

Asia India  
Property Property

Deutsche Bank 

11 Feb 2011 - 09:12:31 PM IST

## COMPANY ALERT

### HDIL

**While in-line 3Q, delay in MIAL continues; TP cut to INR 340**

## Forecast Change

**Buy**

Reuters:HDIL.BO Exchange:BSE Ticker:HDIL

Price (INR)	<b>137.55</b>
Price target (INR)	<b>340.00</b>
52-week range (INR)	<b>321.05 - 125.40</b>
Market cap (USDm)	<b>1,249</b>
Shares outstanding (m)	<b>415.2</b>
Net debt/equity (%)	<b>29.5</b>
Book value/share (INR)	<b>218.56</b>
Price/book (x)	<b>0.6</b>

FYE 3/31	2010A	2011E	2012E
Sales (INRm)	15,021	21,219	31,394
Net Profit (INRm)	5,722.1	8,293.8	14,238.9
DB EPS (INR)	17.08	19.98	34.29
PER (x)	17.0	6.9	4.0
Yield (net)	0.7	2.9	4.4

**Largely in-line 3Q:** Lower recognition from land sale (INR 0.6bn against receipt of INR 2.6bn and DBE 2bn) result in lower-than-expected revenues at INR 4.6bn (+11% yoy, +22% qoq, INR 5.5bn) and EBIDTA at INR 3.9bn (+35%, +5%, INR 4.5bn). Margins (85%) declined on qoq basis due to spike in costs (mainly sand), which drive redevelopment costs. However in-line PAT at INR 2.6bn (+57%, +20%, INR 2.5bn) due to lower-than-expected interest (INR 1.4bn, DBE INR 1.7bn post recent equity issuance) and lower tax rate (6%, DBE 20%) due to expected fall in tax rate in 4Q.

**TDR volumes & prices stay firm but continual MIAL delay:** Surprisingly firm TDR volumes at 1.25msf (-18%, +25%, DBE 1.05msf) and prices at INR 3,100/sf (+24%, +5%, DBE INR 3,000/sf). Despite HDIL's completion of ~7,000 rehab units for phase I of airport rehab project (MIAL), continual delay in identification of eligible slum dwellers by state govt force HDIL to slowdown construction of 26,000 units.

**Other highlights:** (a) Post 2Q, it sold 4 land parcels in Virar & Goregaon (INR 6.5bn) and Andheri (INR 8bn) and has received ~INR 3bn till date. While not captured in standalone 3Q, these will be concluded and captured in consolidated 4Q (b) With poor visibility over MIAL, it shifts focus to other projects. Acquires 69% stake in Malad redevelopment projects of Lashkaria (INR 4bn) and SVP Nagar (Andheri, INR 2bn) and land parcels at Shahad (INR 3.1bn) & Boisar (INR 2.5bn). Cash declines from ~INR 15bn to ~INR 3bn and net gearing rises from 29% to 41%. It has received most approvals to launch ~8msf in 4Q and another ~18msf in next 4-6 quarters.

**Cut TP, maintain Buy:** Raise the discount to GAV for MIAL from 10% to 25% resulting in TP cut to INR 340 (INR387).

#### HDIL: Trend in interims

Y/E Mar (INR m)	1QFY10	2QFY10	3QFY10	4QFY10	1QFY11	2QFY11	3QFY11	%YoY	%QoQ	DBE
Revenues	2,954	3,537	4,089	4,341	4,509	3,727	4,554	11%	22%	5,465
- TDR		3,400	3,825	3,983	3,245	2,950	3,875	1%	31%	3,150
- TDR vol (msf)		1.70	1.53	1.48	1.10	1.00	1.25	-18%	25%	1.05
- TDR price (INR/sf)		2,000	2,500	2,700	2,950	2,950	3,100	24%	5%	3,000
EBITDA	2,461	2,724	2,851	3,447	3,862	3,671	3,855	35%	5%	4,450
- margins (%)	83%	77%	70%	79%	86%	99%	85%			81%
Net Profit	1,075	1,486	1,628	1,778	2,343	2,138	2,561	57%	20%	2,484

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