

Sunteck Realty

Rs499

Real Estate

Best is ahead!

Mkt Cap: Rs31.4bn; US\$688.4m

Reason for report: Initiating coverage

OUTPERFORMER

Sunteck Realty (SRL), with its proven ability to market ultra-luxury projects in Mumbai Metropolitan Region (MMR), aggressive and multi-pronged land acquisition capabilities, focus on RoE, and high disclosure standards, is an interesting play on the Mumbai real estate market. While a limited execution track record and slowdown in MMR premium residential market are risks, we draw comfort from SRL's capabilities to build an attractive portfolio (32.2msf; SRL's share – 13.8msf; ~8msf to be launched over FY12-13; 67% of portfolio in MMR) in five years of existence at low costs (average cost Rs635psf; Rs916psf for MMR). Adoption of JV/ JDA structures has enabled it to acquire scale without straining the balance sheet (FY11E net gearing of 0.4x) and minimizing outflow on land acquisitions (SRL's share of land acquisition cost – ~Rs14bn). With ~Rs24bn in operating cash surplus over FY11-13E potentially providing sufficient capital for incremental growth, SRL is poised to shift to a new trajectory and create significant shareholder value. Initiating coverage with Outperformer and a 15-month price target of Rs776/ share.

Premium player and a competent land acquirer: With a series of smart land acquisitions and many ultra-premium residential launches, SRL has made a mark in the MMR within five years of inception. Partnerships with Ajay Piramal Group and Kotak Realty Fund have enhanced corporate governance, given access to capital and aided brand building. Astute use of the JV/ JDA model and quick land turnarounds have helped SRL build a 32.2msf MMR-focused portfolio at very low costs, thereby generating high project IRRs.

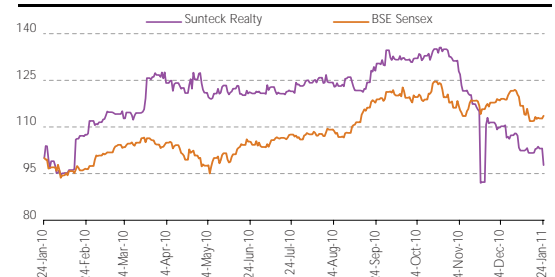
Strong launch pipeline and cashflows in FY11-13E: With clean land and approvals at advanced stages, SRL is set to launch 11 projects (6.4msf) over the next 12-15 months. Over FY11-13, we expect SRL to generate operating cash surplus of ~Rs24bn (Rs16bn of sales to date). However, revenue recognition (due to Project Completion Method) will lag for next 3-4 quarters before gaining significant pace.

Outperformer with an NAV-based price target of Rs776: While limited execution history and potential conflicts in the JV with Piramal are key risks, we expect SRL's management to create significant value as it utilizes ~Rs24bn of cash surplus to materially step up land acquisitions and project launches. This could, in turn, provide steady upsides to our FY12E NAV of Rs776 per share (55% upside from CMP).

Key valuation metrics

Year to 31 March	FY09	FY10	FY11E	FY12E	FY13E
Net sales (Rs m)	206	284	236	17,964	19,903
Adj. net profit (Rs m)	150	40	122	8,086	5,208
Shares in issue (m)	12	63	63	63	63
Adj. EPS (Rs)	12.5	0.6	1.9	128.4	82.7
% growth	-	(94.9)	204.8	6,512.6	(35.6)
PER (x)	42.1	824.0	270.4	4.1	6.3
Price/Book (x)	3.0	4.9	5.1	2.3	1.7
EV/EBITDA (x)	93.9	430.0	431.0	2.0	0.9
RoE (%)	15.1	1.0	1.9	76.7	30.3
RoCE (%)	4.1	1.1	0.6	91.5	61.9

Price performance



Bloomberg: SRIN IN **6m avg daily vol. (m): 0.091**
1-yr High/ Low (Rs): 714/416.2 **Free Float (%): 34.7**

Nitin Agarwal
Nitin.agarwal@idfc.com
91-22-6622 2568

Vineet Chandak
Vineet.chandak@idfc.com
91-22-6622 2579

IDFC Securities Ltd.

Naman Chambers, C-32, G- Block, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051 Tel: 91-22-6622 2600 Fax: 91-22-6622 2501
SEBI Registration Nos.: INB23 12914 37, INF23 12914 37, INB01 12914 33, INF01 12914 33.

“For Private Circulation only”

“Important disclosures appear at the back of this report”

Content

Investment Argument.....	3
An asset-light business model with focus on RoE.....	3
Credible and focused management.....	7
Strategic and MMR-focused portfolio.....	9
SRL: At an inflection point	11
Financial Analysis	14
Valuations & View.....	18
We value SRL at NAV of Rs48.9bn.....	18
Key risks.....	20
Annexure	21
Company overview	21
Key projects	23

INVESTMENT ARGUMENT

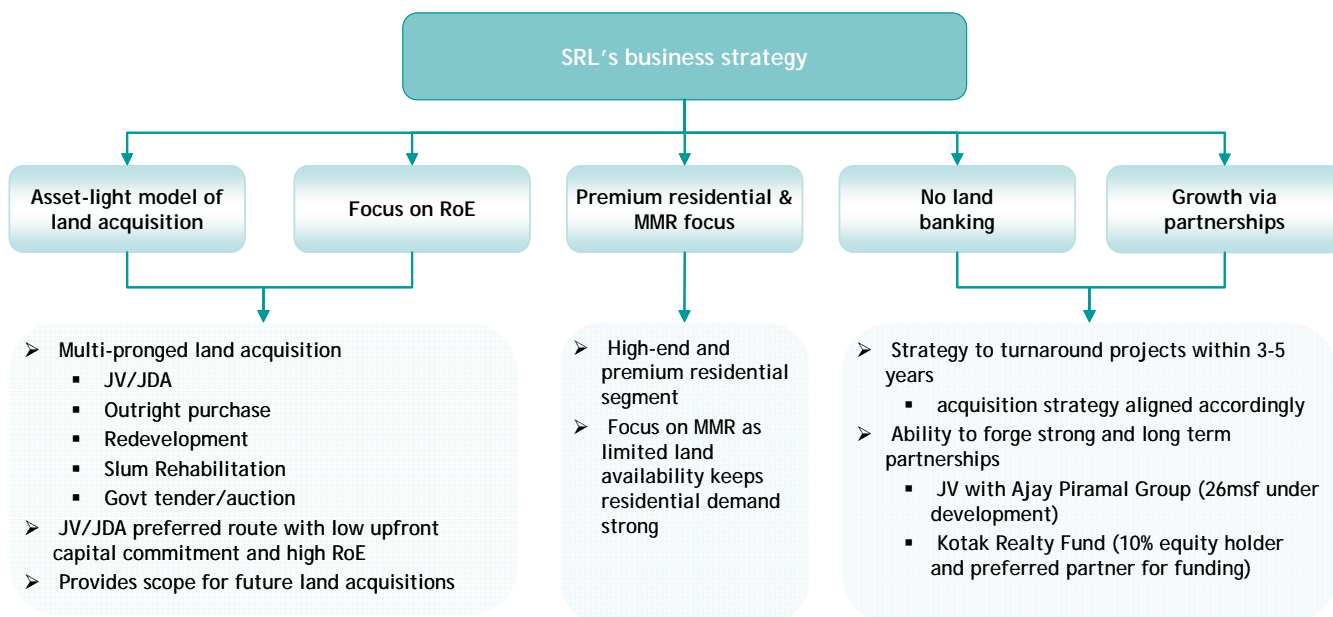
- **SRL a promising premium residential player in the MMR with proven ability to grab opportunities early and quickly turn around projects**
- **'Project completion method' of revenue recognition, in contrast to industry practice, and high disclosure standards provide transparency and credibility**
- **Unlike peers which turned cautious during the downturn, SRL continued to build its portfolio via auctions, JV/ JDAs, SRA (23msf/5.4msf in FY09/FY10)**
- **Gross NAV of Rs43.7bn (IDFC FY12E est.) build in just five years of existence; strong cashflows over FY11-13E (>Rs24bn) providing sufficient growth capital**
- **Risks pertain to short execution history, a possible slowdown in demand for premium residential property and potential conflicts in the JV with Piramal**

An asset-light business model with focus on RoE

Business strategy designed to deliver high IRRs and RoE, implying high visibility on development pipeline

An asset-light business model and aggressive management known for its ability to recognize and execute opportunities early constitute SRL's strengths. The company's business strategy is characterized by the astute use of the JV/ JDA model to acquire land, which has resulted in low acquisition costs (Rs635psf). Besides, an unwavering focus on cashflows and RoE has led the company to acquire most projects with the intention of developing them quickly. This, in turn, provides strong visibility on development pipeline and cashflows and a healthy IRR (>50%) across projects.

Exhibit 1: SRL's business strategy – a snapshot



Source: IDFC Securities Research

Strategic location of projects and deep market research helps SRL command premium pricing

Ability to command price premium

Strategic location of projects (city-centric, easy accessibility), unique positioning after adequate micro-market research (luxury product, niche segment and top-end amenities in each micro-market) and a strong brand name (helped by JV with Ajay Piramal Group) has enabled SRL to command price premium for its projects.

Exhibit 2: Comparison of SRL project with other projects in various micro markets

Project name	Location	Developer	Current price (Rs psf)	Estimated completion year
Signia High	Borivali (E)	Sunteck Realty	12,500	2013
Samarpan Royale	Borivali (E)	Kanakia	9,500	2011
Esprea Towers	Borivali (E)	Bhatia Builders	8,500	2012
Exotica	Borivali (W)	Vaswani Group	10,000	2012
Sunteck City	Goregaon (W)	Sunteck Realty	10,000*	2014
Mahindra Eminente II	Goregaon (W)	Mahindra Lifespaces	10,000	2014
Oberoi Exquisite	Goregaon (E)	Oberoi Constructions	11,000	2015
Signia Oceans	Airoli	Sunteck Realty	7,500	2012
Daffodils	Airoli	Swaraj Builders	6,200	2013
Green World	Airoli	Akshar Developers	5,500	2013

Source: IDFC Securities Research, PropEquity; *Expected launch price

When peers were forced to lie low, SRL ramped up acquisitions during the economic downturn

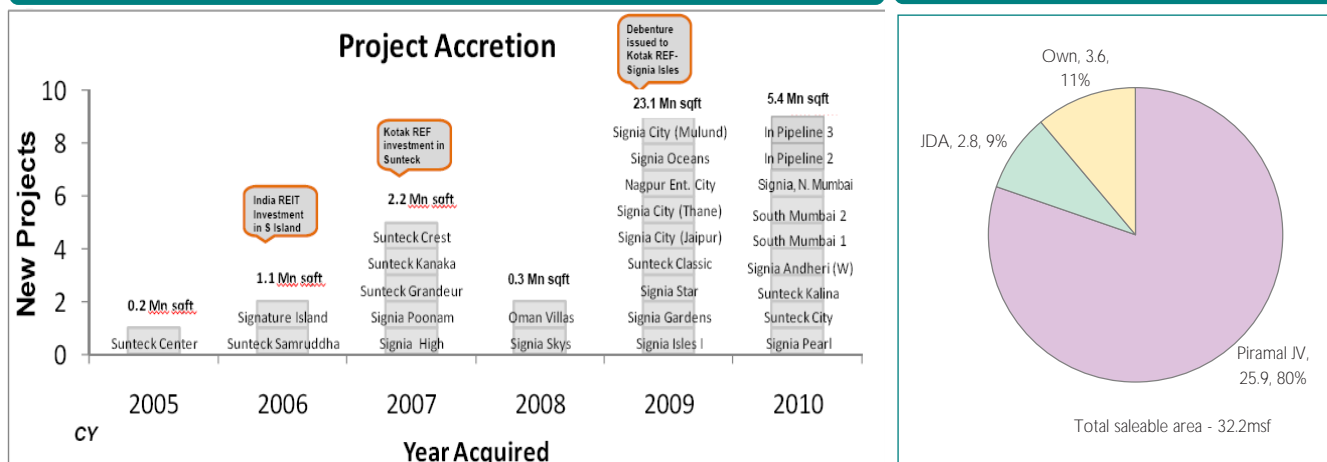
Aggressive but judicious land acquisitions

SRL has acquired land aggressively (evident from its project portfolio; see exhibit below) but judiciously through the JV/ JDA model (~89% of land bank acquired via this route). This strategy entails low upfront capital and has allowed the company to acquire parcels in strategic locations without tying up large amounts of capital or having to take hefty debt. Notably, SRL was quite aggressive in acquiring new projects during the economic slowdown in 2008-09 (when most other players slowed their pace), thereby ensuring a significantly lower average cost of acquisition.

Exhibit 3: JV/ JDA – preferred mode of land acquisition

Significant land acquisition in the past two years...

...majority acquired via JV/ JDA



Source: Company, IDFC Securities Research

Multi-pronged acquisition strategy in MMR

SRL has typically focused on the MMR, where the portfolio has grown from 0.2msf in 2005 to 21.7msf in 2010. The region has little land for outright purchase but provides alternative means of acquiring land, including slum rehabilitation projects, redevelopment of dilapidated structures, JV/ JDA with land owners, and government tenders and auctions. While most Mumbai developers specialize in one or two categories, SRL has been active in all of them. Despite being aggressive in the MMR, cost of acquisition has been quite low at Rs635 psf for the entire portfolio (32.2msf) and Rs916psf in the MMR – a key advantage.

Exhibit 4: SRL – land acquisitions in the MMR

Project	Location	Mode of acquisition	Year	Comments
Commercial Properties	BKC	Govt auction	1999	Among the first to identify BKC as a potential commercial hub
Residential Properties	BKC	Govt auction/ JV	2006-10	One of the few residential zoned land parcels in BKC; Isles and Pearl developed under Piramal JV
Signia City	Thane	JDA/ JV	2010	JDA with Piramal Healthcare (land owner); developed by the Piramal JV
Sunteck City	Goregaon	Private acquisition	2010	Acquired from a joint family after negotiations for over a year; low acquisition cost (~Rs780 psf)
Slum rehabilitation	Ghatkopar	Acquisition / JDA	2010	Bought out original developer who had already received >85% consent; ~16% revenue share to be given to original developers
Redevp. projects	Mahalaxmi, Thane	Acquisition / JV	2010	Acquisition of 50% stake in the projects; developed by the Piramal JV

Source: Company, IDFC Securities Research

The BKC project, which commands impressive realizations, is the best example of SRL's 'early bird' strategy

Ability to identify opportunities early

SRL has been ahead of the curve in its ability to identify opportunities early – it was one of the few companies that identified Bandra Kurla Complex (BKC), Mumbai, as a potential commercial hub and acquired 53,850 sq. ft (Sunteck Centrako and Sunteck Certainty) through government tenders during 1999-2001. Today, the two buildings command lease rentals ranging from Rs230-290psf per month and are fully occupied.

SRL acquired land for its landmark project, 'Signature Island', in BKC in 2006 through a government tender at a time when there were no takers for residential space in the heart of the commercial hub. The project, launched in FY09, has found an elite list of buyers (top corporates, global CEOs, etc) with elevated realizations (the latest transaction was at Rs42,000 psf).

□ Priority to monetize (RoE) over land banking...

SRL acquires land for specific projects rather than opting for large-scale acquisition for long-term development. The 'no land banking' strategy has helped the company grow quickly without compromising balance sheet health. SRL aims to turn around projects within 3-5 years, assuring higher RoE and stronger cashflows. SRL currently has a portfolio of 26 projects and plans to launch 11 projects by end-FY12.

Exhibit 5: Select project execution timelines

	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Signature Island, BKC	Project start year			Project end year										
Signia Isles, BKC		Project start year			Project end year									
Signia Pearl, BKC			Project start year			Project end year								
Signia Star, Ghatkopar					Project start year			1	2	3	4	5		
Signia City, Thane				Project start year			1	2	3		4	5	6	7
Signia High, Borivali			Project start year			Project end year								
Signia City I, Mulund				Project start year			Project end year							
Signia City II, Mulund					Project start year			Project end year						
Signia Oceans, New Mumbai		Project start year			Project end year									
Sunteck City, Bani Park				Project start year			1	2	3	4	5	6	7	8
Sunteck City, Goregaon				Project start year			1		2		3			
Signia, Mahalaxmi				Project start year			1	2	3					
Signia, Dadar					Project start year			1	2	3				
Signia Orion, New Mumbai					Project start year			Project end year						

■ Project start year
■ Phase end year
■ Project end year

Source: IDFC Securities Research

Focus on turning around projects in 3-5 years; land acquisitions purely based on project needs

The magic formula – take short-term debt and aggressively pre-pay from project cashflows

□ ... with construction outsourced to scale up execution

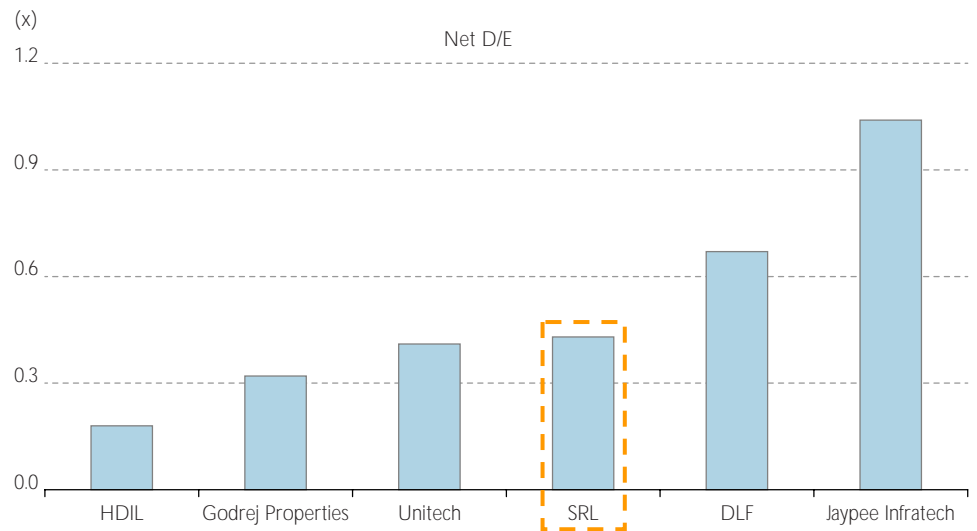
SRL utilises its strong in-house project management team with an outsourcing model for execution that emphasises quality design and construction of its projects. SRL employs several reputed domestic and international architects and construction contractors for its projects to deliver quality products with efficient architecture and timely execution. We believe this outsourcing model provides SRL with the scalability required to undertake large developments. The company is currently working with the likes of Shapoorji Pollonji (two projects), Pratibha industries and other well known contracting companies for execution.

□ Business model inherently keeps debt low

SRL's business model and its strategy to turn around projects quickly have kept leverage low. To generate high RoE, SRL takes short-term debt based on specific projects, strives for fast approvals and launches, and pre-pay debt from cashflows. 'Signature Island' – SRL's landmark project – is a case in point where the Rs700m borrowed for acquiring land was pre-paid from project cashflows.

In our coverage universe, SRL is comfortably placed as one of the companies with low leverage. While most companies raised equity (QIP) during the financial crisis to reduce their debt levels, SRL – owing to its low D/E ratio – could utilize funds raised through an equity issuance (Rs1.5bn) to finance new acquisitions.

Exhibit 6: Net D/E of our coverage universe (FY11E)



Source: IDFC Securities Research

The impact of SRL's low-debt strategy is evident in its D/E level vs peers

Credible and focused management

SRL has an experienced senior management team in place, led by Mr Kamal Khetan, Chairman and Managing Director. Mr Khetan is an astute promoter with significant real estate experience and an eye for identifying lucrative opportunities. SRL also has the ability to build long-term partnerships as demonstrated by: 1) 50:50 JV with Ajay Piramal Group (~26msf of projects under the JV); and 2) investments by Kotak Realty Fund which opted to convert its optionally convertible preference shares into 10% share capital of the company at the peak of the financial crisis (Nov-08). Also, with a PE player on the board, corporate governance/reporting is very transparent.

□ Strong management led by an astute promoter

SRL is led by Mr. Kamal Khetan (Chairman and MD), a first generation promoter with over 19 years' experience in managing diversified businesses. SRL has an experienced senior management team with diverse experience, deep understanding of the sector, and an ability to assess project risks and returns.

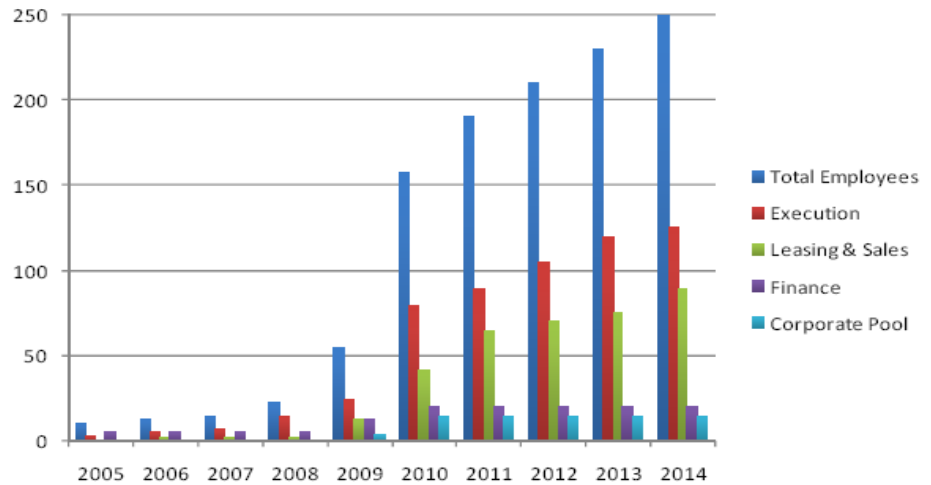
Also, the management's strategy to de-risk SRL from project-specific risks by either stake sale to a PE player or development through a JV has paid off. For example, during the economic downturn, most players were bogged down by huge debt repayment obligations while SRL was scouting for acquisition opportunities.

A fast-growing team of professionals

SRL's staff strength has grown from 10 in 2005 to 150+ now. SRL plans to increase its employee headcount to 250 by 2014. As an incentive, it has an aggressive ESOP option to the extent of 5% of equity capital.

Low project-specific risks achieved by methods like stake sale to PE player or development via JV

Exhibit 7: Sharp growth in employee strength



Source: Company, IDFC Securities Research

Partnerships enable SRL to maintain an asset-light model with keen focus on RoE and cashflows

□ Ability to forge strong partnerships

SRL has forged strong and long-term partnerships with some of the most reputed names in the industry, aided by a preference for being asset light (JV/ JDA expansion model), and its unwavering focus on cashflows and RoE. A few examples:

JV with Ajay Piramal Group (50:50)

Ajay Piramal Group, a reputed name in healthcare, made an equity investment in Signature Island in 2006 (through India REIT Fund), which eventually led to the creation of a JV called Piramal Sunteck Realty. The JV currently has ~26msf of projects under consideration with Ajay Piramal Group contributing two of its key land parcels (~40 acres in Thane and ~8 acres in Mulund; both industrial units) to the JV for real estate development.

Investment by Kotak Realty Fund (10%)

Kotak Realty Fund invested Rs1.4bn in SRL through convertible preference shares in November 2007, and in December 2008 opted to convert it into a 10% equity stake in the company despite an option to exit at 18% IRR.

□ High disclosure standards

SRL has displayed high disclosure standards in its operations and accounting, a critical attribute that is lacking in most real estate companies. The company follows the 'project completion method' of recognising revenues, the most conservative method among various options available to real estate companies. Some other initiatives for ensuring transparency include implementation of ERP across various verticals and quarterly updates on cashflows, balance sheet position, progress in sales/ construction, and addition/ disposal of portfolio. The impact of SRL's high corporate governance standards was aptly displayed in Kotak Realty Fund's decision to convert its preference shares into 10% equity.

SRL offers a high level of corporate governance standards – unlike most peers in real estate space

Residential segment accounts for ~67% of total saleable area

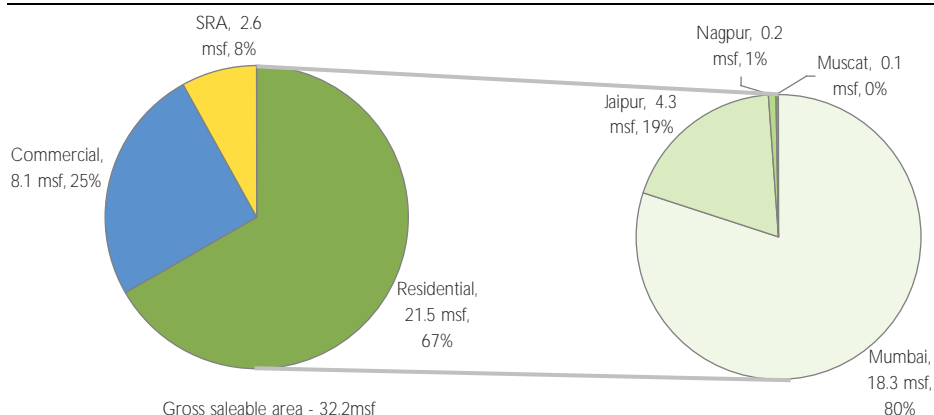
Strategic and MMR-focused portfolio

In a short span of five years, SRL has built a strong portfolio comprising 32.2msf of saleable area (SRL's effective interest, 13.8msf) with focus on premium residential (67% of total) and MMR (67% of total). Also, most projects enjoy locational advantage (city-centric, easy accessibility etc) – a key criteria for acquisition. Despite good location, SRL has managed to keep costs at reasonable levels (avg. cost of acquisition – Rs635psf; Rs912psf in MMR) – a key advantage, especially in the MMR.

□ A premium residential player

The premium residential segment, comprising ~67% of its total saleable area (32.2msf), has been a key focus area for SRL. MMR comprises ~80% of the residential portfolio and includes ~1.6msf across three super-luxury residential projects in BKC, a fast-growing business and financial district, with an effective interest of ~1.1msf.

Exhibit 8: Segmental break-up



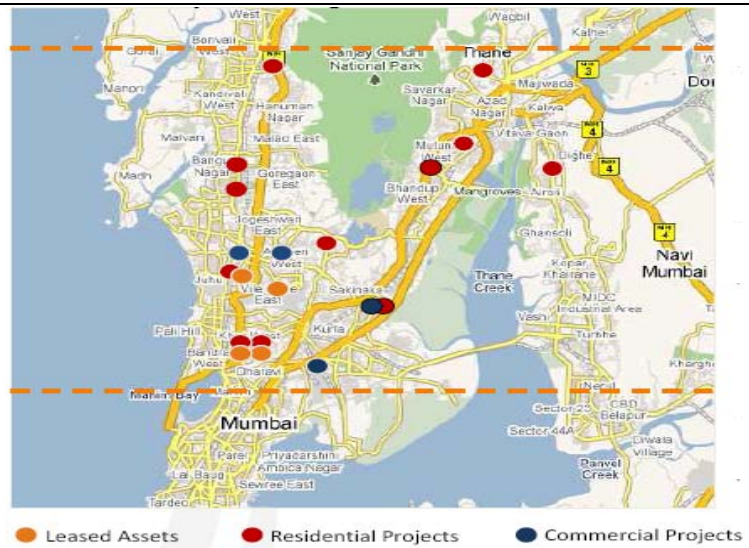
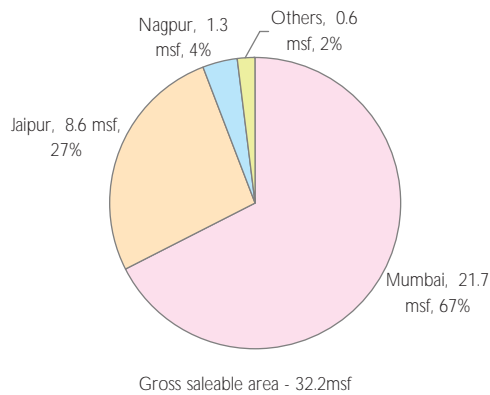
Source: Company, IDFC Securities Research

□ Prime-location portfolio with focus on MMR

SRL remains focused on the high-demand, high-value MMR market with ~21.7msf of saleable area (effective share, 10.5msf). Most of its projects are located near the expressways (eastern/western), providing easy access to various city centres as also to command a price premium. Outside MMR, SRL has a JDA for large mixed-use project in Jaipur (81 acres of prime land located between the railway station and Bani Park; ~8.6msf of saleable area) and other relatively smaller projects (~1.9msf) in cities including Nagpur, Goa and Hubli.

~21msf of saleable area in the MMR, most of it strategically located near or on expressways

Exhibit 9: Geographical break-up of SRL's portfolio... ..and project locations in MMR



Source: Company, IDFC Securities Research

Signature Island – a landmark offering

The flagship project is one of the few residential zoned projects in BKC

SRL's flagship project, Signature Island, is a high-end luxury residential offering (0.71msf of saleable area; effective interest, 0.62msf) in BKC, an MMRDA master-planned commercial region. BKC is fast developing as a business and financial district with hotels, healthcare facilities and international schools. More importantly, the project is among the few residential-zoned developments in BKC. With the size of each apartment more than 7,000 sq. ft, high-end amenities and exclusivity ('by invitation only'), Signature Island is being positioned on the lines of NCPA Apartments, a landmark development in Nariman Point, Mumbai.

Adding to the appeal and excitement, the project has already attracted an elite list of buyers (top corporate/business heads). SRL believes that Signature Island will become the landmark location in BKC (similar to NCPA Apartments) and command similar pricing (>Rs80,000 psf) post completion.

Exhibit 10: Signature Island – one of the few residential developments in BKC, Mumbai



Source: Company, IDFC Securities Research

SRL has pre-sold 30 of 80 apartments in the project at an average price of ~Rs36,000 psf, with last sale being concluded at Rs42,000 psf. Construction is progressing well and the project is expected to complete by FY12. Overall, we expect net cashflows of more than Rs16bn from the project over FY11-14.

SRL: At an inflection point

With an attractive launch pipeline of 11 projects through FY11-13, SRL provides high visibility on execution in the near term. Backed by strong cashflows from BKC projects, we expect SRL to generate net cash surplus of >Rs24bn over FY11-13. High IRR (project and equity) potential indicates strong return ratios in the coming years. Increasingly, the cash-rich balance sheet will give SRL higher bargaining power for future land/ project acquisitions, thereby enabling the company to enter a new growth trajectory and create significant shareholder value.

□ An aggressive launch pipeline over the next 12-15 months...

SRL has a busy pipeline of projects scheduled for launch in the next 12-15 months. With clear land titles and other approvals (land use conversion, approval under a particular scheme, etc) at the final stages, we expect SRL to launch 11 projects over the period. Some key launches include Sunteck City, Goregaon (~1.6msf, 100% owned); Signia City, Mulund (~2msf, Phase I 1msf, effective stake 25%); Sunteck City, Thane (8msf, phase I 1.2msf, effective stake 37.5%); and Signia Star, Ghatkopar (1.3msf, effective stake 84.2%).

Clear land titles and approvals at an advanced stage provide high launch visibility

Exhibit 11: Project launches lined up over FY11-12

Project	Location	Type	Expected launch year	Gross saleable area (msf)	Sunteck's share (msf)
Signia Sky	Nagpur	Residential	FY11	0.2	0.1
Oman Villas	Muscat	Residential	FY11	0.1	0.0
Signia City	Thane	Residential	FY12	1.2	0.4
Signia Gardens	Ville Parle	Residential	FY12	0.2	0.2
Signia City I	Mulund	Residential	FY12	1.0	0.2
Sunteck City	Bani Park	Residential	FY12	0.9	0.3
Sunteck City	Goregaon	Residential	FY12	1.6	1.6
Signia	Mahalaxmi	Residential	FY12	1.1	0.3
Signia Poonam	Andheri (E)	Commercial	FY12	0.1	0.0
Sunteck Classic	Andheri	Commercial	FY12	0.1	0.1
Sunteck Grandeur	Andheri	Commercial	FY12	0.1	0.1
Total				6.4	3.2

Source: IDFC Securities Research

□ ... provides strong cashflow visibility over FY11-13

While the BKC projects remain the key contributor, we also expect strong cashflows from the Borivali, Goregaon, Thane and Mulund projects over FY11-13. We expect an operating cash surplus (post tax) of ~Rs24bn over FY11-13 despite an estimated land cost payment of ~Rs12bn during the period. While high land cost payment (for BKC projects) would absorb the entire cash surplus of FY11, we expect SRL to generate positive cashflows of ~Rs7.7bn in FY12 and ~Rs17.1bn in FY13.

We expect an operating cashflow surplus of ~Rs24bn over FY11-13

Exhibit 12: Cashflow surplus of more than Rs24bn over FY11-13E

(Rs m)	FY11 E	FY12E	FY13E
Advances	9,780	20,076	30,903
Rental income	191	229	286
Total inflows	9,971	20,305	31,189
Construction cost	1,804	4,180	6,459
Land cost payment	8,631	2,600	750
Other outflows	158	5,817	6,807
Total outflows	10,593	12,597	14,016
Net operating surplus	(622)	7,707	17,173

Source: IDFC Securities Research

Signature Island alone to contribute more than Rs16bn to cashflows

SRL's flagship project, Signature Island, is a high-end luxury residential offering in one of Mumbai's fastest growing business hubs, Bandra Kurla Complex. It would have 0.71msf of saleable area with SRL's effective interest being 0.62msf. The company has pre-sold 30 of the 80 apartments at an average price of Rs36,000 psf. Construction is progressing well and the project is expected to complete by FY12. **With the latest sale at Rs42,000 psf, we see realizations gradually rising as the project nears completion and expect net cashflows (post tax) of more than Rs16bn from the project over FY11-14.**

□ ...and handsome IRR levels

Most of the projects have the potential to generate substantially high IRRs (exceeding 25-30% levels typically expected for project-level private equity investment), both at project and equity levels. Given SRL's strategy of judiciously using debt for short periods, the returns could be higher than estimated.

Judicious use of debt may surprise our IRR estimates on the upside

Exhibit 13: Key projects and IRRs

Project	Location	Gross saleable area (msf)	Project IRR (%)
Signature Island	BKC	0.71	102
Signia Isles	BKC	0.43	81
Signia Pearl	BKC	0.43	74
Signia Star	Ghatkopar	1.30	146
Signia City	Thane	7.93	533*
Signia High	Borivali	0.39	158
Signia Oceans	New Mumbai	0.14	28
Sunteck City	Bani Park	4.29	156
Sunteck City	Goregaon	1.55	69

Source: Company, IDFC Securities Research, *project acquired under JDA model with small upfront investment

□ Poised to enter a new trajectory

Over the past five years, SRL has demonstrated an ability to acquire projects with the potential of generating higher-than-expected IRRs despite limited access to cash and dilution at various levels (JV/ JDA/ stake sale). According to our estimates, SRL will have healthy cash reserves of ~Rs24bn by FY13. Consequently, SRL would be in a much stronger position to negotiate newer and larger projects, thereby entering a new growth trajectory and creating significant shareholder value. **Our valuations do not factor in potential value creation from utilization of excess cashflows.**

Strong cashflows to beef up balance sheet; provide muscle for larger project acquisitions

□ Some capital raising may be needed though

Sector-specific policy tightening and corporate governance concerns have made banks wary of lending to the sector. This may affect players with near-term debt repayment obligations but offer stronger players like SRL an opportunity to acquire parcels/ projects at attractive prices. Though SRL would be able to fund smaller acquisitions through internal accruals, large projects may demand part funding through equity.

FINANCIAL ANALYSIS

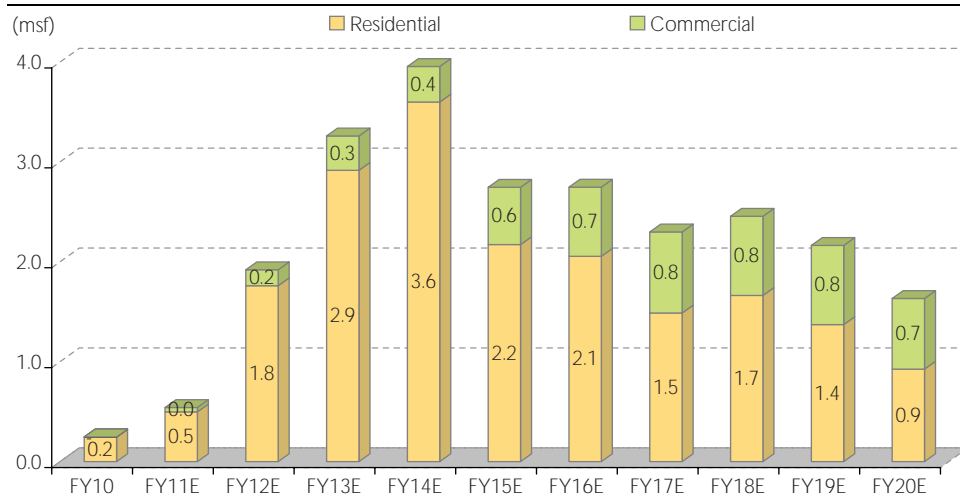
- **With an aggressive launch pipeline, sales volume is set to rise over the next 12-15 months; expect an annual run-rate of more than 2msf going forward**
- **'Project completion method' leading to lumpy revenues; revenue recognition to start with Signature Island completion in FY12**
- **Margins fluctuate due to high JV/ JDA composition; we expect 50-60% EBITDA and 25-30% PAT margins on a sustainable basis**
- **SRL to turn net cash positive in FY12; high RoE and RoCE in the initial years from a low base**

□ Volumes to pick up from FY12

With 11 launches expected in the next 12-15 months, we expect sales volumes to pick up from FY12. The suburban launches planned over the next 3-6 months (Thane and Goregaon) should aid volume growth. Commercial volumes are expected to pick up from FY15, with the majority of sales coming from the Jaipur project (4.3msf).

Near-term pipeline indicates 11 launches; commercial launches to pick up from FY15

Exhibit 14: SRL to sell 2-3msf of area annually



Source: IDFC Securities Research

□ Revenues lumpy, but will accelerate from FY12

SRL follows the 'project completion method' (PCM) wherein revenues are recognized only when a project is completed or handed over, irrespective of cashflows. We expect revenues to jump significantly from FY12, which is when the BKC projects are scheduled to be completed. Revenues would remain lumpy based on project size and pace of construction.

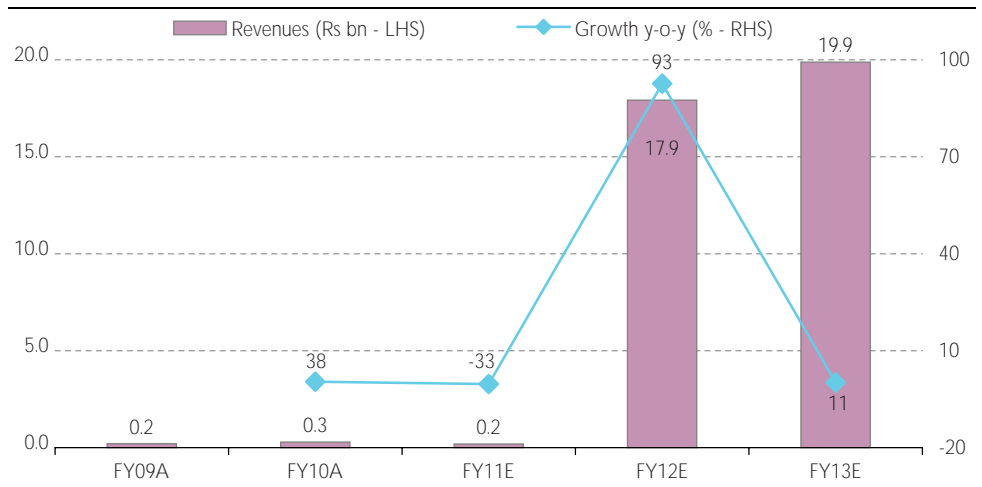
PCM policy could lead to lumpy revenues but enhances visibility and governance

Exhibit 15: Revenue recognition to accelerate from FY12

(Rs m)	FY12E	FY13E	FY14E
Signature Island, BKC	17,345	5,691	4,781
Signia Isles, BKC	-	12,113	2,329
Signia Pearl, BKC	-	-	11,677
Signia High, Borivali	-	-	3,674
Signia Oceans, New Mumbai	-	890	-
Oman Villas, Muscat	-	323	-
Sunteck Kanaka, Goa	-	459	-
Sunteck Samruddha, Dharwad	-	-	650

Source: IDFC Securities Research

Exhibit 16: Revenue and revenue growth (%) over FY09-13E



Source: IDFC Securities Research

Revenue-recognition methods

Project Completion Method (PCM): Allocable expenses incurred during the year are debited to work in progress and income is accounted for when a project is completed or fully transferred. As real estate projects take at least 2-3 years to complete, this accounting policy is very conservative. SRL and HDIL are the only listed companies which follow this method of accounting (in line with the original IFRS norms)

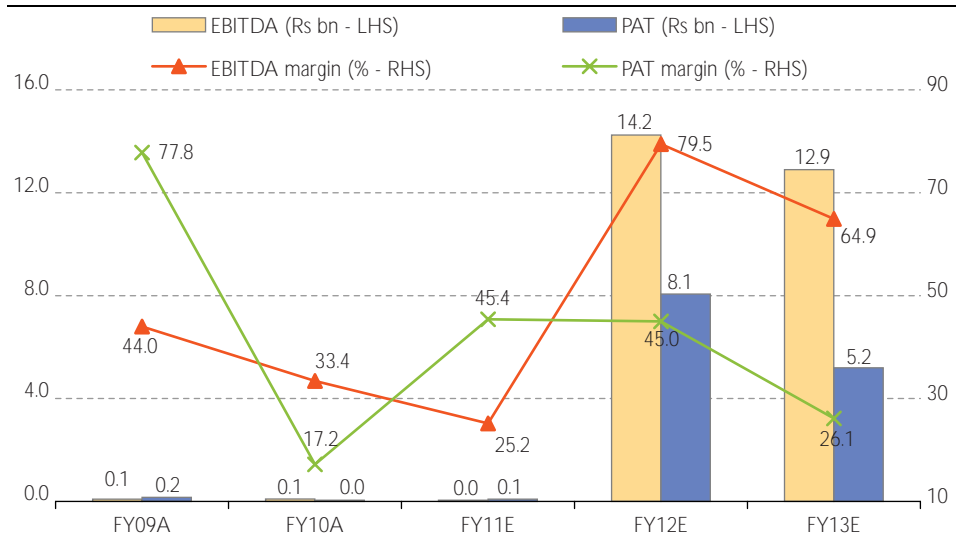
Percentage of Completion Method (PoCM): Revenues and profits are booked after a pre-determined proportion of project cost has been incurred. However, this method may lead to aggressive revenue recognition in case of pre-sales. Though cashflow may not have happened, revenues and profits are booked after a certain pre-determined proportion of project costs are incurred.

We estimate project-level margins of 30-80% and overall margin of 50-60%

❑ Margins to fluctuate but remain strong

SRL's project margins vary significantly depending on the revenue/ profit sharing arrangement of each project. While project-level EBITDA margins range from 30-80%, we expect overall margins to remain at 50-60% on a sustainable basis. Similarly, we expect PAT margins to stabilize at 25-30%.

Exhibit 17: High-margin BKC projects to boost margins in FY12-13



Source: IDFC Securities Research

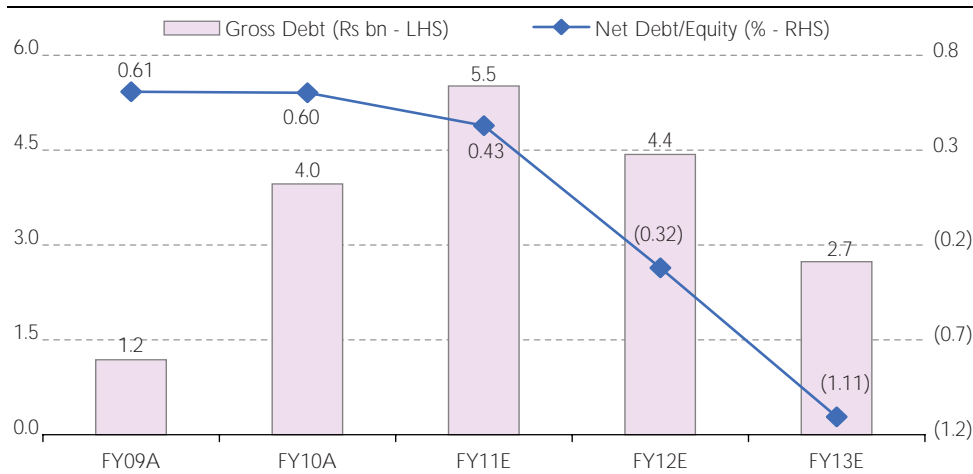
The spike in margin in FY12E is mainly due to revenue recognition from 'Signature Island' (BKC, Mumbai), which is a super-premium project with high realizations.

□ Debt not a concern; SRL to become net cash by FY12E

SRL has a strong balance sheet with a low D/E ratio and high cashflow visibility. With ~Rs24bn of cash surplus over FY11-13E, we expect debt to remain low. Moreover, part of the debt has been taken under the Piramal JV, which further reduces SRL's debt burden. However, the company may opt to take fresh debt for construction on its launched as well as pipeline projects.

We expect SRL to generate Rs24bn in surplus cash over FY11-13

Exhibit 18: Consolidated debt and Net D/E ratio



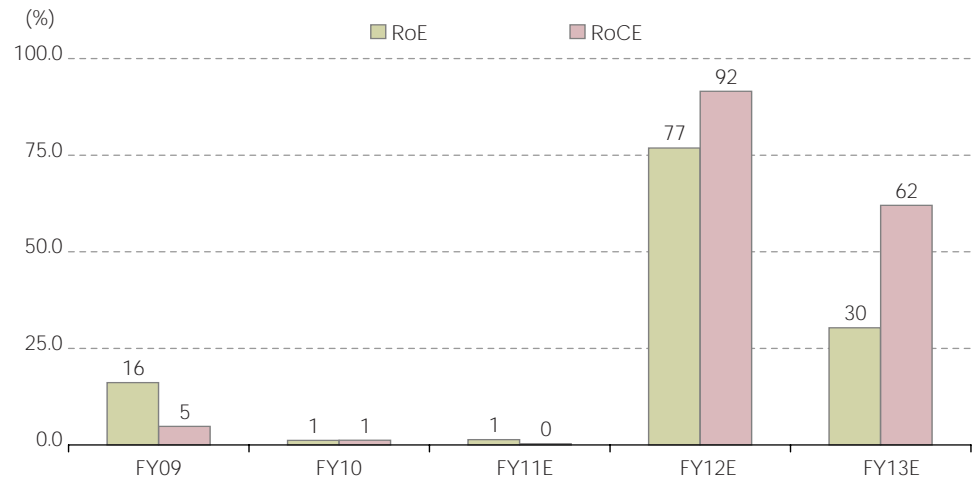
Source: IDFC Securities Research

RoE should sustain at 25-30% with BKC projects returning a high 75%

□ Return ratios to surge from FY12E

With all three BKC projects generating project IRRs in excess of 75%, we expect return ratios to jump significantly from FY12. While the sharp increase in return ratios would be from a low base, RoE should sustain at 25-30%.

Exhibit 19: RoE and RoCE trends – FY11-13E



Source: IDFC Securities Research

VALUATIONS & VIEW

- We value SRL using NAV as the methodology best captures the value of a developer's land bank
- Assumptions: The entire land bank to be developed in 10 years; 5% annual rise in property prices from FY13; 5% annual rise in construction cost from FY12
- We estimate FY12 NAV at Rs48.8bn, or Rs776 per share; residential (73%) and MMR (92%) segments represent the majority of gross NAV
- We expect SRL to trade at par with NAV given the strong development visibility, strategic location of projects and potential healthy cashflows

We value SRL at NAV of Rs48.9bn

We have valued SRL based on NAV methodology as we believe it best captures the value of the developer's land bank. Given lumpy earnings due to SRL's accounting policy of recognizing revenues after project completion, it is not meaningful to value the company on earnings.

□ Key assumptions

We believe SRL will exhaust its existing land bank (32.2msf of gross saleable area) in the next 10 years (until FY21). The following are our key assumptions:

Exhibit 20: Key assumptions

	Assumptions	Comments
Gross area under development (msf)	32.2	Including JDA/JV partner share
Sunteck's effective share (msf)	13.8	
Development timeline (years)	10.0	From FY12 to FY21
Tax rate (%)	33%	Assuming full tax rate
Discount rate (%)		
Ongoing projects	15	All residential with 1/3 rd sold out
Forthcoming projects		
Residential	15-16	
Commercial	16-17	
SRA	17-18	Factoring execution risks
Escalation in:		
Residential prices (%)	5	Starting FY13
Construction costs (%)	5	Starting FY12

Source: IDFC Securities Research

□ Valuations will track NAV

Based on the above assumptions and timelines, we arrive at an FY12E NAV of Rs48.9bn, translating into an NAV of Rs776 per share, for SRL. We believe SRL should trade on par to its NAV, given the following attributes:

- ◆ Near-term visibility on development of most projects;
- ◆ Clear title on land with limited exposure to approval-related delays; and
- ◆ Net cash of Rs9bn on the books by FY12E

NAV methodology is apt for SRL as it best captures the value of the developer's land

Valuations should track NAV due to higher visibility, strong cashflows and low approval-related risks

We arrive at a Mar-12 target price of Rs776 per share for the stock, on par with our FY12E NAV. However, we expect SRL to provide steady upsides to our NAV as it utilizes excess cashflows to step up land acquisitions and new project launches.

Exhibit 21: FY12E NAV valuation summary

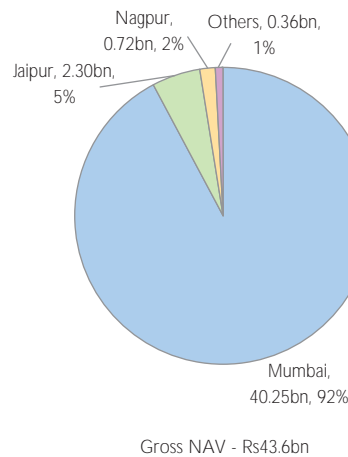
(Rs m)	FY12E		
	Rs m	% of total	NAV per share
Residential	31,845	73	506
Commercial	6,545	15	104
SRA	5,296	12	84
Gross NAV	43,685	100	694
Add: Cash	9,036		144
Less: Gross debt	(3,284)		(52)
Less: NPV of admin exp.	(573)		(9)
Net NAV	48,864		776
Outstanding shares (m)	63.0		
NAV per share	776		

Source: IDFC Securities Research

We estimate SRL's gross NAV to be Rs43.6bn as of March 2012

As of March 2012E, SRL's gross NAV would stand at Rs43.7bn with Rs9bn of net cash on the books. Residential projects would comprise ~73% of gross NAV with ~21% of NAV derived from the BKC projects. Geographically, Mumbai contributes ~92% of the gross NAV.

Exhibit 22: FY12E gross NAV break-up



Source: IDFC Securities Research

KEY RISKS

Delivery pipeline of 32.2msf over the next 10 years will test SRL's execution abilities

More than 67% of SRL's portfolio is in MMR

Piramal is planning an independent foray

Demand had diminished during the recent downturn

Future land costs could exert strain balance sheet

❑ Limited execution history

SRL has a limited execution history – the company has to date executed one commercial development (Sunteck Centre), and 10 projects (five residential, 4 commercial and one international) are at various stages of construction. The company's execution capabilities will be put to test as it plans to develop and sell 32.2msf of area over the next 10 years. Also, given SRL follows PCM accounting, any delays in execution will also delay revenue recognition.

❑ MMR concentration

While there is strong demand for premium properties in MMR, more than 67% of SRL's portfolio is located in this region and could face absorption challenges. Particularly in Thane, where there is significant supply due to easy availability of land, SRL may see demand pressure for its large ~8msf project.

❑ Potential conflicts of interest with JV partners

SRL has ~80% of its gross saleable area (~26msf) under the Sunteck Piramal JV. Any disagreement between Ajay Piramal Group and SRL with respect to management control would adversely impact growth. Also, with SRL undertaking projects outside the JV and Ajay Piramal Group planning to enter the sector independently, conflicts of interest may arise while undertaking new projects, land acquisitions, etc.

❑ Demand slowdown in the premium residential segment

SRL intends to retain focus on the high-end residential segment. But demand here largely depends on the economic scenario and the state of the financial markets. Demand for premium properties diminished during the economic crisis of FY08-09; such downturns would affect SRL's operational performance and financial condition.

❑ Land acquisitions

SRL plans to continue scouting for projects/ land to keep its pipeline strong. While it has kept acquisition costs low, the recent rise in prices could dent costs. Also, given limited supply, the company may aggressively bid for city land auction/ tender which would impact cashflows and RoE.

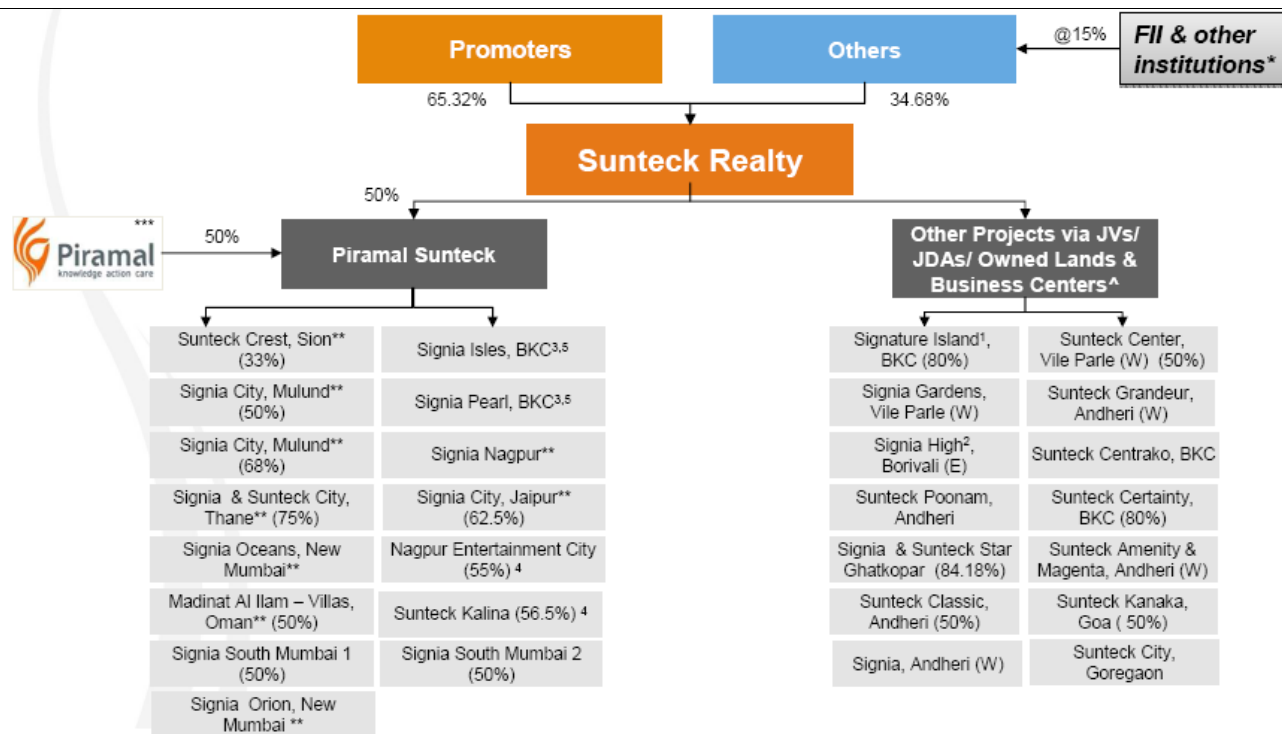
ANNEXURE

Company overview

Sunteck was incorporated on 1 October 1981 as Insul Electronics Private Limited. Its status changed from private company to public limited company on 5 February 1985 and the name was changed to Insul Electronics Limited. In 2005, Insul Electronics Limited was taken over by Manisha Khetan through an open offer, and it diversified into real estate. Subsequently, the name Insul Electronics Limited was changed to Sunteck Realty & Infrastructure Limited with effect from 26 April 2006 and again to Sunteck Realty Limited in 29 November 2007.

SRL raised Rs1.58bn through QIP in November 2009 at a price of Rs534 per share. The proceeds were mainly used to fund the acquisition of the Goregaon land parcel (5.9 acres) and a 50% stake each in projects at Mahalaxmi and Dadar, Mumbai.

Exhibit 23: SRL – business structure



1. 60% owned by Sunteck directly and balance 40% by Piramal Sunteck JV; 2. Sunteck has paid for 100% purchase of land; 3. Pursuant to letter dated 26th Oct, 09 Sunteck and Piramal Sunteck JV agreed to share investment and profit to the extent of 60-60 directly or indirectly held jointly by Sunteck and Piramal Sunteck JV and the sharing ratio between these entities is 60-60; 4. Economics are tracked by quasi-debt structure; * Includes 2.63% held by Kotak Alternate Opportunities India Fund; ** Total Shareholding of Piramal Sunteck JV; *** Ajay Piramal has earlier led Peninsula Land Ltd * Apart from the above the company also holds 20% stake in an investment property Sunteck Samrutha in Hubli, Karnataka

Source: Company, IDFC Securities Research

□ Board of Directors and key management personnel

Exhibit 24: Board of Directors

Name	Designation	Profile
Kamal Khetan	Chairman	<ul style="list-style-type: none"> • Founder of Sunteck Group • B.E. (Electronics and Communications) from MIT-Manipal, 1990
Dinkarry Kothari	Independent Director	<ul style="list-style-type: none"> • Over 50 years experience in government construction, infrastructure and real estate projects • Civil engineer; completed a course in Structural Engineering and Advanced Construction Techniques in Building Foundation from Stuttgart University, Germany
Kishore Vussonji	Independent Director	<ul style="list-style-type: none"> • Over 30 years experience as advocate and solicitor in the civil area and in dealing with matters relating to the real estate sector in Mumbai
Mahadevan Kalahasthi	Independent Director	<ul style="list-style-type: none"> • Over 25 years experience as a practicing chartered accountant specializing in corporate audit, corporate taxation, company law, etc • Qualified Chartered Accountant and Bachelor of Commerce
Ramakant Nayak	Independent Director	<ul style="list-style-type: none"> • Over 40 years experience in commercial banking; has held management leadership positions in banks, including Bank of Maharashtra, Saraswat Co-op Bank, Lord Krishna Bank (now HDFC), Marathwada Gramin Bank and Lakshmi Vilas Bank • Degree in science and law, certified associate of Indian Institute of Banking
V Hari Krishna	Nominee Director (nominee of Kotak Mahindra Trusteeship)	<ul style="list-style-type: none"> • Over 12 years experience in real estate advisory services and corporate finance with international property services companies and property funds; currently a director of Kotak Realty Funds Group. • Master in Finance and Control from Delhi University
Jignesh Sanghavi	Executive Director	<ul style="list-style-type: none"> • Over 14 years experience in construction management and project execution; with Sunteck since 2000 • BE (civil) and MBA (construction management)
Manisha Khetan	Director	<ul style="list-style-type: none"> • Over 15 years experience in real estate and shares & securities • Graduate of MKHS College, Indore

Exhibit 25: Key management personnel

Name	Designation	Profile
Kamal Khetan	Chairman	<ul style="list-style-type: none"> • Founder of Sunteck Group • Over 19 years of experience across diversified businesses
Jignesh Sanghavi	Executive Director	<ul style="list-style-type: none"> • Over 14 years experience in construction management and project execution; with Sunteck since 2000 • BE (civil) and MBA (construction management)
Darshan Gangolli	President - Finance	<ul style="list-style-type: none"> • Over 13 years of experience in real estate, infrastructure and private equity investment with IL&FS, Kotak Realty Fund, AIG and Actis. Masters in Business Mgt from Asian Institute of Mgt, Manila and a Hubert Humphrey (Fullbright Fellow) with Michigan State University, focused real estate finance in 2004-05
Janardhana Udyavar Acharya	Construction Head – Projects Operations	<ul style="list-style-type: none"> • Over 30 years experience in real estate industry • Graduate Civil Engineer from Regional College Of Engineering, Surat

Key projects

□ BKC projects

SRL has three projects in BKC – Signature Island (80 units, 0.7msf), Signia Isles (96 units, 0.4msf) and Signia Pearl (100 units, 0.4msf). While all of them are super luxury, the apartments in Isles and Pearl are smaller than those in Island. As of September 2010, SRL had sold ~0.5msf in the three projects. We expect Island to be completed by FY12 while Isles and Pearl should be completed in FY13 and FY14 respectively.

Exhibit 26: The super-luxury BKC portfolio – a snapshot

Segment	Signature Island Residential	Signia Isles Residential	Signia Pearl Residential
Gross saleable area (msf)	0.7	0.4	0.4
Effective share of SRL (msf)	0.6	0.2	0.2
JV with Piramal	No	Yes	Yes
Launch year	FY09	FY10	FY11
Completion year	FY12	FY13	FY14
No of Phases	1	1	1
Average sales price (Rs psf)	39,003	33,837	35,047
Average construction cost (Rs psf)	3,654	3,160	3,232

Source: Company, IDFC Securities Research

□ Signia High, Borivali

Signia High is a premium residential offering in Borivali and is strategically located on the Western Expressway. The land was acquired in 2009 through a JDA for 62.5% of the project. The remaining 37.5% was acquired later from the landowner, giving SRL 100% stake in the project. The project (single tower, 96 apartments) was launched in FY11 and 31 apartments have been sold to date.

Exhibit 27: Signia High, Borivali

Segment	Signia High Residential
Gross saleable area (msf)	0.4
Effective share of SRL (msf)	0.4
JV with Piramal	No
Launch year	FY11
Completion year	FY14
No of Phases	1
Average sales price (Rs psf)	9,541
Average construction cost (Rs psf)	3,016

Source: Company, IDFC Securities Research

□ Sunteck City, Goregaon

Sunteck City, Goregaon (West), is a premium residential project with gross saleable area of 1.55msf. Located close to Goregaon railway station, the project is spread over 5.9 acres and was acquired from private owners for ~Rs1.25bn (~Rs800 psf of saleable area). The project is 100% owned by SRL and is expected to be launched in the next 3-6 months.

Exhibit 28: Sunteck City, Goregaon

Segment	Sunteck City Residential
Gross saleable area (msf)	1.6
Effective share of SRL (msf)	1.6
JV with Piramal	No
Launch year	FY12
Completion year	FY19
No. of phases	3
Average sales price (Rs psf)	10,934
Average construction cost (Rs psf)	3,098

Source: Company, IDFC Securities Research

□ Signia City, Thane

Signia City, Thane, is a premium mixed-use property being developed by the Sunteck Piramal JV (50:50). SRL acquired the project through a JDA with Piramal Healthcare (land owner) in a 75:25 revenue-sharing arrangement (SRL, 75%). With rental housing scheme being sanctioned for the project, SRL is entitled to an FSI of 4 on the development area, implying a gross saleable area of ~8msf. We expect SRL to develop the project in phases with phase I scheduled to be launched in FY12.

Exhibit 29: Signia City, Thane

Segment	Signia City Mixed Use
Gross saleable area (msf)	7.9
Effective share of SRL (msf)	3.0
JV with Piramal	Yes
Launch year	FY12
Completion year	FY22
No. of phases	7
Average sales price (Rs psf)	7,976
Average construction cost (Rs psf)	2,920

Source: Company, IDFC Securities Research

□ Signia City, Mulund

Signia City, Mulund, is a mid-high range residential development. The site, located near Nirmal Lifestyle Mall, is a mixed residential and industrial area which is being redeveloped into a residential location. The project is being developed by the Piramal JV (with Piramal Healthcare being the land owner) and has ~2msf of saleable area. We expect SRL to launch phase I in FY12.

Exhibit 30: Signia City, Mulund

Segment	Signia City Residential
Gross saleable area (msf)	1.9
Effective share of SRL (msf)	0.6
JV with Piramal	Yes
Launch year	FY12
Completion year	FY16
No. of phases	2
Average sales price (Rs psf)	8,826
Average construction cost (Rs psf)	2,613

Source: Company, IDFC Securities Research

□ Sunteck City, Bani Park, Jaipur

Sunteck City, Bani Park, is a premium mixed-use project (50% residential and 50% commercial) located on ~41 acres adjoining Jaipur railway station. It is being developed by the Piramal JV and was acquired in 2008 through a JDA with Man Industrial Corporation (land owner) in a 62.5:37.5 revenue sharing arrangement (SRL's share, 62.5%). The project has a total saleable area of 8.57msf and is expected to be developed over the next 10 years.

Exhibit 31: Sunteck City, Bani Park, Jaipur

Segment	Sunteck City Residential	Sunteck City Commercial
Gross saleable area (msf)	4.3	4.3
Effective share of SRL (msf)	1.3	1.3
JV with Piramal	Yes	Yes
Launch year	FY12	FY15
Completion year	FY22	FY23
No of Phases	8	6
Average sales price (Rs psf)	5,638	8,271
Average construction cost (Rs psf)	2,428	3,562

Source: Company, IDFC Securities Research

Income statement

Year to Dec 31 (Rs m)	FY09	FY10	FY11E	FY12E	FY13E
Net sales	206	284	236	17,964	19,903
% growth	-	37.9	(17.0)	7,522.9	10.8
Operating expenses	126	198	152	3,689	6,982
EBITDA	80	86	84	14,275	12,921
% growth	-	7.4	(3.0)	16,991.1	(9.5)
Other income	111	24	70	70	70
Net interest	(0)	(0)	(2)	(581)	(1,144)
Depreciation	14	12	14	14	14
Pre-tax profit	178	98	137	13,749	11,833
Current Tax	28	58	15	4,530	3,915
Profit after tax	150	40	122	9,220	7,918
Minorities	49	358	358	358	358
Net profit after non-recurring items	150	40	122	8,086	5,208
% growth	-	(73.2)	204.8	6,512.6	(35.6)

Balance sheet

Year to Dec 31 (Rs m)	FY09	FY10	FY11E	FY12E	FY13E
Paid-up capital	114	2,202	2,202	2,202	2,202
Reserves & surplus	1,824	3,816	3,938	12,023	17,231
Total shareholders' equity	1,988	6,375	6,498	14,583	19,791
Total current liabilities	2,143	4,596	14,699	17,429	28,856
Total Debt	1,185	3,966	5,515	4,433	2,737
Other non-current liabilities	28	76	76	76	76
Total liabilities	3,356	8,639	20,291	21,939	31,670
Total equity & liabilities	5,344	15,014	26,789	36,522	51,461
Net fixed assets	90	106	127	112	98
Investments	1,808	473	473	473	473
Total current assets	3,446	13,311	25,065	34,814	49,767
Other non-current assets	-	1,123	1,123	1,123	1,123
Working capital	1,304	8,715	10,366	17,384	20,910
Total assets	5,344	15,014	26,789	36,522	51,461

Cashflow statement

Year to Dec 31 (Rs m)	FY09	FY10	FY11E	FY12E	FY13E
Pre-tax profit	178	98	137	13,749	11,833
Depreciation	14	12	14	14	14
Chg in Working capital	(1,298)	(7,076)	937	(912)	11,662
Total tax paid	(28)	(58)	(15)	(4,530)	(3,915)
Ext ord. Items & others	28	49	-	-	-
Operating cash Inflow	(1,106)	(6,976)	1,074	8,322	19,594
Capital expenditure	(104)	(1,151)	(35)	(0)	(0)
Free cash flow (a+b)	(1,210)	(8,126)	1,039	8,322	19,594
Chg in investments	(1,808)	1,334	-	-	-
Debt raised/(repaid)	1,185	2,781	1,549	(1,082)	(1,696)
Capital raised/(repaid)	1,794	4,020	-	-	-
Misc	82	318	-	(1,134)	(2,710)
Net chg in cash	44	327	2,588	6,106	15,188

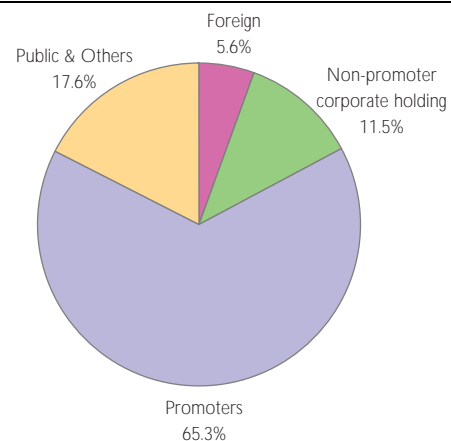
Key ratios

Year to Dec 31 (Rs m)	FY09	FY10	FY11E	FY12E	FY13E
EBITDA margin (%)	38.9	30.3	35.4	79.5	64.9
EBIT margin (%)	32.1	26.3	29.3	79.4	64.8
PAT margin (%)	72.7	14.1	51.9	45.0	26.2
RoE (%)	15.1	1.0	1.9	76.7	30.3
RoCE (%)	4.1	1.1	0.6	91.5	61.9
Gearing (x)	0.6	0.6	0.8	0.3	0.1

Valuations

Year to Dec 31 (Rs m)	FY09	FY10	FY11E	FY12E	FY13E
Reported EPS (Rs)	12.5	0.6	1.9	128.4	82.7
Adj. EPS (Rs)	12.5	0.6	1.9	128.4	82.7
PER (x)	42.1	824.0	270.4	4.1	6.3
Price/Book (x)	3.0	4.9	5.1	2.3	1.7
EV/Net sales (x)	35.1	124.9	152.8	1.6	0.6
EV/EBITDA (x)	93.9	430.0	431.0	2.0	0.9
EV/CE (x)	2.3	3.4	3.0	1.5	0.5

Shareholding pattern



As of September 2010

IDFC Securities

Analyst	Sector/Industry/Coverage	E-mail	Tel. +91-22-6622 2600
Pathik Gandotra	Head of Research: Financials, Strategy	pathik.gandotra@idfc.com	91-22-662 22525
Shirish Rane	Construction, Power, Cement	shirish.rane@idfc.com	91-22-662 22575
Nikhil Vora	FMCG, Media, Mid Caps, Education, Exchanges	nikhil.vora@idfc.com	91-22-662 22567
Nitin Agarwal	Pharmaceuticals, Real Estate	nitin.agarwal@idfc.com	91-22-662 22568
Chirag Shah	Metals & Mining, Telecom, Pipes, Textiles	chirag.shah@idfc.com	91-22-662 22564
Bhoomika Nair	Logistics, Engineering	bhoomika.nair@idfc.com	91-22-662 22561
Hitesh Shah, CFA	IT Services	hitesh.shah@idfc.com	91-22-662 22565
Bhushan Gajaria	Automobiles, Auto ancillaries, Retailing	bhushan.gajaria@idfc.com	91-22-662 22562
Salil Desai	Construction, Power, Cement	salil.desai@idfc.com	91-22-662 22573
Ashish Shah	Construction, Power, Cement	ashish.shah@idfc.com	91-22-662 22560
Probal Sen	Oil & Gas	probal.sen@idfc.com	91-22-662 22569
Chinmaya Garg	Financials	chinmaya.garg@idfc.com	91-22-662 22563
Abhishek Gupta	Telecom, Metals & Mining	abhishek.gupta@idfc.com	91-22-662 22661
Ritesh Shah	Pharmaceuticals	ritesh.shah@idfc.com	91-22-662 22571
Saumil Mehta	Metals, Pipes	saumil.mehta@idfc.com	91-22-662 22578
Vineet Chandak	Real Estate	vineet.chandak@idfc.com	91-22-662 22579
Kavita Kejriwal	Strategy, Financials	kavita.kejriwal@idfc.com	91-22-662 22558
Anamika Sharma	IT Services	anamika.sharma@idfc.com	91-22-662 22680
Varun Kejriwal	FMCG, Mid Caps	varun.kejriwal@idfc.com	91-22-662 22685
Swati Nangalia	Media, Education, Exchanges, Midcaps	swati.nangalia@idfc.com	91-22-662 22576
Nikhil Salvi	Construction, Power, Cement	nikhil.salvi@idfc.com	91-22-662 22566
Dharmendra Sahu	Database Analyst	dharmendra.sahu@idfc.com	91-22-662 22580
Rupesh Sonawale	Database Analyst	rupesh.sonawale@idfc.com	91-22-662 22572
Dharmesh R Bhatt, CMT	Technical Analyst	dharmesh.bhatt@idfc.com	91-22-662 22534
Equity Sales/Dealing	Designation	E-mail	Tel. +91-22-6622 2500
Naishadh Paleja	MD, CEO	naishadh.paleja@idfc.com	91-22-6622 2522
Paresh Shah	MD, Dealing	paresh.shah@idfc.com	91-22-6622 2508
Vishal Purohit	MD, Sales	vishal.purohit@idfc.com	91-22-6622 2533
Nikhil Gholani	MD, Sales	nikhil.gholani@idfc.com	91-22-6622 2529
Sanjay Panicker	Director, Sales	sanjay.panicker@idfc.com	91-22-6622 2530
Rajesh Makharria	Director, Sales	rajesh.makharria@idfc.com	91-22-6622 2528
Nirbhay Singh	SVP, Sales	nirbhay.singh@idfc.com	91-22-6622 2595
Suchit Sehgal	AVP, Sales	suchit.sehgal@idfc.com	91-22-6622 2532
Pawan Sharma	MD, Derivatives	pawan.sharma@idfc.com	91-22-6622 2539
Jignesh Shah	AVP, Derivatives	jignesh.shah@idfc.com	91-22-6622 2536
Sunil Pandit	Director, Sales trading	sunil.pandit@idfc.com	91-22-6622 2524
Mukesh Chaturvedi	SVP, Sales trading	mukesh.chaturvedi@idfc.com	91-22-6622 2512
Viren Sompura	SVP, Sales trading	viren.sompura@idfc.com	91-22-6622 2527
Rajashkhar Hiremath	VP, Sales trading	rajashkhar.hiremath@idfc.com	91-22-6622 2516

Disclaimer

This document has been prepared by IDFC Securities Ltd (IDFC SEC). IDFC SEC and its subsidiaries and associated companies are a full-service, integrated investment banking, investment management and brokerage group. Our research analysts and sales persons provide important input into our investment banking activities.

This document does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction.

The information contained herein is from publicly available data or other sources believed to be reliable. While we would endeavor to update the information herein on reasonable basis, IDFC SEC, its subsidiaries and associated companies, their directors and employees ("IDFC SEC and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent IDFC SEC and affiliates from doing so. We do not represent that information contained herein is accurate or complete and it should not be relied upon as such. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved). The investment discussed or views expressed may not be suitable for all investors.

Affiliates of IDFC SEC may have issued other reports that are inconsistent with and reach different conclusions from, the information presented in this report.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject IDFC SEC and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this document may come are required to inform themselves of, and to observe, such applicable restrictions.

Reports based on technical analysis centers on studying charts of a stock's price movement and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamentals.

IDFC SEC and affiliates may have used the information set forth herein before publication and may have positions in, may from time to time purchase or sell, or may be materially interested in any of the securities mentioned or related securities. IDFC SEC and affiliates may from time to time solicit from, or perform investment banking, or other services for, any company mentioned herein. Without limiting any of the foregoing, in no event shall IDFC SEC, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. Any comments or statements made herein are those of the analyst and do not necessarily reflect those of IDFC SEC and affiliates.

This document is subject to changes without prior notice and is intended only for the person or entity to which it is addressed and may contain confidential and/or privileged material and is not for any type of circulation. Any review, retransmission, or any other use is prohibited.

Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. IDFC SEC will not treat recipients as customers by virtue of their receiving this report.

Explanation of Ratings:

1. Outperformer: More than 5% to Index
2. Neutral: Within 0-5% to Index (upside or downside)
3. Underperformer: Less than 5% to Index

Disclosure of interest:

1. IDFC SEC and affiliates may have received compensation from the company covered herein in the past twelve months for issue management, capital structure, mergers & acquisitions, buyback of shares and other corporate advisory services.
2. Affiliates of IDFC SEC may have received a mandate from the subject company.
3. IDFC SEC and affiliates may hold paid up capital of the subject company.
4. IDFC SEC and affiliates, their directors and employees may from time to time have positions or options in the company and buy or sell the securities of the company(ies) mentioned herein.