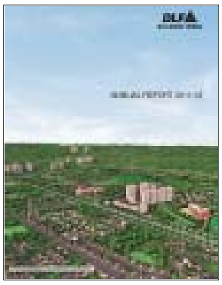
30 August 2012

Annual Report Update | Sector: Real Estate

DLF

BSE SENSEX	S&P CNX
17,542	5,315



Bloomberg	DLFU IN
Equity Shares (m)	1,714.4
52-Week Range (INR)	261/170
1,6,12 Rel. Perf. (%)	-6/-7/-4
M.Cap. (INR b)	341.2
M.Cap. (USD b)	6.1

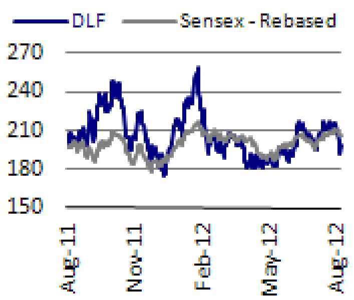
Valuation summary (INR b)

Y/E March	2012	2013E	2014E
Net Sales	96.3	105.3	107.9
EBITDA	39.0	44.1	45.1
NP	12.0	13.8	16.5
BV/Sh. (INR)	150.9	156.7	164.1
EPS (INR)	7.1	8.2	9.7
EPS Gr. (%)	-26.8	15.3	19.5
P/E (x)	28.1	24.6	22.3
P/BV (x)	1.3	1.3	1.3
EV/EBITDA (x)	14.4	12.4	12.2
EV/ Sales (x)	5.9	5.2	5.1
RoE (%)	4.5	5.0	5.7
RoCE (%)	7.4	8.0	8.3

Shareholding pattern %

As on	Jun-12	Mar-12	Jun-11
Promoter	78.6	78.6	78.6
Dom.Inst.	0.3	0.3	0.4
Foreign	15.8	15.6	15.1
Others	5.3	5.5	5.9

Stock performance (1 year)



Investors are advised to refer through disclosures made at the end of the Research Report.

CMP: INR199 TP: INR255 Buy

Operating consolidation hinges on four-pronged strategy

Balance sheet yet to gather strength owing to weak operations

- **Weak operating cash generations undermined its ability to improve balance sheet strength through asset divestment in FY12.**
- **DLF's annual report highlights company's priorities on consolidation of core operations and achieving balance sheet stability.**
- **The four pronged strategy should augment core operations in FY13, along with long term value unlocking. The immediate trigger hinges on large ticket divestments.**
- **The stock trades at 1.3x FY14E BV and 30% discount to NAV. Buy with a TP of INR255.**

Operating surplus negated by higher interest outgo, tax and land purchase: A challenging macro environment (cost inflation, approval hurdles, etc), delays in planned launches, and weaker annual sales (witnessed recovery in 4QFY12) led to subdued operating surplus in FY12. We estimate that DLF generated INR37.8b (v/s INR36.1b in FY11) of cash surplus (before interest and capex) from (a) core operations (down ~INR3.5b YoY) and (b) asset sales (up ~INR5b YoY). However, higher interest outgo (INR30.1b, up ~4.2b YoY) and incremental land purchase (~INR10b) resulted in net debt increasing by ~INR10b. Net working capital increased by ~INR15b, largely on account of land acquisitions, higher tax payment (INR11.5b, up 4b YoY and ~3.1x P&L tax entry), while the movement in receivables was broadly in line with revenue booking and pace of monetization.

Balance sheet cleaner, but not stronger yet: DLF's balance sheet is much cleaner (barring some contingencies) post the consolidation of DAL and preference share buyouts. However, it is yet to gain strength owing to delay in large ticket divestments and weaker operating cash flow (FY12 divestments were largely utilized to bridge operating deficits). Visibility on big ticket asset sales holds the key to major debt reduction in FY13 (maturity of INR48.4b of long-term debt).

Four-pronged strategy positive for medium-term growth: DLF has adopted a four-pronged operating strategy to combat prevailing challenges and augment long-term value unlocking:

- Focus on the premium/ super luxury and plot segments to mitigate the effect of inflation and maintain profitability
- Ramp up execution with third party contractors to augment delivery and cash cycle. New construction contracts will be inclusive of material cost to offset commodity (cement, steel) price risks.
- Consolidating land parcels at outperforming NCR markets (New Gurgaon, Chandigarh) would render better turnaround time.
- Value creation through infrastructure development around existing land parcels, namely (1) 16-lane signal-free road (JV with HUDA for INR6b) to reach the Golf Course Road from the Gurgaon Toll Plaza in 7 minutes, (2) metro rail connectivity (with IL&FS) for Cyber City etc. It expects Cyber City rentals of INR65-70/sf/m to see at least INR10/sf/m boost due to this.

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Management commentary indicates near-term cautiousness: Though the management is positive on the long-term potential of the real estate sector, it expects the near-term business/economic environment to remain challenging due to: (1) inflationary pressure, (2) regulatory headwinds, and (3) tight funding and elevated interest rates. The company's priorities would be: (1) focus on profitability and executions, (2) improving operating cash flow through higher asset turn, (3) judicious spending on new capex, and (4) debt reduction.

Valuation and view: We maintain our view on DLF as a high delta play on improving operating leverage (quality launches, higher sales, faster execution and uptick in cash conversion) and financial leverage (success in divestment-led deleveraging and interest rate down-cycle) over FY13-14. Positive surprises on divestments and debt reduction remain the immediate catalysts. The stock trades at 22.3x FY14E EPS and 1.3x FY14E BV, and at a 30% discount to NAV. **Buy** with a one-year TP of INR255.

Vertical-wise operating performance for FY12 and outlook/strategy for FY13

Vertical	FY12 Review	FY13 Outlook / Strategy
Residential	■ Sales volume improved YoY at 13.5msf (10.3msf in FY11), led by uptick in plotted and GHS launches in 2HFY12. Sales value declined to INR52.8b (v/s INR66b in FY11), due to lower realizations from tier-II markets. ■ Demonstrated superior pricing power at its core markets (sold GHS projects, Regal and Primas at 30-40% premium to peers). ■ Introduction of escalation clause in sale agreements in some development projects to offset inflationary impact. Good acceptance of the same among customers is a key positive surprise.	■ Strong focus on high profitability premium and luxury GHS projects along with plotted developments to sustain margins. ■ Plans to launch super luxury project at Phase-V, Magnolia -2 in 3QFY12 (~1msf with average realizations north of INR18k/sf). ■ Target sales 10-12msf (~INR65b) in FY13.
Commercial	■ Weakness in commercial leasing in FY12 owing to weaker macro (majority are overseas clients), and deliberate leasing slowdown to achieve higher rentals ■ While gross leasing stood at 2.7msf (v/s management's guidance of 3msf), the net leasing was 1.4msf due to cancellations at Silokhera SEZ (due to litigation). ■ Annualized rental income stood at INR13.5b in FY12 (v/s INR11b in FY11).	■ In the backdrop of cautious outlook, DLF plans to limit execution capex to selected few, where pre-leasing has already happened. FY13 leasing guidance moderated to 2msf. ■ Key objectives would be to improve the rental values in these assets through various infrastructure initiatives (INR3b-4b of outflow per year) ranging from (a) Metro connectivity to Cyber City (b) 16-lane signal-free road across Cyber City and residential developments (c) Private fire station.
Retail	■ Overall vacancy rates improved to 5% v/s 7% in FY11 and 11% in FY10. ■ Annualized rental income stood at INR2.5b (v/s INR1.7b in FY11).	■ Focused on operational efficiency of existing malls to reduce vacancy rates. ■ Capital commitment only towards 1.8msf Noida Mall of India, set to commence operations by 3QFY14.
Delivery	■ Delivered 13msf in FY12, including 9.5msf in Phase-V, Gurgaon. ■ Shifted to outsourcing model in execution; third-party contractors like SP group, L&T, etc engaged.	■ Guided for strong annual delivery plan of 11-12msf across locations - new Gurgaon, Chennai, Kolkata in FY13-14. New construction contracts will be inclusive of material cost to mitigate commodity (cement, steel) price risks.

Source: Company, MOSL

Operating surplus subdued

Further negated by higher interest outgo, tax, and land purchase

- **A challenging macro environment (cost inflation, approval hurdles, etc), delays in planned launches, and weaker annual sales (witnessed recovery in 4QFY12) led to subdued operating surplus in FY12.**
- **We estimate that DLF generated INR37.8b (v/s INR36.1b in FY11) of cash surplus (before interest and capex) from (a) core operations (down ~INR3.5b YoY) and (b) asset sales (up ~INR5b YoY). However, higher interest outgo (INR30.1b, up ~4.2b YoY) and incremental land purchase (~INR10b) resulted in net debt increasing by ~INR10b.**
- **Net working capital increased by ~INR15b, largely on account of land acquisitions, higher tax payment (INR11.5b, up 4b YoY and ~3.1x P&L tax entry), while the movement in receivables was broadly in line with revenue booking and pace of monetization.**

Operating surplus for FY12 subdued; expect a superior FY13

❶ **Collections weaken a little:** Despite greater focus on plotted sales, customer collections failed to accelerate (down 7% to ~INR49.6b) owing to (1) delays in new launches (approval delays), and (2) weaker execution (transition period for shifting towards construction outsourcing model). **We expect collections to improve in FY13 on account of (a) premium launches and higher sales guidance (INR65b v/s INR52.7b in FY12) and (b) faster executions.**

❷ **Greater divestment success:** Cash flow from asset sales improved to INR17.7b (INR12.7b in FY11) on account of divestment of assets like IT Parks at Pune and Noida (INR7.85b), Gurgaon land (INR6.2b), and DLF hotels (overall transaction value of INR5.7b - INR3.7 received in FY12). **The cash flow from divestment is likely to enhance further, driven by strong visibility on large ticket asset sales (NTC land of INR27b already concluded).**

Benefits of higher asset sales fail to flow down

(INR b)	FY12	FY11	Remarks
Collections	49.6	53.1	❶
Add: Asset sales	17.7	12.7	❷
Annuity income	18.0	15.5	❸
Construction	13.0	16.4	❹
Overheads	17.6	15.1	
Operating cost	3.2	3.2	
Tax	11.5	7.5	❺
Less: Other business loss	2.3	3.0	
Add. Other income	4.1	6.0	
Operating surplus	**41.9**	**42.1**	
Less: Interest	30.1	25.9	❻
Dividend	5.9	9.1	
Pref share	0.1	53.5	
Less: Lease capex	4.5	6.5	❼
Less: Land acquisitions	10	11	❽
Less: stake in Adone hotel	1.2	-	
Net surplus/ change in net debt	**-10**	**-64**	
Change in net debt	**10**	**64**	

Source: Company, MOSL

❸ **Lease rentals up 22%, rental yields to improve:** Rent income from the commercial and retail portfolio grew 22% to IRN15.5b, driven by (1) 1.4msf of incremental leasing, (2) ~2.9msf of delivery, and (3) negative effect of sale of Noida/Pune IT Parks (~3.3msf; annualized rent of INR500m-600m). We expect average rentals at Cyber City to improve from INR60-65/sf/m to INR75-80/sf/m led by infrastructure initiatives and difference with current market rates. This coupled with newer leasing and delivery to aid ~15% growth in annuity income to ~INR18b in FY13.

❹ **Execution impacted in transition period:** DLF has adopted an outsourcing strategy to ramp up execution. It has outsourced construction to reputed contractors like L&T, SP group, etc. However, during the transition period, there have been execution delays and cost escalations.

❺ **Higher tax outflow:** Albeit DLF has been paying higher tax than P&L provisioning over past 2-3 years, FY12 outflow was much higher at INR11.5b (>3x P&L entry). We assume the higher tax payment is partly attributable to payment of tax claim pertaining to prevailing income tax litigations of ~INR27b (~INR15b paid so far).

❻ **Interest outgo increased further:** In the backdrop of a ~INR10b increase in net gearing and higher average cost of debt (average 12.8% in FY12, up ~170bp YoY), interest outgo increased ~16%YoY to INR30.1b. We expect the dual effect of divestment-led de-leveraging and easing of policy rates to render meaningful delta in reducing interest burden over FY13-14.

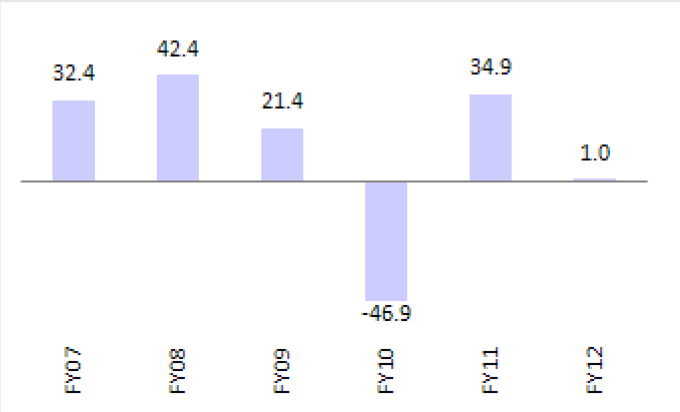
❼ **Capex commitment in Rent Co reduced:** Given the weaker outlook for the commercial vertical, DLF has reduced its capex commitment in the Rent Company (Rent Co) to ~INR4.5b v/s INR6.5b in FY11. It has been focusing on select projects with higher priority on improving rental value.

❽ **Land purchases dent near-term cash flows:** DLF spent ~INR10b on land replenishment, primarily for consolidation (or achieving land contiguity) in outperforming markets (Gurgaon and Chandigarh). While this has dented FY12 cash flows, we see the strategy as a long-term positive. The management has guided for lower outflow of INR5b/annum owing to land consolidations going forward.

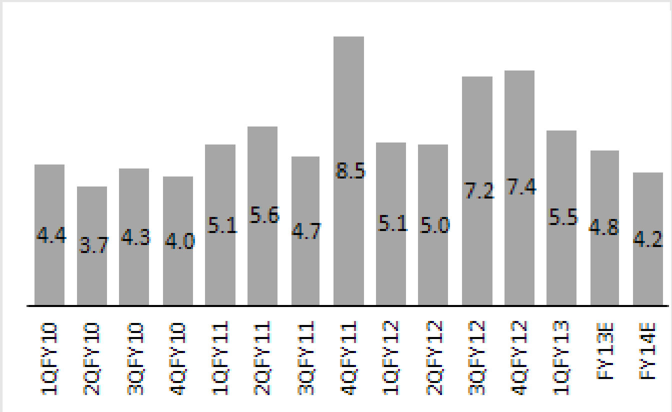
Net working capital increased by ~INR15b

- Net working capital increased by ~INR15b, largely led by ~INR10b of land acquisitions in the NCR.
- The increase in receivables has largely been proportionate to the increase in collections. However, huge unbilled receivables of ~INR76b remain broadly unaltered.
- Increase in 'Debtors + Unbilled Receivables' as a percentage of revenue booking increased just 1% (v/s ~35% increase in FY11), implying moderation in collection delays. We had expected the percentage figure to turn negative, led by higher focus on plotted sales, which results in faster monetization.
- The quality of debtors weakened, with higher proportion of outstanding receivables for over six months.

Increase in debtors as % of revenue moderated



Net debt/EBITDA still above comfort zone



Source: Company, MOSL

Working capital movement in FY12

INR m	FY12	FY11	Change	Attributable factors
Current assets, loan & adv.	**325,962**	**301,681**	**24,281**	
Stocks	161,756	150,388	11,368	■ (a) ~INR10b of land acqusitions in NCR region (New Gurgaon, Mullanpur etc) and (b) execution progress, net off Gurgoan land sales of INR6.3b
				■ New acqusitions are in line with its strategy of consolidating land bank in better performing markets
Sundry debtors	19,100	17,536	1,564	■ Proportion of receivables o/s for >6months stood at 68% (v/s 58% in FY11), indicating collection delays in select projects
Cash and bank balance	15,063	13,218	1,845	
Loan and advances	51,741	41,664	10,077	■ Advances for project acqusitions or mobilization advances for construction were up by INR3b; Higher advance tax paid (up by INR5.8b)
Other current assets	78,302	78,875	-573	■ Unbilled receivable, which was further up by INR0.5b; Collections should accelerate going forward as billing happen faster with execution ramp-up led by outsourcing strategy
Current liability & provision	**106,670**	**99,198**	**7,472**	
Current liabilities	98,639	92,249	6,390	■ Advances from customers stood at INR30.7b (down INR4.9b YoY), implies lower absolute collections from sales;
				■ Amount payable to contractors/suppliers up by INR3.2b, hinting slower mobilizations
Provisions	8,032	6,950	1,082	■ Increase led by higher tax provisioning possibly on account of ITA claims
Net current asset (ex cash)	**204,228**	**189,265**	**14,963**	

Source: Company, MOSL

Balance sheet cleaner, but not stronger yet

Big ticket asset sales hold the key to major debt reduction

- **DLF's balance sheet is much cleaner (barring some contingencies and promoters' CCPS) post the consolidation of DAL and preference share buyouts.**
- **However, it is yet to gain strength owing to delay in large ticket divestments and weaker operating cash flow (FY12 divestments were largely utilized to bridge operating deficits).**
- **Visibility on big ticket asset sales holds the key to major debt reduction over FY13.**

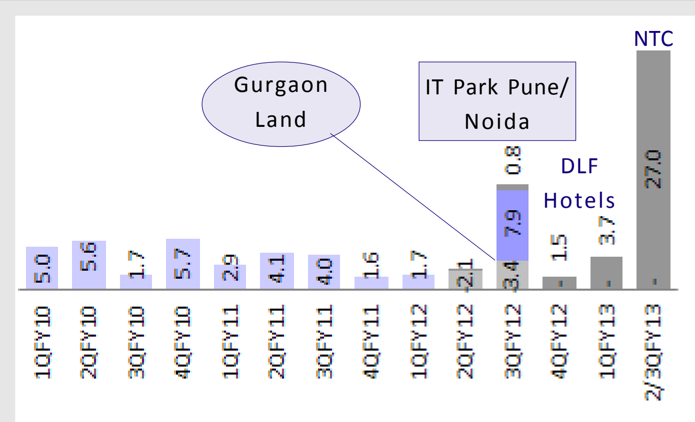
Clean-up achieved in FY11, few contingencies remain as overhangs

- DLF has cleaned up its balance sheet over the last three years (mostly in FY11) by (a) consolidating DAL, and (b) redemption of CCPS/RPS (INR54b in FY11) held by PE investors (Lehman, SC Asia), which led to ~INR64b increase in net debt in FY11.
- However, preference shares of INR16b, allotted to promoters in lieu of 40% stake in DLF Cyber City (on account of DAL merger) are still outstanding. Currently, the coupon on this instrument is 9% and is due for conversion/redemption over by December-14.
- Additionally, DLF's annual report highlights contingent liabilities of INR54.9b (INR32/share), most of which have arisen due to legal issues like CCI penalty (INR6.3b) and IT claims (INR27b) owing to disallowance of SEZs profit (sales to DAL over FY07-09). While the possibility of an adverse judgment remains an overhang, we understand that the company has got relief from one of such liability of IRN4.1b. Of the outstanding tax liabilities, DLF has already paid INR15b so far.
- On CCI penalty (INR6.3b), the Appellate Tribunal has asked CCI to submit alterations of agreement clauses by September and the next hearing is due in October-12.

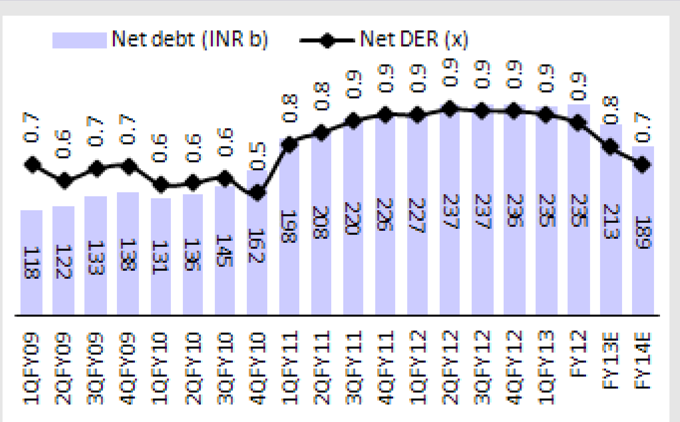
Balance sheet strength fails to recuperate in FY12

- We are disappointed by the company's failure to meet its de-leveraging target for FY12, despite its reduced focus on capex-intensive projects.
- Net debt increased by ~INR10b, led by (a) negative operative surplus, and (b) delays in divestment.
- The annual report highlights that in FY12, CRISIL has downgraded its rating on DLF's various debt instruments to A/A-(long-term)/A2+ (short term) from A+/ Stable/A1 earlier.

Uptick in divestment (INR b)...



...failed to moderate gearing



Source: Company, MOSL

Ambitious FY13 debt reduction plan hinges on large ticket asset sales

- DLF's divestment led de-leveraging progress has been disappointing. The company achieved ~INR17.7b of non-core asset sales, taking total asset sales to date to ~INR48b.
- Over FY13, DLF plans divestment of INR55-60b, comprising (1) NTC Mills (INR27b), Aman Resort (indicative INR18b-20b), (3) Wind Mills (INR9b-10b), and (4) DLF Hotels (INR5.7b).
- It has already concluded the transactions of DLF Hotels and NTC Mills (sold to Lodha group) in 1HFY13. Aman transaction is expected by 2/3QFY13, and Wind Mill over 2HFY13 (~INR9b) - where the company has short listed couple of bidders, but yet to achieve financial agreement.
- Despite unfavourable operating cash flows till date, the management seems confident of achieving debt reduction target of ~INR50b, backed by these large ticket asset sales, followed by more divestment in FY14 - leading to a comfortable net DER 0.6x by FY14-end.
- Despite higher visibility over asset sales, we are maintaining our conservative assumptions on net debt reduction of ~INR22/24b in FY13/14 till we gain further confidence on operating surplus. This implies net DER of 0.8x/0.68x in FY13/14 (v/s 0.91x in 1QFY13) and net debt/EBITDA of 4.8x/4.2x (v/s 5.5x in 1QFY13).
- The annual report highlights repayment of ~INR48.4b of long term loans in FY13, along with ~INR34b of short-term borrowings which we expect to be rolled over.

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Key large ticket assets on near-term divestment radar

Assets	Asset details	Expected Period	Transaction value (INR b)	Buyers/Bidders	Remarks
DLF Hotel & Hospitality	17 acre land parcels at Kolkata, Chennai, Mysore and Thiruvananthapuram	1QFY13	5.7	**Sold to** Avani Projects and Square Four Housing & Infrastructure	FY11 BV of INR5.7b, thus the indiacted deal value is 1x BV
NTC Mills, Mumbai	Located in one of the most prime location in Mumbai. DLF acquired the 17.5 acre land in 2005 at ~INR7.1b, can generate ~4.5msf of saleable area	2QFY13	27	**Sold to** Lodha Group	Over 15% discount to last NTC mills transaction; All approvals in place - makes the deal attractive for buyers; faster payment positive for DLF
Aman Resort (ex. Delhi hotel)	24-25 luxury hotels	2Q/3QFY13	17-18 (Indicative Value)	Indicative price based on media report on MoU with international consortium	Purchased at USD400m in 2007; Current asset worth INR17.4b (~INR5b for Lodhi properties)
Wind Power	Installed capacity 228.7 MW and wind farms in Gujarat, Rajasthan, Tamil Nadu and Karnataka. EBITDA of ~INR1b/1.5b in FY11/12	9MFY13	~9 (Indicative Value)	Green Infra Ltd, ReNew Power Ventures Pvt. Ltd, Caparo Group and Orient Green Power Co. Ltd, (Live Mint)	Guided valuation suggests 7-8x EBITDA multiple
Near-term visibility			**55-60**		

Shaded assets have reached conclusive stage

Source: Media news, Company, MOSL

Balance Sheet

INR m	FY12	FY11	Change	Attributable factors
Gross block	212,949	198,277	14,672	■ Net increase in (Gross Block + CWIP) of INR2.3b is attributable to (1) +INR4.5 in lease capex, (2) ~INR7b of reduction owing to divestment of Pune and Noida IT Parks (moving to investments), (3) INR1.2b of hotel assets stake purchase.
Depriciation	25,809	19,556	6,253	
Net block	187,140	178,721	8,419	
CWIP	89,928	102,344	(12,416)	■ Lower capex is in line with guidance; Total under construction annuity projects declined from 14.5msf (FY11) to 7.2msf (FY12); DLF will work on select commercial/retail projects including Mall of India (Noida) and focus on rental value improvement
Investment	11,268	9,958	1,310	■ Increase in non-current investment is on account of stake in Noida IT Park is an associate now (Galaxy Mercantile @INR3.2b)
Current investment	1,535	2,805	(1,270)	
Non current investment	9,733	7,152	2,580	

Source: Company, MOSL

Analysis of movement in sources of funds in FY12

INR m	FY12	FY11	Change	Attributable factors
Share Capital	21,388	21,498	-110	■ The minor reduction is attributable to redemption of non-promoter preference share of INR111m; ■ Promoter's preference shares ~INR16b in lieu of 40% stake in Cyber City is still outstanding
Reserve & Surplus	250,970	241,823	9,147	■ R&S improved by ~INR9.2b on account of ~INR12b of reported PAT, less INR5.8b of post tax dividend and rest from share issue at subsidiaries (asset sales), forex gain and ESOPs
Net worth	**272,359**	**263,321**	**9,038**	
Minority interest	4,207	5,752	-1,545	
Loan fund	**250,660**	**239,906**	**10,754**	■ Increase in debt was attributable to negative operating surplus, despite asset sales; ■ Surplus from core operations (INR24.2b) and divestment (INR17.7b) fell short of interest/ dividend payment (INR36.2b) and capex/land acqusition expense (INR14.5b).
Short Term	33,987	33,445	542	■ Bank Loans account for 95% of total short term loan;
Long Term	168,242	183,076	-14,835	■ Almost 95% of long term loan is secured, while bank loans acoount for 60%; Reduction due to repayment of INR13.6b of Bank loan and redeemption of non-convertible debenture; Cost of debt 10.5-14%
Debt in other current liabilities	48,431	23,384	25,047	■ Long-term debt maturing in FY13 is ~INR48.4b (~2x of FY12 repayment need)

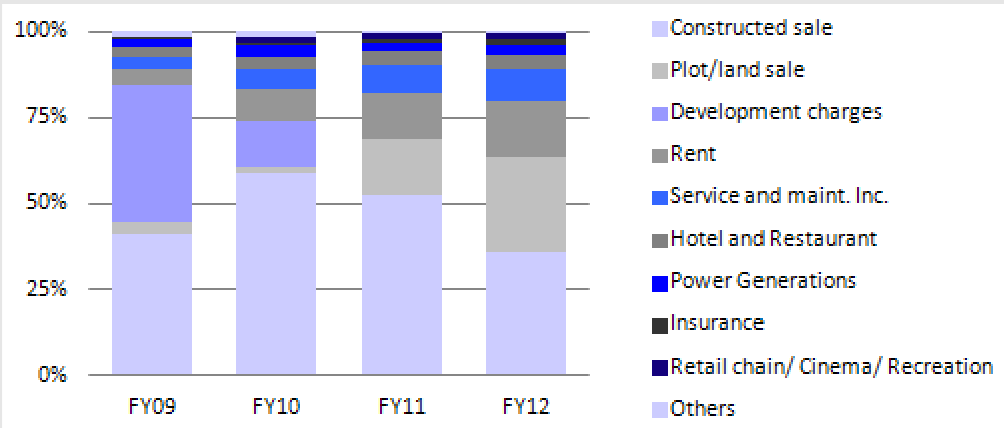
Source: Company, MOSL

Key operating indicators for FY12

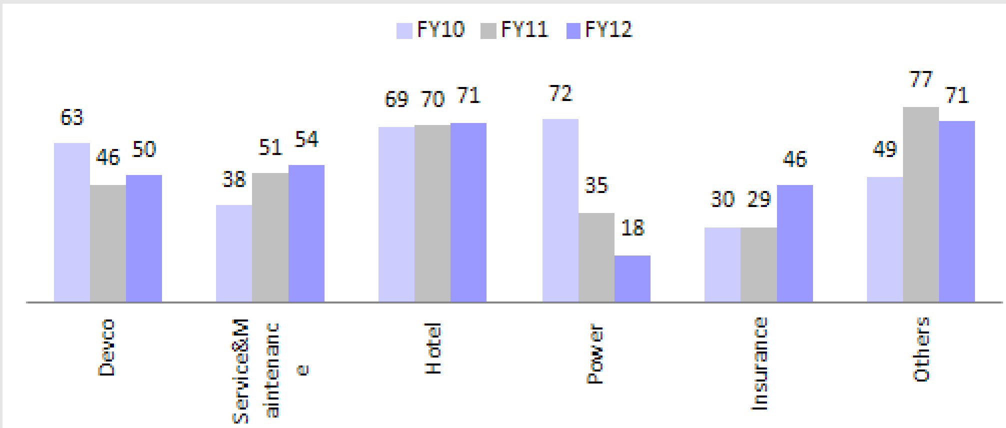
- Dev Co revenue booking run-rate (INR61b/annum) over FY10-12 has been largely in line with pre-sales momentum (INR63b/annum), though collections continue to lag, as indicated by large unbilled receivables pending collections (INR76.7b).
- Cost escalations continue to impact Dev Co margins (50% v/s 63% in FY11).
- Annuity income grew 22% and the insurance business witnessed strong growth of 65%.
- The BV of the current land bank of 348msf (v/s 367msf in FY11) is INR203b, implying a value of INR580/sf. With 80% of its land bank situated in super metros/metros, we believe that the marked-to-market value would be meaningfully higher (2.5-3x).
- RoCE continues to be muted against historical high owing to poor asset turn (slower monetization and executions), weaker margins (cost escalations) and high non yielding CWIP and negative-yielding non-core businesses (Hotel, Insurance).

Revenue booking was broadly flat at INR96.3b - Development Company (Dev Co) accounted for 63% (69% in FY11) including 27% from plotted sales, Rent Co for ~26% (21% in FY11), and non-core business 11%

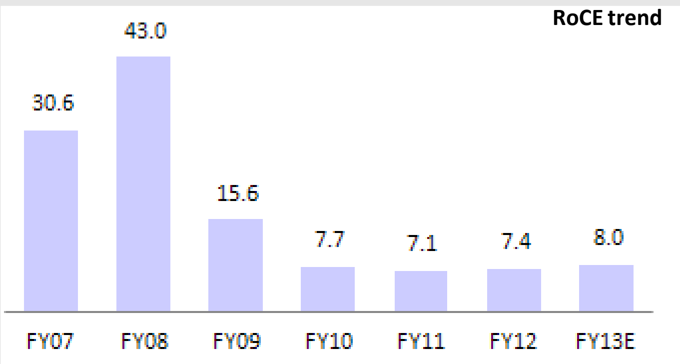
Vertical-wise revenue contribution - contribution from plotted sales increased

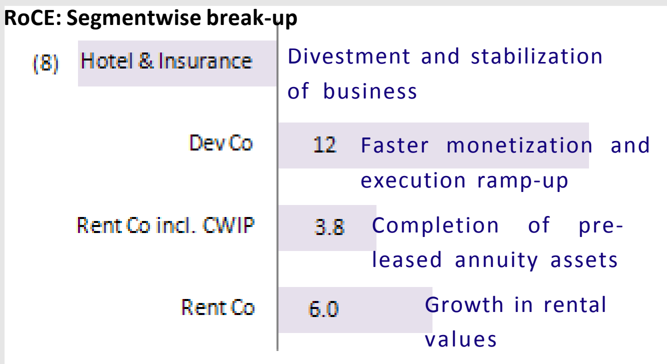


Dev Co margins deteriorated over FY11-12 owing to cost inflation and fewer premium projects



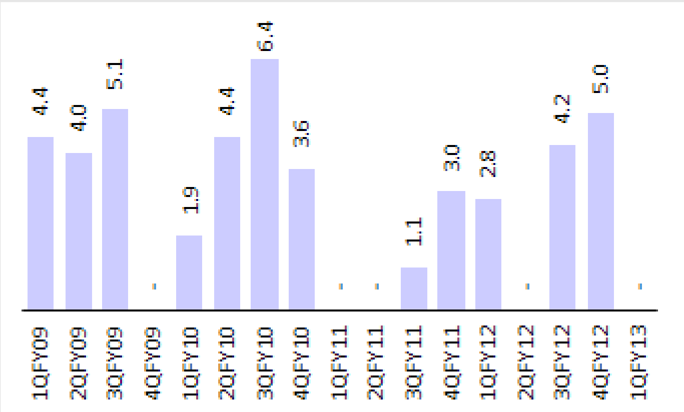
Return metrics continue to remain subdued - higher asset turn and margin enhancement key to improvements



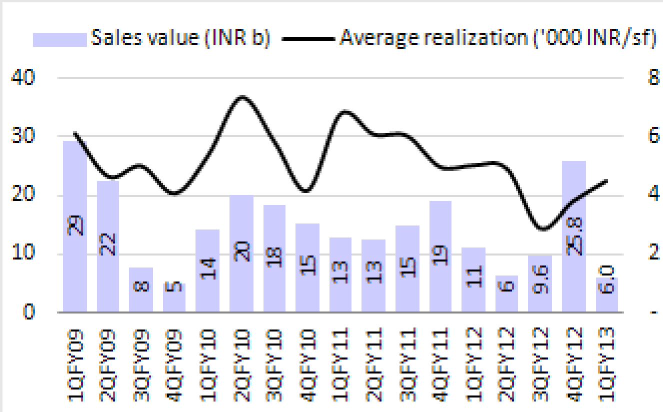


Source: Company, MOSL

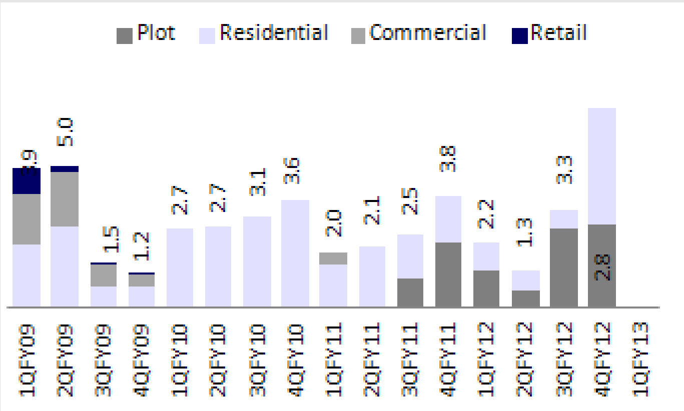
Back-ended launches led to deterioration in FY12 sales



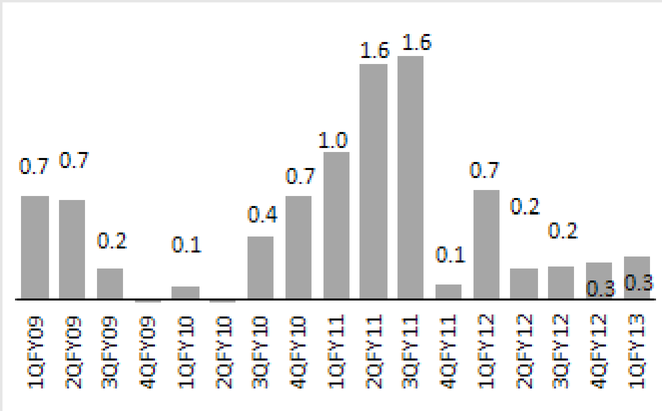
Average realizations deteriorated due to tier II projects



Sales volume improves to 13.5msf, led by plotted sales



Leasing volume weakens severely, with several cancellations



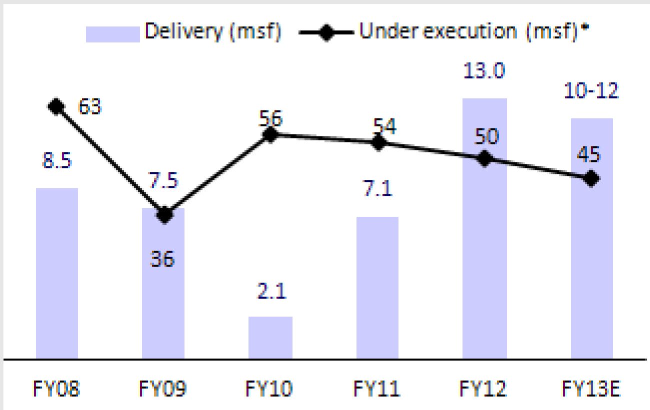
Source: Company, MOSL

Demonstrated pricing premium in recent launches

Projects	Location	Developers	Price (INR/sf)
Corona Gracieux	Sector 76	Corona	4,300
Coral Woods	Sector 84	Ayuni	3,900
Tulip Ace	Sector 89	Tulip	4,000
Regal Garden	Sector 90	DLF	5,800
Primas	Sector 82A	DLF	6,400
Ansal Height 2	Sector 86	Ansal	3,200
Spaze Privy - The Address	Sector 93	3i	3,300
Petioles	Sector 92	SARE	3,700
Maceo	Sector 91	Anantraj	3,800

Source: Industry

Delivery has improved, outsourcing strategy to further bolster deliveries



* Including commercial& retail sales Source: Company, MOSL

Key recent launches and sales break-up for FY12

		Launch (msf)	Sales (msf)	Realizations (INR/sf)	Sales Value (INR b)
New launches					
Plot	Gurgaon (Garden city S-91)	1.8	1.7	4,444	7.6
Plot	Indore (Garden City II)	1.0	0.4	1,000	0.4
GHS	Jalandhar	0.5	0.1	4,300	0.4
GHS	Bangalore (Maiden heights)	1.0	0.7	2,600	1.7
Plot	Mullanpur II (Hyde Park)	0.9	0.5	3,555	1.8
Plot	Lucknow	2.5	2.0	1,600	3.2
Plot	Hyderabad	2.3	2.2	610	1.3
GHS	New Gurgaon (Primas, 82A)	0.8	0.8	6,400	5.1
GHS	New Gurgaon (Regal, 90)	1.2	1.2	5,800	7.0
Total		**12.0**	**9.5**		**28.4**
Old projects					
Plot	Gurgaon (Alameda S-74)		0.5	6,666	3.3
GHS	Delhi GK Kolkata		0.7	7,153	5.2
GHS	New Town House, Chennai		2.1	4,105	8.6
GHS	New Town House, Cochin				
GHS	Other Gurgaon projects		0.7	10,518	7.2
Total			**4.0**		**24.3**
Total		**12.0**	**13.5**		**52.7**
GHS			**6.3**		**35.1**
Plots			**7.3**		**17.6**

Source: Company, MOSL

Financials and Valuation

Income Statement (INR Million)

Y/E March	2010	2011	2012	2013E	2014E
Net Sales	**74,209**	**95,606**	**96,294**	**105,281**	**107,880**
Change (%)	-26.1	28.8	0.7	9.3	2.5
EBITDA	**35,012**	**37,527**	**39,043**	**44,083**	**45,116**
% of Net Sales	47.2	39.3	40.5	41.9	41.8
Depreciation	3,246	6,307	6,888	7,311	7,703
Interest	11,075	17,056	22,465	23,265	20,015
Other Income	4,333	5,839	5,945	4,722	4,429
PBT	**25,024**	**20,002**	**15,635**	**18,229**	**21,828**
Tax	6,957	4,594	3,694	4,740	5,675
Rate (%)	27.8	23.0	23.6	26.0	26.0
Reported PAT	**17,300**	**16,396**	**12,008**	**13,843**	**16,542**
Extra-ordinary Income	870	-72	0	0	0
Adjusted PAT	**17,300**	**16,396**	**12,008**	**13,843**	**16,542**
Change (%)	-61.3	-5.2	-26.8	15.3	19.5

Balance Sheet (INR Million)

Y/E March	2010	2011	2012E	2013E	2014E
Equity Capital	3,394	3,394	3,394	3,394	3,394
Preference Capital	13,960	13,960	13,850	13,850	13,850
Reserves	286,973	245,967	255,114	264,986	277,556
Pref Shares/ CCP's	59,199	18,104	17,994	17,994	17,994
Net Worth	**304,327**	**263,321**	**272,359**	**282,230**	**294,801**
Loans	216,766	239,906	250,660	224,133	201,719
Deffered Tax Liability	2,515	0	0	0	0
Minority Interest	6,278	5,752	4,207	4,207	4,207
Capital Employed	**529,886**	**508,979**	**527,225**	**510,570**	**500,727**
Goodwill	12,680	13,840	16,248	16,248	16,248
Gross Fixed Assets	178,845	198,277	212,949	217,096	223,054
Less: Depreciation	13,265	19,556	25,809	33,120	40,822
Net Fixed Assets	**165,580**	**178,721**	**187,140**	**183,976**	**182,232**
Capital WIP	111,288	102,344	89,928	100,925	103,198
Investments	55,052	9,958	11,268	11,268	11,268
Curr. Assets	**397,864**	**452,069**	**487,718**	**467,260**	**462,018**
Inventory	124,806	150,388	161,756	156,222	150,800
Debtors	16,190	17,536	19,100	19,731	21,359
Cash & Bank Balance	9,282	13,218	15,063	10,906	12,690
Inventory	124,806	150,388	161,756	156,222	150,800
Loans and Advances	75,933	41,664	51,741	53,706	55,898
Other Current Assets	46,847	78,875	78,302	70,472	70,472
Current Liab. & Prov.	**87,771**	**99,199**	**106,671**	**116,234**	**126,786**
Creditors	46,370	92,249	98,639	108,203	118,754
Provisions	41,402	6,950	8,032	8,032	8,032
Net Current Assets	**185,286**	**202,482**	**219,291**	**194,804**	**184,432**
Misc. Expenses	0	0	0	0	0
Application of Funds	**529,886**	**508,979**	**527,225**	**510,570**	**500,727**

E: MOSL Estimates

Financials and Valuation

Ratios

Y/E March	2010	2011	2012	2013E	2014E
Basic (INR)					
Adjusted EPS	**10.2**	**9.7**	**7.1**	**8.2**	**9.7**
Growth (%)	-61.3	-5.2	-26.8	15.3	19.5
Cash EPS	12.6	12.8	11.0	12.3	14.1
Book Value	171.8	147.0	150.9	156.7	164.1
DPS	1.1	0.9	2.0	2.0	2.0
Payout (incl. Div. Tax.)	11.9	11.0	33.1	28.7	24.0
Valuation (x)					
P/E			28.1	24.6	20.6
Cash P/E			18.1	16.4	14.3
EV/EBITDA			14.4	12.4	11.5
EV/Sales			5.9	5.2	4.8
Price/Book Value			1.3	1.3	1.2
Dividend Yield (%)			1.0	1.0	1.0
Profitability Ratios (%)					
RoE	6.3	5.8	4.5	5.0	5.7
RoCE	7.7	7.1	7.4	8.0	8.3
Leverage Ratio					
Debt/Equity (x)	0.7	0.9	0.9	0.8	0.7

Cash Flow Statement (INR Million)

Y/E March	2010	2011	2012	2013E	2014E
PBT before EO Items	25,024	20,002	15,475	18,229	21,828
Add: Depreciation	3,246	6,307	6,888	7,311	7,703
Interest	11,075	17,056	22,465	23,265	20,015
Less : Direct Taxes Paid	6,957	4,594	3,694	4,740	5,675
Inc/Dec in WC	-50,020	13,260	14,964	-20,331	-12,155
CF from Operations	**82,391**	**25,511**	**26,170**	**64,293**	**55,912**
CF from Investments	**-175,102**	**31,286**	**-6,842**	**-15,143**	**-8,231**
(Inc)/Dec in Net Worth	50,477	-58,114	1,000	0	0
(Inc)/Dec in Debt	53,565	23,139	10,754	-26,527	-22,413
Less: Interest Paid	11,075	17,056	22,465	23,265	20,015
Dividend Paid	2,060	1,803	3,971	3,971	3,971
CF from Fin. Activity	**90,908**	**-53,833**	**-14,682**	**-53,764**	**-46,400**
Inc/Dec of Cash	**-2,674**	**3,936**	**1,845**	**-4,156**	**1,784**
Add: Beginning Balance	11,956	9,282	13,218	15,063	10,906
Closing Balance	**9,282**	**13,218**	**15,063**	**10,907**	**12,690**

E: MOSL Estimates

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