

Overall turning positive on recovering demand

- Volumes to remain stable:** Given the price trends prevailing in the Industry coupled with upward bias in interest rates we believe that any price or volume uptick in real estate sales is unlikely. Wage hikes are happening across sectors but the high levels of inflation will eat into end users ability to pay / service home loans. We believe that an increase in volumes is unlikely till we see a downward bias again in interest rates. The commercial & office space segment of the market still continues to face oversupply and will take at least till middle of CY12 for the existing supply to be absorbed. For 3QFY11 volumes are expected to be flat QoQ.
- EBIDTA margins to be hit by cost pressures:** From this quarter onwards input cost pressures are likely to start showing in operating margin and we expect a decline of 150 basis point in margins solely for this reason. Prices are expected to remain flat QoQ.
- Bottom-line performance and outlook to be effected by rising interest rates:** On a QoQ basis we expect that net profit growth will be flat or in low single digits growth across the sector. Overall the current prevailing upward bias in interest rates and will keep outlook for the sector muted. Most of the negatives in the current environment have been factored in the stock prices and we expect the sector to see a phase of rationalization in project launches, sale of non-core assets and companies being very selective in acquiring land parcels.

Company	Sales growth (YoY %)	Ebitda margin expansion (Bps-YoY)	PAT growth (YoY %)	Comment
DLF	20.6	(253)	(8.5)	Volumes to remain muted. Non-core asset sales to be key cash flow generator.
Puravankara Projects	102	(1429)	3.3	To continue to benefit in volume ramp up form housing projects from the provident subsidiary. But blended margins will be much lower due to increasing contribution from the affordable segment.
Anant Raj Industries *	64	(4683)	(34.6)	Increase in cumulative lease rentals from commercial projects is expected to be stable.

* Anant Raj Industries has changed its accounting method in FY11 over FY10 from Net Sales (Excluding land cost) to Gross Sales (Including land cost), hence YoY numbers will not be comparable.

Quarterly Estimates

Company	Reco	CMP	Target Price	Sales			EBIDTA			EBIDTAM%		RPAT		
				Q3FY11	YoY(%)	QoQ(%)	Q3FY11	YoY(%)	QoQ(%)	Q3FY11	Q3FY10	Q3FY11	YoY(%)	QoQ(%)
DLF	M/P	255	256	24,432	20.6	3.1	9,553	13.3	2.8	39.1	41.63	4,281	(8.5)	2.3
Anant Raj Industries *	Buy	99	152	1,355	64.0	2.0	617	(19.2)	(1.7)	45.5	92.3	472	(29.6)	(2.7)
Puravankara Projects	Buy	106	134	1,478	102.0	(4.2)	358	27.0	(9.9)	24.2	38.5	315	3.3	(11.8)
Total				27,266			10,527					5,068		

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O/P = Out Performer

M/P = Market Performer

U/P = Under Performer

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

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Disclosures Appendix

Analyst certification

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