

## India Property

### Operational Performance Needs To Catch Up With Stock Prices

■ Industry Overview

- **Sharp outperformance over past 6 months** — BSE Realty is up 30% and has outperformed Sensex by 21% over last 6 months. While there are signs of bottoming out (signs of uptick in residential demand, increasing prices), stock prices have been driven more by optimism about future recovery than tangible improvement in operating parameters. Operational improvement needs to catch up for the outperformance to continue.
- **Residential demand shows some signs of recovery** — Residential absorption, in key cities of India, continues to recover gradually with 1Q / 2Q / 3QFY13 growth of -18% / -4% / +9%. Residential prices continue to increase (+15% YoY in 3QFY13) driven by high cost inflation. Residential inventory has shown moderate dip in 3QFY13. Commercial absorption remains muted and high inventories are keeping rentals flat.
- **Easing funding situation for developers** — RBI credit deployment data shows that outstanding bank credit to developers has registered an uptick. December 2012 outstanding credit to developers has increased 13% YoY and 9% since March 2012. This increase in outstanding credit to developers comes after 5-6 months of muted growth of 1-3%. Housing bank credit continues to grow (16% YoY in Dec 2012).
- **Reported results remain weak for 22 listed property stocks** — 3QFY13 revenue / EBITDA / PAT grew +6% / -11 % / -2% YoY. 9MFY13 revenue / EBITDA / PAT grew -2% / -8% / -12% YoY. Interest costs continue to weigh on profitability with 9M interest accrued in P&L up 11% YoY. Poor performance at EBITDA level (9MFY13 down 8% YoY) was partially offset by high other income (9MFY13: +30% YoY) mainly due to non core asset sales.
- **Prefer stocks with higher visibility/ stronger bal sheet** — We prefer stocks with healthy balance sheet, large part of NAVs transparent and front loaded, and stable cash flows. Phoenix Mills is our top pick. Unitech is our high risk, high return pick and should benefit most in case of recovery. We maintain Neutral on DLF.

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Figure 1. India Property – Coverage Universe

| Company          | RIC Code | Rating | M Cap<br>\$ mn | CMP<br>Rs | TP<br>Rs | P/E  |      | EPS CAGR<br>FY12-14 | RoE<br>FY12 |
|------------------|----------|--------|----------------|-----------|----------|------|------|---------------------|-------------|
|                  |          |        |                |           |          | FY13 | FY14 |                     |             |
| DLF              | DLF.BO   | 2      | 8,534          | 273       | 255      | 42.4 | 28.2 | 16.6%               | 4.8%        |
| Unitech          | UNTE.BO  | 1H     | 1,410          | 29        | 36       | 27.1 | 19.3 | 29.3%               | 2.0%        |
| Oberoi Realty    | OEBO.BO  | 1      | 1,672          | 277       | 292      | 12   | 8.3  | 53.4%               | 13.1%       |
| Prestige Estates | PREG.BO  | 1      | 1,135          | 176       | 142      | 23   | 15.8 | 120.7%              | 3.5%        |
| Phoenix Mills    | PHOE.BO  | 1      | 688            | 258       | 300      | 39   | 21.8 | 27.5%               | 6.3%        |
| Sunteck Realty   | SUNT.BO  | 1      | 556            | 479       | 550      | 11.3 | 22.4 | 558.4%              | 0.8%        |
| Ascendas India   | AINT.SI  | 1      | 616            | \$S 0.84  | \$S 0.88 | 17   | 16.7 | -9.0%               | 8.0%        |

Source: Datacentral, Citi Research

**See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.**

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## CY12 Outperformance: Difficult to Replicate

- **Outperformance in CY12...** — Despite a tough operating environment, Property stocks performed well in CY12 (India property returned 47% in \$-terms), mirroring trends seen across the AsiaPac region. The outperformance of BSE Realty was mainly due to 1) low starting valuations, 2) relatively strong performance of smaller developers with relatively better balance sheets and launches and 3) expectations of some decline in interest rates.
- **...But difficult to replicate** — However, the pace seems to be cooling off in CY13 ytd. With rate expectations having played out, investor focus seems firmly back on execution. Over the past few quarters, India property has been impacted by slowing demand, high interest rates, high leverage and execution challenges. While initial signs are now emerging that we may be leaving the bottom behind, returns are now likely to be relatively back ended – operational pick up is key.

Figure 2. India – Property Stocks Performance

|                   |                | Market Cap | Price         | Performance |            |           |            |            |           |           |             |            |
|-------------------|----------------|------------|---------------|-------------|------------|-----------|------------|------------|-----------|-----------|-------------|------------|
|                   |                | \$ m       | 25-Feb-13     | 1W          | 1M         | 2M        | 3M         | 6M         | 12M       | 24M       | 36M         | YTD        |
| DLF               | DLF.BO         | 8,534      | 273           | 4%          | 5%         | 22%       | 36%        | 31%        | 20%       | 28%       | -6%         | 18%        |
| Unitech           | UNTE.BO        | 1,410      | 29            | -3%         | -20%       | -11%      | 10%        | 44%        | -10%      | -12%      | -58%        | -13%       |
| Oberoi Realty     | OEBO.BO        | 1,672      | 277           | -5%         | -9%        | -5%       | 0%         | 19%        | 4%        | 27%       | na          | -5%        |
| Prestige Estates  | PREG.BO        | 1,135      | 176           | -3%         | -1%        | -2%       | 12%        | 56%        | 78%       | 49%       | na          | -2%        |
| Phoenix Mills     | PHOE.BO        | 688        | 258           | -1%         | 3%         | 4%        | 21%        | 61%        | 33%       | 48%       | 42%         | 1%         |
| Ascendas India    | AINT.SI        | 612        | ₹ 0.84        | 0%          | 4%         | 7%        | 11%        | 7%         | 6%        | -13%      | -14%        | 11%        |
| Sunteck Realty    | SUNT.BO        | 556        | 479           | 0%          | 0%         | 8%        | 38%        | 45%        | 21%       | 48%       | -13%        | 2%         |
| IBREL             | INRL.BO        | 522        | 67            | -6%         | -13%       | -6%       | 4%         | 38%        | -10%      | -8%       | -42%        | -11%       |
| HDIL              | HDIL.BO        | 506        | 66            | -6%         | -21%       | -38%      | -37%       | -13%       | -39%      | -57%      | -78%        | -41%       |
| Hubtown           | HUBT.BO        | 208        | 155           | -3%         | -7%        | -19%      | -5%        | -9%        | -24%      | -26%      | -68%        | -17%       |
| Peninsula         | PENL.BO        | 278        | 54            | -6%         | -22%       | -25%      | -23%       | 52%        | 33%       | -4%       | -33%        | -25%       |
| DB Realty         | DBRL.BO        | 346        | 77            | -12%        | -46%       | -50%      | -40%       | 1%         | -1%       | -28%      | -83%        | -51%       |
| Sobha             | SOBH.BO        | 719        | 398           | -7%         | -5%        | 5%        | 16%        | 21%        | 48%       | 62%       | 54%         | 5%         |
| Puravankara       | PPRO.BO        | 417        | 106           | 19%         | 1%         | 9%        | 28%        | 61%        | 43%       | 2%        | 14%         | 5%         |
| Anant Raj         | ANRA.BO        | 346        | 64            | -9%         | -23%       | -30%      | -31%       | 38%        | -8%       | -9%       | -48%        | -29%       |
| Omaxe             | OMAX.BO        | 480        | 150           | -3%         | -8%        | -10%      | -6%        | -2%        | -3%       | 15%       | 67%         | -8%        |
| Mahindra Life     | MALD.BO        | 308        | 410           | 0%          | 1%         | 0%        | -4%        | 17%        | 24%       | 19%       | 8%          | 1%         |
| Godrej Prop       | GODR.BO        | 848        | 590           | -2%         | -5%        | -10%      | -6%        | 11%        | -10%      | 0%        | 24%         | -7%        |
| <b>BSE Sensex</b> | <b>.BSESN</b>  | -          | <b>19,266</b> | <b>-1%</b>  | <b>-4%</b> | <b>0%</b> | <b>4%</b>  | <b>8%</b>  | <b>7%</b> | <b>9%</b> | <b>19%</b>  | <b>-1%</b> |
| <b>BSE Realty</b> | <b>.BSREAL</b> | -          | <b>2,060</b>  | <b>-1%</b>  | <b>-6%</b> | <b>0%</b> | <b>10%</b> | <b>30%</b> | <b>7%</b> | <b>5%</b> | <b>-36%</b> | <b>-2%</b> |

Source: Data Central, Citi Research

- In this note, we revisit our thesis on the sector and take another look at the top down demand / supply environment and takeaways from 3QFY13 results.

## Signs of Recovery – But Need to Sustain

### 3QFY13 – Execution Still Lagging But Closer To Bottom

- **Revenue growth sluggish, but picking up?** — Aggregate revenue (22 companies) growth has been sluggish (~6% YoY). However the pace seems to be picking up, slowly but surely, vs. Q1 (revenues down ~8%YoY) and Q2 (revenues down ~3% YoY).
- **Margins still under pressure** — Margins in Q3 were under pressure (-600bp YoY/-500bp QoQ), continuing the trends seen in Q2. PAT was down ~2% YoY – largely boosted by other income (significant contribution from DLF).
- **Performance was polarized** — While aggregate results were sluggish YoY, performance within the sector was fairly polarized. Headline numbers were reasonably below Citi expectations for DLF, while Unitech, Prestige, Phoenix and Oberoi came in ahead.

Figure 3. India Property — Q3 FY13 Financial Performance

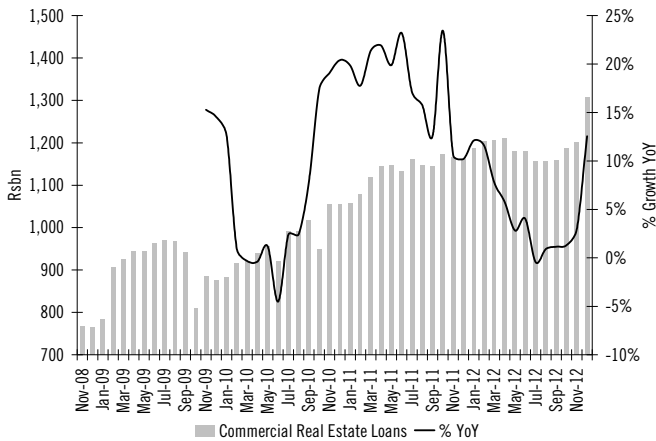
| India Property Universe | 3QFY12 | 2QFY13 | 3QFY13 | % QoQ   | % YoY   |
|-------------------------|--------|--------|--------|---------|---------|
| Revenues                | 69,579 | 72,541 | 73,423 | 1.2%    | 5.5%    |
| EBITDA                  | 27,162 | 27,620 | 24,186 | -12.4%  | -11.0%  |
| EBITDA Margin (%)       | 39.0%  | 38.1%  | 32.9%  | -513 bp | -610 bp |
| Interest Cost           | 12,959 | 11,844 | 15,792 | 33.3%   | 21.9%   |
| Other Income            | 6,410  | 3,806  | 12,436 | 226.7%  | 94.0%   |
| Tax Expenses            | 4,661  | 3,362  | 4,340  |         |         |
| PAT                     | 13,256 | 11,679 | 12,949 | 10.9%   | -2.3%   |
| PAT Margin (%)          | 19.1%  | 16.1%  | 17.6%  |         |         |

Source: Company Reports, Citi Research; Cumulative

### Credit Flow to Developers Picks Up

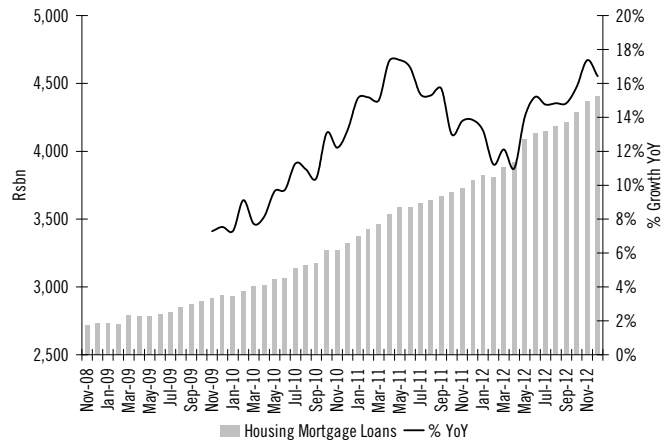
- The latest credit deployment data from RBI shows that outstanding bank credit to developers has registered an uptick. December 2012 outstanding credit to developers has increased 13% YoY and 9% since March 2012. This increase in outstanding credit to developers comes after 5-6 months. For past 5-6 months the YoY growth in credit to developers had moderated to 1%-3% range.
- Housing bank credit continues to grow. The growth was 16% YoY in Dec 2012.

Figure 4. Commercial Real Estate Bank Credit O/S



Source: RBI, Citi Research

Figure 5. Housing Bank Credit O/S



Source: RBI, Citi Research

## Demand Shows Early Signs of Recovery

### Residential absorption recovering gradually

- Residential absorption rebounded sharply after Nov 2008 lows (global financial crisis) till November 2010. However since then absorption had been declining due to broader slowdown in economy, rising interest rates and affordability issues. High prices and consequently lower affordability continue to deter buyers.
- Residential absorption, in key cities of India, continues to recover gradually as shown in the table below.

Figure 6. Residential Absorption Continues To Recover Gradually

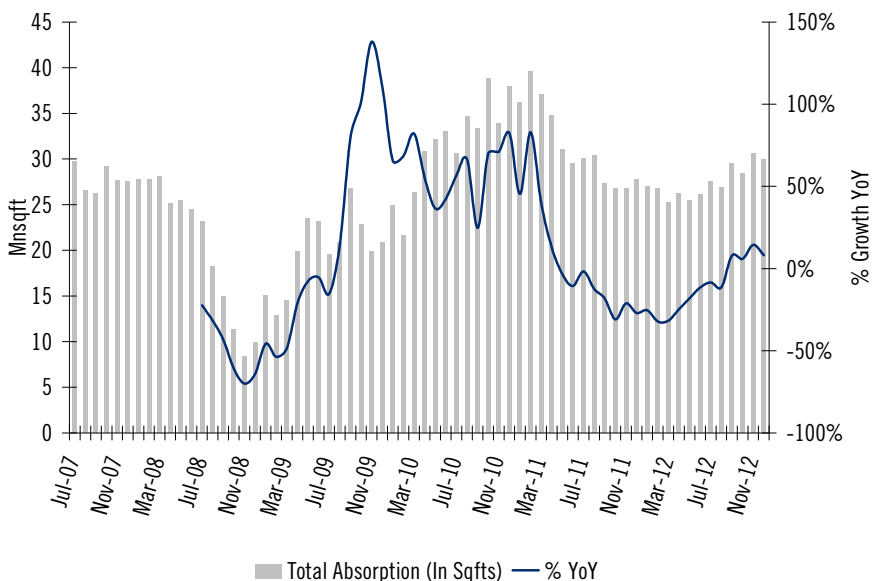
|       | 1QFY13 | 2QFY13 | 1HFY13 | 3QFY13 | 9MFY13 |
|-------|--------|--------|--------|--------|--------|
| % YoY | -18%   | -4%    | -12%   | 9%     | -5%    |

Source: Prop Equity, Citi Research

### Residential demand in some markets continues to do well

- In Bangalore, sales volumes in the residential segment seem to be holding up. On the back of a strong H1, both Prestige Estates and Sobha Developers clocked robust sales in Q3. Sobha Developers reported sales of Rs5.3bn for Q3 (up ~19% yoy) while Prestige reported sales of Rs7.5bn (up 60% yoy).
- In Mumbai, leading developers like Godrej Properties (Rs6.7bn vs Rs3.6bn in 3Q12) and Oberoi Realty (up 22% YoY) reported healthy yoy growth in sales.

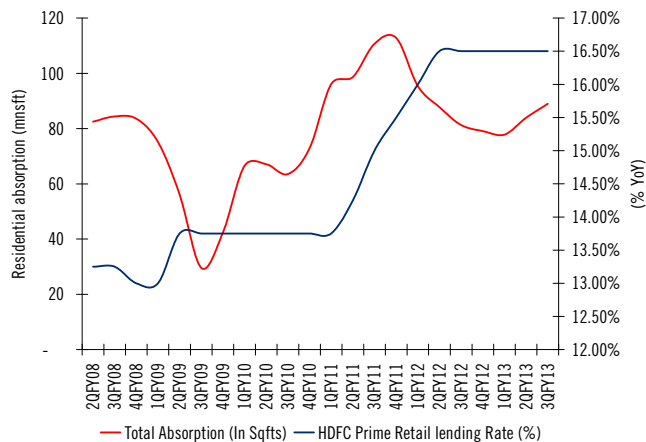
Figure 7. Residential Absorption In Key Cities Continues To Recover Gradually



Source: Prop Equity, Citi Investment Research and Analysis

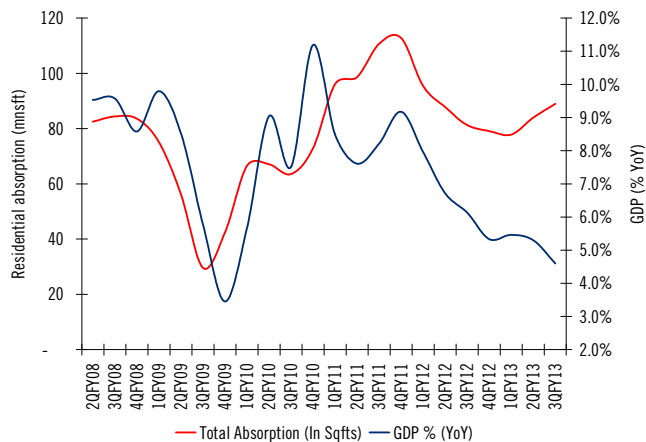
■ **Slowing GDP and high interest rates hurting** — Residential absorption has been impacted by slowing GDP and high interest rates. However recent data points show increasing divergence between GDP growth and residential absorption in key cities. Whether this is due to issues with data reporting or statistical anomaly is not clear.

Figure 8. Increasing Rates Have Impacted Residential Absorption



Source: Prop Equity, Citi Investment Research and Analysis

Figure 9. Economic Slowdown Has Impacted Residential Absorption



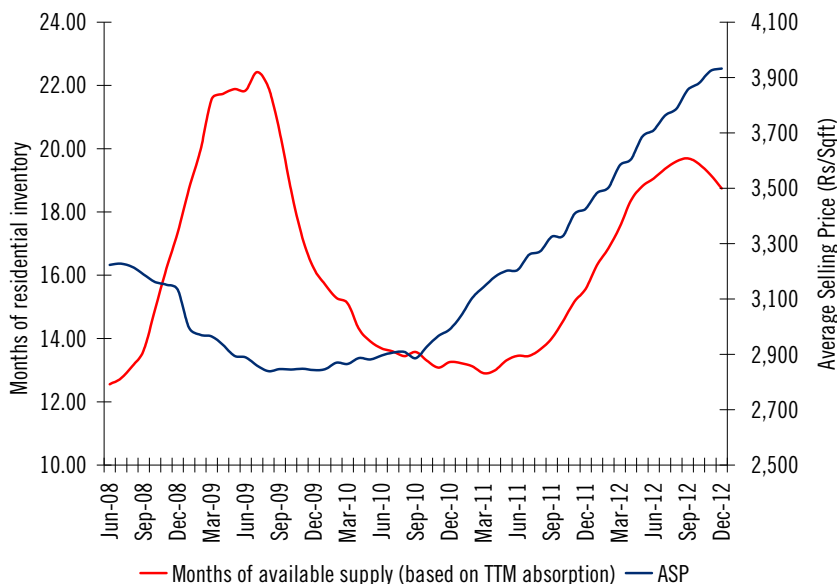
Source: Prop Equity, Citi Investment Research and Analysis

**Residential prices continue to increase, Inventories dip a little**

■ Despite slowing absorption, residential prices have stayed firm and have been increasing. Various cost pressures have severely impacted the ability of developers to cut prices and move inventory. Weighted average residential prices have increased ~15% YoY in 3QFY13.

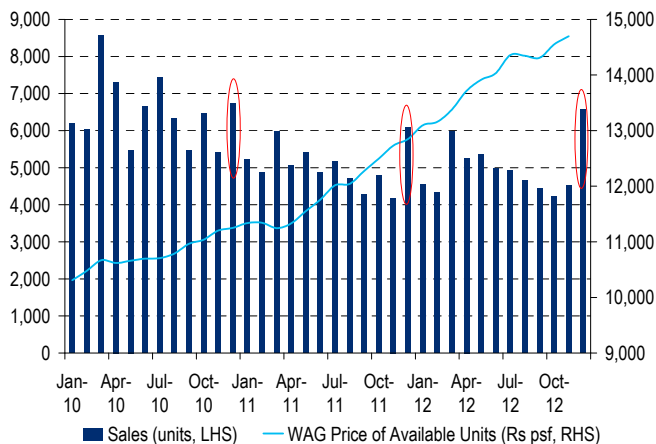
- Available Inventory (available stock divided by trailing 12 months of absorption) has also gone up. However over the past 2 quarters, available inventory has registered a slight down tick – a result of new launches being even slower than absorption.

Figure 10. Available Stock v/s Average Price of Available Residential Stock In Key Cities



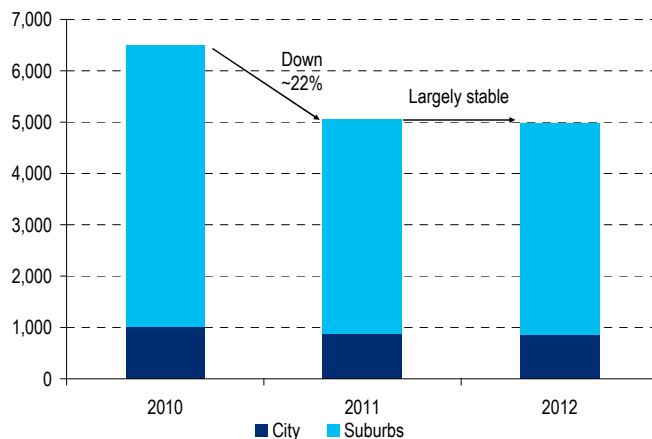
Source: Prop Equity, Citi Research

Figure 11. Mumbai – Registration data



Source: Prop Equity, Citi Research; Sales comprises of residential and commercial sales (both primary and secondary sales)

Figure 12. Mumbai – Avg registrations are down ~22% from 2010 levels



Source: Prop Equity, Citi Research; Sales comprises of residential and commercial sales (both primary and secondary sales)

**New residential launches remains weak**

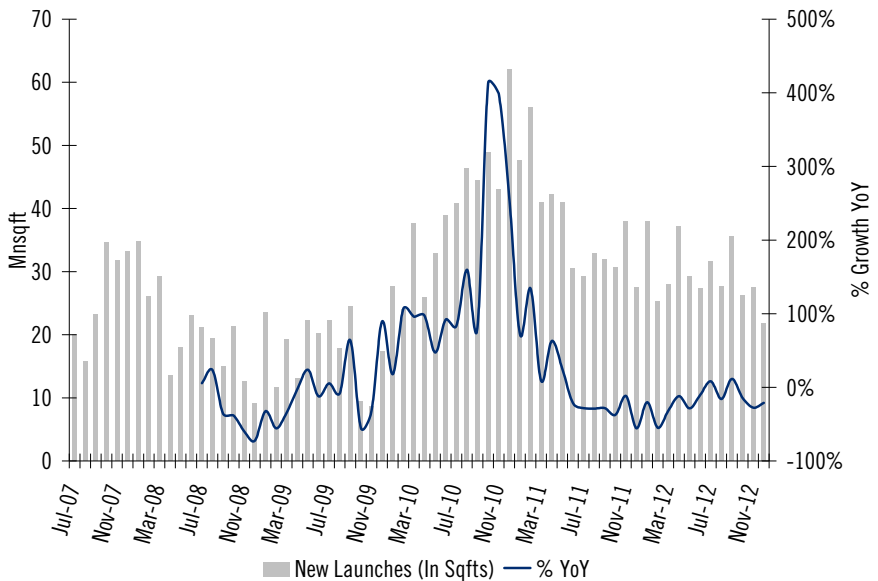
- High level of inventory in the system has caused sharp slowdown in new launches.

**Figure 13. Residential New Launches Remain Weak**

|       | 1QFY13 | 2QFY13 | 1HFY13 | 3QFY13 | 9MFY13 |
|-------|--------|--------|--------|--------|--------|
| % YoY | -18%   | 1%     | -9%    | -22%   | -13%   |

Source: Citi Research

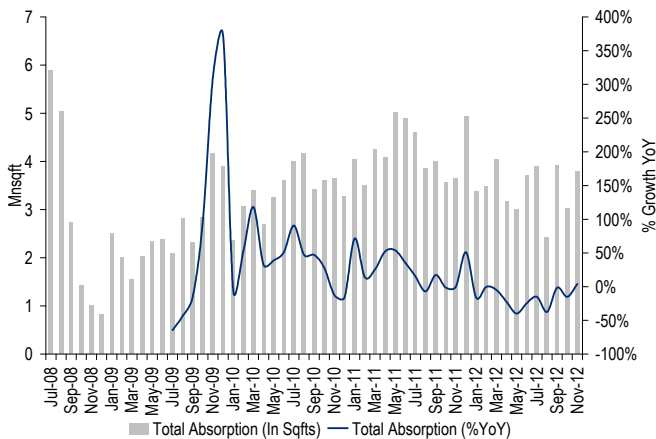
**Figure 14. Residential Launches**



Source: Prop Equity, Citi Research

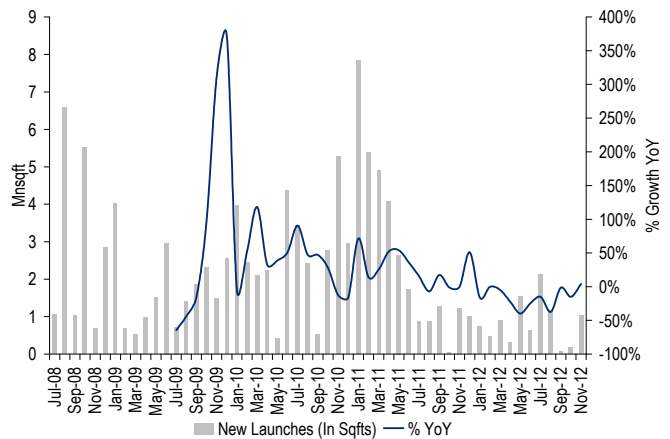
**Commercial absorption and new launches remain weak**

**Figure 15. Commercial Absorption**



Source: Prop Equity, Citi Research

**Figure 16. Commercial New Launches**

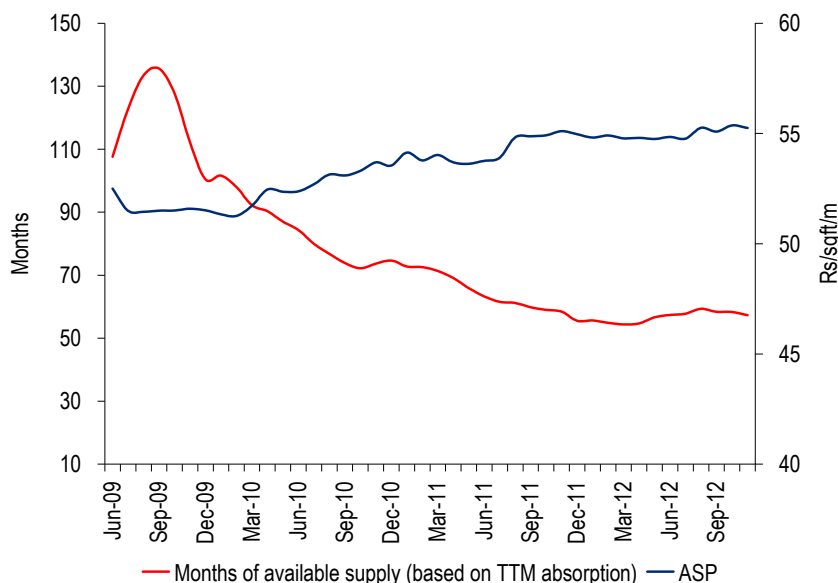


Source: Prop Equity, Citi Research

### High inventories keep rentals in check

- High level of available supply at ~57months has kept rentals in check at ~Rs55psf/m (flat YoY).

Figure 17. Commercial High Inventories Keep Rentals in Check



Source: Prop Equity, Citi Research

Figure 18. Some Launches By Listed Developers in 3Q13

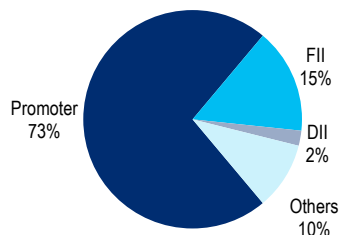
| Developer         | Project Name             | City          | Location          | Sq ft     | Units | Unit Size Range (Sqft) | Bedroom Range | BSP Range (Rs.psf) | Launch Date | COD    |
|-------------------|--------------------------|---------------|-------------------|-----------|-------|------------------------|---------------|--------------------|-------------|--------|
| Ansal API         | Olympus Lake View        | Lucknow       | Sushant Golf City | 210,000   | 180   | 1,000-1,300            | 2             | 2,600-2,800        | Jul-12      | Jul-15 |
| Godrej Properties | Godrej Serenity          | Mumbai        | Chembur           | 123,000   | 72    | 1,417-1,993            | 3-4           | 27,100-27,400      | Jul-12      | Jul-15 |
| Godrej Properties | Gold County              | Bengaluru     | Tumkur Road       | 66,000    | 87    | 3,200-4,200            | 4-5           | 5,300              | Jul-12      | Jul-15 |
| Jaypee Infratech  | Kasablanca Towers        | Noida         | Sector 128        | 266,000   | 75    | 3,550                  | 4             | 8,950-9,175        | Jul-12      | Apr-16 |
| Prestige Group    | Prestige Ferns Residency | Bengaluru     | Haralur Road      | 3,288,500 | 1,316 | 1,174-2,569            | 2-4           | 4,550              | Jul-12      | Dec-15 |
| Prestige Group    | Prestige Glenwood        | Bengaluru     | Budigere          | 373,000   | 116   | 2,800-3,625            | 3             | 5,500              | Jul-12      | Dec-15 |
| Unitech Ltd.      | Exquisites               | Noida         | Sector 117        | 764,400   | 312   | 2,205-2,450            | 3             | 4,250-4,750        | Jul-12      | Dec-15 |
| DLF               | Hyde Park Terraces       | Chandigarh    | Mullanpur         | 470,000   | 250   | 1,881-1,888            | 3             | 3,750              | Aug-12      | Jun-15 |
| Ansal API         | Paradise Crystal         | Greater Noida | Sector 1A         | 249,000   | 210   | 1,060-1,315            | 2             | 2,300              | Sep-12      | Sep-15 |
| Ansal API         | Akanksha Enclave         | Lucknow       | Sultanpur Road    | 220,000   | 128   | 1,524-1,948            | 2-3           | 2,350-2,450        | Sep-12      | Dec-15 |
| Godrej Properties | Summit                   | Gurgaon       | Sector-104        | 925,000   | 600   | 1,269-1,816            | 2-3           | 5,550*             | Sep-12      | Dec-16 |
| DLF               | Select Homes             | Gurgaon       | Sector 90         | 81,000    | 24    | 3,380                  | 4             | 6,000              | Sep-12      | Dec-14 |
| DLF               | Bella Greens             | Bengaluru     | Bannerghatta Rd   | 414,566   | 106   | 3,222-4,600            | 4-5           | 8,814-12,500       | Sep-12      | Dec-14 |
| Prestige Group    | Misty waters             | Bengaluru     | Hebbal            | 980,000   | 552   | 1,129-2,423            | 2-4           | 5,800              | Sep-12      | Mar-16 |
| Sobha Developers  | Sobha Eternia            | Bengaluru     | Haralur Road      | 223,000   | 107   | 1,879-2,289            | 3             | 5,750              | Sep-12      | Sep-15 |

Source: PropEquity, Citi Research



## Ownership Pattern

Figure 19. India Property – Ownership (%)



Source: BSE

- **Free float stable at ~28%** — India property's free float is at ~28% of market cap largely stable vs ~29% post Q2 – it had peaked earlier at ~35% around 2H09. If we strip out the impact of five relatively new entrants in the listed property space (Prestige, Oberoi Realty, Godrej Properties, DB Realty, and Jaypee Infra) which have relatively higher promoter holdings, the free float is at ~30%.
- **Free float composition** — There does not seem to be any material change in the ownership composition. FII stake has decreased marginally to ~15.4% of the sector (~16% post Q2). While Retail ownership (~10%) has also dropped marginally, DII holding (~2%) is broadly stable.
- **Key changes** — (1) In Sunteck Realty, promoter group shareholding is up for the second quarter in a row, by ~1.3%. (2) Prestige Estates saw ~80bp cut in FII holdings, largely offset by DIIs up ~50bp. (3) Among other companies, Anantraj continued to see a decrease in FII holdings (~440bp qoq) largely at the expense of retail investors and is at 13.6% now vs 22% in Dec'11. Indiabulls Real Estate also saw ~360bp dip in FII holdings.
- **Pledged shares** — Unitech saw a decline in share of promoter shares being pledged (at 76.71% post Q3, from 79.46% post Q1). Pledged shares now form ~37% of Unitech's total shares – have decreased qoq to the tune of ~1.3%. Sunteck Realty also saw a decline in pledged shares (no promoter shares pledged post Q3, from 0.65% post Q2).

Figure 20. India Property – Changes in Ownership Patterns

|                        | Promoter |        |        | FII    |        |        | DII    |        |        | Others |        |        |
|------------------------|----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|                        | Dec-12   | Sep-12 | Change | Dec-12 | Sep-12 | Change | Dec-12 | Sep-12 | Change | Dec-12 | Sep-12 | Change |
| DLF                    | 78.6%    | 78.6%  | 0.0%   | 14.9%  | 15.9%  | -1.0%  | 1.0%   | 0.5%   | 0.5%   | 5.6%   | 5.1%   | 0.5%   |
| Unitech                | 48.4%    | 48.4%  | 0.0%   | 33.0%  | 32.9%  | 0.1%   | 1.4%   | 1.2%   | 0.2%   | 17.3%  | 17.6%  | -0.3%  |
| Oberoi Realty          | 78.5%    | 78.5%  | 0.0%   | 10.1%  | 10.0%  | 0.1%   | 0.8%   | 0.9%   | -0.1%  | 10.6%  | 10.6%  | 0.0%   |
| Prestige Estates       | 80.0%    | 80.0%  | 0.0%   | 11.0%  | 11.8%  | -0.8%  | 6.7%   | 6.2%   | 0.5%   | 2.3%   | 2.1%   | 0.3%   |
| Sunteck Realty         | 73.4%    | 72.1%  | 1.3%   | 5.7%   | 5.8%   | -0.1%  | 0.0%   | 0.2%   | -0.2%  | 20.9%  | 21.9%  | -1.0%  |
| Phoenix Mills          | 65.9%    | 65.9%  | 0.0%   | 21.2%  | 21.8%  | -0.6%  | 6.4%   | 6.3%   | 0.1%   | 6.5%   | 6.0%   | 0.4%   |
| HDIL                   | 37.4%    | 37.4%  | 0.0%   | 41.8%  | 39.8%  | 2.0%   | 0.3%   | 0.2%   | 0.1%   | 20.5%  | 22.6%  | -2.1%  |
| Sobha Developers       | 60.6%    | 60.6%  | 0.0%   | 31.8%  | 32.8%  | -0.9%  | 4.3%   | 3.0%   | 1.2%   | 3.3%   | 3.6%   | -0.3%  |
| Godrej Properties      | 75.0%    | 75.0%  | 0.0%   | 13.2%  | 13.4%  | -0.1%  | 2.3%   | 2.6%   | -0.3%  | 9.5%   | 9.1%   | 0.4%   |
| Puravankara            | 90.0%    | 90.0%  | 0.0%   | 6.6%   | 7.0%   | -0.3%  | 1.6%   | 1.6%   | 0.0%   | 1.8%   | 1.5%   | 0.3%   |
| Anantraj Industries    | 62.2%    | 62.2%  | 0.0%   | 13.6%  | 18.1%  | -4.4%  | 3.0%   | 3.0%   | 0.0%   | 21.2%  | 16.8%  | 4.4%   |
| Parsvnath              | 71.6%    | 71.7%  | -0.1%  | 9.8%   | 9.7%   | 0.2%   | 0.2%   | 0.1%   | 0.1%   | 18.4%  | 18.5%  | -0.1%  |
| Indiabulls Real Estate | 44.4%    | 43.6%  | 0.8%   | 26.3%  | 29.9%  | -3.6%  | 0.1%   | 0.2%   | -0.1%  | 29.2%  | 26.3%  | 2.9%   |
| DB Realty              | 61.2%    | 62.6%  | -1.5%  | 3.5%   | 3.8%   | -0.3%  | 1.2%   | 1.4%   | -0.2%  | 34.0%  | 32.1%  | 1.9%   |
| Omaxe                  | 89.1%    | 89.1%  | 0.0%   | 1.5%   | 1.2%   | 0.3%   | 1.9%   | 1.9%   | 0.0%   | 7.5%   | 7.9%   | -0.4%  |
| Ansal Properties       | 45.8%    | 45.4%  | 0.5%   | 17.4%  | 18.6%  | -1.2%  | 2.8%   | 2.8%   | 0.0%   | 34.0%  | 33.2%  | 0.8%   |
| Hubtown                | 82.5%    | 82.5%  | 0.0%   | 1.7%   | 1.8%   | -0.1%  | 0.1%   | 0.1%   | 0.0%   | 15.8%  | 15.6%  | 0.1%   |
| Mahindra Lifespace     | 51.1%    | 51.1%  | 0.0%   | 27.6%  | 26.6%  | 1.1%   | 3.8%   | 5.2%   | -1.4%  | 17.5%  | 17.2%  | 0.4%   |
| Orbit Corp             | 48.3%    | 48.1%  | 0.2%   | 1.0%   | 1.2%   | -0.2%  | 0.8%   | 1.3%   | -0.5%  | 49.8%  | 49.3%  | 0.5%   |
| Peninsula Land         | 55.7%    | 55.7%  | 0.0%   | 20.4%  | 20.3%  | 0.1%   | 4.7%   | 4.7%   | 0.0%   | 19.2%  | 19.3%  | -0.1%  |
| Brigade                | 57.6%    | 57.6%  | 0.0%   | 4.3%   | 4.2%   | 0.2%   | 1.2%   | 0.9%   | 0.3%   | 36.9%  | 37.3%  | -0.4%  |
| JP Infratech           | 83.3%    | 83.3%  | 0.0%   | 1.0%   | 1.0%   | 0.0%   | 9.0%   | 9.0%   | 0.0%   | 6.7%   | 6.8%   | -0.1%  |

Source: BSE, Citi Research

## Key takeaways from Q3 results

### DLF (DLF.BO) – Faster Deleveraging / Positive Cash Flows Needed

- Revenue of ~Rs13.1bn, was down ~36% YoY due to adjustments in % completion accounting. Margin at ~7% fell (~37% in Q2) due to cost escalations and timely payment rebate adjustments. PAT of Rs2.8bn was boosted by ~Rs8.4bn gains on the NTC mill land sale.
- Some operational pickup — (1) Sales of 2.27msf vs. 1.59msf in Q2. (2) Leased net area of 0.44msf vs. 0.24msf in Q2, taking total leased area to ~23.64msf. (3) Delivered 0.58msf. (4) Launched 1.77msf across Gurgaon and Chandigarh.
- Net debt reduced by Rs18.7bn qoq, taking down net D/E to 0.76x (0.84x post Q2). Post the Aman/wind transactions, mgmt expects to cut it down to ~Rs190bn by end FY13 – DLF had earlier guided net debt of Rs185bn (by FY13 end) as "highly achievable" post the Q2 results.

### Unitech (UNTE.BO) – Execution Picking Up Slowly; Needs to Sustain

- Q3 revenues of Rs6.45bn were up ~25% yoy and ~10% above Citi expectations. While deliveries have lagged plan (~2.3msf in 9M13 vs original FY13 target of ~9msf), Unitech has seen an uptick in construction activity in recent months and mentioned that worker strength at sites is at all time high. ~0.6msf has moved to the handover stage in Q3.
- Q3 margins at 17.2% were up ~200bp qoq and ahead of Citi (~16%). Margins have improved over the past two quarters after being under pressure due to one-off provisions, cost inflation and new revenue recognition policy. We expect further improvements to be back ended, but price hikes over past 1-2 years will help recovery to ~23% levels by FY15E.

### Phoenix Mills (PHOE.BO) - Buy – The Phoenix Flies Higher!

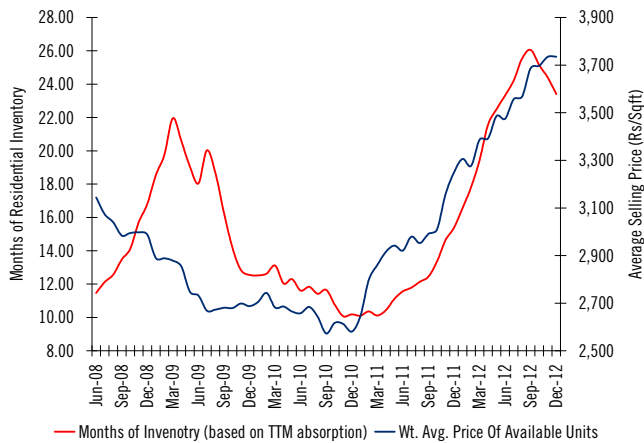
- Q3 results were very positive with HSP seeing ~24% increase in trading density from Q1 levels and marketcities showing healthy pickup. New leases / renegotiations at HSP are taking place above Rs350psf pm (current rentals are ~Rs205psf pm).
- Parent revenue at Rs693mn was up ~4% qoq and marginally above Citi (Rs680mn). EBITDA margin expanded to ~68% (Citi: 65%) although partly seasonal. PAT at Rs341mn was inline due to lower other income.

### Sunteck Realty (SUNT.BO) - Buy: Still Some Steam Left

- Strong response to its Goregaon launch continued with sales of ~Rs450mn in Sunteck City in Q3 (~Rs228mn in Q2). BKC sales continue to be healthy (albeit lumpy qoq, given the high ticket size) – Q3 saw sales of ~Rs830mn at stable realizations.
- Company is on track to recognize revenues from *Signature Island* (~0.7msf in BKC) and *Sunteck Grandeur* (~0.1msf in Andheri) in FY13 – both projects have total unrecognized revenues of ~Rs8.75bn as of Dec'12. Sunteck has not compromised on pricing, but payment terms seem to be liberal; ~34% of sales have receivables o/s in *Signature Island*, and ~72% in *Sunteck Grandeur*.

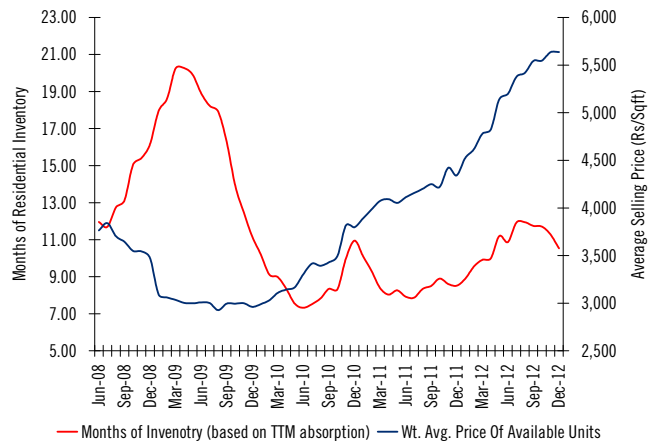
# Residential – Available Stock & Prices

Figure 21. NCR ex. Gurgaon – Available Stock And Prices



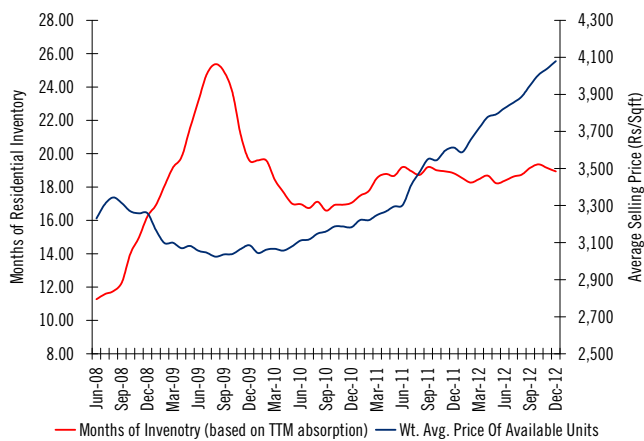
Source: Citi Research, Prop Equity

Figure 22. Gurgaon – Available Stock And Prices



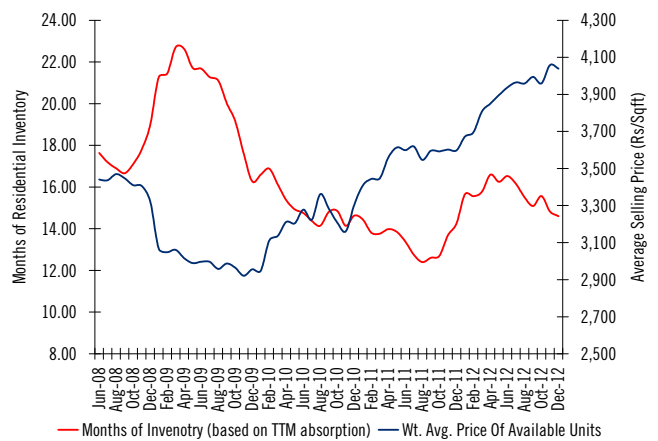
Source: Citi Research, Prop Equity

Figure 23. Bangalore – Available Stock And Prices



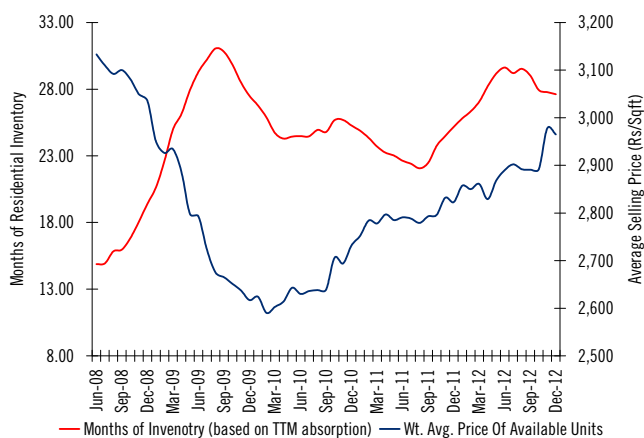
Source: Citi Research, Prop Equity

Figure 24. Chennai – Available Stock And Prices



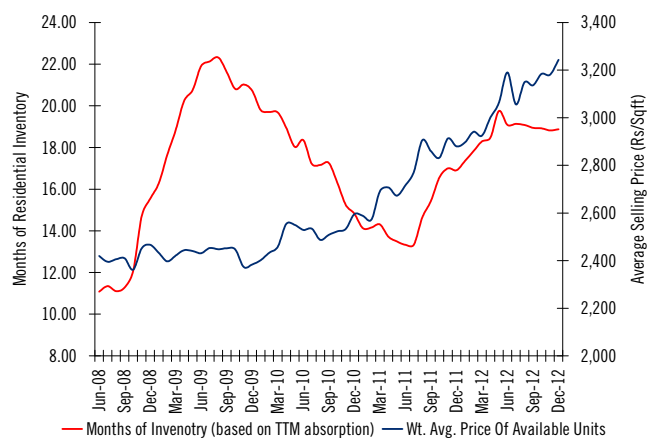
Source: Citi Research, Prop Equity

Figure 25. Hyderabad – Available Stock And Prices



Source: Citi Research, Prop Equity

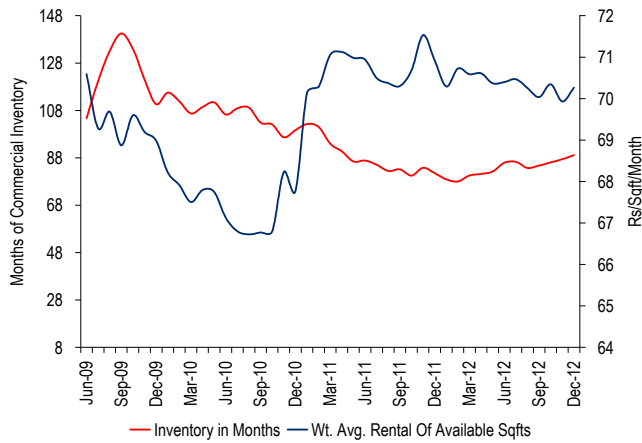
Figure 26. Kolkata – Available Stock And Prices



Source: Citi Research, Prop Equity

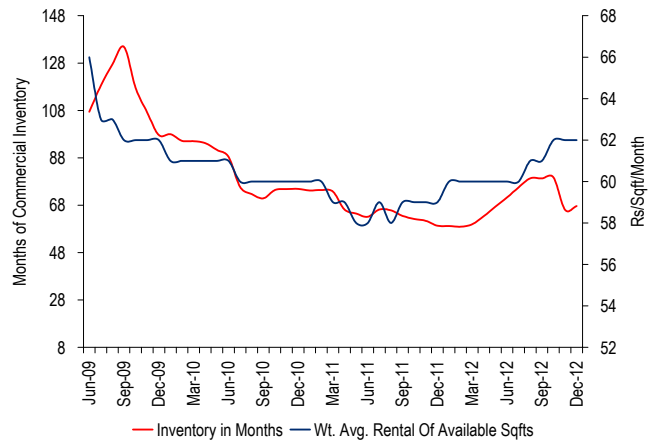
# Commercial – Available Stock & Prices

Figure 27. NCR – Available Stock and Rentals



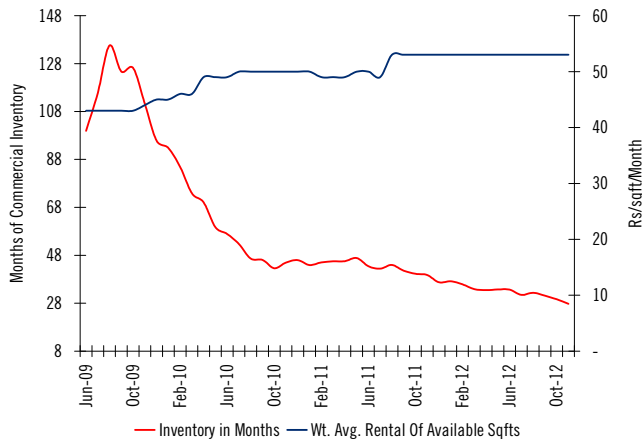
Source: Citi Research, Prop Equity

Figure 28. Gurgaon – Available Stock and Rentals



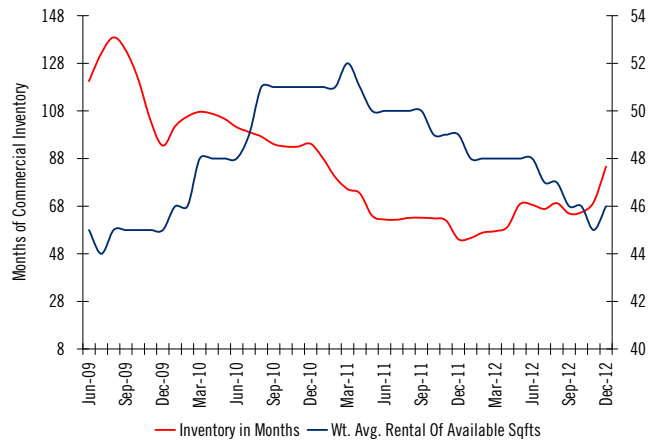
Source: Citi Research, Prop Equity

Figure 29. Bangalore – Available Stock and Rentals



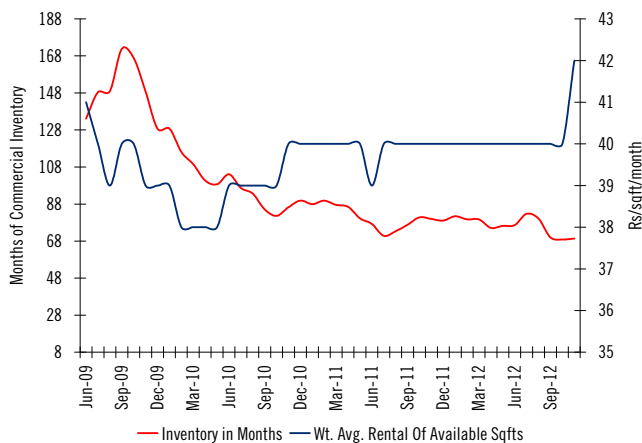
Source: Citi Research, Prop Equity

Figure 30. Chennai – Available Stock and Rentals



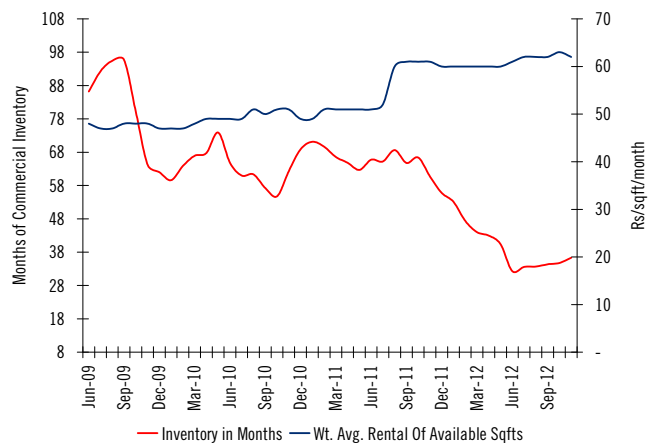
Source: Citi Research, Prop Equity

Figure 31. Hyderabad – Available Stock and Rentals



Source: Citi Research, Prop Equity

Figure 32. Kolkata – Available Stock and Rentals



Source: Citi Research, Prop Equity

## Appendix A-1

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