

DLF

INR 862



Gateway to realty

ACCUMULATE

DLF has been awarded a project to develop “a new Bangalore City” in Bidadi. The company will execute this project in joint venture with Dubai-based Limitless Group, wherein both the parties will have 50% stake. We spoke to the DLF management to get clarity on the project. Key highlights of the discussion are as follows:

The project, spread over 9,178 acres, has a developable and saleable area of approximately 250 mn sq ft. The management plans to utilize 50% of the area for developing residential properties, 30% for IT parks, and the balance for commercial and retail property development. We believe the average sales price for the total 250 mn sq ft will be in the INR 3,800 - 4,000 per sq ft range.

This is a time-bound project and has to be completed within five years from the day DLF gets all the approvals in place. The management believes that it will take 1-1.5 years to get all the necessary approvals and thus the project will be completed in 6-6.5 years.

Table 1: Bidadi project valuation

Area (mn sq ft)	Cost of project	Revenue	Gross profit	SG&A	PBT
250	450,000	950,000	500,000	23,750	476,250
			Tax		119,063
			PAT		357,188
			Total NPV		234,857
			DLF's share in NPV (@50%)		117,428
			No of shares		1,704
			NPV (INR / share)		69

Source: Company, Edelweiss research

Our earlier sum-of-the-parts (SOTP) valuation for DLF was INR 755/share; with the Bidadi project, it will increase to INR 824/share.

Financials

Year to March	FY07	FY08E	FY09E	FY10E
Revenue (INR mn)	26,152	114,898	170,673	185,690
Rev. growth (%)	330.1	339.3	48.5	8.8
EBITDA (INR mn)	14,953	79,219	119,467	132,796
Net profit (INR mn)	19,437	52,946	82,375	89,589
Shares outstanding (mn)	1,704.8	1,704.8	1,704.8	1,704.8
EPS (INR)	11.4	31.1	48.3	52.6
EPS growth (%)	2,111.3	172.4	55.6	8.8
P/E (x)	75.6	27.8	17.8	16.4
EV/ EBITDA (x)	105.2	19.2	12.9	11.3
ROE (%)	79.1	55.4	43.7	33.7
ROCE (%)	30.1	43.9	42.2	35.1

October 4, 2007

Akshit Shah
+91-22-4019 4714
akshit.shah@edelcap.com

Sachin Sharma
+91-22-4019 4510
sachin.sharma@edelcap.com

Reuters : DLF.BO
Bloomberg : DLFU IN

Market Data

52-week range (INR) : 904 / 490
Post IPO share (mn) : 1,704.8
M cap (INR bn/USD mn) : 1,470 / 37,155
Avg. Daily Vol. BSE/NSE ('000) : 8,761.4

Share Holding Pattern Post IPO (%)

Promoters : 88.2
MFs, Fls & Banks : 0.8
Fls : 5.9
Others : 5.1



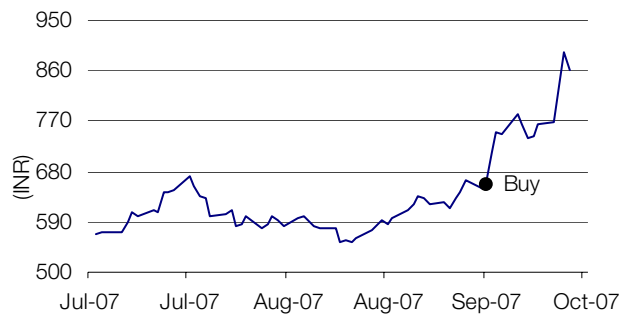
Edelweiss Securities Limited, 14th Floor, Express Towers, Nariman Point, Mumbai – 400 021, Board: (91-22) 2286 4400, Email: research@edelcap.com

Naresh Kothari	Co-Head Institutional Equities	naresh.kothari@edelcap.com	+91 22 2286 4246
Vikas Khemani	Co-Head Institutional Equities	vikas.khemani@edelcap.com	+91 22 2286 4206
Shriram Iyer	Head Research	shriram.iyer@edelcap.com	+91 22 2286 4256

Coverage group(s) of stocks by primary analyst(s): Real Estate:

Puravankara Projects, Omaxe, Housing Development & Infrastructure and DLF.

DLF



Recent Research

Date	Company	Title	Price (INR)	Recos
18-Sep-07	DLF	India play; Initiating coverage	656	Buy
17-Sep-07	Akruti Nirman	Spreading wings; Visit note	631	Not rated
06-Aug-07	Puravankara Projects	Fairly valued, upside from the future projects; IPO Note	400-450	
16-Jul-07	Omaxe	North India play; IPO Note	265-310	Subscribe

Distribution of Ratings / Market Cap

Edelweiss Research Coverage Universe

	Buy	Accumulate	Reduce	Sell	Total
Rating Distribution*	100	46	23	6	183
* 6 stocks under review / 2 rating withheld					
	> 50bn	Between 10bn and 50 bn	< 10bn		
Market Cap (INR)	83	66	34		

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 20% over a 12-month period
Accumulate	appreciate up to 20% over a 12-month period
Reduce	depreciate up to 10% over a 12-month period
Sell	depreciate more than 10% over a 12-month period

This document has been prepared by Edelweiss Securities Limited (Edelweiss). Edelweiss and its holding company and associate companies are a full service, integrated investment banking, portfolio management and brokerage group. Our research analysts and sales persons provide important input into our investment banking activities. This document does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. The information contained herein is from publicly available data or other sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such. Edelweiss or any of its affiliates shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. The investment discussed or views expressed may not be suitable for all investors. We and our affiliates, officers, directors, and employees may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as advisor or lender/borrower to such company (ies) or have other potential conflict of interest with respect to any recommendation and related information and opinions. This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Edelweiss and affiliates to any registration or licensing requirements within such jurisdiction. The distribution of this document in certain jurisdictions may be restricted by law, and persons in whose possession this document comes, should inform themselves about and observe, any such restrictions. The information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. Edelweiss reserves the right to make modifications and alterations to this statement as may be required from time to time. However, Edelweiss is under no obligation to update or keep the information current. Nevertheless, Edelweiss is committed to providing independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Neither Edelweiss nor any of its affiliates, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. Past performance is not necessarily a guide to future performance. The disclosures of interest statements incorporated in this document are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. Edelweiss Securities Limited generally prohibits its analysts, persons reporting to analysts and their family members from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report. Analyst holding in the stock: no.