SECTOR REPORT
EQUITIES RESEARCH

INDIA

INDIA REAL ESTATE

↔ NEUTRAL

INDUSTRY OUTLOOK

BNPP RECOMMENDATIONS

Company	BBG Code	Rating	Share Price	Target Price	Upside / Downside
Anant Raj Inds	ARCP IN	BUY	51.90	79.00	+52%
DLF Ltd	DLFU IN	REDUCE	238.50	195.00	-18%
Housing Dev & Infra	HDIL IN	BUY	99.25	148.00	+49%
IBREL	IBREL IN	BUY	74.20	86.00	+16%
Oberoi Realty	OBER IN	BUY	230.85	268.00	+16%
Sobha Developers	SOBHA	BUY	225.95	258.00	+14%
Unitech	UT IN	BUY	27.55	32.00	+16%

What lies ahead

SUMMARY

Key triggers: Uptick in volumes and recovery in the office market

We believe an uptick in volumes on price decline will be a key trigger for the sector. In the last seven out of nine quarters, BSE Realty index has followed the volume trend. For the office (45% of gross asset value) market, the NCR and Bengaluru (DLF & Prestige) areas remain resilient. Oberoi and Sobha are top rankers in our stock screen and our top picks.

OUTLOOK

Industry nearing inflection point unless macro situation worsens

1. A correction in property prices should lead to volume gains, potentially translating into better stock performance.
2. Upcoming office supply may play spoilsport in Mumbai, but Bengaluru and NCR seem better placed.
3. Margins are likely to plateau in the near term.

VALUATION

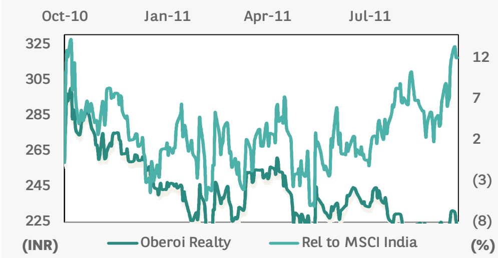
Moving to a methodology which captures efficiency and asset base

For the last four years investors have been debating about the appropriate way of valuing Indian developers. Some old-school investors believe a justified P/BV multiple* (captures efficiency) is the best way to value developers. Some investors believe a DCF-based NAV (captures asset base) approach captures the actual value of the large land banks. We believe the true value lies somewhere in between which captures both efficiency and the asset base of a firm, so we use the average of these two valuations to derive target prices for our property coverage universe.

* (Long-term sustainable ROE – long-term growth rate)/(long-term cost of equity – long-term growth rate).

TOP STOCK PICK

Company	Oberoi Realty
BBG Code	OBER IN
Share Price	230.85
Target Price	268.00
1 Year - high	300.87
1 year - low	215.48



VALUATION SUMMARY

Company	P/E (x)		Yld (%)
	FY1	FY2	FY2
Anant Raj Inds	7.0	5.3	0.3
DLF Ltd	23.2	19.0	0.4
Housing Dev & Infra	3.4	4.0	2.5
IBREL	10.7	13.4	0.3
Oberoi Realty	14.9	8.4	0.6

MAJOR CHANGES

Company	To	From
DLF Ltd	REDUCE	HOLD

BNP Paribas

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14 OCTOBER 2011

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Investment thesis

Price correction is a key catalyst for the sector – ahead of interest rate cuts

We have compared volume trends in the Mumbai and Bengaluru markets to the BSE Realty index performance. The BSE Realty index has moved in tandem with the volume trend in these two markets for seven out of the last nine quarters (see Exhibits 1 & 2), implying volume is a key indicator for the sector. Based on the affordability metrics, price correction is the most effective variable (interest rates and wages are other variables which take time to change) for volumes to recover. We forecast real estate prices will correct about 20% across India over the next three-to-six months, based on our affordability calculation (refer to the section 'Assessing the extent of price correction – expect a 20% decline in prices' on page 7).

If prices correct 20% and volumes increase only 20% (historically the quantum of increase has been much more), the net impact on gross profit across price segments could range from 14% to 23%. If we incorporate a similar scenario to our target prices, our calculations suggest about 6% downside potential from current levels.

Office sector: Bengaluru remains better placed, vacancies in Mumbai to increase due to upcoming supply

The office sector contributes about 45% to the total gross asset value (GAV) of the major listed developers. DLF, Prestige (PEPL) and Anant Raj (ARCP) are the most geared to the office sector, as it represents more than 50% of their GAV.

In 2011, we expect total absorption of around 35m sqft across the top seven cities (Mumbai, NCR, Chennai, Bengaluru, Hyderabad, Kolkata and Pune) in India, which is close to the last five years' average of 34m sqft. We estimate supply in the seven key cities will increase 24% in 2011. A majority of the upcoming supply is concentrated in the Mumbai region, thus we expect vacancies to continue to increase in Mumbai. Bengaluru remains relatively better placed due to limited upcoming supply and stable demand.

Asset sales to continue, dilution and refinancing are other options to meet funding shortfall

We assess the funding situation of the developers under our coverage based on their debt service coverage ratios (DSCR) including capex, which effectively = (EBITDA – minimum alternative tax) divided by (interest + debt repayment + capex) and net funding shortfall (debt repayment + interest obligation + capex on office or retail assets – cash flow from operations). DSCR is used to evaluate a company's ability to meet its debt repayment and servicing obligations.

Our analysis shows that DLF, Unitech, PEPL and Sobha are likely to face funding shortfall in the near term. Asset sales, dilution and refinancing are the potential options to offset this eventually. We believe developers with huge debt burden (DLF) will likely to continue with asset sales and possibly dilute equity. Sobha and PEPL can meet their funding shortfall through refinancing since their gearing ratios are still within the acceptable range (0.5-0.7x). Unitech is likely to see a mix of asset sales and refinancing.

Prefer a valuation methodology which factors in both efficiency and asset base of the developer

For the last four years investors have been debating about the appropriate way of valuing Indian developers. Some old-school investors believe a P/BV multiple (captures efficiency) is the best way to value developers, which effectively implies using the formula: ((long-term sustainable ROE – long-term growth rate)/(long-term cost of equity)) – long-term growth rate. Some investors believe a DCF-based NAV (captures asset base) approach captures the actual value of the large land banks.

We believe the true value lies somewhere in between which captures both efficiency and the asset base of a firm, so we use the average of these two valuations to derive target prices for our property coverage universe.

Oberoi and Sobha remain our top picks; downgrade DLF to a REDUCE, from Hold

We prefer developers with high revenue visibility, consistent execution track records, good corporate governance, and simpler business models. Oberoi and Sobha emerge top rankers on most of these parameters and remain our top picks in the sector.

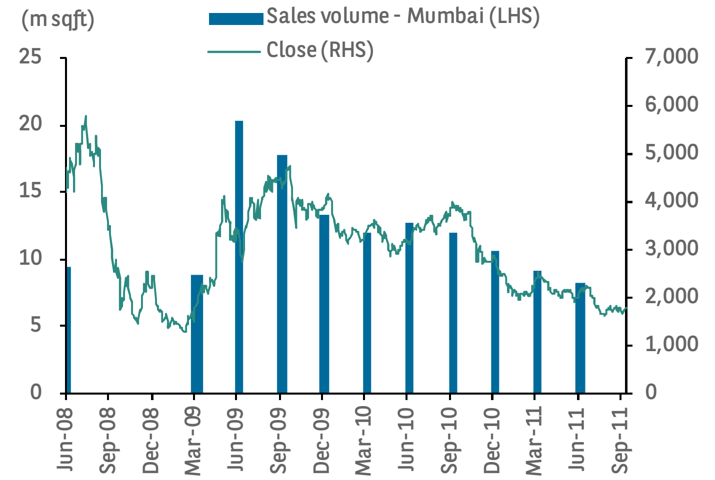
We downgrade DLF to REDUCE, from Hold. Key reasons for the downgrade are: 1) projected asset sales are unlikely to generate any significant value and would just about meet DLF's cash requirement; 2) high dilution risk persists; 3) 2QFY12 operational metrics should remain weak; and 4) an unfavourable judgement on the Competition Commission of India (CCI) penalty could further strain cash flows. (For details see our report *More downside than upside*, published along with this report.)

Price correction a key catalyst for the sector – ahead of interest rate cuts

Physical property market volume is more indicative of BSE Realty index performance

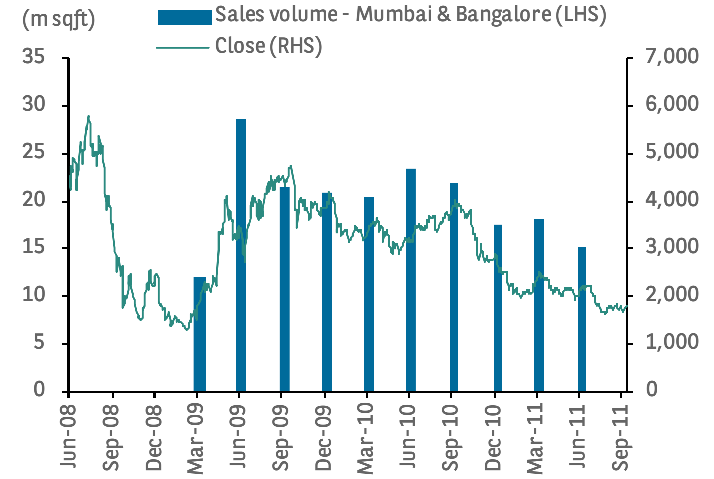
We have compared the performance of the BSE Realty index with volume sales in Mumbai and Bengaluru (more relevant for listed developers). The BSE Realty index has moved in tandem with the volume trend in these two markets (refer Exhibits 1 and 2). In June 2009, when 2Q volume rebounded almost 1.3x (post a 30% price correction), the BSE Realty index too recovered 1.4x. The BSE Realty index performance has replicated the volume sales trend in seven out of the last nine quarters. We expect the trend to be sustained. Also, we believe price would need to correct about 20% for volumes recover (Refer to the section 'Quantifying price decline' on page 6).

EXHIBIT 1: BSE Real performance and Mumbai sales volume trend



Sources: Bloomberg; Liases Foras

EXHIBIT 2: BSE Real performance and Mumbai & Bengaluru sales volume trend



Sources: Bloomberg; Liases

EXHIBIT 3: Performance

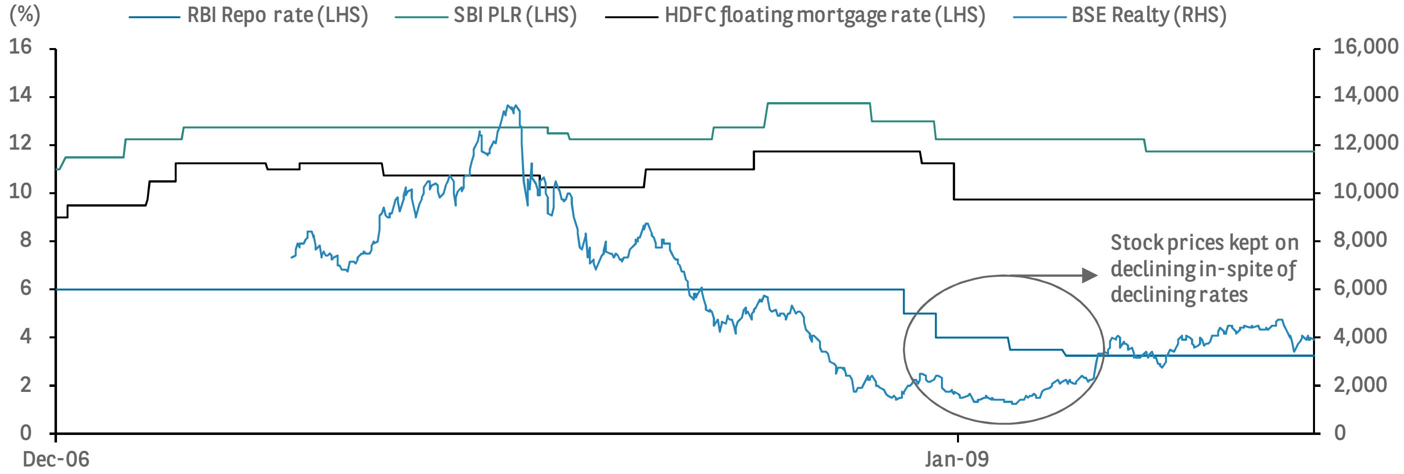
Qtr ending	Volume (Mum) (% change)	Volume (Mum & Bengaluru) (% change)	BSE Real Performance (% change)
Jun-11	(9.4)	(16.5)	(13.6)
Mar-11	(14.2)	3.5	(18.2)
Dec-10	(12.0)	(20.4)	(23.4)
Sep-10	(5.0)	(6.0)	16.6
Jun-10	5.2	14.3	(2.3)
Mar-10	(9.5)	(2.4)	(15.1)
Dec-09	(25.0)	(2.9)	(14.5)
Sep-09	(12.5)	(24.8)	31.4
Jun-09	128.6	140.6	142.6

Sources: Liases Foras; Bloomberg; BNP Paribas

Historically stock prices have reacted to interest rate cuts only after a lag of three-to-four months, hence volume is a more of a near-term indicator

We have looked at the historical data to assess the reaction of stock prices to interest rates. In the last cycle, the Reserve bank of India (RBI) had started to reduce interest rates in November 2008 and actual sustainable uptick in the stock prices came in only in March 2009. By that time HDFC's (HDFC IN) mortgage rates had declined by about 200bps. Macro headwinds would have played a role then, but the situation is not very different now.

EXHIBIT 4: Interest rates did not lead to an immediate spike in stock prices

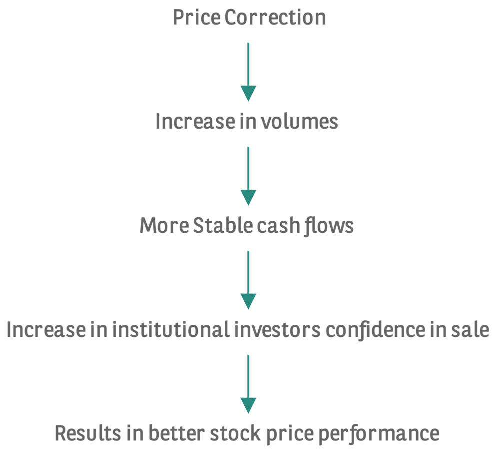


Sources: Bloomberg; BNP Paribas

Volumes lead to higher institutional investor confidence, resulting in better stock price performance

We believe prices need to correct for volumes to recover in the physical property market. Higher volumes would lead to healthy and stable cash flows. This should lift institutional investor confidence, thus potentially resulting in improved performance for property stocks.

EXHIBIT 5: Volumes lead to high investor confidence



Source: BNP Paribas

Why do we think, prices would correct in the next 3-6 months

Volumes have declined, unsold inventory months are close to all-time highs, and developers are facing funding shortfalls. Price correction is the most logical conclusion, in our view.

Residential volumes in the physical property market have declined significantly. There is substantial unsold inventory. As per Liases foras data, Inventory months in the National Capital Region (NCR) and Mumbai are close to all-time high at 30 and 39, respectively. On an average, healthy inventory months should be in the range of 12-18 months.

Furthermore, some of the developers have started to face funding shortfalls. We believe that prices are likely to soften in the next 6-12 months. The current festive season holds the key, in our opinion; if volumes do not pick up, then the most effective option for the developers would be to cut prices to boost volumes. Also, rental yields in Mumbai have declined to 2.0-2.5% now, from 3.5-4.0% in 2009/10

EXHIBIT 6: Sales trend in key cities

Month	Mumbai (m sqft)	NCR (m sqft)	Bengaluru (m sqft)	Chennai (m sqft)	Pune (m sqft)
Jun 11	8.24	21.85	6.87	5.51	9.59
Mar 11	9.09	27.00	9.09	5.00	7.00
Dec 10	10.60	20.48	6.87	4.98	9.59
Sep 10	12.04	25.94	9.92	5.51	7.33
Jun 10	12.67	23.21	10.69	3.15	6.21
Mar 10	12.04	27.31	8.40	3.67	10.72
Dec 09	13.31	23.21	7.63	3.41	12.41
Sep 09	17.74	19.12	3.82	4.46	12.98
Jun 09	20.28	8.19	8.40	1.05	5.64
Mar 09	8.87	8.19	3.05	na	6.77

Source: Liases Foras

EXHIBIT 7: Mumbai has witnessed the most significant fall in volumes

Quarter Change in sales volume	Mumbai (y-y %)	NCR (y-y %)	Bengaluru (y-y %)	Chennai (y-y %)	Pune (y-y %)
Jun-11	(35)	(6)	(36)	75	54
Mar-11	(25)	(1)	7	36	(35)
Dec-10	(20)	(12)	(10)	46	(23)
Sep-10	(32)	36	160	24	(44)
Jun-10	(38)	183	27	200	10
Mar-10	36	233	175	na	58

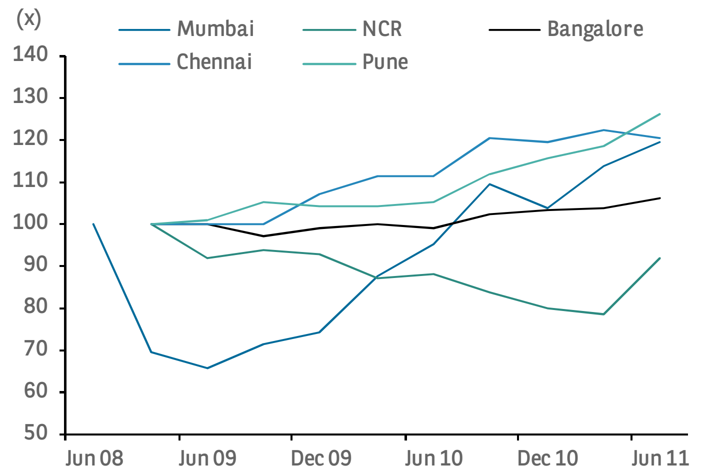
Source: Liases Foras

EXHIBIT 8: Inventory months are close to all-time highs

Quarter (# of inventory months)	Mumbai	NCR	Bengaluru	Chennai	Pune
Jun-11	39	30	26	19	12
Mar-11	35	22	19	20	15
Dec-10	28	25	24	19	11
Sep-10	23	19	17	17	15
Jun 10	0	18	16	29	17
Mar-10	17	15	22	21	10
Dec-09	15	13	23	20	9
Sep-09	11	17	49	16	9
Jun-09	11	43	23	na	26

Source: Liases Foras

EXHIBIT 9: Prices have not yet softened in key markets



Source: Liases Foras

Assessing the extent of price correction – expect a 20% decline in prices

Affordability and rental yields are the key metrics one needs to look at to determine if an individual can afford a property.

Affordability ratio = monthly loan payments / monthly income of an individual.

Affordability levels in India are worse than in other developing countries such as China / Thailand, and developed countries such as Singapore / US / UK. In fact, all four metros in India have higher affordability ratios than major emerging and developed countries.

EXHIBIT 10: Affordability levels in regional markets

Particulars	India (INR)	Singapore (SGD)	Thailand (THB)	China (RMB)
Average apartment value (Local currency m)	6.0	0.7	1.2	0.43
Loan to value ratio (%)	7	70	70	70
Loan (Local currency m)	4.2	0.49	1.08	0.30
Avg. annual income (Local currency m)	0.65	0.07	0.25	0.06
Interest rate (%)	11.25	1.20	6.50	7.00
Affordability (monthly instalment/monthly income) (%)	82	40	35	38

Sources: BNP Paribas; Industry participants

EXHIBIT 11: Affordability in key regions of India

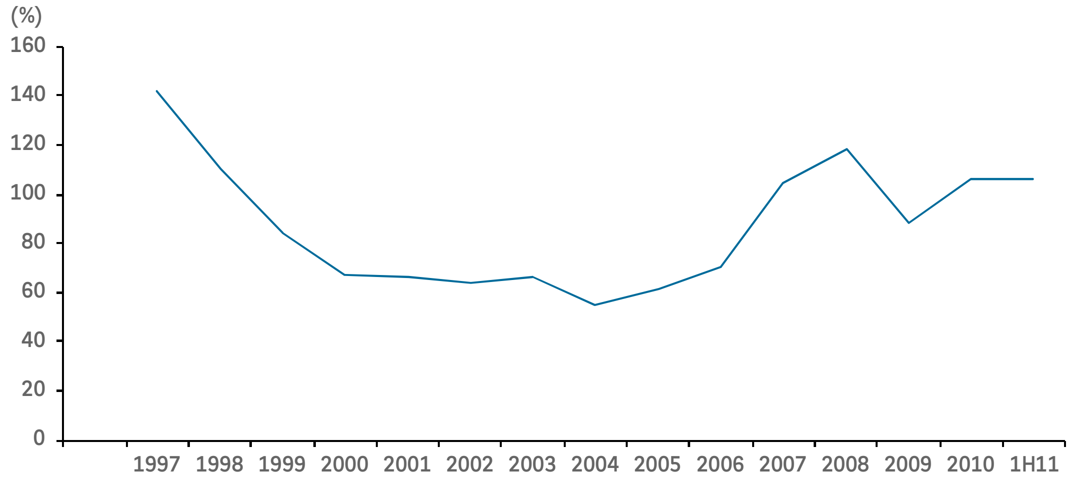
Particulars	Bengaluru	Chennai	Mumbai	NCR
ASP/sqft (INR)	4,500	3,500	10,000	4,000
Average apartment size (sqft)	1,200	1,200	1,000	1,500
Average apartment value (INR m)	5.4	4.2	10	6
Loan to value ratio (%)	70	70	70	70
Loan (INR m)	3.8	2.9	7.0	4.2
Avg. annual income (INR m)	0.6	0.6	0.8	0.6
Interest rate (%)	11.25	11.25	11.25	11.25
Affordability (monthly instalment / monthly income)	76	59	106	85

Sources: BNP Paribas; Industry participants

There are three key variables that impact affordability: property prices, interest rates, and income. Among the three, price is the one that can be changed easily, hence it is the most effective to boost volumes, in our view. Interest rates depend on central bank policy and a meaningful decline (100–200bp) can take at least 3-6 months to come through. Wages depend on the overall condition of the economy – in the current tightening liquidity scenario, we expect no significant uptick in wages.

We believe that for affordability to return to 2009 levels, prices will have to decline by about 20%.

EXHIBIT 12: Historical affordability - Mumbai



Sources: BNP Paribas; Industry participants

A 125bps cut in mortgage rates is equivalent to a 10% price correction

For Mumbai property, we estimate a 125bp decline in interest rates is equivalent to a 10% correction in physical property prices. BNPP's house view is that interest rates will start declining only in 2H12.

EXHIBIT 13: Affordability sensitivity to mortgage lending rate and property price change

		Mortgage rates				
(%)		10.25%	10.75%	11.25%	11.75%	12.25%
	(10%)	88	92	95	99	102
Price cuts	0%	98	102	106	110	114
	10%	108	112	116	121	125

Sources: BNP Paribas; Industry participants

Why are prices not falling? – Someone keeps funding the developer

Despite a slowdown in volumes, developers have increased or are maintaining prices. We believe the primary reason that developers have not reduced prices is the continuous funding that the sector has been getting.

Our checks suggest that in the first half of the current year it was banks / private equity funds, and now it is NBFCs (non-banking financial companies) and property funds (in which mostly HNIs have invested). However, we believe developers are slowly running out of options and in case of further slowdown in volumes the only option developers will have is to drop prices to boost cash flows.

Price corrections would be backed by increase in volumes at least by the same quantum

We look at the sensitivity of price decline on gross profits. While assuming a price decline, we also assume an increase in volumes by the same proportion. So, for instance, if prices decline by 10%, we have assumed that volumes too increase by 10%.

The high-realisation segment (ASP of INR10,000/sqft) is the most secure with an impact of 6-14% on gross profit in case of a 10-20% price correction. The INR6,000/sqft segment is likely to be impacted by 9-21% and the mid-realisation segment (ASP of INR4,500/sqft) is the most sensitive to price declines with a potential impact of 10-23% on the gross profit in case prices correct by 10-20%.

EXHIBIT 14: Impact of price correction on gross profit

Particulars	Case 1	Case 2	Case 3
ASP (INR/sqft)	10,000	6,000	4,500
Construction cost (INR/sqft)	3,000	2,500	2,000
Revenue (INR m)	10,000	6,000	4,500
Gross profit (INR m)	7,000	3,500	2,500
Margin (%)	70.00	58.30	55.60
10% decline in prices and 10% increase in volumes			
Revenue (INR m)	9,900	5,940	4,455
Gross profit (INR m)	6,600	3,190	2,255
Margin (%)	66.70	53.70	50.60
Net impact in profit (%)	(6)	(9)	(10)
20% decline in prices and 20% increase in volumes			
Revenue (INR m)	9,600	5,760	4,320
Gross profit (INR m)	6,000	2,760	1,920
Margin (%)	62.50	47.92	44.44
Net impact in profit (%)	(14)	(21)	(23)

Source: BNP Paribas estimates

Limited downside to stocks from current price points if volumes increase just 20%

If prices correct 20%, our target prices on average would decline 23%, indicating 6% downside potential from current levels. To calculate the impact of the price correction, we assume a similar jump in sales volume.

We estimate cash flows of developers would decline about 25%. But, a decline in prices backed by higher volumes would improve affordability and make us more confident of cash flow generation. Also, there is a high probability of better-than-expected (20%) increase in volumes – in which case, we estimate cash flow impact would be less than 20%.

If volumes increase 35-40%, cash flows would decline 0-10%. Furthermore, as interest rates moderate and wages increase in FY14, we expect prices to recover to current levels without impacting affordability levels. Under this scenario, our fair values would decline 5%, still implying 16% upside potential from current levels.

EXHIBIT 15: Impact of a 20% price correction on our coverage universe

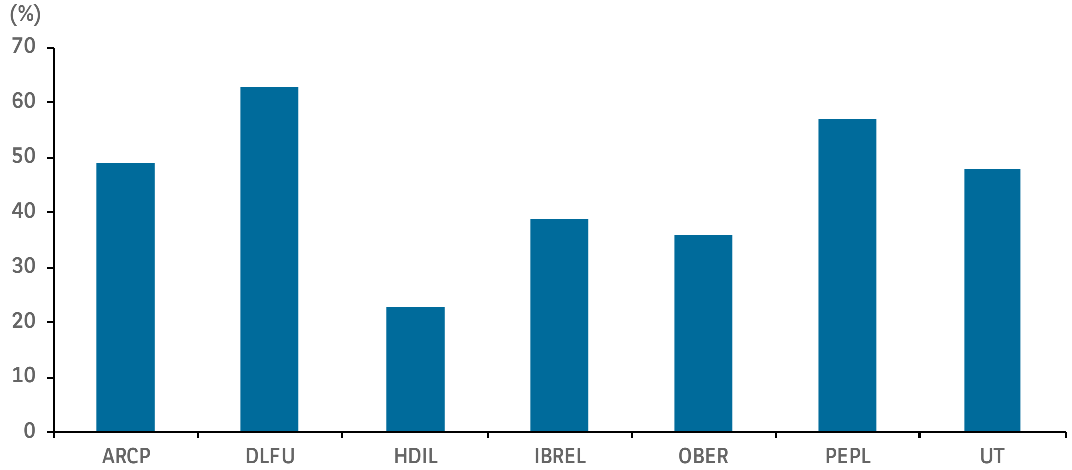
Company	Fair value	Upside / (downside) from current levels	Impact on operational cash flow
	(%)	(%)	(%)
DLF	(18.0)	(23)	(18.0)
ARCP	(23.5)	24	(19.8)
IBREL	(28.2)	(17)	(43.7)
Oberoi	(10.8)	5	(31.0)
PEPL	(23.0)	(10)	(49.3)
Sobha*	(30.0)	(18)	16.7
Unitech	(27.5)	(20)	(36.7)
Average	**(23.0)**	**(6)**	**(26.0)**

*For Sobha cash flows actually increase due to a significant increase in volumes in its NCR project; more sensitive to price declines due to JDA model.
Source: BNP Paribas estimates

Office sector: mixed Signals; Bengaluru remains a preferred play

The office sector contributes about 45% to GAV of major listed developers. In our coverage universe DLF, PEPL and ARCP are the most geared to the office sector, which represented more than 50% of their GAV.

EXHIBIT 16: Percentage contribution of office sector to total GAV



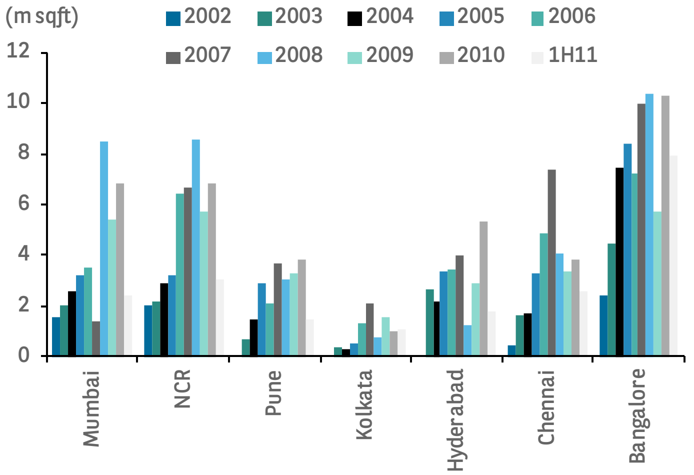
DLF and Prestige are most geared to Office sector in our coverage universe.

Sources: Companies' data; BNP Paribas

Absorption in key cities has started to stabilise

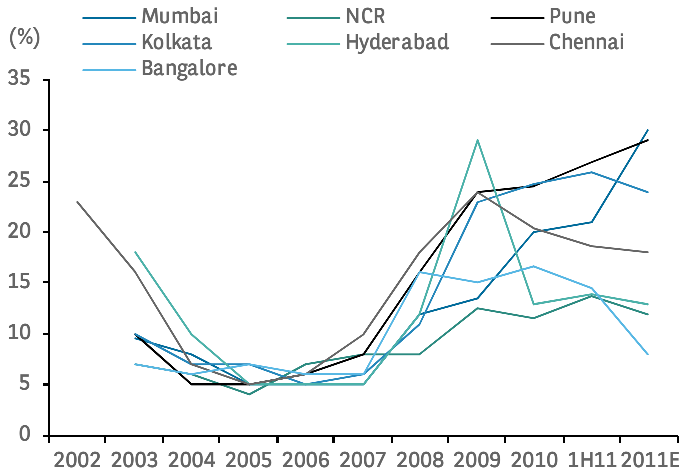
Absorption levels across the top seven cities seem to be stabilising. In 2011, we expect a total absorption of close to 35m sqft across the top seven cities in India, which is close to the last five years' average of 34m sqft. Our checks with international property consultants indicate that, apart from the IT sector, the BFSI sector has contributed significantly in the current calendar year. Despite stable absorption levels, rents on average have not increased significantly. In fact, rentals in some cities continue to decline, primarily due to significant upcoming supply.

EXHIBIT 17: Absorptions in Bengaluru remain most buoyant



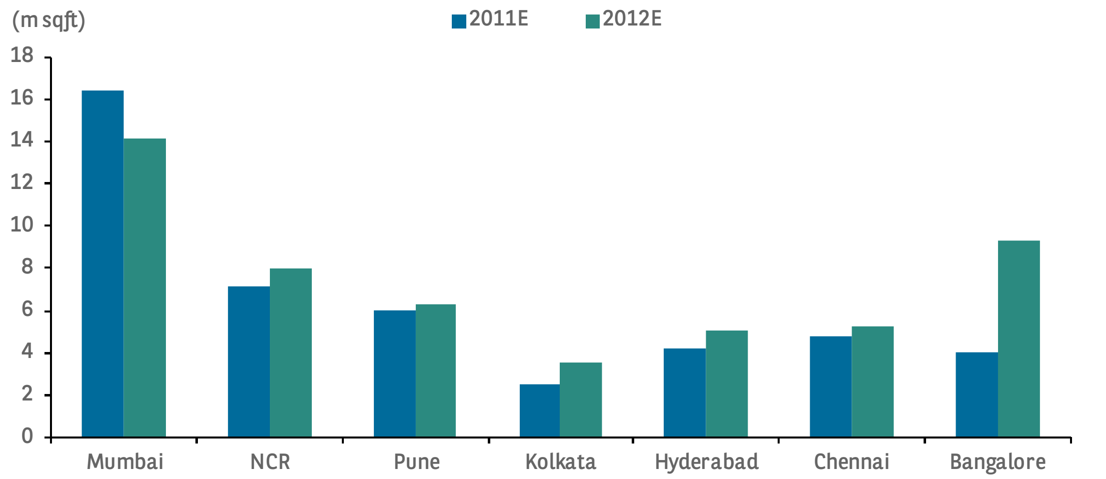
Sources: Industry participants; BNP Paribas

EXHIBIT 18: Mumbai to witness significant increase in vacancy rates



Sources: Industry participants; BNP Paribas

EXHIBIT 19: Upcoming supply



Sources: Industry Participants; BNP Paribas

However, significant upcoming supply in key cities (Mumbai) is playing a spoil sport

We estimate that supply in the seven key cities of India is likely to increase by 24% in 2011. In comparison, our base case estimates a decline in absorption by 12%. The total upcoming supply in 2011 is 52m sqft as against 42m sqft in 2010. Mumbai alone would contribute about 36% of the total upcoming Grade-A office supply in India.

We have analysed the office demand-supply scenario in the top seven cities of India. We have taken four scenarios

- **Scenario 1** - 2012 Absorption equalling prior cycle peak demand and maintaining current upcoming supply
- **Scenario 2** - Base case: Median absorption rate of last five years and maintaining current upcoming supply
- **Scenario 3** - Bull case: Absorption equalling prior cycle peak demand and deferring 50% upcoming supply
- **Scenario 4** - Median absorption rate of last five years and deferring 50% current upcoming supply

Our base-case analysis indicates NCR (DLF and ARCP), Bengaluru (PEPL), Hyderabad and Chennai seem to be on the path to recovery. We expect vacancy rates in Mumbai (IBREL), Kolkata, Hyderabad and Pune to increase over the next one year, primarily due to high upcoming supply in these cities

We expect rentals in Mumbai to correct significantly over the next six months, primarily due to a high vacancy rate (20%+) coupled with huge upcoming supply (14m sqft in 2012). Our checks with brokers indicate that developers have already started offering 10-20% discounts on lease rentals.

EXHIBIT 20: Scenario analysis, 2012E

City	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Mumbai				
2012 Office new supply (m sqft)	14.1	14.1	7.05	7.05
2012 Absorption (m sqft)	8.49	5.12	8.49	5.12
2012 Vacancy (%)	32	36	26	30
NCR				
2012 Office new supply (m sqft)	8	8	4	4
2012 Absorption (m sqft)	8.58	6.83	8.58	6.83
2012 Vacancy (%)	10	12	6	8
Pune				
2012 Office new supply (m sqft)	6.3	6.3	3.15	3.15
2012 Absorption (m sqft)	3 82	3.20	3.82	3.20
2012 Vacancy (%)	31	32	25	27
Kolkata				
2012 Office new supply (m sqft)	3.6	3.6	1.8	1.8
2012 Absorption (m sqft)	2.10	1.35	2.10	1.35
2012 Vacancy (%)	26	29	21	24
Hyderabad				
2012 Office new supply (m sqft)	5.1	5.1	2.55	2.55
2012 Absorption (m sqft)	5.30	3.39	5.30	3.39
2012 Vacancy (%)	10	16	3	9
Chennai				
2012 Office new supply (m sqft)	5.3	5.3	2.65	2.65
2012 Absorption (m sqft)	7.38	4.72	7.38	4.72
2012 Vacancy (%)	13	17	9	13
Bengaluru				
2012 Office new supply (m sqft)	9.3	9.3	4.65	4.65
2012 Absorption (m sqft)	10.34	8.72	10.34	8.72
2012 Vacancy (%)	6	8	1	3

Source: BNP Paribas estimates

Scenario 1 - 2012 absorption rate equalling prior cycle peak demand and maintaining current upcoming supply

Scenario 2 - Base case: Median absorption rate of last five years and maintaining current upcoming supply

Scenario 3 - Bull case: Absorption equalling prior cycle peak demand and deferring 50% upcoming supply

Scenario 4 - Median absorption rate of last five years and deferring 50% current upcoming supply

Asset sales, equity dilution and refinancing are the only available options to meet funding shortfall

Asset sales, equity dilution and refinancing of debt at higher interest rates are few option

There are effectively three options available to the developers to meet their funding requirements. 1) Asset sales – we believe this is the most preferred option since a developer can monetise its land bank faster and, at the same time, it would boost RoE. 2) Equity dilution – we view this option as the least preferred as it would dilute returns further. 3) Refinancing of existing debt at higher interest cost – most probable option. However, we estimate an increase in interest cost by 100bps could impact EBITDA by 3-4%.

DLF, PEPL, HDIL, Unitech and Sobha may need refinancing

We assess the funding situation of the developers we cover, based on their debt service coverage ratios (DSCR) including capex, which is effectively = (EBITDA – minimum alternative taxes) divided by (interest + debt repayment + capex) and net funding shortfall (debt repayment + interest obligation + capex on office or retail assets – cash flow from operations). DSCR is used to evaluate a company's ability to meet its debt repayment and servicing obligations.

We believe DLF, PEPL, Unitech and Sobha may need refinancing or other sources of funding (asset sales, PE infusion, equity dilution). The DSCR (including capex) is less than one, with Sobha and PEPL being the worst of the lot. Even if we look at the net funding shortfall (debt repayment + interest + capex – cash flow from operations), DLF, Unitech, Sobha and PEPL are the most affected.

We believe developers with a huge debt burden (DLF) may continue with asset sales and may dilute their equity. Sobha and PEPL can meet their funding shortfall through refinancing, while Unitech is likely to use a mix of asset sales and refinancing. HDIL is likely to offer FSI sales.

EXHIBIT 21: Current funding-related variables of our coverage universe

Developer	D/E	Net debt	---Debt repayment---		Cost of debt	Gross interest outgo		------ Capex ------		------ EBITDA ------		(EBITDA – MAT*)	
	Current	Current	FY12E	FY13E		FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E
	(x)	(INR b)	(INR m)	(INR m)	(%)	(INR m)	(INR m)	(INR m)	(INR m)	(INR m)	(INR m)	(INR m)	(INR m)
DLF	0.85	227,590	27,000	30,000	12.0	27,311	23,711	12,500	7,500	53,203	53,163	43,095	43,062
HDIL	0.40	39,160	5,000	12,500	12.0	4,699	3,199	1,500**	1,500**	16,430	14,343	13,308	11,618
IBREL	0.32	28,386	0	0	12.0	3,406	3,406	1,000	1,000	5,306	4,701	4,298	3,808
ARCP	0.18	9,300	2,000	1,900	13.5	1,256	999	1,000	1,000	2,938	3,818	2,380	3,093
PEPL	0.50	11,983	3,500	3,500	14.3	1,708	1,209	4,600	4,600	5,685	6,081	4,605	4,925
Unitech	0.45	53,300	8,000	10,000	12.0	6,396	5,196	1,000	1,000	10,294	11,206	8,338	9,077
Sobha	0.69	12,966	5,500	4,000	13.6	1,763	1,219	250	250	3,107	4,221	2,517	3,419

* We have assumed minimum alternate tax of 19%; **Does not include capex for the Mumbai Airport
Sources: Companies; BNP Paribas estimates

EXHIBIT 22: DSCR (including capex) and cash flow from operations for our coverage universe

Developer	-------- DSCR --------		--------- CFO ---------		---- Net funding shortfall----		Potential Strategy to meet net funding shortfall
	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	
	(x)	(x)	(INR m)	(INR m)	(INR m)	(INR m)	
DLF	0.6	0.7	32,155	36,891	34,656	24,319	Divestment of non-core assets
HDIL	1.3	0.7	(2,765)	1,045	12,964	15,155	FSI sale
IBREL	0.9	0.8	11,422	9,510	(6,766)	(4,854)	No net funding shortfall
ARCP	0.6	0.8	2,837	2,582	1,419	1,317	Marginal increase in debt / FSI sale
PEPL	0.5	0.5	5,685	6,081	4,122	3,228	Outstanding net debtors (INR5b) + fresh loans
Unitech	0.5	0.6	(1,881)	(3,332)	17,277	19,528	Fresh loans through banks
Sobha	0.3	0.6	2,688	1,582	4,825	3,888	Fresh loans through banks

Sources: Companies; BNP Paribas estimates

Assuming no capex in the next two years improves the situation marginally

Even if we assume that capex (which is discretionary spending) is delayed, the DSCR/net funding shortfall improves only marginally. DLF, Unitech and Sobha still face a shortfall. PEPL manages to bridge the gap, but delayed capex would put Street and our estimates for PEPL at risk, as rental assets may not be developed on time. Further, NAV is also likely to be impacted – a delay of one year can impact NAV by more than 10%.

EXHIBIT 23: DSCR (excluding capex) and cash flow from operations for our coverage universe

Developer	---------- DSCR ----------		----------- CFO -----------		--- Net funding shortfall ---	
	FY12E	FY13E	FY12E	FY13E	FY1 E	FY13E
	(x)	(x)	(INR m)	(INR m)	(INR m)	(INR m)
DLF	0.8	0.8	32,155	36,891	22,156	16,819
HDIL	1.4	0.7	(2,765)	1,045	12,464	14,655
IBREL	1.3	1.1	11,422	9,510	(8,016)	(6,104)
ARCP	0.7	1.1	2,837	2,582	419	317
PEPL	0.9	1.0	5,685	6,081	(478)	(1,372)
Unitech	0.6	0.6	(1,881)	(3,332)	16,277	18,528
Sobha	0.3	0.7	2,688	1,582	4,575	3,638

Sources: Company reports; BNP Paribas

What happened in FY08-09?

In FY09, most of the developers faced a similar situation (lower DSCR and net funding shortfall). Debt restructuring, equity dilution and asset sales were the funding sources for most developers at that time. We believe that in the current scenario developers will try to restructure debt then go for asset sales, and the last option would be equity dilution, ie, if equity markets recover.

EXHIBIT 24: Funding related variables of coverage universe – FY08

Developer	Gearing	Net debt	- Debt repayment -		Cost of	- Gross interest outgo -		------ CAPEX ------		------ EBITDA ------		-------- MAT --------	
	FY08	FY08	FY08	FY09	debt	FY08	FY09	FY08	FY09	FY08	FY0	FY08	FY09
	(x)	(INR b)	INR m)	(INR m)	(%)	(INR m)	(INR m)	(INR m)	(INR m)	(INR m)	(INR m)	(INR m)	(INR m)
DLF	0.51	101,349	38,241	47,290	10.0	10,135	5,406	60,285	11,652	99,615	57,279	80,688	46,396
HDIL	0.84	15,956	1,941	14,708	10.0	1,596	125	525	406	17,321	18,122	14,030	14,679
IBREL	(0.30)	(12,830)	na	na	na	na	na	1,997	2,114	7,470	1,743	6,051	1,412
ARCP	(0.19)	(5,467)	na	na	10.0	na	na	4,283	4,971	5,915	2,908	4,791	2,355
Unitech	1.98	71,441	0	0	10.0	7,144	7,144	24,810	20,141	23,687	20,147	19,187	16,319
Sobha	1.74	17,544	6,792	8,262	10.0	1,754	928	549	412	2,936	2,674	2,378	2,166

Source: Companies

EXHIBIT 25: DSCR (Including capex) and cash flow from operations of our coverage universe – FY08

Developer	----------- DSCR -----------		------------- CFO -------------		Strategy to meet shortfall
	FY08	FY09	FY08	FY09	
	(x)	(x)	(INR m)	(INR m)	
DLF	0.7	0.7	(25 968)	1,753	INR38.6b – Promoter stake sale + Refinancing
HDIL	3.5	1.0	(39,526)	(10,997)	INR32.4b – QIP + Warrants + Refinancing
IBREL	na	na	(40,872)	(13,993)	INR26.6b – QIP + Refinancing
ARCP	na	na	(256)	1,602	
Unitech	0.6	0.6	(10,342)	(1,436)	INR49b – QIP + Warrants + Refinancing
Sobha	0.3	0.2	(10,564)	1,962	INR5.3b – QIP+ Refinancing

Source: Companies

Other variables that matter – annuity income, corporate governance, business model, execution and historical track record of cash-flows

Ready rent-generating assets increase revenue visibility – DLF leads the pack

We believe a portfolio of ready rent-generating assets significantly adds to income visibility. In fact, we see it as the best hedge in case of a downturn, as rent agreements are usually long-term in nature. Further, the cost of debt could be lower in case debt is securitised against the lease rentals.

In our coverage, DLF leads the pack with about 20m sqft of leased area. As a percentage of total revenue, DLF stands out with rental assets contributing about 13% in FY11. ARCP also has a high contribution from rental income, at around 17%.

EXHIBIT 26: Rent-generating portfolio

Company	Rental assets (m sqft)	Rental income – FY11 (INR m)	Total revenue – FY11 (INR m)	% of revenue (%)
ARCP	1.0	761	4,530	17
DLFU	20.0	12,853	101,445	13
HDIL	na	na	na	na
IBREL	na	na	na	na
OBER	0.9	1,121	10,588	11
PEP	1.9	1,766	16,113	11
Sobha	na	na	na	na
Unitech	na	na	na	na

Sources: Company reports; BNP Paribas

Corporate governance is gaining importance – Oberoi, Sobha and PEPL have minimal governance issues

We have looked at various parameters (auditors, quarterly disclosures, accounting policy, management access, non-core diversification, perceived investor confidence, etc) to assess the corporate governance standards of property companies under our coverage.

Three companies that stand out are Oberoi, Sobha and PEPL. All three follow a conservative accounting policy – percentage of completion (PoCM) based on construction cost. In comparison, DLF (industry bellwether) and ARCP follow PoCM based on total cost (construction + land), which is aggressive, in our view.

Oberoi and Sobha provide consolidated financials (including balance sheet and cash flows) on a quarterly basis – in comparison Prestige provides only standalone numbers.

In terms of a reputed auditor – Prestige is the only company in our universe to have appointed an internationally recognised accountant firm, Deloitte Haskins & Sells. Deloitte has been the auditor of Prestige Estates for the past five years.

Oberoi enjoys very high investor confidence due to its detailed quarterly disclosures and management excess. Sobha is the only other developer we cover who enjoys similar investor confidence.

Although Oberoi has been a publicly listed company for just the last nine months, we believe it is likely to command a premium over peers given the detailed disclosures, accounting policy and management access.

EXHIBIT 27: Oberoi has minimal issues on the corporate governance front on our analysis

Particulars	OBER	Prestige	Sobha	ARCP	DLF	Unitech	IBREL	HDIL
Accounting policy	PoCM on total construction cost	PoCM on total construction cost	PoCM on total construction cost	PoCM on total costs	PoCM on total costs	PoCM on total construction cost	PoCM on total construction cost	Project completion
				(Aggressive)	(Aggressive)	(Industry standard)	(Industry standard)	(Conservative)
Audit firm	P. Raj & Company	Deloitte Haskins & Sells	S.R. Batliboi & Associates	B. Bhushan & Co.	M/s. Walker, Chandiok	Goel Garg & Co.	Sharma Goel & Co.	M/s. Thar & Co.
Quarterly disclosures	Sales data	Sales data	Sales data	Consolidated P&L	Sales data	Sales data	Sales data	Sales data
	Consolidated P&L balance sheet	Standalone P&L balance sheet	Consolidated P&L balance sheet		Consolidated P&L balance sheet	Consolidated P&L	Consolidated P&L balance sheet	Consolidated P&L balance sheet
	Cash flow statement	na	Cash flow statement		Cash flow statement	Execution progress	Execution progress	Cash flow statement
	Execution progress	na	Execution progress		Execution progress			Execution progress
Management access	Good	Good	Good	Good	Good	Good	Improving	Improving
Loan to subsidiaries	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
History of promoter-related transactions	No	No	No	No	Yes – Sales to DAL merged DAL	No	Yes – ICDs	Yes
Non-core diversification	No	No	No	No	Yes – Aman resorts, Wind power, Insurance	Yes – Telecom	Yes – Power Retail	No
Perceived investor confidence in management	High	Medium	High	Low	Medium	Low	Low	Low
Fund raising activities since IPO	none	none	1 (QIP)	4 (QIP)	1 (Promoter stake sale)	3 (2 QIPs, UCP)	4 (AIM, IPIT IBPower, QIP)	2 (QIP)
Promoter group holding (%)	78.5	80	61	61	79	49	23	39

Sources: Companies' data; BNP Paribas

Business model – prefer standard real estate development model over slum rehab or JDA

We have analysed the pros and cons of the three key real-estate development models followed in India. The traditional business model wherein the developer buys land and builds on it is the best model, in our view. Under the slum rehab model, the developer agrees to rehabilitate slum dwellers and in exchange gets a land parcel free for sale. The third popular model is JDA (joint development agreement), wherein the land owner surrenders his land parcel to the developer in lieu of a share in the project's sales/profits.

We still prefer the traditional model, since developers are in full control of the project and can execute at their pace. Further, funding against traditional construction is relatively easily available.

EXHIBIT 28: Prefer standard real-estate development over other business models

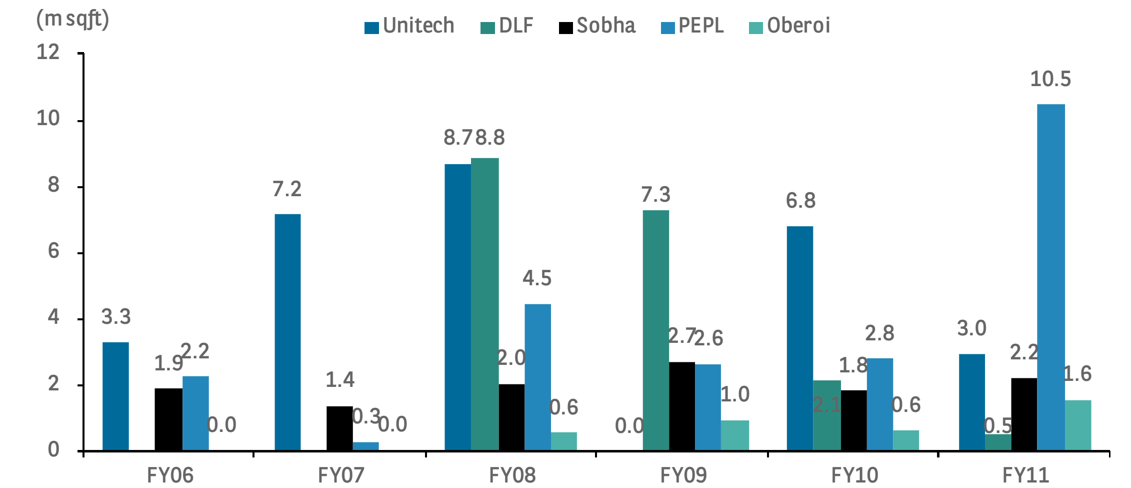
Particulars	Standard real estate model	Slum rehab model	Joint development model
Procurement of land	- Identify land parcel - Get approvals - Cost incurred: land procurement + approvals	- Identify land parcel - Get into an agreement with land owner - Cost incurred: none	- Identify slums - Get approval from slum dwellers + regulator - Cost incurred: none
Development phase	- Construction - Bank funding available - Cost incurred: construction costs	- Construction - Bank funding available - Cost incurred: Construction of the whole project (land owner spends nothing)	- Build transit camp and/or permanent dwellings for slum dwellers - Cost incurred: rehabilitation + construction costs
Sale	- Monetisation ability: Post 'procurement' stage - Exit: As stake to PE or as completed project to end user	- Monetisation ability: Post 'procurement' stage - Exit: As stake to PE or as completed project to end user	- Relocate slum dwellers - Monetisation ability: Post slum dwellers relocation - Exit: As FSI, or as completed projects to PE/ user
Positives	- Clear ownership structure - Land can serve as a collateral with the bank, reducing the cost of borrowing - Developer largely controls project execution	- Low capex requirement - high margins	- Low capex requirement, suitable if the property market is in a downcycle - Higher return on equity due to lower upfront investment
Negatives	- Capex intensive	- Back end loaded cash flows - Highly prone to delays due to complex relocation and approval issues - No funding available from banks for relocation	- Sanctity of real estate agreements is questionable if land prices appreciate - Sensitive to construction cost since the developer has to bear the whole cost and share the profits - Higher interest cost since the developer would have limited collateral - Potential liability if the developer is unable to execute the project on a timely basis - Financial situation of the landowner may have a bearing on the project

Sources: BNP Paribas; Industry participants

Consistency in execution is more important than total area delivered in the past

We believe one should pay close attention to consistency in execution rather than the historical record of the total area delivered. In our coverage universe, Sobha is the only developer to have consistently delivered about 2m sqft of real-estate projects each year. DLF, Unitech and PEPL have delivered on average 4m-5m sqft per year but have witnessed sporadic delivery schedules. Oberoi has been the second most consistent developer on the delivery front, but in comparison its delivery scale is very small.

EXHIBIT 29: Sobha comes across as the most consistent



Sources: Companies

Cash flows: Oberoi and Sobha are the only cash generators in our coverage universe

We believe the ability to preserve/generate cash over the past few years is one of the key differentiating factors to analyse the listed Indian developers. We have analysed past five years' cash flows (operating cash flow excluding capex) for the developers we cover. Oberoi and Sobha are the only developers that have been successful in generating cash. Most others have failed to generate positive cash flows. This is primarily due to aggressive land bank acquisitions (in 2007-08), or high capex for rent-generating assets (DLF and PEPL), or due to a back-end loaded cash flow model for slum rehabilitation projects (HDIL).

We believe investors will continue to favour developers that have shown the ability to preserve/generate cash in the past. Also, regular cash generation reflects efficient execution capability.

EXHIBIT 30: Cash flow analysis of listed developers

Year-end 31 Mar	2007 (INR m)	2008 (INR m)	2009 (INR m)	2010 (INR m)	2011 (INR m)
Oberoi	(4,312)	364	(1,121)	3,564	241
Sobha	(6,040)	(11,535)	1,415	3,182	3,805
ARCP	(7,686)	(2,307)	(14)	(2,048)	(10,431)
DLF	(76,596)	(73,646)	(30,736)	(46,967)	20,706
HDIL	(1,714)	(39,932)	(11,523)	(12,283)	(24,683)
IBREL	(5,674)	(42,235)	(15,990)	(9,333)	(1,645)
Prestige	(944)	(4,709)	(625)	(4,753)	(6,194)
Unitech	(25,372)	(34,561)	(21,577)	(18,516)	(2,785)

Source: Companies

Excessive land banking has proved to be detrimental

In the past few years, most of the real-estate developers went for aggressive land banking. In most cases, the current land bank will last more than 20-25 years without incremental acquisitions. . In comparison Chinese developers have an inventory of about 8-12 years

We believe that aggressive land banking has proved to be detrimental for most of the developers. Despite several rounds of equity-raising, their balance sheets remain stretched. Oberoi is the only developer that has consciously tried to keep in check its land bank, which is adequate for only 7-9 years.

EXHIBIT 31: Current land bank is sufficient to last for 15-25 years

Company	Current land bank (m sqft)	Development time frame (no. of years)	Area developed in last five years (m sqft)
ARCP	80	>15	2.0
DLFU	367	>25	18.7
HDIL	180	>20	na
IBREL	20	>15	3.5
OBER	19	7-9	3.7
PEPL	68	>10	20.3
Sobha	220	>15	8.8
Unitech	400	>25	18.5

Source: Companies' data

Deciding the pecking order; Oberoi is our top pick

We believe one should look at the business model, potential returns, corporate governance, cash flows, execution track record, ready rent-generating assets, risk and funding shortfall to make an investment decision.

EXHIBIT 32: Real estate screener – Oberoi stands out

Particulars	ARCP	DLFU	HDIL	IBREL	OBER	PEPL	Sobha	UT
Funding shortfall	Na	high	na	na	na	yes	yes	yes
Ready rent generating assets	1	20	na	3	0.92	1.5	na	na
Corporate governance	Moderate	Moderate	Moderate	Moderate	High	High	High	Moderate
Business model	Standard real estate	Standard real estate	Slum rehab	Standard real estate	Standard real estate	JDA	Standard real estate	Standard real estate
Potential upside								
Consistency in execution	Low	Moderate	Low	Low	High	High	High	Moderate
Achieved free cash flows historically	No	No	No	No	Yes	No	Yes	No
Excessive land banking	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes
Risk	Low	Moderate	High	Moderate	Low	Moderate	Moderate	High

Sources: Company reports; BNP Paribas

Oberoi clearly stands out with everything working for the company

Oberoi is our top pick in the sector. It qualifies on all the parameters in the sector. We believe its cash balance, rental assets, manageable capex, business model, consistent execution positions it well to ride through a difficult environment. It is closely followed by Sobha

EXHIBIT 33: Oberoi and Sobha stand out

Particulars	ARCP	DLFU	HDIL	IBREL	OBER	PEPL	Sobha	UT
Funding shortfall	Positive	Negative	Positive	Positive	Positive	Negative	Negative	Negative
Ready rent generating assets	Positive	Positive	Negative	Negative	Positive	Positive	Negative	Negative
Corporate governance	Negative	Negative	Negative	Negative	Positive	Positive	Positive	Negative
Business model	Positive	Positive	Negative	Positive	Positive	Negative	Positive	Positive
Consistency in execution	Negative	Negative	Positive	Negative	Positive	Positive	Positive	Negative
Achieved free cash flows historically	Negative	Negative	Negative	Negative	Positive	Negative	Positive	Negative
Excessive land banking	Negative	Negative	Negative	Negative	Positive	Positive	Negative	Negative
Pecking order	4	5	5	5	1	3	2	6
Upside/downside (%)	52	(18)	49	16	16	2	14	16
Perceived risk	High	Moderate	High	High	Low	Moderate	Moderate	Very High

Sources: Company reports; BNP Paribas

Prefer valuation method which factors in both efficiency and asset value

It is almost four years since India property stocks listed on national exchanges, but their valuations remain a black box. The Street is mostly valuing the developers on NAV, based on their discounted cash flows.

Some investors say, be old school and use justified P/BV multiples

There is a set of investors that prefers to value real-estate developers based on justified P/BV multiples. This effectively implies using:

(Long-term sustainable RoE – long-term growth rate) /(long-term cost of equity - long-term growth rate) * 1 year forward BV

EXHIBIT 34: Fair values based on justified P/BV multiples

Company	RoE* (%)	Ke (%)	g (%)	P/BV (x)	Dev. Biz on justified P/BV (INR/share)	Other business (INR/share)	Total value (INR/share)
ARCP	9.8	16.0	5.0	0.4	61	0	61
DLFU	15.3	16.0	5.0	0.5	165	22	188
HDI	11.9	16.0	5.0	0.6	175	0	175
IBREL	3.6	16.0	2.0	0.1	16	0	24
OBER	21.3	16.0	5.0	1.5	187	78	264
PEPL	14.6	16.0	5.0	0.9	58	24	82
Sobha	13.9	16.0	5.0	0.8	153	45	199
UT	9.6	16.0	5.0	0.4	19	0	24

*c8 year average (FY07-FY14E);
Sources: BNP Paribas estimates

Others prefer DCF-based NAV to capture the value of land banks

There is another set of investors that believes a justified P/BV multiple does not capture the actual value of the huge land banks of developers, and that DCF-based NAV should instead be used. We believe that NAV is a very fragile valuation metric. By changing a few of assumptions – capitalisation method/ delay in project execution/ discount factor (WACC)/ price/ cost escalation – one can see significant variation (10-30%) in a company's NAV.

EXHIBIT 35: Fair values based on NAV

Company	NAV (INR/share)
ARCP	98
DLFU	262
HDIL	120
IBREL	157
OBER	274
PEPL	118
Sobha	316
Unitech	44

Source: BNP Paribas estimates

EXHIBIT 36: NAV assumptions

WACC (%)	15
Tax rate (%)	25-30
Price increase till FY13 (%)	0
Occupancy – Commercial & retail (%)	95
Occupancy – Residential (%)	100
CAP rate (%)	11-12

Source: BNP Paribas estimates

We say, eliminate the confusion – use average of both, which will factor in efficiency of management and asset value

We believe the true valuation lies somewhere in between and, hence, recommend using the average of the two methods – justified P/BV multiple and DCF-based NAV.

EXHIBIT 37: Target prices

Company	Average fair value (INR/share)	Upside/downside (%)	Rating
ARCP	79	52	BUY
DLFU	195	(18)	REDUCE
HDIL	148	49	BUY
IBREL	86	16	BUY
OBER	268	16	BUY
PEPL	100	2	BUY
Sobha	258	14	BUY
Unitech	32	16	BUY

Source: BNP Paribas estimates

EXHIBIT 38: Valuation comparison

	BBG	Market	------------ Revenue ------------			----- EPS growth -----		---------- P/E ----------		P/BV	ROE
	code	cap	FY11	FY12E	FY13E	FY12E	FY13E	FY12E	FY13	FY12E	FY12E
		(USD m)	(USD m)	(USD m)	(USD m)	(%)	(%)	(x)	(x)	(x)	(%)
India real estate											
Anant Raj Industries*	ARCP IN	305	92	107	146	8	34	8.1	6.1	0.4	4.8
DLF*	DLFU IN	8,138	2,057	2,019	2,128	5	22	22.6	18.5	1.3	6.4
HDIL*	HDIL IN	838	385	556	573	44	-13	3.3	3.8	0.3	13.4
Indiabulls Real Estate*	IBREL IN	617	303	282	342	nm	nm	10.5	13.2	0.3	5.5
Oberoi	OBER IN	1,510	215	216	385	-8	78	15.1	8.5	1.6	21.3
Prestige*	PEPL IN	682	327	337	393	31	22	13.4	11.0	1.2	11.0
Sobha Developers	SOBHA IN	438	300	315	415	-8	48	12.8	8.6	1.0	8.5
Unitech*	UT IN	1,471	667	695	748	-14	8	13.9	12.9	0.6	4.3
Akruti City	AKCL IN	283	137	na	na	na	na	na	na	0.9	na
Omaxe	OAXE IN	492	308	346	404	36	38	18.8	13.6	1.4	10.6
Parsvnath Developers	PARSV IN	612	183	280	351	83	32	11.0	8.3	1.2	11.1
Phoenix Mills	PHNX IN	588	43	66	97	49	30	23.3	17.9	1.7	8.8
Puravankara	PVKP IN	315	121	157	206	31	27	10.0	7.9	1.0	11.1
DB Realty	DBRL IN	265	257	367	532	66	22	2.6	2.1	0.4	13.4
Mahindra Life	MLIFE IN	238	123	145	183	22	33	8.9	6.7	1.1	13.2
Peninsula Land	PENL IN	238	102	121	153	24	4	4.8	4.6	0.8	14.9
Average			**351**	**401**	**470**	**26**	**28**	**11.9**	**9.6**	**1.0**	**10.6**
China - large and regional developers											
China Overseas Land	688 HK	13,844	5,695	7,473	9,073	37	16	8.1	6.9	1.8	20.6
CR Land	1109 HK	6,634	3,307	4,136	5,503	47	21	8.6	7.1	1.0	13.0
China Vanke	200002 CH	12,360	5,795	10,151	12,993	36	27	7.6	6.0	1.4	19.7
Country Garden	2007 HK	5,323	3,316	4,113	5,124	17	28	7.9	6.1	1.3	20.0
Agile	3383 HK	2,788	2,637	3,339	4,140	24	22	4.3	3.5	0.9	21.5
Guangzhou R&F	2777 HK	2,825	3,167	3,737	4,330	5	13	4.5	4.0	0.9	21.9
Hopson	754 HK	1,002	1,848	1,955	2,331	10	16	3.2	2.7	0.2	5.8
New World China	917 HK	1,518	1,742	1,132	1,209	-42	18	6.5	5.5	0.3	4.9
Shimao property holding	813 HK	3,093	2,800	3,676	4,305	-5	12	5.1	4.6	0.7	15.8
Greentown	3900 HK	868	1,434	2,703	3,822	45	47	2.9	2.0	0.5	24.5
Average			**3,174**	**4,241**	**5,283**	**17**	**22**	**5.9**	**4.8**	**0.9**	**16.8**

Priced as at close 12 October 2011
Sources: Companies; *BNP Paribas estimates; all others are Bloomberg consensus estimtaes

Changes to our target prices and estimates

TP and estimates changes primarily on account of change in valuation method, factoring in additional delays and lower selling price assumptions

We have changed our target prices of stocks under our coverage primarily due to change in valuation methodology, lower selling price assumptions and additional delays. Please refer to the table below for detailed explanation on each stock. Further, for Indiabulls Real Estate, we have factored in book value of only its real estate business.

EXHIBIT 39: Change in our TP and estimates

Developer	Old TP	New TP	Variance	------ Revenue variance ------		----- Net profit variance -----	
				FY12E	FY13E	FY12E	FY13E
	(INR/share)	(INR/share)	(%)	(%	(%)	(%)	(%)
DLF	229	195	(14.9)	(4.2)	(19.1)	(2.4)	(30.1)
ARCP	139	79	(43.1)	(23.8)	(31.3)	(51.6)	(57.1)
HDIL	186	148	(20.4)	(12.6)	0.6	(26.1)	(22.8)
IBREL	246	86	(65.0)	(17.3)	(24.6)	(47.2)	(42.1)
Oberoi	268	268	na	4.1	(9.5)	0.0	0.0
PEPL	104	100	(3.7)	5.4	5.4	(0.1)	26.0
Sobha	375	258	(31.3)	(9.8)	(11.5)	(16.2)	(21.8)
Unitech	47	32	(31.9)	1.6	6.4	(0.3)	(9.2)
Average			(24.7)	(7.1)	(10.5)	(18.0)	(19.6)

Source: BNP Paribas

EXHIBIT 40: Rationale for changes in TP and estimates

Company	TP	Estimates
DLF	Change in valuation method. Lower through cycle RoE has led to a lower P/BV multiple	We have assumed lower offtake in volumes in FY13
ARCP	Changed our valuation method. Lower through cycle RoE has led to a lower P/BV multiple	We have delayed its premium residential project (Huazkhas) by two years
HDIL	Changed our valuation method. Lower through cycle RoE has led to a lower P/BV	We are factoring delay in execution and since HDIL recognises projects on a project completion method FY13 PAT has significantly declined
IBREL	51% of the earlier book consisted of Power and retail business. Further given the minimal RoEs that IBREL generates - Justified P/BV multiple is only 0.1x	We have factored in delays in its Nashik SEZ project and lower price assumptions for FY13/14
Oberoi	No major changes	No major changes
PEPL	No major changes	Factoring in lower capex for FY13 and hence lower interest cost
Sobha	Changed our valuation method. Lower through cycle RoE has led to a lower P/BV multiple	We have factored in higher construction cost and lower selling prices
Unitech	Changed our valuation method. Lower through cycle RoE has led to a lower P/BV multiple	No major changes

Source: BNP Paribas

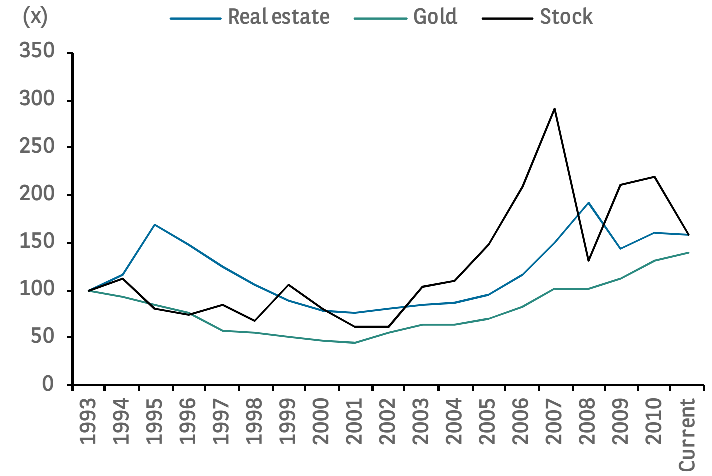
Appendix: Evolution of India real estate

Investment in real estate in 1993 has higher return than gold / at par with equities albeit at lower volatility

We have compared the asset returns of real estate (Mumbai), gold and equities (BSE Sensex) since 1993. On an inflation-adjusted basis, equities and real estate delivered a CAGR of 2.7% over the last 17 years. In comparison, gold gave a inflation adjusted return of 1.93% pa for the same period.

On a risk-adjusted basis, real estate has out-performed equities and gold. The standard deviation of real estate over the last 17 years is about 35%. In comparison, equities have a standard deviation of 65%. Gold has a lower standard deviation of 28%, but on a sharpe ratio basis real estate outperformed gold.

EXHIBIT 41: On a risk-adjusted basis, real Estate has outperformed gold and equities market in the long term



Sources: Bloomberg; Industry participants; BNP Paribas

EXHIBIT 42: In the near term, due to global uncertainty, gold has outperformed real estate and equities

Period	Duration	Real estate (%)*	Gold (%)*	Stocks (%)*
1993-11	18 years	2. 7	1.83	2.57
1996-11	15 years	0.48	4.02	5.07
2001-11	10 years	7.46	11.84	9.83
2006-11	5 years	6.35	10.94	(5.41)

**Inflation adjusted return*

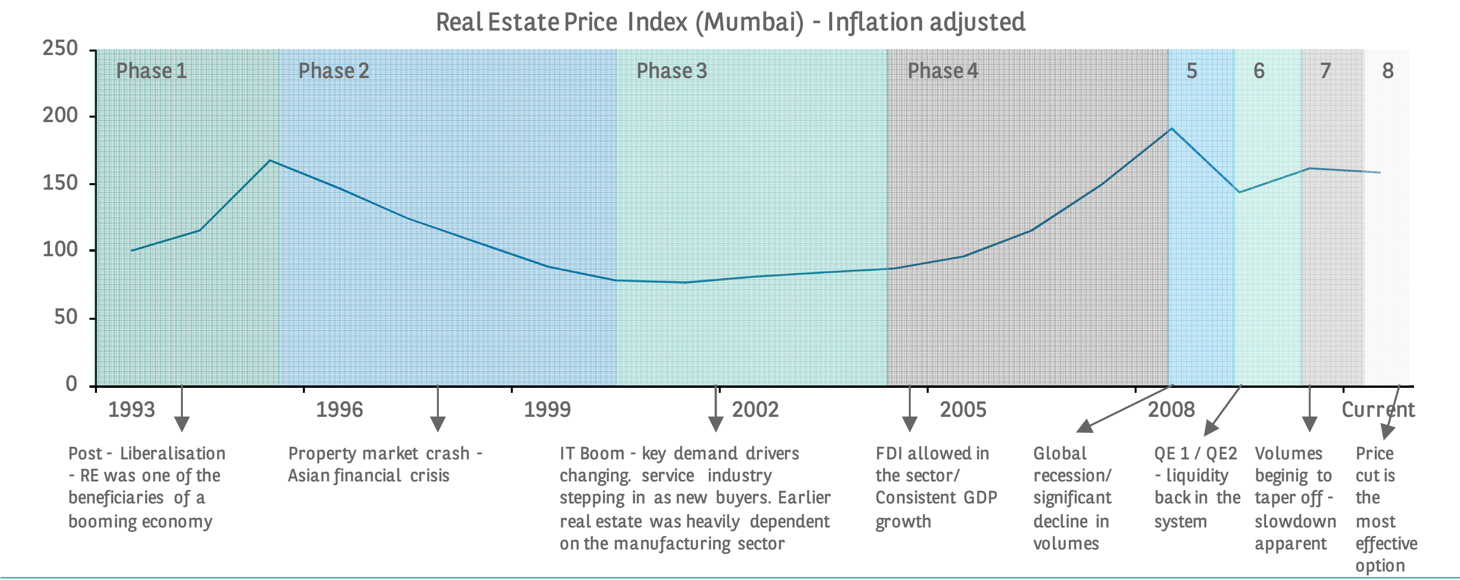
Sources: Bloomberg; Industry participants; BNP Paribas

India property sector has evolved over the years

Property is one of the most important sectors in India. However, the sector is yet to witness significant growth in terms of its contribution to total GDP. Its contribution to GDP has been constant at 4-5% over the last 20 years.

The demand dynamics of the real-estate industry have changed in the last 10 years – from being highly dependent on the manufacturing sector to greater dependence on the service industry. Property cycles in India have shortened from 10 years to less than five years.

EXHIBIT 43: Evolution of the sector



Sources: Industry participants; BNP Paribas

Opening the sector to foreign capital has shortened cycle span

RE cycles have reduced 8-10 years to 4-5 years

The real estate cycle has shortened significantly in the past two decades. In 1995, when the property market crashed, prices continued to decline for five years (until 2000). Post 2000, when the Information Technology (IT)/ Service industry took off in India, prices continued to increase for seven years (until 2007). The global recession of 2008 led to a decline in prices for only two years, but the decline was steep (>40%). Similarly, the recovery post 2009 was short and equally steep (>50%).

From five to seven-year phases, the duration of each phase has declined to two years. We expect prices to decline by about 20% over the next six months.

EXHIBIT 44: Real-estate cycle durations have reduced significantly

Period	Duration	
1995-00	5 years	Downtick in prices
2001-07	7 years	Prices continued to increase
2007-09	2 years	Downtick in prices
2009-11	2 years	Prices continued to increase
Current scenario		Prices have started to plateau and we expect a decline over the next 3-6 months

Sources: Company; BNP Paribas

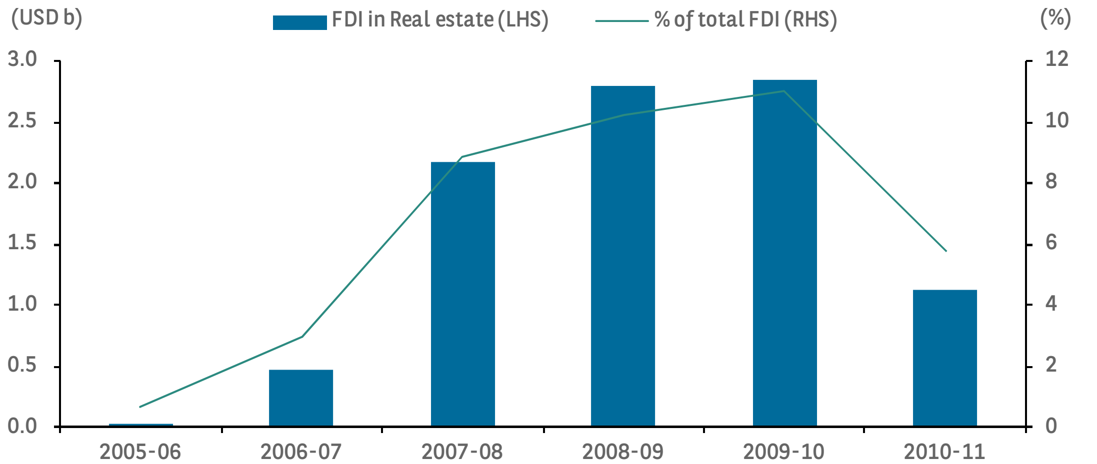
Foreign investors – losing faith or declining risk appetite?

FDI in India has declined by 25% in comparison FDI in RE has declined by 60%

Foreign direct investment (FDI) in real estate was allowed only after 2005. Over the last five years, real estate has witnessed a total FDI of USD9.5b, which is about 7.8% of the total FDI in India. FDI in real estate has declined significantly over the past year – the decline in overall FDI in India was about 25%, while, FDI in real estate declined by 60% in FY11.

We believe the decline in FDI could primarily be due to the global economic uncertainty and poor corporate governance in the sector. Even now, there is a huge asymmetric risk associated with the real estate sector.

EXHIBIT 45: FDI in real estate



Sources: Government of India; BNP Paribas

COMPANY REPORT
EQUITIES RESEARCH

DLFU IN

DLF LTD

INDIA / REAL ESTATE

REDUCE

FROM HOLD

TARGET	INR195.00
PRIOR TP	INR228.00
CLOSE	INR238.50
UP/DOWNSIDE	-18.2%

HOW WE DIFFER FROM THE STREET

	BNPP	Consensus	% Diff
Target Price (INR)	195.00	246.00	(25.2)
EPS 2012 (INR)	10.29	10.48	(0.5)
EPS 2013 (INR)	12.57	12.57	2.7
	Positive	Neutral	Negative
Market Recs	20	13	11

INDUSTRY OUTLOOK ←→

More downside than upside

CHANGE

Downgrade to REDUCE

We downgrade DLF to REDUCE, from Hold. Key reasons for the downgrade are: 1) projected asset sales are unlikely to generate significant value and would just meet DLF's cash requirement; 2) high dilution risk persists; 3) 2QFY12 operational metrics should remain weak; and 4) an unfavourable judgement on the CCI penalty could further strain cash flows.

CATALYST

FY12 Cash flows, debt levels and operational data are important

Key catalysts for DLF over the next six months are

- Lower-than-expected asset sales could lead to higher cash flows
- Debt levels – cash flows from asset sales should result in lower debt levels if not than it would be viewed as a negative
- Current slow launch momentum could impact FY13/14 revenue

VALUATION

Our TP of INR195 is based on average of justified P/BV and NAV

Our TP of INR195 is based on the average of fair value's derived from justified P/BV multiples and discounted cash flow based net asset value (NAV). Our TP implies 18% downside from current levels. Key risks to our rating include asset sales of more than INR55b over the next 18 months and significant up-tick in plotted development in the next 12 months.

KEY CHART

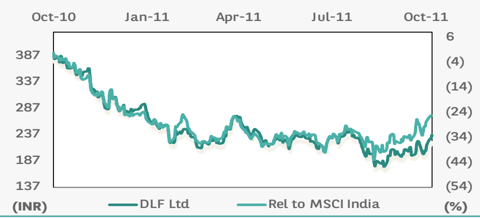
Asset sales in the past three months

Particular	Buyer	Area	Realisation (INR m)
Gurgaon land sale	HNI	10.8 acres	2,800
Gurgaon land sale	M3M	27.4 acres	4,400
Noida IT Park	IDFC	1.3m sqft	5,120
DLF Pune SEZ asset sale	Blackstone	25 acres	6,300
Total			**18,620**

Sources: Media reports; BNP Paribas

KEY STOCK DATA

YE Mar (INR m)	2012E	2013E	2014E
Revenue	99,915	105,280	124,342
Rec. net profit	17,463	21,340	29,042
Recurring EPS (INR)	10.29	12.57	17.11
Prior rec. EPS (INR)	10.40	13.76	18.61
Chg. In EPS est. (%)	(1.1)	(8.6)	(8.0)
EPS growth (%)	6.5	22.2	36.1
Recurring P/E (x)	23.2	19.0	13.9
Dividend yield (%)	0.3	0.4	0.5
EV/EBITDA (x)	11.8	11.6	9.7
Price/book (x)	1.4	1.4	1.2
Net debt/Equity (%)	75.9	64.9	58.0
ROE (%)	6.4	7.4	9.3



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	19.5	5.0	(38.3)
Relative to country (%)	16.3	14.0	(18.0)

Next results	October 2011
Mkt cap (USD m)	8,268
3m avg daily turnover (USD m)	35.7
Free float (%)	21
Major shareholder	Promoters (79%)
12m high/low (INR)	386.70/176.10
3m historic vol. (%)	51.3
ADR ticker	-
ADR closing price (USD)	-
Issued shares (m)	1,697

Sources: Bloomberg consensus; BNP Paribas estimates

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RISK EXPERTS

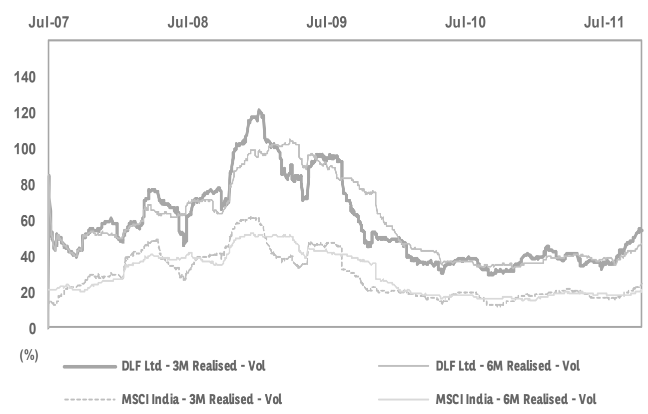
Key Earnings Drivers & Sensitivity

- We estimate a 2% change in the cap rate would impact DLF's NAV by 9%

		WACC				
	262	13%	14%	15%	16%	17%
Cap rate (%)	9%	329	311	295	280	265
	11%	294	277	262	247	234
	13%	269	253	239	225	212

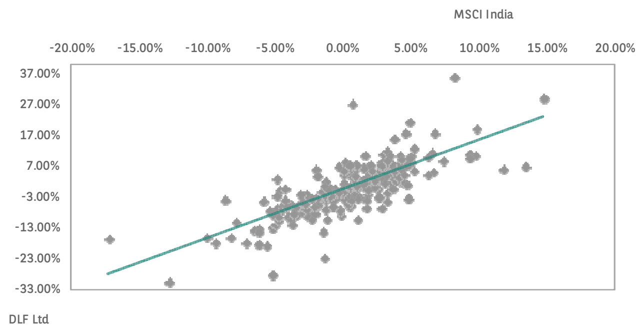
Source: BNP Paribas estimates

DLF Ltd and MXIN Index (3M and 6M Realised-Vol)



Sources: Bloomberg; BNP Paribas

Regression – DLF Ltd to MXIN Index



DLF Ltd = -171 + 0.9114 * MXIN Index
R Square = 0.6
Regression based on 223 observations of 5 years weekly data. Please refer to Appendix 1 for the explanation of R-square
Sources: Bloomberg; BNP Paribas

India Sector Correlation Matrix at 25 July 2011

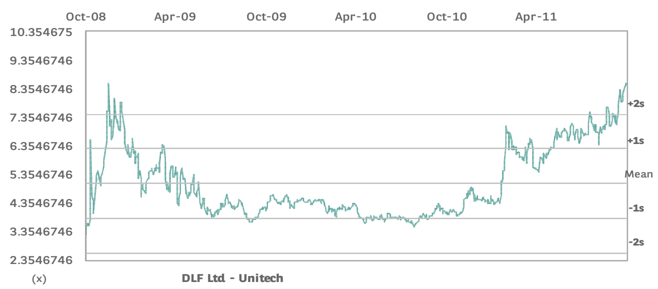
	Autos	Banks	Engineering & Construction	Metals & Mining	Oil & Gas	IT Services	Telecom	Utilities	Property
Autos	1.00	0.67	0.64	0.66	0.50	0.43	0.36	0.58	0.62
Banks		1.00	0.71	0.70	0.58	0.46	0.36	0.63	0.66
Engineering & Construction			1.00	0.71	0.58	0.46	0.41	0.65	0.68
Metals & Mining				1.00	0.66	0.50	0.40	0.69	0.72
Oil & Gas					1.00	0.40	0.30	0.57	0.57
IT Services						1.00	0.27	0.45	0.38
Telecom							1.00	0.43	0.43
Utilities								1.00	0.63
Property									1.00

Source: BNPP Paribas Sector Strategy

The Risk Experts

- Our starting point for this page is a recognition of the macro factors that can have a significant impact on stock-price performance, sometimes independently of bottom-up factors.
- With our Risk Expert page, we identify the key macro risks that can impact stock performance.
- This analysis enhances the fundamental work laid out in the rest of this report, giving investors yet another resource to use in their decision-making process

Long/Short Chart



Sources: Bloomberg; BNP Paribas

Sources: Bloomberg, BNPP Paribas

Financial statements

DLF Ltd

Profit and Loss (INR m) Year Ending Mar	2010A	2011A	2012E	2013E	2014E
Revenue	78,509	101,445	99,915	105,280	124,342
Cost of sales ex depreciation	(25,669)	(42,999)	(31,998)	(35,907)	(43,503)
Gross profit ex depreciation	**52,840**	**58,446**	**67,916**	**69,373**	**80,839**
Other operating income	0	0	0	0	0
Operating costs	(13,444)	(15,080)	(14,404)	(15,887)	(18,678)
Operating EBITDA	**39,396**	**43,366**	**53,512**	**53,486**	**62,160**
Depreciation	(3,249)	(6,307)	(6,395)	(6,451)	(6,506)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	**36,147**	**37,059**	**47,117**	**47,034**	**55,655**
Net financing costs	(11,100)	(17,056)	(19,522)	(16,740)	(15,585)
Associates	0	0	0	0	0
Recurring non operating income	0	0	0	0	0
Non recurring items	0	0	0	0	0
Profit before tax	**25,046**	**20,003**	**27,595**	**30,294**	**40,070**
Tax	(7,022)	(4,594)	(6,899)	(7,574)	(10,017)
Profit after tax	**18,024**	**15,408**	**20,696**	**22,721**	**30,052**
Minority interests	108	(72)	(3,233)	(1,381)	(1,011)
Preferred dividends	0	0	0	0	0
Other items	(933)	1,061	0	0	0
Reported net profit	**17,198**	**16,397**	**17,463**	**21,340**	**29,042**
Non recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	**17,198**	**16,397**	**17,463**	**21,340**	**29,042**
Per share (INR)					
Recurring EPS *	10.13	9.66	10.29	12.57	17.11
Reported EPS	10.13	9.66	10.29	12.57	17.11
DPS	2.13	0.68	0.72	0.88	1.20
Growth					
Revenue (%)	(24.7)	29.2	(1.5)	5.4	18.1
Operating EBITDA (%)	(34.2)	10.1	23.4	(0.1)	16.2
Operating EBIT (%)	(37.1)	2.5	27.1	(0.2)	18.3
Recurring EPS (%)	(61.4)	(4.7)	6.5	22.2	36.1
Reported EPS (%)	(61.4)	(4.7)	6.5	22.2	36.1
Operating performance					
Gross margin inc depreciation (%)	63.2	51.4	61.6	59.8	59.8
Operating EBITDA margin (%)	50.2	42.7	53.6	50.8	50.0
Operating EBIT margin (%)	46.0	36.5	47.2	44.7	44.8
Net margin (%)	21.9	16.2	17.5	20.3	23.4
Effective tax rate (%)	28.0	23.0	25.0	25.0	25.0
Dividend payout on recurring profit (%)	21.0	7.0	7.0	7.0	7.0
Interest cover (x)	3.3	2.2	2.4	2.8	3.6
Inventory days	1,664.3	1,168.0	1,719.7	1,536.1	1,308.5
Debtor days	88.0	60.2	68.0	67.5	60.7
Creditor days	624.1	588.3	990.6	777.8	662.5
Operating ROIC (%)	5.4	5.0	6.2	6.1	7.1
Operating ROIC - WACC (%)	(7.8)	(8.3)	(7.1)	-	-
ROIC (%)	4.9	4.5	5.9	5.8	6.7
ROIC - WACC (%)	(8.4)	(8.7)	(7.4)	-	-
ROE (%)	6.3	5.8	6.4	7.4	9.3
ROA (%)	4.4	4.4	5.3	5.4	6.3

*Pre exceptional, pre-goodwill and fully diluted

Sources: DLF Ltd; BNP Paribas estimates

Rental Income to contribute about 16% of total revenue in FY13.

EBITDA margins at 50% due to plot sales.

DLF Ltd

Cash Flow (INR m) Year Ending Mar	2010A	2011A	2012E	2013E	2014E
Recurring net profit	17,198	16,397	17,463	21,340	29,042
Depreciation	3,249	6,307	6,395	6,451	6,506
Associates & minorities	0	0	0	0	0
Other non-cash items	0	0	0	0	0
Recurring cash flow	**20,448**	**22,704**	**23,858**	**27,791**	**35,547**
Change in working capital	45,458	(9,601)	5,712	16,225	1,591
Capex - maintenance	0	0	0	0	0
Capex - new investment	(139,076)	(6,864)	(18,503)	(23,974)	(29,567)
Free cash flow to equity	**(73,170)**	**6,239**	**11,067**	**20,042**	**7,571**
Net acquisitions & disposals	0	47,434	0	0	0
Dividends paid	(3,544)	(9,125)	(1,222)	(1,494)	(2,033)
Non recurring cash flows	24,465	(133,209)	20,000	25,000	0
Net cash flow	**(52,249)**	**(88,661)**	**29,845**	**43,548**	**5,538**
Equity finance	0	0	0	0	0
Debt finance	49,575	92,839	(15,000)	(15,000)	(15,000)
Movement in cash	**(2,674)**	**4,178**	**14,845**	**28,548**	(9,462)
Per share (INR)					
Recurring cash flow per share	12.05	13.38	14.06	16.37	20.94
FCF to equity per share	(43.11)	3.68	6.52	11.81	4.46

Expect asset sales of about INR45b.

Balance Sheet (INRm)Year Ending Mar	2010A	2011A	2012E	2013E	2014E
Working capital assets	263,775	319,257	302,736	276,655	289,804
Working capital liabilities	(46,370)	(92,251)	(81,442)	(71,586)	(86,325)
Net working capital	**217,406**	**227,006**	**221,295**	**205,069**	**203,479**
Tangible fixed assets	276,868	281,841	293,949	311,472	334,534
Operating invested capital	**494,274**	**508,848**	**515,244**	**516,542**	**538,012**
Goodwill	12,680	13,840	13,840	13,840	13,840
Other intangible assets	0	0	0	0	0
Investments	55,052	9,958	9,958	9,958	9,958
Other assets	0	1,633	1,633	1,633	1,633
Invested capital	**562,006**	**534,279**	**540,675**	**541,973**	**563,443**
Cash & equivalents	(9,282)	(13,461)	(8,305)	(11,853)	(2,391)
Short term debt	0	0	0	0	0
Long term debt *	216,766	239,903	224,903	209,903	194,903
Net debt	**207,484**	**226,442**	**216,598**	**198,050**	**192,512**
Deferred tax	2,515	0	0	0	0
Other liabilities	0	0	0	0	0
Total equity	304,327	263,321	279,562	299,407	326,416
Minority interests	6,278	5,752	5,752	5,752	5,752
Invested capital	**562,006**	**534,279**	**540,675**	**541,973**	**563,443**

* includes convertibles and preferred stock which is being treated as debt

Per share (INR)					
Book value per share	179	155	165	176	192
Tangible book value per share	172	147	157	168	184
Financial strength					
Net debt/equity (%)	66.8	84.2	75.9	64.9	58.0
Net debt/total assets (%)	33.6	35.4	34.4	31.7	29.5
Current ratio (x)	5.9	3.6	3.8	4.0	3.4
CF interest cover (x)	6.9	1.8	2.5	3.6	3.4

Valuation	2010A	2011A	2012E	2013E	2014E
Recurring P/E (x) *	23.5	24.7	23.2	19.0	13.9
Recurring P/E @ target price (x) *	19.2	20.2	19.0	15.5	11.4
Reported P/E (x)	23.5	24.7	23.2	19.0	13.9
Dividend yield (%)	0.9	0.3	0.3	0.4	0.5
P/CF (x)	19.8	17.8	17.0	14.6	11.4
P/FCF (x)	(5.5)	64.9	36.6	20.2	53.5
Price/book (x)	1.3	1.5	1.4	1.4	1.2
Price/tangible book (x)	1.4	1.6	1.5	1.4	1.3
EV/EBITDA (x) **	15.0	14.5	11.8	11.6	9.7
EV/EBITDA @ target price (x) **	13.1	12.8	10.4	10.2	8.6
EV/invested capital (x)	1.1	1.2	1.2	1.1	1.1

* Pre exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income

Sources: DLF Ltd; BNP Paribas estimates

Financial statements

Anant Raj Inds

Profit and Loss (INRm)Year Ending Mar	2010A	2011A	2012E	2013E	2014E
Revenue	3,398	4,530	5,268	7,180	9,281
Cost of sales ex depreciation	(278)	(1,802)	(1,966)	(2,891)	(3,634)
Gross profit ex depreciation	**3,120**	**2,727**	**3,302**	**4,288**	**5,647**
Other operating income	0	0	0	0	0
Operating costs	0	0	0	0	0
Operating EBITDA	**3,120**	**2,727**	**3,302**	**4,288**	**5,647**
Depreciation	(107)	(135)	(205)	(213)	(221)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	**3,013**	**2,593**	**3,097**	**4,075**	**5,426**
Net financing costs	(49)	(210)	(312)	(357)	(380)
Associates	0	0	0	0	0
Recurring non operating income	0	0	0	0	0
Non recurring items	0	0	0	0	0
Profit before tax	**2,964**	**2,382**	**2,785**	**3,718**	**5,046**
Tax	(581)	(621)	(605)	(812)	(1,115)
Profit after tax	**2,384**	**1,761**	**2,180**	**2,906**	**3,931**
Minority interests	0	0	0	0	0
Preferred dividends	0	0	0	0	0
Other items	(1)	3	0	0	0
Reported net profit	**2,382**	**1,764**	**2,180**	**2,906**	**3,931**
Non recurring items & goodwill (net)	0	1	0	0	0
Recurring net profit	**2,382**	**1,764**	**2,180**	**2,906**	**3,931**
Per share (INR)					
Recurring EPS *	8.07	5.98	7.39	9.85	13.32
Reported EPS	8.07	5.98	7.39	9.85	13.32
DPS	0.60	0.60	0.12	0.17	0.23
Growth					
Revenue (%)	5.6	33.3	16.3	36.3	29.3
Operating EBITDA (%)	7.3	(12.6)	21.1	29.9	31.7
Operating EBIT (%)	6.8	(13.9)	19.5	31.6	33.2
Recurring EPS (%)	14.5	(25.9)	23.5	33.3	35.3
Reported EPS (%)	14.8	(26.0)	23.6	33.3	35.3
Operating performance					
Gross margin inc depreciation (%)	88.7	57.2	58.8	56.8	58.5
Operating EBITDA margin (%)	91.8	60.2	62.7	59.7	60.8
Operating EBIT margin (%)	88.7	57.2	58.8	56.8	58.5
Net margin (%)	70.1	39.0	41.4	40.5	42.4
Effective tax rate (%)	19.6	26.1	21.7	21.8	22.1
Dividend payout on recurring profit (%)	7.4	10.0	1.7	1.7	1.7
Interest cover (x)	62.1	12.3	9.9	11.4	14.3
Inventory days	160.2	732.6	1,321.3	898.4	714.8
Debtor days	258.1	193.8	147.4	101.6	106.2
Creditor days	2,065.8	351.0	292.7	199.0	158.3
Operating ROIC (%)	10.5	7.0	6.8	8.5	10.6
Operating ROIC - WACC (%)	(4.0)	(7.6)	(7.8)	(6.1)	-
ROIC (%)	9.5	6.5	6.4	8.0	10.1
ROIC - WACC (%)	(5.1)	(8.1)	(8.2)	(6.6)	-
ROE (%)	6.9	4.8	5.7	7.2	9.1
ROA (%)	6.3	4.4	4.9	6.0	7.4

*Pre exceptional, pre-goodwill and fully diluted

Residential projects together should contribute 75% to FY13E revenue.

Higher margins mainly due to low land cost and lease income.

Sources: Anant Raj Inds; BNP Paribas estimates

Financial statements

Anant Raj Inds

Cash Flow (INRm)Year Ending Mar	2010A	2011A	2012E	2013E	2014E
Recurring net profit	2,382	1,764	2,180	2,906	3,931
Depreciation	107	135	205	213	221
Associates & minorities	0	0	0	0	0
Other non-cash items	(7)	(10)	0	0	0
Recurring cash flow	**2,482**	**1,889**	**2,385**	**3,119**	**4,152**
Change in working capital	2,420	(11,181)	568	(310)	(1,094)
Capex - maintenance	165	(1,571)	(3,453)	(385)	(2,587)
Capex - new investment	(6,121)	(664)	(1,000)	(1,000)	(1,000)
Free cash flow to equity	**(1,053)**	**(11,527)**	**(1,501)**	**1,424**	**(529)**
Net acquisitions & disposals	0	0	0	0	0
Dividends paid	(206)	(206)	(36)	(49)	(67)
Non recurring cash flows	13	186	0	0	0
Net cash flow	**(1,247)**	**(11,547)**	**(1,537)**	**1,375**	**(596)**
Equity finance	594	(575)	0	0	0
Debt finance	(1,425)	8,282	1,500	1,500	0
Movement in cash	**(2,078)**	**(3,841)**	**(37)**	**2,875**	**(596)**
Per share (INR)					
Recurring cash flow per share	8.41	6.40	8.08	10.57	14.07
FCF to equity per share	(3.57)	(39.06)	(5.09)	4.83	(1.79)

ARCP plans to acquire additional land parcels in NCR over the next three years.

Balance Sheet (INRm)Year Ending Mar	2010A	2011A	2012E	2013E	2014E
Working capital assets	5,259	16,126	15,558	15,868	16,962
Working capital liabilities	(1,890)	(1,576)	(1,576)	(1,576)	(1,576)
Net working capital	**3,369**	**14,550**	**13,982**	**14,292**	**15,386**
Tangible fixed assets	26,970	29,076	33,324	34,496	37,861
Operating invested capital	**30,339**	**43,626**	**47,306**	**48,787**	**53,247**
Goodwill	0	0	0	0	0
Other intangible assets	0	0	0	0	0
Investments	2,949	2,579	2,579	2,579	2,579
Other assets	27	19	19	19	19
Invested capital	**33,315**	**46,224**	**49,904**	**51,386**	**55,845**
Cash & equivalents	(4,891)	(1,482)	(1,081)	(3,486)	(2,304)
Short term debt	0	0	0	0	0
Long term debt *	1,390	9,656	11,156	12,656	12,656
Net debt	**(3,502)**	**8,175**	**10,076**	**9,170**	**10,352**
Deferred tax	9	12	12	12	12
Other liabilities	0	0	0	0	0
Total equity	35,951	37,242	39,021	41,408	44,686
Minority interests	856	795	795	795	795
Invested capital	**33,315**	**46,224**	**49,904**	**51,386**	**55,845**

* includes convertibles and preferred stock which is being treated as debt

Per share (INR)					
Book value per share	122	126	132	140	151
Tangible book value per share	122	126	132	140	151
Financial strength					
Net debt/equity (%)	(9.5)	21.5	25.3	21.7	22.8
Net debt/total assets (%)	(8.7)	16.6	19.2	16.2	17.3
Current ratio (x)	5.4	11.2	10.6	12.3	12.2
CF interest cover (x)	105.4	(50.7)	(0.6)	7.8	2.2

Valuation	2010A	2011A	2012E	2013E	2014E
Recurring P/E (x) *	6.4	8.7	7.0	5.3	3.9
Recurring P/E @ target price (x) *	9.8	13.2	10.7	8.0	5.9
Reported P/E (x)	6.4	8.7	7.0	5.3	3.9
Dividend yield (%)	1.2	1.2	0.2	0.3	0.4
P/CF (x)	6.2	8.1	6.4	4.9	3.7
P/FCF (x)	(14.5)	(1.3)	(10.2)	10.8	(29.0)
Price/book (x)	0.4	0.4	0.4	0.4	0.3
Price/tangible book (x)	0.4	0.4	0.4	0.4	0.3
EV/EBITDA (x) **	3.9	6.8	7.6	6.0	4.6
EV/EBITDA @ target price (x) **	6.5	9.7	10.1	7.9	6.0
EV/invested capital (x)	0.4	0.5	0.5	0.5	0.5

* Pre exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income

Sources: Anant Raj Inds; BNP Paribas estimates

Financial statements

Housing Dev & Infra

Profit and Loss (INRm)Year Ending Mar	2010A	2011A	2012E	2013E	2014E
Revenue	15,021	18,500	27,247	28,157	37,608
Cost of sales ex depreciation	(6,186)	(6,342)	(9,298)	(12,046)	(15,656)
Gross profit ex depreciation	**8,836**	**12,158**	**17,950**	**16,111**	**21,952**
Other operating income	345	499	197	88	72
Operating costs	(943)	(1,122)	(1,717)	(1,857)	(2,448)
Operating EBITDA	**8,238**	**11,535**	**16,430**	**14,343**	**19,576**
Depreciation	(723)	(838)	(120)	(127)	(133)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	**7,515**	**10,697**	**16,310**	**14,216**	**19,443**
Net financing costs	(462)	(836)	(540)	(565)	(565)
Associates	0	0	0	0	0
Recurring non operating income	0	0	0	0	0
Non recurring items	(1)	(46)	0	0	0
Profit before tax	**7,052**	**9,815**	**15,770**	**13,651**	**18,878**
Tax	(1,330)	(1,592)	(3,942)	(3,413)	(4,719)
Profit after tax	**5,722**	**8,223**	**11,827**	**10,238**	**14,158**
Minority interests	0	0	0	0	0
Preferred dividends	0	0	0	0	0
Other items	0	0	0	0	0
Reported net profit	**5,722**	**8,223**	**11,827**	**10,238**	**14,158**
Non recurring items & goodwill (net)	1	46	0	0	0
Recurring net profit	**5,723**	**8,269**	**11,827**	**10,238**	**14,158**
Per share (INR)					
Recurring EPS *	15.95	20.18	28.86	24.98	34.55
Reported EPS	15.95	20.06	28.86	24.98	34.55
DPS	0.00	0.00	2.89	2.50	3.45
Growth					
Revenue (%)	(13.1)	23.2	47.3	3.3	33.6
Operating EBITDA (%)	(1.2)	40.0	42.4	(12.7)	36.5
Operating EBIT (%)	(9.4)	42.3	52.5	(12.8)	36.8
Recurring EPS (%)	(35.1)	26.5	43.0	(13.4)	38.3
Reported EPS (%)	(44.2)	25.8	43.8	(13.4)	38.3
Operating performance					
Gross margin inc depreciation (%)	54.0	61.2	65.4	56.8	58.0
Operating EBITDA margin (%)	54.8	62.3	60.3	50.9	52.1
Operating EBIT margin (%)	50.0	57.8	59.9	50.5	51.7
Net margin (%)	38.1	44.7	43.4	36.4	37.6
Effective tax rate (%)	18.9	16.2	25.0	25.0	25.0
Dividend payout on recurring profit (%)	0.0	0.0	10.0	10.0	10.0
Interest cover (x)	16.3	12.8	30.2	25.2	34.4
Inventory days	4,623.0	5,804.7	4,592.4	3,691.0	2,959.0
Debtor days	44.9	55.6	41.8	34.6	30.7
Creditor days	440.9	873.9	834.8	654.1	532.2
Operating ROIC (%)	5.8	6.4	8.1	6.5	8.2
Operating ROIC - WACC (%)	(7.3)	(6.7)	(5.0)	-	-
ROIC (%)	5.6	6.2	7.9	6.4	8.1
ROIC - WACC (%)	(7.5)	(6.9)	(5.2)	-	-
ROE (%)	10.0	10.0	11.8	9.3	11.7
ROA (%)	5.7	6.3	7.3	6.0	7.6

*Pre exceptional, pre-goodwill and fully diluted

We anticipate tax rate to increase due to higher contribution from non-SRA projects.

Sources: Housing Dev & Infra; BNP Paribas estimates

Financial statements

Housing Dev & Infra

Cash Flow (INRm)Year Ending Mar	2010A	2011A	2012E	2013E	2014E
Recurring net profit	5,723	8,269	11,827	10,238	14,158
Depreciation	723	838	120	127	133
Associates & minorities	0	0	0	0	0
Other non-cash items	0	0	0	0	0
Recurring cash flow	**6,446**	**9,106**	**11,947**	**10,365**	**14,291**
Change in working capital	(15,284)	(34,515)	(14,712)	(9,320)	(14,294)
Capex - maintenance	0	0	0	0	0
Capex - new investment	(3,106)	(1,049)	(250)	(250)	(250)
Free cash flow to equity	**(11,944)**	**(26,457)**	**(3,015)**	**795**	**(253)**
Net acquisitions & disposals	0	0	0	0	0
Dividends paid	0	0	(1,183)	(1,024)	(1,416)
Non recurring cash flows	(312)	1,198	643	(8)	(94)
Net cash flow	**(12,256)**	**(25,259)**	**(3,555)**	(237)	**(1,763)**
Equity finance	16,884	16,507	0	0	0
Debt finance	2,535	3,131	2,000	0	0
Movement in cash	**7,163**	**(5,621)**	**(1,555)**	(237)	**(1,763)**
Per share (INR)					
Recurring cash flow per share	17.96	22.22	29.15	25.29	34.87
FCF to equity per share	(33.28)	(64.55)	(7.36)	1.94	(0.62)

High working capital requirement due to slum rehab projects.

Balance Sheet (INRm)Year Ending Mar	2010A	2011A	2012E	2013E	2014E
Working capital assets	105,274	153,286	166,661	177,959	192,765
Working capital liabilities	(8,436)	(21,933)	(20,596)	(22,574)	(23,086)
Net working capital	**96,838**	**131,353**	**146,065**	**155,385**	**169,679**
Tangible fixed assets	2,047	3,192	2,680	2,811	3,023
Operating invested capital	**98,885**	**134,545**	**148,744**	**158,196**	**172,702**
Goodwill	2,591	2,203	2,203	2,203	2,203
Other intangible assets	0	0	0	0	0
Investments	2,429	520	520	520	520
Other assets	0	0	0	0	0
Invested capital	**103,905**	**137,268**	**151,467**	**160,919**	**175,424**
Cash & equivalents	(7,918)	(2,297)	(742)	(505)	1,258
Short term debt	0	0	0	0	0
Long term debt *	41,017	43,198	45,198	45,198	45,198
Net debt	**33,099**	**40,901**	**44,456**	**44,693**	**46,456**
Deferred tax	0	0	0	0	0
Other liabilities	51	69	69	69	69
Total equity	70,429	94,870	105,515	114,729	127,472
Minority interests	0	46	46	46	46
Invested capital	**103,905**	**137,268**	**151,467**	**160,919**	**175,424**

* includes convertibles and preferred stock which is being treated as debt

Per share (INR)					
Book value per share	196	231	257	280	311
Tangible book value per share	189	226	252	275	306
Financial strength					
Net debt/equity (%)	47.0	43.1	42.1	38.9	36.4
Net debt/total assets (%)	27.5	25.3	25.7	24.3	23.6
Current ratio (x)	13.4	7.1	8.1	7.9	8.3
CF interest cover (x)	(18.1)	(29.4)	(4.1)	2.8	1.0

Valuation	2010A	2011A	2012E	2013E	2014E
Recurring P/E (x) *	6.2	4.9	3.4	4.0	2.9
Recurring P/E @ target price (x) *	9.3	7.3	5.1	5.9	4.3
Reported P/E (x)	6.2	4.9	3.4	4.0	2.9
Dividend yield (%)	0.0	0.0	2.9	2.5	3.5
P/CF (x)	5.5	4.5	3.4	3.9	2.8
P/FCF (x)	(3.0)	(1.5)	(13.5)	51.2	(160.9)
Price/book (x)	0.5	0.4	0.4	0.4	0.3
Price/tangible book (x)	0.5	0.4	0.4	0.4	0.3
EV/EBITDA (x) **	8.3	6.5	5.1	5.9	4.4
EV/EBITDA @ target price (x) **	10.2	8.1	6.3	7.3	5.4
EV/invested capital (x)	0.7	0.6	0.6	0.5	0.5

* Pre exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income

Sources: Housing Dev & Infra; BNP Paribas estimates

Financial statements

IBREL

Profit and Loss (INRm)Year Ending Mar	2010A	2011A	2012E	2013E	2014E
Revenue	2,992	14,956	13,890	16,849	18,223
Cost of sales ex depreciation	(105)	(9,892)	(7,173)	(10,297)	(11,147)
Gross profit ex depreciation	**2,888**	**5,064**	**6,717**	**6,552**	**7,077**
Other operating income	0	0	0	0	0
Operating costs	(2,261)	(1,204)	(1,411)	(1,851)	(2,110)
Operating EBITDA	**627**	**3,861**	**5,306**	**4,701**	**4,966**
Depreciation	(126)	(184)	(903)	(1,634)	(1,665)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	**501**	**3,677**	**4,403**	**3,067**	**3,302**
Net financing costs	(97)	(609)	(557)	(880)	(880)
Associates	0	0	0	0	0
Recurring non operating income	0	0	0	0	0
Non recurring items	0	0	0	0	0
Profit before tax	**404**	**3,067**	**3,846**	**2,187**	**2,421**
Tax	(337)	(1,293)	(1,154)	(656)	(726)
Profit after tax	**68**	**1,774**	**2,692**	**1,531**	**1,695**
Minority interests	(228)	(176)	101	691	442
Preferred dividends	0	0	0	0	0
Other items	0	0	0	0	0
Reported net profit	**(160)**	**1,598**	**2,793**	**2,222**	**2,137**
Non recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	**(160)**	**1,598**	**2,793**	**2,222**	**2,137**
Per share (INR)					
Recurring EPS *	(0.40)	3.98	6.96	5.53	5.32
Reported EPS	(0.40)	3.98	6.96	5.53	5.32
DPS	0.00	0.17	0.29	0.23	0.22
Growth					
Revenue (%)	(32.0)	399.8	(7.1)	21.3	8.2
Operating EBITDA (%)	(64.0)	515.8	37.4	(11.4)	5.6
Operating EBIT (%)	(69.3)	633.4	19.8	(30.3)	7.6
Recurring EPS (%)	(134.9)	(1,097.2)	74.8	(20.4)	(3.8)
Reported EPS (%)	(134.9)	(1,097.2)	74.8	(20.4)	(3.8)
Operating performance					
Gross margin inc depreciation (%)	92.3	32.6	41.9	29.2	29.7
Operating EBITDA margin (%)	21.0	25.8	38.2	27.9	27.3
Operating EBIT margin (%)	16.8	24.6	31.7	18.2	18.1
Net margin (%)	(5.4)	10.7	20.1	13.2	11.7
Effective tax rate (%)	83.3	42.2	30.0	30.0	30.0
Dividend payout on recurring profit (%)	-	4.2	4.2	4.2	4.2
Interest cover (x)	5.2	6.0	7.9	3.5	3.8
Inventory days	74,057.7	1,323.0	2,428.2	1,727.0	1,628.1
Debtor days	65.2	73.6	119.0	84.0	86.9
Creditor days	9,724.9	537.1	1,386.3	1,069.0	1,145.9
Operating ROIC (%)	0.7	3.9	3.6	2.4	2.6
Operating ROIC - WACC (%)	(12.5)	(9.3)	(9.7)	-	-
ROIC (%)	0.4	1.9	2.0	1.4	1.5
ROIC - WACC (%)	(12.9)	(11.3)	(11.2)	-	-
ROE (%)	(0.2)	1.6	2.8	2.2	2.1
ROA (%)	0.1	1.4	1.7	1.1	1.2

*Pre exceptional, pre-goodwill and fully diluted

Includes dividend income from its Singapore listed Property Trust.

Margins to decline due to shift in product mix to mid-income residential.

ROEs remain suppressed due to equity raising for the power business.

Sources: IBREL; BNP Paribas estimates

Financial statements

IBREL

Cash Flow (INRm)Year Ending Mar	2010A	2011A	2012E	2013E	2014E
Recurring net profit	(160)	1,598	2,793	2,222	2,137
Depreciation	126	184	903	1,634	1,665
Associates & minorities	296	0	0	0	0
Other non-cash items	0	0	0	0	0
Recurring cash flow	**262**	**1,782**	**3,696**	**3,856**	**3,802**
Change in working capital	12,860	(7,661)	6,016	4,118	7,631
Capex - maintenance	0	(1,245)	(7,230)	(7,053)	(4,053)
Capex - new investment	(4,370)	0	(3,500)	(3,500)	(1,000)
Free cash flow to equity	**8,751**	**(7,124)**	**(1,018)**	**(2,580)**	**6,379**
Net acquisitions & disposals	0	0	0	0	0
Dividends paid	0	(93)	(163)	(130)	(125)
Non recurring cash flows	(28,542)	5,776	0	0	0
Net cash flow	**(19,791)**	**(1,442)**	**(1,182)**	**(2,710)**	**6,254**
Equity finance	26,103	1,091	0	0	0
Debt finance	(21,568)	(4,046)	0	0	0
Movement in cash	**(15,256)**	**(4,396)**	**(1,182)**	**(2,710)**	**6,254**
Per share (INR)					
Recurring cash flow per share	0.65	4.44	9.21	9.60	9.47
FCF to equity per share	21.80	(17.75)	(2.54)	(6.43)	15.89

Balance Sheet (INRm)Year Ending Mar	2010A	2011A	2012E	2013E	2014E
Working capital assets	43,221	71,865	70,244	67,562	68,165
Working capital liabilities	(4,063)	(25,046)	(29,440)	(30,876)	(39,111)
Net working capital	**39,157**	**46,819**	**40,803**	**36,685**	**29,054**
Tangible fixed assets	7,327	37,185	47,011	55,931	59,319
Operating invested capital	**46,485**	**84,003**	**87,815**	**92,616**	**88,374**
Goodwill	1,100	0	0	0	0
Other intangible assets	0	0	0	0	0
Investments	72,474	66,698	66,698	66,698	66,698
Other assets	771	9	9	9	9
Invested capital	**120,829**	**150,710**	**154,521**	**159,323**	**155,080**
Cash & equivalents	(10,454)	(6,058)	(4,876)	(2,166)	(8,421)
Short term debt	0	0	0	0	0
Long term debt *	13,632	37,322	37,322	37,322	37,322
Net debt	**3,178**	**31,264**	**32,446**	**35,155**	**28,901**
Deferred tax	0	0	0	0	0
Other liabilities	0	0	0	0	0
Total equity	97,440	97,899	100,529	102,621	104,633
Minority interests	19,956	20,470	20,470	20,470	20,470
Invested capital	**120,829**	**150,710**	**154,521**	**159,323**	**155,080**

* includes convertibles and preferred stock which is being treated as debt

Per share (INR)					
Book value per share	235	228	235	240	245
Tangible book value per share	232	228	235	240	245
Financial strength					
Net debt/equity (%)	2.7	26.4	26.8	28.6	23.1
Net debt/total assets (%)	2.3	17.2	17.2	18.3	14.3
Current ratio (x)	13.2	3.1	2.6	2.3	2.0
CF interest cover (x)	136.6	(10.7)	5.5	2.0	9.4

Valuation	2010A	2011A	2012E	2013E	2014E
Recurring P/E (x) *	neg	18.6	10.7	13.4	13.9
Recurring P/E @ target price (x) *	neg	21.6	12.4	15.5	16.2
Reported P/E (x)	neg	18.6	10.7	13.4	13.9
Dividend yield (%)	0.0	0.2	0.4	0.3	0.3
P/CF (x)	113.8	16.7	8.1	7.7	7.8
P/FCF (x)	3.4	(4.2)	(29.3)	(11.5)	4.7
Price/book (x)	0.3	0.3	0.3	0.3	0.3
Price/tangible book (x)	0.3	0.3	0.3	0.3	0.3
EV/EBITDA (x) **	68.3	18.6	16.6	19.2	17.8
EV/EBITDA @ target price (x) **	74.5	19.8	17.5	20.2	18.8
EV/invested capital (x)	0.5	0.6	0.6	0.6	0.6

* Pre exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income

Sources: IBREL; BNP Paribas estimates

Financial statements

Oberoi Realty

Profit and Loss (INRm)Year Ending Mar	2010A	2011A	2012E	2013E	2014E
Revenue	8,055	10,588	10,667	18,967	27,277
Cost of sales ex depreciation	(3,043)	(3,766)	(3,037)	(5,794)	(8,508)
Gross profit ex depreciation	**5,012**	**6,821**	**7,630**	**13,173**	**18,770**
Other operating income	0	0	0	0	0
Operating costs	(121)	(424)	(583)	(777)	(984)
Operating EBITDA	**4,891**	**6,398**	**7,047**	**12,396**	**17,786**
Depreciation	(91)	(237)	(260)	(304)	(317)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	**4,800**	**6,161**	**6,787**	**12,092**	**17,468**
Net financing costs	0	(2)	0	0	0
Associates	0	0	0	0	0
Recurring non operating income	0	0	0	0	0
Non recurring items	0	0	0	0	0
Profit before tax	**4,800**	**6,159**	**6,787**	**12,092**	**17,468**
Tax	(226)	(983)	(1,697)	(3,023)	(4,367)
Profit after tax	**4,574**	**5,176**	**5,091**	**9,069**	**13,101**
Minority interests	0	0	0	0	0
Preferred dividends	0	0	0	0	0
Other items	8	(5)	0	0	0
Reported net profit	**4,582**	**5,172**	**5,091**	**9,069**	**13,101**
Non recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	**4,582**	**5,172**	**5,091**	**9,069**	**13,101**
Per share (INR)					
Recurring EPS *	13.96	15.76	15.51	27.63	39.91
Reported EPS	13.96	15.76	15.51	27.63	39.91
DPS	0.00	0.79	0.78	1.38	2.00
Growth					
Revenue (%)	77.0	31.4	0.7	77.8	43.8
Operating EBITDA (%)	76.6	30.8	10.2	75.9	43.5
Operating EBIT (%)	78.0	28.3	10.2	78.2	44.5
Recurring EPS (%)	81.7	12.9	(1.6)	78.2	44.5
Reported EPS (%)	81.7	12.9	(1.6)	78.2	44.5
Operating performance					
Gross margin inc depreciation (%)	61.1	62.2	69.1	67.8	67.6
Operating EBITDA margin (%)	60.7	60.4	66.1	65.4	65.2
Operating EBIT margin (%)	59.6	58.2	63.6	63.8	64.0
Net margin (%)	56.9	48.8	47.7	47.8	48.0
Effective tax rate (%)	4.7	16.0	25.0	25.0	25.0
Dividend payout on recurring profit (%)	0.0	5.0	5.0	5.0	5.0
Interest cover (x)	18,391.6	3,944.2	-	-	-
Inventory days	800.5	676.8	840.2	421.6	303.2
Debtor days	15.3	15.0	23.0	23.4	25.4
Creditor days	642.2	617.7	560.7	229.8	210.1
Operating ROIC (%)	37.4	33.4	26.5	41.4	55.1
Operating ROIC - WACC (%)	-	-	-	-	-
ROIC (%)	24.1	25.0	21.9	32.3	40.8
ROIC - WACC (%)	-	-	-	-	-
ROE (%)	27.7	19.8	14.2	21.3	24.6
ROA (%)	20.8	15.8	12.4	19.4	22.4

*Pre exceptional, pre-goodwill and fully diluted

Sources: Oberoi Realty; BNP Paribas estimates

Development Business together contributes 77% and 88% to FY12E and FY13E revenue.

Tax rate to increase due to expiration of 80IB benefits
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Highest ROE's in the coverage universe.

Financial statements

Oberoi Realty

Cash Flow (INRm)Year Ending Mar	2010A	2011A	2012E	2013E	2014E
Recurring net profit	4,582	5,172	5,091	9,069	13,101
Depreciation	91	237	260	304	317
Associates & minorities	0	0	0	0	0
Other non-cash items	0	0	0	0	0
Recurring cash flow	**4,673**	**5,409**	**5,350**	**9,373**	**13,419**
Change in working capital	1,350	(2,367)	(3,659)	(3,945)	(2,174)
Capex - maintenance	0	0	0	0	0
Capex - new investment	(2,349)	(2,072)	(1,000)	(1,000)	(1,000)
Free cash flow to equity	**3,674**	**969**	**691**	**4,428**	**10,245**
Net acquisitions & disposals	0	3	0	0	0
Dividends paid	(85)	(71)	(255)	(453)	(655)
Non recurring cash flows	(1,628)	(824)	0	0	0
Net cash flow	**1,961**	**77**	**437**	**3,975**	**9,590**
Equity finance	0	10,286	0	0	0
Debt finance	0	0	0	0	0
Movement in cash	**1,961**	**10,363**	**437**	**3,975**	**9,590**
Per share (INR)					
Recurring cash flow per share	14.24	16.48	16.30	28.56	40.88
FCF to equity per share	11.19	2.95	2.11	13.49	31.21

Balance Sheet (INRm)Year Ending Mar	2010A	2011A	2012E	2013E	2014E
Working capital assets	12,889	15,554	14,538	17,124	19,156
Working capital liabilities	(6,843)	(6,412)	(3,738)	(4,378)	(6,237)
Net working capital	**6,046**	**9,142**	**10,801**	**12,745**	**12,919**
Tangible fixed assets	3,068	7,581	8,321	9,017	9,700
Operating invested capital	**9,114**	**16,723**	**19,122**	**21,762**	**22,619**
Goodwill	0	0	0	0	0
Other intangible assets	0	0	0	0	0
Investments	790	650	650	650	650
Other assets	5,103	2,110	4,110	6,110	8,110
Invested capital	**15,007**	**19,483**	**23,882**	**28,522**	**31,379**
Cash & equivalents	(3,631)	(13,993)	(14,430)	(18,405)	(27,995)
Short term debt	0	0	0	0	0
Long term debt *	0	0	0	0	0
Net debt	**(3,631)**	**(13,993)**	**(14,430)**	**(18,405)**	**(27,995)**
Deferred tax	0	0	0	0	0
Other liabilities	0	0	0	0	0
Total equity	18,637	33,476	38,312	46,927	59,374
Minority interests	0	0	0	0	0
Invested capital	**15,007**	**19,483**	**23,882**	**28,522**	**31,379**

* includes convertibles and preferred stock which is being treated as debt

Per share (INR)					
Book value per share	55.69	101	116	142	180
Tangible book value per share	55.69	101	116	142	180
Financial strength					
Net debt/equity (%)	(19.5)	(41.8)	(37.7)	(39.2)	(47.2)
Net debt/total assets (%)	(14.2)	(35.1)	(34.3)	(35.9)	(42.7)
Current ratio (x)	2.4	4.6	7.8	8.1	7.6
CF interest cover (x)	23,075.8	1,948.3	-	-	-

Valuation	2010A	2011A	2012E	2013E	2014E
Recurring P/E (x) *	16.5	14.7	14.9	8.4	5.8
Recurring P/E @ target price (x) *	19.2	17.0	17.3	9.7	6.7
Reported P/E (x)	16.5	14.7	14.9	8.4	5.8
Dividend yield (%)	0.0	0.3	0.3	0.6	0.9
P/CF (x)	16.2	14.0	14.2	8.1	5.6
P/FCF (x)	20.6	78.2	109.6	17.1	7.4
Price/book (x)	4.1	2.3	2.0	1.6	1.3
Price/tangible book (x)	4.1	2.3	2.0	1.6	1.3
EV/EBITDA (x) **	15.1	10.5	8.8	4.8	3.0
EV/EBITDA @ target price (x) **	17.6	12.4	10.5	5.8	3.7
EV/invested capital (x)	4.8	3.2	2.6	2.0	1.5

* Pre exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income

Sources: Oberoi Realty; BNP Paribas estimates

Financial statements

Sobha Developers

Profit and Loss (INRm)Year Ending Mar	2010A	2011A	2012E	2013E	2014E
Revenue	11,337	14,813	15,552	20,454	26,682
Cost of sales ex depreciation	(6,364)	(8,632)	(9,471)	(12,593)	(16,248)
Gross profit ex depreciation	**4,973**	**6,181**	**6,081**	**7,860**	**10,433**
Other operating income	0	0	0	0	0
Operating costs	(2,299)	(2,946)	(2,974)	(3,640)	(4,470)
Operating EBITDA	**2,674**	**3,235**	**3,107**	**4,221**	**5,963**
Depreciation	(323)	(278)	(243)	(282)	(210)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	**2,351**	**2,958**	**2,864**	**3,939**	**5,754**
Net financing costs	(693)	(444)	(490)	(426)	(393)
Associates	0	0	0	0	0
Recurring non operating income	0	0	0	0	0
Non recurring items	0	0	0	0	0
Profit before tax	**1,658**	**2,514**	**2,374**	**3,513**	**5,361**
Tax	(275)	(669)	(712)	(1,054)	(1,608)
Profit after tax	**1,383**	**1,846**	**1,662**	**2,459**	**3,752**
Minority interests	0	0	0	0	0
Preferred dividends	0	0	0	0	0
Other items	0	0	0	0	0
Reported net profit	**1,383**	**1,846**	**1,662**	**2,459**	**3,752**
Non recurring items & goodwill (net)	(4)	4	0	0	0
Recurring net profit	**1,379**	**1,850**	**1,662**	**2,459**	**3,752**
Per share (INR)					
Recurring EPS *	14.06	18.86	16.95	25.08	38.27
Reported EPS	14.10	18.82	16.95	25.08	38.27
DPS	2.50	3.00	0.00	0.00	0.00
Growth					
Revenue (%)	14.7	30.7	5.0	31.5	30.4
Operating EBITDA (%)	(8.9)	21.0	(4.0)	35.8	41.3
Operating EBIT (%)	(8.7)	25.8	(3.2)	37.5	46.1
Recurring EPS (%)	(7.1)	34.1	(10.2)	48.0	52.6
Reported EPS (%)	(6.4)	33.4	(10.0)	48.0	52.6
Operating performance					
Gross margin inc depreciation (%)	41.0	39.9	37.5	37.1	38.3
Operating EBITDA margin (%)	23.6	21.8	20.0	20.6	22.4
Operating EBIT margin (%)	20.7	20.0	18.4	19.3	21.6
Net margin (%)	12.2	12.5	10.7	12.0	14.1
Effective tax rate (%)	16.6	26.6	30.0	30.0	30.0
Dividend payout on recurring profit (%)	17.8	15.9	0.0	0.0	0.0
Interest cover (x)	3.4	6.7	5.8	9.2	14.6
Inventory days	645.1	460.6	460.4	419.7	394.6
Debtor days	130.6	107.0	119.9	123.2	123.7
Creditor days	338.3	269.6	300.4	297.8	301.8
Operating ROIC (%)	7.8	9.7	9.5	12.7	17.2
Operating ROIC - WACC (%)	(7.2)	(5.3)	(5.6)	(2.4)	-
ROIC (%)	7.6	9.5	9.2	12.4	16.8
ROIC - WACC (%)	(7.4)	(5.6)	(5.8)	(2.7)	-
ROE (%)	9.9	10.4	8.6	11.5	15.3
ROA (%)	5.5	5.9	5.4	6.6	8.3

*Pre exceptional, pre-goodwill and fully diluted

Sources: Sobha Developers; BNP Paribas estimates

Contractual business contributes 25% to FY13E revenue.

Growth to come mainly from new markets in NCR and Cochin.

Financial statements

Sobha Developers

Cash Flow (INRm)Year Ending Mar	2010A	2011A	2012E	2013E	2014E
Recurring net profit	1,379	1,850	1,662	2,459	3,752
Depreciation	323	278	243	282	210
Associates & minorities	0	0	0	0	0
Other non-cash items	0	0	0	0	0
Recurring cash flow	**1,702**	**2,127**	**1,905**	**2,741**	**3,962**
Change in working capital	(1,179)	294	321	(1,524)	(2,596)
Capex - maintenance	0	0	0	0	0
Capex - new investment	(132)	(224)	(500)	(500)	(500)
Free cash flow to equity	**390**	**2,197**	**1,727**	**717**	**866**
Net acquisitions & disposals	0	0	0	0	0
Dividends paid	(72)	(245)	0	0	0
Non recurring cash flows	(232)	0	0	0	0
Net cash flow	**86**	**1,952**	**1,727**	**717**	**866**
Equity finance	5,094	0	0	0	0
Debt finance	(4,569)	4,284	(1,500)	0	0
Movement in cash	**611**	**6,235**	**227**	**717**	**866**
Per share (INR)					
Recurring cash flow per share	17.36	21.69	19.43	27.95	40.40
FCF to equity per share	3.98	22.41	17.61	7.31	8.83

Higher working capital requirement from substantial launches in new markets.

Likely to remain FCFE positive for the next three years

Balance Sheet (INRm)Year Ending Mar	2010A	2011A	2012E	2013E	2014E
Working capital assets	35,634	36,519	38,254	42,687	48,687
Working capital liabilities	(6,529)	(7,709)	(9,765)	(12,674)	(16,079)
Net working capital	**29,104**	**28,810**	**28,489**	**30,012**	**32,609**
Tangible fixed assets	1,429	1,373	1,629	1,847	2,138
Operating invested capital	**30,533**	**30,183**	**30,118**	**31,860**	**34,747**
Goodwill	0	0	0	0	0
Other intangible assets	0	0	0	0	0
Investments	27	37	37	37	37
Other assets	683	742	742	742	742
Invested capital	**31,244**	**30,962**	**30,897**	**32,639**	**35,525**
Cash & equivalents	(826)	(288)	(515)	(1,232)	(2,098)
Short term debt	0	0	0	0	0
Long term debt *	14,740	12,418	10,918	10,918	10,918
Net debt	**13,915**	**12,130**	**10,403**	**9,686**	**8,820**
Deferred tax	0	0	0	0	0
Other liabilities	0	0	0	0	0
Total equity	17,038	18,508	20,170	22,629	26,381
Minority interests	291	324	324	324	324
Invested capital	**31,244**	**30,962**	**30,897**	**32,639**	**35,525**

* includes convertibles and preferred stock which is being treated as debt

Per share (INR)					
Book value per share	174	189	206	231	269
Tangible book value per share	174	189	206	231	269
Financial strength					
Net debt/equity (%)	80.3	64.4	50.8	42.2	33.0
Net debt/total assets (%)	36.0	31.1	25.3	20.8	16.4
Current ratio (x)	5.6	4.8	4.0	3.5	3.2
CF interest cover (x)	1.8	6.5	5.5	3.9	4.5

Valuation	2010A	2011A	2012E	2013E	2014E
Recurring P/E (x) *	16.1	12.0	13.3	9.0	5.9
Recurring P/E @ target price (x) *	18.3	13.7	15.2	10.3	6.7
Reported P/E (x)	16.0	12.0	13.3	9.0	5.9
Dividend yield (%)	1.1	1.3	0.0	0.0	0.0
P/CF (x)	13.0	10.4	11.6	8.1	5.6
P/FCF (x)	56.8	10.1	12.8	30.9	25.6
Price/book (x)	1.3	1.2	1.1	1.0	0.8
Price/tangible book (x)	1.3	1.2	1.1	1.0	0.8
EV/EBITDA (x) **	13.5	11.0	10.9	7.7	5.3
EV/EBITDA @ target price (x) **	14.5	11.9	11.9	8.5	5.8
EV/invested capital (x)	1.2	1.1	1.1	1.0	0.9

* Pre exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income

Sources: Sobha Developers; BNP Paribas estimates

Financial statements

Unitech

Profit and Loss (INRm)Year Ending Mar	2010A	2011A	2012E	2013E	2014E
Revenue	30,153	32,921	34,277	36,906	43,827
Cost of sales ex depreciation	(15,667)	(17,256)	(18,523)	(19,716)	(23,641)
Gross profit ex depreciation	**14,486**	**15,666**	**15,754**	**17,191**	**20,187**
Other operating income	0	0	0	0	0
Operating costs	(2,935)	(5,377)	(5,460)	(5,984)	(7,056)
Operating EBITDA	**11,551**	**10,289**	**10,294**	**11,206**	**13,131**
Depreciation	(341)	(319)	(419)	(450)	(481)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	**11,210**	**9,970**	**9,876**	**10,756**	**12,649**
Net financing costs	(2,000)	(1,455)	(2,682)	(3,004)	(3,444)
Associates	0	0	0	0	0
Recurring non operating income	0	0	0	0	0
Non recurring items	0	0	0	0	0
Profit before tax	**9,210**	**8,516**	**7,194**	**7,752**	**9,206**
Tax	(2,239)	(2,684)	(2,158)	(2,326)	(2,762)
Profit after tax	**6,971**	**5,832**	**5,036**	**5,426**	**6,444**
Minority interests	(31)	(104)	0	0	0
Preferred dividends	0	0	0	0	0
Other items	(165)	(31)	0	0	0
Reported net profit	**6,775**	**5,697**	**5,036**	**5,426**	**6,444**
Non recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	**6,775**	**5,697**	**5,036**	**5,426**	**6,444**
Per share (INR)					
Recurring EPS *	2.78	2.18	1.92	2.07	2.46
Reported EPS	2.78	2.18	1.92	2.07	2.46
DPS	0.35	0.11	0.06	0.06	0.07
Growth					
Revenue (%)	(9.1)	9.2	4.1	7.7	18.8
Operating EBITDA (%)	(42.7)	(10.9)	0.1	8.9	17.2
Operating EBIT (%)	(43.8)	(11.1)	(0.9)	8.9	17.6
Recurring EPS (%)	(62.3)	(21.6)	(11.6)	7.8	18.8
Reported EPS (%)	(62.3)	(21.6)	(11.6)	7.8	18.8
Operating performance					
Gross margin inc depreciation (%)	46.9	46.6	44.7	45.4	45.0
Operating EBITDA margin (%)	38.3	31.3	30.0	30.4	30.0
Operating EBIT margin (%)	37.2	30.3	28.8	29.1	28.9
Net margin (%)	22.5	17.3	14.7	14.7	14.7
Effective tax rate (%)	24.3	31.5	30.0	30.0	30.0
Dividend payout on recurring profit (%)	12.6	4.9	3.0	3.0	3.0
Interest cover (x)	5.6	6.9	3.7	3.6	3.7
Inventory days	8.1	8.6	12.9	15.7	14.9
Debtor days	133.0	189.3	187.3	131.7	108.5
Creditor days	2,349.6	2,338.6	2,364.8	2,234.5	1,963.0
Operating ROIC (%)	5.7	4.5	4.2	4.4	4.9
Operating ROIC - WACC (%)	(9.8)	(11.0)	(11.2)	-	-
ROIC (%)	4.7	3.7	3.5	3.7	4.2
ROIC - WACC (%)	(10.7)	(11.7)	(11.9)	-	-
ROE (%)	8.7	5.2	4.3	4.4	5.0
ROA (%)	3.0	2.3	2.2	2.3	2.7

*Pre exceptional, pre-goodwill and fully diluted

Residential projects account for more than 60% of revenue.

Margins to remain at sub 30% levels.

Sources: Unitech; BNP Paribas estimates

Financial statements

Unitech

Cash Flow (INRm)Year Ending Mar	2010A	2011A	2012E	2013E	2014E
Recurring net profit	6,775	5,697	5,036	5,426	6,444
Depreciation	341	319	419	450	481
Associates & minorities	31	104	0	0	0
Other non-cash items	0	0	0	0	0
Recurring cash flow	**7,148**	**6,119**	**5,455**	**5,877**	**6,925**
Change in working capital	(19,147)	(8,660)	(7,336)	(9,209)	(11,210)
Capex - maintenance	0	0	0	0	0
Capex - new investment	(5,346)	(3,244)	(2,000)	(2,000)	(2,000)
Free cash flow to equity	**(17,346)**	**(5,785)**	**(3,881)**	(5,332)	**(6,284)**
Net acquisitions & disposals	(3,963)	(3,320)	0	0	0
Dividends paid	(607)	(587)	(151)	(163)	(193)
Non recurring cash flows	4,572	1,960	0	0	0
Net cash flow	**(17,343)**	**(7,732)**	**(4,032)**	(5,495)	**(6,478)**
Equity finance	43,619	6,858	0	0	0
Debt finance	(26,628)	(1,942)	0	0	0
Movement in cash	**(353)**	**(2,816)**	**(4,032)**	(5,495)	**(6,478)**
Per share (INR)					
Recurring cash flow per share	2.93	2.34	2.08	2.25	2.65
FCF to equity per share	(7.11)	(2.21)	(1.48)	(2.04)	(2.40)

Balance Sheet (INRm)Year Ending Mar	2010A	2011A	2012E	2013E	2014E
Working capital assets	44,560	55,802	50,377	50,637	52,042
Working capital liabilities	(99,870)	(121,248)	(118,768)	(122,632)	(131,660)
Net working capital	(55,310)	(65,446)	(68,391)	(71,995)	(79,618)
Tangible fixed assets	205,320	228,649	236,510	246,873	263,224
Operating invested capital	**150,010**	**163,203**	**168,120**	**174,878**	**183,606**
Goodwill	15,264	16,540	16,540	16,540	16,540
Other intangible assets	0	0	0	0	0
Investments	12,427	16,125	16,125	16,125	16,125
Other assets	0	0	0	0	0
Invested capital	**177,700**	**195,868**	**200,785**	**207,543**	**216,271**
Cash & equivalents	(6,095)	(4,509)	(477)	5,017	11,495
Short term debt	0	0	0	0	0
Long term debt *	60,078	58,507	58,507	58,507	58,507
Net debt	**53,983**	**53,998**	**58,030**	**63,525**	**70,002**
Deferred tax	46	56	56	56	56
Other liabilities	17,907	23,964	19,964	15,964	11,964
Total equity	104,050	115,836	120,721	125,984	132,235
Minority interests	373	489	489	489	489
Invested capital	**177,700**	**195,868**	**200,785**	**207,543**	**216,271**

* includes convertibles and preferred stock which is being treated as debt

Per share (INR)					
Book value per share	42.66	44.27	46.14	48.15	50.54
Tangible book value per share	36.41	37.95	39.82	41.83	44.22
Financial strength					
Net debt/equity (%)	51.7	46.4	47.9	50.2	52.7
Net debt/total assets (%)	19.0	16.8	18.1	19.5	20.8
Current ratio (x)	0.5	0.5	0.4	0.4	0.3
CF interest cover (x)	(5.0)	(0.7)	0.3	(0.1)	(0.2)

Valuation	2010A	2011A	2012E	2013E	2014E
Recurring P/E (x) *	9.9	12.7	14.3	13.3	11.2
Recurring P/E @ target price (x) *	11.5	14.7	16.6	15.4	13.0
Reported P/E (x)	9.9	12.7	14.3	13.3	11.2
Dividend yield (%)	1.3	0.4	0.2	0.2	0.3
P/CF (x)	9.4	11.8	13.2	12.3	10.4
P/FCF (x)	(3.9)	(12.5)	(18.6)	(13.5)	(11.5)
Price/book (x)	0.6	0.6	0.6	0.6	0.5
Price/tangible book (x)	0.8	0.7	0.7	0.7	0.6
EV/EBITDA (x) **	10.9	12.1	12.5	11.9	10.6
EV/EBITDA @ target price (x) **	11.6	13.2	13.6	12.9	11.5
EV/invested capital (x)	0.7	0.6	0.7	0.7	0.7

* Pre exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income

Sources: Unitech; BNP Paribas estimates

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