

DLF

Q4 miss; sluggish operations persist

India Equity Research | Real Estate

DLF's residential new sales continued to remain lackluster in Q4FY17. We expect this to continue in ensuing quarters as well given sustained slowdown in its mainstay Gurgaon market coupled with limited visibility on new launches. Though rental business is robust, meaningful uptick in annuity income is likely only post FY19 when upcoming assets become operational. Balance sheet deleveraging hinges on CCPS deal valuation. We have lowered cap rates to value DLF's rental business in line with recent deals and have narrowed discount to our NAV to arrive at our revised FY18 target price of INR185 (earlier INR140). Maintain 'HOLD'.

Q4FY17 result miss; operations disappoint

DLF reported revenue of INR22.2bn (down 12.6% YoY, up 8% QoQ), driven by POCM-based revenue recognition in ongoing projects. EBITDA margin compressed 4ppt YoY (15ppt QoQ) to 32% due to one-time cost escalation in projects nearing completion, we believe. Net profit rose 46% QoQ to INR 1.4bn (loss of INR1.8bn in Q4FY16) versus our estimate of INR1.9bn. Net debt increased by INR7bn QoQ to INR251bn. **Operations:** Net new sales for Q4FY17 were INR4bn (up 48% QoQ, down 65% YoY) driven by sales in DLF Phase V projects, while for FY17 sales were INR11.8bn (down 62% YoY)—lowest in past 8 years. Net leasing for Q4 was 0.64msf (up 166% QoQ, 60% YoY), while for FY17 it was 0.88msf (down 15% YoY).

Operational scale-up challenging

DLF expects sluggishness in residential demand to persist in FY18 and is focusing on completing its ongoing projects resulting in negative operating cash flows of INR5-7bn per quarter. It does not plan for any meaningful up-tick in new launches until demand revives and RERA gets implemented. DLF's mainstay, Gurgaon market, remains sluggish and we do not expect uptick in demand for the next few quarters. The company's rental business remains healthy with steady rise in rents, though the next significant uptick in rental income is likely only post FY19, when ongoing assets become operational. Operational scale-up, hence, appears challenging.

Outlook and valuations: Muted outlook; maintain 'HOLD'

We expect muted operations for DLF in coming quarters. Valuation of promoter stake sale in rental assets, improvement in Gurgaon market and new launches are key stock catalysts. Earnings-based valuations appear rich versus peers – 37x / 33x FY18E / FY19E EPS (ex-CCPS deal impact). We maintain 'HOLD/SU'.

Financials

Year to March	Q4FY17	Q4FY16	% chg	Q3FY17	% chg	FY16	FY17E	FY18E
Revenues	22,252	25,465	(12.6)	20,579	8.1	92,599	87,687	92,117
EBITDA	7,102	7,133	(0.4)	9,578	(25.9)	38,664	38,149	41,867
Net Profit	1,421	(1,796)	(179.1)	976	45.6	5,708	7,496	9,304
EPS (INR)	0.8	(1.0)	(175.2)	0.6	38.2	3.2	4.2	5.2
P/E (x)							46.1	37.1
P/B (x)							1.2	1.2
ROE (%)						2.1	2.7	3.3

EDELWEISS 4D RATINGS

Absolute Rating	HOLD
Rating Relative to Sector	Underperform
Risk Rating Relative to Sector	High
Sector Relative to Market	None

MARKET DATA (R: DLF.BO, B: DLFU IN)

CMP	: INR 194
Target Price	: INR 185
52-week range (INR)	: 216 / 101
Share in issue (mn)	: 1,784.0
M cap (INR bn/USD mn)	: 346 / 5,370
Avg. Daily Vol.BSE/NSE('000)	: 10,628.3

SHARE HOLDING PATTERN (%)

	Current	Q3FY17	Q2FY17
Promoters *	74.9	74.9	75.0
MF's, FI's & BK's	0.7	0.8	1.2
FII's	18.2	17.4	17.0
Others	6.2	6.9	6.8
* Promoters pledged shares (% of share in issue)			NIL

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Real Estate Index
1 month	0.2	2.2	(1.8)
3 months	30.7	6.4	33.3
12 months	58.7	19.8	42.9

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May 26, 2017

Raise target price; maintain 'HOLD'

We have revised up our FY18 target price to INR185/share (earlier INR140) owing to following triggers:

1. We have updated our model to account for latest disclosures related to ongoing projects as well as future plans.
2. Lowered cap rates for valuing its rental assets from earlier 9% to 7%. This is based on some of the recently announced deals involving stake sale in rental assets which have happened at sub-8% cap rates as well as to account for reduction in risk free rates (down 80bps over past 1 year).
3. Discount to NAV lowered from earlier 40% to now 30%. This is mainly to account for: a) prospects of balance sheet improvement post CCPS deal completion; and b) overall compression in NAV discount for the sector (24% currently – down 20ppt / 27ppt in past 3M/YTD).
4. Lowered discount rate to 14% from 15% earlier to account for lowering of borrowing cost coupled with reduction in risk free rate.

Consequently, our new FY18 NAV estimate for DLF is INR264/share (earlier INR234/share), to which we apply 30% discount (earlier 40%) to arrive at our new target price of INR185 (earlier INR140).

Maintain 'HOLD': We maintain 'HOLD' on DLF in view of the following:

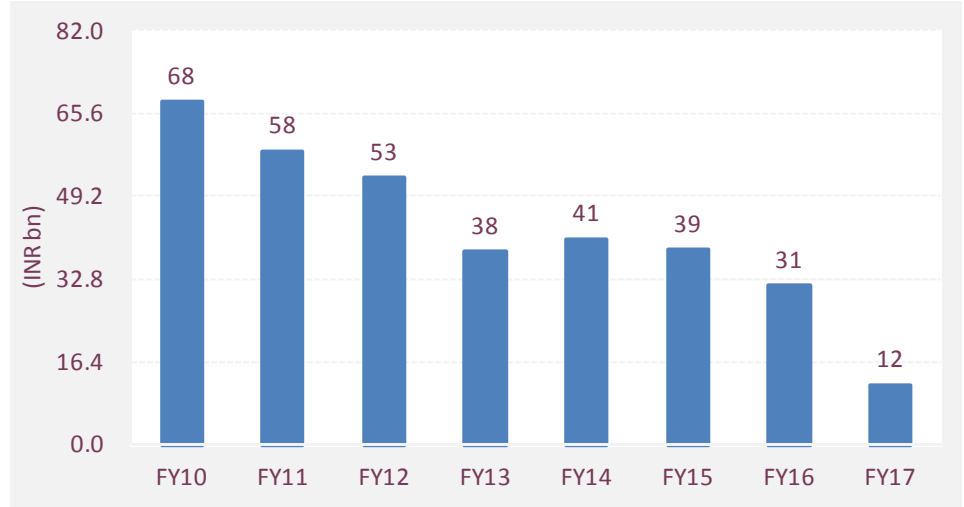
1. **DLF's residential new sales have seen structural slowdown** over the past 3-4 years and this continues to persist – new sales of INR11.8bn in FY17 (down 62% YoY). This, we believe, is due to soft residential demand in its mainstay Gurgaon market coupled with very few new launches (in Gurgaon as well as other markets). Importantly, we do not expect Gurgaon residential demand to recover over the next 1 year given substantial investor held inventory and little visibility of capital value appreciation.
2. **DLF remains cautious about new launches across markets**, in view of soft demand outlook. Additionally, with RERA yet to become operational in Gurgaon and other key markets where DLF has presence, new launches will be delayed given requirement of compulsory registration of projects before offering for sale as per RERA guidelines. Unless new launches pick up, ramping-up new sales meaningfully will be difficult, we believe.
3. **Promoter CCPS deal an overhang:** DLF is currently in exclusive talks with GIC to sell promoter's 40% stake (upon conversion of CCPS) in DLF Cyber City Developers (DCCDL; currently 100% subsidiary of DLF). The proceeds from stake sale will largely be invested by promoters in DLF as an equity investment. This will increase DLF promoter's stake in DLF (currently at ~75%) beyond SEBI mandated 75% threshold and DLF will hence require to do additional equity issuance to bring back promoter's stake within SEBI threshold. The entire transaction (CCPS deal) is expected to be completed in mid-FY18. Post the fund infusion by promoter and additional equity issuance, we expect DLF's net debt to reduce meaningfully. However, this may potentially come at significant equity dilution. Valuation of CCPS deal, price for share issuance to promoters and price at which further new equity is raised are key factors determining the capital structure going forward.

4. **Valuations appear full:** We believe, value of annuity assets at attractive cap rates, pending value from ongoing projects and value of long gestation future land bank appear largely priced in. Earnings based valuations appear expensive – 37x FY18E EPS and 33x FY19E EPS. The stock is currently trading at 27% discount to our FY18E NAV versus past 3 years’ average of 39%.

We will turn positive on DLF stock if:

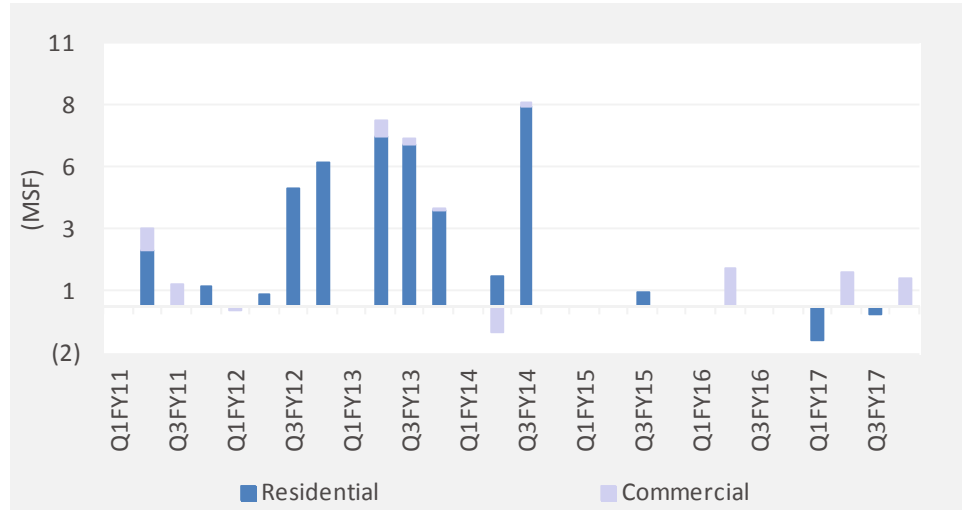
1. DLF begins new residential launches in Gurgaon and other city markets where it has presence. This should result in improvement in new sales momentum.
2. Residential demand in DLF’s mainstay Gurgaon market picks up.
3. Better-than-expected CCPS deal valuations.
4. Faster ramp-up in its office space portfolio and quick leasing in its upcoming rental assets.

Chart 1: Structural slowdown in residential new sales



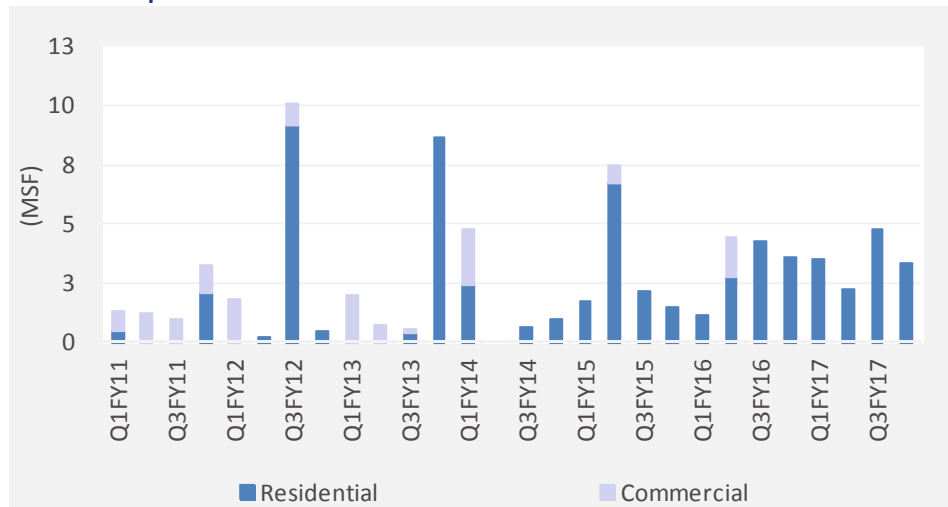
Source: Company, Edelweiss research

Chart 2: New construction starts



Source: Company, Edelweiss research

Chart 3: Completion trend



Source: Company, Edelweiss research

Valuations

We have 'HOLD/SU with a target price INR185, which we have arrived at by applying 30% discount to our March 2018E NAV of INR264 (refer table 1). Our NAV assumes 26% tax rate, 6% (of sales) overheads, 14% discount rate and cap rate of 7% on investment assets. We have not incorporated impact of promoter CCPS stake sale in view of uncertainty related to valuation as well pricing of subsequent equity issuance. We would include it once deal details are announced.

We argue for 30% discount to NAV based on following:

- 1) Slower pace of new launches/sales in past few quarters. DLF has long-gestation land bank of ~249msf (INR12bn of new sales in FY17), which could take multiple decades to be monetised.
- 2) While the proposed promoter CCPS transaction will strengthen balance sheet, it will come at a high cost (equity replacing debt) and lead to significant dilution from minority shareholders' perspective.
- 3) DLF is incurring INR5-7bn negative operating cash flow on quarterly basis, which is expected to continue (even post CCPS transaction) unless new launches increase leading to new sales.
- 4) Around 53% of the company's total land bank is concentrated in NCR, which could restrict scale up in operations. If the ongoing slow down in the Gurgaon property market gets prolonged, DLF's prospects to scale up pre-sales/ execution are likely to weaken.

These factors contrast with few positives:

- 1) DLF boasts of premium brand and equity investment scarcity (i.e., limited real estate plays in the Indian equity market that are liquid).
- 2) Significant asset build up in balance sheet, including ~30msf of rent-yielding assets (of which 26.5msf would have 60% DLF's share post promoter stake sale) plus a few

ongoing investment properties (such as Chanakyapuri Mall and 4.3msf of new office space in Cyber City and Chennai), lend high visibility to stable rental income.

Table 1: DLF - NAV and target price calculation

	(INR mn)
Value of future land bank	345,497
Value of DCCDL Rental Assets (DLF share)	211,112
Value of ex-DCCDL Rental Assets	65,333
Value of Ongoing Projects	63,591
Less: Net Debt (DLF share)	213,761
Net Asset Value	471,772
Net Asset Value per share (INR)	264
Discount to NAV (%)	30
Target Price (INR)	185

Source: Company, Edelweiss research

Management call highlights

1. **CCPS transaction update:** GIC is currently conducting final due diligence which should get completed over the next few weeks. Legal documentation is also underway. Once this is done DLF and GIC will sign an agreement, post which deal valuations will be declared. Post this, GIC will need to approach CCI for getting its approval while DLF will approach its shareholders for getting their approval. Deal monies are expected to come into DLF by around October 2017.
2. **Residential demand outlook:** DLF expects residential demand to remain soft in FY18 as well. Demand could improve in FY19. Gurgaon market demand continues to remain sluggish.
3. **Leasing outlook:** DLF is seeing good leasing traction in its rental assets. New leases in Cyber City assets are happening at plus INR100 psf/month. The tenant mix over the years has gradually shifted from mainly IT/ITES tenants to tenants belonging to multiple sectors such e-commerce, consulting, advertising as well as corporate offices.
4. **RERA impact:** DLF expects implementation of RERA to improve transparency in the sector and increase customer confidence. It expects non-serious developers to exit the industry. While in the long-term this would be beneficial for the industry, in the short-term it could lead to uncertainties.
5. **Revenue recognition of DLF Phase V projects:** All ongoing and future projects in DLF Phase V will now come under revised POCM based revenue recognition guidelines. Earlier, revenues from some of the Phase V projects were recognised using old accounting norms.

Financial snapshot

(INR mn)

Year to March	Q4FY17	Q4FY16	% change	Q3FY17	% change	FY16	FY17E	FY18E
Net revenues	22,252	25,465	(12.6)	20,579	8.1	92,599	87,687	91,847
Direct Operating expenses	11,065	13,902	(20.4)	7,294	51.7	40,503	36,175	36,453
Staff costs	790	827	(4.5)	1,017	(22.4)	3,150	3,308	3,440
Other expenses	3,295	3,603	(8.5)	2,691	22.5	10,281	10,055	10,357
Total expenditure	15,150	18,332	(17.4)	11,001	37.7	53,934	49,537	50,250
EBITDA	7,102	7,133	(0.4)	9,578	(25.9)	38,664	38,149	41,596
Depreciation	1,402	1,493	(6.1)	1,420	(1.3)	7,778	7,025	6,818
Other income	2,862	1,863	53.7	1,200	138.5	4,802	8,150	4,483
Interest	7,383	6,468	14.1	7,586	(2.7)	26,154	27,961	25,498
Add: Exceptional items	941	(1,187)	(179.2)	-	-	-	-	-
Profit before tax	2,121	(152)	(1,491.4)	1,771	19.7	9,534	11,314	13,763
Provision for taxes	537	1,646	(67.4)	516	4.1	4,193	3,168	3,854
PAT	1,583	(1,798)	(188.1)	1,256	26.1	5,341	8,146	9,909
Minority interest	65	9	596.8	(7)	(975.7)	(714)	650	800
Associate profit share	(157)	(313)	NA	(267)	NA	347	-	-
Reported net profit	1,421	(1,796)	(179.1)	976	45.6	5,708	7,496	9,109
Diluted shares (mn)	1,784	1,783		1,784		1,784	1,784	1,784
Adjusted Diluted EPS	0.8	(1.0)	(175.2)	0.6	38.2	3.2	4.2	5.1
Cost of construction	49.7	54.6		35.4		43.7	41.3	39.7
Employee cost	3.5	3.2		4.9		3.4	3.8	3.7
Other expenses	14.8	14.2		13.1		11.1	11.5	11.3
Total expenses	68.1	72.0		53.5		58.2	56.5	54.7
EBITDA	31.9	28.0		46.5		41.8	43.5	45.3
Depreciation	6.3	5.9		6.9		8.4	8.0	7.4
EBIT	25.6	22.1		39.6		33.4	35.5	37.9
Interest expenditure	33.2	25.4		36.9		28.2	31.9	27.8
Reported net profit	6.4	(7.1)		4.7		6.2	8.5	9.9
Tax rate	25.3	(1,079.9)		29.1		44.0	28.0	28.0

Company Description

DLF, incorporated in 1963, is a north India based real estate developer with presence across major markets in India. It is involved in development of various property types – residential, commercial and retail. More than 50% of its land bank is located in Gurgaon. It has ~30msf of leased rental assets located in key metros across India. The company is promoted by Mr. K. P. Singh who has four decades of experience in the Indian real estate industry.

Investment Theme

1. Earnings challenges ahead on account of lower pre-sales in past 3 years, weak pipeline of older projects and sluggish pace of new launches
2. Earnings dependent on sluggish Gurgaon market exposing it to single market risk
3. Expected improvement in balance sheet on account of infusion of sales proceeds by promoters from stake sale in rental assets and consequent capital raising to be off-set by significant equity dilution
4. Expensive earnings based valuations

Key Risks

1. Better valuations than expected for promoters' stake in DCCDL (rental) assets held through CCPS which is up for sale to strategic investors.
2. Sharp improvement in local macros climate.
3. Spike in new launches leading to pick-up in new sales and hence providing good visibility for surplus cash from operations.
4. Launch visibility of lucrative projects – Tulsiwadi, Chanakyapuri and Central Delhi projects (joint venture - JV with GIC).
5. Quick leasing of ongoing commercial projects at higher rentals and fast off-take of completed, but unsold inventory.

Financial Statements

Key Assumptions

Year to March	FY16	FY17	FY18E	FY19E
Macro				
GDP(Y-o-Y %)	7.2	6.5	7.1	7.7
Inflation (Avg)	4.9	4.8	5.0	5.2
Repo rate (exit rate)	6.8	6.3	6.3	6.3
USD/INR (Avg)	65.0	67.5	69.0	69.0
Company				
Selling Price increase (%)	5	5	5	5
Construction Cost Increase (%)	5	5	5	5

Income statement

(INR mn)

Year to March	FY16	FY17	FY18E	FY19E
Income from operations	92,599	87,687	92,117	86,514
Direct costs	40,503	36,175	36,453	32,016
Employee costs	3,150	3,308	3,440	3,578
Other Expenses	10,281	10,055	10,357	10,668
Total operating expenses	53,934	49,537	50,250	46,261
EBITDA	38,664	38,149	41,867	40,253
Depreciation	7,778	7,025	6,818	6,731
EBIT	30,886	31,125	35,049	33,522
Add: Other income	4,802.03	8,150.05	4,482.53	4,572.18
Less: Interest Expense	26,154	27,961	25,498	22,544
Profit Before Tax	9,534	11,314	14,033	15,551
Less: Provision for Tax	4,193	3,168	3,929	4,354
Less: Minority Interest	(714)	650	800	800
Associate profit share	347	-	-	-
Reported Profit	5,708	7,496	9,304	10,396
Adjusted Profit	5,708	7,496	9,304	10,396
Shares o /s (mn)	1,784	1,784	1,784	1,784
Adjusted Basic EPS	3.2	4.2	5.2	5.8
Diluted shares o/s (mn)	1,784	1,784	1,784	1,784
Adjusted Diluted EPS	3.2	4.2	5.2	5.8
Adjusted Cash EPS	3.2	4.2	5.2	5.8
Dividend per share (DPS)	2.5	1.1	1.3	1.5
Dividend Payout Ratio(%)	77.6	25.0	25.0	25.0

Common size metrics

Year to March	FY16	FY17	FY18E	FY19E
Operating expenses	58.2	56.5	54.6	53.5
Staff costs	3.4	3.8	3.7	4.1
S G & A expenses	11.1	11.5	11.2	12.3
Depreciation	8.4	8.0	7.4	7.8
Interest Expense	28.2	31.9	27.7	26.1
EBITDA margins	41.8	43.5	45.4	46.5
Net Profit margins	6.2	8.5	10.1	12.0

Growth ratios (%)

Year to March	FY16	FY17	FY18E	FY19E
Revenues	21.1	(5.3)	5.1	(6.1)
EBITDA	27.9	(1.3)	9.7	(3.9)
PBT	52.1	18.7	24.0	10.8
Adjusted Profit	14.4	31.3	24.1	11.7
EPS	14.3	31.3	24.1	11.7

Balance sheet		(INR mn)			
As on 31st March	FY16	FY17	FY18E	FY19E	
Share capital	3,567	3,568	3,568	3,568	
Reserves & Surplus	270,033	275,655	282,633	290,430	
Shareholders' funds	273,600	279,223	286,200	293,998	
Minority Interest	1,118	1,118	1,118	1,118	
Preference capital	15,971	15,971	15,971	15,971	
Long term borrowings	268,930	252,000	236,000	216,000	
Def. Tax Liability (net)	(19,993)	(19,993)	(19,993)	(19,993)	
Sources of funds	539,625	528,318	519,296	507,093	
Gross Block	246,817	248,150	248,891	247,403	
Net Block	208,904	206,606	200,529	192,310	
Capital work in progress	38,675	41,241	45,609	47,597	
Total Fixed Assets	247,579	247,846	246,138	239,907	
Goodwill on consolidation	10,627	10,627	10,627	10,627	
Non current investments	9,704	9,000	9,500	10,000	
Cash and Equivalents	33,714	17,498	(13,711)	(27,851)	
Inventories	175,069	180,060	204,672	217,570	
Trade receivables	16,561	17,000	16,000	17,000	
Loans & Advances	71,251	69,826	68,430	67,061	
Other Current Assets	89,878	92,000	94,000	92,000	
Total current assets	352,760	358,886	383,101	393,631	
Current liabilities	109,085	109,866	110,686	111,548	
Provisions	5,674	5,674	5,674	5,674	
Total Current Liab	114,759	115,540	116,360	119,222	
Net Curr Assets-ex cash	238,001	243,346	266,741	274,410	
Uses of funds	539,625	528,318	519,296	507,093	
BVPS (INR)	153.4	156.5	160.4	164.8	

Free cash flow		(INR mn)			
Year to March	FY16	FY17	FY18E	FY19E	
Reported Profit	5,708	7,496	9,304	10,396	
Add: Depreciation	7,778	7,025	6,818	6,731	
Interest (Net of Tax)	14,651	20,132	18,359	16,231	
Less: Changes in WC	4,042	5,345	23,395	7,669	
Operating cash flow	9,444	9,175	(7,273)	9,459	
Less: Capex	28,377	1,333	741	(1,488)	
Free Cash Flow	(4,283)	27,974	10,344	27,178	

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		P/B (X)		ROAE (%)	
		FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
DLF	5,370	37.2	33.3	1.2	1.2	3.3	3.6
Brigade Enterprises	528	16.2	12.9	1.5	1.4	11.0	11.1
Godrej Properties	1,674	33.5	25.5	4.2	3.7	13.3	15.6
Oberoi Realty	2,016	15.2	14.1	2.0	1.8	14.3	13.5
Sobha Developers	587	17.8	14.3	1.3	1.2	7.7	9.0
Median	-	17.8	14.3	1.5	1.4	11.0	11.1
AVERAGE	-	24.0	20.0	2.1	1.9	9.9	10.6

Source: Edelweiss research

Cash flow metrics		FY16	FY17	FY18E	FY19E
Year to March					
Investing cash flow	(13,864)	(6,588)	(5,609)	(1,000)	
Financing cash flow	(13,332)	(1,873)	(2,326)	(2,599)	
Net cash Flow	(17,752)	714	(15,209)	5,860	
Capex	28,377	1,333	741	(1,488)	
Dividend paid	4,430	1,874	2,326	2,599	
Share issue/(buyback)	(1,366)	-	-	-	

Profitability and efficiency ratios

Year to March	FY16	FY17	FY18E	FY19E
EOP(ROE) (%)	2.1	2.7	3.3	3.6
ROAE (%)	2.1	2.7	3.3	3.6
ROACE (%)	8.1	8.8	8.9	8.8
Current Ratio	3.4	3.3	3.2	3.1
Gross Debt/EBITDA	7.0	6.6	5.6	5.4
Gross Debt/Equity	98.3	90.3	82.5	73.5
Net Debt/Equity	84.2	82.4	85.6	81.2

Operating ratios

Year to March	FY16	FY17	FY18E	FY19E
Total Asset Turnover	0.2	0.2	0.2	0.2
Fixed Asset Turnover	0.5	0.4	0.5	0.4
Equity Turnover	0.3	0.3	0.3	0.3

Valuation parameters

Year to March	FY16	FY17	FY18E	FY19E
Adj. Diluted EPS (INR)	3.2	4.2	5.2	5.8
Y-o-Y growth (%)	14.4	31.3	24.1	11.7
Adjusted Cash EPS (INR)	3.2	4.2	5.2	5.8
Diluted P/E (x)	60.6	46.2	37.2	33.3
P/B (x)	1.3	1.2	1.2	1.2
Dividend Yield (%)	1.3	0.5	0.7	0.8

Additional Data

Directors Data

Dr. K.P. Singh	Chairman	Mr. Rajiv Singh	Vice Chairman
Dr. D.V. Kapur	Independent Director	Mr. K.N. Memani	Independent Director
Mr. B. Bhushan	Independent Director	Mr. Mohit Gujral	CEO & Whole-time Director
Mr. Rajeev Talwar	CEO & Whole-time Director	Ms. Pia Singh	Independent Director
Mr. G.S. Talwar	Independent Director	Mr. Pramod Bhasin	Independent Director
Mr. Rajiv Krishan Luthra	Independent Director	Mr. Ved Kumar Jain	Independent Director
Lt. Gen. Aditya Singh (Retd.)	Independent Director	Mr. A. S. Minocha	Independent Director

Auditors - M/s. Walker, Chandio & Co

**as per last annual report*

Holding – Top10

	Perc. Holding		Perc. Holding
Panchsheel investmen	17.49	Sidhant housing & de	13.3
Massachusetts mutual	5.62	Kohinoor real estate	5.34
Madhur housing & dev	5.26	Yashika prop & dev c	5.16
Prem traders & inv p	5.05	Mallika housing comp	4.36
Vishal foods & inv p	4.19	Gic private limited	3.81

**in last one year*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
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No Data Available

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
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No Data Available

**in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Brigade Enterprises	BUY	SO	M	DLF	HOLD	SU	H
Godrej Properties	HOLD	SP	L	Oberoi Realty	BUY	SO	L
Sobha Developers	BUY	SO	M	Sunteck Realty Limited	BUY	SO	H

ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return



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Coverage group(s) of stocks by primary analyst(s): Real Estate

Brigade Enterprises, DLF, Godrej Properties, Oberoi Realty, Sobha Developers, Sunteck Realty Limited

Recent Research

Date	Company	Title	Price (INR)	Recos
23-May-17	Brigade Enterprises	Q4 beat; scaling growth trajectory; <i>Result Update</i>	242	Buy
17-May-17	Sobha	Q4FY Result Beat; Scale-up prospects ahead; <i>Result Update</i>	426	Buy
5-May-17	Oberoi Realty	Result beat; operationally stable; fundamentals intact; <i>Result Update</i>	404	Buy

Distribution of Ratings / Market Cap

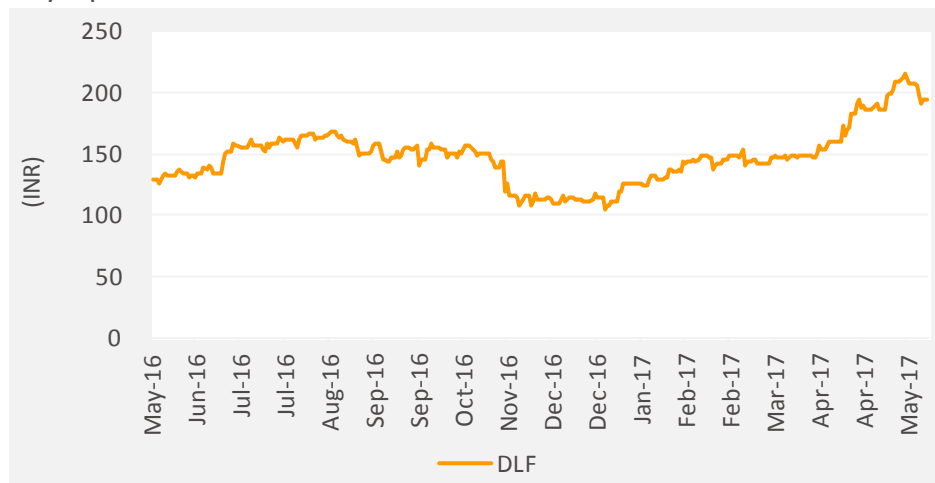
Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240
* 1stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	156	62	11	

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

One year price chart



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