Initiating Coverage

SECTOR: REAL ESTATE

Godrej Properties

Rich legacy

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Contents

Godrej Properties

BSE SENSEX	S&P CNX	BLOOMBERG	REUTERS
18,257	5,479	GPL IN	GODR.BO

Rs786 Initiating Coverage: Neutral

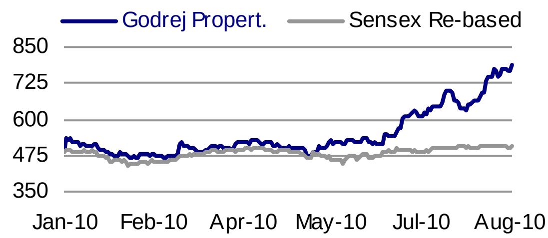
Y/E MARCH	2009	2010	2011E	2012E
Net Sales (Rs m)	2,555	3,134	5,057	8,976
EBITDA (Rs m)	1,207	886	1,508	2,487
NP (Rs m)	747	1,228	1,515	2,225
EPS (Rs)	12.4	17.6	21.7	31.9
EPS Growth (%)	-0.5	42.3	23.4	46.9
BV/Share (Rs)	49.5	117.0	137.6	167.7
P/E (x)	63.6	44.7	36.2	24.7
P/BV (x)	15.9	6.7	5.7	4.7
EV/EBITDA (x)	44.6	68.9	39.9	25.3
EV/ Sales (x)	21.0	19.5	11.9	7.0
RoE (%)	25.3	15.1	15.8	19.0
RoCE (%)	22.0	18.4	16.8	19.7

KEY FINANCIALS	
Shares Outstanding (m)	69.8
Market Cap. (Rs b)	54.9
Market Cap. (US$ b)	1.2
Past 3 yrs. NII Growth (%)	36.5
Past 3 yrs. NP Growth (%)	60.9
Dividend Payout (%)	23.4
Dividend Yield (%)	0.1

STOCK DATA	
30-Week Range (Rs)	823/438
Major Shareholders (as of June 2010)	**%**
Promoter	83.8
Domestic Inst	3.5
Foreign	5.7
Others	7.1

Average Daily Turnover	
Volume ('000 shares)	219.1
Value (Rs million)	119.5
1/6/12 Month Rel. Performance (%)	10/52/-
1/6/12 Month Abs. Performance (%)	12/63/-

STOCK PERFORMANCE (SINCE 4 JANUARY 2010)



Rich legacy

Focused mid-income housing player with an asset-light model: Godrej Properties (GPL) is a focused mid-income housing player, with a pan India presence and a differentiated business model. Almost ~77% of GPL's land bank of ~50msf comprises of joint development (JDA) projects. The JDA approach allows GPL to enjoy a low risk, low capital intensive business model. The advantages of GPL's model are reflected in its superior RoEs.

Ability to emerge as a leading pan India player: Several RE players have been trying to position themselves as pan-India players. Nonetheless, most RE companies have not been successful in their pan India expansion attempt because of the lack of brand recognition. Godrej group enjoys tremendous brand recall and trust across the country. Hence, we believe GPL has the potential to emerge as a leading pan India RE player, going forward.

Option value provides significant upside potential: GPL's parent, Godrej Industries Limited (GIL) and its group/ promoter companies have strategic land holdings across India. GPL has been identified by the Godrej group as the RE development vehicle for developing these key land holdings through the JDA model. It already has MoUs with Godrej group companies to develop ~185acres. We have attempted to capture this option value by valuing all the disclosed MoUs and assuming an incremental development on 100acres at Vikhroli (Mumbai). Based on our probability-weighted methodology, we arrive at an option value of Rs177/share. Our option value still does not capture possible upsides from (i) new MoUs with group companies for their existing land bank and (ii) the full developmental potential of the 500-acre Vikhroli land.

Expect valuation to remain at premium to NAV due to high growth visibility: We expect GPL to trade at premium to NAV due to its strong growth visibility, asset-light model and brand equity. **We estimate GPL's FY12E core NAV at Rs538/share and probability-weighted option value NAV at Rs715/share, which is our price target (33% premium to core NAV).** GPL currently trades at 46% premium to FY12E core NAV and 10% premium to option-adjusted NAV. It is richly valued at 4.6x FY12E BV of Rs167 and 24x FY12E EPS of Rs32. Going forward, the key catalysts which could further re-rate GPL are (i) traction on disclosed MoUs, (ii) visibility on development of other group land bank (particularly at Vikhroli) and (iii) continued momentum on new third party JDAs. We initiate coverage on GPL with a **Neutral** rating.

Focused mid-income housing player with an asset-light model

Godrej Properties (GPL) is a focused mid-income housing player, with a pan India presence and a differentiated business model. Almost ~77% of GPL's land bank of ~50msf comprises of joint development (JDA) projects. The JDA approach allows GPL to enjoy a low risk, low capital intensive business model. The advantages of GPL's model are reflected in its superior RoEs.

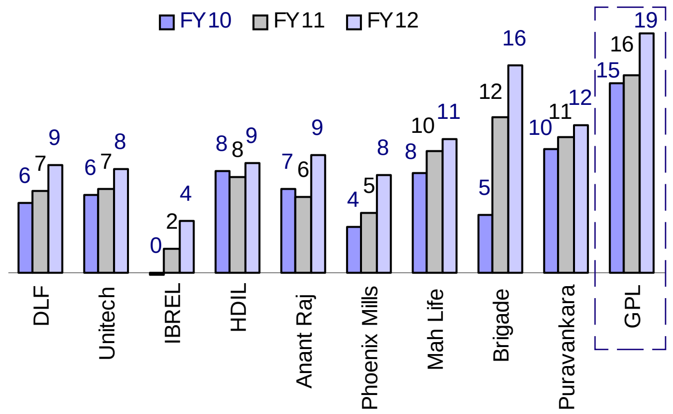
An asset-light model

GPL adopts a development portfolio, skewed in favor of joint-development (JDA) projects

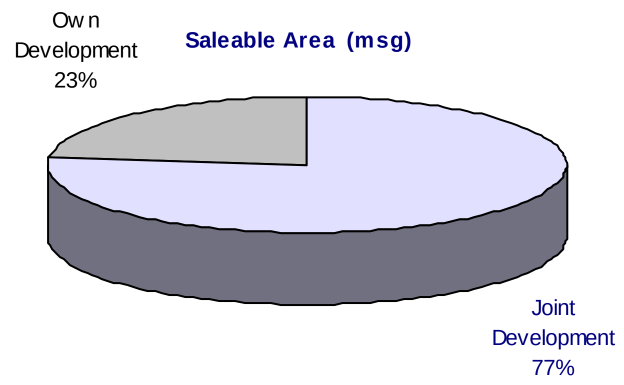
Digressing from the common industry practice, GPL adopts a development portfolio, skewed in favor of joint-development (JDA) projects, in which a land-owner contributes the land and is entitled to a share in the developed property/revenue/profit generated from the sale of the developed property. The advatages of this model are:

- **Superior recycling of capital:** GPL is able to avoid the intricacies of land acquisition. Focusing on key capabilities like project identification, planning and branding, and outsourcing the remaining activities to experts, helps release management bandwidth for value-accretive activities. GPL is able to undertake more projects with minimal upfront investment and execute projects in minimum time, aiding faster monetization and churning of land.
- **Risk mitigation:** Linking the land price and land payment schedule with a project's success and progression protects the company from the vagaries of land prices and market uncertainty.
- **Higher RoE:** An asset-light model combined with volume play in mid-income housing helped GPL to become one of the few realty players that can expect double-digit RoE (16% in FY11 and 19% in FY12). It also drives GPL to trade at a higher P/B ratio.

GPL ENJOYS SUPERIOR ROE (%)



FOCUS ON JOINT DEVELOPMENT MODEL (MSF)

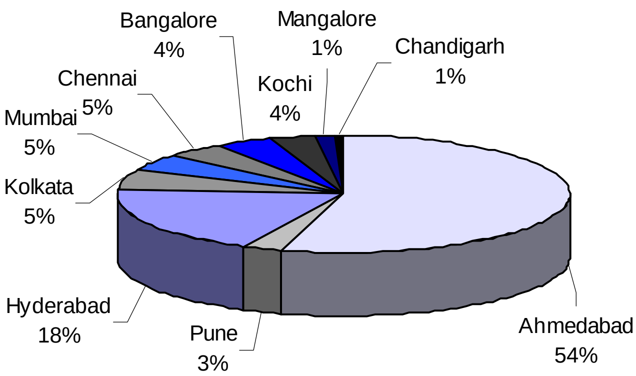


Source: MOSL

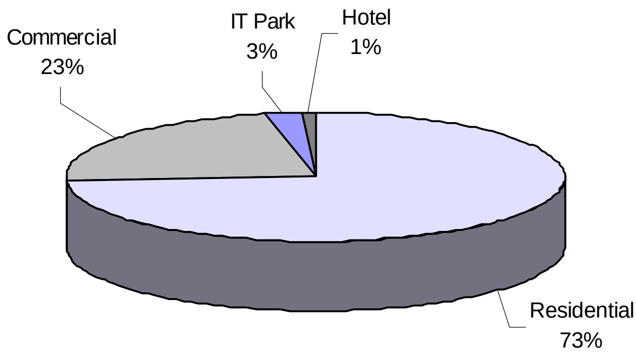
Joint-development projects comprise ~77% of GPL's land bank

Joint-development projects comprise ~77% of GPL's land bank. GPL owns projects with a development potential of 11.6msf (9.6msf in Hyderabad, 1.7msf in Kolkata and the rest in suburban Mumbai).

GPL'S CITY-WISE LAND BANK DETAILS (~50MSF)

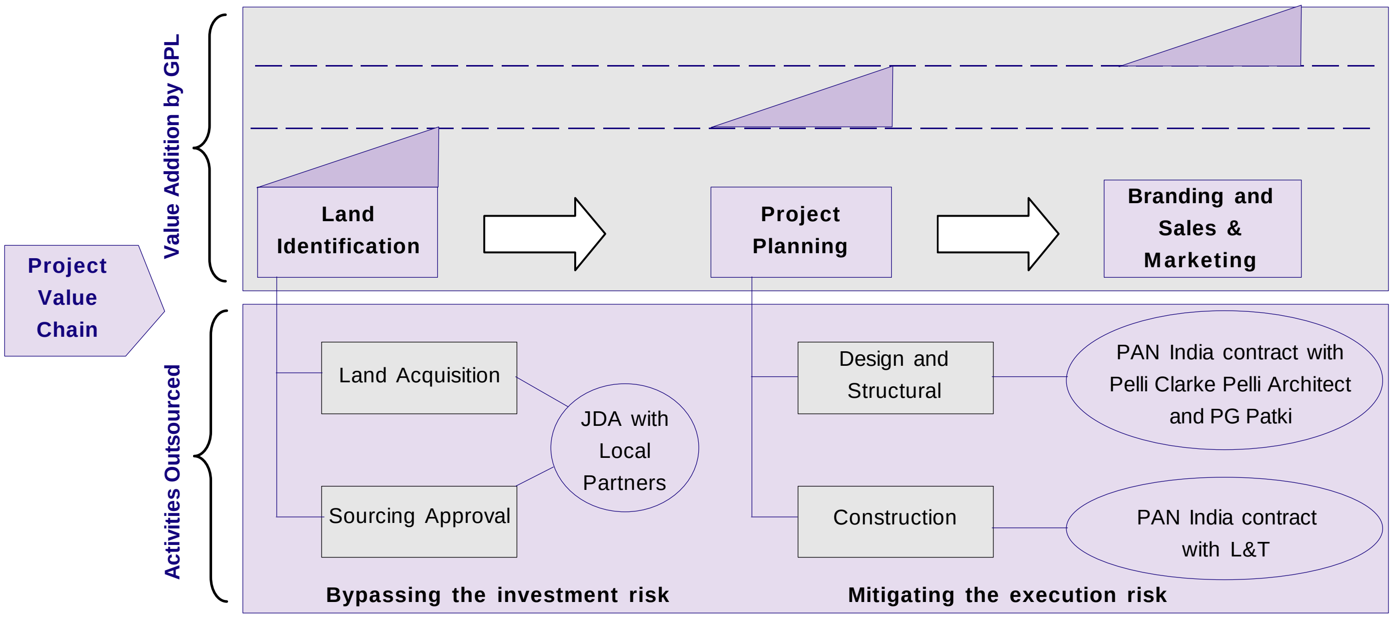


GPL'S DEVELOPMENT MIX (~50MSF)



Source: MOSL

CONTRACTING THE VALUE CHAIN + ASSET LIGHT MODEL = HIGHER CAPITAL VELOCITY



Source: MOSL

Focused mid-income housing play

GPL has positioned itself strongly to address the huge demand for mid-income housing

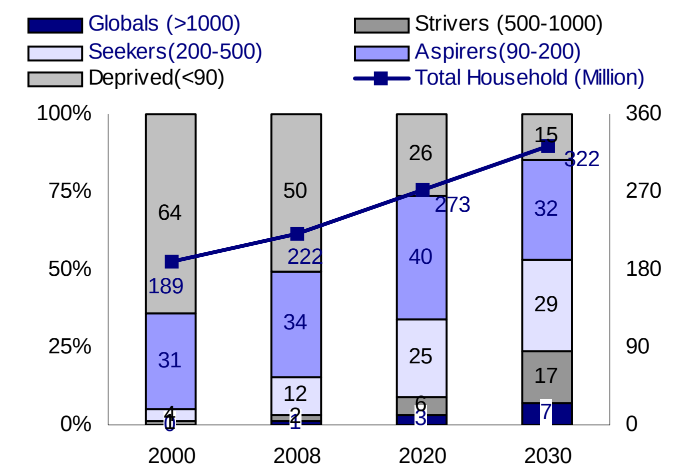
GPL holds ~50msf of land bank across key tier-1 and tier-2 cities, of which ~74% of development area is concentrated towards mid-income residential development. Over the past few years, most of these cities have posted impressive GDP growth and are undergoing tremendous infrastructure development. This has led to significant improvement in the general standard of living, resulting in huge demand for real estate in these cities. GPL has positioned itself strongly to address the huge housing need with the strategy of focusing on the high-volume mid-income housing segment, where the average selling rate is Rs2,500-3,000/sf or Rs2m-3m/unit.Though, at present, the affordable/mid-income housing segment is crowded, due to the entry of large number of RE developers, we expect GPL to be able to counter the competition effectively by virtue of its strong and established brand, huge scale of operations, superior quality offerings and credible execution.

Drivers for affordable housing growth in tier-1, tier-2 cities

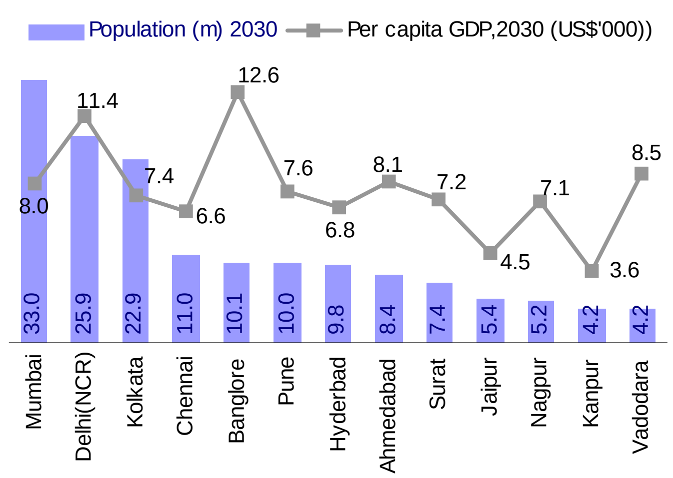
Favorable demographic profile: A growing and relatively younger population will boost demand for housing. The ongoing trend of first-time home owners at a younger age has immense potential to bolster RE demand in tier-1 and tier-2 cities.

Rising disposable income due to rapid urbanization: The increasing population influx to urban centers for better employment opportunities and rising disposable income has given the RE industry a big boost. A rapidly growing middle class along with a shortage of mid-income/affordable housing creates a tremendous opportunity.

MORE THAN 100M HOUSEHOLDS WILL JOIN THE INDIAN MIDDLE CLASS



THIRTEEN CITIES WILL HAVE A POPULATION OF MORE THAN 4M BY 2030



Source: Indian Urbanization Econometric Model

The Indian Urbanization Econometric Model suggests that more than 100m households will join the Indian middle class and 13 cities will have a population more than 4m. This will boost demand for affordable/mid-income housing. GPL is strongly positioned with its strategic land bank to address this demand.

Strong execution ramp-up ahead

The company has already started ramping up its execution pace

Since its inception in 1989, GPL has delivered ~7.5msf of projects (~75% residential and ~25% commercial). Nevertheless, it is hopeful of developing its entire land bank of ~50msf (equivalent to ~82msf developable area) over next 10 years. During FY10, it has handed over ~3.9msf of developed area, significant compared to 3.7msf delivered from inception until FY09. The company has already started ramping up its execution pace. However, to meet the ambitious roadmap, it needs to scale up the pace to an average ~8msf of development per year from the current level of ~3msf, implying a ~3x improvement. GPL has 6-7msf of projects under construction. This will increase, with its upcoming launch plans across cities like NCR, Mangalore, Chennai, Hyderabad and Kochi.

DEVELOPMENT PLAN (MSF)

DEVELOPMENT PLAN	TOTAL	FY11E	FY12E	FY13E	FY14E	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E	FY21E	FY22E
Residential	58.5	3.4	4.0	4.6	6.6	8.2	6.3	6.9	5.2	2.6	2.6	2.6	2.6
Commercial	19.7	1.2	1.6	1.4	1.6	2.6	2.1	1.9	1.4	1.4	1.4	1.4	1.3
IT Park	3.6	1.1	0.4	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hotels	0.6	0.0	0.1	0.2	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**82.3**	**5.6**	**6.1**	**6.7**	**8.4**	**11.0**	**8.4**	**8.8**	**6.6**	**4.0**	**4.0**	**4.0**	**3.9**

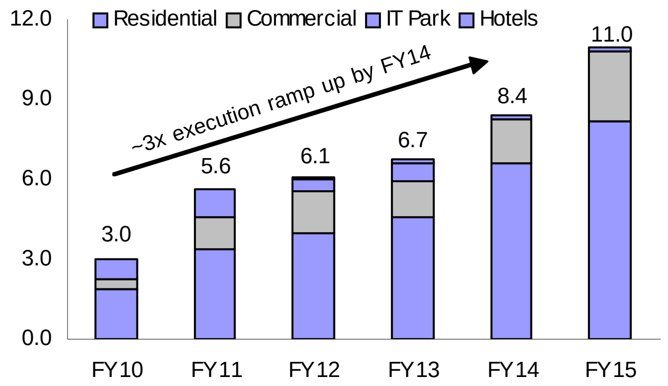
Source: MOSL

GPL'S SHARE OF SALE BOOKINGS (MSF)

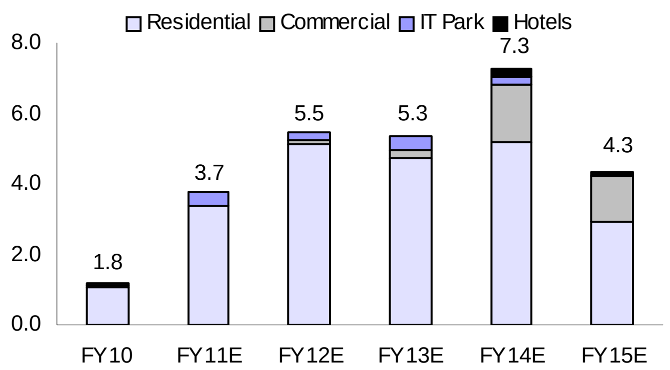
	TOTAL	FY11E	FY12E	FY13E	FY14E	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E	FY21E	FY22E
Residential	37.2	3.4	5.1	4.8	5.2	2.9	2.5	2.5	2.3	2.8	1.4	2.7	0.0
Commercial	11.4	0.0	0.1	0.2	1.6	1.3	1.1	1.2	1.0	1.0	1.1	1.1	1.1
IT Park	1.3	0.4	0.2	0.4	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hotels	0.4	0.0	0.0	0.0	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**50.2**	**3.7**	**5.5**	**5.3**	**7.3**	**4.3**	**3.7**	**3.7**	**3.3**	**3.8**	**2.4**	**3.8**	**1.1**

Source: MOSL

AGGRESSIVE EXECUTION RAMP-UP (MSF) ...



... AND NEW LAUNCHES (MSF)



Source: MOSL

GPL has appointed L&T as its single pan-India contractor for all its upcoming projects

Pan-India contract with L&T offers execution comfort

GPL has appointed L&T as its single pan-India contractor for all its upcoming projects. Focusing on the kernel and outsourcing the construction activities mitigates the concerns on required execution ramp up to a large extent. This lowers execution risk for GPL and allows it to successfully pursue its pan India ambitions, while also enabling it to have uniformity across its projects. GPL's long-term tie-up with L&T also insulates it from any major cost escalation or work disruptions.

Ability to emerge as a leading pan India RE player

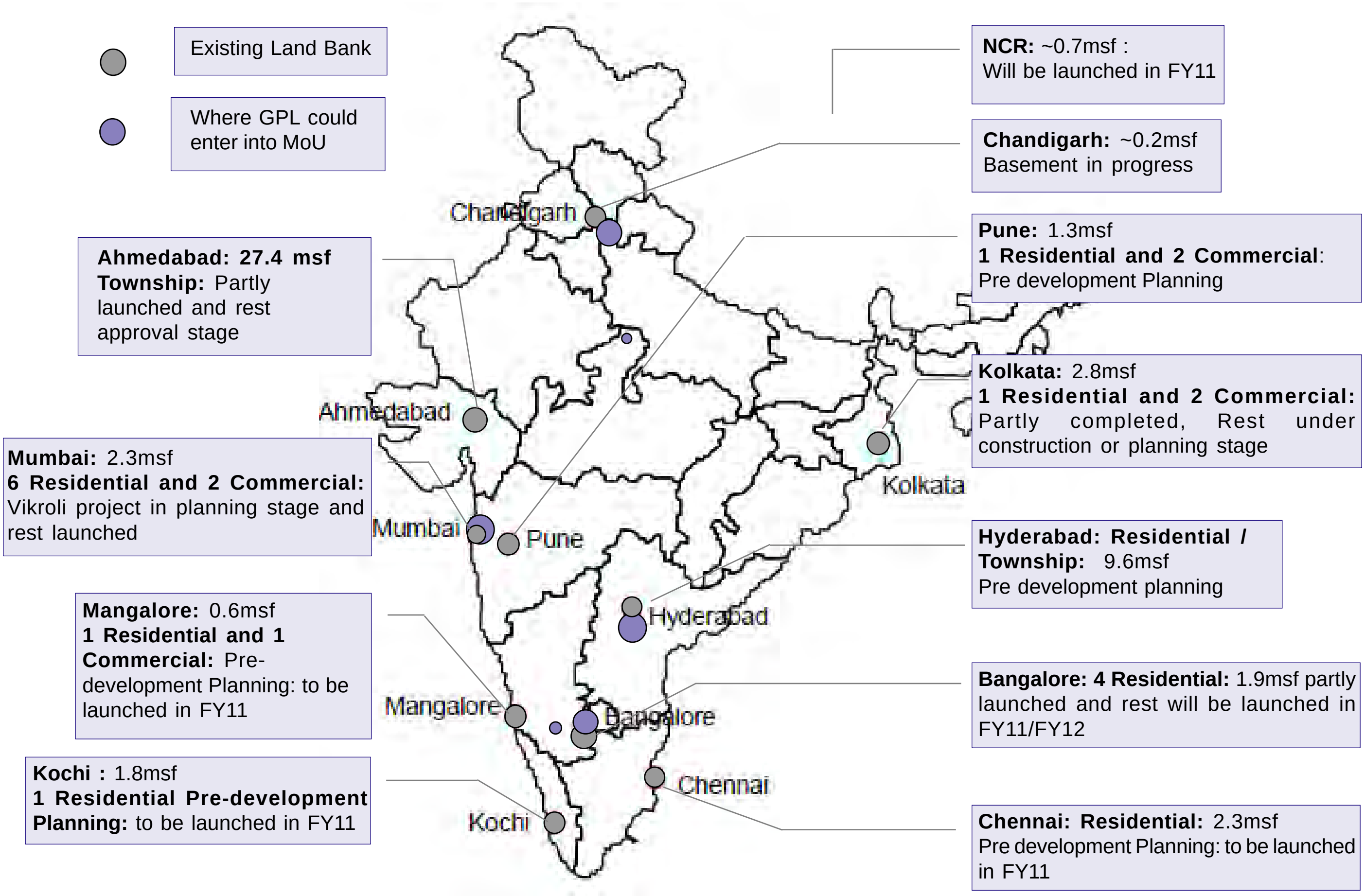
Several RE players have been trying to position themselves as pan-India players. Nonetheless, most RE companies have not been successful in their pan India expansion attempt because of the lack of brand recognition.

Given the strong Godrej brand, GPL has the potential to emerge as a pan-India RE player

Godrej group enjoys tremendous brand recall and trust across the country, due to its more than 100 years of group history and presence across consumer segments. The Godrej group, through its diversified business, touches the lives of its consumer base of ~400m all over India with huge brand recognition. Hence, we believe GPL has the potential to emerge as a leading pan India RE player, going forward. As a matter of fact, GPL pays a royalty of 0.5% of its annual gross turnover to Godrej Industries for use of its brand value.

GPL benefits significantly from the strong reputation and transparency of its parent, which provides investors comfort on the key issue of corporate governance in the real estate sector. Lack of transparency and corporate governance issues have been a key deterrent for investors seeking investment opportunities in the real estate sector. We believe, in this regard, GPL is strongly positioned to leverage on its goodwill.

EMERGING AS A PAN-INDIA PLAYER



Source: MOSL

POSITIONING ACROSS ALL KEY RE MARKETS

	NCR	Mumbai	Bangalore	Chennai	Hyderabad	Kolkata	Pune	Tier 2
GPL	●	●	●	●	●	●	●	●
DLF	○	○	○	○	○	○	○	○
Unitech	○	○	○	○	○	○	○	○
HDIL		○			○			○
IBREL	○	○		○				○
Shobha	○		○	○	○		○	○
Puravankara			○	○	○	○		○
Parshvnath	○							○
Omaxe	○							○
Mah Life	○	○		○				○
Peninsula		○			○		○	○

Source: MOSL

GPL's land bank is widely diversified across India, giving it enough scope to address the demands of multiple micro markets

GPL's land bank is widely diversified across India, giving it enough scope to address the demands of multiple micro markets. While GPL has ~50msf of saleable area in its portfolio, we expect the company to augment its potential by leveraging on the vast land parcels GIL and its group/ promoter companies hold in various parts of India. This can give the company necessary growth impetus and provide it with a ready low cost prime land bank.

GPL has already launched projects in Ahmedabad and Kolkata

Almost ~63% of GPL's land bank is located in tier-2 cities, where the primary demand is from the mid-income/affordable housing segment. Over the past few years, most of these cities have posted impressive GDP growth and are undergoing tremendous infrastructure development. This has led to significant improvement in people's standard of living, driving up demand for real estate in such cities. GPL has positioned itself very strongly to address the huge housing need, with its strategy of focusing on the high-volume mid-income housing segment, where the average rate is Rs2,500-3,000/sf or Rs2m-3m/unit. The company has already launched projects in Ahmedabad and Kolkata in FY10 and has witnessed strong sales momentum in most of its projects. GPL plans to launch residential projects in Bangalore and Mangalore in 2QFY11, and in NCR, Kochi and Chennai within FY11.

KEY PROJECTS CONTRIBUTING ~65% OF GAV

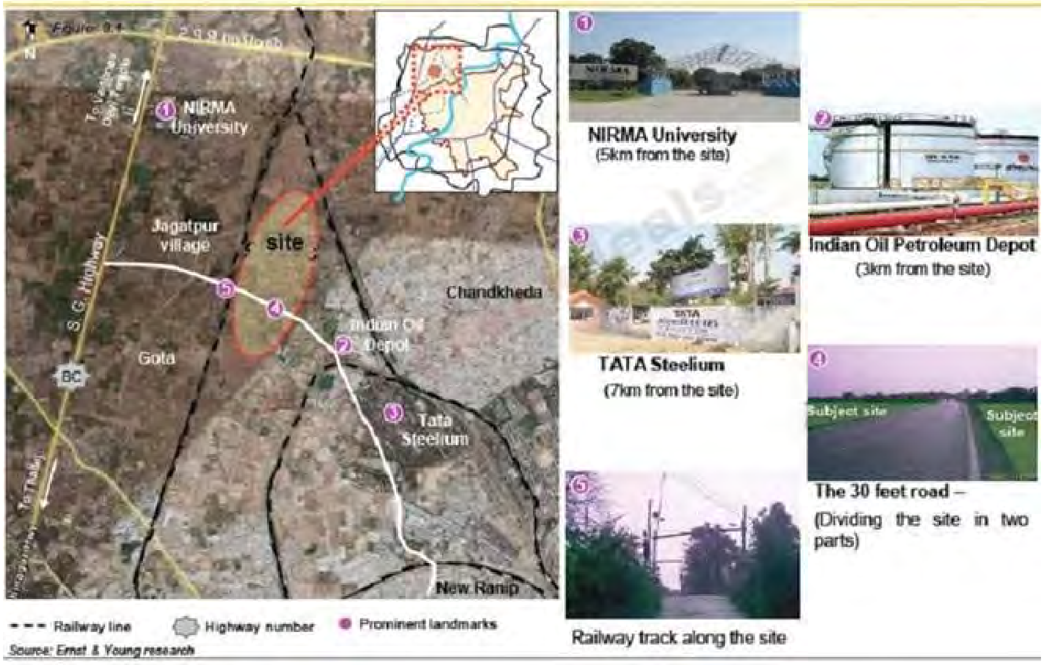
PROJECT	PROJECT STATUS	LOCATION	CATEGORY	START DATE	COMPLETION DATE	AREA GPL'S SHARE (MSF)	% OF GAV
Vikhroli Project – I	Forthcoming	Mumbai	Residential	2,012	2,014	0.4	3
Vikhroli Project - I	Forthcoming	Mumbai	Commercial/Retail	2,012	2,015	1.0	13
Vikhroli Project - I	Forthcoming	Mumbai	Hotel	2,011	2,015	0.4	6
Vikroli Project						**1.7**	**23**
Godrej Garden City	Ongoing	Ahmedabad	Residential	2010	2022	17.8	8
Godrej Garden City	Ongoing	Ahmedabad	Commercial/Retail	2011	2022	9.6	7
Ahmedabad Project						**27.4**	**15**
Godrej Genesis	Forthcoming	Hyderabad	Residential	2012	2019	9.6	16
Hyderabad Project						**9.6**	**16**
Chennai Project – I	Forthcoming	Chennai	Residential	2011	2014	2.3	4
Pune Township	Forthcoming	Pune	Residential	2014	2017	0.9	3
Godrej Waterside, Salt Lake City sector V		Ongoing	Kolkata	IT Park	2009	2012	0.7 3
Total						**42.6**	**64**

Source: Company/MOSL

Its Garden City Project in Ahmedabad is spread across ~270acres and has ~26msf of residential and ~14msf of commercial development potential

Godrej Garden City Project, Ahmedabad is spread across ~270acres and GPL has 68% share in this project. This project is being jointly developed with Shri Siddhi Infra Buildcon, an Ahmedabad-based local developer. GPL has launched and sold first two phases totaling ~1.7msf of saleable area.The project has ~26msf of residential and ~14msf of commercial development potential. Its contribution to GPL's GAV is significant at ~15%.

LOCATION HIGHLIGHTS OF GODREJ GARDEN CITY PROJECT, AHMEDABAD



PLANET GODREJ: ONE OF GPL'S KEY COMPLETED PREMIUM PROJECTS IN MUMBAI

Source: Company/MOSL

Option value provides significant upside potential

GPL's parent, Godrej Industries Limited (GIL) and its group/ promoter companies have strategic land holdings across India. GPL has been identified by the Godrej group as the RE development vehicle for developing these key land holdings through the JDA model. It already has MoUs with Godrej group companies to develop ~185acres. We have attempted to capture this option value by valuing all the disclosed MoUs and assuming development on 100acres at Vikhroli (Mumbai). Based on our probability-weighted (50-60%) methodology we have arrived at an option value of Rs177/share. Our option value still does not capture the possible upsides from new MoUs with group companies for their existing land bank or the full developmental potential of the 500-acre Vikhroli land.

GPL has entered into three MoUs for developing ~185acres of Godrej group's key land holdings

While GPL has ~50msf of saleable area in its portfolio, it has entered into three MoUs for developing ~185acres of the key land holdings of the Godrej group's listed and unlisted companies. We believe GPL will continue to enter into such agreements to develop the vast land parcels that Godrej group companies hold across India.

DISCLOSED MOUS WITH GODREJ GROUP COMPANIES

GROUP COMPANY	CITY	ACRES	COMMENTS
Godrej & Boyce Manufacturing Company Limited	Mohali (Chandigarh)	75	Holding Company with 58.94% stake in GIL
Godrej Agrovet Limited	Bangalore	100	75.2% subsidiary of GIL
Godrej & Boyce Manufacturing Company Limited	Hyderabad	10	Holding Company with 58.94% stake in GIL
Total		**185**	

Source: MOSL

The MoUs provide high certainty of success and the JDA-execution risk is low

All of these MoUs involve only the different listed/unlisted Godrej group companies. Therefore, the usual concern on stability of MoUs/JDA does not apply, in this case. The MoUs provide high certainty of success and the JDA-execution risk is low. This JDA model, coupled with its parent's vast land parcels, provides sustainability and scalability to GPL's business model. To capture the value of this hidden opportunity, we have used probability-weighted option valuation. We have valued the development potential of the ~185acres, assuming a ~60% execution probability.

Vikhroli land bank provides tremendous potential

Godrej & Boyce, the holding company of all Godrej group companies, owns ~3,200acres in Vikhroli (Mumbai)

Godrej & Boyce the holding company of all Godrej group companies, owns ~3,200acres in Vikhroli (Mumbai). The management has indicated that while a large chunk of this land (~2,700acres) comes under mangrove area and cannot be developed, it plans to commercially develop the remaining ~500acres over the next 10-15 years. Currently, various Godrej group companies have operating plants, workers' housing colonies and corporate offices at Vikhroli. The Group's plan is to relocate most of these operations to other low cost areas and commercially develop this land.

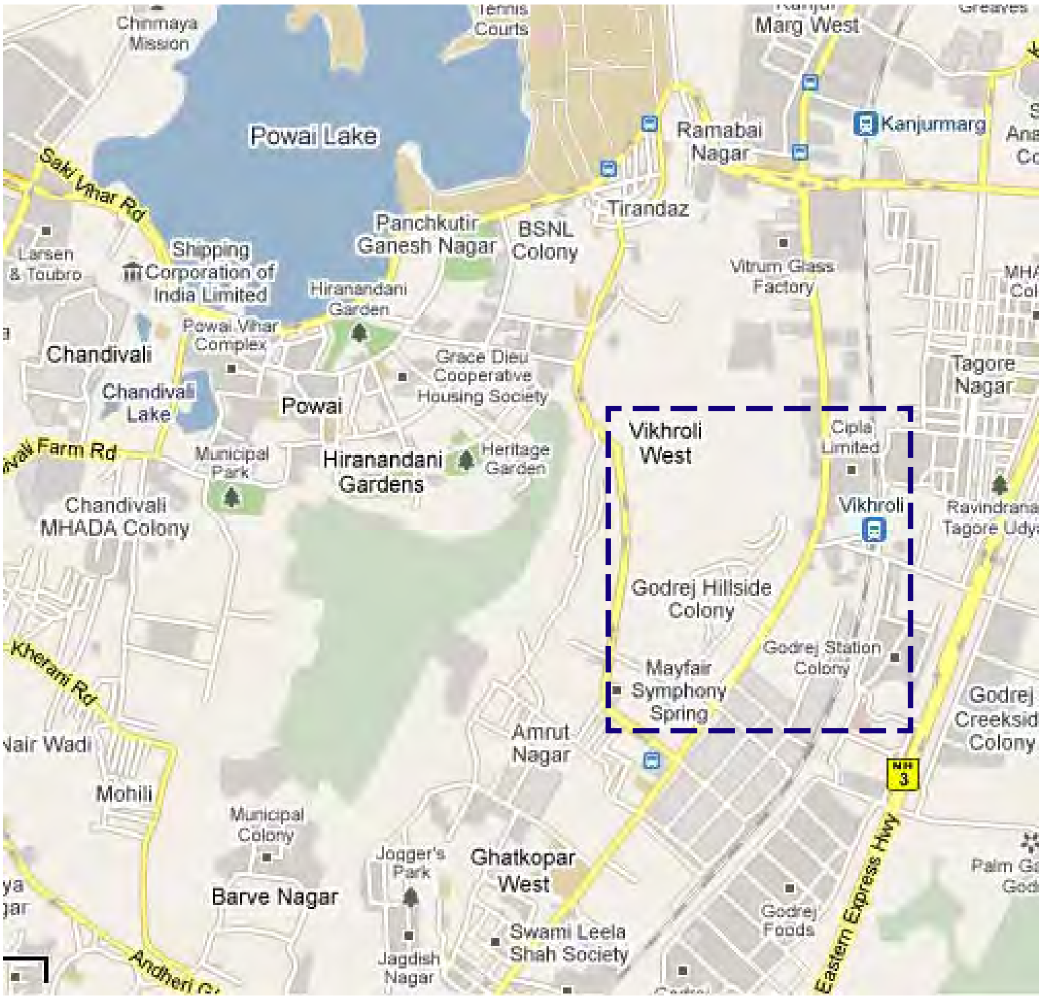
The monetization process of Vikhroli land has already started with the first MoU with GPL for developing ~36.5acres

The monetization process of Vikhroli land has already started with the first MoU with GPL for developing ~36.5acres, translating into saleable area of ~2.8msf. As per the agreement, Godrej & Boyce, the owner of the land, would grant a 99-year lease to Godrej Industries/GPL to develop the property. GPL will be entitled to 60% of the profit from the development, while the remaining 40% will accrue to GIL.

We expect the group to enter into similar such agreements for the remaining land bank at Vikhroli

We expect the group to enter into similar such agreements for the remaining land bank at Vikhroli over a period of time. To capture part of this huge possible upside, we have assumed new MoUs with GPL of ~100acres (~7msf) at Vikhroli, over the next 5-7 years for calculating GPL's option value. However, since GPL is yet to enter into any concrete agreement for this additional ~100acres of land, we have assigned a probability factor of 50%, while calculating our NAV option value.

OVERVIEW OF GPL'S EXISTING PROJECTS AND POTENTIAL PROJECT LOCATIONS AT VIKHROLI



Vikhroli is located on the Central Railway line and has Agra Road (the Eastern Express Highway) towards the East, which connects it to Eastern and Central Mumbai. It is also well connected with Western suburbs by the LBS Marg. Vikhroli has many IT offices and call centers, which makes it an attractive development location.

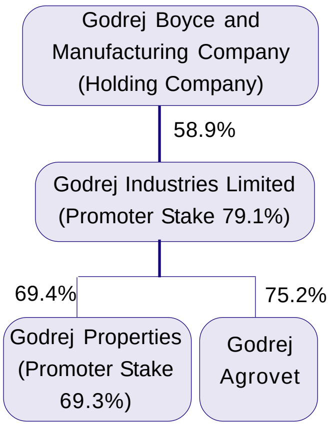
Source: Company/MOSL

Equitable and win-win outcome for each stakeholder implies sustainability of JDA

We believe, GPL's MoUs with its group companies hold substantial certainty and sustainability, since every stakeholder stands to gain.

The following is an example of a hypothetical project with JDA structure in line with current MoUs, which suggests that value derived out of this would create an equitable and win-win landscape for all.

ORGANIZATION STRUCTURE



Source: Company/MOSL

Equitable and win-win outcome for each stakeholder implies sustainability of JDA

EQUITABLE & WIN-WIN OUTCOME FOR EACH STAKEHOLDER IMPLIES SUSTAINABILITY OF JDA

Land Hold by Godrej Boyce and Manufacturing (100% Promoters' Holding)

Option1 Direct land selling at Market price

Option2 JDA with GPL/GIL for development of land

Hypothetical project (Key assumptions)

Option1:

Land Area (acres)	10
Market price (Rs m/acre)	70
Total Mkt value (Rs m)	**700**

Option2:

Sale area(msf) @FSI: 1.5 and Loading:30%	0.85
Revenue (Rs m) @ Rs3,500/sf	2,976
Construction cos t (Rsm) @ Rs1,500/sf	1,275
Gross profit (Rs m)	1,700
Implied land cost (Rs/sf)	823
JDA Profit sharing (GPL:GIL)	60:40

GPL

Option1: No Economic interest

Option2:

JDA Profit sharing of GPL	60%
GPL's Revenue (Rs m)	1,785
GPL's Cost (Rs m)	765
GPL's share of profit (Rs m)	1,020

- Robust Profitability without upfront investment
- Access to high quality city centric land bank

GIL

Option1: Economic Interest limited as a leaseholder

Option2:

JDA Profit sharing of GIL	40%
GIL's Revenue (Rs m)	1,190
GIL's Cost (Rs m)	510
GIL's share of profit (Rs m)	680

- Economic interest in unlocked value > Economic interest as a leaseholder
- Reduced operating cost to compensate new plant set up and shifting cost

Promoters

Option1:

Promoter's holding in Godrej and Boyce (%)	100
Promoter's holding value (Rs m)	700

Option2:

JDA Profit sharing (GPL:GIL)	60:40
GIL's share (Rs m)	680
GPL's share(Rs m)	1,020
Promoter's share from GIL (Rs m) for 79.1% holding	538
Promoter's share from GPL (Rs m) for 69.3% holding	707
Effective Share of Promoters(Rs m)	1,245

- Value unlocking through RE development vehicle provides significant boost (~78%) to promoters' economic interest.
- We expect the benefit to be more attractive for projects like Vikroli and Bangalore.

Source: Company/MOSL

BKC deal with Jet Airways (not captured in NAV)

As per media report, GPL is close to enter into a co-development agreement with Jet Airways to develop 2.5 acres. Assuming a potential 9x FSI, the saleable area will be ~1.35msf, of which Jet will retain ~0.25msf with consideration of ~Rs3.2b to GPL. But GPL will also take on Jet's liability to HDFC on the plot, which is ~Rs4.5b. Assuming incubation of the project in FY12, we estimate contribution of 4-5% towards FY12 GAV.

Foray into NCR (captured in NAV)

GPL has signed a JDA to develop a residential project in Gurgaon

GPL has recently signed a JDA with Frontier Home Developers Private Limited to develop a residential project in Gurgaon. This will be GPL's first project in the NCR. With this project, GPL has established its footprint in 11 Indian cities. The project highlights the management's focus on adding quality joint venture residential projects to its portfolio in India's leading real estate markets.

NCR project details

- **Land area:** nine acres
- **Total saleable area:** ~1.04msf
- **Development type:** residential with apartments and penthouses
- **Location:** Gurgaon Sector-80 (Manesar Urban Complex) 20km from IGI Airport
- Structural aspect of the JDA/JV has not been disclosed yet.

Impact on valuation

We expect this project to contribute ~Rs19/share to its GAV and ~Rs13/share to its NAV

- In the absence of clarity of the deal structure and the management's plan, we have assumed the following about the project while analyzing its value-accretive impact:
  - **Project commencement:** FY11
  - **Project completion:** FY15
  - **GPL's stake in JDA revenue:** 70%
  - **Average sale realization:** Rs6,059/sf (FY10 price: Rs5,000/sf with 5% CAGR)
  - **Average cost:** Rs2,388/sf (FY10 cost Rs2,000/share with 5% CAGR but GPL must bear the construction costs for 1.04msf)
- We estimate the project will contribute ~Rs19/share to the company's existing GAV and ~Rs13/share to its NAV.

Expect valuation to remain at premium to NAV due to high growth visibility

We expect GPL to trade at premium to NAV due to its strong growth visibility, asset-light model and brand equity. **We estimate GPL's FY12E core NAV at Rs538/share and probability-weighted option value NAV at Rs715/share, which is our price target (33% premium to core NAV).** GPL currently trades at 46% premium to FY12E core NAV and 10% premium to option-adjusted NAV. It is richly valued at 4.6x FY12E BV of Rs167 and 24x FY12E EPS of Rs32. Going forward, the key catalysts which could further re-rate GPL are (i) traction on disclosed MoUs, (ii) visibility on development of other group land bank (particularly at Vikhroli) and (iii) continued momentum on new third party JDAs. We initiate coverage on GPL with a **Neutral** rating.

We have valued GPL on its

- **Core NAV:** Existing development potential of ~50msf , and
- **Probability weighted option valuation:** Hidden upside potential derived from possible MoUs/JDAs with its different listed/unlisted group companies to develop the vast land banks they hold.

Option valuation: a glimpse of upside potential

We have done a probability-weighted valuation to assess the upside potential

We have attempted to capture option value by valuing all the disclosed MoUs and assuming development on 100acres at Vikhroli (Mumbai). Based on our probability-weighted (50-60%) methodology we arrive at an option value of Rs177/share (GAV Rs261/share). Our option value still does not capture the possible upsides from new MoUs with group companies for their existing land bank or the full developmental potential of the 500-acre Vikhroli land.

We have valued disclosed MoUs in Mohali, Bangalore and Hyderabad (~185acres translating into ~13.5msf of saleable area) with a execution probability of 60% and 100acres probable development in Vikhroli (Mumbai) with 50% execution certainty.

ASSUMPTIONS FOR OPTION VALUATION

PROJECTS UNDER MOU STAGE	GROUP CO.	ACRES	~SALE AREA (MSF)	GPL'S STAKE (%)	~GPL'S SALE AREA (MSF)	EXECUTION PROBABILITY (%)	INCUBATION FROM	COMMENTS
Mohali (Chandigarh)	Godrej and Boyce.	75	8.5	60	5.1	60	FY14	Entered into MoU
Bangalore	Godrej Agrovet	100	12.2	60	7.3	60	FY14	Entered into MoU
Hyderabad	Godrej and Boyce	10	1.8	60	1.1	60	FY14	Entered into MoU
Vikhroli	Godrej and Boyce and GIL	100*	11.8	60	7.1	50	FY15	Yet to enter into MoU

** GPL has entered into MoU for 36.5acres in Vikhroli. The land parcel in Vikhroli has ~500acres for development potential out of 3,200acres. In our option value, we have modelled in 100acres of land to get developed in next to 5-7 years. Since MoU for this 100acres has not been disclosed yet, we have attached 50% execution probability to it.*

Source: Company/MOSL

PROJECT VALUE: STANDALONE BASIS (RS M)

Mohali		FY14	FY15	FY16	FY17	FY18	FY19	FY20
Sale schedule (%)			20	20	20	20	20	
Construction schedule (%)		15	25	25	35			
Sale accrual		-	4,557	4,785	5,025	5,276	5,540	-
Cash inflow		-	1,595	3,498	5,025	5,276	9,789	
Cash outflow		1,674	2,930	3,076	4,522	-	-	-
Gross cashflow		(1,674)	(1,335)	422	502	5,276	9,789	
Project NPV	**5,303**							

Bangalore		FY14	FY15	FY16	FY17	FY18	FY19	FY20
Sale schedule (%)			20	20	20	20	20	
Construction schedule (%)		15	25	25	35			
Sale accrual		-	9,349	9,816	10,307	10,822	11,363	
Cash inflow		-	3,272	7,175	10,307	10,822	20,081	
Cash outflow		3,005	5,259	5,521	8,117	-	-	
Gross cashflow		(3,005)	(1,987)	1,654	2,190	10,822	20,081	
Project NPV	**13,053**							

Hyderabad		FY14	FY15	FY16	FY17	FY18	FY19	FY20
Sale schedule (%)			30	45	25	-		
Construction schedule (%)		25	35	40	-			
Sale accrual		-	1,420	2,236	1,304	-	-	
Cash inflow		-	497	2,236	2,227	-	-	
Cash outflow		580	852	1,022	-	-	-	-
Gross cashflow		(580)	(355)	1,214	2,227	-	-	
Project NPV	**1,359**							

Vikhroli		FY15	FY16	FY17	FY18	FY19	FY20	FY21
Sale schedule (%)			25	15	15	15	15	15
Construction schedule (%)		15	20	20	20	25		
Sale accrual		-	21,297	13,417	14,088	14,792	15,532	16,309
Cash inflow		-	7,454	13,215	15,622	14,792	15,532	28,820
Cash outflow		6,085	8,519	8,945	9,392	12,327	-	-
Gross cashflow		(6,085)	(1,065)	4,270	6,230	2,465	15,532	28,820
Project NPV	**20,349**							

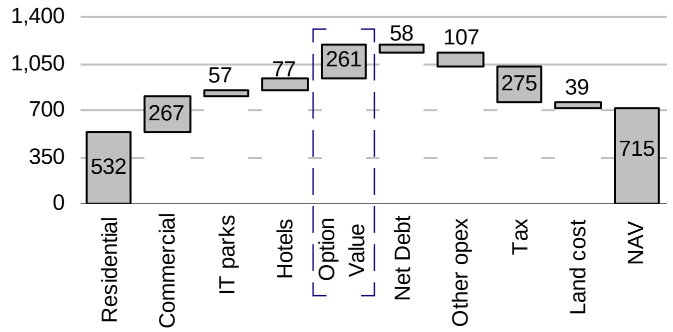
Source: Company/MOSL

OPTION VALUATION: SCENARIO ANALYSIS BASED ON PROBABLE INCUBATION DATE

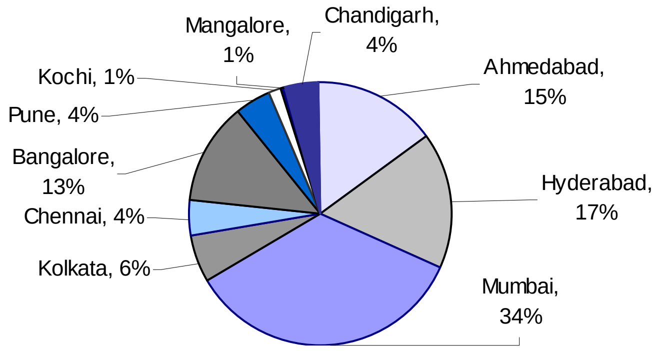
CONTRUBITION TO FY12E GAV (RS/SHARE)	FY12	FY13	FY14	FY15	FY16
Mohali	87	76	67	58	51
Bangalore	213	187	164	144	126
Hyderabad	22	19	17	15	13
Vikhroli	332	291	256	224	197

Source: Company/MOSL

VERTICAL-WISE NAV ANALYSIS (RS/SH)



CITY-WISE GAV (%)



Source: Company/MOSL

NAV OF RS715/SHARE

			FY12E	
	RS M	NAV/SHARE	% NAV	% GAV
Residential	37,175	532	74	45
Commercial and Retail	18,677	267	37	22
IT parks	3,949	57	8	5
Hotels	5,361	77	11	6
Option Value to MoU in Progress				
Mohali (75 acres)	2,792	40	6	3
Bangalore (100 acres)	6,873	98	14	8
Hyderabad (10 acres)	716	10	1	1
Vikhroli (100 acres)	7,835	112	16	9
Gross Asset Value	**83,379**	**1,194**	**167**	**100**
Less: Debt	7,096	102	14	9
Add: Cash	3,033	43	6	4
Less: Other Op Exp	7,504	107	15	9
Tax	19,177	275	38	23
Land Cost	2,691	39	5	3
Net Asset Value	**49,944**	**715**	**100**	**60**

Source: Company/MOSL

- Based on our DCF-based NAV calculations for all verticals, we have valued GPL's core NAV for FY12 for existing projects at Rs538/share. However, our option valuation provides further upside of Rs177/share (GAV: Rs261/share). Hence, with option value attached to the core NAV, we value the company at Rs715/share for FY12.
- The existing residential segment accounts for ~45% of gross asset value (GAV), and the existing commercial vertical accounts for ~33% of GAV. The remaining 22% is contributed by option value.
- While the company could continue to trade at a significant premium due to its strong growth visibility, asset-light model and brand equity, we believe GPL's valuations already capture this potential.
- Going forward, the key catalysts which could re-rate GPL are (i) traction on disclosed MoUs, (ii) visibility on development of other group land bank (particularly at Vikhroli) and (iii) continued momentum on new third-party JDAs.
- We initiate coverage on GPL with a **Neutral** rating.

WACC (%)

Target Debt/Total Capital	55
Target Equity/Total Capital	45
Rf	7.9
Beta	1.5
Rm	16.0
Rp	8.3
Cost of Equity	20.3
Cost of Equity	20.3
Cost of Debt (pre-tax)	11.0
Cost of Debt (post-tax)	8.8
WACC	**14.0**

NAV calculation: key assumptions

1. Our NAV estimate factors in development plans that will be executed over 12 years
2. 5% CAGR in RE prices in cities and verticals (residential, commercial and retail)
3. 5% CAGR in construction costs for all verticals
4. Cap rate of 11% in commercial, retail and hotel verticals
5. Occupancy rates of 90% for commercial and 70% for hotel segment
6. WACC of 14%.

Increased certainty can drive the option adjusted NAV to Rs859/share

SCENARIO ANALYSIS: OPTION ADJUSTED NAV IN DIFFERENT EXECUTION PROBABILITIES

OPTION VALUE/PROBABILITY	CERTAINTY FACTORS (%)		
Mohali	60	75	100
Bangalore	60	75	100
Hyderabad	60	75	100
Vikhroli-100acres	50	75	100
Option Value (Rs/share)	**177**	**240**	**321**
Option Adjusted NAV (Rs/share)	**715**	**778**	**859**

Source: MOSL

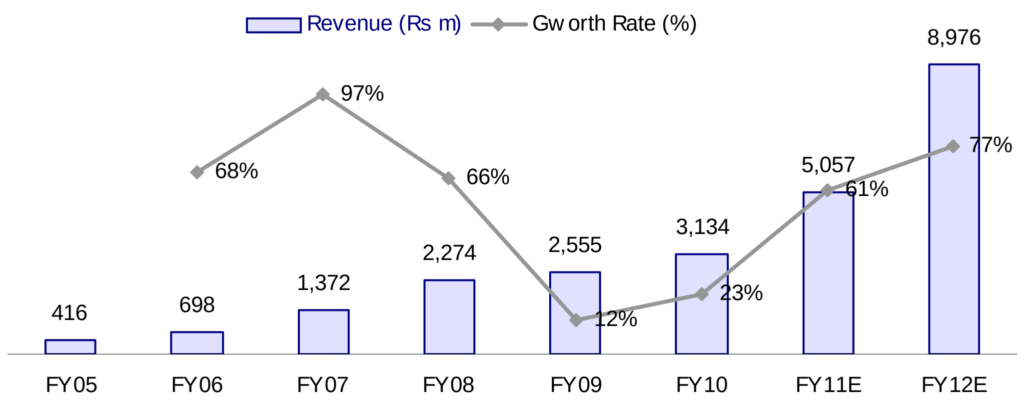
Robust topline growth to sustain

Since FY05, GPL has witnessed a 7.5x increase (~50% CAGR) in its revenue from operations

- Since FY05, GPL has witnessed a 7.5x increase (~50% CAGR) in its revenue from operations and ~84% CAGR in net profit.
- In FY10, its topline grew by ~53% to Rs4.5b from ~Rs3b in FY09 - revenue from operations grew ~23% and other income grew by ~240% due to proceeds from stake sales to private equity (PE) players in multiple projects.
- It posted ~64% growth in profit to Rs1.2b in FY10 v/s Rs0.75b in FY09. Projects in Ahmedabad (Garden City), Kolkata (Prakiti and Waterside) are major contributors to FY10 revenue. Increased profitability can be attributed to the PE deals.
- We expect GPL's large projects in Ahmedabad, Kolkata, Bangalore, Chennai and Mumbai to continue to contribute significantly to the top line.
- Project execution has picked up in different locations. We believe revenue will post ~70% CAGR over the next couple of years due to new project launches, increased sales and strong focus on execution.

We expect revenue CAGR of ~70% over the next couple of years

70% TOP LINE CAGR EXPECTED TILL FY12



Source: MOSL

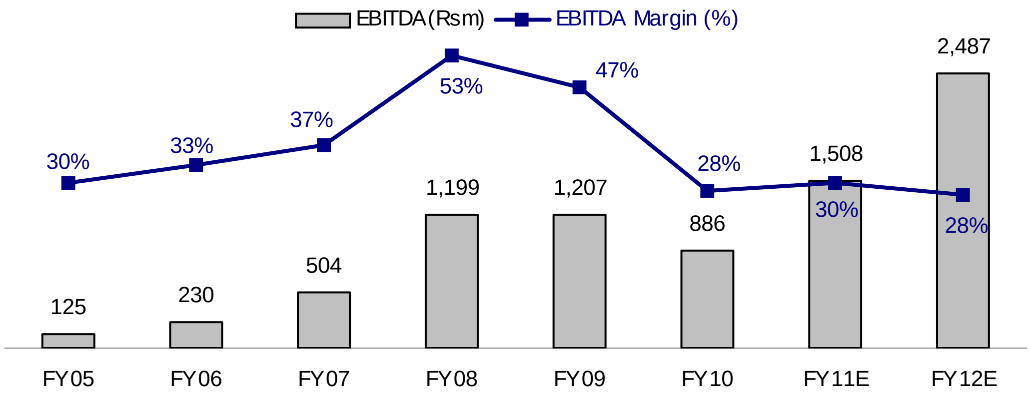
EXPECTED REVENUE CONTRIBUTION BY KEY PROJECTS (RS M)

PROJECTS	% CONTRIBUTION TO GAV	TOTAL REVENUE POTENTIAL	BOOKED TILL FY10	FY11E	FY12E
Godrej Riverside-Kalyan	0.6	793	264	530	-
Planet Godrej - Towers 5-Mumbai	0.8	1,093	937	156	-
Godrej Woodsman Estate – Banglore	2.4	3,397	2,188	1,209	-
Godrej Prakriti -Kolkata	1.5	3,380	29	372	684
Godrej Garden City-Ahmedabad (Resi)	9.8	59,772	341	438	2,849
Chennai Project – I	5.3	8,951	-	-	976
Godrej Avalon-Mangalore	0.5	1,089	-	-	398
Kochi Project – I	1.8	5,391	-	-	464
Godrej Genesis-Hyderbad	20.0	45,071	-	-	368
Godrej Eternia - Chandigarh	1.0	1,625	-	-	1,234
Godrej Waterside, Salt Lake City sector V	3.8	3,581	215	2,026	1,340
Total	**47.5**	**134,143**	**3,974**	**4,731**	**8,313**

Source: MOSL

- However, due to the focus on the mid-income housing segment, which is inherently volume-driven, we believe GPL's medium-term EBITDA margin will fall from its FY08/09 level and continue at ~30% it posted in FY10.

EBITDA MARGIN TO DECILNE DUE TO VOLUME PLAY

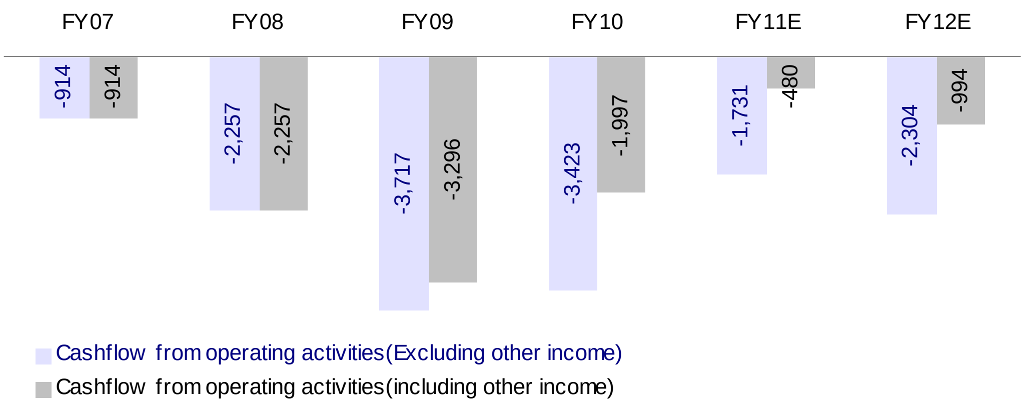


Source: MOSL

Early monetization strategy expected to continue

- GPL's aggressive project accumulation strategy has resulted in negative cash flow from operations in recent financial years.

OPERATING CASH FLOW (RS M)



Source: MOSL

GPL has adopted early monetization strategy as a part of its business model

- Our discussion with the management has indicated that to de-risk itself from negative operating cash flow, the company has adopted early monetization strategy as a part of its business model.
- Therefore, in the past couple of financial years, GPL has posted growth in other income, which was mainly driven by project-level stake sales to private equity players. The company's other income grew by ~240% in FY10 due to proceeds from stake sales to private equity (PE) players in the following projects.

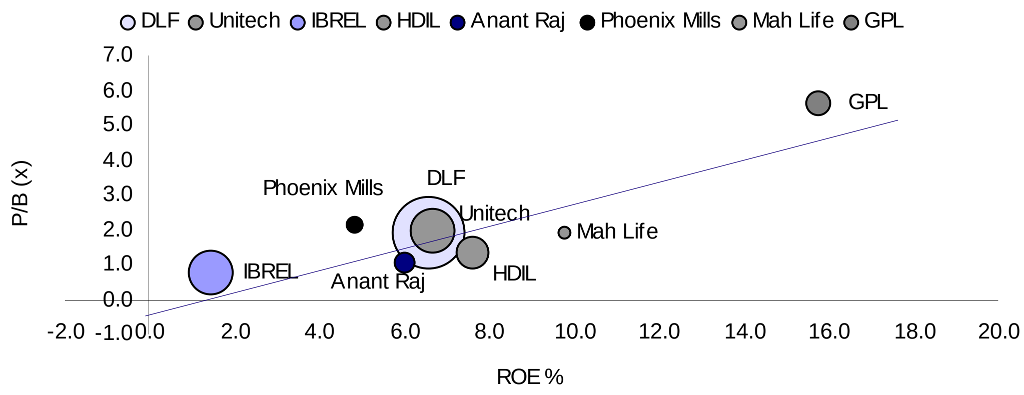
RECENT PROJECT LEVEL EQUITY INFUSION BY GPL

YEAR	COMPANY NAME	EQUITY PARTNER	STAKE DILUTED	CONSIDERATION (RS B)
FY09	Godrej Developers Private Ltd	Redford India RE Babur	49%	0.42
FY10	Godrej Realty Private Ltd.	HDFC Ventures	49%	NA
FY10	Godrej Waterside Private Ltd.	HDFC Ventures	49%	NA
FY10	Happy Highrises	Milestone RE Fund	49%	0.70
FY10	Godrej Estate Developers	HDFC Asset Management	49%	0.45
FY10	Godrej Sea View	HDFC PMS	22.3% (49%)	0.25 (0.55)

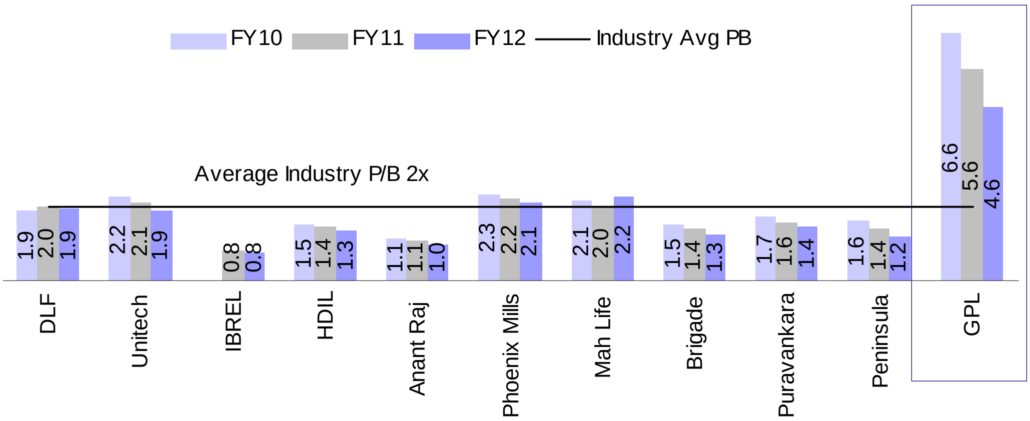
**GPL has diluted the remaining 26.7% stake for a consideration of Rs299m in 1QFY11* Source: MOSL

- We believe that the cash flow from operating activities will remain negative in coming years and the company might continue with early monetization to address its immediate cash-flow needs till its operating cash flow turns positive.
- In our earnings model for GPL, we have assumed ~Rs0.7b and ~Rs0.8b contribution from project level equity infusion in FY11 and FY12, respectively.

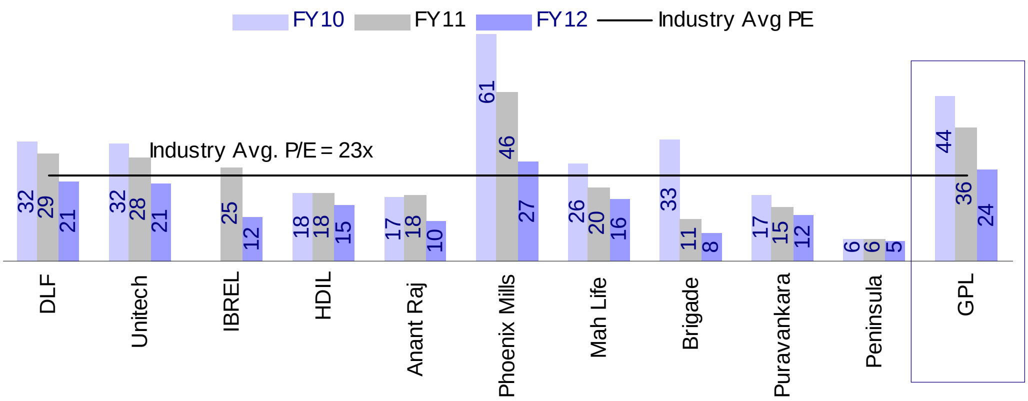
VALUATIONS AT PREMIUM TO PEERS



AT 5.4X FY11E BV GPL, COMMANDS SIGNIFICANT PREMIUM TO INDUSTRY AVERAGE OF 2X



GPL TRADES AT P/E OF 36X FY11E, HIGHER THAN INDUSTRY AVERAGE



Source: MOSL

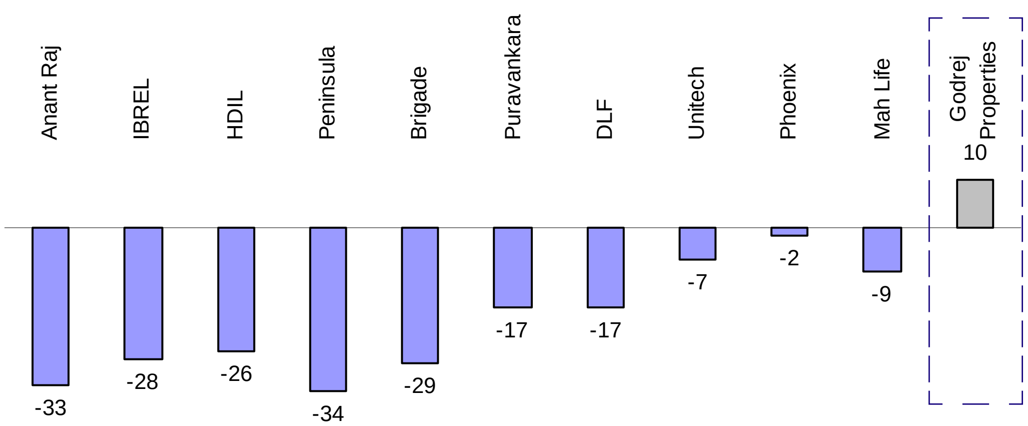
RE NAVS ACROSS COMPANIES (RS/SHARE)

	ANANT RAJ	IBREL	HDIL	PENIN-SULA	BRIGADE	PURA-VANKARA	DLF	UNITECH	PHOENIX	MAH LIFE	GODREJ PROPER.
Apartments	107	222	140	64	130	255	244	64	11	160	597
Villas	-	-	-	-	-	-	28	40	-	-	-
Plots/Inst Plots	-	-	-	-	-	-	61	15	-	-	-
Commercial	70	55	145	71	121	9	155	54	39	-	327
Hotels	62	-	-	-	46	-	15	9	202	-	77
Retail	59	-	239	-	62	-	157	14	304	-	-
Others	4	109	738	1	7	-	-	3	-	332	212
Total	**301**	**386**	**1,262**	**135**	**365**	**265**	**646**	**198**	**556**	**493**	**1,212**
Add: Misc	-	-	-	15	-	-	63	11	41	-	-
Gross Asset Value	**301**	**386**	**1,262**	**150**	**365**	**265**	**709**	**209**	**597**	**493**	**1,212**
Less: Tax	69	41	170	143	84	58	149	44	15	-	291
Add: Cash	10	1	8	31	-	7	29	7	38	61	43
Less: Debt	-	-	112	1	57	33	126	23	29	-	102
Less: Land Cost	7	-	20	10	-	13	10	7	9	-	39
Less: Operating Exp & Others	30	78	73	-	37	24	58	47	17	-	97
Net Asset Value	**205**	**269**	**385**	**105**	**188**	**143**	**388**	**95**	**251**	**552**	**715**
CMP 18-Aug-10 (Rs/sh)	**137**	**194**	**285**	**69**	**134**	**119**	**322**	**88**	**247**	**500**	**786**
% Prem/Disc	**-33.1**	**-27.8**	**-25.9**	**-34.4**	**-28.6**	**-17.0**	**-17.0**	**-7.0**	**-1.7**	**-9.3**	**10.0**

Source: MOSL

GPL is one of the few RE companies to trade at premium to NAV

DISCOUNT TO NAV (%)



Source: MOSL

RE COMPARATIVE VALUATION

COMPANY	RATING	CMP (RS)	FY12 NAV RS/SH	EPS (RS/SH) FY10	EPS FY11E	EPS FY12E	P/E (X) FY10	P/E FY11E	P/E FY12E	BV (RS/SH) FY10	BV FY11E	BV FY12E	P/B (X) FY10	P/B FY11E	P/B FY12E	ROE (%) FY10	ROE FY11E	ROE FY12E
DLF	Buy	322	388	10.0	11.2	15.1	32	29	21	171	163	168	1.9	2.0	1.9	5.6	6.6	8.6
Unitech	Buy	88	95	2.8	3.2	4.3	32	28	21	39	43	47	2.2	2.1	1.9	6.3	6.7	8.3
IBREL	Buy	194	269	-0.6	7.7	16.7	-	25	12	0	242	251	-	0.8	0.8	-0.2	2.0	4.1
HDIL	Buy	285	385	15.8	15.7	18.9	18	18	15	189	201	213	1.5	1.4	1.3	8.1	7.6	8.7
Anant Raj	Buy	137	205	8.1	7.7	13.1	17	18	10	121	127	139	1.1	1.1	1.0	6.7	6.0	9.4
Phoenix Mills	Buy	247	251	4.1	5.4	9.3	61	46	27	108	112	120	2.3	2.2	2.1	3.8	4.8	7.8
Mah Life	Buy	500	552	19.0	25.5	30.6	26	20	16	233	254	225	2.1	2.0	2.2	7.9	9.8	10.6
Brigade	Buy	134	188	4.1	11.9	17.6	33	11	8	89	96	107	1.5	1.4	1.3	4.7	12.4	16.5
Puravankara	Neutral	119	143	6.8	8.2	9.8	17	15	12	69	75	84	1.7	1.6	1.4	9.8	10.8	11.8
Peninsula	Neutral	69	105	11.6	11.9	13.2	6	6	5	43	50	58	1.6	1.4	1.2	26.1	28.3	29.4
GPL	**Neutral**	**786**	**715**	**17.6**	**21.7**	**31.9**	**45**	**36**	**25**	**117**	**138**	**168**	**6.7**	**5.7**	**4.7**	**15.1**	**15.8**	**19.0**

Source: MOSL

Key concerns/risks

JDA model risk: Joint-development projects constitute ~77% of GPL's land bank of ~50msf (GPL's share). While this spreads the risk, it also caps gains during an economic upswing. A partner's consent is required for every major decision. During a boom, the company may not be able to perform as well as players with a low cost land bank strategy. Besides, most of the agreements are valid for a specific time period (~10 years). Delays in execution could raise uncertainties in the sustainability of such joint development agreements.

Dependence on Ahmedabad: Almost 55% of total saleable area of ~50msf is in Ahmedabad and contributes ~15% of GAV (more than 19% of core-GAV). Such heavy dependence on a project in a tier-2 real estate market can hamper GPL's growth prospects in case of a downturn and an extreme economic situation. Besides, lower presence in tier-1 cities and super metros, historically the most profitable real estate markets, can limit GPL's upside potential.

Hidden implications of PE transactions: GPL has large equity participation from private equity investors (up to 49%) in most of its large projects, which are being executed through special purpose vehicles. The IRR guarantee and exit clauses in private equity agreements can put liquidity pressure on GPL in case of an underperformance.

Aggressive ramp up in execution seems to be a challenging task: Since its inception, GPL has developed and delivered ~7.5msf of projects. Its aggressive plan to develop its land bank of ~50msf over 10 years requires a huge ramp up in development capability, which seems a daunting task. But the quality management and tie-up with L&T as a contractor will help to overcome this concern.

Overcrowded mid-income/affordable housing segment: GPL aims to focus on the high volume mid-income housing segment, in which an average unit value is Rs2m-3m or Rs2,500-2,800/sf. The mid-income/affordable housing vertical is fast getting crowded with most large developers present/announcing projects in the segment. GPL aims to counter competition with quality offerings backed by a well established Godrej brand.

Macro economic risks: We have not assumed a decline in prices in any of the cities in our model and have even built a 5% CAGR from FY11 for all cities. However, it is possible that real estate prices will drop in some markets, severely impacting our NAV workings.

Background

GPL is a leading real estate developer in India and is based in Mumbai, Maharashtra. Godrej Industries Limited (GIL) holds 69.4% in GPL. Incorporated in 1989, GPL initially concentrated on the Mumbai Metropolitan Region (MMR) and later expanded to Pune, Bangalore, Kolkata, Hyderabad, Ahmedabad, Mangalore, Chandigarh, Chennai and Kochi. As of 31 October 2009, GPL completed 23 projects aggregating 5.13msf of developable area. Its land reserves total 391acres, aggregating 82.7msf of developable area and 50.2msf of saleable area. Land reserves of 391acres include 64.2acres, which is being aggregated. Unlike its industry peers, GPL's business model is skewed in favor of joint development projects. Of the land bank of ~50msf (GPL's share), ~77% of the projects are on a joint development basis. GPL has large equity participation from private equity investors (up to 49%) in most of its large projects that are being executed through special purpose vehicles. While it spreads the risk, it also caps gains and means GPL must seek a partner's consent for every major decision. GPL aims to focus on the high volume mid-income housing segment in which average unit value is Rs2m-3m or Rs2,500-2,800/sf.

Promoter group profile

GIL is the listed flagship company of the Godrej group of companies. The group includes Godrej & Boyce Manufacturing Company Limited (GBMCL) and is a leading conglomerate in India. The group was awarded the "Corporate Citizen of the Year" award by the Economic Times in 2003 and the Godrej brand was selected as the fourth best brand in India in The Week magazine's 'Mood of the Nation @ 60' survey published on 19 August 2007.

GPL has been promoted by (i) GBMCL and (ii) GIL. GBMCL was incorporated on 3 March 1932 as a limited liability company under the Indian Companies Act, 1913. GBMCL is involved in the manufacture and/or marketing of consumer durables, office equipment and industrial products.

GIL was incorporated on 7 March 1988 as Gujarat-Godrej Innovative Chemicals Limited (GGICL) in Gujarat. Godrej Industries is involved in the manufacture and marketing of oleo-chemicals, their precursors and derivatives, bulk edible oils, estate management and investment activity. The erstwhile Godrej Soaps Limited (GSL) was merged with GGICL from 1 April 1994 and GGICL was called GSL. The registered office was shifted from Gujarat to Maharashtra from 1 March 1996. Subsequently, under a scheme of arrangement, GSL's consumer products division was demerged from 1 April 2001 into a separate company, Godrej Consumer Products Limited(GCPL) and GSL was renamed Godrej Industries Limited on 2 April 2001. Godrej Foods Limited's vegetable oils and processed foods manufacturing business was transferred to GIL from 30 June 2001. Thereafter, the foods division (except the Wadala factory) was sold to Godrej Beverages and Foods Limited on 31 March 2006.

Board of Directors

Mr Adi B Godrej has been a director at GPL since 1990 and is Chairman of the company. He holds a bachelors and masters degree from the Massachusetts Institute of Technology, US. He is Chairman of the Godrej group, Godrej Consumer Products Ltd, Godrej Industries Ltd, Godrej Sara Lee Ltd, Godrej Hershey Ltd, and several other group companies. He is a director of numerous companies, including Godrej & Boyce and Godrej Agrovet. He is also a member of the executive board of the Indian School of Business.

Mr Jamshyd N Godrej has been a director at GPL since 1990. He holds a Bachelor of Science from the Illinois Institute of Technology, US. He joined the board of management of Godrej & Boyce as a director in 1974, became Managing Director in 1991 and Chairman in 2000. He is the President of World Wide Fund for Nature, India and former President of the Confederation of Indian Industry and the Indian Machine Tool Manufacturers' Association.

Mr Nadir B Godrej has been a director at GPL since 1990. He holds a Bachelor of Science degree in Chemical Engineering from the Massachusetts Institute of Technology, US, a Master of Science degree in Chemical Engineering from Stanford University, US and a Master of Business Administration degree from Harvard Business School, US. He is Chairman of Godrej Agrovet Ltd, Managing Director of Godrej Industries Ltd and a director in numerous companies.

Mr Amit B Choudhury has been a director at GPL since 2003. He holds a Masters degree in Economics and Masters in Management Studies from Jamnalal Bajaj Institute of Management Studies. He serves on the board of Swadeshi Detergents Ltd, Vora Soaps Ltd, Godrej Agrovet Ltd, Wadala Commodities Ltd and Godrej Industries Ltd.

Mr Pirojsha A Godrej has been Executive Director at GPL since November 2008. He holds a Bachelors Degree in Economics from the Wharton School at the University of Pennsylvania, a Masters in International Affairs from Columbia University's School of International and Public Affairs, and a Masters in Business Administration from Columbia Business School. He also serves on the board of Godrej Realty Private Ltd, Godrej Waterside Properties Private Ltd and Godrej Developers Private Ltd.

Mr Milind S Korde has been Managing Director of GPL since 2003. He is a law graduate and holds a Bachelor of Science degree. He is an Associate Member of the Institute of Company Secretaries of India. He started his career with Tata Housing and Development Co and joined Godrej Properties Ltd in 1990, year of its inception. He has over 18 years of experience in real estate development and handled diverse portfolios like legal, marketing, commercial, secretarial and business development in the company before being appointed Managing Director of the company.

Financials and Valuation

INCOME STATEMENT						(RS MILLION)
Y/E MARCH	2007	2008	2009	2010	2011E	2012E
Net Sales	**1,372**	**2,274**	**2,555**	**3,134**	**5,057**	**8,976**
Change (%)	*96.7*	*65.7*	*12.3*	*22.7*	*61.4*	*77.5*
Construction Expenses	799	977	1,311	2,142	3,421	6,334
Staff Cost	69	98	38	107	128	154
EBITDA	**504**	**1,199**	**1,207**	**886**	**1,508**	**2,487**
% of Net Sales	*36.7*	*52.7*	*47.2*	*28.3*	*29.8*	*27.7*
Depreciation	7	9	11	26	16	16
Interest	41	38	527	662	639	692
Other Income	-	1	421	1,426	1,251	1,311
PBT	**456**	**1,153**	**1,089**	**1,624**	**2,104**	**3,090**
Tax	169	404	323	382	589	865
Rate (%)	*37.1*	*35.1*	*29.7*	*23.5*	*28.0*	*28.0*
Adjusted PAT	**288**	**750**	**747**	**1,228**	**1,515**	**2,225**
Change (%)	*137.6*	*160.3*	*-0.5*	*64.5*	*23.4*	*46.9*

BALANCE SHEET						(RS MILLION)
Y/E MARCH	2007	2008	2009	2010	2011E	2012E
Share Capital	64	604	604	698	698	698
Reserves	382	1,804	2,385	7,474	8,911	11,018
Net Worth	446	2,409	2,989	8,173	9,609	11,716
Loans	1,384	2,731	6,563	7,096	7,687	9,373
Capital Employed	**1,835**	**5,147**	**9,569**	**15,298**	**17,326**	**21,119**
Gross Fixed Assets	63	399	398	340	398	398
Less: Depreciation	20	28	39	63	63	79
Net Fixed Assets	**42**	**370**	**359**	**276**	**336**	**320**
Capital WIP	2	2	33	2	0	896
Curr. Assets	**4,435**	**9,845**	**10,375**	**14,928**	**20,708**	**28,217**
Inventory	1,172	2,848	4,759	7,251	8,126	8,726
Debtors	2,198	4,057	1,386	1,798	4,157	7,377
Cash & Bank Balance	161	86	269	955	2,357	1,343
Loans & Advances	904	2,854	3,962	4,924	6,069	10,771
Current Liab. & Prov.	**2,648**	**5,074**	**1,203**	**1,989**	**3,718**	**8,314**
Creditors	2,521	4,664	1,005	1,619	3,050	7,330
Provisions	127	411	198	370	668	983
Net Current Assets	**1,786**	**4,770**	**9,172**	**12,939**	**16,991**	**19,904**
Application of Funds	**1,835**	**5,147**	**9,569**	**15,298**	**17,326**	**21,119**

E: MOSL Estimates

Financials and Valuation

RATIOS

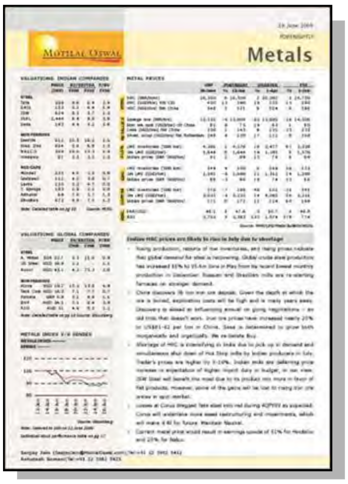
Y/E MARCH	2007	2008	2009	2010	2011E	2012E
Basic (Rs)						
Adjusted EPS	**44.7**	**12.4**	**12.4**	**17.6**	**21.7**	**31.9**
Growth (%)	137.6	-72.2	-0.5	42.3	23.4	46.9
Cash EPS	9.2	2.5	2.5	3.6	4.4	6.4
Book Value	69.2	39.9	49.5	117.0	137.6	167.7
DPS	4.7	1.4	0.6	4.0	1.0	1.5
Payout (incl. Div. Tax.)	106.8	38.4	23.4	25.5	5.2	5.3
Valuation (x)						
P/E	17.6	63.3	63.6	44.7	36.2	24.7
Cash P/E	85.8	312.6	309.1	218.5	179.3	122.5
EV/EBITDA	12.5	41.8	44.6	68.9	39.9	25.3
EV/Sales	4.6	22.0	21.0	19.5	11.9	7.0
Price/Book Value	11.4	19.7	15.9	6.7	5.7	4.7
Dividend Yield (%)	39.2	36.6	22.5	40.0	10.0	15.0
Profitability Ratios (%)						
RoE	64.6	31.2	25.3	15.1	15.8	19.0
RoCE	40.8	34.1	22.0	18.4	16.8	19.7
Leverage Ratio						
Debt/Equity (x)	3.1	1.1	2.2	0.9	0.8	0.8

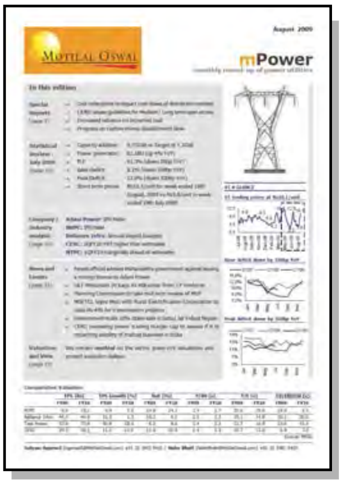
CASH FLOW STATEMENT (RS MILLION)

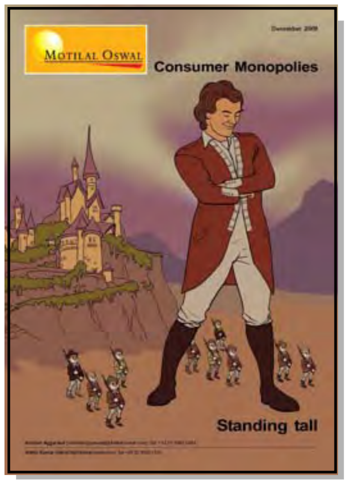
Y/E MARCH	2007	2008	2009	2010	2011E	2012E
PBT before Extraordinary Items	456	1,153	1,089	1,624	2,104	3,090
Add : Depreciation	7	9	11	26	16	16
Interest	41	38	527	662	639	692
Less : Direct Taxes Paid	169	404	323	382	589	865
(Inc)/Dec in WC	1,249	3,059	4,219	3,081	2,650	3,927
CF from Operations	**-913**	**-2,256**	**-2,950**	**-1,164**	**-480**	**-994**
(Inc)/Dec in FA	-12	-337	-31	88	-73	-896
(Pur)/Sale of Investments	-	-	-	-2,078	2,078	-
CF from Investments	**-12**	**-337**	**-31**	**-1,990**	**2,005**	**-896**
(Inc)/Dec in Net Worth	-1	1,500	26	4,272	3	-
(Inc)/Dec in Debt	1,252	1,347	3,832	532	592	1,686
Less : Interest Paid	41	38	527	662	639	692
Dividend Paid	308	288	177	314	79	118
CF from Fin. Activity	**902**	**2,520**	**3,154**	**3,828**	**-123**	**876**
Inc/Dec of Cash	**-24**	**-74**	**182**	**687**	**1,402**	**-1,014**
Add: Beginning Balance	185	161	86	269	955	2,357
Closing Balance	**161**	**87**	**269**	**955**	**2,357**	**1,343**

E: MOSL Estimates

N O T E S







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Disclosure of Interest Statement	Godrej Properties
1. Analyst ownership of the stock	No
2. Group/Directors ownership of the stock	No
3. Broking relationship with company covered	No
4. Investment Banking relationship with company covered	No