

May 22, 2008

Rating	Outperformer
Price	Rs812
Target Price	Rs1,387
Implied Upside	70.8%
Sensex	17,243

(Prices as on May 21, 2008)

Trading Data

Market Cap. (Rs bn)	174.1
Shares o/s (m)	214.5
Free Float	38.5%
3M Avg. Daily Vol ('000)	3,543.8
3M Avg. Daily Value (Rs m)	2,542.8

Major Shareholders

Promoters	61.5%
Foreign	11.2%
Domestic Inst.	1.3%
Public & Others	26.0%

Stock Performance

(%)	1M	6M	12M
Absolute	12.4	10.6	NA
Relative	11.6	19.3	NA

Price Performance (RIC: HDIL.BO, BB: HDIL IN)



Source: Bloomberg

■ **Result Snapshot:** For Q4FY08, HDIL reported net sales of Rs 9,751mn. Sales in the quarter was predominantly on account of sale of 0.55 million sq.ft. of Kaledonia to Mack Star Marketing for a consideration of Rs 9,000 mn. This was a sale of development rights and so the company was able to avail of 80IB benefits and so provided for tax at 12.5%. Consequently the EBIDTA and PAT for the quarter were extremely strong. EBIDTA margins were at 89% resulting in an EBIDTA of Rs 8,639 mn and PAT for the quarter was at Rs 7,080 mn.

■ **Land Bank:** HDIL's land reserves have increased to 192 million sq.ft. from 112 mn sq.ft. in the March 2007. Of the total land reserve, the company has ongoing projects on 88 mn sq.ft. Of this 50 million sq.ft. is on account of SRS project, 30 million sq.ft is commercial and retail development and the balance 8 mn sq.ft is residential development.

■ **Airport Project:** HDIL has received the final approval for Phase 1 of the airport SRS project. Phase 1 would entail rehabilitation of between approximately 22,000 families and would be complete in 15-18 months timeframe. HDIL has previously purchased 53 acres of land for Phase 1 of which 40 acres will be used for rehabilitation activity and the balance would be commercially developed. The company would likely be able to start monetizing the land TDR from Q1FY09 onwards.

■ **Outlook & Valuations:** We have lowered our target price from Rs1,525/share to Rs1,387. We had earlier assigned a 10% premium to the NAV value on account of expected value enhancing opportunities arising from the Dharavi development projects. However, given the possibility of further delays with regards to the Dharavi project, we no longer assign this premium and thereby reduce the target NAV value by Rs138/share. We maintain Outperformer rating on the stock.

Key financials (Y/e March)	FY07	FY08	FY09E	FY10E
Revenues (Rs m)	12,042	23,799	34,681	53,755
Growth (%)	176.9	97.6	60.0	55.0
EBITDA (Rs m)	6,605	16,900	22,738	35,155
PAT (Rs m)	5,480	14,105	18,343	28,457
EPS (Rs)	30.4	65.8	85.5	132.7
Growth (%)	29.6	116.0	30.0	55.1
Net DPS (Rs)	-	2.0	2.5	2.5

Source: Company Data; PL Research

Profitability & valuation	FY07	FY08	FY09E	FY10E
EBITDA margin (%)	54.8	71.0	65.6	65.4
RoE (%)	119.0	65.6	41.4	42.7
RoCE (%)	39.8	19.7	18.6	20.7
EV / sales (x)	12.4	6.9	6.1	3.3
EV / EBITDA (x)	22.7	9.7	9.3	5.1
PE (x)	26.7	12.3	9.5	6.1
P / BV (x)	19.9	4.4	3.3	2.2
Net dividend yield (%)	-	0.2	0.3	0.3

Source: Company Data; PL Research

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Q4FY08 result overview

(Rs m)

Y/e March	Q4FY08	Q3FY08	QoQ gr. (%)	FY07	FY08	YoY gr. (%)
Net sales	9,751	4,966	96.3	12,034	23,799	97.8
Expenditure						
Construction, mfg. & others	1,073	1,615	(33.6)	5,449	6,783	24.5
<i>% of net sales</i>	<i>11.0</i>	<i>32.5</i>		<i>45.3</i>	<i>28.5</i>	
Personnel cost	39	30	28.3	84	116	38.7
<i>% of net sales</i>	<i>0.4</i>	<i>0.6</i>		<i>0.7</i>	<i>0.5</i>	
Total expenditure	1,112	1,646	(32.5)	5,532	6,898	24.7
EBITDA	8,639	3,321	160.2	6,502	16,900	159.9
<i>Margin (%)</i>	<i>88.6</i>	<i>66.9</i>		<i>54.0</i>	<i>71.0</i>	
Other income	144	199	(27.6)	131	525	301.5
Depreciation	8	4		6	19	197.6
EBIT	8,775	3,516	149.6	6,627	17,406	162.7
Interest	682	441	54.5	445	1,385	211.2
PBT	8,093	3,075	163.2	6,182	16,021	159.2
Total tax	1,011	372	171.9	764	1,917	151.1
<i>% PBT</i>	<i>12.5</i>	<i>12.1</i>		<i>12.4</i>	<i>12.0</i>	
Recurring PAT	7,082	2,703	162.0	5,418	14,104	160.3



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PL's Recommendation Nomenclature

BUY	: > 15% Outperformance to BSE Sensex	Outperformer (OP)	: 5 to 15% Outperformance to Sensex
Market Performer (MP)	: -5 to 5% of Sensex Movement	Underperformer (UP)	: -5 to -15% of Underperformance to Sensex
Sell	: <-15% Relative to Sensex		
Not Rated (NR)	: No specific call on the stock	Under Review (UR)	: Rating likely to change shortly

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