ENAM Securities
India Research

Rs 585
Target Price: Rs 596
Potential Upside: 2%

COMPANY REPORT

DLF Ltd

Relative to sector: **Neutral**

THE PATRIARCH OF INDIAN REAL ESTATE

- DLF is India's largest real estate developer with a **land bank of ~13,055 acres totaling ~615mn sq. ft.**, expected to be developed over the next 10-12 years.
- In addition to the well-accepted **Net Asset Value** (NAV) valuation methodology, we have valued DLF using a **sum of parts approach**, which we believe is more apt for Indian real estate at this time. At CMP of Rs 585, the stock trades at **a 6% premium to our NAV of Rs 553.** We believe the stock is fairly valued & initiate coverage with a Sector **Neutral** rating and a sum of parts price target of **Rs 596.**

Valuation Summary

	Best Case	Base Case	Bear Case
Net Asset Value Approach			
Capitalization Rate (%)	6.5	9	10
Occupancy Rate (%)	100	95	85
Discount Rate (%)	12	14	16
NAV per share (Rs)	**747**	**553**	**438**
Sum of parts Approach			
Rollout in FY09 (mn sq ft)*	40	32	25
Conversion margin assumed (Rs./psf)	2,250	2,000	1,750
Multiple to conversion margin (x)	10	10	10
Conversion Margin Value (Rs. bn)	**900**	**630**	**444**
Land Value (Rs. Bn)	**433**	**389**	**346**
Rental income (FY07) (Rs. bn)	2	2	2
Multiple assigned (x)	12	10	8
Completed Assets	**19**	**15**	**12**
Total Valuation	**1,351**	**1,035**	**802**
Less: Net debt	19	19	19
SOTP value per share (Rs)	**781**	**596**	**459**

Source: ENAM Research, * Note: Best Case: As per company's estimates; Base Case: Our estimates; Bear Case: At industry growth rate

Upsides to our base case valuation

Factor	Description
Cap Rates	Introduction of REITs & increased foreign interest in Indian realty is expected to lead to **cap rate compressions** unlocking value. However, **regulation for REITs is still not in place.**
Interest Rates	Softening of interest rates can lead to lower cost of debt **(lower discount rates)** as well as increase industry volumes significantly.
Joint Ventures	Value accretion from **JVs with Lang O'Rourke** (construction), **WSP** (design & engineering), **Feedback Ventures** (project management), **Hilton** (hospitality), **Fortis** (Healthcare), **Nakheel** (SEZ)
Hotels & SEZs	DLF plans to develop **25,000 hotel rooms** by 2016 and is also in the process of acquiring land for 4 large **SEZs over 26,100 acres** *(See page 21)*

Downsides to our base case valuation

Factor	Description
Conversion Margins*	Oversupply in micro markets may put pressure on selling prices, thereby resulting in a **squeeze on conversion margins.**
Execution scale up	Valuations based on a huge ramp up in delivery volume, posing **significant execution challenges**
Risk of land usage	**Large part of land bank still not zoned**, i.e. converted from agricultural to commercial use. This **legal/title risk is not factored** in current valuations.

Source: ENAM Research, * See Annexure I for selling prices assumed

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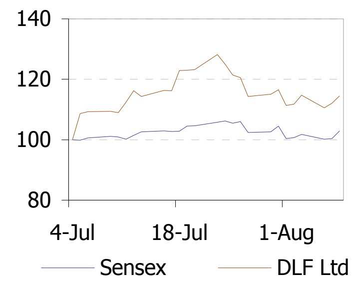
Relative Performance



Source: Bloomberg, ENAM Research

Stock data

No. of shares	: 1,705mn
Market cap	: Rs 997bn
52 week high/low	: Rs 714/ Rs 506
Bloomberg code	: DLFU IN

Shareholding (%)		Jun-07
Promoters	:	88.2
FIIs	:	5.9
MFs / UTI	:	0.4
Banks / FIs	:	0.4
Others	:	5.1

- DLF Ltd. (DLF) is **India's largest, premium, real estate developer, having completed ~224mn sq. ft.** (including ~195mn of plots) of development, since its inception in 1949. The company has over the last 6 decades developed 22 urban colonies/ integrated townships, including the 3,000-acre DLF City, in Gurgaon.
- DLF currently has **~49mn sq. ft. under construction** across the commercial (~30mn), retail (~13mn) & residential (~7mn) segments. It intends to **focus on the comm. & retail segment in the near term** (~66% of revenues in FY08-09E) with plans to lease ~40% of its projects in these segments.
- DLF follows a **low-risk/ high-return business model**, acquiring large tracts of land on the outskirts of cities & gradually developing them, resulting in **lower price volatility and price appreciation.**
- DLF is targeting a **steady state delivery of ~40-45mn sq. ft. annually by FY10** (10.5 mn in FY07), comprising of ~10-12mn commercial, ~8-10mn retail, ~2-2.5mn high-end residential & ~20mn of mid-segment housing.
- DLF has entered into **JVs with strategic partners to augment its execution** considerably as it enters new areas of development. DLF's key JV partners are **Lang O'Rourke** (construction & infra development), **WSP** (design & engineering), **Feedback Ventures** (project mgmt) and **Nakheel** (SEZ development).
- We believe DLF's strategic land reserves, focus on commercial and retail segments, large balance sheet size and construction acumen offer an excellent play on Indian realty. However, a multifold jump in development activity will pose **significant execution challenges.**

Financial summary*

Y/E Mar	Sales (Rs mn)	PAT (Rs mn)	EPS (Rs)	Change YoY (%)	P/E (x)	RoE (%)	EV/EBIDTA (x)
2006	11,699	1,917	1.1	122	-	22.5	-
2007	26,172	19,413	11.4	913	-	78.7	-
2008E	119,668	60,491	35.5	212	16.5	53.3	42.1
2009E	170,091	88,192	51.7	46	11.3	38.6	41.5

Valuation	(Rs)
NAV (Rs)	553
Price/ NAV (x)	1.06
SOTP Value (Rs)	596
Price/ SOTP (x)	0.98

Source: Company, ENAM estimates; Note: * Does not include SEZ or hotel projects

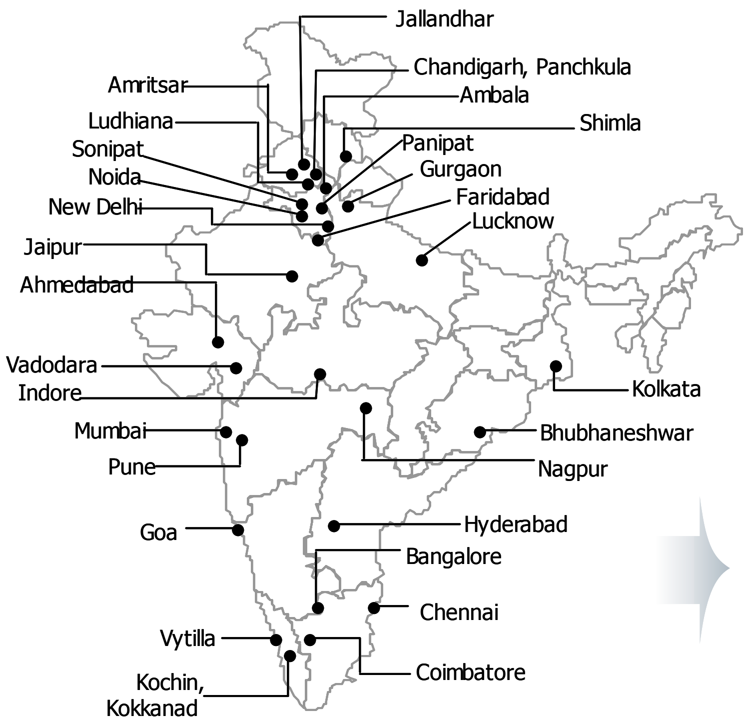
Contents

Executive Summary

SETTING THE PACE FOR INDIAN REAL ESTATE

Founded in 1946 as Delhi Lease and Finance, DLF is India's **largest real estate development company** in terms of completed developments. Its operations **span all aspects of real estate development**, from the identification and acquisition of land, planning, execution and marketing of projects, to maintenance and management of the completed developments.

Group's Presence in Real Estate



Segment (mn sq. ft.)	Completed	Under Constr.	Planned
Residential	19	7	321
Commercial	7	30	80
Retail	3	13	52
Plots	195	-	109
Total	**224**	**49**	**562**

Source: Company

Strategic Land Reserves

As on date, DLF had land reserves amounting to ~**13,055+ acres with an aggregate estimated developable area of ~615 mn sq. ft.** spread across 32 cities in India with the top 3 locations (NCR, Kolkata and Chennai) accounting for ~68% of the total land bank. Further, **all of DLF's land parcels fall within the respective city's master plan,** enabling faster conversion.

DLF's current land reserves

(mn sq ft)	Total	Super Metros	Metros	Tier I	II
Office	124	62	25	27	11
Retail	90	35	28	12	15
Super luxury	4	4	0	0	0
Luxury	41	38	0	2	1
Mid Income Homes	226	75	108	39	4
Institutions	20	5	14	0	0
Villas / Plots	110	34	31	30	15
Total	**615**	**253**	**206**	**110**	**46**
%	*100%*	*41%*	*33%*	*18%*	*7%*

Source: Company

In addition to the above, DLF also owns developed plots of ~7.2mn sq. ft. in Gurgaon and intends to develop 23 super luxury and luxury hotel sites as well as community clubs and a golf course. In addition, DLF, through its subsidiary, DLF Power also owns power generation assets which supplies captive power.

Huge Execution Scale Up Planned

Having completed ~224mn sq. ft. space since inception (~195mn of plotted development, ~19mn sq. ft. of residential, ~7mn sq. ft. of commercial and ~3mn sq. ft. of retail space), DLF has now embarked on a huge expansion drive to develop ~615mn sq. ft. over the next ~10-12 years. Having delivered ~10.5mn sq. ft. of space in FY07, DLF now plans to deliver ~16mn sq. ft. and ~22mn sq. ft. in FY08 and FY09 and subsequently reach a **steady state delivery of ~40-45mn sq. ft. per annum** by 2010. (~12mn of commercial; ~8-10mn sq. ft. of retail and ~2-2.5mn sq. ft. of high-end residential space; ~20mn sq. ft. of affordable mid-segment housing). To achieve this target, DLF has **entered into several strategic joint ventures** with Laing O'Rourke for construction expertise, WSP for engineering and design services and has also recently acquired an interest in Feedback Ventures for management consulting services.

DLF's launch and construction plans

(mn sq ft)	2008	2009	2010	2011	2012
Retail	7.73	12.71	12.21	4.71	2.34
Commercial	15.39	12.91	17.15	16.62	14.49
Residential	1.40	11.42	20.94	33.32	39.17
Plots	0.92	3.92	8.89	9.93	10.51
Total	**25.44**	**40.96**	**59.19**	**64.57**	**66.52**

Source: Company

Segmental focus: Commercial & Retail in the near term

We believe DLF's projects can be divided into 4 main segments – commercial, retail, high end residential and affordable mid-segment housing.

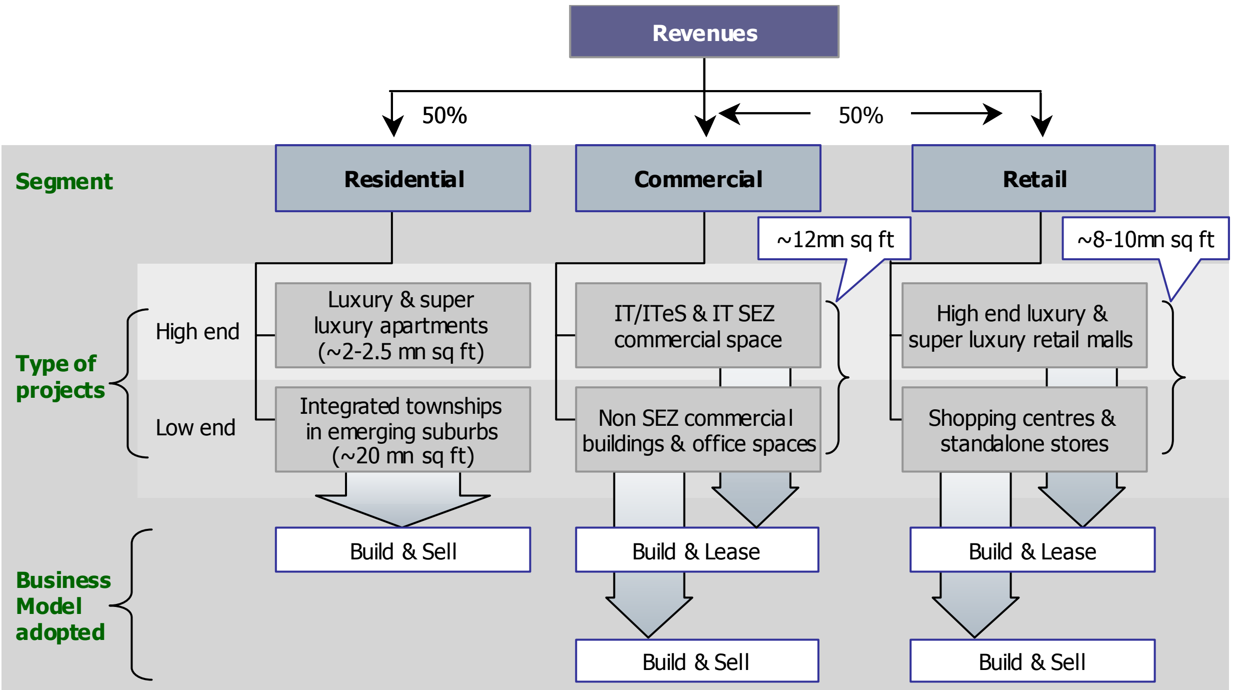
Unlike most developers today, DLF now intends to **focus on the commercial and retail segment over the next few years**. Of the ~49mn sq. ft. of space under development, ~84% is in the commercial & retail segment (~29.56mn &

~12.9mn respectively) with the balance ~6.7mn sq. ft. being in the high-end residential segment. In value terms, once DLF achieves its steady state of execution, the commercial and retail segments are expected to contribute ~50% of revenues, with the balance coming from the residential segment (~25% from high end projects; ~25% from affordable mid-segment housing). In volume terms, ~50% of space is expected to be in the high-end segment with the balance coming from the middle-income segment.

We believe **this focus on commercial and retail project augurs well for the company, given the dearth of supply of quality retail space and Grade A office supplies in the micro markets that the company is present in**. Due to this current supply/demand mismatch skewed in its favor, DLF has been able to tie up **~16mn sq. ft. of pre-leased commercial & retail properties** which are currently under construction. Further, increased interest in Indian real estate by **REIT like structures can result in cap rate compressions, thereby unlocking significant value** for the company, which currently sells its assets at a cap rate of 9%. However, regulations for introduction of REITs is currently not in place.

As part of its business expansion strategy, DLF also plans to diversify into other real estate related businesses such as development of **SEZs**, expansion of its **multiplex business** and development of the super luxury business, budget **hotels** and service apartments.

DLF's segmental focus



Source: ENAM Research

While DLF has been adopting a Build and Sell model until now, going forward, it intends to adopt a **mix of sale and lease** of projects to maximize value. While it plans to sell all of its residential projects, DLF intends to lease ~25% of its commercial properties and about ~65% of its retail projects to build a portfolio of high yielding quality properties, which it can monetize in the future.

Competitive Advantage

DLF currently has a land bank of **~13,055 acres which it has acquired at considerably low costs (~Rs 200/ sq. ft.)** over the last several years, giving DLF, **India's largest real estate developer,** a key advantage over competition. Moreover, these reserves are expected to last the company for the next 10-12 years, reasonably assuring the profitability of the company for a sustained period of time. DLF has also significantly ramped up its execution capabilities through **JVs with partners such as Lang O'Rourke, WSP and Nakheel** in order to meet its development targets. Further, DLF's strong balance sheet gives it considerable bargaining and negotiation power in acquiring further land parcels as and when the right opportunities arise as well as the ability to withstand down cycles. DLF's **strong brand** in terms of quality and timeliness also arms it with a premium pricing power over competition ensuring higher margins on its projects.

Concerns

The recent increase in land prices exposes DLF to an asset cycle risk, as any fall in prices would have a significant impact on its profitability. The replenishment of land stock may also not be possible at the same low costs, which can significantly affect operating margins on future projects. DLF also faces a **significant challenge in its execution scale up** to reach its targeted delivery volumes.. Entry into newer geographies further augments the execution challenges. With ~60% of the land bank still not converted for commercial use, we believe there is also a certain degree of legal risk attached to the company. Also, **a large part of its value is derived from larger projects** such as its DLF City, Gugaon and Dankuni project in Kolkata, which can be susceptible to delays and demand resistance.

Valuations

In addition to the well-accepted Net Asset Value (NAV) valuation methodology, we have valued DLF using a sum of parts approach, which we believe is more apt for Indian real estate at this time. This approach gives due weightage to the execution ability of a company, a key factor in gauging the performance of developers.

Sum-of-parts approach

The key components of our methodology are: 1) **Land bank value:** Current market value on a post tax basis, after conversion to commercial use 2) **Conversion margin**: Margin enjoyed from undertaking the core activity of construction, development and selling (does not include land gains), 3) **Leased income**: Valued on a 9% rent capitalization basis. As per the above valuation methodology, **we believe DLF's fair value to be ~Rs 596 on a base-case scenario.**

Sum-of-parts Valuation

Conversion Margin

Best Case

(Rs bn)		Conversion Margin (Rs./psf)			
		2,000	2,250	2,500	2,750
Conv. Margin Multiple (x)	9	720	810	900	990
	10	800	900	1000	1100
	11	880	990	1100	1210
	12	960	1080	1200	1320

Base Case

(Rs bn)		Conversion Margin (Rs./psf)			
		1,750	2,000	2,250	2,500
Conv. Margin Multiple (x)	9	567	638	709	780
	10	630	630	788	867
	11	693	780	867	954
	12	757	851	946	1040

Bear Case

(Rs bn)		Conversion Margin (Rs./psf)			
		1,500	1,750	2,000	2,250
Conv. Margin Multiple (x)	9	456	513	570	627
	10	507	444	634	697
	11	558	627	697	767
	12	608	684	761	837

Final Valuations

Conversion Margin	900
Land Value	433
Completed Assets	19
Total	**1351**
Less: Net debt	19
Best Case target price	**781**

Conversion Margin	630
Land Value	389
Completed Assets	15
Total	**1035**
Less: Net debt	19
Base Case target price	**596**

Conversion Margin	444
Land Value	346
Completed Assets	12
Total	**802**
Less: Net debt	19
Bear Case target price	**459**

Land Value

(Rs bn)		Bear Case	Base Case	Best Case
	(x)	0.8	0.9	1
Market Value	682	546	614	682

Completed Assets

(Rs bn)		Bear Case	Base Case	Best Case
	(x)	8	10	12
Rental income (FY07)	1.5	12	15	19

Source: ENAM Research

Net Asset Value

As per our calculations, DLF's Net Asset Value is estimated to be **Rs 553*.** At CMP of Rs 585 the stock trades at an **6% premium** to our NAV.

Sensitivity Matrix*

(Rs. mn)		Selling price escalation (%)				
		0	3	5	7	10
WACC (%)	12	422	522	597	679	820
	13	408	503	574	653	787
	14	395	485	553	628	756
	15	382	468	533	605	727
	16	370	452	515	583	699

Source: ENAM Research; Escalation in construction costs assumed to be constant;
Note: This does not include any hotel or SEZ projects of the company

NAV: Key Assumptions

Variable	Assumption
Escalation in selling price	5%
Escalation in construction costs	4%
Contingencies considered (% of costs)	2%
Discount Rate	14%

Source: ENAM Research

While we remain bullish on the Indian realty story over the longer term we believe the stock is fairly valued and initiate coverage with a Sector **Neutral** rating and a sum of parts price target of **Rs 596.**

Sensitivity: Cap rates and occupancy

(Rs. mn)		Capitalization Rate (%)				
		6	7	8	9	10
Occupancy Rate (%)	100	729	666	618	581	552
	95	694	634	588	553	525
	90	658	601	558	525	498
	85	623	569	528	497	472
	80	587	536	498	469	445

Source: ENAM Research

Comparative Valuations

DLF, being a developer, would be comparable to other developers such as Unitech, Parsvnath Developers, Sobha Developers and Anant Raj Industries.

(Rs mn)	Anant Raj Industries	Parsvnath Developers	Sobha Developers	Unitech Ltd*
Price (Rs.)	**1,208**	**330**	**813**	**512**
No. of Shares	55	185	73	812
Market Cap (Rs. bn)	**66**	**61**	**59**	**416**
Financials				
Sales				
2007	2,043	15,103	11,865	32,883
2008E	8,090	22,616	16,489	45,879
2009E	15,219	39,800	25,198	76,390
EBIDTA				
2007	1,779	4,174	2,562	20,018
2008E	5,336	6,857	4,693	20,415
2009E	9,070	12,692	7,583	42,661
PAT				
2007	1,309	2,922	1,615	13,058
2008E	3,827	3,981	2,514	12,486
2009E	6,337	7,022	3,411	27,607
Valuations				
Land Bank (mn sq. ft.)	50	153	137	500
NAV (Rs)	1187	412	935	420
Price/NAV (x)	**1.0**	**0.8**	**0.9**	**1.2**
Sum of parts value (Rs)	1256	474	907	553
Price/ SOTP Value (x)	**1.0**	**0.7**	**0.9**	**0.9**

Source: Bloomberg, ENAM Research, * Note: Does not include sales of under-construction properties to UCP type structures, SEZ or hotel projects or planned development of recently acquired land admeasuring 429 acres

Valuation Comparison – International Peers

Key Financials

(USD mn) Company Name	Country	Market Cap.	Sales 2007	Sales 2008	Sales 2009	Net income 2007	Net income 2008	Net income 2009
Cheung Kong Holdings Ltd	HK	31,500	2,591	2,686	4,037	3,188	1,794	2,415
Hang Lung Group Ltd	HK	5,975	756	1,149	1,681	257	289	390
Henderson Land Development	HK	13,172	1,058	1,200	1,353	681	678	621
Hysan Development Co Ltd	HK	2,699	168	179	180	98	107	110
Sun Hung Kai Properties Ltd	HK	30,863	3,853	4,136	4,848	1,440	1,641	1,785
New World Development Ltd	HK	8,721	2,973	3,991	4,536	240	540	500
Sino Land Co	HK	9,892	1,137	1,415	1,739	513	584	600
Hang Lung Properties Ltd	HK	13,901	727	1,208	1,336	370	629	740
Kerry Properties Ltd	HK	9,818	1,434	1,439	2,475	332	320	484
China Overseas Land	HK	15,989	2,180	2,894	3,865	450	642	846
Hopson Development Holdings	HK	4,404	1,507	1,861	2,631	276	429	502
Mitsubishi Estate Co Ltd	JP	40,087	7,643	6,695	7,070	709	728	768
Sekisui House Ltd	JP	9,561	13,723	14,314	14,865	527	563	602
Mitsui Fudosan Co Ltd	JP	24,517	10,250	11,508	12,288	593	724	826
Daiwa House Industry Co Ltd	JP	8,556	13,412	14,276	15,066	400	498	557
Daito Trust Construction Co Ltd	JP	5,773	4,934	5,580	8,800	330	411	388
Sumitomo Realty & Development	JP	16,372	5,676	5,873	6,423	424	522	578
JS Group Corp	JP	5,911	9,433	9,796	10,091	295	309	329
Cheung Kong Holdings Ltd	JP	3,824	651	781	1,228	98	144	233
Hang Lung Group Ltd	GB	1,933	212	172	181	262	266	280
Henderson Land Development	GB	7,482	615	675	739	228	255	268

Source: Bloomberg

Key Financials

(USD mn) Company Name	NAV 2007	Mcap/ NAV (x)	P/E (x) 2007	P/E (x) 2008	P/E (x) 2009	EV/EBITDA (x) 2007	EV/EBITDA (x) 2008	EV/EBITDA (x) 2009
Cheung Kong Holdings Ltd	30,003	1.0	11	18	13	34	28	17
Hang Lung Group Ltd	4,426	1.3	22	18	16	21	14	10
Henderson Land Development	14,483	0.9	19	20	21	24	22	23
Hysan Development Co Ltd	4,034	0.7	27	25	23	22	21	20
Sun Hung Kai Properties Ltd	29,401	1.0	21	19	17	19	17	16
New World Development Ltd	7,998	1.1	33	17	17	23	13	16
Sino Land Co	6,303	1.6	19	17	16	20	17	16
Hang Lung Properties Ltd	9,937	1.4	36	22	19	31	17	15
Kerry Properties Ltd	5,782	1.7	28	30	19	24	24	18
China Overseas Land	5,301	3.0	34	25	18	22	16	12
Hopson Development Holdings	1,442	3.1	16	11	9	10	7	7
Mitsubishi Estate Co Ltd	10,125	4.0	56	55	52	27	25	23
Sekisui House Ltd	6,733	1.4	18	17	16	9	8	8
Mitsui Fudosan Co Ltd	7,695	3.2	41	34	29	21	19	17
Daiwa House Industry Co Ltd	5,884	1.5	20	17	15	-	-	-
Daito Trust Construction Co Ltd	2,297	2.5	17	14	14	7	7	6
Sumitomo Realty & Development	3,350	4.9	39	31	28	22	20	18
JS Group Corp	4,981	1.2	18	17	16	9	8	7
Aeon Mall Co Ltd	470	8.1	30	30	23	18	12	8
Brixton PLC	2,900	0.7	21	21	19	17	17	18
Hammerson PLC	8,617	0.9	34	30	28	25	23	21

Source: Bloomberg

Business Evaluation

COMPANY BACKGROUND

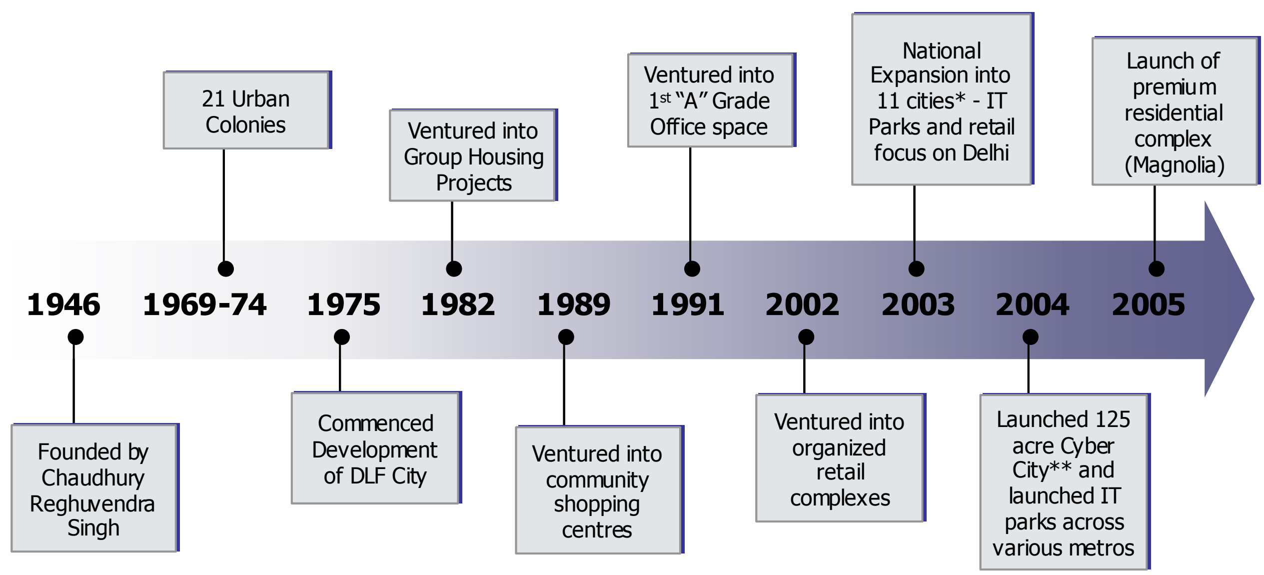
Founded in 1946 as Delhi Lease and Finance, DLF is one of India's oldest and largest real estate development companies in India in terms of completed developments. Its operations span all aspects of real estate development, from the identification and acquisition of land, planning, execution and marketing of projects, to maintenance and management of the completed developments. DLF has been steadily building its real estate business since 1946 and has been credited with the development of some of the first residential colonies in Delhi such as Krishna Nagar in East Delhi, South Extension, Greater Kailash, Kailash Colony and Hauz Khas.

Following the passage of the Delhi Development Act in 1957, the state assumed control of real estate development activities in Delhi, which resulted in restrictions on private real estate colony development. It was this landmark change in regulation which resulted in DLF acquiring land at relatively low cost outside the area controlled by the DDA, leading to the development of its landmark projects, **DLF City, spread over 3,000 acres in Gurgaon.**

DLF City: Raising the bar on integrated townships

DLF City is an integrated township which includes residential, commercial and retail properties in a modern city infrastructure with schools, hospitals, hotels, shopping malls and a leading golf and country club. DLF City also incorporates Cybercity, a leading commercial development, which when completed is expected to have a developed area of ~18mn sq. ft.

DLF's key milestones



Source: Company

DLF has many firsts to its credit. It was the 1st to anticipate the need for townships on the outskirts of fast growing cities and is credited with the growth of Gurgaon. While others were striving to build up land banks and churn out relatively similar housing solutions, DLF went on to focus on theme-based projects such as 'The Magnolias' development in DLF City, which is built around a golf course. It has also been among the first few to give its customers the opportunity to choose their own layouts as well as provide commercial space with floor plates of over 100,000 sq. ft. and large shopping malls with integrated entertainment facilities.

LAND RESERVES

High quality land

DLF's current land reserves of ~13,055+ acres (~615mn sq. ft.) is spread across 32 cities, considered suitable for residential and commercial projects, with the potential to generate huge cash flows and earnings. Also, ~90% of its land reserves (as per RHP) are available to the company in contiguous form, enabling it to undertake several township developments liked DLF City.

DLF's current land reserves

(mn sq ft)	Total	Super Markets	Metros	Tier-I	Tier-II
Office	124	62	25	27	11
Retail	90	35	28	12	15
Super Luxury	4	4	0	0	0
Luxury	41	38	0	2	1
Mid income Homes	226	75	108	39	4
Institutions	20	5	14	0	0
Villas 1 Plots	110	34	31	30	15
Grand Total	**615**	**254**	**205**	**110**	**46**
(%)	***-***	***14%***	***33%***	***13%***	***7%***

Note: Metros - Delhi Metropolitan Region & Mumbai, Metros - Chennai, Bangalore, Kolkata, Tier I - Chandigarh, Pune, Goa, Cochin, Nagpur, Hyderabad, Coimbatore & Bhubaneshwar, Tier II - Vadodara, Gandhi Nagar, Ludhiana, Amritsar, Jallandhar, Sonepat, Panipat, Lucknow, Indore & Shimla.

Ownership Status

	(mn sq ft)	(%)
Owned Land	588	93%
JDA /JV	41	7%
Breakup of Land Cost Paid	**(mn sq ft)**	**(%)**
Full Paid	406	66%
Partly Paid	117	19%
To be Paid in Next 5 Years	93	15%

Source: Company; DLF's share in the above mentioned land reserves is 615mn sq. ft.

Strategically located

In the residential segment, DLF intends to focus on the high-end segment only in the key cities of Gurgaon, Delhi and Mumbai, which it believes are desirable locations that appeal to its higher income customers, while its townships are to be developed in locations with easy access to city centers. DLF's commercial developments are located in areas that are attractive to multinational clients, particularly in the IT and ITES sectors. Further, in respect of its retail business, DLF intends to identify and acquire land in 60 cities that offer excellent catchment areas to its retail clientele.

BUSINESS SEGMENTS

We believe DLF's projects can be divided into 4 main segments – commercial, retail, high end residential and affordable mid-segment housing.

Development snapshot

Business Line	Completed Development	Projects Under Construction (mn sq ft)	Planned Projects (mn sq ft)
Plots	195	-	109
Residential	19	7	321
Commercial	7	30	80
Retail	3	13	52
Total	**224**	**49**	**562**

Source: Company; Current land bank is equal to 615mn sq. ft.

Residential Segment

Since its inception, DLF has delivered **~19mn sq. ft.** of space, all in the NCR. It's major developments have been within DLF City in Gurgaon, wherein it offers high quality amenities, including security systems, power generation, air conditioning, sports and recreational facilities, as well as valet parking.

Completed and sold projects

Project Name	Area (mn sq ft)	No of units	Started Fiscal	Completed (Fiscal)	Sale Value (Rs mn)	Avg Sale Value (Rs/ sq ft)
Royalton Tower	0.2	76	2004	2007	757	3,474
The Icon	1	364	2004	2007	3,244	3,380
The Pinnacle	1.1	280	2004	2007	4,222	3,820
The Aralias	1.6	252	2003	2007	4,006	2,548
Westend Heights	1	368	2002	2007	2,214	2,243
Trinity Towers	0.6	234	2002	2006	877	1,567
DLF Exclusive Floors	0.8	516	2001	2004	1,039	1,350
Belvedere Park	0.5	318	2000	2003	1,123	2,086
Belvedere Towers	0.5	222	2000	2003	933	1,816
Carlton Estate	0.7	485	1999	2003	972	1,396
Princeton Estate	1.1	918	1999	2003	1,533	1,456
Wellington Estate	0.9	555	1999	2003	1,129	1,289
Oakwood Estate	0.5	322	1999	2002	740	1,412
DLF Regent House	0.1	34	1999	2002	77	1,442
Ridgewood Estates	1.4	924	1999	2001	1,777	1,284
Richmond Park	0.6	280	1997	2001	988	1,747
Beverly Park-II	0.6	182	1996	1998	692	1,238
Windsor Court	0.4	132	1995	2000	779	2,030
Hamilton Court	0.7	266	1995	2000	942	1,305
Regency Park	1.2	824	1995	2000	1,428	1,169
Beverly Park-I	0.5	158	1993	1998	498	1,027
Executive Home	0.2	109	1992	1996	170	746
Silver Oaks	1.4	749	1991	1997	739	739
New Town House	0.5	333	1990	1994	322	629
Town House	0.6	540	1990	1994	412	642

Source: Company

DLF plans to continue to target this segment actively with ~328mn sq. ft. of development and ~109mn sq. ft. of plotted development. While its initial focus has been skewed towards residential developments, DLF intends to limit its exposure to high-end residential projects to ~10-15% of its annual deliverables.

Within the residential segment, DLF has further bifurcated its business into 2 sub-segments of high-end developments and affordable middle-income housing. So far, DLF has only been present in the former, with plans to scale up in the latter in FY09. While the company plans to concentrate its high-end initiatives to the key cities of Mumbai, Delhi and Gurgaon, the mid-segment projects are to be focused on the creation of new suburbs through large-scale developments located in emerging suburbs of key cities.

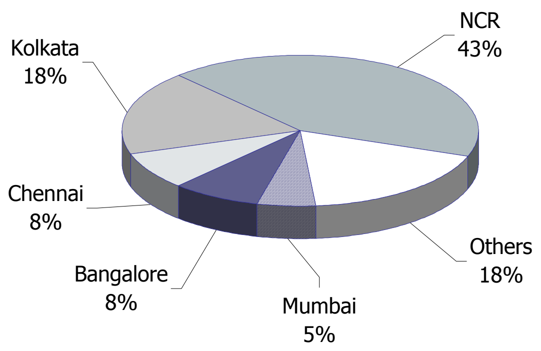
Current residential projects

Project Name	Area (mn sq ft)	No of units	Started Fiscal	Completed (Fiscal)	Sale Value (Rs mn)	Avg Sale Value (Rs/ sq ft)
DLF Park Place	2.2	988	2007	2010	8,738	7,088*
The Belaire	1.3	364	2007	2010	7,441	7,412*
The Magnolias	2.5	402	2006	2009	11,592	5,982*
The Summit	0.7	228	2003	2008	3,198	4,506

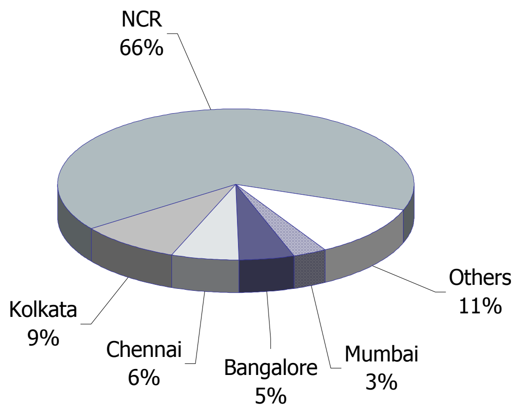
Source:Company, *Sales in progress. Sales for all the other projects listed have been completed.

DLF plans to focus on the development of super luxury and luxury residential projects in key locations in India. It also plans to take advantage of the increasing urbanization by investing in the development of townships on the peripheries of cities around the country.

Sq. ft.-wise break-up



Value-wise break-up



Source: Company, ENAM Research

Commercial Segment

Since inception, DLF has built and delivered ~7mn sq. ft. of commercial space, majority of which are in DLF City, Gurgaon. Many of these commercial properties are part of DLF Cybercity, which is a major commercial area that is being developed in DLF City totaling ~18mn sq. ft. when completed.

Completed commercial projects

Business Line	Area (mn sq ft)	Started (Fiscal)	Completed (Fiscal)
A-II (Phase-V)	0.4	2006	2007
DLF Centre	0.2	1989	1992
DLF Corporate Park	0.3	1994	1996
DLF Gateway Tower	0.1	1997	1999
Amex Tower	0.1	2002	2004
Ericsson	0.2	2003	2004
Infinity Towers	1.3	2004	2006
DLF Cyber Green	0.9	2004	2005
Kolkata IT Park	1.3	2004	2007
Chandigarh IT Park	0.7	2004	2006
Building No. 7B, Cybercity	0.2	2007	2008
Building No. 8A & 8B, Cybercity	0.8	2006	2007
Building No. 8C, Cybercity	0.8	2006	2007

Source: Company

Unlike most developers today, DLF now intends to focus on the commercial and retail segment over the next few years. Of the ~49mn sq. ft. of space under development, ~30mn sq. ft. is in the commercial segment. We believe this focus on commercial (and retail) projects augurs well for the company, given the dearth of Grade A office supply in the micro markets that the company is present in. Due to this current supply/demand mismatch skewed in its favor, DLF has been able to tie up ~11.27mn sq. ft. of pre-leased commercial properties which are currently under construction.

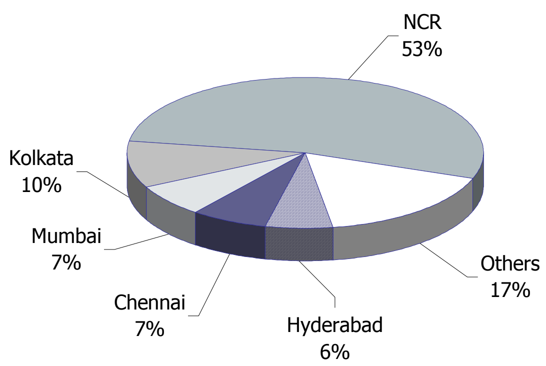
Current commercial projects

Business Line	Actual/ Scheduled Start (Fiscal)	Scheduled Completion	Area (mn sq ft)
Gurgaon Projects			
Silokhera	2007	2010	4.9
Cybercity Projects			
Building No. 9	2007	2008	1.4
W Block	2007	2008	0.9
Building No. 7A	2007	2008	0.3
Building No. 10	2007	2009	2
Sub-total			**4.5**
Other Projects			
Kolkata (25 acres)	2008	2010	2.8
Pune	2006	2009	1.8
Hyderabad	2006	2010	3.8
Chennai	2006	2010	6.6
Bangalore	2007	2010	1.5
NOIDA	2007	2009	1.2
Sub-total	**-**	**-**	**17.7**
Total	**-**	**-**	**27.1**

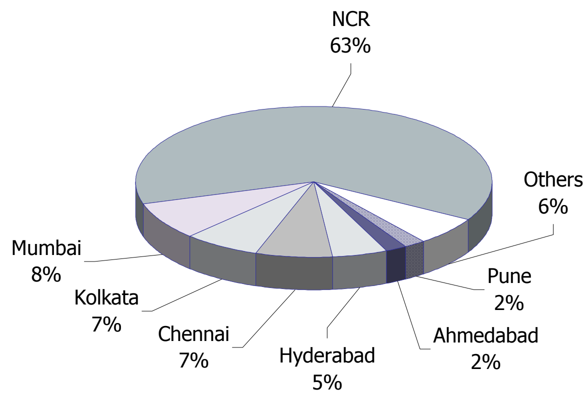
Source: Company

DLF intends to develop extensive commercial properties in selected cities, built to international standards in order to attract key multinational tenants and strengthen its position as a leading developer of commercial real estate. It anticipates the expansion plans of its clients, enabling it to effectively cater to their growing real estate requirements. In addition to its ~30mn sq. ft. under construction, DLF has procured rights to develop ~60mn sq. ft. of commercial space in various locations across India, including NCR, Pune and Kolkata. DLF intends on adopting a mix of build and sell model for its commercial projects. **While it plans to lease most of its IT specific SEZs on long-term or perpetual basis, it intends to sell its non-SEZ office buildings.**

Sq. ft.-wise break-up



Value-wise break-up



Source: ENAM Research

Retail Segment

DLF's retail segment was established in the 1940s with the development of local markets and community shopping centers. The company has since become one of India's leading developers of retail space having developed **~3m sq. ft.** of retail space, all in DLF City. In the retail segment also, DLF has adopted a mix of sale and lease with plans to lease ~65% of its retail portfolio.

Within the retail segment, DLF has also forayed into the multiplex business through its subsidiary, DT Cinemas, incorporated in 1999. The company currently operates 2 multiplex cinemas with plans to open several more in various cities. The multiplex business is highly synergistic with its mall development business with DT Cinemas being the anchor tenant in several of its properties.

Completed retail projects

Project Name	Lettable area	Started Fiscal	Completed Fiscal	Aggregate Sale Price (Rs mn)	Avg Sale Value (Rs/ sq ft)
DLF Mega Mall	0.29	2002	2004	1,128	4,532
DLF City Centre	0.26	2001	2003	1,028	4,003
Galleria	0.31	1996	2000	1,428	4,675
Super Mart-I	0.19	1996	2000	228	1,294
Super Mart-II	0.03	1996	2000	39	1,393
Central Arcade	0.07	1991	1993	84	1,480
DLF South Point	0.28	2006	2007	691	4,053
The Galleria – Mayur Vihar	0.16	2006	2007	884	11,976
Chandigarh Mall *	0.19	2006	2007	-	-
Park-N-Shop	0.01	1992	1993	14	2,460
DT City Center	0.3	2006	2007	769	5,711

Source: Company, * Note: Chandigarh Mall is currently being leased

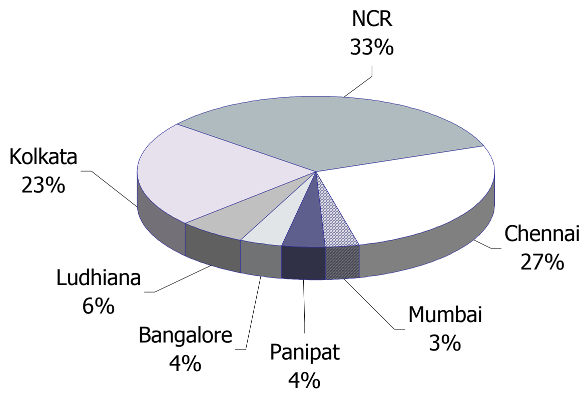
DLF endeavors to cater to the expansion strategies of its tenants by providing them with retail space in a variety of preferred locations. DLF has also entered into strategic tie-ups with corporate houses like Trent and Metro Cash & Carry to partner with them in their future expansion. DLF currently has ~12.9mn sq. ft. of saleable or lettable retail mall space under development across the country, catering to middle and high-end segment.

Current retail projects

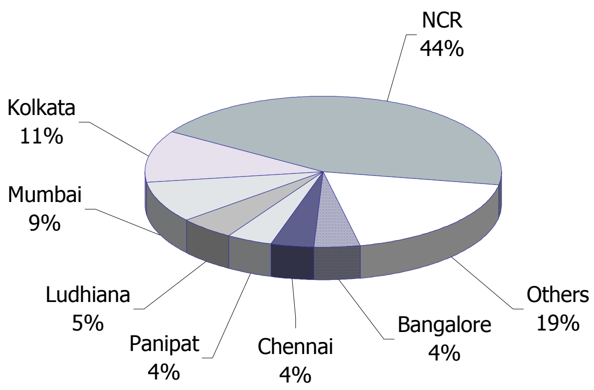
	Lettable Area (mn sq ft)	Actual/Scheduled Start (Fiscal)	Scheduled Completion (Fiscal)
Mall of India	3.9	2007	2010
Courtyard	0.5	2006	2008
Promenade (DLF Place)	0.5	2006	2008
Emporio (DLF Place)	0.3	2006	2008
Townsquare	1.5	2006	2009
DLF South Court	0.3	2006	2009
Jasola Mall	0.8	2006	2008
Sikenderpur Mall	0.2	2006	2009
NTC Mills	1.7	2006	2010

Source: Company

Sq. ft.-wise break-up



Value-wise break-up



Source: ENAM Research

Other related business segments

As part of its business expansion strategy, DLF also plans to diversify into other real estate related businesses such as the development of **SEZs**, infrastructure development, expansion of its **multiplex business** and the development of super luxury, business and budget **hotels** as well as serviced apartments.

Special Economic Zones: DLF is in the process of seeking approvals for several SEZs covering an aggregate area of ~26,100 acres. It has received in-principle approvals for a multi-product SEZ in Ludhiana (~2,500 acres) and a multi-sector, product-specific SEZ in Amritsar (~1,100 acres). DLF has also received approvals from the Haryana Investment Promotion Board, for setting up and developing 2 multi-sector SEZs in Gurgaon (~20,000 acres) and Ambala (~2,500 acres).

Planned SEZ projects

Location	Type	Area (acres)	Status
Amritsar	Multi product	1,100	Approval from Govt of Haryana
Ludhiana	Multi sector, product specific	2,500	In principal approval
Gurgaon	Multi product	20,000	Approval from Govt of Haryana
Ambala	Multi product	2,500	Approval from Govt of Haryana
Total		**26,100**	

Source: Company

DLF has also identified several potential locations for development of IT SEZs and has obtained final approvals from the Board of Approvals, GoI for 2 IT-specific SEZs in Gurgaon, and 1 each in Hyderabad and Pune. It has also received final notification for an IT-specific SEZ in Chennai. In-principle approvals have been obtained for its IT SEZs in Delhi and Bhubaneshwar.

Each multi-product SEZ is to be developed as an integrated township and will include residential accommodations, commercial and retail facilities, as well as schools, hospitals, hotels and other support infrastructure, including captive power generation facilities.

Hotels: DLF has entered into a **JV with Hilton to develop** and own a chain of hotels and serviced apartments in India. The JV shall acquire and develop 50 to 75 hotels and serviced apartments in India under certain Hilton brands. While the properties shall be managed by Hilton, ownership shall lie with the JV or a company in which the JV holds no less than 26% of the equity share capital. **The JV will receive an equity investment of USD 550mn over the next 5-7 years, of which DLF will own 74%, to be brought in by way of land.** The JV company is in the process of evaluating 22 sites for the construction of up to 5,000 rooms catering to the business, 4 star, 5 star and deluxe segments.

DLF has plans for a total of 63 hotels & 5 convention centres as of date. DLF has completed categorization for 18 of its hotel properties (6,800 rooms), which are currently in the designing stage, while categorization is underway for 36 properties (12,000 rooms). DLF is also in the process of tying up with 9 operators for super luxury hotels, expected to be closed in this fiscal itself. Its 1st hotel (located in Saket) is expected to be operational by mid-2008. **Land acquisition for its hotel projects is still not complete, and we do not expect this segment to contribute significantly in FY08.**

In addition to the above, DLF also plans to develop 5 convention centre projects in Delhi (recently allotted project of ~2mn sq. ft. with a land cost of Rs.9bn), Goa, Jaipur, Kolkata and Chandigarh.

Property management services: DLF Services provides maintenance and management services for properties in DLF's residential, commercial and retail business lines such as power distribution, back-up power generation, central air conditioning, water supply, drainage pumping, janitorial services, security services, parking management, pest control, fire detection and solid waste disposal and management. Most of these functions are outsourced to qualified and experienced vendors, meeting international quality management standards.

Captive Power: DLF Power was founded in 1988 for the setting up of captive power plants for its larger format projects. It currently operates 5 power plants in Eastern India with an aggregate capacity of 55 MW.

Asset Management: DLF has entered into a JV (40:60) with Prudential International Investments Corporation (PIIC) to establish an asset management joint venture company primarily focused on the Indian capital markets. The minimum paid up capital of the JV is expected to be ~USD 8.3mn.

Airport development & management: DLF has also signed a Memorandum of Co-operation with Fraport AG Frankfurt Airport Services Worldwide (Fraport) to establish a SPV (wherein each party shall hold a minimum of 26%) for the purposes of focusing on the development and management of certain airport projects in India.

Life Insurance: In February 2007, DLF entered into an agreement with US-based Prudential Insurance to establish a JV to develop, promote market and sell life insurance products in India. Under the terms of the agreement, the parties will contribute a joint equity investment of up to USD 250mn over 7 years, in proportion to their respective shareholdings, of which DLF is currently holding 74%.

Business Strategy

Expanding its presence

DLF shall continue to build its land reserves across India for its future projects in pursuance of its growth strategy. The company has identified and acquired land in and around 32 cities suitable for residential and commercial projects and further intends to identify and acquire land in 60 cities across India for its retail initiatives. With a 3-pronged strategy of identifying land (in house team, external property consultants and real estate brokers), DLF plans to hold land reserves adequate for its next 10 years of planned projects.

Commercial & retail focus in the near term

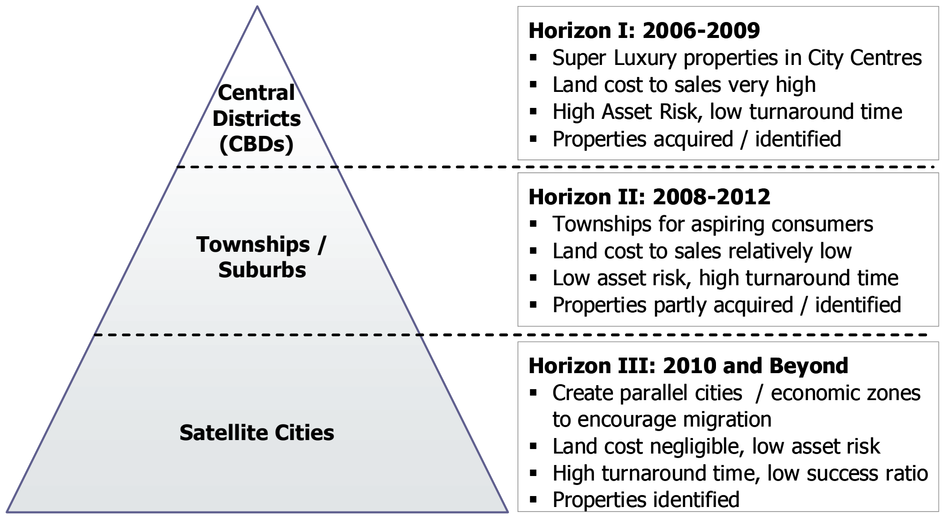
In the near term, DLF shall focus on the development of its commercial and retail properties with only a limited amount (~10-15%) of high-end residential space development. We believe this focus on the commercial & retail segment bodes well for DLF, which, due to its strong brand name is able to pre-lease a significant amount of its commercial and retail projects, thereby lowering the asset risk of its portfolio.

In value terms, once DLF achieves its steady state of execution, the commercial and retail segments are expected to contribute ~50% of revenues, with the balance coming from the residential segment (~25% from high end projects; ~25% from affordable mid-segment housing). In volume terms, ~50% of space is expected to be high end residential and commercial with the balance coming from the middle-income segment.

Land acquisition: A balanced approach

DLF follows a well-balanced land acquisition approach, acquiring low cost, large tracts of land at the outskirts of emerging cities, as well as high value premium city centric locations. The city centric projects are bought with the intent of developing the same in the near term, while the larger land parcels acquired in distant suburbs are to be developed over a considerable period of time. The key advantage from such an approach is that while the company is able to turn its capital faster in its city based projects (usually smaller in size) it is also able to capitalize on the long term appreciation of land on the outskirts, brought about by its own development efforts.

Balanced Approach

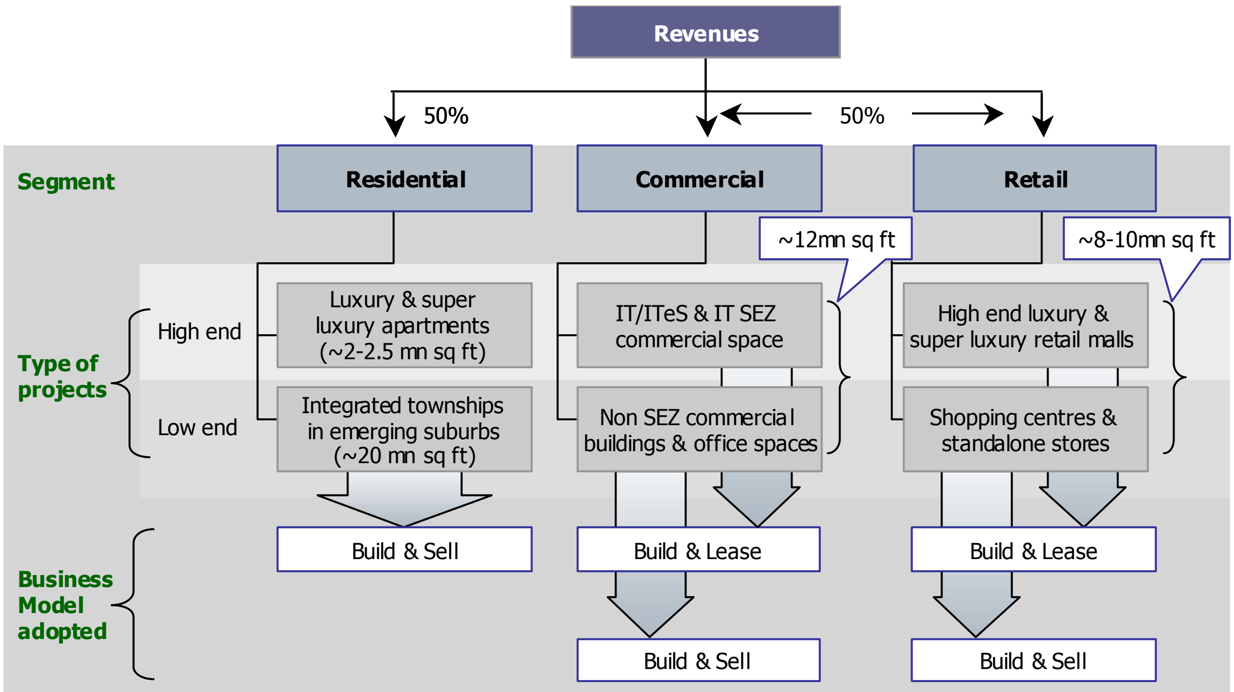


Source: ENAM Research

Mix of Build and Sale and Build and Lease Model

DLF plans to switch its strategy from that of a build and sell to a **mix of sale and lease** of its projects to maximize value from its projects. With ~25% of its planned commercial properties and ~65% of its planned retail projects to be leased; DLF shall be able to build a portfolio of high yielding quality properties.

DLF's segmental focus



Source: ENAM Research

Accelerating its cash flows

Sale of its commercial and retail properties to DLF Assets Ltd (DAL), an affiliate company, owned and controlled by the promoters, will augment the company's cash flows considerably. In FY07 and Q1FY08, DAL contributed ~35% and ~54% of DLF's revenues respectively. Going forward, DAL shall continue to participate in bidding for DLF's properties.

Lower cap rates – Higher value creation

Recently, DLF has sold its completed assets to DAL at a capitalization rate of ~9% (pre-tax) in Q1FY08. This shall present the company with the opportunity to monetize this structure further, as displayed by Ascendas, which has listed its India focused REIT at much lower cap rates (~6.3% post tax). Using a similar cap rate of ~6% for DLF's properties can result in an increase in its NAV to the extent of ~25-30% unlocking significant value for the investor.

Augmenting its execution capabilities

From its current scale of ~10.5mn sq. ft. delivered in FY07, the company plans to reach a steady state of ~40-45mn sq. ft. of deliverable space by FY10-11. While it may seem that DLF is positioned to face huge challenges in terms of its execution scale up, once its business plans and strategy are dissected, it seems to be quite manageable.

DLF currently has ~44mn sq. ft. of space under development is on track to deliver ~22-25mn sq. ft. (commercial: ~12mn sq. ft.; retail ~10mn sq. ft.; high end residential ~2.5mn sq. ft.) of retail space each year from FY09 onwards. The balance square footage planned is in the middle-income housing segment. This segment has relatively lesser complexities and is easier to build. Further, with its strategic tie-ups with **Lang O'Rourke, WSP and Feedback Ventures, we believe the company is on the right track.**

Construction

JV with Lang O'Rourke: In 2006, DLF has entered into a JV with Lang O'Rourke (a leading UK-based construction company), which has been the principal contractor for a number of major construction projects globally, such as the construction of Terminal 5 at London Heathrow airport and a terminal at the Dubai international airport. Laing O'Rourke currently operates worldwide, with operations in the UK and Ireland, the Middle East, Asia, Europe, the Far East and Australia and employs more than 23,000 people.

Through the JV, DLF Laing O'Rourke, DLF stands to benefit from Laing O'Rourke's construction expertise, advanced technology, streamlined processes and experienced people cutting down construction time significantly, thereby enabling DLF to focus on the development rather than the construction of projects. The agreement entails a 5-year commitment of a minimum order of 30mn sq. ft. by DLF and binds LOR from working with any other real estate developer. As of April 30, 2007, the JV had already commenced the development of 14 projects totaling ~35mn sq. ft. with an additional ~7mn sq. ft. to be handed over shortly.

Projects under construction

Project	Area (mn sq ft)
W Block Building, DLF Cyber City, DLF City Phase - III, Gurgaon (W-Block)	0.86
IT Park Bldg Project, Whitefield Rd, Mahadevapura, Bangalore (IT Bangalore)	1.67
IT Park Building Project, Plot No 44 & 45 Sector- 62, Noida (U P) - (IT Noida)	1.38
DLF Times Square, Plot NO - 3, Sector-18, Noida, (Noida Mall)	2.02
Magnolias, DLF City Phase - V, Gurgaon	2.53
DLF Tower Project, Jasola, New Delhi	0.83
Oberoi Project, NH - 8, Silokhera, Gurgaon	3.00
NTC Mall Mumbai	1.82
IT Park Project, New Town, P.S. Rajarhat, Distt. 24 Pargana, Kolkata	3.40
GMC, Hyderabad	1.34
Rai SEZ Project, Plot NO TP-2, Industrial Estate, Rai, Sonepat	3.14
IT Park - Hyderabad, Block 2 & 3 Gachibowli, Hyderabad	1.90
IT Park - Chennai	6.01
Mall Of India, NH-8, Gurgaon	5.00
Total	**34.90**

Source: Company

DLF also plans to use the JV as a vehicle to participate in the construction of infrastructure projects, including roads, bridges, tunnels, pipelines, harbors, runways and power plants.

MoU with Nakheel: DLF has also signed a Memorandum of Understanding with Nakheel (50:50 JV), a premier real estate developers in the United Arab Emirates to develop 2 projects in Gurgaon and South Maharashtra/Goa. The JV has emerged as the sole bidder for a township project along the Bangalore-Mysore expressway (Bidadi project) on ~9,000 acres of land. The bid has yet to be accepted and hence details are not available. The said site is located 20kms from Bangalore's CBD and shall be the city's first integrated township project.

Design and Engineering

JV with WSP: DLF and WSP (world's 2nd largest design and engineering services provider) have entered into a 50:50 JV to provide engineering and design services, environmental and infrastructural facilities as well as project management services for DLF's projects. WSP currently employs ~7,000 people worldwide (~300 in India) and is expected to outsource significant amount of the JV's work offshore.

Project Management

Stake in Feedback Ventures: DLF has recently acquired a 19% stake (for Rs. 158.3mn) in Feedback Ventures, a company employing ~500 technically qualified employees specializing in assisting Indian and international firms to set up new projects in infrastructure, SEZs, townships, retail and hospitality sectors across India. DLF intends to benefit from Feedback Ventures' experience by streamlining its planning and execution capabilities, particularly in relation to its infrastructure projects, SEZs and townships. In addition, Feedback Ventures is also undertaking to train DLF personnel in project management.

DLF's execution process

Land identification & acquisition	Project planning & execution	Sales & Marketing
▪ **Identification** of land by in house team, external consultants and brokers ▪ **Due diligence** of development potential, preliminary title evaluation and review by local lawyers ▪ **Acquisition of land** through outright purchase of land, JDAs with land owners, JVs with local developers	▪ Obtaining requisite regulatory **approvals** ▪ **Finalizing architectural briefs** based on project concepts, in consultation with architects & consultants such as WSP ▪ **Project execution** outsourced to LOR/others ▪ **Project management** function carried out by in house team and Feedback Ventures	▪ Formulation of **marketing strategy**, positioning & differential pricing of the project ▪ **Launch** of the project via newspaper ads, invites, presentations, 120 brokerages firms ▪ **Booking / Sales** at project sites ▪ Completion of **possession and post possession** formalities

Source: Company, ENAM Research

Competitive Advantage

Strong brand name

DLF is the largest real estate development company in India in terms of the area of completed residential and commercial developments (Source: ACNielsen Report). Since inception, it has completed ~ 224mn sq. ft. of space (as on May 2007), including 22 urban colonies as well as an entire integrated 3,000 acre township - DLF City. A reputation for providing prompt payments to landowners upon acquisition, developing and completing projects in a timely manner and increased transparency has resulted in immense bargaining & pricing power for the company.

High Quality Land Reserves

DLF has land reserves in various regions across India, amounting to ~13,000+ acres, with ~42% in the NCR, ~17% in Kolkata, ~7% in Chennai, ~6% in Bangalore, ~4.9% in Mumbai, ~3.5% in Goa, ~2% each in Hyderabad and Varanasi, and the balance in various other cities. While its luxury residential developments are situated in desirable locations appealing to its higher income customers, its townships are located with easy access to city centers. Further, its commercial and retail developments are also strategically located in areas that are attractive to multinational clients. This has enabled DLF to pre-sell large amounts of space before completion of its projects. A testament to this fact is the ~11.27mn sq. ft. of commercial and ~4mn sq. ft. of retail space that the company has been able to pre-lease before completion.

Large scale of operations

Being the largest real estate player in India, allows DLF to benefit from several economies of scale. It has been able to aggregate large plots of land from multiple sellers at lower prices. Due to its reputation and scale, DLF also enjoys greater credibility with sellers of land as well as buyers of its properties. DLF is further able to undertake large-scale projects in multiple phases, providing it an opportunity to mature its land banks and modify its projects in accordance with customer needs. Additionally, DLF is also able to use its bulk purchasing capabilities for the acquisition of raw materials as well as make better use of its construction technology. Finally, the extent and quality of its assets enables it to finance the active acquisition of land, adjust the scale of projects and gives it immense holding power in the event of an economic downturn.

Ability to identify bottlenecks early on

DLF has clearly demonstrated its ability to anticipate future trends and potential bottlenecks in Indian real estate and its growth plans. While several others have been busy playing catch-up in terms of land banks, DLF has been busy getting its execution infrastructure in place. This is evident from its several strategic tie-ups with Lang O'Rourke (construction and infrastructure development), Nakheel (SEZ development), WSP (design and engineering) and Venture Feedback (project management).

Financial strength to tide over down cycles

The real estate industry is faced with inevitable cyclicality, going through phases of euphoria and skepticism. With a strong balance sheet and leveraging ability, DLF shall be able to wait out periods of declining prices, with no urgency of having to dispose of its assets which result in under achievement of its targeted returns.

Concerns

Asset/ Business Cycle Risk

Over the past couple of years, the real estate sector has been enjoying the benefits of increasing land prices, giving it immediate gains on its existing land banks. These current high prices expose DLF to an asset cycle risk, as any fall in prices would have a significant impact on its profitability. These increasing prices have also resulted in speedy bookings of residential units by customers expecting a further rise, giving it adequate cash flows. A drop in prices could also result in customers adopting a wait-and-watch approach before booking new properties, thereby impacting cash flows.

Legal Risk

Apart from the recent surge in asset prices, a large part of DLF's current land bank does not have all approvals and clearances in place. **As per the RHP, ~60% of the land bank is currently agricultural without the requisite zoning approvals.** While the company believes the same is only a matter of procedure, the changing Indian laws and regulations expose it to a certain amt. of legal risk.

Land replenishment

DLF's current projects enjoy high margins given the low cost of land acquisition of the company. However, given the recent surge in land prices, the replenishment of its land stock may not be possible at the same low costs, which can significantly affect the operating margins on its future projects.

Execution risk

While DLF is best placed among its peers, it faces a significant challenge in scaling up its execution capabilities to reach its desired steady state. Entry into newer geographies further augments the challenges ahead. While its joint ventures with Lang O'Rourke, Nakheel, WSP and Feedback will offer considerable assistance in its scale up, we believe the same will need to monitored on a consistent basis.

Fears of a demand slowdown/ over supply

Recently there have been concerns on the macro demand/supply scenario, especially in regions like the NCR, where there is huge supply expected to be brought to market by several players. Further, this risk is expected to be most acute in the residential segment, with most of these players targeting this low risk segment.

Significant value from larger (riskier) projects

Of its total land bank, ~40% of the ~615mn sq. ft. is accounted for by 2 projects - Dankuni, Kolkata and DLF City Ph VI-IX, Gurgaon. These projects are located on the outskirts of large cities and currently suffer from poor economic activity. These projects account for ~26% of our estimated NAV (pre-tax basis).

Thus, any delay in execution or absorption would have a significant impact on the NAV.

Demand/ supply mismatch

There are several factors that affect the demand and supply of real estate in any country. A material change in any one or more of the same can lead to an adverse demand/ supply environment affecting the company's offtake. While on the demand side, adverse changes in interest rates, tax laws, affordability can lead to lower offtake or fall in real estate prices, supply bottlenecks such as rising material costs, shortage of skilled labour, unavailability of land can lead to lower deliverables also affecting offtake.

Management Evaluation

Capable management with sound execution capabilities

DLF is a professionally managed company with qualified and experienced professionals in the senior management. A rich experience and understanding of the real estate market in India, has enabled the company to take timely advantage of available opportunities. High management bandwidth has allowed DLF to build an impressive portfolio of projects, which demonstrate its strong national leadership status as a pioneer and trendsetter in the real estate sector.

Promoter Background

Mr. K.P.Singh, 74 years, Chairman and Director of DLF has over 4 decades of experience in the real estate sector. Mr. Singh graduated with a Bachelor of Science degree from Meerut University, before joining the Indian Military Academy at Dehradun. Mr. Singh has also discharged several prestigious industrial, financial and diplomatic responsibilities including, being a member of International Advisory Board for General Electric and is presently an honorary Consul General, Principality of Monaco. He is also a Director of Central Board of RBI and a member of FICCI and CIDC. Mr. Singh has pioneered the public-private partnership model and has been awarded the "Delhi Ratna" award for his vision and efforts.

Mr. Rajiv Singh, CEO, (and Mr. K.P. Singh's son) is responsible for the day-to-day operations of the company and has been instrumental in building up the land reserves of the company in recent years.

Management team and organizational structure

Mr. K.P. Singh, Chairman & Managing Director, along with an experienced, performance driven team of Directors is responsible for the overall supervision of the Company. Under his vision and leadership, DLF has emerged as one of the leading developers in India. The executive team consists of professionals with relevant domain expertise. A brief profile of the top brass and the organizational structure for operations is set out below:

Management Organization Structure

Mr. Rajiv Singh Vice Chairman	Mr. Singh has more than 25 years of experience and provides strategic direction to the organization. He is a Mechanical Engineer from Massachusetts Inst. Of Tech.
Ms. Pia Singh Director	Ms. Singh has more than 3 years of experience and foresees the retail business line. She heads the DT Cinemas venture and has graduated in finance from Wharton School of Business.
Mr. Trilok Chand Goyal MD	Mr. Goyal has over 37 years of experience in finance and project counseling. He has been responsible for creating a strong brand name for DLF in the residential segment. He is a fellow member of ICAI and industry groups.
Mr. A.S.Minocha Chairman – DLF Commercial	Mr. Minocha has over 40 years of experience and oversees the Office segment. He is an MBA from FMS, Delhi and fellow member of ICAI and ICSI. He previously worked with Indian oil, TELCO, Maruti etc.
Mr. A.D.Rebello MD – DLF Home	Mr. Rebello has over 21 years of experience in real estate and construction business and oversees the residential business line. He is a BA (Hons) from St. Stephens and an MBA from JBIMS, Mumbai.
Mr. Ramesh Sanka CFO	Mr. Sanka has over 21 years of experience and joined DLF in 2004. He is a mechanical engineer from JNU and and an MBA from Mumbai University. He was formerly the CFO of Moser Baer and Bharti Mobitel
Mr. Kameshwar Swarup Director - Legal	Mr Swarup has over 44 years of experience in various positions. He oversees legal and corporate affairs and is a PG in commerce and law from University of Lucknow besides being a qualified company secretary.
Mrs. Renuka Talwar CEO – International Affairs	Mrs. Talwar has 16 years of experience in real estate and plays an advisory role in DLF. She holds a degree in Economics from Delhi university.
Mr. Yogesh Verma MD - DLF Info City	Mr. Verma has 24 years of experience and currently handles DLF's SEZ business. He has completed his Master's from BITS, Pilani.
Mr. Praveen Kumar MD – DLF Estate Developers	Mr. Kumar has over 23 years of experience and is a qualified chartered accountant and commerce graduate from Delhi University.
Mr. G.S. Talwar Non Exec. Director	Mr. Talwar is the founding Chairman of Sabre Capital Worldwide, Chairman of Centurion Bank of Punjab. Previously, he was also the Group CEO of Standard Chartered Plc
Mr. Ajay Khanna Exec. Director – DLF Retail	Mr. Khanna has over 33 years of experience and holds a master's degree from FMS, Delhi.
Mr. Shakti Singh CEO – Hotels	Mr. Singh has 12 years of experience and holds a bachelor's degree in economics from Wharton School and an MBA from university of Chicago

Source: Company

Financial Evaluation

Huge revenue growth going forward

DLF plans to deliver ~16mn sq. ft. and ~22mn sq. ft. of built up space in FY08 and FY09E respectively. We expect DLF's revenues to grow at ~357% and ~42% in FY08E and FY09E to reach Rs.120bn and Rs.170bn respectively. Similarly, Net Profit is expected to grow at ~217% (FY08E) and ~46% (FY09E) to reach Rs. 60bn and Rs. 88bn respectively.

DLF's estimated growth over FY07-FY09E

(Rs bn)	FY07	FY08E	FY09E
Deliverables (mn sq ft)	**10.5**	**16**	**22**
Key Financials			
Revenues	26	120	170
EBIDTA	15	84	124
Net Profit	19	60	88
Key growth indicators			
Revenue Growth (%)	124	357	42
EBIDTA Margin (%)	57	71	73
PAT Growth (%)	913	217	46

Source: ENAM Research

Segmental focus

DLF intends to concentrate on the commercial and retail segment in the near term with ~73% of its project launches over the next 2 years slated to be in the commercial and retail segment. Of the total ~49mn sq. ft. currently under construction, almost ~43mn sq. ft. is to be developed in this segment. DLF intends to adopt a mix of build & sale and build & lease model going forward in order to unlock maximum value from its development initiatives.

Segmental revenues

(Rs. bn)	Area (mn sq ft)	Project Sales	Project Cost	Gross Profit
Plots	109.14	1900.6	710.7	1190.0
Residential	327.51	192.3	28.3	164.0
Commercial	110.01	791.9	250.6	541.3
Retail	64.86	864.5	254.6	610.0
Total	**611.52**	**3749.3**	**1,244.2**	**2,505.2**

Source: ENAM Research; Current land bank equals 615mn sq. ft.

Revenue recognition

In accordance with industry standards, DLF has adopted the percentage completion method of revenue recognition as per Accounting Standard 9 (AS 9), which stipulates how the revenue and costs of a project are to be recognized in case of a sale before the completion of a project. In keeping with the AS 9, DLF recognizes its revenues and costs related to any project only after ~30% of the project costs (land + construction) has been incurred.

Revenue recognition can lead to lumpiness

Comparing DLF's 1st 8 months results in FY07 to the remaining 4 months of the year, one finds that while the company was able to clock a revenue run rate of Rs.4.0bn per month with a ~57% PAT margin in the initial 8 months, it was able to book revenues of only Rs.2.0bn per month in the remaining months at a much lower PAT margin of ~13%. While this can be simply attributable to the percentage completion methodology followed by the company, it may also be the result of delays in launch of new projects, which could explain the strong revenues reported in Q1FY08, during which DLF reported a revenue run rate of ~Rs.10bn per month with PAT margins of ~49%.

Q1FY08 / FY07 results comparison

(Rs bn)	8m FY07A	FY07A	4m FY07	Spill Over	Q1FY08A
Sales	32.2	40.3	8.2	19.1	30.7
PAT	18.3	19.3	1.0	7.9	15.2
Margin	*57%*	*48%*	*13%*	-	*49%*

Source: Company, ENAM Research

Accelerating its cash flows

DLF intends to accelerate its cash flows from sale of its completed commercial properties to DAL, thereby augmenting its cash flows. In FY07, DLF sold projects worth Rs.9.2bn to DAL at ~52% operating margins. Given the company's exposure to commercial and retail projects over the next few years, we believe sale of additional projects to DAL in the future can substantially increase revenues and margins for the company.

Low Effective Tax

Marginal tax rates on residential properties, sale of commercial and retail projects via sale of shares in a holding company, tax free status accorded to IT SEZs and a standard deduction of 30% on lease rental income shall help maintain a low effective tax rate (~24%) for the company in the coming years.

Funding the growth

The company's funding requirement in the near term stems from its need for completing the land payments on its existing land bank as well as construction funding of its planned projects. We estimate construction costs of Rs.~187bn over the next 3 years, in addition to the ~Rs.30bn remaining unpaid on its existing land bank. In addition, DLF's SEZ plans would also require funding future land acquisition for projects in Kolkata and Kundli.

DLF is estimated to generate cash flows of ~Rs. 84bn over the next 2 years, providing it with significant funds to build up its land reserves for its future projects. We estimate DLF's Debt: Equity to reduce from 2.5x in FY07 to 0.2x by FY09E on the back of its recent equity dilution and internal accruals through pre-sales of its properties. This provides DLF the flexibility of leveraging itself in the future in line with its targeted Debt: Equity of 1:1.

Company Financials

Income statement

(Rs. mn)

Y/E Mar	2006	2007	2008E	2009E
Net sales	**11,699**	**26,172**	**119,668**	**170,091**
Other operating income	0	0	0	0
Total income	**11,699**	**26,172**	**119,668**	**170,091**
Cost of goods sold	5,243	7,090	29,630	37,317
Contribution (%)	0	0	0	0
Advt/Sales/Distrn O/H	1,536	4,109	5,601	8,754
Operating Profit	4,920	14,973	84,438	124,020
Other income	721	14,169	1,605	605
PBIDT	**5,641**	**29,142**	**86,043**	**124,625**
Depreciation	361	571	675	1,071
Interest	1,685	3,076	5,744	4,344
Pre-tax profit	**3,595**	**25,495**	**79,625**	**119,211**
Tax provision	1,668	6,058	19,110	30,995
(-) Minority Interests	10	11	11	11
Associates	0	(13)	(13)	(13)
Adjusted PAT	**1,917**	**19,413**	**60,491**	**88,192**
Reported PAT	**1,917**	**19,413**	**60,491**	**88,192**

Key ratios

(%)

Y/E Mar	2006	2007	2008E	2009E
Sales growth	**92.4**	**123.7**	**357.2**	**42.1**
OPM	**42.1**	**57.2**	**70.6**	**72.9**
Oper. profit growth	192.5	204.3	463.9	46.9
COGS / Net sales	44.8	27.1	24.8	21.9
Overheads/Net sales	13.1	15.7	4.7	5.1
Depreciation / G. block	2.8	3.2	1.8	1.4
Effective interest rate	6.6	4.4	6.4	6.3
Net wkg.cap / Net sales	0.9	1.9	0.9	0.9
Net sales / Gr block (x)	1.1	1.7	4.3	2.9
Incremental RoCE	20.8	10.7	84.7	52.7
RoCE	**15.5**	**30.1**	**42.1**	**41.5**
Debt / equity (x)	4.3	2.5	0.4	0.2
Effective tax rate	46.4	23.8	24.0	26.0
RoE	**22.5**	**78.7**	**53.3**	**38.6**
Payout ratio (Div/NP)	0.0	0.0	0.0	0.0
EPS (Rs.)	**1.1**	**11.4**	**35.5**	**51.7**
EPS Growth	121.6	912.7	211.6	45.8
CEPS (Rs.)	1.3	11.7	35.9	52.4

Balance sheet

(Rs. mn)

Y/E Mar	2006	2007	2008E	2009E
Total assets	**50,967**	**139,279**	**266,531**	**329,609**
Gross block	13,023	17,787	37,783	78,550
Net fixed assets	11,132	15,375	34,696	74,392
CWIP	5,911	26,497	31,182	40,565
Investments	8,300	2,107	32,107	12,107
Wkg. cap. (excl cash)	15,185	82,210	140,087	165,379
Cash / Bank balance	1,950	4,155	19,523	28,231
Others/Def tax assets	8,489	8,935	8,935	8,935
Capital employed	**50,967**	**139,279**	**266,531**	**329,609**
Equity capital	378	3,059	3,409	3,409
Reserves	9,177	36,705	183,607	266,685
Borrowings	41,320	99,328	79,328	59,328
Others	92	187	187	187

Cash-flow

(Rs. mn)

Y/E Mar	2006	2007	2008E	2009E
Sources	**25,439**	**80,360**	**133,040**	**69,263**
Cash profit	1,418	20,103	61,189	89,287
(-) Dividends	0	0	0	0
Retained earnings	1,418	20,103	61,189	89,287
Issue of equity	344	2,708	91,864	(11)
Borrowings	31,644	58,008	(20,000)	(20,000)
Others	(7,967)	(459)	(13)	(13)
Applications	**25,439**	**80,360**	**133,040**	**69,263**
Capital expenditure	7,194	25,400	24,681	50,149
Investments	7,900	(6,193)	30,000	(20,000)
Net current assets	8,589	67,025	57,877	25,292
Change in cash	1,756	(5,872)	20,482	13,822

Source: ENAM Research

Valuation

At CMP of Rs 585 the stock trades at a 6% premium to our NAV of Rs 553*. While we remain bullish on the Indian realty story over the long term we believe the stock is currently fairly valued and initiate coverage with a Sector Neutral rating and a sum of parts price target of Rs 596.

METHODOLOGY I: SUM OF PARTS APPROACH

Valuation methodologies to evolve

While we do believe that, in time, the industry will move towards an earnings multiple approach, the sector is still in its infancy as far as valuations are concerned. Given the lack of execution visibility as well as monetization of historic land holdings, we believe it is still too early to adopt a multiple approach to real estate valuations.

Our recommended valuation approach

We believe a sum-of-parts approach is most appropriate to valuing real estate in India currently. This approach gives due weightage to the execution ability of a company, a key factor in gauging the performance of developers. The key components of our approach are as follows:

Land bank value: This refers to the current market value of the land, based on the current land rates in the various locations where DLF has acquired land. Of the total land bank, ~60% is estimated to be in the form of agricultural land, which would require conversion to commercial/ residential/ industrial use before DLF can start construction. We have deducted a conversion cost of Rs 20mn per acre and a ~26% tax rate in arriving at DLF's post tax current land value.

Land Value

City	mn sq ft (Co's share)	Average Blended Market rate (Rs mn / acre)	Mkt Value (Rs mn)
NCR	245	2,347	574,674
Mumbai	33	2,552	82,969
Chennai	46	684	31,136
Kolkata	105	252	26,436
Bangalore	38	585	22,439
Noida	19	855	16,422
Hyderabad	14	727	10,403
Ahmedabad	6	950	5,451
Chandigarh	11	459	5,047
Indore	10	459	4,803
Goa	22	184	3,969
Pune	3	1,148	3,857
Varanasi	13	277	3,625
Kochi	5	524	2,631
Nagpur	10	230	2,298
Ludhiana	4	532	2,006
Lucknow	11	118	1,279
Panipat	2	543	1,255
Jallandhar	1	596	876
Bhubhaneshwar	5	185	876
Baroda	1	585	812
Jaipur	0	2,012	597
Gandhinagar	3	174	557
Vytilla	1	564	416
Amritsar	1	293	407
Himachal Pradesh	1	394	405
Coimbatore	0	555	155
Agra	0	85	35
Total	**612**		**805,835**
Add: 7.2mn sq. ft. of plots in Gurgaon			23,000
Less: Unpaid Land Cost			(30,000)
Less: Conversion cost (Rs. 20mn/ acre)			(156,660)
Less: Tax payable on sale of land (~26%)			(209,517)
Net Land value (Best Case)			**432,658**

Source: ENAM Research, DLF's current land reserves total ~615mn sq. ft.

Conversion margin on sold properties: The conversion margin (developer + construction margin, which does not include any land gains) is enjoyed by a real estate developer from undertaking the construction and selling of a real estate project. This margin is a steady state income that the developer enjoys from carrying out the main activity of construction and development and is usually in the range of ~25-40% of sales. This margin differs for each developer, depending on the location of the project, quality of construction, brand name and the resulted premium commanded. Being a steady income, we have given the same a multiple based on the individual developer's execution ability and bandwidth.

Leased income: DLF's leased assets (build and lease model) are valued as income yielding assets on a rent capitalization basis. We have assumed a cap rate of 10% for all commercial & retail leased assets.

We have provided three scenarios as part of our valuation methodology:

- Best Case: Company's estimates
- Base Case: Our estimate of what the company can execute
- Bear Case: Execution growth at a 35% p.a. from FYE 07

Our recommended approach: Key Components

Components of Valuation	Assumptions		
	Bear Case	Base Case	Best Case
Conversion margin multiple (x)	8	10	12
Land Value appreciation (x)	1.5	2	3
Finished Projects – Cap Rate (x)	12	10	8

Source: ENAM Research

Sum of parts valuation

Conversion Margin

Best Case

(Rs bn)		Conversion Margin (Rs./psf)			
		2,000	2,250	2,500	2,750
Conv. Margin Multiple (x)	9	720	810	900	990
	10	800	900	1000	1100
	11	880	990	1100	1210
	12	960	1080	1200	1320

Base Case

(Rs bn)		Conversion Margin (Rs./psf)			
		1,750	2,000	2,250	2,500
Conv. Margin Multiple (x)	9	567	638	709	780
	10	630	630	788	867
	11	693	780	867	954
	12	757	851	946	1040

Bear Case

(Rs bn)		Conversion Margin (Rs./psf)			
		1,500	1,750	2,000	2,250
Conv. Margin Multiple (x)	9	456	513	570	627
	10	507	444	634	697
	11	558	627	697	767
	12	608	684	761	837

Final Valuations

Conversion Margin	900
Land Value	433
Completed Assets	19
Total	**1351**
Less: Net debt	19
Best Case target price	**781**

Conversion Margin	630
Land Value	389
Completed Assets	15
Total	**1035**
Less: Net debt	19
Base Case target price	**596**

Conversion Margin	444
Land Value	346
Completed Assets	12
Total	**802**
Less: Net debt	19
Bear Case target price	**459**

Land Value

(Rs bn)		Bear Case	Base Case	Best Case
	(x)	0.8	0.9	1
Market Value	682	546	614	682

Completed Assets

(Rs bn)		Bear Case	Base Case	Best Case
	(x)	8	10	12
Rental income (FY07)	1.5	12	15	19

Source: ENAM Research

METHODOLOGY II – NET ASSET VALUE (NAV)

In addition to the above approach, we have further calculated DLF's Net Asset Value (NAV) using a Discounted Cash Flow approach.

NAV Valuation Methodology

Type	Methodology
Build and Sell Projects	Discounted Cash Flow based on actual cash flow from sales
Build and Lease projects	Rent Capitalization method after 100% completion
Construction	EBIDTA Multiple

Source: ENAM Research

NAV Valuation

Y/E March	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	Beyond 2017E
Square feet launched	**26.4**	**40.8**	**63.4**	**69.5**	**70.4**	**68.3**	**64.3**	**57.3**	**52.2**	**38.3**	**61.3**
Operating Cash Flow	**2,687**	**86,570**	**400,509**	**322,259**	**255,351**	**350,043**	**243,880**	**202,699**	**161,280**	**310,357**	**217,772**
Less:Administration Costs	3,496	4,545	5,454	6,545	7,853	9,424	11,309	13,571	16,285	19,542	-
Interest Costs	1,605	605	605	605	605	605	605	605	605	605	1,816
Contingency	600	1,288	1,805	2,297	2,589	2,094	2,025	1,907	1,765	1,669	3,034
Net Cash Flow (Pre-tax)	**(3,014)**	**80,132**	**392,645**	**312,812**	**244,304**	**337,920**	**229,941**	**186,615**	**142,625**	**288,541**	**212,921**
Less: Taxation	19,110	30,995	42,431	66,194	72,838	85,948	72,029	84,574	57,927	51,197	29,534
Free Cash Flow	**(22,124)**	**49,137**	**350,214**	**246,619**	**171,466**	**251,972**	**157,913**	**102,041**	**84,697**	**237,344**	**183,387**

Sensitivity Matrix

(Rs mn)		Selling price escalation (%)				
		0	**3**	**5**	**7**	**10**
WACC (%)	**12**	398	498	573	656	798
	13	385	480	552	631	765
	14	372	463	531	606	735
	15	359	446	512	584	706
	16	348	431	493	562	679

Note: Escalation in construction costs assumed to be constant

Net Cash Flows	**1,813**
Discount rate	**14%**
Net Present Value	**920**
Add: Value of 7.2mn sq. ft. of plotted land in Gurgaon (Rs. bn)	23
No. of shares (fully diluted)	1704.5
Net Asset Value	**553**

Key Assumptions

Variable	Assumption
Escalation in selling price	5%
Escalation in construction costs	4%
Contingencies considered (% of costs)	2%
No of years considered beyond 2017E	3

Source: ENAM Research; Note: The above NAV valuation does not include any of DLF's hotel or SEZ projects. It also does not include any value for its ~4.2mn sq. ft. of leased commercial space in Delhi/ Gurgaon and ~7mn sq. ft. of plotted development in Gurgaon.

Lower cap rates – Higher value creation

Currently, DLF has sold its completed assets to DAL at a capitalization rate of ~9%. However, the insatiable appetite of foreign money for Indian real estate has enabled other players like Ascendas to list a REIT structure in Singapore with capitalization rates as low as 6.3% (post tax).

Currently, properties leased to AAA tenants in India are being valued at a cap rate of ~9% to 11%, while properties leased to similar credible tenants in more mature markets are valued at cap rates of ~6 – 7%. Given the high growth potential of leased properties (9 year leases with escalation of ~15% every 3 years) and expected growth of Indian real estate, we believe DLF's valuation could see a significant upside, should the cap rates for completed assets compress from its current levels.

Our current valuation exercise does not capture any increase in the NAV from such cap rate compression in the future nor does it capture any acceleration in cash flows from the increased quantum of sales of commercial properties by DLF to DAL as an outcome of such compression.

Sensitivity: Cap rates and occupancy

(Rs mn)		Capitalization Rate (%)				
		6	7	8	9	10
Occupancy Rate (%)	100	729	666	618	581	552
	95	694	634	588	553	525
	90	658	601	558	525	498
	85	623	569	528	497	472
	80	587	536	498	469	445

Source: ENAM Research

Upsides to our base case valuation

Factor	Description
Cap Rates	Introduction of REITs & increased foreign interest in Indian realty is expected to lead to **cap rate compressions** unlocking value. However, **regulations for REITs still not in place.**
Interest Rates	Softening of interest rates can lead to lower cost of debt **(lower discount rates)** as well as increase industry volumes significantly.
Joint Ventures	Value accretion from **JVs with Lang O'Rourke** (construction), **WSP** (design & engineering), **Feedback Ventures** (project management), **Hilton** (hospitality), **Fortis** (Healthcare), **Nakheel** (SEZ)
Hotels & SEZs	DLF plans to develop **25,000 hotel rooms** by 2016 and is also in the process of acquiring land for 4 large **SEZs over 26,100 acres** *(See page 21)*

Downsides to our base case valuation

Factor	Description
Conversion Margins*	Oversupply in micro markets may put pressure on selling prices, thereby resulting in a **squeeze on conversion margins.**
Execution scale up	Valuations based on a huge ramp up in delivery volume, posing **significant execution challenges**
Risk of land usage	**Large part of land bank still not zoned**, i.e. converted from agricultural to commercial use. This **legal/title risk is not factored** in current valuations.

Source: ENAM Research, * See Annexure I for selling prices assumed

Comparative Valuations

DLF, being a developer, would be comparable to other developers such as Unitech, Parsvnath Developers, Sobha Developers and Anant Raj Industries.

(Rs mn)	Anant Raj Industries	Parsvnath Developers	Sobha Developers	Unitech Ltd*
Price (Rs.)	**1,208**	**330**	**813**	**512**
No. of Shares	55	185	73	812
Market Cap (Rs. bn)	**66**	**61**	**59**	**416**
Financials				
Sales				
2007	2,043	15,103	11,865	32,883
2008E	8,090	22,616	16,489	45,879
2009E	15,219	39,800	25,198	76,390
EBIDTA				
2007	1,779	4,174	2,562	20,018
2008E	5,336	6,857	4,693	20,415
2009E	9,070	12,692	7,583	42,661
PAT				
2007	1,309	2,922	1,615	13,058
2008E	3,827	3,981	2,514	12,486
2009E	6,337	7,022	3,411	27,607
Valuations				
Land Bank (mn sq ft)	50	153	137	500
NAV (Rs)	1187	412	935	420
Price/NAV (x)	**1.0**	**0.8**	**0.9**	**1.2**
Sum of parts value (Rs)	1256	474	907	553
Price/ SOTP Value (x)	**1.0**	**0.7**	**0.9**	**0.9**

Source: Bloomberg, ENAM Research, * Note: Does not include sales of under-construction properties to UCP type structures, SEZ or hotel projects or planned development of recently acquired land admeasuring 429 acres

Valuation Comparison – International Peers

Key Financials

(USD mn)	Country	Market	Sales			Net income		
Company Name		Cap.	2007	2008	2009	2007	2008	2009
Cheung Kong Holdings Ltd	HK	31,500	2,591	2,686	4,037	3,188	1,794	2,415
Hang Lung Group Ltd	HK	5,975	756	1,149	1,681	257	289	390
Henderson Land Development	HK	13,172	1,058	1,200	1,353	681	678	621
Hysan Development Co Ltd	HK	2,699	168	179	180	98	107	110
Sun Hung Kai Properties Ltd	HK	30,863	3,853	4,136	4,848	1,440	1,641	1,785
New World Development Ltd	HK	8,721	2,973	3,991	4,536	240	540	500
Sino Land Co	HK	9,892	1,137	1,415	1,739	513	584	600
Hang Lung Properties Ltd	HK	13,901	727	1,208	1,336	370	629	740
Kerry Properties Ltd	HK	9,818	1,434	1,439	2,475	332	320	484
China Overseas Land	HK	15,989	2,180	2,894	3,865	450	642	846
Hopson Development Holdings	HK	4,404	1,507	1,861	2,631	276	429	502
Mitsubishi Estate Co Ltd	JP	40,087	7,643	6,695	7,070	709	728	768
Sekisui House Ltd	JP	9,561	13,723	14,314	14,865	527	563	602
Mitsui Fudosan Co Ltd	JP	24,517	10,250	11,508	12,288	593	724	826
Daiwa House Industry Co Ltd	JP	8,556	13,412	14,276	15,066	400	498	557
Daito Trust Construction Co Ltd	JP	5,773	4,934	5,580	8,800	330	411	388
Sumitomo Realty & Development	JP	16,372	5,676	5,873	6,423	424	522	578
JS Group Corp	JP	5,911	9,433	9,796	10,091	295	309	329
Cheung Kong Holdings Ltd	JP	3,824	651	781	1,228	98	144	233
Hang Lung Group Ltd	GB	1,933	212	172	181	262	266	280
Henderson Land Development	GB	7,482	615	675	739	228	255	268

Source: Bloomberg

Key Financials

(USD mn)	NAV	Mcap/	P/E (x)			EV/EBITDA (x)		
Company Name	2007	NAV (x)	2007	2008	2009	2007	2008	2009
Cheung Kong Holdings Ltd	30,003	1.0	11	18	13	34	28	17
Hang Lung Group Ltd	4,426	1.3	22	18	16	21	14	10
Henderson Land Development	14,483	0.9	19	20	21	24	22	23
Hysan Development Co Ltd	4,034	0.7	27	25	23	22	21	20
Sun Hung Kai Properties Ltd	29,401	1.0	21	19	17	19	17	16
New World Development Ltd	7,998	1.1	33	17	17	23	13	16
Sino Land Co	6,303	1.6	19	17	16	20	17	16
Hang Lung Properties Ltd	9,937	1.4	36	22	19	31	17	15
Kerry Properties Ltd	5,782	1.7	28	30	19	24	24	18
China Overseas Land	5,301	3.0	34	25	18	22	16	12
Hopson Development Holdings	1,442	3.1	16	11	9	10	7	7
Mitsubishi Estate Co Ltd	10,125	4.0	56	55	52	27	25	23
Sekisui House Ltd	6,733	1.4	18	17	16	9	8	8
Mitsui Fudosan Co Ltd	7,695	3.2	41	34	29	21	19	17
Daiwa House Industry Co Ltd	5,884	1.5	20	17	15	-	-	-
Daito Trust Construction Co Ltd	2,297	2.5	17	14	14	7	7	6
Sumitomo Realty & Development	3,350	4.9	39	31	28	22	20	18
JS Group Corp	4,981	1.2	18	17	16	9	8	7
Aeon Mall Co Ltd	470	8.1	30	30	23	18	12	8
Brixton PLC	2,900	0.7	21	21	19	17	17	18
Hammerson PLC	8,617	0.9	34	30	28	25	23	21

Source: Bloomberg

Annexure I: Project Portfolio

Residential Projects

Project Name	Location	Type	Area (mn sq ft)	Sale/Lease	Sale Price Rs mn)
Project 13	Blr-Bannerghatta Resi	GHS	7.40	Sale	3,500
Project 36	GK-II	GHS	0.39	Sale	23,000
Project 19	Blr-Rajapura	Villas	6.32	Sale	2,900
Project 19	Blr-Rajapura	GHS	6.32	Sale	2,900
Project 25	OMR	GHS	6.11	Sale	3,550
Project 73	Wakanaghat	Villas	0.54	Sale	2,550
Project 22	Tulsiwadi	GHS	0.89	Sale	25,000
Project 67	Mounts Mary	GHS	0.06	Sale	22,000
Project 35	Tehkand	GHS	0.75	Sale	13,000
Project 62	Vytilla	GHS	0.74	Sale	5,500
Project 44	Kakkanad	GHS	4.21	Sale	3,100
Project 75	Reis Magos I	GHS	0.85	Sale	3,000
Project 75A	Reis Magos II	GHS	0.55	Sale	10,000
Project 61	HIDCO Rajarhat	GHS	1.51	Sale	3,300
Project 63	Kasauli	Villas	0.49	Sale	6,796
Project 7	Chandigarh-Mullanpur	Plot	2.12	Sale	3,000
Project 7	Chandigarh-Mullanpur	Villas	2.12	Sale	6,000
Project 7	Chandigarh-Mullanpur	Community	0.53	Sale	1,000
Project 7	Chandigarh-Mullanpur	GHS	4.00	Sale	6,000
Project 31	Kolkatta Convention Centre	GHS	0.65	Sale	4,000
Project 32	Nagpur IT SEZ	Villas	8.01	Sale	3,000
Project 39	Bhubheneshwar IT Park	Ser. Apt.	1.09	Sale	3,000
Project 42	Sonepat IT	Ser. Apt.	1.14	Sale	2,500
Project 79	Sancole Goa	Ser. Apt.	2.32	Sale	3,500
Project 14	Arambol	Plot	3.48	Sale	2,500
Project 14	Arambol	Villas	3.75	Sale	2,500
Project 14	Arambol	GHS	6.56	Sale	2,500
Project 4	Dankuni	Plot	20.00	Sale	1,500
Project 4	Dankuni	Villas	20.00	Sale	2,500
Project 4	Dankuni	Community	10.00	Sale	625
Project 4	Dankuni	GHS	26.00	Sale	2,250
Project 60	Lucknow Township	Plot	10.00	Sale	632
Project 24	Indore Township	Plot	2.31	Sale	500
Project 24	Indore Township	Villas	2.48	Sale	2,500
Project 24	Indore Township	GHS	4.34	Sale	2,500
Project 2	Phase V Resi (Completed)	GHS	8.74	Sale	6,000
Project 2	Phase V Resi	GHS	25.27	Sale	7,500
Project 1	Phase VI-IX	Plot	8.50	Sale	2,650
Project 1	Phase VI-IX	Villas	40.00	Sale	4,500
Project 1	Phase VI-IX	Community	4.00	Sale	1,250
Project 1	Phase VI-IX	GHS	58.00	Sale	5,000

Source: ENAM Research

Project Name	Location	Type	Area (mn sq ft)	Sale/Lease	Sale Price Rs mn)
Project 8	Phase VI-IX GV	Plot	1.31	Sale	2,000
Project 8	Phase VI-IX GV	Villas	6.47	Sale	4,000
Project 8	Phase VI-IX GV	Community	0.65	Sale	1,200
Project 8	Phase VI-IX GV	GHS	5.21	Sale	3,000
Project 5	Chanakyapuri	GHS	2.38	1	35,000
Project 71	Shivalik Society Pkla	Plot	4.53	1	600
Project 103	Sriperambathur	GHS	13.45	1	2,420
Project 96	OMR 2	GHS	12.50	1	3,083
Project 99	OMR 1 Extension	GHS	4.00	1	3,500
Project 94	Village Khurd New Delhi	GHS	2.61	1	9,000
Project 95	Deendarpur Najafgarh	GHS	2.61	1	9,000
Project 97	Village Khera Land	GHS	6.27	1	9,000
Project 98	Village Chhawala Land	GHS	5.23	1	9,000
Project 101	Panvel U Zone	Plot	21.78	1	1,500
Project 100	Hyderabad 140 Acrea	Plot	6.10	1	1,500
Project 104	Village Bhagwanpur	Plot	13.07	1	1,500
Project 105	Banglore Aakravati	Plot	15.94	1	1,500

Source: ENAM Research

Commercial Projects

Project Name	Location	Area (mn sq ft)	Sale/Lease	Monthly Rental/ Sale Price Rs mn)
Project 43	Noida JDA	1.38	Lease	50
Project 3	Cybercity (Completed Projects)	2.96	Lease	65
Project 3	Cybercity	9.44	Lease	70
Project 3	Cybercity	5.54	Lease	70
Project 31	Kolkatta Convention Centre	2.61	Lease	50
Project 78	Noida JV	2.63	Lease	50
Project 43A	Noida JDA	1.95	Lease	50
Project 9	Chennai Punamella SEZ	7.34	Sale	6,000
Project 17	Oberoi Project SEZ	5.14	Sale	7,000
Project 15	Hyderabad Gachibowli SEZ	3.40	Sale	5,000
Project 34	Kolkatta 25 acres IT SEZ	2.66	Sale	4,500
Project 2	Phase V Comm	2.25	Sale	8,400
Project 26	SIEL SEZ	3.61	Sale	15,500
Project 29	Pune IT SEZ	3.36	Sale	4,500
Project 39	Bhubheneshwar IT Park	2.00	Sale	3,500
Project 42	Sonepat IT SEZ	2.00	Sale	4,000
Project 32	Nagpur IT SEZ	2.00	Sale	3,200
Project 20	Niharika	0.30	Sale	15,000
Project 7	Chandigarh-Mullanpur	1.03	Sale	5,500
Project 1	Phase VI-IX	20.00	Sale	6,000
Project 8	Phase VI-IX GV	0.84	Sale	5,000
Project 14	Arambol	0.61	Sale	4,000
Project 79	Sancole Goa SEZ	2.00	Sale	3,500
Project 4	Dankuni	6.21	Sale	3,500
Project 24	Indore Township	0.40	Sale	4,000
Project 89	Campa Cola Okhla Plot	0.43	Sale	15,000
Project 90	Ahmedabad	4.44	Sale	3,500
Project 91	Gandhi Nagar SEZ	3.20	Sale	3,000
Project 106	Mulund Mumbai SEZ Project	7.30	Sale	7,500
Project 92	Hyderabad Site II SEZ	3.00	Sale	4,000

Source: ENAM Research

Retail Projects

Project Name	Location	Area (mn sq ft)	Sale/Lease	Monthly Rental/ Sale Price (Rs mn)
Project 8	Phase VI-IX GV	1.05	Lease	60
Project 28	Emporio Mall	0.33	Lease	277
Project 18	Promenade	0.47	Lease	288
Project 15	Hyderabad Gachibowli	0.35	Lease	65
Project 39	Bhubheneshwar IT Park	1.65	Lease	35
Project 58	Ludhiana Mall	0.37	Lease	65
Project 11	Noida Mall	1.54	Lease	120
Project 11 Base	Noida Mall Basement	0.48	Lease	45
Project 59	Rajarhat Mall	0.36	Lease	75
Project 6	Mall of India	3.90	Lease	140
Project 10	NTC Mall	1.82	Lease	200
Project 55	Mico	0.57	Lease	92
Project 12	Courtyard	0.62	Lease	195
Project 51	Banjara Hills Mall	0.37	Lease	90
Project 13	Blr-Bannerghatta Ret	0.72	Lease	90
Project 52	Kondambakkam	0.81	Lease	75
Project 24	Indore Township	0.92	Lease	35
Project 27	Jallandhar 2 Mall	1.28	Lease	80
Project 45	Panipat 1 Mall	0.00	Lease	
Project 49	Panipat 2 Mall	2.31	Lease	83
Project 37	Gandhi Medical College	1.10	Lease	80
Project 1	Dankuni	6.97	Lease	45
Project 4	Dankuni	3.87	Lease	45
Project 7	Chandigarh-Mullanpur	1.18	Lease	90
Project 14	Arambol	0.70	Lease	44
Project 21	Baroda Mall	1.39	Lease	60
Project 16	Ahmedabad Mall	1.30	Lease	60
Project 54	Patto Plaza	0.71	Lease	50
Project 50	Bangalore Bhoruka	1.67	Lease	60
Project 56	Indian Express Mall	1.12	Lease	70
Project 64	Jaipur Mall	0.30	Lease	100
Project 48	Kochi 3.78 Acres	0.81	Lease	80
Project 81	Madrass Race Club	0.77	Lease	100
Project 68	DLF Galleria, Jallandhar	0.19	Sale	8,000
Project 47	Southcourt Mall	0.42	Sale	15,000
Project 70	Mayur Vihar Mall	0.17	Sale	13,000
Project 65	Shalimar Bagh Mall	0.26	Sale	13,000
Project 30	Jasola	0.83	Sale	12,000
Project 1	Phase VI-IX	10.00	Sale	8,500
Project 20	Niharika	0.09	Sale	20,000
Project 4	Dankuni	3.87	Sale	3,000
Project 66	Coimbatore Mall	0.28	Sale	6,000
Project 72	Southpoint Mall	0.28	Sale	5,000
Project 74	City Court	0.17	Sale	5,560
Project 23	Hindustan Mills	0.28	Sale	25,000
Project 83	Amritsar Ajnala Road	1.39	Sale	8,000
Project 85	Ludhiana II	3.40	Sale	8,000
Project 86	Najaf Garh Pure Drinks	0.20	Sale	18,000
Project 87	Lucknow Vibhuti Khand	0.86	Sale	4,000
Project 110	Agra	0.41	Sale	4,000

Source: ENAM Research

Annexure II: City-wise Real Estate Market

Noida Real Estate Market

	FACTSHEET
Population (Census 2001)	0.9mn
Administrative Status	City, Uttar Pradesh
City Functions	Industrial, IT/ITeS services
Distance of Airport from CBD	40 kms
Investment in real estate market	Global and local
Real estate outlook	■ Residential ⇔ ■ Commercial ↑ ■ Retail ↑
Factors governing real estate	Public private partnership

Source: Trammel Crow Meghraj, ENAM Research

Noida is the acronym for the industrial area (New Okhla Industrial Development Area) that is under the management of the New Okhla Industrial Development Authority, a department of the government of Uttar Pradesh in Gautam Buddha Nagar District, India. Noida came into existence in 1976 and is now considered to be one of the more modern suburbs of Delhi. It is the home to a number of IT companies and is emerging as an educational hub.

Residential: The prime residential areas in NOIDA are located in Sector 14, 15, 27, 28, 29 and 37. All these sectors predominantly consist of plotted housing, while Sector 44 predominantly consists of Group housing. Residential real estate trends in Noida are characterized by high supply and low occupancy patterns. Occupancy rates are expected to increase in future with the growth of the economic base of the city as well as entertainment and socio-cultural facilities. Moderately high absorption rates have been observed in residential spaces. Most buyers are taking residential properties as a second home or for investment purpose.

Commercial: Noida is emerging as a preferred IT/ITES destination in India. The most preferred locations for IT companies are sector 29, 57, 58, 59 & 60. Major office complexes of the town are located in and around Sector 18. Most of the spaces in these commercial spaces are sold out to various investors and are occupied by various corporate and IT companies on rental basis. The commercial offices account for ~1.5mn sq. ft. built up stock in the organized market. As a result of recent addition of IT projects, the annual supply of IT space in NOIDA has now become approximately 0.78mn sq. ft., against the average demand of 0.52mn sq. ft. This increasing growth is well recognized by local authorities and efforts are being made by them to promote the IT sector, especially small entrepreneurs.

Retail: Sector 18 is a major retail market of the city, which consists of high street shops as well as shopping malls. High street shops are available both on rent as well as on sale and the size varies between 200 and 500 sq. ft. The Taj Expressway corridor is attracting many group housing projects like Parsvnath Prestige, Eldeco Utopia etc. by reputed developers. Center Stage Mall, located in the commercial area of Sector 18 is one of the few high-end retail destinations in Noida.

Greater Noida Real Estate Market

Unlike many other cities in India, infrastructure facilities well precede Greater Noida's development and inhabitation. There are several advantages to industries in terms of connectivity and infrastructure. Key among these are 50 minutes from New Delhi Railway Station and 55 minutes from I.G.I. Airport, Supply of basic amenities, concessions in various fields have made Greater NOIDA a center of attraction for people from Delhi, Noida, Ghaziabad, Gurgaon and Faridabad. Greater NOIDA authority is also coming up with novel projects like, Toy City, Women Entrepreneur Park, Night Safari, etc, to boost local economy. IT and Auto companies have their presence in Greater Noida with Honda Siel Cars, Moser Baer already operational. India's largest exposition mart was recently inaugurated in Greater Noida.

Residential: Greater NOIDA offers an uncongested, pollution-free environment with world-class facilities for better living, just a half-hour drive from Delhi via the DND Flyway and a six-lane expressway.

Commercial: Greater Noida has earmarked sectors for commercial activity on an area of 153.63 ha. Avenues of investment in the commercial space include: Plots, Built-up space, Kiosks, Facilities. Ecotech is Greater Noida's exclusive Industrial area where rights of admission are reserved.

Kolkata Real Estate Market

	FACTSHEET
Population (2005)	16.3mn
Administrative Status	State capital, West Bengal
City Functions	Manufacturing, textiles, IT/ITeS services
Distance of Airport from CBD	15-20km
Investment in real estate market	Global and local
Real estate outlook	■ Residential ↑ ■ Commercial ↑ ■ Retail ↑
Factors governing real estate	Public private partnership

Source: Jones Lang Lasalle, ENAM Research

Recently, Kolkata has emerged as a favored destination for companies expanding their operations in India. Due to one of the highest literacy rates in the country, the city offers a well-equipped work force as well as easy availability of land at lower costs compared to Mumbai and Delhi.

Residential: The prime central area comprising Ballygunje, Hastings and Alipur command the highest residential prices, with capital values for land at ~USD 100-110/psf. Secondary residential districts located within an 8 kms radius of the central area include Kankurgachi, Sealdah, Prince Anwar Shah Road, New Alipore and Moulali. These locations offer good connectivity and lower prices when compared to central areas. Eastern peripheral areas comprising Eastern Metropolitan Bypass, New Rajerhat Township, Topsia and Kasba are expected to witness the highest growth in residential stock over the next 2 to 4 years, fuelled by the development of Salt Lake - Sector V as an IT/ITES business hub and the unlocking of land by the government which is currently disposing of large tracts of land in Rajerhat.

Commercial: Kolkata's CBD comprises includes central Kolkata (namely Chowrangee Street, Camac Street, Park Street and AJC Bose Road) where residential spaces have been redeveloped as offices. The emerging peripheral business district comprises of Salt Lake and New Town Rajerhat, both of which are being actively promoted by the West Bengal government as IT/ITES hubs. In direct contrast to the size of office buildings in the CBD (~50,000 sq ft) office building projects undertaken in Salt Lake and Rajerhat range is size from ~0.25mn to 2mn sq. ft., where large land plots with generous built area incentives have been granted by the West Bengal government.

Retail: The retail prime high street locations are concentrated in the new CBD area, comprising Elgin Road, Camac Street, Theater Road, Russel Street, Park Street, AJC Bose Road and Landsdowne Road. There are a few new shopping malls, which are planned to start in 2007; these are located primarily in secondary markets (in an 8 to 10km radius of the CBD) and in the city's eastern periphery.

Hyderabad Real Estate Market

	FACTSHEET
Population (Census 2001)	3.6mn
Administrative Status	State capital of Andhra Pradesh
City Functions	Services, trade and commerce
Distance of Airport from CBD	15-17 kms
Investment in real estate market	FDI, RE funds and growing
Real estate outlook	■ Residential ↑ ■ Commercial ↑ ■ Retail ↑
Factors governing real estate	Development of IT/ITeS industry

Source: Trammel Crow Meghraj, ENAM Research

Hyderabad is a city of over ~6mn people (2005), the 6th largest metropolitan area in India, and is the capital of the state of Andhra Pradesh located in south central India. Hyderabad has emerged as a key IT/ITES and biotech center attracting large multinationals and international IT companies. Hyderabad is also the home of Osmania University, Central University of Hyderabad, Indian School of Business and Indian Institute of Information Technology.

Residential: Residential development is taking place in the northwest and the south of the city. Majority of residential developments are in areas such as Madhapur and Kukatpally due to the proximity to Hi-tech City, and the southwest part of the city due to the upcoming International airport. However, residential activity in the south is not as intense as it is in the northern part of the city. Banjara Hills, Jubilee Hills and Srinagar colony are prime residential localities in the north-western part of the city.

Commercial: Hyderabad is recognized as the next hub of technology behind Bangalore. Proactive government support to improve infrastructure – proposed new international airport and an outer ring road - has led to an increased interest from several multinational corporations who have bought large tracts of land from the government to set up individual campuses. The total commercial office space supply in peripheral Hyderabad is estimated at ~1.5mn sq. ft. in 2006 and 5mn sq. ft. in 2007. With demand for quality office space outstretching supply, rentals and capital values are on the rise.

Retail: Hyderabad's retail sector has grown significantly over the past 5 years with the entry and expansion of well-known brands. Organized retail is currently concentrated in the Banjara Hills area with a current total of 0.75mn sq. ft. of retail space. The city is witnessing 10 additional organized mall developments with the expected retail space supply expected to touch ~2.4mn sq. ft. by 2008. Madhapur and adjoining areas is expected to see a proposed development of ~1-1.5mn sq. ft. of retail space between 2007 and 2009.

Chennai Real Estate Market

	FACTSHEET
Population (Census 2001)	4.2mn
Administrative Status	State Capital of Tamil Nadu
City Functions	Services, IT/ITeS, Administrative
Distance of Airport from CBD	12-14 kms
Investment in real estate market	FDI, RE Funds & growing
Real estate outlook	■ Residential ↑ ■ Commercial ↑ ■ Retail ↑
Factors governing real estate	Large availability of land on the city outskirts and pro development policies of the state government towards housing & IT/ITeS

Source: Trammel Crow Meghraj, ENAM Research

Chennai, formerly known as Madras, is the capital of the state of Tamil Nadu and is India's fourth largest metropolitan city with an estimated population of 6.7mn. It is a well-known manufacturing and IT corridor and is known as the "Detroit of India" and the "Gateway to the South".

Residential: The nucleus of the city consists of the old residential areas of George Town, Chintadripet, Triplicane and Purasawalkam, which are now decaying and in need of an urban renewal. Middle and high segment housing will see more than 2,000 dwelling units being added up in the market in the next two years. If we include the Mahindra city and Singapore Township, another 3,000 units will be added by the year 2007- 2008.

The locus of new development is the south and the west, in an ever-growing semicircle with the center gradually moving southward. Chennai is witnessing a change in the concept of development of large-scale projects with the entry of big developers from outside the city planning integrated townships in Chennai. The upcoming residential townships are Mahindra City, Singapore Township, Unitech, DLF, Hiranandani Estates etc.

Commercial: The Central Business District (CBD) of Chennai is concentrated within a 3km radius around Anna Salai in central Chennai. The prime commercial complexes are all located along the 3 main roads namely, Anna Salai, Dr. Radhakrishna Salai and Nungambakkam High Road. With the entrance of various IT/ITES and BPO companies, the real estate market of Chennai has a high demand for A-Grade commercial space. The rise in demand is further assured by Government incentives to various IT companies and by setting up infrastructure through IT Parks such as TIDEL Park and SIPCOT Park. The Old Mahabalipuram Road (OMR) has predominantly developed as a commercial corridor. About 90% of the commercial space has been taken up by IT & ITES companies, in the last 2 years. Almost 11mn sq. ft. of A-grade commercial space is being added in the city mostly in the southern suburbs to cater to the IT- sector demand. IT/ITES sector will be the main demand driver in the next 2 years with maximum space being occupied by BPOs and call centers along with the software companies and back offices for financial institutions.

Retail: The Retail activity in Chennai is primarily concentrated in and around Nungambakkam, Cathedral Road & T Nagar. The high street retail activity in the city can be broadly classified into five major regions of T. Nagar and Pondy bazaar, Cathedral Road and Nungambakkam High Road, Anna Nagar (2nd Avenue), Besant Nagar and Adyar. Keeping in view the fast pace of development of commercial and residential developments in the city as discussed in the previous section, the number of malls coming up in the city is very small. There proposed developments of standalone malls towards the southern and western parts of the city by many private developers as well as malls within townships.

With real estate prices in the OMR region sky rocketing, locations like Sriperumbudur and Minjur offer excellent alternatives to companies looking to set up shop in Chennai. We detail below the two areas where IVR PUDL intends on undertaking developments.

Pune Real Estate Market

	FACTSHEET
Population (Census 2001)	2.5mn
Administrative Status	District Capital
City Functions	Services, IT/ITeS, Industrial, Administrative
Distance of Airport from CBD	8 kms
Investment in real estate market	Localized and growing
Real estate outlook	■ Residential ↑ ■ Commercial ↑ ■ Retail ↑
Factors governing real estate	IT Park developments in the peripheral locations

Source: Trammel Crow Meghraj, ENAM Research

Pune is a city located in the western Indian state of Maharashtra. It is the capital of Pune District in which it is located. It is the 7th largest city in India with a population of 4.5mn, and the 2nd largest in the state of Maharashtra. It is located roughly 120 kilometers east of Mumbai. It has become an important IT, research and industrial centre.

Residential: The localities of Koregaon Park, Boat Club Road, Kalyani Nagar, Fatima Nagar, Prabhat Road, Deccan Gymkhana, and Aundh are the up market residential areas, while areas like Kothrud, Warje, Baner, Nagar Road, Hadapsar are increasingly catering to middle-income demand. Areas near Pune Cantonment have always and continue to remain prime residential areas with their proximity to sparsely populated, well-planned green expanses of the cantonment.

Commercial: Pune is home to several IT companies and some of the leading universities in the country. Pune's proximity to Mumbai (3 hours by road) has made it an optimum destination for business. Several large companies are planning to set up shop by leasing commercial space in IT Parks or building their own campuses. Lower land cost, availability of quality infrastructure, low rentals and workforce availability are some of the demand drivers for this city.

Retail: With several IT Parks and individual campuses planned or under construction, any retail project is well poised to enjoy a large catchment area. The advent of malls has introduced a new retail culture in the city, which till recently only experienced high street retailing. Pune is set to witness at least ~10 malls that will be operational within the next few years.

Bangalore Real Estate Market

	FACTSHEET
Population (Census 2001)	1.3mn
Administrative Status	State capital of Karnataka
City Functions	Services, IT/ITeS, administrative and industrial
Distance of Airport from CBD	15 kms
Investment in real estate market	Corporates and growing
Real estate outlook	■ Residential ↑ ■ Commercial ↑ ■ Retail ↑
Factors governing real estate	IT/ITeS development

Source: Trammel Crow Meghraj, ENAM Research

Bangalore, located on the southern Deccan Plateau, is the capital of the State of Karnataka. Bangalore, home to over 6mn people, is India's 5th largest metropolitan area. As a thriving business center, focusing on information technology (IT), Bangalore is considered the IT capital of India. Often called the "Silicon Valley of India", Bangalore has a concentration of software technology related activity.

Residential: The Bangalore residential market is one of the fastest growing residential markets in India with a greater stress on quality developments and a high percentage of demand for apartment developments. Presently the residential sector is dominating the south, west and south west part of the city but the eastern part of the city is witnessing an increased residential activity as a spin off from the IT related commercial developments. The absorption rate in the city is quite high in the middle and higher middle categories at almost 75-80%. Out of the total residential stock in the city, almost 20% is in high-end category, which includes villas and bungalows etc. The residential market of Bangalore has always been the market of apartments, but lately developers have started focusing on villa and row house developments. Presently the high-end residential developments are mainly concentrated in the CBD and in the East and South side of the city mainly comprising of luxury apartments, villaments etc. With the International Airport planned at the north, the city is also experiencing fresh growth towards the north.

Commercial: The Bangalore commercial market is totally dominated by the IT/ITES sector and is witnessing a consistent demand from the same. According to Cushman & Wakefield estimates, the total real estate space absorption increased from 7.4mn sq. ft. in 2004 to 8.6mn sq. ft. in 2005, with 2006 estimated to see lease commitments of 6-6.5mn sq. ft. Whitefield is an upcoming commercial district which has seen 2.0mn sq. ft of commercial office space supply in 2005-06, forming 23% of the total commercial demand in Bangalore. The expected commercial supply at Whitefield in 2006-07 is estimated to be 5.1mn sq. ft., forming ~37% of the total commercial market of Bangalore. The total commercial supply at Whitefield by 2008 is estimated to be 11.5mn sq. ft.

Retail: The Bangalore retail market is set to see another retail revolution with international chains and other professionally managed lifestyle stores opening multiple stores in the city. The mall buzzword has also caught Bangalore with 10-12 new malls expected. Whitefield is expected to witness development of ~1.6mn sq. ft. of retail space by 2008.

Hospitality: Though the city boasts of a combined strength of about 3,000 rooms, the huge demand from overseas and domestic business travelers, major corporate events, global conferences and national seminars has led to a dramatic increase in the tariffs, with the average room rate in the five-star hotels crossing the $300 mark per day. With the high-growth sectors like IT and biotech (BT) riding on a booming economy, the demand for luxury rooms is expected to rise by an additional 10-15% a year. To cater to the ever-increasing demand, close to 3,500 rooms shall be added to the city's total supply over the next few years. Currently Whitefield has ~200 rooms in the budget hotel category and is expected to add another 1,000-1,250 rooms in the 5 star and service apartments category by 2008.

Kochi Real Estate Market

	FACTSHEET
Population (Census 2001)	0.6mn
Administrative Status	City, Kerala
City Functions	Gold & textile retail, IT/ITeS, Tourism, Shipbuilding, Fishing
Distance of Airport from CBD	20 kms
Investment in real estate market	Global and local
Real estate outlook	■ Residential ↑
	■ Commercial ↑
	■ Retail ↑

Source: Trammel Crow Meghraj, ENAM Research

Kochi is one of the largest cities of the southern state of Kerala. The major businesses of the city are gold and textile retail, seafood and spices export, IT & ITeS, tourism and allied services, health services, banking, shipbuilding and allied activities as well as fishing.

The state government has given importance to the establishment of IT & ITeS enterprises to exploit the opportunities that have arisen in the field. Some of the projects in this area are the Kochi Info Park, Smart City Project, SEPZ (Special Export Processing Zone). The IT and BPO businesses are seen as fields where there is employment and revenue potential for the city. Further, a lot of the demand is also fuelled by remittances from NRIs, largely from the Middle Eastern countries.

Some of the major private industries include Madhava Pharmacy, Alliance Leathers, Binani Zinc Ltd.., Cochin Leathers Pvt. Ltd. United Catalysts India Ltd. Kainady Tanneries, Sri Shakthi Paper Mills Ltd. Travancore Rayon Ltd.

The establishment of some of the important government and public sector institutions also forms an integral part of the economy of Kochi. These include The Southern Naval Command, Cochin Shipyard, Cochin Port Trust, Kochi Refineries Ltd., Fertilisers and Chemicals Travancore (FACT), The High Court of Kerala, Hindustan Insecticides Limited, Hindustan Organic Chemicals

Some of the important educational institutes include Amrita Institute of Medical Sciences and Research Center, Medical Trust Hospital, Ernakulam Medical Center, Cochin University of Science and Technology, Central Institute of Fisheries, Nautical and Engineering Training, Central Marine Fisheries and Research Institute, Model Engineering College

Agra Real Estate Market

	FACTSHEET
Population (Census 2001)	1.4mn
Administrative Status	City, Uttar Pradesh
City Functions	Tourism, Agro based processing, Small scale industries
Distance from Delhi	250 kms
Investment in real estate market	Global and local
Real estate outlook	■ Residential ↑ ■ Commercial ↑ ■ Retail ↑

Source: ENAM Research

Tourism is the key driver of the city, followed by the small-scale industries and the service sector, especially establishments supporting hotels and tourism. Also, there is a substantial contribution to the local economy from the agro based processing sector. Further, the presence of government institutions like Food Corporation of India, LIC etc., PSU's provide further fillip to the real estate market in the city. One of the key reasons for the recent real estate interest in Agra its connectivity with the NCR.

Some of the recent Agra real estate developments include the construction of shopping malls, residential townships, commercial centers, farmhouses and resorts. The retail industry in Agra is expected to expand by 40% over the next 5 years. With organized retail touching ~15% in the Agra metropolitan region. Currently organized retailing adds up to only ~2% in Agra - the city which generates most of its revenues from tourism.

India's expanding economy is also helping real estate in Agra to develop to its full potential. The economy is booming primarily due to the export of services from India to the developed countries. The outsourcing boom has increased the quantity of disposable income from the Indian population, which in turn has led to the construction of innovative shopping malls and high-end residential complexes.

Mohali Real Estate Market

Mohali is a neighboring district of Chandigarh. Mohali benefits from the spill over effect of development in Chandigarh. One of the first city in Northern India to setup a software technology park. Companies like Dell, Infosys, Quark have setup their campuses in Mohali. Formation of new Greater Mohali development authority and good connectivity with Capital City of Chandigarh and rest of Punjab is leading to rapid development of Mohali.

NOTES

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Disclosure of interest statement (As of August 8, 2007)

1. Analyst ownership of the stock	No
2. Firm ownership of the stock	No
3. Directors ownership of the stock	No
4. Investment Banking mandate	No
5. Broking relationship	No

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