HDIL

BSE code:	532873
NSE code:	HDIL

CMP: Rs 533 **Target: Rs 694** **BUY**

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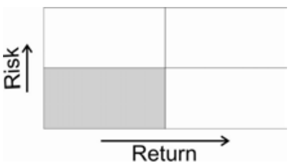
Company data

Particulars	
Market cap (Rs bn / US$ bn)	115.6/2.9
Outstanding equity shares (mn)	214.4
52-week high/low (Rs)	634/477
Monthly average daily volume	929,170

Financial snapshot

Particulars	FY07	FY08E	FY09E
Sales (Rs mn)	12,034.5	20,780.0	37,160.0
Growth (%)	185.1	72.7	78.8
Adj net profit (Rs mn)	5,418.1	8,615.1	15,572.7
Growth (%)	375.6	59.0	80.8
FDEPS (Rs)	30.1	40.2	72.7
Growth (%)	375.6	33.6	80.8
P/E (x)	17.7	13.3	7.3
RoE (%)	74.5	26.5	32.8

Risk-return profile



Shareholding pattern

(%)	July-07
Promoters	60.6
FIIs	6.7
Banks & FIs	21
Public	11.7

Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
HDIL	533	2.4	NA	NA
Sensex	15,590	4.9	10.9	21.0

Company website	**www.hdil.in**

Strong underpinnings

Largest land bank in Mumbai; Best play on city's slum rehabilitation scheme

Investment rationale

- Mumbai-based real estate developer belonging to the Wadhawan Group, with a diversified presence in the residential, commercial, retail and slum rehabilitation segments. Established brand equity, especially in the residential and commercial segments.
- Highest saleable land bank among listed Mumbai realty players, at 115.8mn sq ft, expected to be executed by 2012. Has completed 24 projects to date totalling ~11.3mn sq ft.
- Government thrust towards transforming Mumbai into an international financial hub will throw open large opportunities for realty players – HDIL would be the biggest beneficiary considering its dominant position in the city.
- HDIL is a prominent player in the Maharashtra government's slum rehabilitation scheme (SRS), with 2mn sq ft of land developed under the SRS. Land bank at Mumbai's prime Bandra-Kurla Complex together with prospects for slum rehabilitation for the Mumbai airport and Dharavi projects could generate more value than the company's present market cap.
- In-principle government approval received for one SEZ. Once notified, this zone will yield a significant valuation upside.

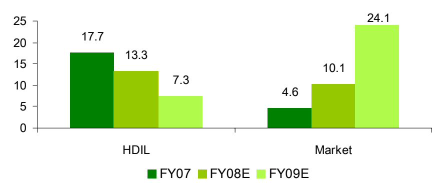
Key concerns

- Proposed development of 115.8mn sq ft of land in the next five to six years indicates the need for a significant scale-up of execution capability. Any delay in execution is likely to impact the company's financials.
- Concentration of land reserve in and around Mumbai (85% of total) leaves HDIL vulnerable to any slowdown in realty offtake or prices in the city.

Valuation

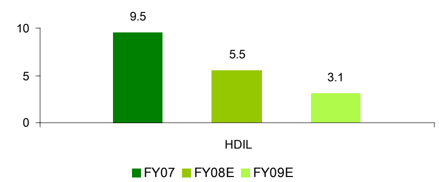
- Initiate Buy with a target price of Rs 694, which is 1x NAV and inversely, a P/E of 7.3x on FY09E EPS of Rs 72.7.

P/E multiple (x)



Source: Religare Research

Market cap/Sales multiple (x)



Source: Religare Research

Company profile

Belongs to the Wadhawan Group which has over 73mn sq ft of saleable area to its credit

Founded in 1996, HDIL is a part of the Wadhawan Group, a reputed real estate developer operating in the Mumbai Metropolitan Region (MMR). The group has been in existence for close to three decades now, and has a total of 73.2mn sq ft of saleable area to its credit. HDIL has traditionally focused on the development of residential projects and, more recently, entered into commercial and retail properties. The company is also deeply involved in slum rehabilitation scheme (SRS) projects in Mumbai where it benefits from the expertise of its group companies which have undertaken 13.4mn sq ft of slum rehabilitation to date.

11.3mn sq ft developed to date…

HDIL's completed portfolio consists of 24 projects covering 11.3mn sq ft of saleable area. This includes 5.7mn sq ft of land development (involving the creation of infrastructure on land for sale to other developers), and 2.2mn sq ft of rehabilitated area.

…with a target of executing 115.8mn sq ft by 2012

The company's land reserve has mounted to 115.8mn sq ft of saleable area as at the end of August 2007, with a bulk of the land located in the MMR. This excludes land and development rights which HDIL may be in the process of acquiring. The average cost of its land bank is less than Rs 200/sq ft. HDIL currently has 21 projects totalling 45.5mn sq ft under development, with a number of projects aggregating 70.3mn sq ft planned for execution by 2012. These projects are located in and around Mumbai as well as in Kochi, Pune and Hyderabad.

Project profile

(mn sq ft)	SRS			Non-SRS		
Segments	Completed	Ongoing	Planned	Completed	Ongoing	Planned
Residential	1.6	2.2	-	2.1	31.2	55.7
Commercial	0.6	3.4	-	0.7	0.1	3.3
Retail	-	0.8	-	0.5	7.7	11.3
Infrastructure	-	-	-	5.7	-	-
Total	2.2	6.4	0	9.0	39.0	70.3

Source: Company

Eyeing mega projects in BKC and South Mumbai

In addition to a huge land bank in Andheri, Vashi and Virar, HDIL is now developing properties in prime locations in Mumbai such as Bandra (including Bandra-Kurla Complex–BKC), Santa Cruz, Andheri and Worli. These include both residential and commercial developments. We expect this shift in geographic focus to add value going ahead.

Near tripling of revenues in FY07

Revenues grew nearly 3-fold in FY07 from Rs 4.3bn to Rs 12bn

During FY07, the company's turnover increased by 176.9% from Rs 4.3bn in FY06 to Rs 12bn. This was primarily due to higher sales of commercial and residential units, and increased FSI/TDR and land sales.

Revenue break-up

Particulars (Rs bn)	FY07	FY06
Commercial and residential units	2.6	0.5
FSI/TDR	8.3	3.3
Land and land development rights	1.1	0.6
Total turnover	**12.0**	**4.3**

Source: Company, Religare Research

Business segments

HDIL has three business lines comprising:

- Real estate development, which comprises the construction and development of residential, commercial and retail projects.
- Slum rehabilitation and development, which includes clearing slum land owned by the government or private parties and re-housing affected slum dwellers.
- Land development, which covers the creation of infrastructure on land for sale to other developers.

Residential business

Most residential units are pre-sold due to their prime locations and strong brand recall

HDIL's residential projects consist of apartment complexes with multiple-storied apartment towers as well as self-contained planned communities (townships) with mixed-use residential and commercial space. Prime locations, good quality construction and a reputed brand name allow the company to sell a significant portion of its residential units prior to completion of a project. HDIL currently has 20 residential projects (ongoing plus planned), aggregating ~86.9mn sq ft, to be developed over the next five to six years in Mumbai, Pune, Kochi and Hyderabad. The company also intends to develop ~2.2mn sq ft of residential space as part of its SRS projects.

Residential projects

Location (mn sq ft)	Ongoing	Planned	No. of projects
MMR	16.9	55.3	16
Kochi	6.3	0	1
Hyderabad	8.0	0	2
Pune	-	0.4	1
Total	31.2	55.7	20

Source: Company, Religare Research

Commercial business

HDIL has developed several commercial and office projects across various locations within the MMR, which are largely targeted at established financial and service sector companies. The company has also undertaken the development of several multiplexes, either as standalone structures or within upcoming malls. HDIL follows the build-and-sell model of development and does not retain ownership or managerial responsibilities in any of its projects. It currently has two projects under development in the commercial space totalling 0.1mn sq ft, with a further 6mn sq ft planned as part of its SRS and non-SRS initiatives.

Retail business

18 ongoing plus planned retail projects covering 19mn sq ft

HDIL sells retail space directly to store operators, rather than retaining ownership and leasing the space. Many of its retail projects are located in areas where the company is also developing residential and commercial properties. HDIL's retail development pipeline until 2012 comprises 18 projects covering ~19mn sq ft.

Retail projects

Location (mn sq ft)	Ongoing	Planned	No. of projects
MMR	5.2	11.3	15
Kochi	0.7	-	1
Hyderabad	1.9	-	2
Total	7.8	11.3	18

Source: DRHP

Land occupied by slum dwellers constitutes a significant portion of developable land in Mumbai

Slum rehabilitation and development

HDIL is engaged in slum rehabilitation projects on both government and private land in Mumbai. This involves new housing for slum dwellers under a government plan administered by the Slum Rehabilitation Authority (SRA). The company also re-houses slum dwellers displaced by government infrastructure projects such as roadway expansion. Land occupied by shanty towns or slums constitutes a significant portion of developable land in the MMR; rehabilitation projects thus provide significant opportunities for real estate development. The company has 13 ongoing rehabilitation programmes in Mumbai.

SRS projects

SN	Location	Saleable Area (units)	Rehabilitation	Estimated completion	Type
1	Bandra	30,041	26,210	2008	Residential
2	Bandra	148,369	-	2008	Residential
3	Bandra-Kurla	159,074	159,074	2009	Commercial
4	Bandra- Kurla	2,595,756	2,828,000	2008-10	Commercial
5	Ghatkopar	509,457	509,457	2008	Residential
6	Andheri	279,390	279,390	2009	Residential
7	Andheri (E)	454,269	-	2009	Commercial
8	Santa Cruz	200,000	200,000	2009	Commercial
9	Santa Cruz	100,000	100,000	2009	Retail
10	Jogeshwari	385,825	385,825	2009	Residential
11	Malad	117,205	117,205	2010	Retail
12	Malad	868,106	868,106	2010	Residential
13	Malad	578,737	578,737	2010	Retail

Source: Company, Religare Research

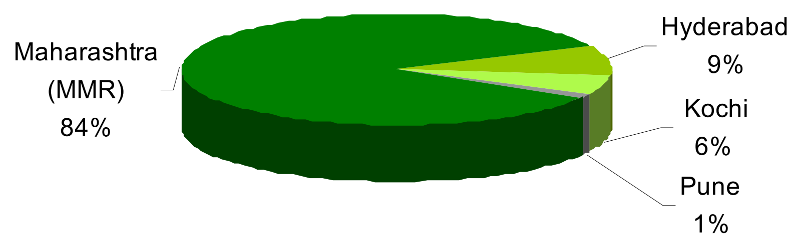
Investment rationale

Expertise in identifying key locations ahead of competition, and at a low cost

Largest land reserve concentrated in and around Mumbai

HDIL's key competitive edge is its ability to identify and aggregate land development rights in locations with immense potential, ahead of competition and at a relatively low cost. This gives the company a significant advantage in expanding its real estate development business. HDIL currently has a land bank of 115.8mn sq ft of saleable area – the highest among listed realty players in Mumbai, providing profit streams up to 2012. Approximately 98.7mn sq ft or 84.5% of the land reserve is in and around Mumbai, the country's commercial capital and an important real estate market. The company currently has 21 projects totalling 45.5mn sq ft under development, with projects aggregating 70.3mn sq ft planned for execution by 2012.

Land bank distribution



Source: Company, Religare Research

Realty players would play a big rold in aiding Mumbai's proposed transformation into an international financial hub

Mumbai evolving into an international financial hub

There is an increasing government thrust towards transforming Mumbai into an international financial hub. However, this can only be achieved if the city's infrastructure undergoes a radical overhaul. Among the key segments that need to be addressed are:

a) Transport (upgrade of roads, railways and airports), b) Power (increase in generation, transmission and distribution capacity), c) Water supply (including better sewerage and drainage), d) Telecommunications (expansion of cellular networks, landlines and international bandwidth), and e) Real estate (rehabilitation and resettlement of slums, creation of residential and commercial space by increasing FSI or higher land allocation, normalising of rentals by capacity creation specially in South Mumbai and the repeal of the land ceiling act).

Mumbai's proposed transformation into an international financial hub would thus throw open several new projects for real estate companies. We expect HDIL to be the biggest beneficiary considering its position as the largest realty player in Mumbai.

Low cost of land acquisition

Of the total land reserve of 115.8mn sq ft, 69% is held by HDIL on ownership basis. The company has sole development rights for another 5.6%. The balance 25.4% is by way of MoUs or contractual, joint development or sale agreements. The company's land bank comprises 105.7mn sq ft of residential, commercial and retail space, acquired at a total estimated cost of Rs 12bn. We thus reckon that HDIL's average land acquisition cost is as low as Rs 113.9/sq ft. This excludes the cost of 3.7mn sq ft of land acquired by the company after its IPO in July, the modalities of which were concluded only this month (purchased via an MoU).

Land acquisition cost

Particulars	
Total land bank (mn sq ft)	**112.1***
Proportion in residential, commercial and retail segments (mn sq ft)	105.7
Total acquisition cost (Rs bn) (Rs 1.6bn outstanding payment)	12.0
Average cost (Rs/per sq ft)	113.9

*Source: Company, Religare Research *Excludes land acquired post-IPO*

Land reserve

Particulars	Developable area (mn sq ft)	% of total acreage
Owned by the company	79.4	68.6
Sole development rights	6.5	5.6
MoU/Agreement to acquire/letter of		
- Subject to govt allocation	2.7	2.3
- Subject to private allocation	14.8	12.8
Joint development with partners	12.3	10.7
Total	**115.8**	**100.0**

Source: Company, Religare Research

Land at BKC sold to Adani group for Rs 18bn in FY07; Still holds land worth Rs 33bn

Land bank in BKC, Mumbai will unlock significant value

In FY07, HDIL entered into an agreement with the Adani group for the sale of 1.7mn sq ft of land in Mumbai's Bandra-Kurla Complex (BKC) for Rs 18bn. This works out to Rs 11,000/sq ft and will be received by the company in three instalments over FY07-FY09. HDIL still holds 1.1mn sq ft of land at BKC, a prime commercial location which has witnessed a doubling of realty prices in the last couple of years.

The company expects to realise at least Rs 30,000/sq ft from this piece of land, which translates to a sale value of Rs 33bn (~one-third of HDIL's market cap). The company may sell this land outright or may choose to develop it over FY09-FY10. We have not factored in the balance BKC land holding into our land bank estimates and valuation.

Slum rehabilitation – a goldmine for real estate players…

Under the SRS introduced by the Maharashtra government, real estate developers construct houses for slum dwellers free of cost, in exchange for additional development rights (FSI/TDR) in areas owned by the builder north of the redeveloped slum land. The scheme also includes the clearing of public and private land for residential, commercial, retail or infrastructure development, in exchange for development rights in the cleared areas. The SRS offers tremendous opportunities for real estate developers who are able to utilse the resultant FSI/TDR in prime locations, while incurring a cost (for re-housing slum dwellers) that is far less than the purchase costs for developable land.

…with HDIL being an established participant

Currently developing 13 SRS projects covering 6.4mn sq ft

HDIL has extensive experience in identifying appropriate slum rehabilitation projects as well as working with the government authorities who regulate these projects. The company has already completed 2.2mn sq ft of slum rehabilitation work in Mumbai with construction of over 6.4mn sq ft currently underway. We expect SRS projects to contribute a significant portion of the company's total revenues, going ahead, especially considering the estimated 463mn sq ft of rehabilitation requirement in the MMR (see box), going ahead.

Large swathes of slum land, infrastructure projects to sustain SRS

According to the Slum Rehabilitation Authority (SRA), ~55% of the population in Greater Mumbai stays in slum colonies. This together with an estimated 2mn slum dwellers residing within Mumbai city, translates into a requirement of 450mn sq ft of rehabilitated area. New infrastructure projects such as the MUTP (Mumbai Urban Transport Project) and the MUIP (Mumbai Urban Infrastructure Project), are expected to displace a further 58,000 slum dwellers, translating into an additional rehabilitation requirement of ~13mn sq ft.

Dharavi redevelopment holds immense potential

The redevelopment of Dharavi, Asia's biggest slum sprawling across 223 hectares, is expected to take off soon. Located in the heart of Mumbai, the Dharavi redevelopment project opens up a goldmine for real estate developers. A large number of developers across the world have entered bids for the global tender floated by the government, with the project scheduled for completion within seven years.

HDIL, being an experienced participant in slum redevelopment, is likely to be one of the key beneficiaries of the project. The land for redevelopment has been divided into five sectors and HDIL has entered bids for all five. The tender is expected to close very soon and results are likely to be out within a couple of months thereafter. HDIL has tied up with Lehman Brothers for this project.

Dharavi redevelopment sets aside 30.2mn sq ft for rehab units, with 55mn sq ft up for sale

Dharavi project

Particulars	
Total land area	223 hectares
No. of rehab units	**57,531**
Project cost	Rs 92.5bn
Duration of project	7 years
Area under development	85.2mn sq ft
Area for sale	55.0mn sq ft
Area for slum rehab	30.2mn sq ft
Cost of rehabilitation	Rs 22.7bn
Sale proceeds	Rs 140.0bn

Source: SRA

Extension of Mumbai airport also presents a large opportunity

Could bag a project for re-housing 75,000-85,000 displaced slum dwellers

The Mumbai International airport is currently undergoing an expansion and modernisation programme (being undertaken by GVK Power). The airport is surrounded by hutments and 270 acres of land must be cleared to allow for the proposed expansion. We estimate that this would involve the rehabilitation and resettlement of 75,000-85,000 slum dwellers. The rehabilitation project is expected to begin shortly and HDIL stands a high chance of bagging the project considering its expertise in SRS execution. This will be a significant positive trigger to the company's valuations.

Expansion into new high-value segments including SEZs

HDIL has one Special Economic Zone (SEZ) in the MMR's Thane district for which it has received in-principal approval from the Ministry of Commerce and Industry. We have not considered the value of this land in our estimates, since the zone is yet to be notified by the government. As and when notifications are received, HDIL's valuations will receive a significant boost.

The company also plans to enter into the hotel sector and is evaluating various potential sites for such projects. It believes that hotels would compliment its existing business and proposes to employ a build-and-own model, with the operation and marketing outsourced to major hotel operators under a management agreement. HDIL has a large plot of land in South Mumbai, where it has tied up with DS Corporation on a 45% profit sharing basis. After obtaining the necessary clearances, HDIL may set up a hotel here after forming a JV with an overseas or domestic hotel chain.

Strong credentials in real estate development

Since its inception in 1996 HDIL has completed 24 projects covering ~11.3mn sq ft of saleable area. The company's projects have an enhanced buyer perception, especially since HDIL is a part of the Wadhawan group which has developed a strong reputation for quality construction in the MMR over the past three decades. The company has created strong brand equity among the middle to higher middle class group in the residential segment, while establishing a firm foothold in commercial and retail segments as well.

Business model can be easily replicated in different locations and for other types of projects

HDIL's expertise includes strong relationships with suppliers from whom it sources material and with contractors that it engages for carrying out construction services. This enables it to keep a firm check on quality and cost. We believe that this experience and expertise will enable HDIL to replicate its business model in other parts of the country and for other types of projects.

SWOT analysis

Strengths	Weaknesses
❖ Large land bank with saleable area of 115.8mn sq ft, of which 45.5mn sq ft is currently being executed. ❖ An experienced player in SRS. ❖ Diversified business model including residential and commercial projects, SRS, hotels and SEZs with a presence in MMR, Kochi and Hyderabad. ❖ Strong financial performance and prime land (like BKC) to add significant value.	❖ Large portion of land bank is concentrated in the MMR.
Opportunities	**Threats**
❖ Dharavi, airport SRA projects to add value. ❖ SEZs – new areas which will drive growth. ❖ Room to expand presence beyond MMR. ❖ Urbanisation, rising purchasing power and lifestyle changes will create more demand.	❖ Delay in project execution. ❖ Changes in regulatory policies. ❖ Rising interest rates & construction costs.

Key concerns

Large tracts of underdeveloped land

Planned execution of 19.3mn sq ft per year could prove challenging

A large part of HDIL's land reserves consist of undeveloped land on the northern outskirts (Virar) of Mumbai city. We believe that the company is faced with a significant challenge in executing its envisaged mega township and SEZ projects here over the next five to six years. Moreover, with 11.3mn sq ft completed since its inception in 1996, the planned execution of 115.8mn sq ft by 2012-13 (implying 19.3mn sq ft of development per year) could prove challenging.

Asset/ business cycle risk

Over the last few years, land prices have been rising across India, translating into immediate gains on the existing land banks of realty players. The high prices expose HDIL to an asset cycle risk, as any fall in prices would have a significant impact on profitability. A drop in prices could also result in customers adopting a wait-and-watch approach before booking new properties, specifically in the residential segment, while existing customers may cancel bookings. This would impact cash flows and significantly affect the company's ability to complete projects or start new ones.

SEZ foray may not pan out as expected

HDIL plans to foray into SEZ development where its success depends on its ability to attract industrial- and service-oriented companies. Further, uncertainty over the status of project applications, changing SEZ laws and the possibility of withdrawal of benefits introduced under the SEZ Act are threats to the company's foray in this segment.

Concentration of land reserves

About 85% of the company's land reserve is located in the MMR and any downturn in the region's realty market will affect the company's financials significantly.

Financial review and outlook

Quarterly results

Particulars (Rs mn)	Q1FY08	FY07	FY06	% Chg
Net sales	4,432.8	12,030.4	4,221.5	185.0
Other income	25.6	130.6	180.2	(27.5)
EBIDTA	2,389.3	6,618.1	1,399.5	372.9
EBITDA margin (%)	53.9	55.0	33.2	65.9
Interest	97.8	430.0	105.7	306.8
Depreciation	2.3	6.3	2.6	142.3
PBT	2,289.2	6,181.8	1,291.2	378.8
Tax	262.3	763.7	152.0	402.4
PAT	2,026.9	5,418.1	1,139.2	375.6
Equity capital (diluted)	2,142.70	2,142.7	2,142.7	2,142.7

Source: Company, Religare Research

FY07 revenue increased by 185% with an improved margin

Sharp margin growth in FY07 due to SRS project contribution and gains from BKC land sale

Consolidated revenues logged 185% growth in FY07 to Rs 12bn as against Rs 4.2bn in FY06. The EBIDTA margin also increased significantly to 55% in FY07 as against 33.2% last year. The higher operating margin is on account of a greater contribution from SRS projects and gains from the BKC land sale. In Q1FY08 as well, the EBIDTA margin has been maintained at 54% and we expect similar levels to sustain going ahead. PAT for FY07 increased by 376% to Rs 5.4bn as against Rs 1.1bn in FY06.

We expect a 76% revenue CAGR over FY07-FY09

We expect HDIL to record a 75.7% revenue CAGR over FY07-FY09 accompanied by a net profit CAGR of 70%. The company's performance will primarily be driven by its presence across the residential, commercial and slum development segments. Further, a strong project pipeline in the MMR reflects high long-term growth visibility.

Valuation

Peer comparison

Highest project area currently under construction

Only player undertaking SRS projects

Particulars	Unitech	DLF	HDIL
Land bank size & cost			
In acres	10,842	10,255	NA
In mn sq ft	482.0	574.0	115.8
Average cost of land bank in books (Rs/sq ft)	165	235	114
Under construction projects (mn sq ft)	**35.0**	**44.0**	**45.5**
Land bank as per segments (% of mn sq ft)			
Residential	66	67	89
Commercial	12	15	3
Retail	8	10	19
Plots	14	8	0
SRS	X	X	6
Hotels	√	√	√
IT Parks and SEZs	√	√	√
Comparison on valuation parameters			
NPV (Rs)	234	490	694
CMP/NPV (x)	1.1	1.3	0.8
Promoters holding (%)	75.0	87.4	60.6
Operating margin – FY07 (%)	56.4	57.2	55.0
CMP(Rs)	248	622	533
FY07 EPS (diluted equity) (Rs)	7.7	11.4	30.1
FY07 P/E (x)	32.2	54.5	22.6

Source: Religare Research

Our NAV-based target of Rs 694 represents an upside of 30%; Buy

Solid growth prospects; we initiate Buy with a target of Rs 694

At the current price of Rs 533, HDIL trades at a P/E of 13.3x on FY08E EPS of Rs 40.2 and 7.3x on FY09E EPS of Rs 72.7. Using the NAV valuation approach, we arrive at a target price of Rs 694 for the scrip. HDIL currently quotes at 0.8x one-year forward NAV of Rs 694 which is relatively cheaper than DLF (1.3x) and Unitech (1.1x). Considering HDIL's large land bank, its prominence in slum rehabilitation, and new forays into SEZs and hotels, we believe the company has solid growth prospects. We initiate coverage with a Buy with a target price of Rs 694 – an upside of 30%.

Comparative valuation

Particulars	HDIL	Parsvnath	Sobha Developers
Current market price	540	316	780
O/S equity shares	214.2	184.6	73.0
Market cap (Rs bn)	115.7	58.3	56.9
Sales			
FY06	4222	6438.3	5966.2
FY07	12034	15103	11865
FY08E	20780	25740	26447
FY09E	37160	43243.6	37510
EBIDTA (%)			
FY06	33.2	24	18.4
FY07	55	29.2	21.8
FY08E	58.5	36.8	20.1
FY09E	57.9	38.1	20.1
PAT (Rs mn)			
FY06	1,139.3	1,062.4	894.7
FY07	5,418.1	2,922.5	1,615.0
FY08E	8,615.1	5,552.7	3,097.0
FY09E	15,572.7	9,702.8	4,301.0
P/E (x)			
FY06	85.7	54.5	63.4
FY07	17.9	19.9	35.5
FY08E	13.4	10.5	18.4
FY09E	7.3	6.0	13.2
NAV (Rs)	694	512	970
M/Cap/NAV (x)			
FY07	0.7	0.6	0.8

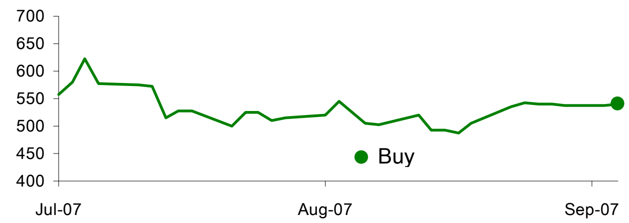
Source: Religare Research

Recommendation history

Date	Event	Reco price	Target	Reco
29-Jun-07	IPO Note	430-500	NA	Subscribe
10-Sep-07	Initiating Coverage	533	694	Buy

Source: Religare Research

Stock performance



Source: Religare Research

Financials

Profit and Loss statement

(Rs mn)	FY06	FY07	FY08E	FY09E
Revenues	4,221.5	12,034.5	20,780.0	37,160.0
Growth (%)	550.1	185.1	72.7	78.8
EBITDA	1,219.4	6,487.5	12,032.2	21,395.1
Growth (%)	406.4	432.0	85.5	77.8
Depreciation & Amortisation	2.6	6.3	12.0	15.0
EBIT	1,216.8	6,481.3	12,020.2	21,380.1
Growth (%)		432.6	85.5	77.9
Interest	105.7	430.0	650.0	1,000.0
Other income	180.2	130.6	130.0	130.0
EBT	1,291.3	6,181.9	11,500.2	20,510.1
Growth (%)	645.6	378.7	86.0	78.3
Tax	152.0	763.7	2,885.0	4,937.4
Effective tax rate (%)	11.8	12.4	25.1	24.1
Net income (adjusted)	1,139.3	5,418.1	8,615.1	15,572.7
Growth (%)	682.1	375.6	59.0	80.8
Shares outstanding(mn)	500.0	1,800.0	2,144.5	2,144.5
FDEPS (Rs)	6.3	30.1	40.2	72.7
DPS (Rs)	-	-	2.0	2.0
CEPS(Rs)	22.8	30.1	40.2	72.7

Source: Company, Religare Research

Balance sheet

(Rs mn)	FY06	FY07	FY08E	FY09E
Cash and cash equivalents	397.5	47.8	842.0	753.0
Accounts receivable	773.9	3,102.6	5,100.0	9,024.3
Inventories	4,373.2	11,525.1	21,100.0	35,500.0
Others current assets	1,245.5	2,332.0	23,006.7	30,607.3
Current assets	6,790.1	17,007.5	50,048.7	75,884.6
LT investments	1,132.8	1,650.4	4,100.0	4,654.0
Net fixed assets	49.4	235.9	273.9	308.9
CWIP	10.3	3.5	10.0	10.0
Total assets	7,982.7	18,897.3	54,432.6	80,857.5
Payable	4,081.9	7,218.6	10,071.0	16,861.0
Others	81.6	645.2	3,379.0	5,426.1
Current liabilities	4,163.4	7,863.8	13,450.0	22,287.1
LT debt	1,964.6	3,756.8	8,500.0	11,000.0
Other liabilities	4.4	8.3	18.3	33.3
Equity capital	500.0	1,800.0	2,144.5	2,144.5
Reserves	1,350.1	5,468.3	30,319.7	45,392.7
Networth	1,850.1	7,268.3	32,464.2	47,537.2
Total liabilities	7,982.7	18,897.3	54,432.6	80,857.6
BVPS(Rs)	37.0	40.4	151.4	221.7

Source: Company, Religare Research

Cash flow statement

(Rs mn)	FY06	FY07	FY08E	FY09E
Net income (E BT)	1,291.3	6,181.9	11,500.2	20,510.1
Depreciation	4.1	6.3	12.0	15.0
Other non-cash adjustments	(85.8)	237.4	519.2	(1,871.3)
Changes in working capital		(7,426.0)	(29,402.5)	(19,134.7)
Operating cash flow	(72.9)	(1,000.4)	(17,371.2)	(481.0)
Capital expenditure	(19.2)	(189.5)	(60.5)	(54.0)
Investments	(532.1)	(517.6)	(2,449.6)	(554.0)
Other investing cash flow	(10.2)	-	-	-
Investing cash flow	(561.5)	(707.1)	(2,510.2)	(608.0)
Free cash flow	(634.4)	(1,707.5)	(19,881.3)	(1,089.0)
Issue of equity / warrants	(7.4)	(7.1)	16,580.8	0.0
Issue/repay debt	1,050.8	1,791.4	4,744.7	2,499.3
Dividends paid	-	-	-	(499.7)
Int Paid	(30.9)	(430.0)	(650.0)	(1,000.0)
Financing cash flow	1,012.5	1,357.0	20,674.0	1,000.3
Beginning cash & cash equivalents	378.2	(349.6)	794.2	(89.0)
Change in cash & cash equivalents	19.3	397.5	47.8	842.0
Closing cash & cash equivalents	397.5	47.8	842.0	753.0

Source: Company, Religare Research

Financial ratios

	FY06	FY07	FY08E	FY09E
EBITDA margin(%)	33.2	55.0	58.5	57.9
EBIT margin(%)	33.1	54.9	58.5	57.9
Net profit margin(%)	27.0	45.0	41.5	41.9
EPS growth(%)	-	375.6	33.6	80.8
Receivables(days)	66.9	94.1	89.6	88.6
Tax/PBT	11.8	12.4	25.1	24.1
Payables (days)	-	203.9	187.1	165.1
Current ratio(x)	1.6	2.2	3.7	3.4
Interest coverage(x)	13.3	15.4	18.7	21.5
Debt/equity ratio (x)	1.1	0.5	0.3	0.2
ROE(%)	61.6	74.5	26.5	32.8
ROCE(%)	36.6	60.0	29.7	36.7
ROAE (%)	14.3	28.7	15.8	19.3
EV/Sales(x)	6.3	8.0	5.9	3.4
EV/EBITDA(x)	18.9	14.5	10.0	5.8
P/E (x)	84.3	17.7	13.3	7.3
P/BV (x)	14.4	13.2	3.5	2.4
P/CEPS (x)	23.4	17.7	13.3	7.3

Source: Company, Religare Research

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Recommendation parameters

Large-caps*	> 10%	< -5%	Absolute Returns
	BUY	SELL	
Mid-caps**	> 25%	< 10%	

**Market cap over US$ 1bn **Market cap less than US$ 1bn*

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