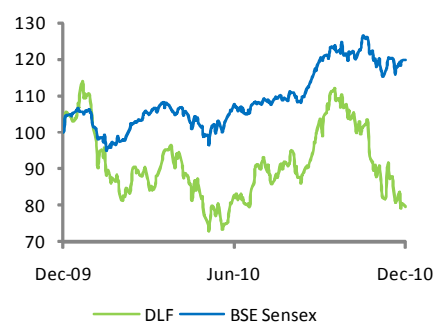


Stock Data

Bloomberg Code	DLF BO
Market Cap. (Rs bn / US\$ bn)	480/11
52-week High/Low (Rs)	403/254
Shares Outstanding (bn)	1.7
Avg. daily volume ('000)	12,365
Avg. daily value (Rs mn)	3921
Promoter holding (%)	78.6
Free float (%)	21.4
FII holding (%)	15.8

Relative Performance

BSE Sensex	19,982
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Headwinds for DLF

- Regulatory issues, Interest rate & liquidity tightening to impact consumer sentiment and cost of operations:** Competition Commission of India (CCI) has come out with a investigation report which claims DLF's has abused its dominant market position and indulged in unfair practices in two of its major projects in Gurgaon DLF Belaire and DLF Park. The report also claims that DLF may not have some of the necessary approvals for these projects. These two projects are to have a cumulative built up area of 2mn sq ft to be delivered by next year. CCI has asked for the views of all parties involved before passing any final order. This investigation was started in view of the complaints by some of the applicants in these projects claiming time delays and changes in the original plans by DLF. DLF is not willing to comment on this report. We believe that this investigation along with an upward bias in interest rates and the tight liquidity conditions is going to impact consumer sentiment towards DLF's projects and slow future sales. Also, cost of operations will be negatively impacted given its significant debt burden.
- Downgrade our estimates:** Given the impact on consumer sentiment and thereby sales we have cut our estimates for residential sales by 3% in FY12E and now estimate Revenues & EBIDTA of Rs. 103.4 bn & Rs. 40.6 bn vs. Rs 105.2 bn & 41.2 bn. We are also assuming an increase in 50 bps on interest rates and increasing our interest payout by Rs. 856 mn. Consequently we are reducing our PBT for FY12E estimates to Rs. 24.7 bn from Rs. 25.5 bn. We cut our net profit estimates to Rs. 17.8 bn from 18.9 bn.

Rs mn	FY2008	FY2009	FY2010E	FY2011E	FY2012E
Net Sales	144,375	100,440	74,229	91,381	103,432
EBITDA	97,150	54,880	33,268	38,931	40,642
Net Profit	78,223	46,291	17,246	19,777	17,761
EPS (Rs)	46.08	27.27	10.16	11.65	10.46
EPS Growth (%)	304.26	-40.82	-62.74	14.67	-10.19
EBITDA margin (%)	67%	55%	45%	42.6%	39.3%
PER (x)	6.14	10.38	27.85	24.29	27.05
P/BV (x)	2.39	1.90	1.80	1.69	1.61
Price/sales (x)	3.33	4.78	6.47	5.26	4.64
EV/EBITDA (x)	5.99	11.52	18.87	15.76	16.03
Dividend Yield (%)	1.66	0.77	0.37	0.71	0.71
ROCE (%)	42.32	14.19	7.65	8.41	8.31
ROE (%)	66.09	20.39	6.62	7.19	6.17

Source: Company and Karvy Institutional Research

Indian GAAP consolidated

- **Cut our Price target:** Consequent to downgrade in estimates we are reducing our price target from Rs. 273 to Rs. 255 a share. We value the stock at 30% discount to its FY12E NPV of Rs. 364 a share or 24.2 x its FY12E EPS of Rs. 10.5 a share. We maintain an underperformer rating on the stock.
- **Update on asset sales:** As part of its plan to raise Rs. 20 Bn over the next 4-6 quarters from land sales and refunds for state government. DLF has sold 150 plots in its 100 acre Alameda Township in Sector 73 in Gurgaon to raise Rs. 5 bn at Rs. 60,000 per sq yard. The company intends to sell another 200 plots in Gurgaon and raise a further Rs. 5 bn in the future. We believe that DLF will need to significantly raise its asset sales from current to make a meaningful impact on its debt and interest burden

Stock Ratings	Absolute Returns
Buy	: > 25%
Out Performer	: 16 - 25%
Market Performer	: 0 - 15%
Under Performer	: < 0%
Sell	: <(25%)

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