

Fair value conundrum

■ Promoter stake sale could sustain DLF's premium valuation

A revival in overall confidence that could lead to higher-than-estimated volumes and ultimately a price recovery, recent steps by promoters to restore investor confidence and technical factors may ensure that DLF trades at a premium to its fair value based on cash flow and ROE trends. We increase our price to NAV to 1.2x, raise near-term launches/EPS/NAV, and upgrade our rating from Sell to Neutral. We remove our short-term Sell rating.

■ What do alternate valuation models suggest?

We looked at the residual income model and three-stage DCF to derive possible valuation scenarios and derived valuations between Rs260-300. At Rs300, the stock would trade at 2.2x FY10E book vs. the five-year average ROE of 11.5%. We think it not worthwhile to look at ROE over 2007-09 (average of 90%) to derive cycle ROE, as it was based on sales to DAL and "nil" cost land (both unsustainable).

■ Raise earnings estimates on better visibility and balance sheet

We increase our launch volume estimates for FY10/11 from 5.8msf/18.8msf to 20.6/27.9msf and introduce FY12 of 28.9msf. We expect pricing to improve from FY11 onwards at c10% pa. We estimate net debt-to-equity to improve from 76% in FY09 to 30% by FY11, on cash inflow from DAL and sales of non-core assets. We increase FY10E/11E EPS from Rs11.1/10.1 to Rs13.7/14.1 and introduce FY12E EPS of Rs16.0.

■ Valuation: raise 12-month price target from Rs160 to Rs270

Our price target is based on 1.2x NAV. Our main NAV assumptions are: 1) a property price increase of 10% pa from FY11-15E; 2) a WACC of 12.1%; and 3) value of projects for five years of launches + 1.2x land cost.

Highlights (Rsm)	03/08	03/09	03/10E	03/11E	03/12E
Revenues	144,530	100,440	72,600	81,074	98,930
EBIT (UBS)	96,406	52,525	30,829	31,013	33,259
Net Income (UBS)	78,133	46,292	23,409	23,958	27,215
EPS (UBS, Rs)	45.83	27.15	13.73	14.06	15.97
Net DPS (UBS, Rs)	4.00	4.00	4.00	4.00	4.00

Profitability & Valuation	5-yr hist av.	03/09	03/10E	03/11E	03/12E
EBIT margin %	43.3	52.3	42.5	38.3	33.6
ROIC (EBIT) %	-	16.4	9.0	9.9	10.6
EV/EBITDA (core) x	-	13.9	17.1	15.3	14.4
PE (UBS) x	-	13.7	18.8	18.4	16.2
Net dividend yield %	-	1.1	1.5	1.5	1.5

Source: Company accounts, Thomson Financial, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs258.15 on 15 May 2009 23:39 BST

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Real Estate

12-month rating **Neutral**
Prior: *Sell*

12m price target **Rs270.00/US\$5.48**
Prior: *Rs160.00/US\$3.24*

Short-term rating **Removed**
Prior: *Sell*

Price **Rs258.15/US\$5.23**

RIC: DLF.BO BBG: DLFU IB

18 May 2009

Trading data (local/US\$)

52-wk range	Rs649.20-132.90/US\$15.31-2.64
Market cap.	Rs440bn/US\$8.92bn
Shares o/s	1,705m (ORD)
Free float	10%
Avg. daily volume ('000)	8,390
Avg. daily value (Rsm)	1,774.5

Balance sheet data 03/10E

Shareholders' equity	Rs228bn
P/BV (UBS)	1.9x
Net Cash (debt)	(Rs95.5bn)

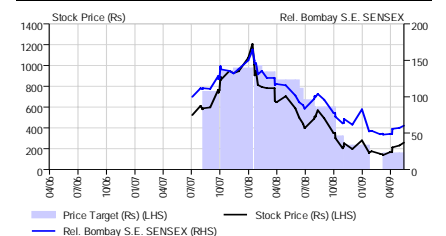
Forecast returns

Forecast price appreciation	+4.6%
Forecast dividend yield	1.5%
Forecast stock return	+6.1%
Market return assumption	11.3%
Forecast excess return	-5.2%

EPS (UBS, Rs)

	03/10E		03/09
	From	To	
Q1E	-	-	10.93
Q2E	-	-	11.35
Q3E	-	-	3.93
Q4E	-	-	0.93
03/10E	11.15	13.73	9.13
03/11E	10.13	14.06	9.92

Performance (Rs)



Source: UBS

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ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 9.

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Changes to estimates

We increase our sales, EBITDA and EPS estimates, as shown below:

Table 1: Changes to estimates

Rs m	FY10E			FY11E			FY12E	FY13E	FY14E
	New	Old	B/W	New	Old	B/W	New	New	New
Sales	72,600	56,476	29%	81,074	58,107	40%	98,930	131,799	150,858
EBITDA	32,942	27,384	20%	33,671	24,665	37%	35,955	46,928	57,822
EBITDA Margin	45.4%	48.5%	-311 bps	41.5%	42.4%	-92 bps	36%	36%	38%
PAT	23,409	19,003	23%	23,958	17,268	39%	27,215		
EPS (Rs)	13.7	11.1	23%	14.1	10.1	39%	16.0	21.1	26.8

Source: UBS estimates

This is in anticipation of:

1. Higher launch volumes due to better affordability and a revival of consumer confidence beginning 3Q/4Q FY10; run rate in the first two months was better than expected.

Table 2: Changes to launch estimates

	FY10			FY11			FY12		
	New	Old	% Chg	New	Old	% Chg	New	Old	% Chg
Launches (msf)									
Residential	16.59	5.82	185%	20.62	12.33	67%	21.14	16.57	28%
Commercial	2.00	0	NA	5.20	5.6	-7%	5.40	8.73	-38%
Retail	2.00	0	NA	2.12	0.89	138%	2.12	3.68	-42%
	20.59	5.82		27.94	18.82		28.67	28.97	

Source: UBS estimates

2. An increase in property prices from FY11 at 10% pa for five years, after assuming launch prices in FY10 were lower by 30% YoY vs. the market
3. Lower interest costs, as the debt burden is likely to fall due to a cash infusion from DAL (from promoter sales; lease rent discounting) and sales of non-core assets (wind; sales of Delhi convention centre). We believe the company has kept aside certain land to sell during the year (Hyderabad, Chennai, Gurgaon, Mumbai). We do not think returns from these sales will be significantly higher than land costs, given the steep depreciation in land prices over the past 12 months (for an average property price of Rs3,000/sf, a 10% lower property price would mean 25% lower land prices). We expect DAL-related receivables to

fall from Rs49bn in FY09 to Rs15bn by end-FY10E. We estimate net debt-to-equity will fall to less than 30% in two years' time.

We think there is a case for DLF to trade at a premium to its fair value, given: 1) possibility of upside to prices and volumes as confidence in the economic revival revives by 2H FY09; 2) corporate action by the promoters to protect the interests of minority shareholders in the DAL restructuring; and 3) technical factors such as being the only stock in MSCI India.

However, we do not think the fundamentals justify a value over Rs270/sh (2x FY10E book). We cross-checked with: a) alternative valuation models; and b) comparing with an Indian real estate proxy (HDFC) and regional players.

1) Alternative valuation models

We looked at the residual income model (P/BV vs. ROE) and three-stage DCF to derive a possible best-case valuation range of between Rs260-300 for DLF. At Rs300, the stock would trade at 2.0x FY10E P/BV versus an estimated five-year ROE of 11.5%, although ROE could increase from 9.8% in FY11E to 14.3% by FY14E.

Table 3: Key assumptions

Residual income model		Multiple year DCF	
Discount rate (%)	13.3	Discount rate (%)	13.3
Terminal growth rate (%)	5.0	Terminal growth rate (%)	5.0
Dividend payout from FY2013E	25%	EBITDA Margins (%)	45%
Interim EPS growth	22% till '20E, 10% till '25E	Interim sales growth	12% over 15-22E, 5% terminal
Adjusted FY11E BVPS (Rs)	146	PV of interim cash flows	164
PV of residual income (Rs)	119	PV of terminal	140
Total of above (Rs)	265	Total	300
Target PBR (core) FY2011E (x)	1.8x	Target PBR for 2011E (x)	2.2x

Source: UBS estimates

2) HDFC has been a proxy play on real estate

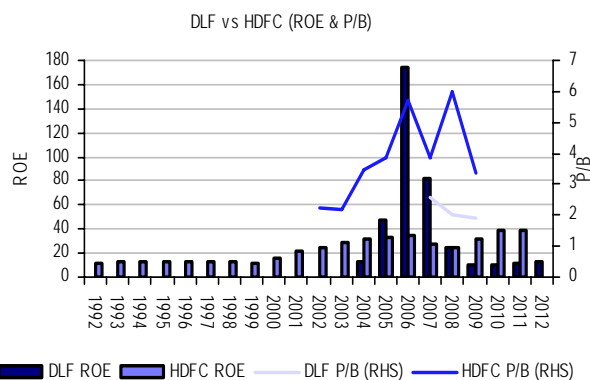
Over the years, HDFC has traded between a P/BV of 2.5-6x vs. ROE of 15-40%. Over the short trading history of DLF, the share price has followed loan growth in the industry.

Chart 1: Industry mortgage growth versus DLF share price



Source: UBS

Chart 2: DLF vs. HDFC (P/BV vs. ROE)



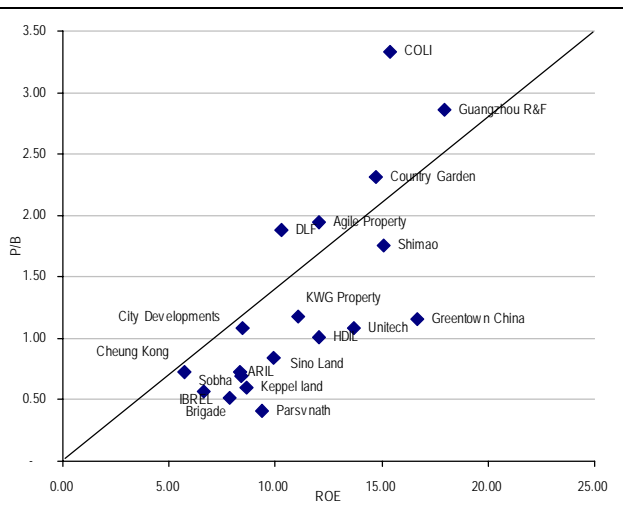
Source: UBS

DLF's ROE has been 24-173% over the past four years with the peak ROE a result of sales to DAL (because of credit availability) and the near zero cost landbank (unlikely to be sustained) for part of the sales. We estimate ROE of between 11-14% over the next five years. Hence the valuation range could be closer to the lower end of HDFC's trading range.

3) Regional comparables—ROE vs. P/BV

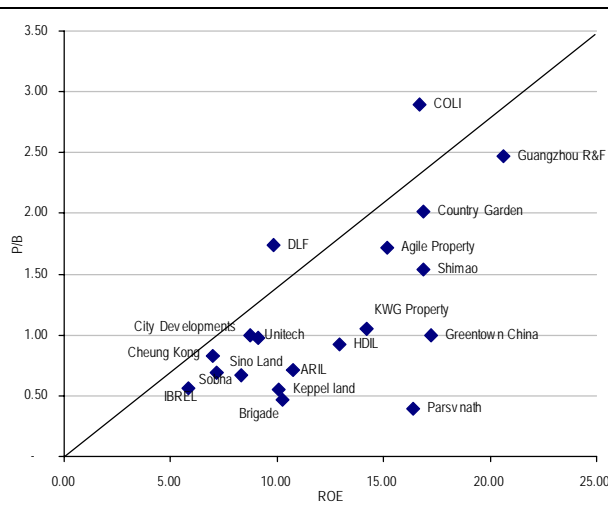
DLF looks expensive relative to peers on a P/BV vs. ROE basis. Our view is based on our understanding that other than a land parcel in Gurgaon, no other land parcel is at zero cost.

Chart 3: ROE vs. P/BV (FY10E/CY09E)



Source: UBS

Chart 4: ROE vs. P/BV (FY11E/CY10E)



Source: UBS

Changes to price target; remove short-term Sell

We have been positive on the sector, as reflected in our note on DLF dated 9 March 2009, *Upgrade to Neutral* and two sector notes: on 4 April 2009, *Inventory check-II* and 29 April 2009: *Greenshoots of recovery*. As stated above, we think DLF would trade at a premium to fair value, but even with the premium the valuation looks stretched to us. Within the sector, our preference is for IBREL and Unitech.

We increase our 12-month price target to reflect: 1) earnings changes; 2) changes to our assumption for NAV and applying a 20% premium to capture improving prospects on property fundamentals (pricing post-FY10E, volumes), and higher standards of governance as exemplified by the recent action by the promoters to protect minority shareholders. The premium is also similar to the premium to NAV that the two closest regional comparables to DLF, Country Garden and Guangzhu R&F, are trading at.

Table 4: Valuation summary

	Rsmn	Key changes	Rs/sh
Development properties	152,847	Higher launches, lower discount rate of 13.3% vs 14% earlier	90
Investment properties	127,897	Higher launches, lower discount rate of 13.3% vs 14% earlier	75
Value of land not launched till 2014	99,271	Cycle ROE of between 15%. Using 1.2x land cost vs 1x earlier	58
Value of land at nil cost	11,250		7
Value of LOR	4,791		3
Value for hotels	33,000	Including Aman Resorts. At book	19
Value for power	6,000	Excluding wind power	4
Receivables from DAL	15,000	Lowered from Rs30bn to Rs15bn with improvement reflected in net debt	9
Gross Asset Value	450,056		264
20% premium to GAV	540,067		317
Net debt	(95,549)	Net debt lower due to lower DAL receivables, sales of non-core assets	(56)
Net asset value	354,506		208
Equity value	444,517		261

Source: UBS estimates

Table 5: Regional comparables

Company	Rating	Price target	Price	Mcap		PE (x)			EPS growth (%)			Premium (discount) to NAV	Land bank (msf)	Forward NAV (1cy)
			(LC)	US\$ m	FY08	FY09E	FY10E	FY08	FY09E	FY10E				
India														
DLF	Neutral	270	258.2	8,860	5.4	8.9	18.8	302	(39)	(50)	18.7%	425	210	
Unitech Limited	Buy (CBE)	60	51.0	1,650	4.8	7.1	8.9	27	(32)	(20)	-17.8%	621	60	
Indiabulls Real Estate	Buy	250	148.0	724	11.5	23.2	4.9		(50)	376	-40.5%	199	250	
Ansal Properties & Infra	Not Rated		34.2	79	2.2	4.6	7.5	13	(51)	(39)		150	NA	
Peninsula Land Limited	Not Rated		41.9	215	8.8	3.1	1.2		186	162	-67.8%	5	130	
Mahindra Gesco	Not Rated		190.3	80	11.4	9.1	6.8	505	25	34		17	NA	
Anant Raj Ind	Not Rated		82.3	476	5.0	7.4	8.9	18	(33)	(17)	-70.9%	20	275	
Sobha Developers	Not Rated		112.8	165	3.6	6.5	9.1	122	(44)	(29)		220	NA	
Parsvnath	Not Rated		48.0	178	2.1	6.2	6.5		(66)	(5)		108	NA	
HDIL	Not Rated		182.4	1,001	3.4	6.5	9.4		(48)	(31)	-54.9%	135	400	
Brigade	Not Rated		49.7	112	4.8	6.5	6.8		(25)	(5)		30	NA	
China														
China Overseas *	Neutral	14.3	14.8	14,047	28.0						41.9%	248	10.4	
Country Garden	Neutral	16.3	14.4	5,996	15.1						-2.2%	253	14.75	
KWG Property	Buy	12.1	7.4	1,458	6.2	6.2	4.9	(4)	-	25	-63.7%	108	20.45	
Hong Kong Developers														
Sun Hung Kai P.	Neutral	83.2	80.6	26,652	19.5	15.3	14.1	(10)	28	8	-52.1%	19	168	
Henderson Land	Buy	42.1	37.0	8,651	15.2	12.6	12.8	(8)	21	(1)	-50.8%	10	75	
Sino Land	Buy	11.9	10.3	6,445	14.6	8.4	11.5	(19)	74	(27)	-54.5%	19	23	

Priced as at 15 May 2009. Source: Bloomberg, company data, UBS estimates (consensus estimates from Bloomberg).

DLF Limited

Income statement (Rsm)	03/05	03/06	03/07	03/08	03/09	03/10E	% ch	03/11E	% ch	03/12E	% ch
Revenues	6,081	11,536	39,233	144,530	100,440	72,600	-27.7	81,074	11.7	98,930	22.0
Operating expenses (ex dephn)	(4,399)	(6,778)	(11,199)	(47,224)	(45,559)	(39,658)	-13.0	(47,403)	19.5	(62,975)	32.8
EBITDA (UBS)	1,682	4,758	28,034	97,306	54,881	32,942	-40.0	33,671	2.2	35,955	6.8
Depreciation	(333)	(361)	(571)	(901)	(2,355)	(2,112)	-10.3	(2,657)	25.8	(2,695)	1.4
Operating income (EBIT, UBS)	1,349	4,397	27,463	96,406	52,525	30,829	-41.3	31,013	0.6	33,259	7.2
Other income & associates	179	884	1,095	2,573	4,756	2,627	-44.8	3,651	39.0	3,938	7.8
Net interest	(390)	(1,685)	(3,076)	(3,100)	(3,574)	(4,630)	29.6	(4,130)	-10.8	(3,910)	-5.3
Abnormal items (pre-tax)	0	0	0	0	0	0	-	0	-	0	-
Profit before tax	1,138	3,596	25,482	95,878	53,708	28,826	-46.3	30,534	5.9	33,287	9.0
Tax	(259)	(1,668)	(6,058)	(17,391)	(7,115)	(5,417)	-23.9	(6,576)	21.4	(6,072)	-7.7
Profit after tax	879	1,928	19,424	78,488	46,594	23,409	-49.8	23,958	2.3	27,215	13.6
Abnormal items (post-tax)	0	0	0	0	0	0	-	0	-	0	-
Minorities / pref dividends	(14)	(10)	(11)	(35)	(302)	0	-	0	-	0	-
Net income (local GAAP)	865	1,918	19,413	78,133	46,292	23,409	-49.4	23,958	2.3	27,215	13.6
Net Income (UBS)	865	1,918	19,413	78,133	46,292	23,409	-49.4	23,958	2.3	27,215	13.6
Tax rate (%)	23	46	24	18	13	19	41.9	22	14.6	18	-15.3
Pre-abnormal tax rate (%)	23	46	24	18	13	19	43.3	22	14.8	18	-15.1
Per share (Rs)	03/05	03/06	03/07	03/08	03/09	03/10E	% ch	03/11E	% ch	03/12E	% ch
EPS (local GAAP)	0.51	1.13	11.39	45.83	27.15	13.73	-49.4	14.06	2.4	15.97	13.6
EPS (UBS)	0.51	1.13	11.39	45.83	27.15	13.73	-49.4	14.06	2.4	15.97	13.6
Net DPS	0.00	0.00	2.23	4.00	4.00	4.00	0.0	4.00	0.0	4.00	0.0
Cash EPS	0.70	1.34	11.72	46.36	28.53	14.97	-47.5	15.61	4.3	17.55	12.4
BVPS	4.08	0.59	12.46	97.64	124.43	133.76	7.5	143.45	7.2	155.02	8.1
Balance sheet (Rsm)	03/05	03/06	03/07	03/08	03/09	03/10E	% ch	03/11E	% ch	03/12E	% ch
Net tangible fixed assets	10,210	15,585	41,872	100,031	137,160	131,817	-3.9	142,512	8.1	157,505	10.5
Net intangible fixed assets	0	0	0	0	0	0	-	0	-	0	-
Net working capital (incl. other assets)	6,596	16,644	82,210	172,422	231,540	182,799	-21.1	167,714	-8.3	160,645	-4.2
Other liabilities	(963)	(93)	(187)	(359)	340	340	0.0	340	0.0	340	0.0
Operating invested capital	15,844	32,136	123,895	272,094	369,040	314,956	-14.7	310,566	-1.4	318,490	2.6
Investments	400	8,300	2,107	9,102	13,830	13,830	0.0	13,830	0.0	13,830	0.0
Total capital employed	16,244	40,436	126,002	281,196	382,870	328,786	-14.1	324,396	-1.3	332,320	2.4
Shareholders' equity	6,949	1,012	21,239	166,456	212,150	228,057	7.5	244,513	7.2	264,226	8.1
Minority interests	43	54	92	3,895	5,180	5,180	0.0	5,180	0.0	5,180	0.0
Total equity	6,992	1,066	21,331	170,351	217,330	233,237	7.3	249,693	7.1	269,406	7.9
Net debt / (cash)	9,251	39,370	104,671	110,845	165,540	95,549	-42.3	74,703	-21.8	62,914	-15.8
Debt deemed provisions	0	0	0	0	0	0	-	0	-	0	-
Total capital employed	16,244	40,436	126,002	281,196	382,870	328,786	-14.1	324,396	-1.3	332,320	2.4
Cash flow (Rsm)	03/05	03/06	03/07	03/08	03/09	03/10E	% ch	03/11E	% ch	03/12E	% ch
Operating income (EBIT, UBS)	1,349	4,397	27,463	96,406	52,525	30,829	-41.3	31,013	0.6	33,259	7.2
Depreciation	333	361	571	901	2,355	2,112	-10.3	2,657	25.8	2,695	1.4
Net change in working capital	2,188	(12,461)	(71,171)	(110,751)	(62,690)	56,545	-	20,324	-64.1	11,066	-45.6
Other (operating)	314	1,529	4,497	18,242	13,320	594	-95.5	203	-65.9	371	83.2
Operating cash flow	4,184	(6,174)	(38,640)	4,798	5,510	90,081	1534.7	54,197	-39.8	47,392	-12.6
Net interest received / (paid)	(390)	(1,685)	(3,076)	(3,100)	(3,574)	(4,630)	29.6	(4,130)	-10.8	(3,910)	-5.3
Dividends paid	(16)	(18)	(3,989)	(7,979)	(7,979)	(7,502)	-6.0	(7,502)	0.0	(7,502)	0.0
Tax paid	0	(1,668)	(6,058)	(17,391)	(7,115)	82,661	-	(6,576)	-	(6,072)	-7.7
Capital expenditure	(6,592)	(5,736)	(26,808)	(59,182)	(39,644)	(5,769)	-85.4	(13,353)	131.5	(17,688)	32.5
Net (acquisitions) / disposals	0	0	0	0	0	0	-	0	-	0	-
Other	377	(15,199)	(503)	(19,055)	(5,305)	(82,995)	1464.3	7,062	-	7,542	6.8
Share issues	0	343	2,145	90,732	0	0	-	0	-	0	-
Cash flow (inc)/dec in net debt	(2,437)	(30,137)	(76,929)	(11,176)	(58,106)	71,845	-	29,698	-58.7	19,762	-33.5
FX / non cash items	16	18	11,628	5,002	3,411	(1,854)	-	(8,852)	377.4	(7,972)	-9.9
Balance sheet (inc)/dec in net debt	(2,421)	(30,119)	(65,301)	(6,174)	(54,695)	69,991	-	20,846	-70.2	11,790	-43.4
Core EBITDA	1,682	4,758	28,034	97,306	54,881	32,942	-40.0	33,671	2.2	35,955	6.8
Maintenance capital expenditure	(333)	(361)	(571)	(901)	(2,355)	(2,112)	-10.3	(2,657)	25.8	(2,657)	0.0
Maintenance net working capital	2,188	(12,461)	(71,171)	(110,751)	(62,690)	56,545	-	20,324	-64.1	20,324	0.0
Operating free cash flow, pre-tax	3,537	(8,064)	(43,708)	(14,345)	(10,165)	87,375	-	51,337	-41.2	53,621	4.4

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Note: For some companies, the data represents an extract of the full company accounts.

12-month rating **Neutral**

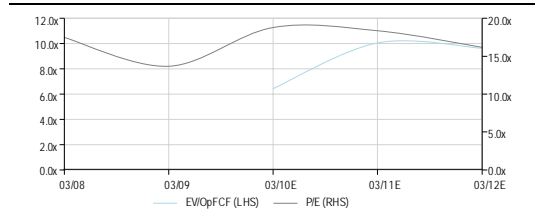
12m price target **Rs270.00**

Short-term rating **Removed**

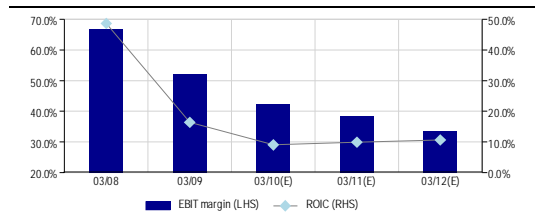
Company profile

DLF is India's largest real estate company by market capitalisation. Established as Delhi Land and Finance (DLF), it has a track record of more than 60 years in real estate development. The major shareholders are KP Singh and family, who own approximately 90% of the company. DLF commenced operations in Delhi, expanded into the National Capital Region in the late 1980s, and now has a presence in all major Indian cities. The company is a leader in office space and has a large portfolio of residential and retail projects. It is expanding into SEZs and hotels.

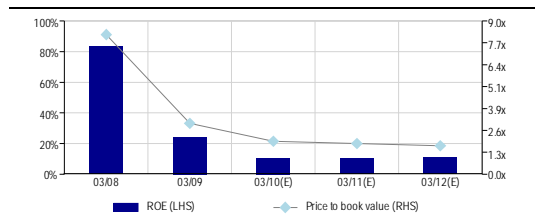
Value (EV/OpFCF & P/E)



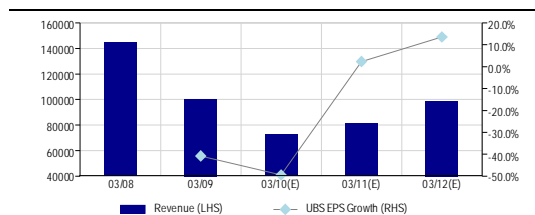
Profitability



ROE v Price to book value



Growth (UBS EPS)



Valuation (x)	5Yr Avg	03/08	03/09	03/10E	03/11E	03/12E
P/E (local GAAP)	-	17.5	13.7	18.8	18.4	16.2
P/E (UBS)	-	17.5	13.7	18.8	18.4	16.2
P/CEPS	-	17.3	13.0	17.2	16.5	14.7
Net dividend yield (%)	-	0.5	1.1	1.5	1.5	1.5
P/BV	-	8.2	3.0	1.9	1.8	1.7
EV/revenue (core)	-	NM	7.6	7.7	6.4	5.2
EV/EBITDA (core)	-	15.2	13.9	17.1	15.3	14.4
EV/EBIT (core)	-	15.3	14.5	18.2	16.7	15.5
EV/OpFCF (core)	-	NM	NM	6.4	10.1	9.6
EV/op. invested capital	-	7.5	2.4	1.6	1.7	1.6

Enterprise value (Rsm)	03/08	03/09	03/10E	03/11E	03/12E
Average market cap	1,365,831	632,869	440,102	440,102	440,102
+ minority interests	1,993	4,537	5,180	5,180	5,180
+ average net debt (cash)	107,758	138,193	130,545	85,126	85,126
+ pension obligations and other	0	0	0	0	0
- non-core asset value	0	(13,830)	(13,830)	(13,830)	(13,830)
Core enterprise value	1,475,582	761,769	561,997	516,578	516,578

Growth (%)	5Yr Avg	03/08	03/09	03/10E	03/11E	03/12E
Revenue	131.2	NM	-30.5	-27.7	11.7	22.0
EBITDA (UBS)	195.9	NM	-43.6	-40.0	2.2	6.8
EBIT (UBS)	NM	NM	-45.5	-41.3	0.6	7.2
EPS (UBS)	NM	NM	-40.8	-49.4	2.4	13.6
Cash EPS	NM	NM	-38.5	-47.5	4.3	12.4
Net DPS	-	79.4	0.0	0.0	0.0	0.0
BVPS	128.7	NM	27.4	7.5	7.2	8.1

Margins (%)	5Yr Avg	03/08	03/09	03/10E	03/11E	03/12E
EBITDA / revenue	46.6	67.3	54.6	45.4	41.5	36.3
EBIT / revenue	43.3	66.7	52.3	42.5	38.3	33.6
Net profit (UBS) / revenue	29.2	54.1	46.1	32.2	29.6	27.5

Return on capital (%)	5Yr Avg	03/08	03/09	03/10E	03/11E	03/12E
EBIT ROIC (UBS)	-	48.7	16.4	9.0	9.9	10.6
ROIC post tax	-	39.8	14.2	7.3	7.8	8.6
Net ROE	-	83.3	24.5	10.6	10.1	10.7

Coverage ratios (x)	5Yr Avg	03/08	03/09	03/10E	03/11E	03/12E
EBIT / net interest	10.4	NM	16.0	7.2	8.4	9.5
Dividend cover (UBS EPS)	-	11.5	6.8	3.4	3.5	4.0
Div. payout ratio (% , UBS EPS)	-	8.7	14.7	29.1	28.5	25.1
Net debt / EBITDA	2.0	1.1	3.0	2.9	2.2	1.7

Efficiency ratios (x)	5Yr Avg	03/08	03/09	03/10E	03/11E	03/12E
Revenue / op. invested capital	-	0.7	0.3	0.2	0.3	0.3
Revenue / fixed assets	-	2.0	0.8	0.5	0.6	0.7
Revenue / net working capital	-	1.1	0.5	0.4	0.5	0.6

Investment ratios (x)	5Yr Avg	03/08	03/09	03/10E	03/11E	03/12E
OpFCF / EBIT	NM	NM	NM	2.8	1.7	1.6
Capex / revenue (%)	NM	NM	NM	7.9	16.5	17.9
Capex / depreciation	NM	NM	NM	2.7	5.0	6.6

Capital structure (%)	5Yr Avg	03/08	03/09	03/10E	03/11E	03/12E
Net debt / total equity	NM	66.6	78.0	41.9	30.6	23.8
Net debt / (net debt + equity)	57.3	40.0	43.8	29.5	23.4	19.2
Net debt (core) / EV	-	7.3	18.1	23.2	16.5	16.5

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items.

Valuations: based on an average share price that year, (E): based on a share price of Rs258.15 on 15 May 2009 23:39 BST Market cap(E) may include forecast share issues/buybacks.

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■ DLF Limited

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We believe the main risks to investing in the Indian property sector are: 1) property price-related risks; 2) government policies; and 3) liquidity-related issues.

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UBS 12-Month Rating	Rating Category	Coverage ¹	IB Services ²
Buy	Buy	51%	36%
Neutral	Hold/Neutral	37%	31%
Sell	Sell	12%	22%
UBS Short-Term Rating	Rating Category	Coverage ³	IB Services ⁴
Buy	Buy	less than 1%	43%
Sell	Sell	less than 1%	36%

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category.

4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 31 March 2009.

UBS Investment Research: Global Equity Rating Definitions

UBS 12-Month Rating	Definition
Buy	FSR is > 6% above the MRA.
Neutral	FSR is between -6% and 6% of the MRA.
Sell	FSR is > 6% below the MRA.
UBS Short-Term Rating	Definition
Buy	Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.
Sell	Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.

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Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

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UBS Securities India Private Ltd: Suhas Harinarayanan; Pankaj Sharma.

Company Disclosures

Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
China Overseas Land & Investment ^{13, 16a, 18}	0688.HK	Neutral	N/A	HK\$14.70	15 May 2009
Country Garden Holdings Company Limited ^{13, 16a, 18}	2007.HK	Neutral	N/A	HK\$3.31	15 May 2009
DLF Limited	DLF.BO	Sell	Sell	Rs258.15	15 May 2009
Guangzhou R&F Properties ^{1, 5, 13, 16a, 18, 22}	2777.HK	Neutral	N/A	HK\$14.72	15 May 2009
Henderson Land ^{16a, 16b, 18}	0012.HK	Buy	N/A	HK\$37.20	15 May 2009
Indiabulls Real Estate	INRL.BO	Buy	N/A	Rs148.00	15 May 2009
KWG Property Holding ¹⁸	1813.HK	Buy	N/A	HK\$4.82	15 May 2009
Sino Land ¹⁸	0083.HK	Buy	N/A	HK\$10.86	15 May 2009
Sun Hung Kai P. ^{16a, 16b, 18}	0016.HK	Neutral	N/A	HK\$81.60	15 May 2009
Unitech ^{2, 4, 5, 6, 13, 20}	UNTE.BO	Buy (CBE)	N/A	Rs51.00	15 May 2009

Source: UBS. All prices as of local market close.

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