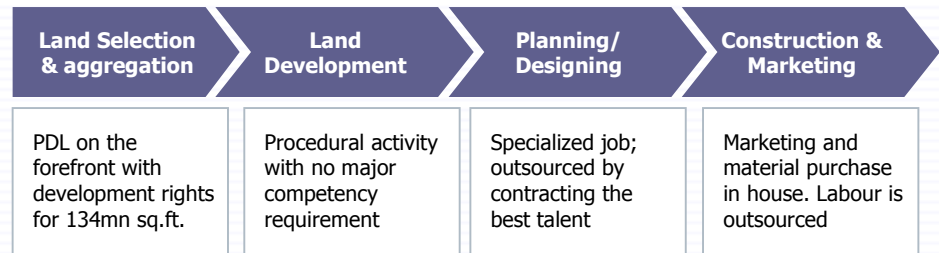
- Over ~43% of planned projects totaling 66mn sq. ft. of space under construction across verticals
- Professionally managed company with 900 employees including a strong technical team.

Competitive Advantage



Source: ENAM Research

Presence across the value chain



Source: Company

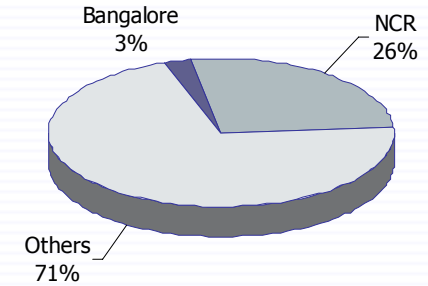
Development Snapshot

Planned pipeline of projects

| (mn sq. ft.) | Since Inception | FY07 to FY09E | Beyond FY09E |
|------------------|-----------------|---------------|--------------|
| Parsvnath | 3.8 | 51.3 | 46.5 |
| Residential | 3.1 | 41.0 | 35.8 |
| Commercial | 0.4 | 7.8 | 9.4 |
| Others | 0.3 | 2.4 | 1.3 |

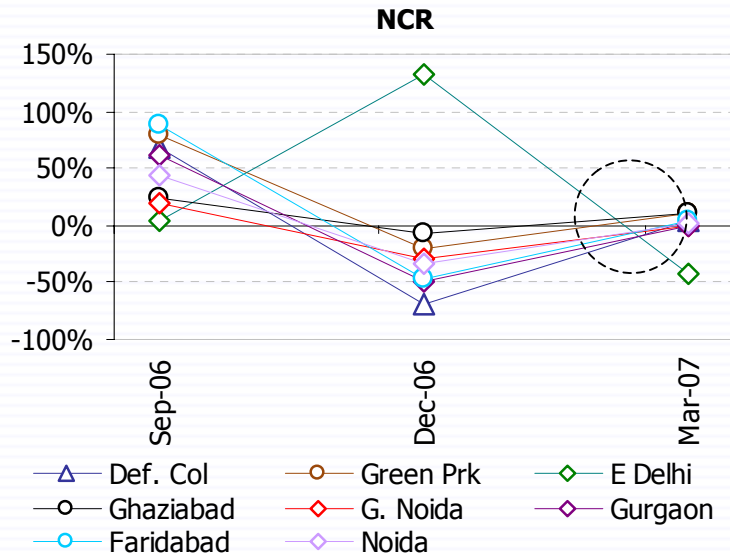
Source: Company

Location wise break-up



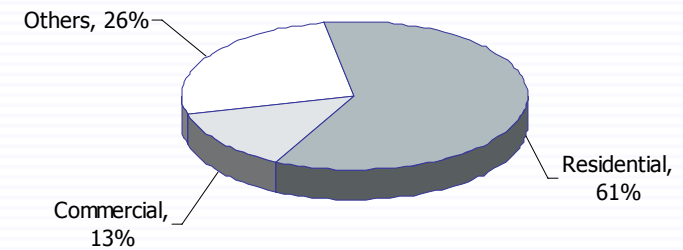
Source: Company

Price trend q/q*



Source: Cushman & Wakefield; Knight Frank India
* In Parsvnaths' key areas of operation

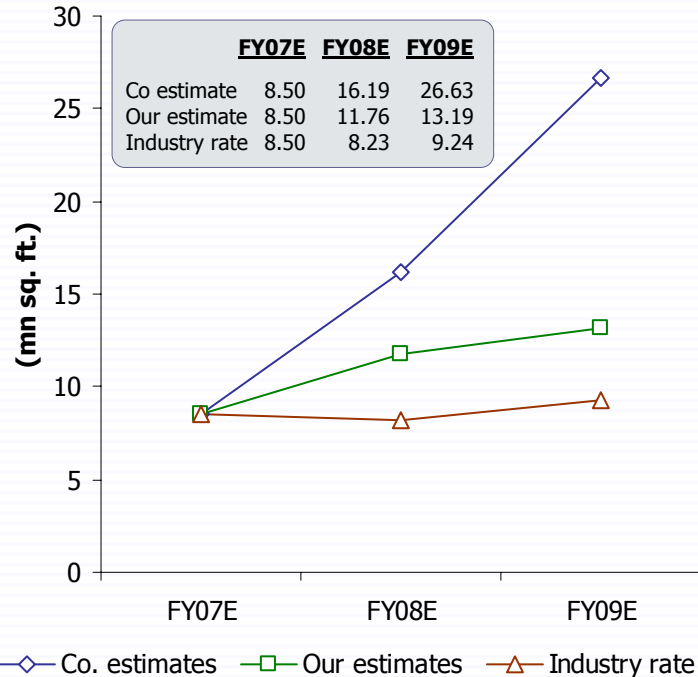
Segmental Contribution



Source: ENAM Research, Pre tax contribution to valuation considered

Valuations

Rollout plans



Conversion Margin

Best Case

| (Rs bn) | | Conversion Margin (Rs./psf) | | | |
|---------------------------|----|-----------------------------|-----|-----|-----|
| | | 300 | 350 | 400 | 450 |
| Conv. Margin Multiple (x) | 9 | 72 | 84 | 96 | 108 |
| | 10 | 80 | 93 | 107 | 120 |
| | 11 | 88 | 103 | 117 | 132 |
| | 12 | 96 | 112 | 128 | 144 |

Base Case

| (Rs bn) | | Conversion Margin (Rs./psf) | | | |
|---------------------------|----|-----------------------------|-----|-----|-----|
| | | 300 | 350 | 400 | 450 |
| Conv. Margin Multiple (x) | 9 | 36 | 42 | 48 | 53 |
| | 10 | 40 | 46 | 53 | 59 |
| | 11 | 44 | 51 | 58 | 65 |
| | 12 | 48 | 55 | 63 | 71 |

Bear Case

| (Rs bn) | | Conversion Margin (Rs./psf) | | | |
|---------------------------|----|-----------------------------|-----|-----|-----|
| | | 300 | 350 | 400 | 450 |
| Conv. Margin Multiple (x) | 9 | 25 | 29 | 33 | 37 |
| | 10 | 28 | 32 | 37 | 42 |
| | 11 | 30 | 36 | 41 | 46 |
| | 12 | 33 | 39 | 44 | 50 |

Final Valuations

| | |
|-------------------------------|------------|
| Conversion Margin | 93 |
| Land Value | 59 |
| Completed Assets | 34 |
| Total | 186 |
| Less: Net debt + Unpaid cost | 34 |
| Best Case target price | 822 |

| | |
|-------------------------------|------------|
| Conversion Margin | 46 |
| Land Value | 49 |
| Completed Assets | 28 |
| Total | 124 |
| Less: Net debt + Unpaid cost | 34 |
| Base Case target price | 483 |

| | |
|-------------------------------|------------|
| Conversion Margin | 32 |
| Land Value | 39 |
| Completed Assets | 22 |
| Total | 94 |
| Less: Net debt + Unpaid cost | 34 |
| Bear Case target price | 324 |

Land Value

| (Rs bn) | | Bear Case | Base Case | Best Case |
|-------------------|-------------|-----------|-----------|-----------|
| (x) | | 1 | 1.25 | 1.5 |
| Book Value | 39.5 | 39.5 | 49.3 | 59.2 |

Completed Assets

| (Rs bn) | | Bear Case | Base Case | Best Case |
|-----------------------------|------------|-----------|-----------|-----------|
| (x) | | 8 | 10 | 12 |
| Rental income (FY09) | 2.8 | 22 | 28 | 34 |

NAV Approach

| Y/E March | 2007E | 2008E | 2009E | 2010E | 2011E | 2012E | Beyond 2012E |
|--------------------------------|-----------------|--------------|---------------|---------------|---------------|---------------|---------------|
| Square feet completed | 8.5 | 14.6 | 14.3 | 18.6 | 18.2 | 14.6 | 28.0 |
| Operating Cash Flow | (9,863) | 11,175 | 21,037 | 43,353 | 43,570 | 26,845 | 39,403 |
| Less: Administration Costs | 197 | 223 | 421 | 867 | 871 | 537 | 788 |
| Interest Costs | 193 | 1,232 | 2,028 | 2,215 | 2,215 | 2,215 | 6,645 |
| Contingency | 670 | 585 | 582 | 508 | 449 | 324 | 648 |
| Net Cash Flow (Pre-tax) | (10,924) | 9,134 | 18,006 | 39,763 | 40,034 | 23,769 | 31,322 |
| Less: Taxation | 981 | 1,946 | 4,163 | 7,206 | 7,566 | 7,944 | 4,158 |
| Free Cash Flow | (11,905) | 7,188 | 13,844 | 32,557 | 32,468 | 15,825 | 27,164 |

Sensitivity Matrix

| (Rs mn) | | Selling price escalation (%) | | | | |
|----------|----|------------------------------|-----|-----|-----|-----|
| | | 0 | 3 | 5 | 7 | 10 |
| WACC (%) | 12 | 319 | 399 | 458 | 520 | 622 |
| | 13 | 313 | 391 | 448 | 508 | 606 |
| | 14 | 308 | 383 | 438 | 496 | 591 |
| | 15 | 303 | 376 | 429 | 485 | 577 |
| | 16 | 297 | 368 | 420 | 474 | 563 |

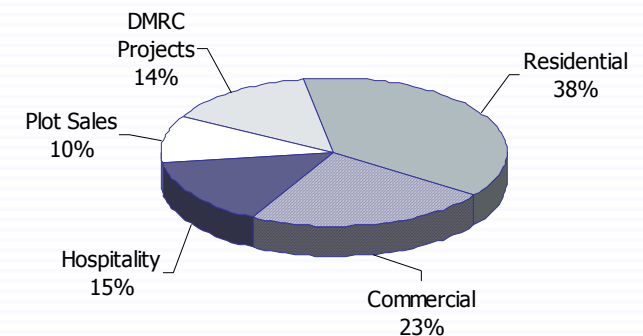
Note: Escalation in construction costs assumed to be constant

| | |
|-------------------------------|----------------|
| Net Cash Flows | 117,141 |
| Discount rate | 14% |
| Net Present Value | 80874 |
| No. of shares (fully diluted) | 184.7 |
| Net Asset Value | 438 |

Key Assumptions

| Variable | Assumption |
|---------------------------------------|------------|
| Escalation in selling price | 5% |
| Escalation in construction costs | 4% |
| Contingencies considered (% of costs) | 2% |
| No of years considered beyond 2012E | 3 |

Segmental Contribution



Source: ENAM Research, Pre tax contribution to valuation considered

Company Financials

Income statement

(Rs mn)

| Y/E March | 2006 | 2007 | 2008E | 2009E |
|-------------------------|--------------|---------------|---------------|---------------|
| Net sales | 6,438 | 15,103 | 23,416 | 41,409 |
| Other operating income | 4 | 0 | 0 | 0 |
| Total income | 6,442 | 15,103 | 23,416 | 41,409 |
| Cost of goods sold | 4,725 | 10,592 | 15,253 | 26,349 |
| Advt/Sales/Distrn O/H | 269 | 337 | 506 | 758 |
| Operating Profit | 1,448 | 4,174 | 7,657 | 14,301 |
| Other income | 99 | 242 | 242 | 242 |
| PBIDT | 1,547 | 4,416 | 7,899 | 14,544 |
| Depreciation | 59 | 143 | 180 | 269 |
| Interest | 27 | 193 | 1,232 | 2,028 |
| Pre-tax profit | 1,462 | 4,080 | 6,487 | 12,247 |
| Tax provision | 396 | 981 | 1,946 | 4,163 |
| (-) Minority Interests | 0 | 176 | 0 | 0 |
| Adjusted PAT | 1,066 | 2,922 | 4,541 | 8,084 |
| E/o income / (Expense) | 0 | 0 | 0 | 0 |
| Reported PAT | 1,066 | 2,922 | 4,541 | 8,084 |

Key ratios

(%)

| Y/E March | 2006 | 2007 | 2008E | 2009E |
|--------------------------|--------------|--------------|-------------|-------------|
| Sales growth | 112.3 | 134.6 | 55.0 | 76.8 |
| OPM | 22.5 | 27.6 | 32.7 | 34.5 |
| Oper. profit growth | 100.6 | 188.3 | 83.4 | 86.8 |
| COGS / Net sales | 73.3 | 70.1 | 65.1 | 63.6 |
| Overheads/Net sales | 4.2 | 2.2 | 2.2 | 1.8 |
| Depreciation / G. block | 9.5 | 15.1 | 12.4 | 12.6 |
| Effective interest rate | 1.5 | 2.8 | 9.3 | 11.8 |
| Net wkg.cap / Net sales | 0.4 | 0.8 | 1.0 | 0.8 |
| Net sales / Gr block (x) | 15.6 | 19.2 | 19.5 | 23.1 |
| RoCE | 45.1 | 27.6 | 25.7 | 36.4 |
| Debt / equity (x) | 1.2 | 0.8 | 0.8 | 0.8 |
| Effective tax rate | 27.1 | 24.0 | 30.0 | 34.0 |
| RoE | 70.3 | 34.5 | 27.0 | 36.7 |
| EPS (Rs.) | 5.8 | 15.8 | 24.6 | 43.8 |
| EPS Growth | 61.6 | 174.0 | 55.4 | 78.0 |
| CEPS (Rs.) | 6.1 | 16.6 | 25.6 | 45.2 |

Source: Company, ENAM Research

Company Financials

Balance sheet

(Rs mn)

| Y/E March | 2006 | 2007 | 2008E | 2009E |
|-------------------------|--------------|---------------|---------------|---------------|
| Total assets | 4,370 | 26,606 | 33,356 | 45,032 |
| Gross block | 619 | 950 | 1,450 | 2,134 |
| Net fixed assets | 529 | 717 | 1,037 | 1,452 |
| CWIP | 0 | 380 | 680 | 15 |
| Investments | 42 | 42 | 42 | 42 |
| Wkg. cap. (excl cash) | 3,387 | 19,470 | 27,722 | 40,106 |
| Cash / Bank balance | 412 | 5,998 | 3,876 | 3,418 |
| Capital employed | 4,370 | 26,606 | 33,356 | 45,032 |
| Equity capital | 989 | 1,847 | 1,847 | 1,847 |
| Reserves | 1,022 | 13,070 | 16,820 | 23,496 |
| Borrowings | 2,359 | 11,690 | 14,690 | 19,690 |

Cash flow

(Rs mn)

| Y/E March | 2006 | 2007 | 2008E | 2009E |
|---------------------|--------------|---------------|--------------|---------------|
| Sources | 3,176 | 22,919 | 7,721 | 13,353 |
| Cash profit | 1,118 | 3,242 | 4,721 | 8,353 |
| Retained earnings | 1,118 | 3,242 | 4,721 | 8,353 |
| Issue of equity | 907 | 10,347 | 0 | 0 |
| Borrowings | 1,152 | 9,331 | 3,000 | 5,000 |
| Applications | 3,176 | 22,919 | 7,721 | 13,353 |
| Capital expenditure | 416 | 711 | 800 | 19 |
| Investments | 0 | (0) | 0 | 0 |
| Net current assets | 2,205 | 16,084 | 8,252 | 12,384 |
| Change in cash | 556 | 6,125 | (1,331) | 950 |

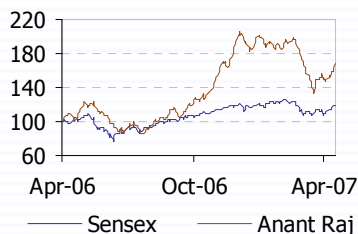
Source: Company, ENAM Research

Stock Data

| | |
|------------------------|---------------------|
| No. of shares | : 34mn |
| Market cap | : Rs 42bn |
| 52 week high/low | : Rs 1,475 / Rs 587 |
| Avg. daily vol. (6mth) | : 22,400 shares |
| Bloomberg code | : ARCP IN |
| Reuters code | : ANRA.BO |

Shareholding (%) Mar-07 QoQ chg

| | | | |
|-------------|---|------|-------|
| Promoters | : | 67.1 | (2.9) |
| FIIs | : | 17.0 | (0.1) |
| MFs / UTI | : | 0.3 | (0.3) |
| Banks / FIs | : | 0.0 | 0.0 |
| Others | : | 15.6 | 3.4 |

Relative Performance

Source: ENAM Research, Bloomberg

Financial summary

| Y/E March | Sales (Rs mn) | PAT (Rs mn) | EPS (Rs.) | Change (YoY %) | P/E (x) | RoE (%) | RoCE (%) | EV/EBITDA (x) |
|-----------|------------------|----------------|--------------|-------------------|------------|------------|-------------|------------------|
| 2006 | 568 | 281 | 8.2 | 9,886 | 62.7 | 6.6 | 8.5 | 44.8 |
| 2007 | 2,043 | 1,309 | 38.2 | 366 | 28.9 | 13.0 | 14.7 | 22.8 |
| 2008E | 8,090 | 3,822 | 111.5 | 192 | 10.2 | 21.7 | 21.1 | 9.3 |
| 2009E | 15,219 | 6,333 | 184.7 | 66 | 6.1 | 24.2 | 19.7 | 7.1 |

Source: *Consensus broker estimates, Company, ENAM estimates

Anant Raj Industries

Relative to Sector: **Outperformer**

Rs 1,135

Target Price: Rs.1,256

Potential Upside: 11%

Building blocks in place

Lead Analyst: Chirag Negandhi
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Associate: Nitin Idnani
nitin.idnani@enam.com (+91 22 6754 7655)

June 6, 2007

Investment Summary

Company background

- Leading developer in the NCR having completed ~11.5mn sq. ft. across various segments
 - Incorporated in 1985, ARIL has ~9 decades of experience in construction & ~3 decades in real estate development
- Also manufactures ceramic tiles with a total capacity of ~4.2mn sq. meters per annum

Investment argument

- High quality portfolio of ~49mn sq. ft. (~837 acres) in the NCR
- Development activities consciously restricted to the NCR wherein it has considerable expertise
- High potential in NCR for hotels (shortage of ~12,000 rooms) & comm. projects (2-3% vacancy)
- Consolidation of subsidiary companies underway to bring in Rs.4,900mn of land assets into the company

Key risk factors

- Restricting itself to the NCR exposes ARIL to a geographical risk of a regional slowdown
- Execution bandwidth to be tested as it undertakes its expansion plans in an aggressive time frame
- Lack of a premium brand name results in a lack of pricing premium for its projects enjoyed by others

Valuation

- At CMP of Rs.1135, the stock trades at a significant discount to our base case valuation of Rs.1,256. We believe the stock is currently undervalued and initiate coverage with Sector **Outperformer** rating and a price target of **Rs.1,256**

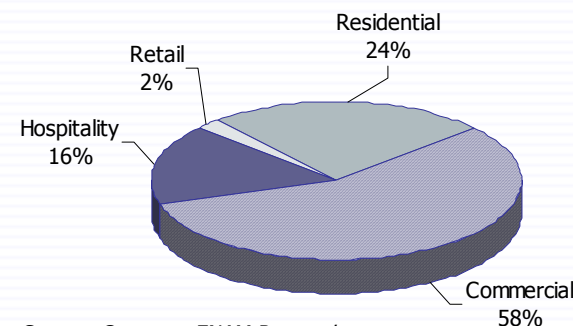
Scorecard of Completed Projects

| Completed Projects | Area (mn sq. ft.) |
|--|----------------------|
| Residential houses / row houses/ multi-storey apartments | 9.82 |
| Buildings for use as office / colleges / hospital/ factory | 1.5 |
| Shopping complex / mall | 0.375 |
| Farm houses complex with infrastructure | 210 Acres/ 70 Houses |
| Development of roads and drainage systems | 55 Sq. Kms. |
| Parks | 75 Acres |
| Laying of water pipe lines | 30 Kms |
| Laying of sewage pipe lines | 15 Kms |

Current Project Portfolio

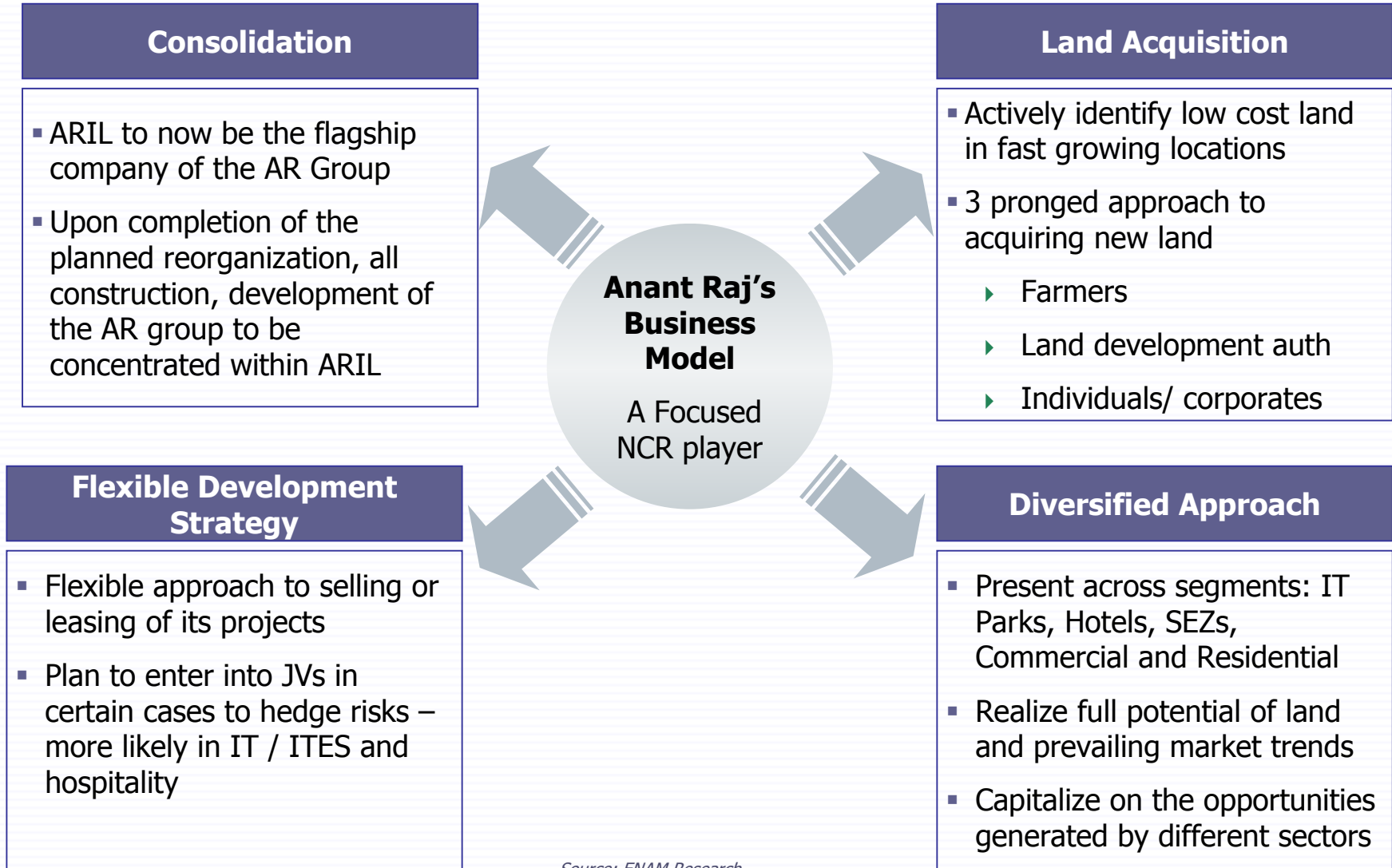
| Segment | (mn sq. ft.) |
|--------------|--------------|
| Residential | 11.59 |
| Commercial | 28.42 |
| Hospitality | 8.22 |
| Retail | 1.08 |
| Total | 49.31 |

Source: Company



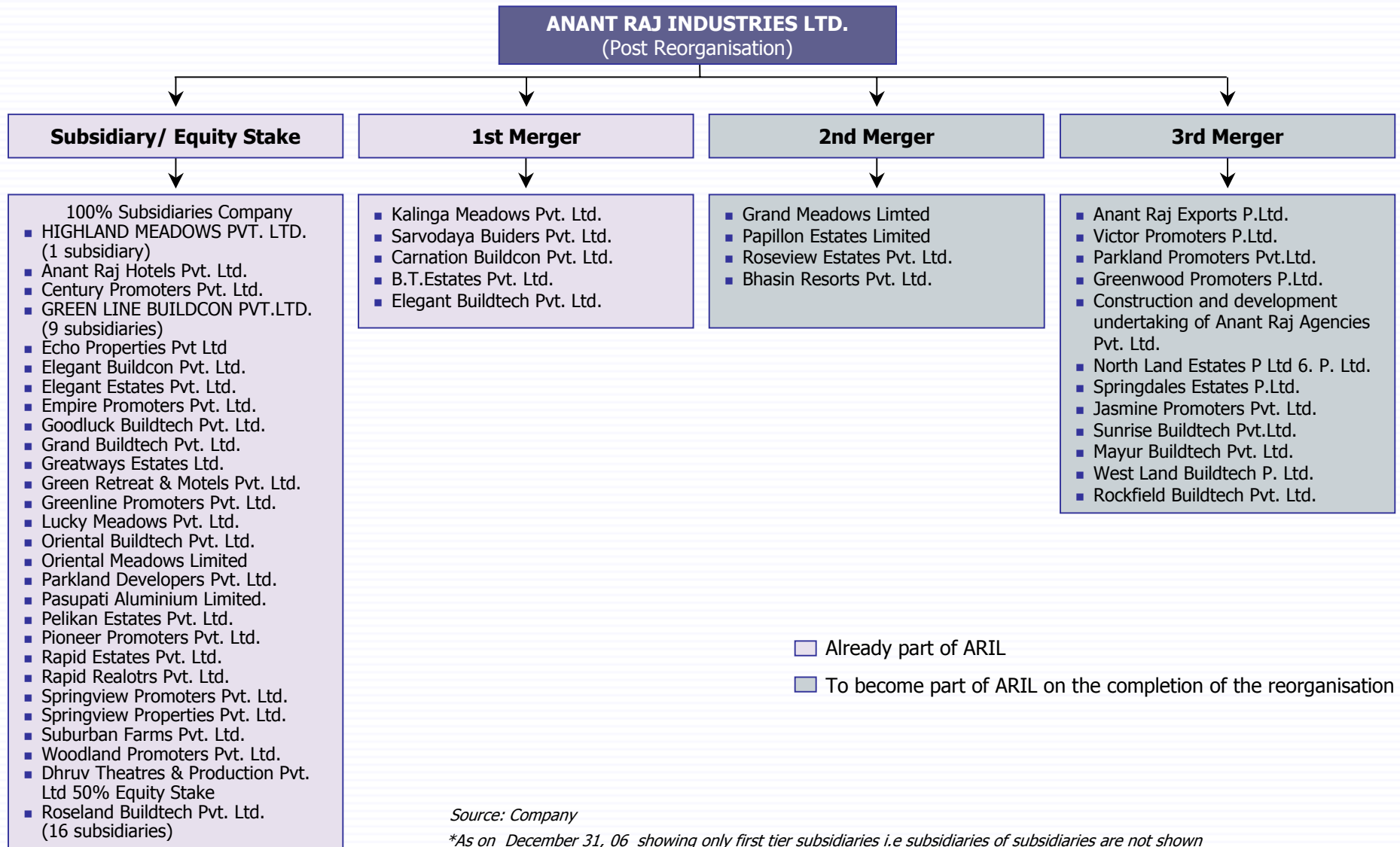
Source: Company, ENAM Research

Business Strategy



Source: ENAM Research

Benefiting from Reorganization



Competitive Advantage

➔ High quality land bank

- Fully paid up land bank of ~49mn sq. ft. with an average cost of ~Rs 315/ psf
- Real estate prices have moved up significantly, providing immediate profitability
- Portfolio includes 2 SEZs in partnership with Reliance ADAG in Manesar, Haryana, spread over 335 acres

➔ Extensive expertise in the NCR

- Over 90% of its land bank falls within a 50km radius from Delhi with ~500 acres in Delhi itself
 - ▶ Conscientious restriction of activities to the NCR to leverage management's 40 years of experience in this region
- De-risked portfolio across residential, commercial, hospitality and retail segments

➔ In-house construction team

- Dedicated team of engineers & workers with a focus on cost control and timeliness
- Not dependent on 3rd party contractors for its project execution

➔ Recent budget impetus

- Tax holiday for all 2,3 and 4 star hotels becoming operational in the NCR between 1st April 2007 and 31st March 2010 for a period of 5 years

ARIL's current land bank

| Location | Sector | Land Area (acres) |
|------------------------------|---------------------------------|-------------------|
| Manesar | IT | 10.00 |
| Manesar | SEZ | 270.00 |
| Dhumaspur | IT | 32.50 |
| RAI | IT | 25.00 |
| Rewari | Ceramic Tile Factory | 16.90 |
| NH-8, Near Intn'l Airport | Hospitality | 26.18 |
| NH-8, Near Intn'l Airport | Commercial | 2.50 |
| Shahoorpur & Bhatti | Hospitality | 28.31 |
| Najafgarh | Hospitality | 45.80 |
| Najafgarh | Resi/Service Aptt | 27.65 |
| Najafgarh/ Kirti Nagar | Commercial/ Mall | 6.20 |
| Pur | River Front Entertainment | 180.00 |
| Kapashera | Resi/Service Aptt | 2.95 |
| Tej Pul (NH-2) | IT | 5.77 |
| Jindpur (NH-1) | Hospitality | 14.15 |
| Nangli Puna (NH-1) | Resi/Service Aptt | 27.85 |
| Tikri (NH-1) | Resi/Service Aptt | 11.10 |
| Alipur & Holambi (NH-1) | Resi/Service Aptt | 35.00 |
| Properties in Central Delhi | Resi/Service Aptt | 3.60 |
| Tirlokपुर | Entertainment | 0.71 |
| Karol Bagh | Commercial | 0.72 |
| Bhatti | Housing | 23.98 |
| Hauz Khas | Resi/Service Aptt | 2.40 |
| Greater Noida | Commercial | 1.25 |
| Faridabad | Resi/Service Aptt | 11.20 |
| Vazirabad, Gurgaon | Hospitality | 4.23 |
| New Acquisitions in Fazalwas | Part Purchase for Mega Township | 14.00 |
| Rockfield (Shimla) | Hospitality | 6.20 |
| Jhandewalan (E-2) | Commercial | 1.00 |
| M M Road | Commercial | 0.10 |
| Faiz Road | Commercial | 0.14 |
| Total | | 837.4 |

Source: Company

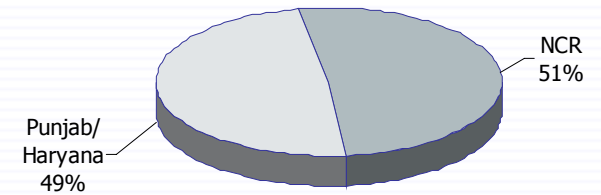
Development Snapshot

Planned pipeline of projects

| (mn sq. ft.) | Since Inception | FY07 to FY09E | Beyond FY09E |
|------------------|-----------------|---------------|--------------|
| Anant Raj | 11.8 | 9.8 | 39.4 |
| Residential | 9.8 | 2.4 | 9.2 |
| Commercial | 1.5 | 3.6 | 25.1 |
| Others | 0.5 | 3.8 | 5.1 |

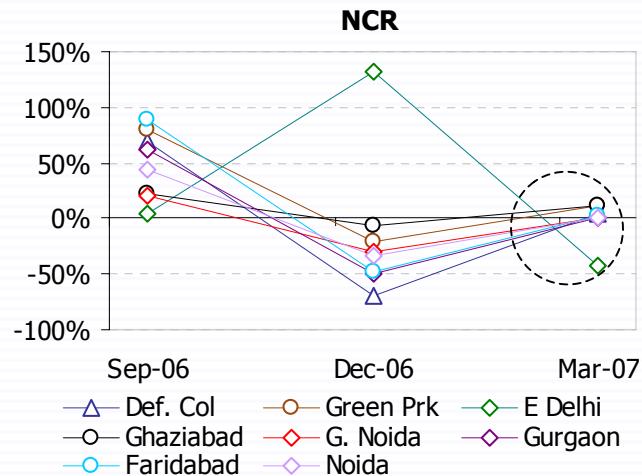
Source: Company

Location wise break-up



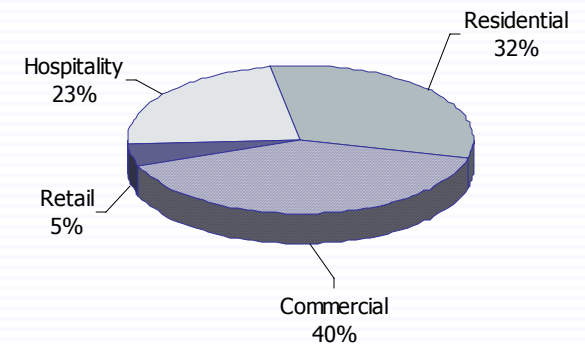
Source: Company

Price trend q/q*



Source: Cushman & Wakefield; Knight Frank India
*In Anant Raj's key area of operation

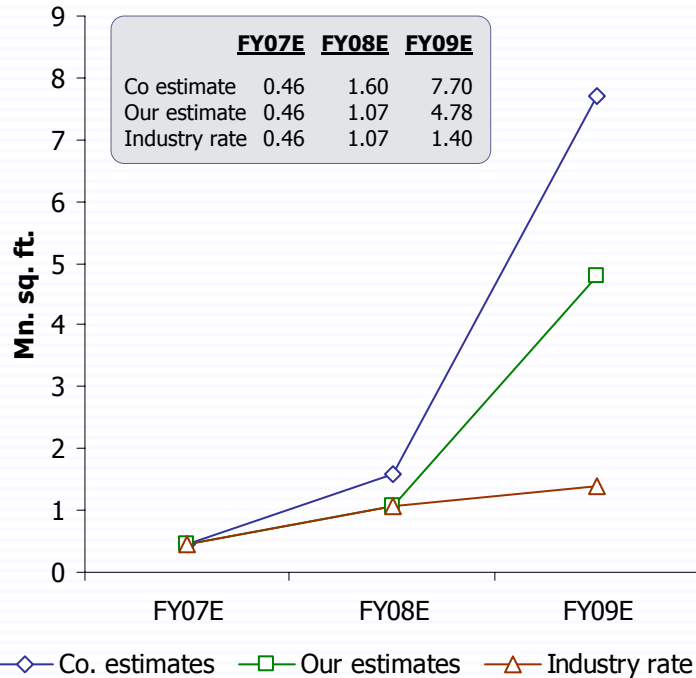
Segmental Contribution



Source: ENAM Research,
Pre tax contribution to valuation considered

Valuations

Rollout Plans



Conversion Margin

Best Case

| (Rs bn) | | Conversion Margin (Rs./psf) | | | |
|---------------------------|----|-----------------------------|-------|-------|-------|
| | | 1,000 | 1,200 | 1,500 | 1,800 |
| Conv. Margin Multiple (x) | 9 | 69 | 83 | 104 | 125 |
| | 10 | 77 | 92 | 116 | 139 |
| | 11 | 85 | 102 | 127 | 152 |
| | 12 | 92 | 111 | 139 | 166 |

Base Case

| (Rs bn) | | Conversion Margin (Rs./psf) | | | |
|---------------------------|----|-----------------------------|-------|-------|-------|
| | | 1,000 | 1,200 | 1,500 | 1,800 |
| Conv. Margin Multiple (x) | 9 | 43 | 52 | 64 | 77 |
| | 10 | 48 | 57 | 72 | 86 |
| | 11 | 53 | 63 | 79 | 95 |
| | 12 | 57 | 69 | 86 | 103 |

Bear Case

| (Rs bn) | | Conversion Margin (Rs./psf) | | | |
|---------------------------|----|-----------------------------|-------|-------|-------|
| | | 1,000 | 1,200 | 1,500 | 1,800 |
| Conv. Margin Multiple (x) | 9 | 13 | 15 | 19 | 23 |
| | 10 | 14 | 17 | 21 | 25 |
| | 11 | 15 | 18 | 23 | 28 |
| | 12 | 17 | 20 | 25 | 30 |

Final Valuations

| | |
|-------------------------------|-------------|
| Conversion Margin | 92 |
| Land Value | 26 |
| Completed Assets | 24 |
| Total | 142 |
| Less: Net debt + Unpaid cost | 25 |
| Best Case target price | 2124 |

| | |
|-------------------------------|-------------|
| Conversion Margin | 57 |
| Land Value | 17 |
| Completed Assets | 20 |
| Total | 94 |
| Less: Net debt + Unpaid cost | 25 |
| Base Case target price | 1256 |

| | |
|-------------------------------|------------|
| Conversion Margin | 17 |
| Land Value | 13 |
| Completed Assets | 16 |
| Total | 46 |
| Less: Net debt + Unpaid cost | 25 |
| Bear Case target price | 367 |

Land Value

| (Rs bn) | | Bear Case | Base Case | Best Case |
|-------------------|------------|-----------|-----------|-----------|
| (x) | | 1.5 | 2 | 3 |
| Book Value | 8.7 | 13.1 | 17.4 | 26.1 |

Completed Assets

| (Rs bn) | | Bear Case | Base Case | Best Case |
|-----------------------------|------------|-----------|-----------|-----------|
| (x) | | 8 | 10 | 12 |
| Rental income (FY09) | 2.0 | 15.8 | 19.8 | 23.7 |

NAV Approach

| Y/E March | 2007E | 2008E | 2009E | 2010E | 2011E | 2012E | Beyond 2012E |
|--------------------------------|----------------|----------------|----------------|---------------|---------------|--------------|---------------|
| Square feet completed | 0.4 | 1.1 | 4.8 | 8.8 | 18.6 | 3.1 | 12.4 |
| Operating Cash Flow | (2,091) | (3,137) | (2,195) | 66,845 | 50,585 | 6,088 | 22,780 |
| Less: Administration Costs | 130 | 243 | 457 | 724 | 1,132 | 1,154 | 3,533 |
| Interest Costs | 10 | 162 | 415 | 2,485 | 1,248 | 423 | 1,269 |
| Contingency | 53 | 474 | 551 | 464 | 174 | 63 | 188 |
| Net Cash Flow (Pre-tax) | (2,285) | (4,015) | (3,617) | 63,172 | 48,031 | 4,448 | 17,790 |
| Less: Taxation | 436 | 1,198 | 1,919 | 2,176 | 4,467 | 3,231 | 466 |
| Free Cash Flow | (2,721) | (5,213) | (5,536) | 60,996 | 43,564 | 1,217 | 17,324 |

Sensitivity Matrix

| (Rs mn) | | Selling price escalation (%) | | | | |
|----------|----|------------------------------|------|------|------|------|
| | | 0 | 3 | 5 | 7 | 10 |
| WACC (%) | 12 | 817 | 1068 | 1247 | 1436 | 1738 |
| | 13 | 796 | 1042 | 1216 | 1401 | 1695 |
| | 14 | 777 | 1016 | 1187 | 1366 | 1654 |
| | 15 | 758 | 991 | 1158 | 1333 | 1613 |
| | 16 | 739 | 967 | 1130 | 1301 | 1574 |

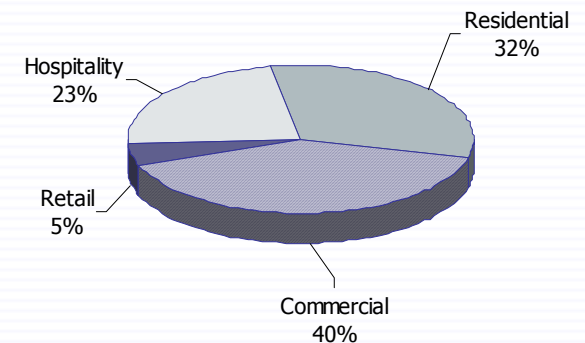
Note: Escalation in construction costs assumed to be constant

| | |
|-------------------------------|----------------|
| Net Cash Flows | 109,631 |
| Discount rate | 14% |
| Net Present Value | 65269 |
| No. of shares (fully diluted) | 55.0 |
| Net Asset Value | 1187 |

Key Assumptions

| Variable | Assumption |
|---------------------------------------|------------|
| Escalation in selling price | 5% |
| Escalation in construction costs | 4% |
| Contingencies considered (% of costs) | 2% |
| No of years considered beyond 2012E | 3 |

Segmental Contribution



Source: ENAM Research, Pre tax contribution to valuation considered

Company Financials

Income statement

(Rs mn)

| Y/E March | 2006 | 2007 | 2008E | 2009E |
|-------------------------|------------|--------------|--------------|---------------|
| Net sales | 568 | 2,043 | 8,090 | 15,219 |
| Other operating income | 0 | 0 | 0 | 0 |
| Total income | 568 | 2,043 | 8,090 | 15,219 |
| Cost of goods sold | 147 | 133 | 2,511 | 5,692 |
| Advt/Sales/Distrn O/H | 21 | 130 | 243 | 457 |
| Operating Profit | 401 | 1,779 | 5,336 | 9,070 |
| Other income | 9 | 33 | 33 | 33 |
| PBIDT | 410 | 1,812 | 5,369 | 9,103 |
| Depreciation | 29 | 53 | 121 | 252 |
| Interest | 12 | 10 | 162 | 415 |
| Pre-tax profit | 369 | 1,749 | 5,087 | 8,437 |
| Tax provision | 88 | 440 | 1,265 | 2,104 |
| Adjusted PAT | 281 | 1,309 | 3,822 | 6,333 |
| Reported PAT | 281 | 1,309 | 3,822 | 6,333 |

Key ratios

(%)

| Y/E March | 2006 | 2007 | 2008E | 2009E |
|--------------------------|--------------|--------------|--------------|--------------|
| Sales growth | 151.7 | 259.5 | 296.0 | 88.1 |
| OPM | 70.5 | 87.1 | 66.0 | 59.6 |
| Oper. profit growth | 1,332.9 | 344.1 | 199.9 | 70.0 |
| COGS / Net sales | 25.8 | 6.5 | 31.0 | 37.4 |
| Overheads/Net sales | 3.7 | 6.4 | 3.0 | 3.0 |
| Depreciation / G. block | 0.3 | 0.4 | 0.7 | 1.1 |
| Effective interest rate | 4.8 | 0.6 | 2.2 | 2.2 |
| Net wkg.cap / Net sales | 0.1 | 0.1 | 0.1 | 0.1 |
| Net sales / Gr block (x) | 0.1 | 0.2 | 0.5 | 0.7 |
| RoCE | 8.5 | 14.7 | 21.1 | 19.7 |
| Debt / equity (x) | 0.0 | 0.3 | 0.5 | 0.9 |
| Effective tax rate | 23.9 | 25.2 | 24.9 | 24.9 |
| RoE | 6.6 | 13.0 | 21.7 | 24.2 |
| Payout ratio (Div/NP) | 19.4 | 3.7 | 4.3 | 7.0 |
| EPS (Rs.) | 8.2 | 38.2 | 111.5 | 184.7 |
| EPS Growth | 9,885.9 | 365.8 | 191.9 | 65.7 |
| CEPS (Rs.) | 9.0 | 39.7 | 115.0 | 192.1 |
| DPS (Rs.) | 1.6 | 1.4 | 4.8 | 12.9 |

Source: ENAM Research

Company Financials

Balance sheet

(Rs mn)

| Y/E March | 2006 | 2007E | 2008E | 2009E |
|-------------------------|--------------|---------------|---------------|---------------|
| Total assets | 8,677 | 15,271 | 34,709 | 55,725 |
| Gross block | 8,555 | 12,968 | 17,795 | 23,617 |
| Net fixed assets | 8,301 | 12,662 | 17,367 | 22,938 |
| CWIP | 244 | 1,671 | 15,700 | 29,248 |
| Investments | 0 | 200 | 100 | 0 |
| Wkg. cap. (excl cash) | 103 | 117 | 1,083 | 2,619 |
| Cash / Bank balance | 29 | 621 | 459 | 920 |
| Capital employed | 8,677 | 15,271 | 34,709 | 55,725 |
| Equity capital | 429 | 479 | 550 | 550 |
| Reserves | 7,878 | 11,418 | 22,718 | 28,549 |
| Borrowings | 344 | 3,344 | 11,344 | 26,344 |
| Others | 26 | 30 | 97 | 282 |

Cash flow

(Rs mn)

| Y/E March | 2006 | 2007E | 2008E | 2009E |
|---------------------|--------------|--------------|---------------|---------------|
| Sources | 8,321 | 6,674 | 19,559 | 21,266 |
| Cash profit | 326 | 1,366 | 4,010 | 6,770 |
| (-) Dividends | 62 | 55 | 188 | 504 |
| Retained earnings | 264 | 1,311 | 3,822 | 6,266 |
| Issue of equity | 7,853 | 2,363 | 7,737 | 0 |
| Borrowings | 205 | 3,000 | 8,000 | 15,000 |
| Applications | 8,321 | 6,674 | 19,559 | 21,266 |
| Capital expenditure | 8,281 | 5,840 | 18,855 | 19,371 |
| Investments | (0) | 200 | (100) | (100) |
| Net current assets | 40 | 14 | 966 | 1,536 |
| Change in cash | (0) | 620 | (163) | 459 |

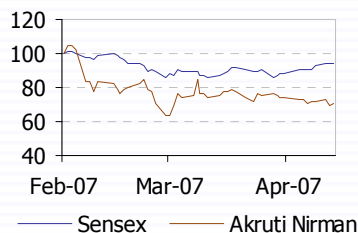
Source: ENAM Research

Stock Data

| | |
|------------------------|------------------|
| No. of shares | : 66.7mn |
| Market cap | : Rs 25bn |
| 52 week high/low | : Rs 729/ Rs 332 |
| Avg. daily vol. (1mth) | : 404,700 shares |
| Bloomberg code | : AKNL IN |
| Reuters code | : AKRU.BO |

Shareholding (%) Mar-07

| | | |
|-------------|---|------|
| Promoters | : | 90.0 |
| FII's | : | 2.3 |
| MFs / UTI | : | 0.9 |
| Banks / FIs | : | 0.2 |
| Others | : | 6.7 |

Relative Performance

Source: ENAM Research, Bloomberg

Financial summary

| Y/E March | Sales (Rs mn) | PAT (Rs mn) | EPS (Rs.) | Change (YoY %) | P/E (x) | RoE (%) | RoCE (%) | EV/EBITDA (x) |
|-----------|------------------|----------------|--------------|-------------------|------------|------------|-------------|------------------|
| 2006 | 3,036 | 631 | 9.5 | 358 | 0.0 | 79.6 | 37.4 | 1.1 |
| 2007E | 3,210 | 735 | 11.0 | 16 | 36.8 | 23.8 | 20.8 | 29.1 |
| 2008E | 10,300 | 1,764 | 26.4 | 140 | 13.6 | 29.4 | 26.0 | 10.6 |
| 2009E | 22,966 | 3,588 | 53.8 | 103 | 6.7 | 41.4 | 30.7 | 6.5 |

Source: *Consensus broker estimates, Company, ENAM estimates

Akruti Nirman

Relative to Sector: **Neutral**

Rs 360

Target Price: Rs.352

Potential Upside: **-2%**

“Slum”bering Ahead

Lead Analyst: Chirag Negandhi
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June 6, 2007

Investment Summary

Company Background

- Akruti Nirman Limited (ANL), is a Mumbai based real estate developer specializing in projects under the Slum Rehabilitation Scheme (SRS)
 - Completed ~4.9mn sq. ft. (including rehab component) over the last 10 years under the SRS totaling ~10,000 rehabilitation units
 - Developed ~126,000 sq. ft. through JVs with leading developers

Investment Argument

- Planned development of ~9.5mn sq. ft. of SRS projects & ~7.9mn sq. ft. (excluding Panvel and Baroda projects) of non-SRS projects
- SRS enables ANL to acquire prime land at low costs, assuring profitability at the initial stage itself
- Over 2 decades of experience in execution of SRS projects with expertise in clearing encroachments and building consensus among slum dwellers

Key Risk Factors

- High dependence (~50%+) on longer gestation SRS projects, fraught with imminent delays of approvals/ clearances and consensus building
- Multifold increase in its planned projects, implies a certain degree of execution risk, visible from recent delays in project deliveries

Valuations

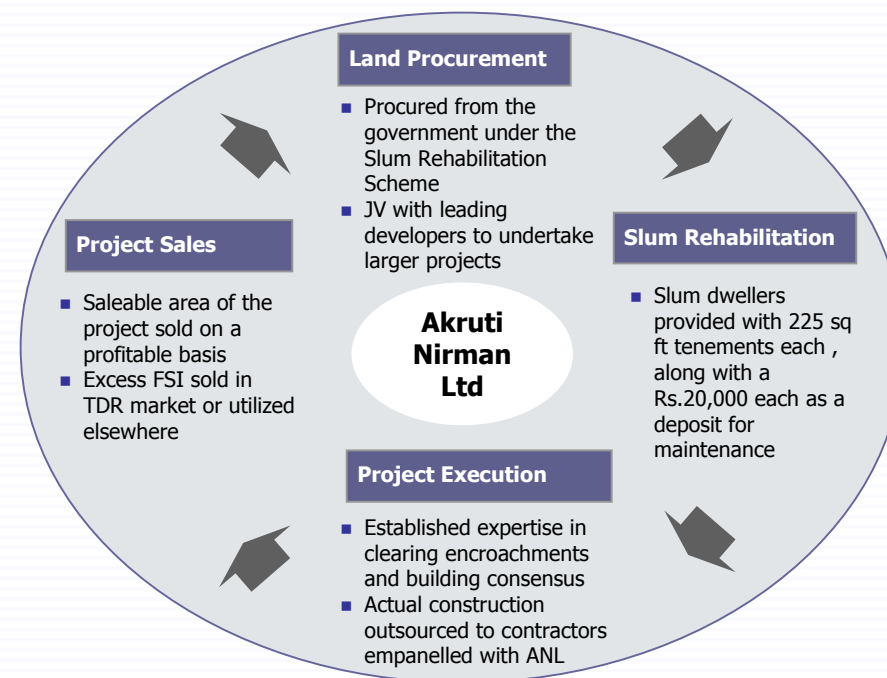
- At CMP of Rs.360, the stock trades at a marginal premium to our base case valuation of Rs.352. We believe the stock is fairly valued and initiate coverage with Sector **Neutral** rating and a price target of **Rs.352**.

Akruti's Scorecard

| (mn sq. ft.) | SRS | | Non SRS | |
|---------------------|-------------|-------------|-------------|---------------|
| | Completed | Planned | Completed | Planned |
| Residential | 0.53 | 3.71 | 0.13 | 106.40 |
| Commercial | 0.74 | 3.31 | 0.00 | 39.12 |
| Retail/ Hospitality | 0.00 | 2.48 | 0.00 | 1.25 |
| Total | 1.27 | 9.50 | 0.13 | 146.77 |

Source: Company

Business Model



Source: ENAM Research

Business Strategy

➔ Continued focus on SRS projects

- Access to prime lands within Mumbai city, providing immediate upside to the project
- Ability to generate considerable excess Floor Space Index (FSI), which can be sold or used in other projects

➔ Execution outsourced

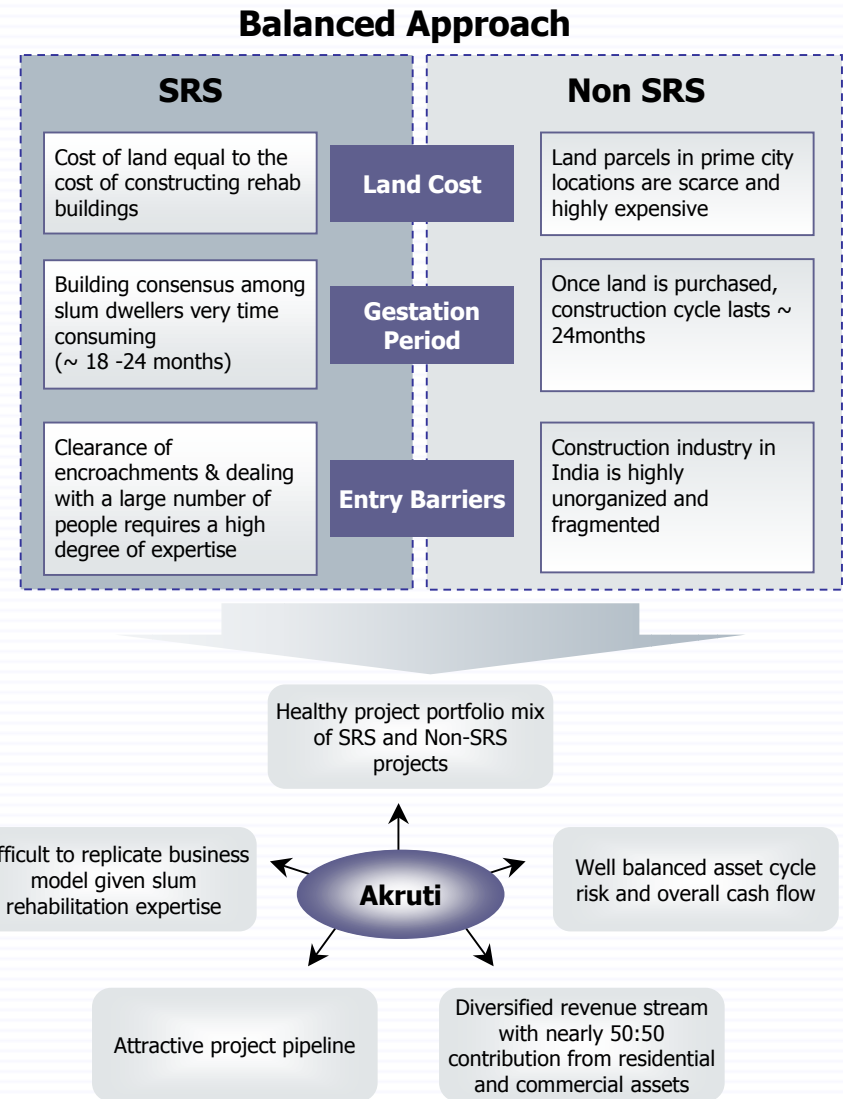
- Outsourcing model enables ANL to supervise the project at every stage, while maintaining an active roll in the land clearance process

➔ Optimisation & Diversification

- Substantial land bank built via JVs with leading developers to ensure a constant revenue stream from non-SRS projects.
- Enables spreading the financial risk and mitigating any initial cost outlay incurred in purchasing land

➔ Undertaking larger projects

- Post IPO, 2 large projects added, which are to be developed over longer periods of time
 - ▶ Panvel township of ~100mn sq. ft. across ~2,400 acres to be developed over 10-12 years
 - ▶ Biotech SEZ in Gujarat over 708 acres totaling ~33mn sq. ft. in JV with the govt. and The Chaterjee Group to be developed over 6 years



Source: ENAM Research

Competitive Advantage

➔ Balanced asset cycle risk

- SRS projects help lower the asset cycle risk for ANL
 - ▶ SRS projects do not involve substantial, one-off land purchase costs at the beginning of projects
 - ▶ Going forward, SRS projects expected to contribute a significant portion of the total revenues
- Being present in SRS & non SRS projects helps to de-risk ANL’s business model from any cyclical in its cash flows

➔ Land aggregation capability

- Ability to identify & aggregate a substantial quantum of development rights to land
- By participating in the SRS, ANL receives developable, urban land from the Government of Maharashtra (GoM), in prime locations of the city at a very low cost

➔ Limited competition in SRS projects

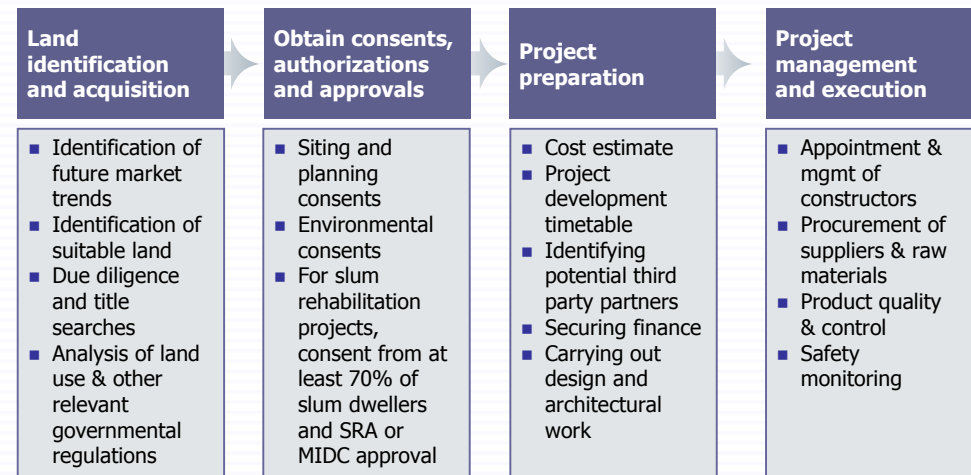
- High level of expertise & knowledge of the various SRS rules and regulations, has created entry barriers
- Only a handful of developers currently focusing on SRS projects

The SRS Advantage

| Slum dwellers | Government | Developer |
|---|--|---|
| <ul style="list-style-type: none"> ■ Rehabilitation free of cost, in 225 sq. ft. tenements ■ Receive Rs.20,000 as a deposit, which is utilized to maintain the premises, making it even more cost effective | <ul style="list-style-type: none"> ■ More people brought under the tax net, who were till now evading taxes. ■ Helps fulfill the social obligations of the government, which does not have the execution capabilities to undertake rehabilitation on such a large scale. | <ul style="list-style-type: none"> ■ In a city like Mumbai, where scarcity of land is the prime factor limiting the business development of any real estate player, the SRS is a very lucrative method of acquiring land parcels. ■ The developers are able to procure land in prime locations of the city, which assures the returns the project will generate. ■ In addition, the cost of land for the developer is equal to the cost of constructing the rehab buildings for the slum dwellers reducing the asset cycle risk. ■ The additional FSI of 2.5 times makes the scheme even more attractive. |

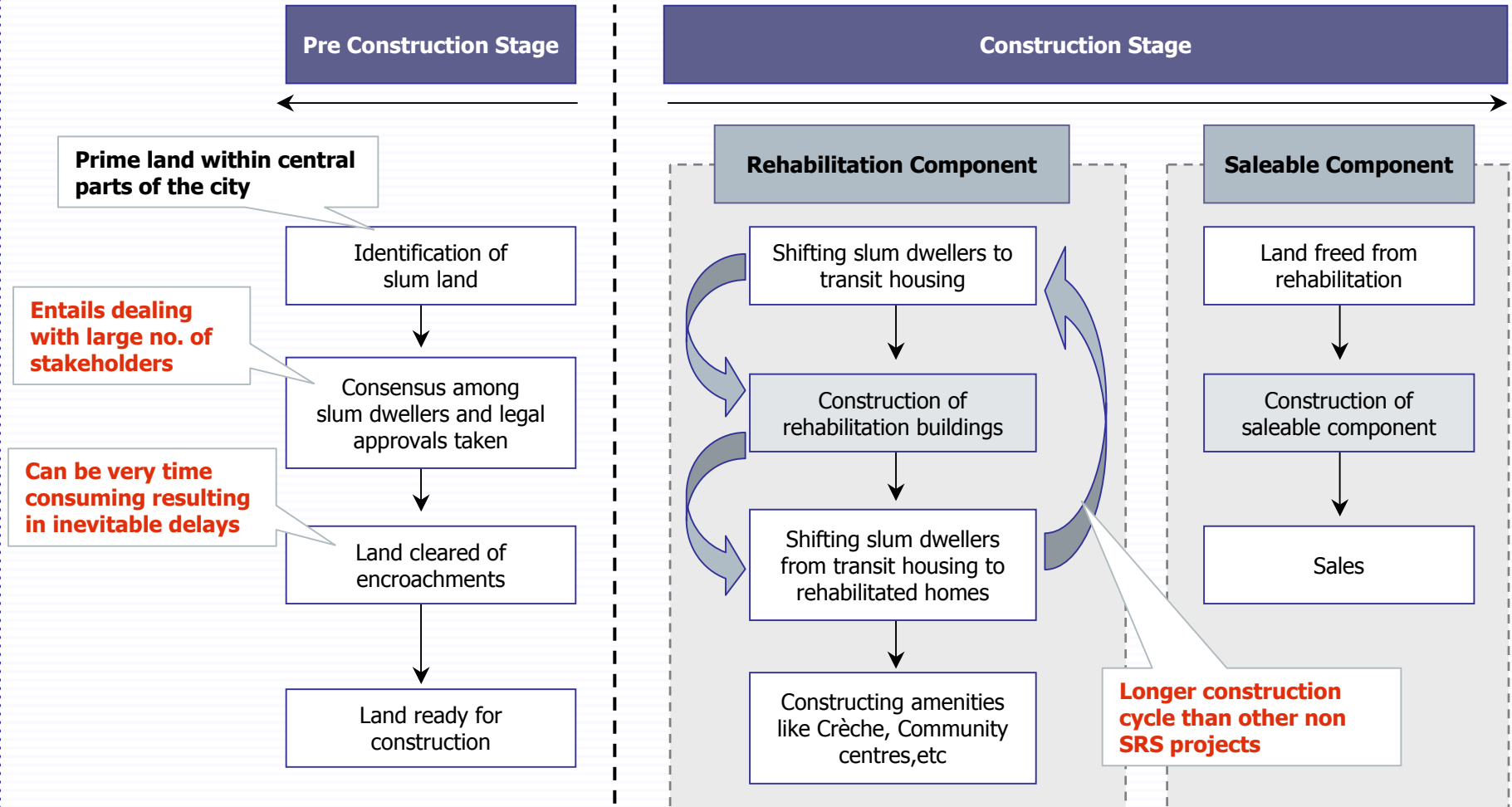
Source: ENAM Research

ANL’s project execution process



Source: ENAM Research

Life cycle of a SRS project



Source: ENAM Research

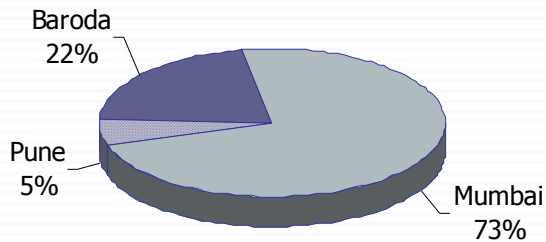
Development Snapshot

Planned pipeline of projects

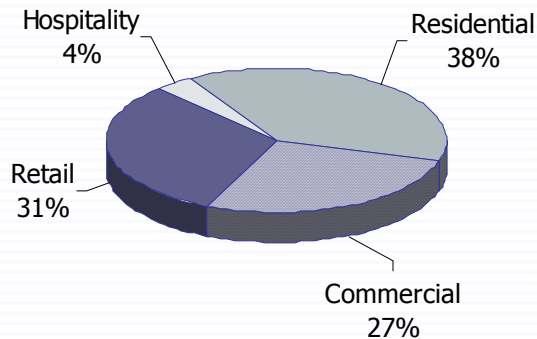
| (mn sq. ft.) | Since Inception | FY07 to FY09E | Beyond FY09E |
|---------------|-----------------|---------------|--------------|
| Akruti | 1.4 | 12.9 | 143.4 |
| Residential | 0.6 | 3.0 | 107.1 |
| Commercial | 0.7 | 8.8 | 34.39 |
| Others | 0.0 | 1.1 | 1.9 |

Source: Company; Note: Includes Baroda biotech park and Panvel township projects

Location wise break-up

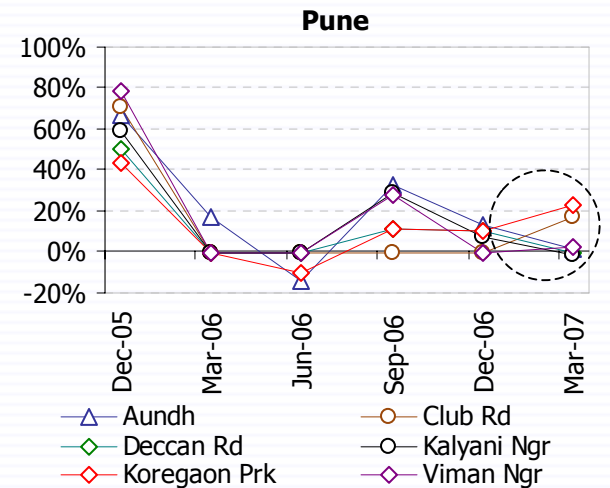
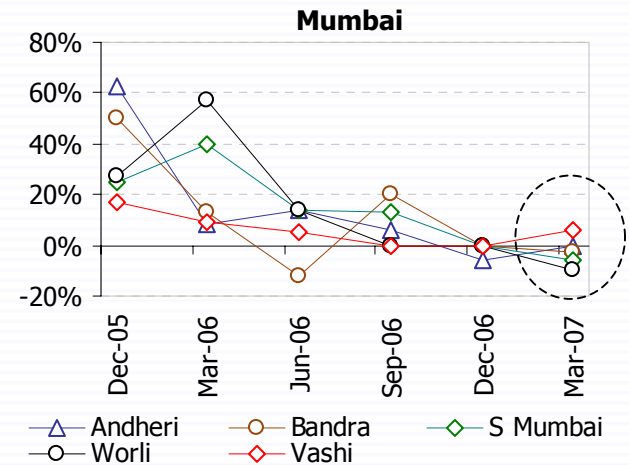


Segmental Contribution



Source: Company, ENAM Research, Pre tax contribution to valuation considered

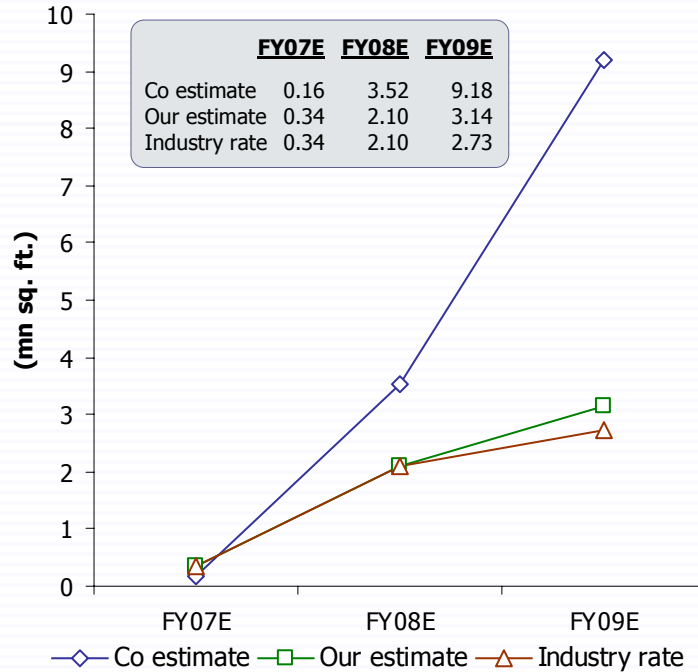
Price trend q/q*



Source: Cushman & Wakefield, Knight Frank India
* In Akruti Nirman's key areas of operation

Valuations

Rollout plans



Conversion Margin

Best Case

| (Rs bn) | Conv. Margin Multiple (x) | Conversion Margin (Rs./psf) | | | |
|---------|---------------------------|-----------------------------|-------|-------|-------|
| | | 1,000 | 1,200 | 1,500 | 1,800 |
| 5 | | 46 | 55 | 69 | 83 |
| 6 | | 55 | 66 | 83 | 99 |
| 7 | | 64 | 77 | 96 | 116 |
| 8 | | 73 | 88 | 110 | 132 |

Base Case

| (Rs bn) | Conv. Margin Multiple (x) | Conversion Margin (Rs./psf) | | | |
|---------|---------------------------|-----------------------------|-------|-------|-------|
| | | 1,000 | 1,200 | 1,500 | 1,800 |
| 5 | | 16 | 19 | 24 | 28 |
| 6 | | 19 | 23 | 28 | 34 |
| 7 | | 22 | 26 | 33 | 40 |
| 8 | | 25 | 30 | 38 | 45 |

Bear Case

| (Rs bn) | Conv. Margin Multiple (x) | Conversion Margin (Rs./psf) | | | |
|---------|---------------------------|-----------------------------|-------|-------|-------|
| | | 1,000 | 1,200 | 1,500 | 1,800 |
| 5 | | 14 | 16 | 21 | 25 |
| 6 | | 16 | 20 | 25 | 30 |
| 7 | | 19 | 23 | 29 | 34 |
| 8 | | 22 | 26 | 33 | 39 |

Final Valuations

| | |
|-----------------------------------|-------------|
| Conversion Margin | 66 |
| Land Value | 9 |
| Completed Assets | 3.7 |
| Total | 79 |
| Less: Net debt + Unpaid land cost | 10 |
| Best Case target price | 1036 |

| | |
|-----------------------------------|------------|
| Conversion Margin | 23 |
| Land Value | 7.5 |
| Completed Assets | 3.1 |
| Total | 33 |
| Less: Net debt + Unpaid land cost | 10 |
| Base Case target price | 352 |

| | |
|-----------------------------------|------------|
| Conversion Margin | 20 |
| Land Value | 6 |
| Completed Assets | 2.5 |
| Total | 28 |
| Less: Net debt + Unpaid land cost | 10 |
| Bear Case target price | 276 |

Land Value

| (Rs bn) | | Bear Case | Base Case | Best Case |
|-------------------|----------|-----------|-----------|-----------|
| | (x) | 1 | 1.25 | 1.5 |
| Book Value | 6 | 6 | 7.5 | 9 |

Completed Assets

| (Rs bn) | | Bear Case | Base Case | Best Case |
|-----------------------------|------------|-----------|-----------|-----------|
| | (x) | 8 | 10 | 12 |
| Rental income (FY09) | 0.3 | 2.5 | 3.1 | 3.7 |

NAV Approach

| Y/E 2006 | 2007E | 2008E | 2009E | 2010E | Beyond 2010E |
|--------------------------------|---------------|-------------|-------------|--------------|--------------|
| Square feet completed | 0.34 | 2.10 | 3.14 | 2.77 | 2.75 |
| Operating Cash Flow | (3574) | 2934 | 9772 | 22518 | 44153 |
| Less: Administration Costs | 219 | 282 | 313 | 347 | 2230 |
| Interest Costs | 201 | 333 | 639 | 2038 | 15552 |
| Contingency | 77 | 98 | 110 | 100 | 580 |
| Net Cash Flow (Pre-tax) | (4072) | 2222 | 8710 | 20033 | 25791 |
| Less: Taxation | 86 | 442 | 678 | 354 | 6564 |
| Free Cash Flow | (4158) | 1780 | 8032 | 19679 | 19226 |

Sensitivity Matrix

| (Rs mn) | | Selling price escalation (%) | | | | |
|----------|----|------------------------------|-----|-----|-----|-----|
| | | 0 | 3 | 5 | 7 | 10 |
| WACC (%) | 12 | 296 | 370 | 425 | 482 | 577 |
| | 13 | 288 | 359 | 411 | 467 | 557 |
| | 14 | 280 | 349 | 399 | 452 | 539 |
| | 15 | 273 | 339 | 387 | 438 | 521 |
| | 16 | 266 | 330 | 376 | 425 | 505 |

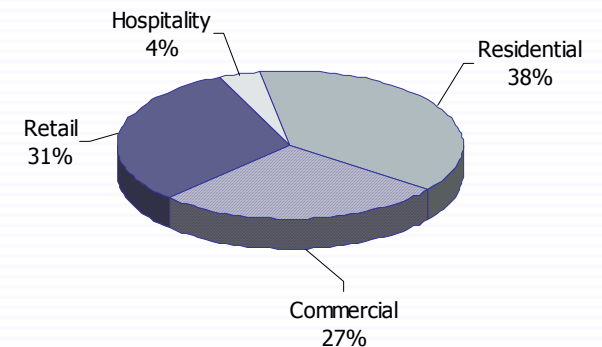
Note: Escalation in construction costs assumed to be constant

| | |
|----------------------------------|---------------|
| Net Cash Flows | 44,560 |
| Discount rate | 14% |
| Net Present Value | 26597 |
| No. of shares | 67 |
| Net Asset Value per share | 399 |

Key Assumptions

| Variable | Assumption |
|---------------------------------------|------------|
| Escalation in selling price | 5% |
| Escalation in construction costs | 4% |
| Contingencies considered (% of costs) | 2% |
| No of years considered beyond 2010E | 6 |

Segmental Contribution



Source: ENAM Research, Pre tax contribution to valuation considered

Company Financials

Income statement

(Rs mn)

| Y/E March | 2006 | 2007E | 2008E | 2009E |
|-------------------------------|--------------|--------------|--------------|--------------|
| Sales | 1,608 | 1,610 | 1,945 | 2,042 |
| Closing WIP | 1,042 | 1,432 | 7,181 | 17,899 |
| Rental Income | 106 | 169 | 297 | 312 |
| Profit from JV | 281 | 0 | 878 | 2,714 |
| Total income | 3,036 | 3,210 | 10,300 | 22,966 |
| Cost of goods sold | 2,231 | 2,009 | 7,407 | 17,676 |
| Advt/Sales/Distrn O/H | 49 | 219 | 282 | 313 |
| Operating Profit | 755 | 982 | 2,611 | 4,978 |
| Other income | 21 | 105 | 0 | 0 |
| PBIDT | 776 | 1,087 | 2,611 | 4,978 |
| Depreciation | 48 | 65 | 72 | 74 |
| Interest | 67 | 201 | 333 | 639 |
| Pre-tax profit | 661 | 821 | 2,206 | 4,266 |
| Tax provision | 30 | 86 | 442 | 678 |
| Adjusted PAT | 631 | 735 | 1,764 | 3,588 |
| E/o income / (Expense) | 0 | 0 | 0 | 0 |

Key ratios

(%)

| Y/E March | 2006 | 2007E | 2008E | 2009E |
|--------------------------|-------------|-------------|--------------|--------------|
| Sales growth | 62.4 | 5.7 | 220.9 | 123.0 |
| OPM | 24.9 | 30.6 | 25.4 | 21.7 |
| Oper. profit growth | 141.7 | 30.1 | 165.9 | 90.6 |
| COGS / Net sales | 73.5 | 62.6 | 71.9 | 77.0 |
| Overheads/Net sales | 1.6 | 6.8 | 2.7 | 1.4 |
| Depreciation / G. block | 4.7 | 6.3 | 7.0 | 7.0 |
| Effective interest rate | 5.8 | 11.0 | 8.9 | 8.7 |
| Net wkg.cap / Net sales | 0.3 | 0.6 | 0.5 | 0.5 |
| Net sales / Gr block (x) | 3.2 | 3.1 | 9.9 | 22.0 |
| RoCE | 37.4 | 20.8 | 26.0 | 30.7 |
| Debt / equity (x) | 0.8 | 0.6 | 0.7 | 1.0 |
| Effective tax rate | 4.6 | 10.5 | 20.0 | 15.9 |
| RoE | 79.6 | 23.8 | 29.4 | 41.4 |
| EPS (Rs.) | 9.5 | 11.0 | 26.4 | 53.8 |
| EPS Growth | 357.6 | 16.4 | 140.1 | 103.4 |
| CEPS (Rs.) | 10.2 | 12.0 | 27.5 | 54.9 |

Source: ENAM Research

Company Financials

Balance sheet

(Rs mn)

| Y/E March | 2006 | 2007E | 2008E | 2009E |
|-------------------------|--------------|--------------|---------------|---------------|
| Total assets | 1,919 | 7,931 | 11,566 | 20,419 |
| Gross block | 1,019 | 1,037 | 1,040 | 1,052 |
| Net fixed assets | 858 | 856 | 807 | 767 |
| CWIP | 0 | 15 | 0 | 0 |
| Investments | 198 | 2,698 | 3,128 | 3,029 |
| Wkg. cap. (excl cash) | 811 | 3,052 | 6,514 | 14,823 |
| Cash / Bank balance | 52 | 1,310 | 1,117 | 1,799 |
| Capital employed | 1,919 | 7,931 | 11,567 | 20,418 |
| Equity capital | 480 | 667 | 667 | 667 |
| Reserves | 588 | 4,444 | 6,208 | 9,796 |
| Borrowings | 845 | 2,819 | 4,691 | 9,955 |
| Others | 6 | 1 | 1 | 1 |

Cash flow

(Rs mn)

| Y/E March | 2006 | 2007E | 2008E | 2009E |
|---------------------|------------|--------------|--------------|--------------|
| Sources | 526 | 2,955 | 3,708 | 8,925 |
| Cash profit | 685 | 794 | 1,836 | 3,661 |
| Retained earnings | 685 | 794 | 1,836 | 3,661 |
| Issue of equity | 460 | 187 | 0 | 0 |
| Borrowings | (619) | 1,974 | 1,872 | 5,264 |
| Applications | 526 | 2,955 | 3,708 | 8,925 |
| Capital expenditure | 155 | 77 | 9 | 33 |
| Investments | 123 | 2,500 | 430 | (99) |
| Net current assets | (145) | 2,241 | 3,462 | 8,309 |
| Change in cash | 393 | (1,863) | (193) | 682 |

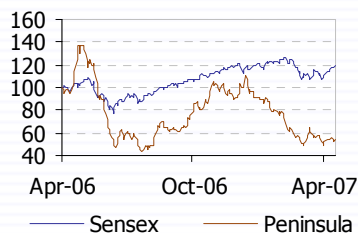
Source: ENAM Research

Stock Data

| | |
|------------------------|------------------|
| No. of shares | : 42mn |
| Market cap | : Rs 21.3bn |
| 52 week high/low | : Rs 755/ Rs 286 |
| Avg. daily vol. (6mth) | : 96,700 shares |
| Bloomberg code | : PENL IN |
| Reuters code | : PENL.BO |

Shareholding (%) Mar-07 QoQ chg

| | | | |
|-------------|---|------|-------|
| Promoters | : | 65.2 | (0.2) |
| FII's | : | 1.5 | 1.0 |
| MFs / UTI | : | 1.8 | (0.1) |
| Banks / FIs | : | 9.2 | (0.1) |
| Others | : | 22.4 | (0.6) |

Relative Performance

Source: ENAM Research, Bloomberg

Financial summary

| Y/E March | Sales (Rs mn) | PAT (Rs mn) | EPS (Rs.) | Change (YoY %) | P/E (x) | RoE (%) | RoCE (%) | EV / EBITDA (x) |
|-----------|------------------|----------------|--------------|-------------------|------------|------------|-------------|--------------------|
| 2006 | 2,748 | 1,387 | 32.9 | 733 | 11.3 | (502.6) | 40.9 | 14.1 |
| 2007 | 2,994 | 1,218 | 28.9 | (12) | 18.6 | 76.7 | 28.8 | 13.8 |
| 2008E | 6,184 | 1,907 | 45.3 | 57 | 11.9 | 55.9 | 34.0 | 7.9 |
| 2009E | 9,768 | 3,202 | 76.1 | 68 | 7.1 | 51.3 | 36.2 | 5.0 |

Source: *Consensus broker estimates, Company, ENAM estimates

Peninsula Land

Relative to Sector: **Underperformer**

Rs 540

Target Price: Rs 472
Potential Upside: **-13%**

Banking on lineage

Lead Analyst: Chirag Negandhi
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Associate: Nitin Idnani
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June 6, 2007

Investment Summary

Company background

- Part of the 'Ashok Piramal' group, PLL enjoys a strong brand equity for its real estate projects
- PLL has developed ~2.36mn sq. ft. of real estate projects across the commercial (Peninsula), residential (Ashok), and retail (Crossroads) space

Investment argument

- Project portfolio consists of ~80mn sq. ft. of space over a land area of ~1,738 acres in western India
- High quality land bank acquired at lower costs ensures the profitability of PLL's projects early on
- Lower asset cycle risk as PLL strategies to acquire land only for its immediate development needs (3-5 years)
- PLL also plans to launch 2 real estate funds to increase its project portfolio, while spreading the risk

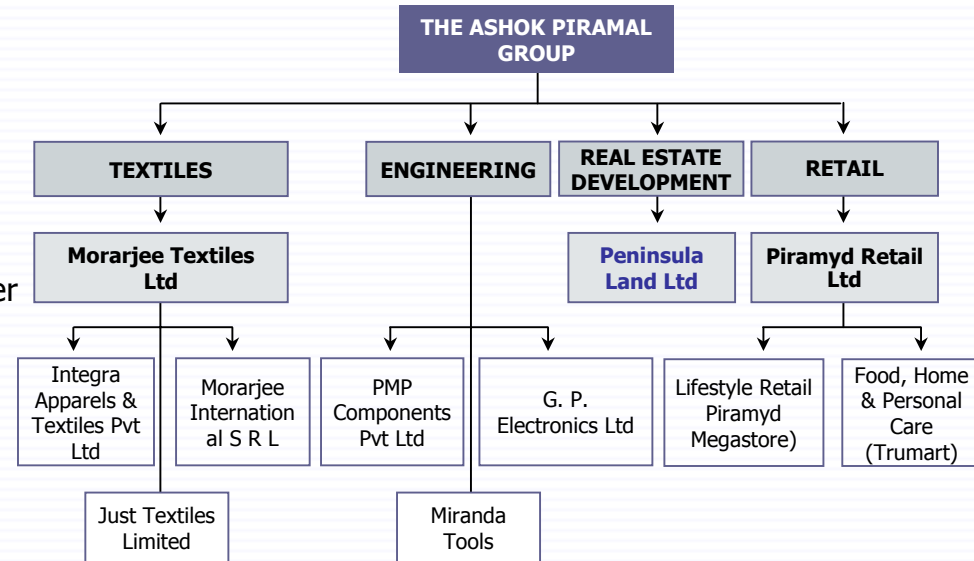
Key risk factors

- PLL carries an **execution risk** given its planned multifold increase in projects in **newer markets**
- Going forward, major revenue to come from SEZ projects, which are still to be notified

Valuation

- At CMP of Rs.540, the stock trades at a significant premium to our base case valuation of Rs.472. We believe the stock is currently overvalued and initiate coverage with Sector **Underperformer** rating and a price target of **Rs.472**

Strong Promoter Pedigree



Source: Company

Milestones

| Year | Event |
|------|---|
| 1934 | The Piramal family acquired the textiles business of Morarjee Goculdas Spinning and Weaving (MGSW) |
| 2001 | The company entered the real-estate market using its two land parcels in Mumbai |
| 2003 | Textiles business demerged and property business renamed to Morarjee Realities (MRL). Peninsula Corporate Park completed. Launched 1st residential project Ashok Towers on former MGSW land |
| 2005 | Piramal Holdings (PHL) merged into MRL and its name changed to Peninsula Land. PHL developed Crossroads - a well known retail mall in Mumbai |
| 2006 | Dawn Mills merges into Peninsula Land - taking the fully diluted number of shares to 44.5 million. Entered the Goa and Pune |
| 2007 | The company plans to launch 2 real-estate funds, domestically and internationally. Entry into Nasik. |

Source: Company

Business Strategy

- ➔ **Strategic Partnerships: Effective land acquisition**
 - Collaborating strategically with landowners to reduce its capital investment
 - Revenue sharing model in return for providing execution skills resulting in higher RoEs

- ➔ **Foray into Special Economic Zones (SEZs)**
 - JV with Goa government to develop 3 SEZs
 - ▶ 2 Biotech / Pharma SEZ (5.2mn sq. ft. / 2.18mn sq. ft.)
 - ▶ 1 Gems & Jewelry SEZ (1.4mn sq. ft.)
 - Over ~200 acres of land has already been acquired, located strategically near the Airport

- ➔ **Real estate funds – Multiple benefits**
 - Plans for 2 real estate venture funds, with a corpus of Rs.45bn (domestic) and USD 350mn (foreign)
 - Access to funds to increase its project portfolio thereby spreading its risk
 - Additional revenue source in the form of fees
 - ▶ Management fee - 2% of the fund size
 - ▶ Carry - 20% above a hurdle rate
 - Development profits from projects invested in

- ➔ **Other Initiatives**
 - Facilities management services
 - ▶ Maintenance and management services for properties developed by PLL as well as third parties

Segmental Breakup

| Segment | Developed Area (mn sq.ft) | Under Development | |
|--------------|---------------------------|-------------------|-----------------|
| | | Land Area (Acres) | Area (mn sq.ft) |
| Residential | 0.86 | 49.07 | 2.14 |
| IT | - | 17.22 | 0.75 |
| SEZ | - | 303.00 | 17.41 |
| Commercial | 1.1 | 14.88 | 0.67 |
| Township | - | 1,354.00 | 59.08 |
| Retail | 0.4 | - | - |
| Total | 2.36 | 1,738.17 | 80.05 |

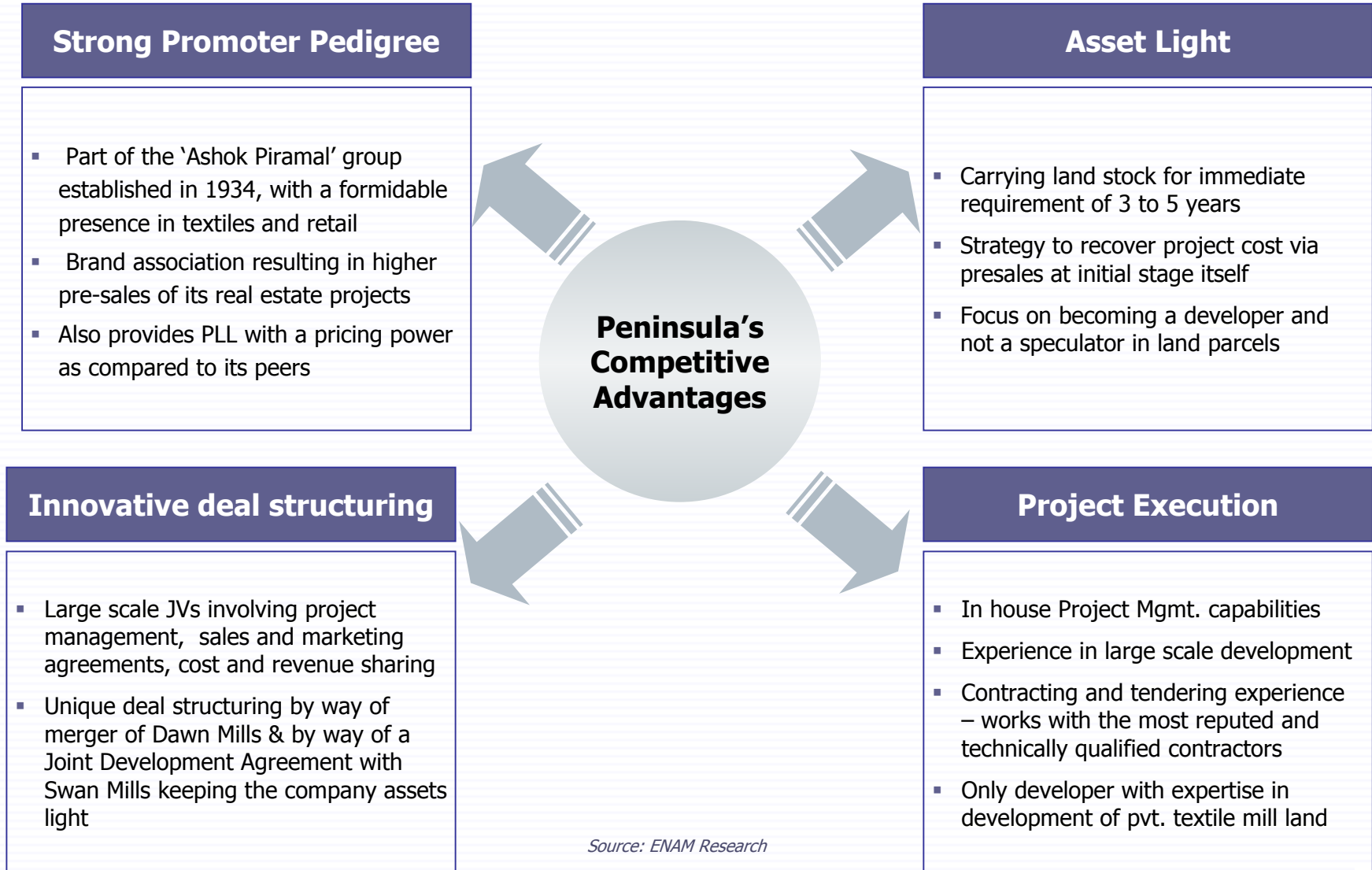
Source: Company

Vertical Strategy

| Segment | Strategy |
|-------------|---|
| Commercial | ■ Development of corporate office complexes in Tier I cities |
| Residential | ■ High end segment development in select locations in India ■ Mid to high end segment development to be focused in Mumbai and Pune |
| Retail | ■ Development of world class retail space in and around IT Parks and townships |
| IT Parks | ■ Developments of IT Parks in western India |
| Townships | ■ Develop integrated townships around major cities |
| SEZs | ■ Execution on existing SEZ projects |

Source: Company; ENAM Research

Competitive Advantage



Source: ENAM Research

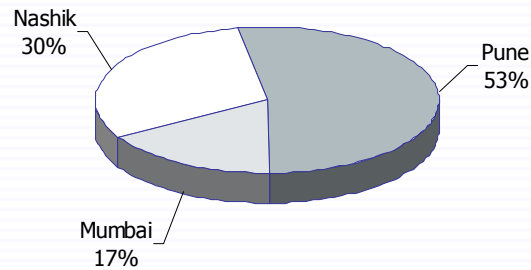
Development Snapshot

Planned pipeline of projects

| (mn sq. ft.) | Since Inception | FY07 to FY09E | Beyond FY09E |
|-----------------------|-----------------|---------------|--------------|
| Peninsula Land | 2.4 | 2.3 | 8.5 |
| Residential | 0.9 | 1.5 | 3.8 |
| Commercial | 1.1 | 0.6 | 3.4 |
| Others | 0.4 | 0.2 | 1.3 |

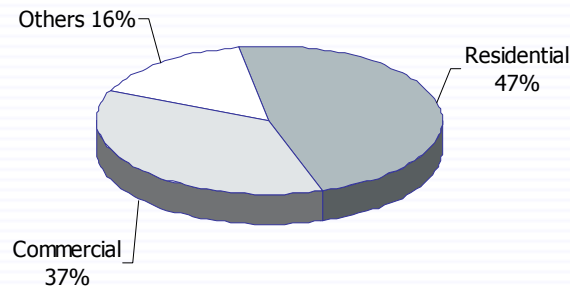
Source: Company; Note: Does not incl SEZ plans

Location wise break-up



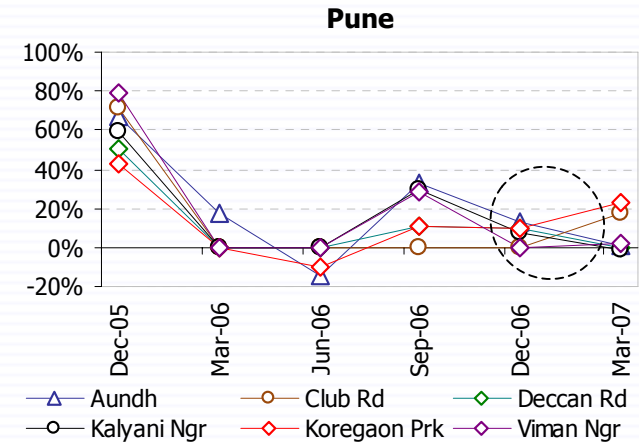
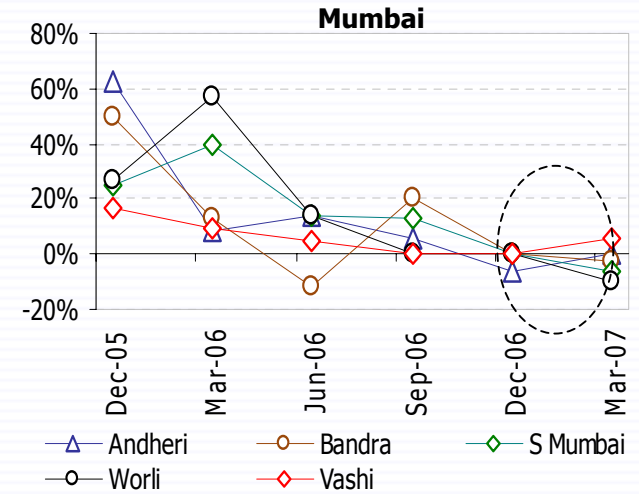
Source: Company

Segmental Contribution



Source: ENAM Research, Pre tax contribution to valuation considered

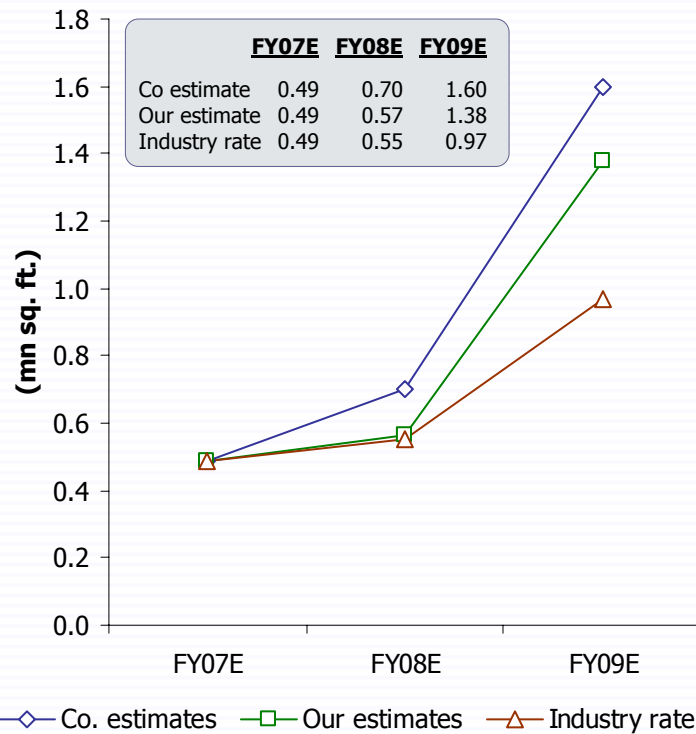
Price trend q/q*



Source: Cushman & Wakefield; Knight Frank India
* In Peninsula Land's key areas of operations

Valuations

Rollout plans



Conversion Margin

Best Case

| (Rs mn) | | Conversion Margin (Rs./psf) | | | |
|---------------------------|----|-----------------------------|-------|-------|-------|
| | | 1,000 | 1,200 | 1,500 | 1,800 |
| Conv. Margin Multiple (x) | 7 | 11 | 13 | 17 | 20 |
| | 8 | 13 | 15 | 19 | 23 |
| | 9 | 14 | 17 | 22 | 26 |
| | 10 | 16 | 19 | 24 | 29 |

Base Case

| (Rs mn) | | Conversion Margin (Rs./psf) | | | |
|---------------------------|----|-----------------------------|-------|-------|-------|
| | | 1,000 | 1,200 | 1,500 | 1,800 |
| Conv. Margin Multiple (x) | 7 | 10 | 12 | 14 | 17 |
| | 8 | 11 | 13 | 17 | 20 |
| | 9 | 12 | 15 | 19 | 22 |
| | 10 | 14 | 17 | 21 | 25 |

Bear Case

| (Rs mn) | | Conversion Margin (Rs./psf) | | | |
|---------------------------|----|-----------------------------|-------|-------|-------|
| | | 1,000 | 1,200 | 1,500 | 1,800 |
| Conv. Margin Multiple (x) | 7 | 10 | 12 | 14 | 17 |
| | 8 | 11 | 9 | 17 | 20 |
| | 9 | 12 | 15 | 19 | 22 |
| | 10 | 14 | 17 | 21 | 25 |

Final Valuations

| | |
|-----------------------------------|------------|
| Conversion Margin | 15 |
| Land Value | 7 |
| Asset Management | 4 |
| Completed Assets | 6 |
| Total | 32 |
| Less: Net debt + Unpaid land cost | 7 |
| Best Case target price | 600 |

| | |
|-----------------------------------|------------|
| Conversion Margin | 13 |
| Land Value | 5 |
| Asset Management | 3 |
| Completed Assets | 5 |
| Total | 26 |
| Less: Net debt + Unpaid land cost | 7 |
| Base Case target price | 472 |

| | |
|-----------------------------------|------------|
| Conversion Margin | 9 |
| Land Value | 3 |
| Asset Management | 2 |
| Completed Assets | 4 |
| Total | 19 |
| Less: Net debt + Unpaid land cost | 7 |
| Bear Case target price | 299 |

Land Value

| (Rs bn) | | Bear Case | Base Case | Best Case |
|-------------------|------------|-----------|-----------|-----------|
| (x) | | 1 | 1.5 | 2 |
| Book Value | 3.4 | 3.4 | 5.1 | 6.8 |

Asset Management

| (Rs bn) | | Bear Case | Base Case | Best Case |
|--------------------------|------------|-----------|-----------|-----------|
| (x) | | 8 | 10 | 12 |
| Fee income (FY09) | 0.3 | 2.4 | 3 | 3.6 |

Completed Assets

| (Rs bn) | | Bear Case | Base Case | Best Case |
|-----------------------------|------------|-----------|-----------|-----------|
| (x) | | 8 | 10 | 12 |
| Rental income (FY09) | 0.5 | 4 | 5 | 6 |

NAV Approach

| Y/E 2006 | 2007E | 2008E | 2009E | 2010E | 2011E | 2012E | Beyond 2012E |
|--------------------------------|-------------|-------------|-------------|-------------|--------------|-------------|-----------------|
| Square feet completed | 0.39 | 0.57 | 1.38 | 1.94 | 1.66 | 1.67 | 2.15 |
| Operating Cash Flow | 1286 | 4664 | 7597 | 5249 | 1301 | 5637 | 26076 |
| Less: Administration Costs | 236 | 260 | 285 | 314 | 345 | 380 | 1383 |
| Interest Costs | 360 | 529 | 978 | 1073 | 1095 | 1117 | 3486 |
| Contingency | 64 | 128 | 115 | 68 | 58 | 47 | 140 |
| Net Cash Flow (Pre-tax) | 626 | 3747 | 6219 | 3794 | (196) | 4094 | 21066 |
| Less: Taxation | 260 | 1124 | 1810 | 2315 | 94 | 0 | 3476 |
| Free Cash Flow | 366 | 2623 | 4408 | 1478 | (291) | 4094 | 17590 |

Sensitivity Matrix

| (Rs mn) | | Selling price escalation (%) | | | | |
|----------|----|------------------------------|-----|-----|-----|-----|
| | | 0 | 3 | 5 | 7 | 10 |
| WACC (%) | 12 | 417 | 485 | 535 | 588 | 676 |
| | 13 | 404 | 470 | 519 | 571 | 657 |
| | 14 | 391 | 456 | 504 | 555 | 639 |
| | 15 | 380 | 443 | 490 | 539 | 621 |
| | 16 | 368 | 431 | 476 | 525 | 605 |

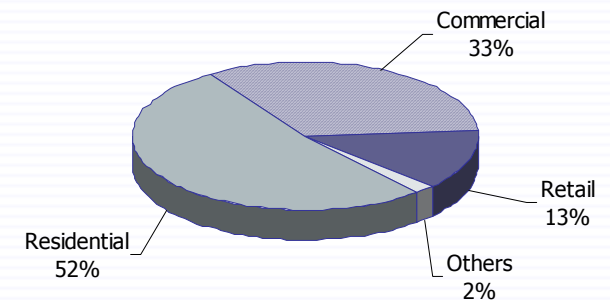
Note: Escalation in construction costs assumed to be constant

| | |
|----------------------------------|---------------|
| Net Cash Flows | 30,269 |
| Discount rate | 14% |
| Net Present Value | 21,162 |
| No. of shares | 42 |
| Net Asset Value per share | 504 |

Key Assumptions

| Variable | Assumption |
|---------------------------------------|------------|
| Escalation in selling price | 5% |
| Escalation in construction costs | 4% |
| Contingencies considered (% of costs) | 2% |
| No of years considered beyond 2010E | 1 |

Segmental Contribution



Source: ENAM Research, In terms of square footage

Company Financials

Income statement

(Rs mn)

| Y/E March | 2006 | 2007 | 2008E | 2009E |
|-------------------------|--------------|--------------|--------------|--------------|
| Net sales | 2,748 | 2,994 | 6,184 | 9,768 |
| Other operating income | 0 | 0 | 0 | 0 |
| Total income | 2,748 | 2,994 | 6,184 | 9,768 |
| Cost of goods sold | 1,131 | 970 | 2,404 | 3,519 |
| Advt/Sales/Distrn O/H | 172 | 236 | 260 | 285 |
| Operating Profit | 1,446 | 1,788 | 3,520 | 5,963 |
| Other income | 210 | 75 | 75 | 75 |
| PBIDT | 1,656 | 1,863 | 3,595 | 6,038 |
| Depreciation | 63 | 25 | 36 | 48 |
| Interest | 202 | 360 | 529 | 978 |
| Pre-tax profit | 1,390 | 1,478 | 3,031 | 5,012 |
| Tax provision | 4 | 260 | 1,124 | 1,810 |
| Associates | 1 | 0 | 0 | 0 |
| Adjusted PAT | 1,387 | 1,218 | 1,907 | 3,202 |
| E/o income / (Expense) | 55 | 0 | 0 | 0 |
| Reported PAT | 1,442 | 1,218 | 1,907 | 3,202 |

Key ratios

(%)

| Y/E March | 2006 | 2007 | 2008E | 2009E |
|--------------------------|----------------|-------------|--------------|-------------|
| Sales growth | 341.6 | 8.9 | 106.5 | 58.0 |
| OPM | 52.6 | 59.7 | 56.9 | 61.0 |
| Oper. profit growth | 862.8 | 23.7 | 96.8 | 69.4 |
| COGS / Net sales | 41.1 | 32.4 | 38.9 | 36.0 |
| Overheads/Net sales | 6.3 | 7.9 | 4.2 | 2.9 |
| Depreciation / G. block | 19.1 | 5.0 | 5.2 | 5.3 |
| Effective interest rate | 4.8 | 7.5 | 7.5 | 9.5 |
| Net wkg.cap / Net sales | 1.3 | 1.5 | 1.0 | 1.2 |
| Net sales / Gr block (x) | 14.3 | 7.2 | 10.4 | 12.3 |
| RoCE | 40.9 | 28.8 | 34.0 | 36.2 |
| Debt / equity (x) | 5.7 | 2.1 | 2.1 | 1.4 |
| Effective tax rate | 0.3 | 17.6 | 37.1 | 36.1 |
| RoE | (502.6) | 76.7 | 55.9 | 51.3 |
| EPS (Rs.) | 32.9 | 28.9 | 45.3 | 76.1 |
| EPS Growth | 732.8 | (12.2) | 56.5 | 67.9 |
| CEPS (Rs.) | 34.4 | 29.5 | 46.1 | 77.2 |

Source: Company, ENAM Research

Company Financials

Balance sheet

(Rs mn)

| Y/E March | 2006 | 2007 | 2008E | 2009E |
|-------------------------|--------------|--------------|---------------|---------------|
| Total assets | 5,647 | 7,127 | 13,793 | 19,280 |
| Gross block | 330 | 505 | 680 | 905 |
| Net fixed assets | 242 | 392 | 531 | 709 |
| Investments | 135 | 135 | 135 | 135 |
| Wkg. cap. (excl cash) | 5,182 | 3,688 | 8,782 | 14,040 |
| Cash / Bank balance | 88 | 2,912 | 4,345 | 4,396 |
| Capital employed | 5,647 | 7,126 | 13,792 | 19,280 |
| Equity capital | 395 | 421 | 421 | 421 |
| Reserves | 452 | 1,906 | 4,072 | 7,559 |
| Borrowings | 4,799 | 4,799 | 9,299 | 11,299 |

Cash flow

(Rs mn)

| Y/E March | 2006 | 2007 | 2008E | 2009E |
|---------------------|--------------|--------------|--------------|--------------|
| Sources | 2,704 | 1,268 | 6,442 | 5,250 |
| Cash profit | 1,449 | 1,243 | 1,942 | 3,250 |
| Retained earnings | 1,449 | 1,243 | 1,942 | 3,250 |
| Issue of equity | (5) | 25 | 0 | 0 |
| Borrowings | 1,259 | 0 | 4,500 | 2,000 |
| Others | 1 | 0 | 0 | 0 |
| Applications | 2,704 | 1,268 | 6,442 | 5,250 |
| Capital expenditure | 265 | 175 | 175 | 225 |
| Investments | 135 | 0 | 0 | 0 |
| Net current assets | 3,088 | (1,494) | 5,094 | 5,259 |
| Change in cash | (785) | 2,588 | 1,173 | (234) |

Source: Company, ENAM Research

Stock Data

No. of shares :1,705mn
Market cap^ :Rs 938bn

DLFRelative to Sector: **Underperformer****Rs 550[^]**

Target Price: Rs 404
Potential Upside: **-27%**

Concrete Edifice**Financial summary**

| Y/E March | Sales (Rs mn) | PAT (Rs mn) | EPS (Rs.) | Change (YoY %) | P/E (x) | RoE (%) | RoCE (%) | EV/EBITDA (x) |
|-----------|------------------|----------------|--------------|-------------------|------------|------------|-------------|------------------|
| 2006 | 11,699 | 1,917 | 1.1 | 122 | 489.1 | 22.5 | 15.5 | 198.6 |
| 2007 | 26,172 | 19,413 | 11.4 | 913 | 48.3 | 78.7 | 30.1 | 69.0 |
| 2008E | 138,260 | 75,666 | 44.4 | 290 | 12.4 | 76.5 | 49.9 | 10.7 |
| 2009E | 229,780 | 136,266 | 79.9 | 80 | 6.9 | 62.4 | 57.2 | 6.0 |

Source: *Consensus broker estimates, Source: Company, Industry estimates ; ^ Assumed at upper price band

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June 6, 2007

Investment Summary

Company background

- DLF is among India's largest developers having completed ~29mn sq. ft. (built up area) since 1946
- Credited with developing India's largest integrated township, DLF City over ~3,000 acres in Gurgaon, NCR

Investment argument

- Developable area of ~574mn sq. ft. across ~10,255 acres (avg cost of Rs.247/- per sq ft) of which ~44mn sq. ft. is under development
 - ▶ Residential –7mn, Commercial –27mn, Retail – 10mn
- In addition to the above, DLF has locked in an additional ~574 acres as on 30th April, 2007
- To enter related businesses in JVs with reputed partners
 - ▶ Nakheel – SEZ development; Hilton – Hospitality; Prudential Insurers of America – Insurance
- One of the strongest brand names in Indian realty, backed by a credible reputation, built over last 6 decades
- Large balance sheet size and considerable leveraging strength gives it credible holding power to sit out cycles

Key risk factors

- Execution plans (especially in the next 3-4 years) well above currently proven abilities
- ~35% of land locked in via MoUs/ letters of acceptance, exposing DLF to a certain amount of title risk
- Geographical risk with ~72% of land bank in Gurgaon and Kolkata
- Business assumptions of sustainable demand AND prices to be tested by cyclical hiccups

Valuation

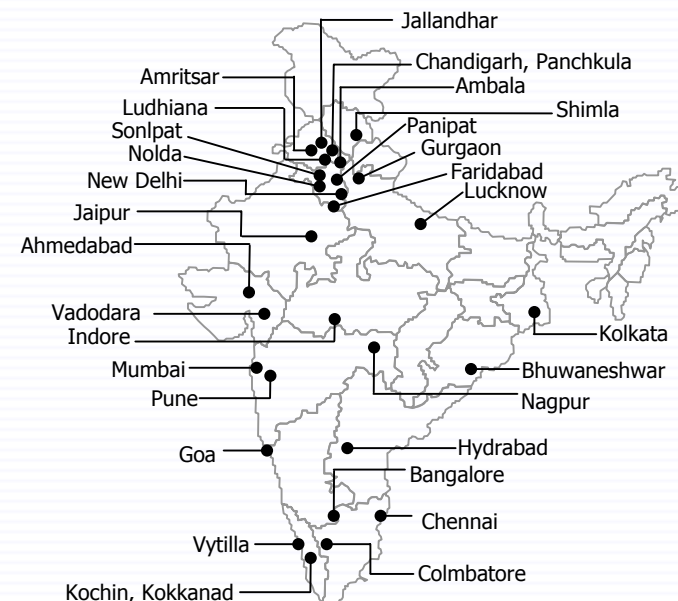
- At a price band of Rs.500-Rs,550, the implied valuation of the company lies between ~USD 20.7 to 22.8bn
- At the upper band of Rs.550, the stock trades at a significant premium to our base case valuation of Rs.404. We believe the stock is currently overvalued and initiate coverage with Sector **Underperformer** rating and a price target of **Rs.404**

Breakup of land reserves

| Category | Aggregate agreement value (Rs Cr) | mn sq ft | % of developable area |
|--|-----------------------------------|------------|-----------------------|
| Land Owned | 1,160 | 116 | 20.2 |
| Sole development rights | 4,575 | 217 | 37.9 |
| MOU/Agreement to acquire/letters of acceptance | 3,685 | 201 | 35.1 |
| Joint Development Agreements | 248 | 13 | 2.2 |
| Joint Ventures | 587 | 27 | 4.7 |
| Total | 10,255 | 574 | 100 |
| Fully developable urban land | - | 171 | 30 |
| Urban Land included in master plan | - | 403 | 70 |

Source: Company; Note: Does not include 554 acres which has been recently acquired

Pan India presence



Source: Company

Business Strategy

- ➔ **Balanced approach to development**
 - Near term value creation expected from large premium lands acquired in city centers and downtown areas to be developed over the next 2-3 years
 - ▶ Low project risk with shorter exposure to asset cyclicality
 - Long-term value creation via integrated townships and SEZs developed in a phased manner
 - ▶ High project risk with longer project tenures – Asset cyclicality low due to lower cost of land acquisition

- ➔ **Segmental strategy**
 - Residential: Remains the main focus
 - ▶ Continued focus on high end & premium segment with mid segment to be targeted in the future
 - Commercial: Integral part of business
 - ▶ Targeting a mix of corporate offices and IT/ITeS
 - Retail: Recent foray
 - ▶ Mostly one-off standalone projects with a focus on middle/ high end segment across 60 cities

- ➔ **JVs with strategic partners**
 - DLF plans to enter other land related businesses in partnership with reputed players
 - ▶ Infrastructure: JV with Laing O'Rourke Plc
 - ▶ SEZ Development: JV with Nakheel, U.A.E
 - ▶ Hospitality: Hilton & Bharat Hotels
 - ▶ Entertainment: DT Cinemas (Own multiplex chain)
 - ▶ Asset Management: Prudential Intl Investments Corp
 - ▶ Property Management: DLF Services
 - ▶ Captive power: DDLF Power

- ➔ **DLF Assets Pvt Ltd**
 - Strategy includes sale of completed assets to a promoter group company, DLF Assets Ltd (DAL)
 - ▶ In future, DAL to bid for the projects as any other participant

Development Plan Summary

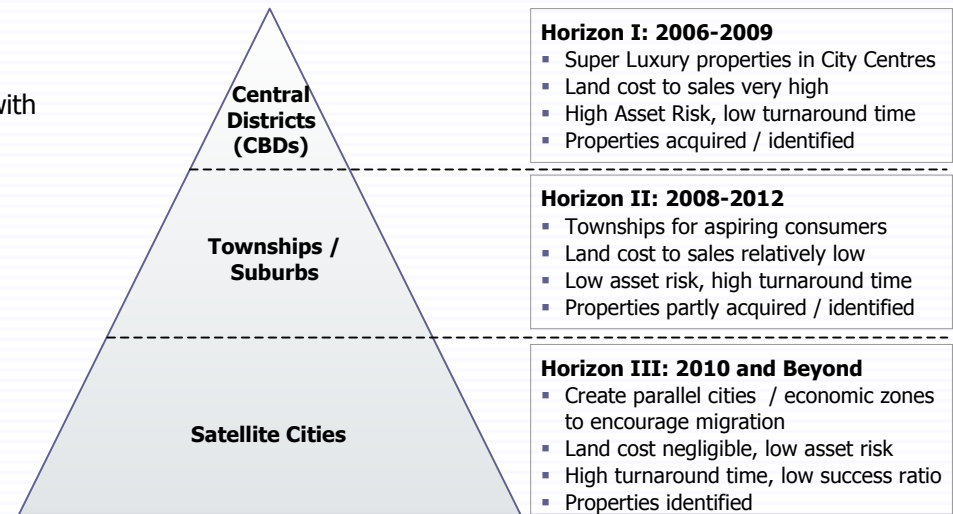
| (mn sq ft) | Completed | Under construction | Planned |
|--------------|------------|--------------------|------------|
| Plots | 195 | - | 46 |
| Residential | 19 | 7 | 375 |
| Commercial | 7 | 27 | 60 |
| Retail | 3 | 10 | 44 |
| Total | 224 | 44 | 526 |

Planned development till FY09E

| Segment | FY08E | FY09E |
|--------------|-------------|-------------|
| Residential | 25 | 38.7 |
| Commercial | 21.6 | 13.9 |
| Retail | 12.2 | 11.1 |
| Total | 58.8 | 63.7 |

Source: DLF Prospectus

DLF's business model



Source: ENAM Research

Competitive Advantage

Established brand name

- DLF is India's largest real estate developer in terms of completed space (*Source: AC Nielson Report*)
 - ▶ DLF City recognized as the largest integrated private township in Asia, positioning DLF as an end-to-end solutions provider
 - ▶ Resulting in superior margins, especially in the segments such as super-luxury housing and retail projects

Strong balance sheet size

- Ability to create significant land bank, buy large tracts of land, create value through aggregation, and subsequently develop in phases, to maximize value
 - ▶ DLF's holding power further helps it acquire land during downturns and hold inventory during cyclicity

High quality land reserves

- Geographically diversified land bank of ~10,255 acres (574mn sq. ft.) acquired at an avg. cost of Rs.247/psf
 - ▶ Sufficient for planned projects over next 10 years
- Land banks developed in phases to maximize value further enhancing its brand and pricing power

Partnering for execution scale up

- Recognizing the challenge ahead, DLF has entered into collaborations with leading firms for ensuring timely completion of its projects
 - ▶ SEZ Development – Nakheel LLC; Construction: Laing O'Rourke; Designing – WSP Group Plc; Planning & execution – Feedback Ventures

Projects under construction

| Residential | Area (mn sq ft) | Start Year | End Year | Value (Rs mn) |
|----------------|-----------------|------------|----------|---------------|
| DLF Park Place | 2.2 | 2007 | 2010 | 873.8 |
| The Belaire | 1.3 | 2007 | 2010 | 744.1 |
| The Magnolias | 2.5 | 2006 | 2009 | 1159.2 |
| The Summit | 0.7 | 2003 | 2008 | 319.8 |
| Total | 6.7 | | | |

| Commercial | Area (mn sq. ft.) | Start Year | End Year |
|--------------------|-------------------|------------|----------|
| Silokhera, Gurgaon | 4.9 | 2007 | 2010 |
| Cybercity Projects | 4.5 | 2007 | 2008/09 |
| Kolkata (25 acres) | 2.8 | 2008 | 2010 |
| Pune | 1.8 | 2006 | 2009 |
| Hyderabad | 3.8 | 2006 | 2010 |
| Chennai | 6.6 | 2006 | 2010 |
| Bangalore | 1.5 | 2007 | 2010 |
| Noida | 1.2 | 2007 | 2009 |
| Total | 27.1 | | |

| Retail | Area (mn sq. ft.) | Start Year | End Year |
|-----------------------|-------------------|------------|----------|
| Mall of India | 3.9 | 2007 | 2010 |
| Courtyard | 0.51 | 2006 | 2008 |
| Promenade (DLF Place) | 0.5 | 2006 | 2008 |
| Emporio (DLF Place) | 0.32 | 2006 | 2008 |
| Townsquare | 1.5 | 2006 | 2009 |
| DLF South Court | 0.3 | 2006 | 2009 |
| Jasola Mall | 0.84 | 2006 | 2008 |
| Sikenderpur Mall | 0.2 | 2006 | 2009 |
| NTC Mills | 1.7 | 2006 | 2010 |
| Total | 9.77 | | |

Source: Company

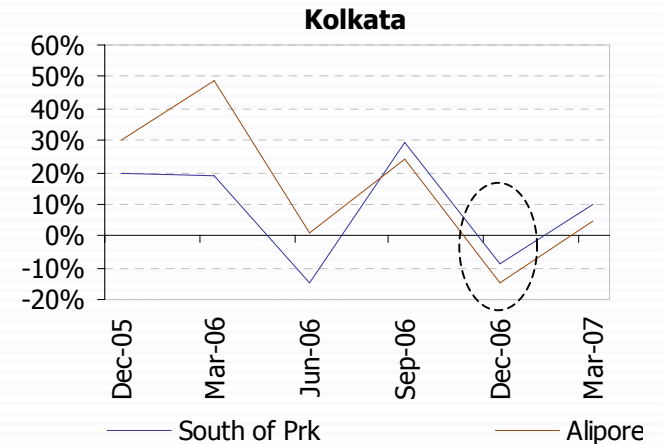
Development Snapshot

Planned pipeline of projects

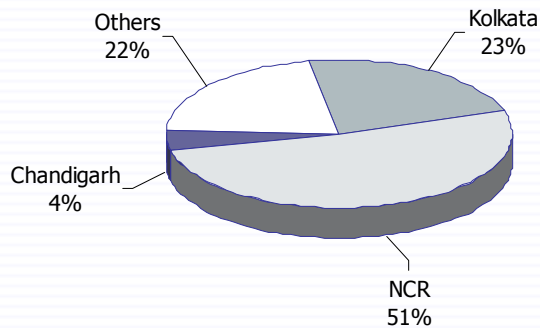
| (mn sq. ft.) | Since Inception | FY07 to FY09E | Beyond FY09E |
|--------------|-----------------|---------------|--------------|
| DLF | 224 | 149.7 | 419.3 |
| Plots | 195 | - | - |
| -Residential | 19 | 69.8* | 358.2* |
| Commercial | 7 | 48.2 | 38.8 |
| Retail | 3 | 31.7 | 22.3 |

Source: ENAM Research; * Note: Includes plot sales

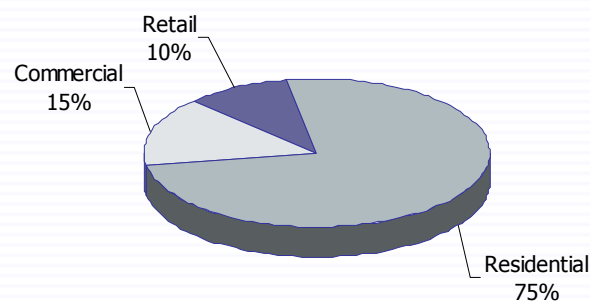
Price Change q/q*



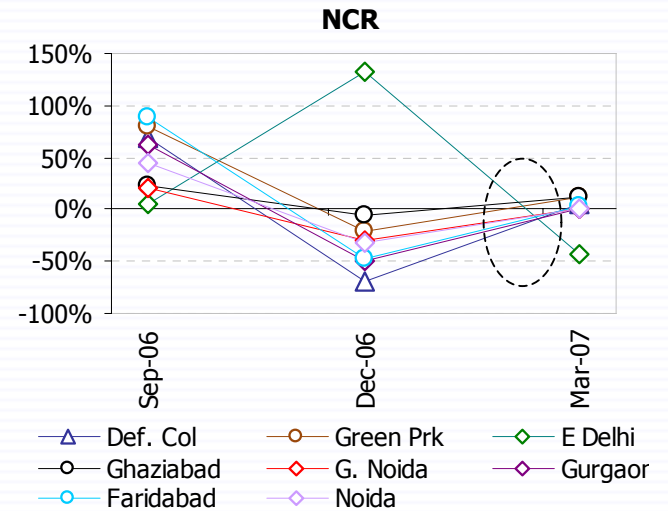
Location wise breakup



Segmental wise breakup



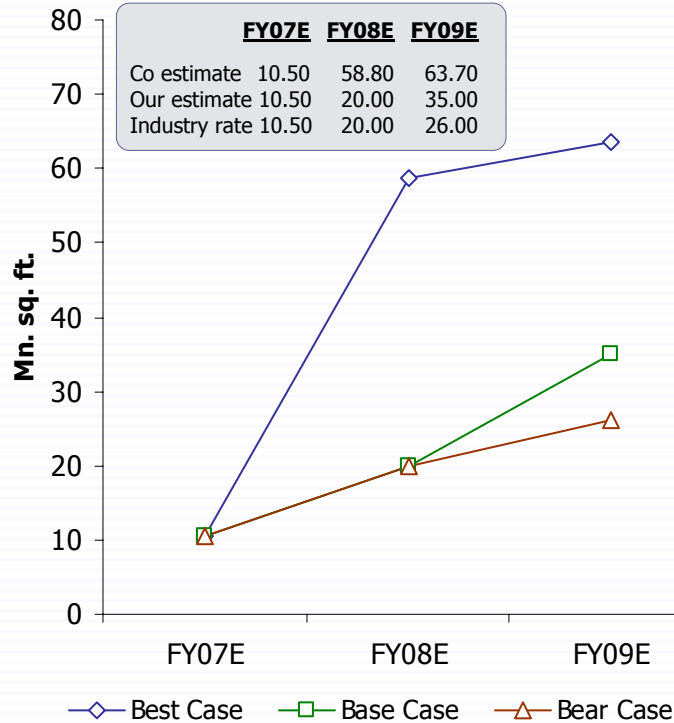
Source: Company



Source: Cushman & Wakefield; Knight Frank India
* In DLF's key areas of operations

Valuations

Rollout plans



Conversion Margin

Best Case

| (Rs bn) | Conv. Margin Multiple (x) | Conversion Margin (Rs./psf) | | | |
|---------|---------------------------|-----------------------------|-------|-------|-------|
| | | 1,200 | 1,500 | 1,800 | 2,000 |
| 9 | | 688 | 860 | 1032 | 1147 |
| 10 | | 764 | 956 | 1147 | 1274 |
| 11 | | 841 | 1051 | 1261 | 1401 |
| 12 | | 917 | 1147 | 1376 | 1529 |

Base Case

| (Rs bn) | Conv. Margin Multiple (x) | Conversion Margin (Rs./psf) | | | |
|---------|---------------------------|-----------------------------|-------|-------|-------|
| | | 1,200 | 1,500 | 1,800 | 2,000 |
| 9 | | 378 | 473 | 567 | 630 |
| 10 | | 420 | 525 | 630 | 700 |
| 11 | | 462 | 578 | 693 | 770 |
| 12 | | 504 | 630 | 756 | 840 |

Best Case

| (Rs bn) | Conv. Margin Multiple (x) | Conversion Margin (Rs./psf) | | | |
|---------|---------------------------|-----------------------------|-------|-------|-------|
| | | 1,200 | 1,500 | 1,800 | 2,000 |
| 9 | | 281 | 351 | 421 | 468 |
| 10 | | 312 | 390 | 468 | 520 |
| 11 | | 343 | 429 | 515 | 572 |
| 12 | | 374 | 468 | 562 | 624 |

Final Valuations

| | |
|-------------------------------|-------------|
| Conversion Margin | 956 |
| Land Value | 210 |
| Completed Assets | 156 |
| Total | 1322 |
| Less: Net debt + Unpaid la | 107 |
| Best Case target price | 712 |

| | |
|-------------------------------|------------|
| Conversion Margin | 525 |
| Land Value | 140 |
| Completed Assets | 130 |
| Total | 795 |
| Less: Net debt + Unpaid la | 107 |
| Base Case target price | 404 |

| | |
|-------------------------------|------------|
| Conversion Margin | 390 |
| Land Value | 105 |
| Completed Assets | 104 |
| Total | 599 |
| Less: Net debt + Unpaid la | 107 |
| Bear Case target price | 289 |

Land Value

| (Rs bn) | | Bear Case | Base Case | Best Case |
|-------------------|-----------|-----------|-----------|-----------|
| | (x) | 1.5 | 2 | 3 |
| Book Value | 70 | 105 | 140 | 210 |

Completed Assets

| (Rs bn) | | Bear Case | Base Case | Best Case |
|-----------------------------|-----------|-----------|-----------|-----------|
| | (x) | 8 | 10 | 12 |
| Rental income (FY09) | 13 | 104 | 130 | 156 |

Company Financials

Income statement

(Rs mn)

| Y/E March | 2006 | 2007 | 2008E | 2009E |
|-------------------------|---------------|---------------|----------------|----------------|
| Net sales | 11,699 | 26,172 | 138,260 | 229,780 |
| Other operating income | 0 | 0 | 0 | 0 |
| Total income | 11,699 | 26,172 | 138,260 | 229,780 |
| Cost of goods sold | 5,243 | 7,090 | 40,057 | 62,295 |
| Advt/Sales/Distrn O/H | 1,536 | 4,109 | 3,076 | 4,326 |
| Operating Profit | 4,920 | 14,973 | 95,127 | 163,159 |
| Other income | 721 | 14,169 | 2,332 | 3,033 |
| PBIDT | 5,641 | 29,142 | 97,459 | 166,192 |
| Depreciation | 361 | 571 | 1,040 | 1,741 |
| Interest | 1,685 | 3,076 | 4,281 | 3,990 |
| Pre-tax profit | 3,595 | 25,495 | 92,139 | 160,462 |
| Tax provision | 1,668 | 6,058 | 16,473 | 24,196 |
| (-) Minority Interests | 10 | 11 | 0 | 0 |
| Associates | 0 | (13) | 0 | 0 |
| Adjusted PAT | 1,917 | 19,413 | 75,666 | 136,266 |
| E/o income / (Expense) | 0 | 0 | 0 | 0 |
| Reported PAT | 1,917 | 19,413 | 75,666 | 136,266 |

Key ratios

(%)

| Y/E March | 2006 | 2007 | 2008E | 2009E |
|--------------------------|-------------|--------------|--------------|-------------|
| Sales growth | 92.4 | 123.7 | 428.3 | 66.2 |
| OPM | 42.1 | 57.2 | 68.8 | 71.0 |
| Oper. profit growth | 192.5 | 204.3 | 535.3 | 71.5 |
| COGS / Net sales | 44.8 | 27.1 | 29.0 | 27.1 |
| Overheads/Net sales | 13.1 | 15.7 | 2.2 | 1.9 |
| Depreciation / G. block | 2.8 | 3.2 | 1.2 | 1.3 |
| Effective interest rate | 6.6 | 4.4 | 4.5 | 5.8 |
| Net wkg.cap / Net sales | 0.9 | 1.9 | 0.6 | 0.5 |
| Net sales / Gr block (x) | 1.1 | 1.7 | 2.7 | 2.1 |
| RoCE | 15.5 | 30.1 | 49.9 | 57.2 |
| Debt / equity (x) | 4.3 | 2.5 | 0.6 | 0.2 |
| Effective tax rate | 46.4 | 23.8 | 17.9 | 15.1 |
| RoE | 22.5 | 78.7 | 76.5 | 62.4 |
| EPS (Rs.) | 1.1 | 11.4 | 44.4 | 79.9 |
| EPS Growth | 121.6 | 912.7 | 289.8 | 80.1 |
| CEPS (Rs.) | 1.3 | 11.7 | 45.0 | 81.0 |
| DPS (Rs.) | 0.0 | 0.0 | 0.0 | 0.0 |

Source: Company, Industry estimates

Company Financials

Balance sheet

(Rs mn)

| Y/E March | 2006 | 2007 | 2008E | 2009E |
|-------------------------|---------------|----------------|----------------|----------------|
| Total assets | 50,967 | 139,279 | 247,066 | 327,977 |
| Gross block | 13,023 | 17,787 | 86,087 | 129,307 |
| Net fixed assets | 11,132 | 15,375 | 30,922 | 53,231 |
| CWIP | 5,911 | 26,497 | 64,486 | 85,423 |
| Investments | 8,300 | 2,107 | 46,437 | 42,177 |
| Wkg. cap. (excl cash) | 15,185 | 82,210 | 88,777 | 122,675 |
| Cash / Bank balance | 1,950 | 4,155 | 7,509 | 15,537 |
| Others/Def tax assets | 8,489 | 8,935 | 8,935 | 8,935 |
| Capital employed | 50,967 | 139,279 | 247,066 | 327,977 |
| Equity capital | 378 | 12,557 | 12,907 | 12,907 |
| Reserves | 9,177 | 27,207 | 145,031 | 266,041 |
| Borrowings | 41,320 | 99,328 | 89,128 | 49,029 |
| Others | 92 | 187 | 0 | 0 |

Cash flow

(Rs mn)

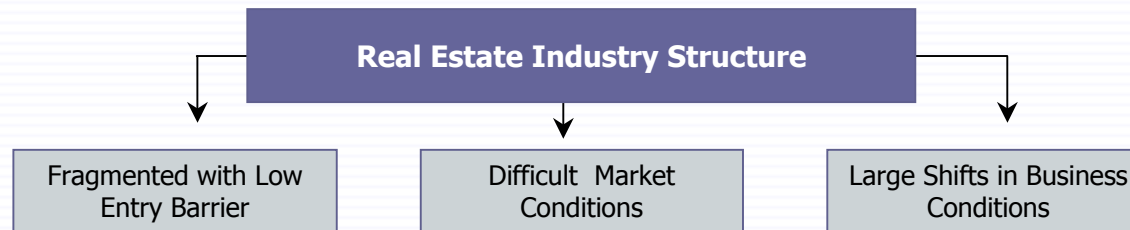
| Y/E March | 2006 | 2007 | 2008E | 2009E |
|---------------------|---------------|---------------|---------------|---------------|
| Sources | 25,439 | 89,858 | 66,668 | 97,908 |
| Cash profit | 1,418 | 20,103 | 76,518 | 138,007 |
| Retained earnings | 1,418 | 20,103 | 76,518 | 138,007 |
| Issue of equity | 344 | 12,206 | 350 | 0 |
| Borrowings | 31,644 | 58,008 | (10,200) | (40,099) |
| Others | (7,967) | (459) | 0 | 0 |
| Applications | 25,439 | 89,858 | 66,668 | 97,908 |
| Capital expenditure | 7,194 | 25,400 | 54,575 | 44,987 |
| Investments | 7,900 | (6,193) | 44,330 | (4,260) |
| Net current assets | 8,589 | 67,025 | 6,567 | 33,898 |
| Change in cash | 1,756 | 3,626 | (38,804) | 23,284 |

Source: Company, Industry estimates



Appendix

Industry Characteristics



➤ **Highly fragmented, with limited entry barriers**

- A large number of regional developers, in many cases even city/ suburb focused developers
- Most players began as home builders, now executing projects across all verticals
- Very few developers have established/ are establishing a presence on a pan-India basis

➤ **Complex regulatory conditions, high transaction costs**

- Varying state, city and municipal land laws - Land Ceiling Act
- Limited access to formal funding, hence dependence on high cost informal sources
- Large transaction costs – stamp duty, capital gains

➤ **Land Titles**

- Disorganized land registries – compounded by judicial delays making ownerships/titles a nightmare
- A significant number of plots may not have clear title - *Possession is 90% ownership*
- Most of the land is held by individuals/ families
- Caveat Emptor rules!

Industry Characteristics...contd.

➤ **Corporate Governance issues**

- High transaction costs + high cost informal funding = tax avoidance + large use of cash
- Inefficient business structuring to enhance tax efficiency
- Complex regulatory conditions + unclear land titles = power games

➤ **Recent government initiatives providing the required impetus**

- Opening up of FDI bringing in capital
- Global developers/ investors bringing in best practices + higher governance standards
- Simplification of regulations initiated, computerized land records, all this will help the industry

➤ **Hence, large expansion plans, growth of even 10x – 15x planned**

- Execution will be important - most developers depending on external contactors for execution, some building internal teams to take care of large growth planned

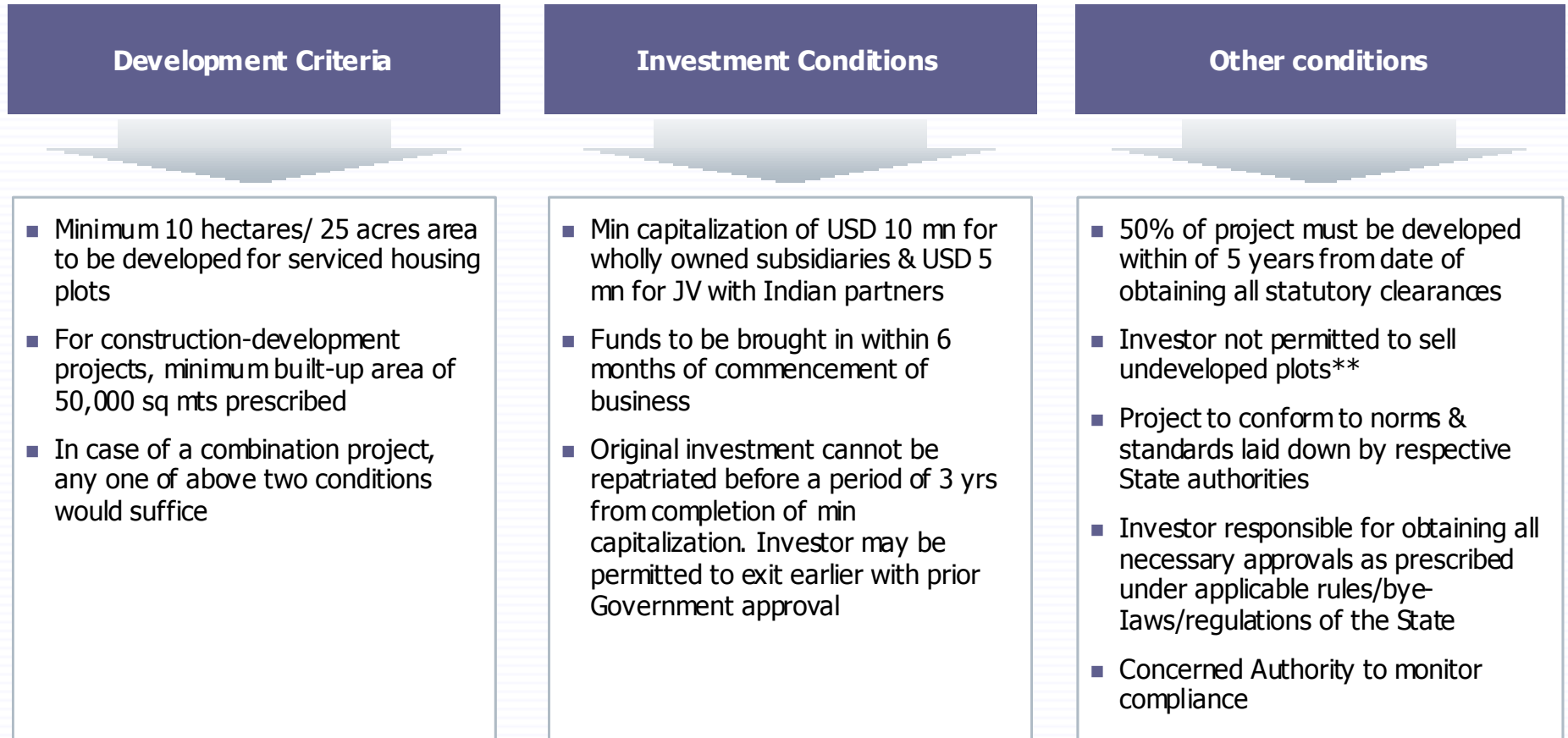
➤ **Challenges remain – but the long term fundamentals are clearly robust**



Foreign Investment Regulations

Govt. Facilitating increased investments

Liberalizing FDI norms



Source: Department of Promotion and Policy

Large amounts committed to the India real estate sector by overseas investors

Opportunities for Foreign Investors

Direct Asset Acquisitions

- Can purchase construction development projects under construction over approximately 50,000 sq. m. or plotted residential developments with a min size of 10 hectares

Equity Investment

- Can purchase equity stake in an unlisted real estate company and partner in its growth plans across asset classes and cities, minimum 3 year holding is required
- Most investments currently routed into designated SPVs that hold the assets under development, with investors subscribing for shares in the SPV

Venture Capital Funds

- Foreign Venture Capital Investors may invest in real estate assets within the framework of Securities and Exchange Board of India ("SEBI") and FDI guidelines
- Recent changes in the Income Tax Act dissuade formation of domestic venture capital pools and therefore foreign venture capital funds will come in directly

Foreign Portfolio Investments

- Foreign portfolio investments are permitted at developer level both at the IPO and at the secondary post listing stages
- Foreign portfolio investments at the pre IPO stage are considered equivalent to FDI

New Investment Vehicles

- New investment products and options are emerging; foreign investor participation is encouraging more innovative transaction structures
- REITs are absent due to the current legal structure; Proposed REITs would likely further improve liquidity, open up opportunities for small investors, pave the way for institutional investments and provide asset management companies with opportunities to diversify

Source: ENAM Research

SEZs: A longer term opportunity

SEZ Policy: An internationally competitive hassle-free business regime:

- **Fiscal incentives:** All direct & indirect taxes/ duties exempt for 10 yrs, with some variations for unit-holder vs developer
- **Clearances:** Single-window
- **Investment:** 100% FDI in manufacturing. Developer can lease, but not sell land
- **Usage:** 25% min for manufacturing, with some variations. Minimum area specified
- **Labour policy:** State Government to frame apt law for SEZ

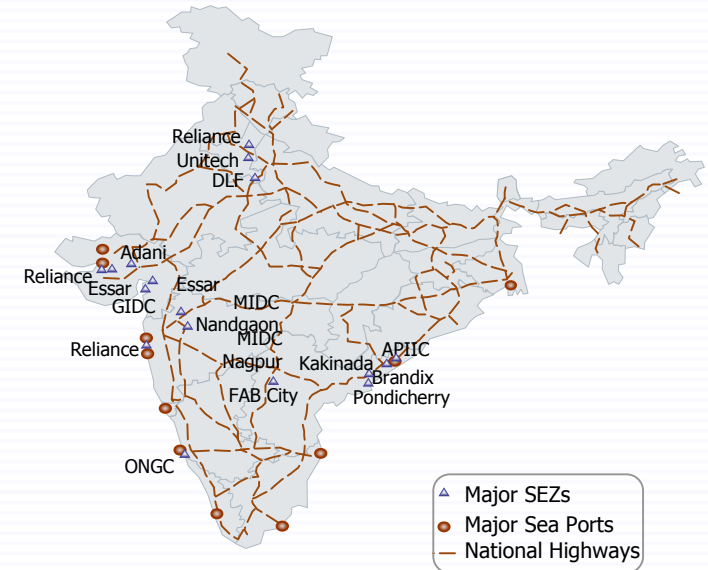
Status: 234 formally approved SEZs

- 151 for IT/ITES related projects
- 9 for multi-product SEZs
- 4 for port based SEZs
- Largest ones are by **Kakinada SEZ Pvt. Ltd.** (AP), **Adani** (Guj) & **AP Industrial Infrastructure Corporation** (AP). Construction expected to start within next 2 years, to be operational in ~5 years

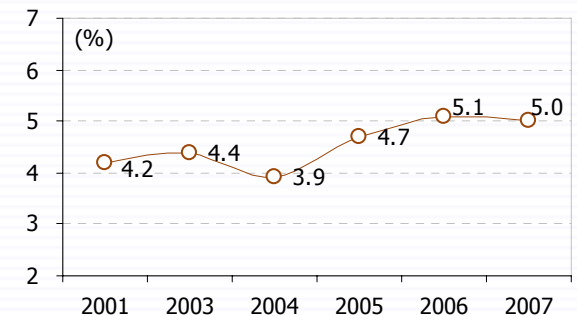
Macro benefits :

- Substantial ancillary and hinterland development
- Employment generation (5 lakh in the next 3 years)
- FDI : ~USD22bn

Location of SEZs & support infrastructure



Indian SEZs: Share of Indian Exports



Source: SEZ India

Loss of sheen as an investment theme currently, but the future looks bright

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