

# GODREJ PROPERTIES

## Strong fundamentals priced in

India Equity Research | Real Estate

We see robust operations for Godrej Properties (GPL) going ahead given its new project pipeline, ability to leverage its brand name to augment its project portfolio and geographic diversification. It should benefit from tax incentives for affordable housing, preference for prominent players post RERA implementation and improved macro environment. However, at current valuations we see these positives largely priced in and expect limited upside hereon. Hence, we downgrade to 'HOLD' with a revised FY18E target price of INR520 (15% discount to NAV; INR450 earlier).

### We downgrade GPL to 'HOLD'

Post demonetisation, the GPL stock witnessed a strong rally – up 75% YTD /42% in past 3 months. This we believe was driven by: 1) expected scale up in operations through new launches and strong new sales; 2) new project additions; 3) prospects of balance sheet improvement led by cash flows from sale of balance BKC inventory and legacy commercial assets; 4) strong brand name; and 5) pan-India presence. Tailwinds in the form of affordable housing initiatives – interest subvention to buyers and tax exemption to developers – and organised players benefitting at the expense of unorganized players post-RERA have further helped the uptick. At current valuations and based on our revised FY18E NAV (INR612/share), we believe the GPL stock is pricing in most of these positives resulting in limited upside hereon. We hence downgrade to 'HOLD'.

### Q4FY17 results miss

Revenue stood at INR4.6bn (up 19% YoY, down 10% QoQ), driven by POCM-based revenue recognition in *Trees* project (INR2.9bn; Phase 2 hit recognition) and other ongoing projects. EBITDA margin stood at 22% (compressed 200bps QoQ). Net profit came in at INR624mn versus our estimate of INR706mn. For FY17, revenues fell 24% YoY to INR17.1bn, EBITDA jumped 41% YoY to INR3.8bn and net profit grew 20% YoY to INR2.1bn. New sales dropped sharply to INR3.4bn (down 45% YoY and 51% QoQ) owing to no new project launches during the quarter. GPL added 3 new projects to its development portfolio measuring 3.5msf.

### Outlook and Valuations: Fairly valued; downgrade to 'HOLD'

While the sharp demand uptick in key markets, price increase and faster new project additions pose key upside risks, demand slowdown and delays in selling balance commercial inventory are key downside risks. At CMP, the stock trades at 13% discount to our FY18E NAV of INR612. We believe the stock is fairly valued and offers limited upside from current levels. We downgrade to 'HOLD/SP' from 'BUY/SP'.

#### Financials

(INR mn)

Year to March	Q4FY17	Q4FY16	% chg	Q3FY17	% chg	FY16	FY17E	FY18E
Revenues	4,648	3,897	19.3	5,183	(10.3)	26,340	17,586	21,946
EBITDA	1,000	(24)	NA	1,207	(17.1)	3,504	3,131	4,794
Net Profits	624	(109)	(672.0)	771	(19.1)	2,311	2,302	3,220
EPS (INR)	2.9	(1)	(607.0)	3.6	(19.3)	10.7	10.6	14.9
P/E (x)							49.9	35.7
P/B (x)							5.0	4.5
ROE (%)						11.5	10.3	13.3

#### EDELWEISS 4D RATINGS

Absolute Rating	HOLD
Rating Relative to Sector	Performer
Risk Rating Relative to Sector	Low
Sector Relative to Market	None

#### MARKET DATA (R: GODR.BO, B: GPL IN)

CMP	: INR 531
Target Price	: INR 520
52-week range (INR)	: 586 / 285
Share in issue (mn)	: 216.4
M cap (INR bn/USD mn)	: 115 / 1,788
Avg. Daily Vol.BSE/NSE('000)	: 292.0

#### SHARE HOLDING PATTERN (%)

	Current	Q3FY17	Q2FY17
Promoters *	74.9	74.9	74.9
MF's, FI's & BK's	2.8	1.1	1.1
FII's	8.9	10.5	8.9
Others	13.4	13.5	15.1
* Promoters pledged shares (% of share in issue)	:	NIL	

#### PRICE PERFORMANCE (%)

	Stock	Nifty	EW Real Estate Index
1 month	21.7	1.0	18.3
3 months	42.2	7.1	36.1
12 months	64.6	21.0	48.4

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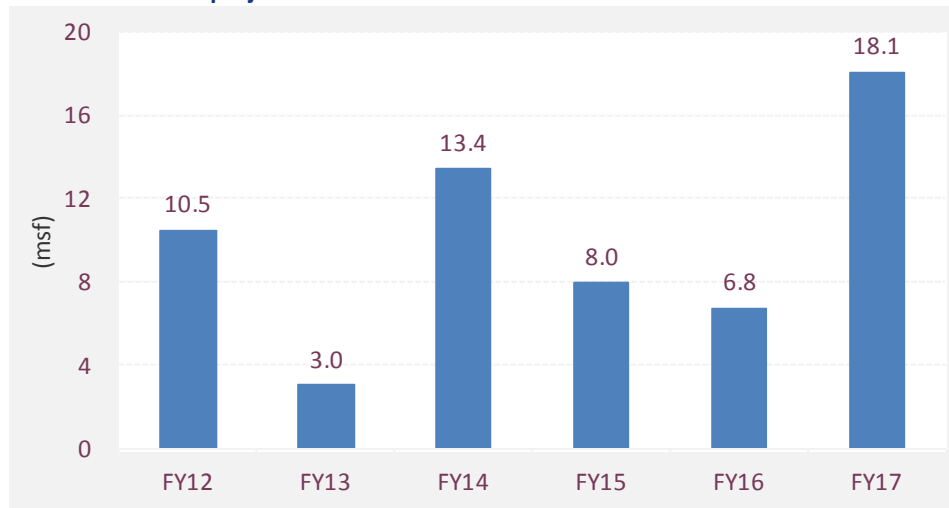
May 5, 2017

## Fundamentals and Tailwinds appear priced-in; Downgrade to 'HOLD'

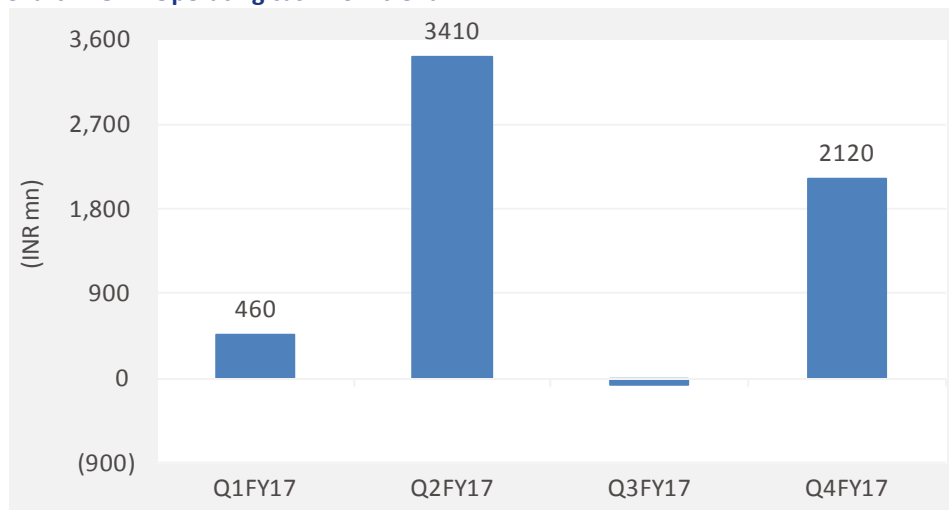
The GPL stock rallied significantly post the demonetisation lows. The stock is up 75% YTD and 42% in past 3 months. We believe this performance was driven by following positives:

1. Continued scale up in operations through steady new launches and strong sales recorded in these projects. Importantly, the performance was in contrast to market expectation of slowdown in demand due to demonetisation. GPL sold inventory worth INR6.9bn in Q3FY17 (demonetization quarter) driven by new project launches – Golf Links, Noida and Greens, Pune. Over last 2 months it launched 2 new projects in Mumbai and Pune and further phase of Noida project and has sold more than 1000 apartments in these projects since launch.
2. Likelihood of increased demand in view of interest rate subsidy offered under Credit Linked Subsidy Scheme (CLSS) of PMAY (Urban). This provides upfront benefit to home loan borrowers of INR0.23-0.25mn.
3. Steady augmentation of GPL's development portfolio through value accretive JDA/JV deals in key city markets. In FY17, the company added new projects measuring 18.1msf.
4. Post implementation of RERA, opportunities for new project acquisitions are expected to increase, especially for organised/large developers like GPL. Many of these opportunities could be available from smaller/unorganised developers at lucrative terms given difficulty in project funding and possibility of stricter penalties under RERA provisions.
5. Strong cash flows expected over FY17-19 from Godrej BKC (~INR13bn) and expected monetisation (~INR2bn) of legacy commercial projects (almost complete) in Kolkata and Chandigarh, given improved macro conditions. This should help improve balance sheet.
6. GPL could benefit from tax incentives offered under the affordable housing initiatives for development of <60sq.m carpet area apartments in non-metro cities.
7. Geographically diversified development portfolio, de-risking it from (single) market risk, unlike many of its listed peers.

**Positives and tailwinds appear largely priced in:** We have incorporated most of these positives in our model to arrive at a revised FY18E NAV of INR612/share to which we have applied 15% discount and pegged our new target price at INR520. We believe current stock price reflects most of the positives cited above and offers limited upside hereon. The stock is currently trading at 13% discount to our revised FY18E NAV of INR612/share (versus historical average of 23%), suggesting fair valuations. **We hence downgrade to 'HOLD/SP'** from 'BUY/SP'.

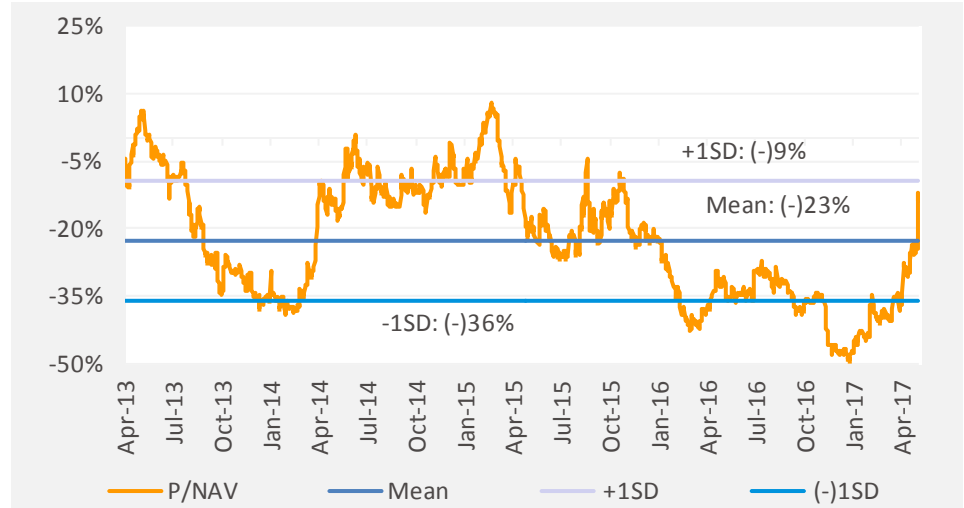
**Chart 1: GPL: New project addition trend**

Source: Company, Edelweiss research

**Chart 2: GPL: Operating cash flow trend**

Source: Company, Edelweiss research

Chart 3: GPL: 1 Year Forward Premium/Discount to NAV



Source: Bloomberg, Edelweiss research

### Model Update

We have updated our model for:

1. Increased potential for new project addition to 15msf (earlier 10msf)
2. Incorporated the new projects (Mumbai, Pune and Bangalore) recently added to GPL's development portfolio.
3. Revised sales schedule and pricing for key projects depending on latest disclosures.
4. Revised launch schedule based on latest disclosures.

Consequently, our new FY18E NAV is INR612/share (earlier INR530) to which we apply 15% discount (unchanged) and our new target price is pegged at INR520 (earlier INR450). We downgrade to '**HOLD/SP**' from '**BUY/SP**' earlier.

### Key Upside Risks

1. Sharp improvement in demand across markets coupled with price increases.
2. Faster addition of new projects to development portfolio versus our expectations.
3. New project acquisitions at significantly attractive terms.
4. Quick liquidation of balance inventory in legacy commercial projects and BKC.
5. Increase in market share in key city markets owing to RERA and shift of customer preference to organised developers.

### Key Downside Risks

1. Slowdown in new launches owing to uncertainties related to RERA implementation leading to slower new sales.
2. Low involvement in certain Group MoUs.
3. Slower than expected sales in Godrej BKC project and delay in selling balance inventory in legacy commercial projects.
4. Infusion of PE in projects at high hurdle rates.
5. Protracted redevelopment projects.

## Valuations

We downgrade to '**HOLD/SP**' on GPL with a target price of INR520, which we have arrived at by applying 15% discount to our FY18E NAV of INR612.

We value GPL's real estate business by summing: 1) present land bank - INR64bn; 2) upside from new JDA projects (15msf) - INR38.4bn; 3) MoUs signed with group companies - INR5.5bn; and 4) present value of potential development manager fees (primarily sales & marketing responsibility) in Vikhroli - INR17bn. This assumes total development potential of ~ 500-1,000 acres.

Our NAV calculation assumes 30% tax rate, 2% (of sales) overheads and discount rate of 14%.

### We argue for 15% discount to NAV valuation for GPL based on the following:

- 1) Improvement in macros — lowering of interest rates and better growth outlook.
- 2) Strong brand leverage on customers and land owners, enabling relatively faster expansion.
- 3) **Asset-light JDA model:** GPL added new projects measuring ~6.8msf (developable area including partner's share) in FY16 and 18.1msf in FY17.
- 4) Visibility in monetisation of legacy commercial projects in Kolkata and Chandigarh and sale of balance inventory in Godrej BKC at higher realisations (based on past few transactions done here) versus earlier sales.
- 5) Demand tailwinds in the form of interest rate subsidies offered under CLSS scheme of PMAY (Urban).
- 6) Potential of tax exemption for building affordable housing under section 80IB of IT Act.

### Potential negatives

- 1) Execution risks given large number of relatively smaller projects.
- 2) Likelihood of new project acquisitions with low involvement (such as development manager model).
- 3) Slowdown in construction/new launches due to ongoing ban on construction in Maharashtra.

**Table 1: NAV and target price**

NAV and Target Price Computation	(INR Mn)
Real Estate Value	122,488
MoUs signed with Group	5,468
Present Value of DM Fees from Vikhroli	17,014
Less: Net Debt	12,638
NAV	132,331
<b>NAV per share (INR)</b>	<b>612</b>
Discount %	15.0
<b>Target Price (INR / share)</b>	<b>520</b>

Source: Company, Edelweiss research

### Q4FY17 Management Call Highlights

1. Traction in BKC commercial project remains good. GPL is disappointed for not concluding meaningful deals during FY17. Expects to sell balance inventory (0.2msf) here in FY18.
2. In Mumbai, developers have already started the process of getting their projects registered with RERA. GPL is also working towards registering its projects with RERA.
3. RERA has yet to become operational in other states where GPL has presence.
4. Expects some delays in new launches owing to the requirement of registering projects with RERA before offering for sales.
5. RERA would lead to some rise in costs for developers and they may pass it on to the end users resulting in price increases.
6. GPL is focused on increasing its development portfolio and sees enough opportunities in the market to acquire new projects under JDA/JV model, especially post RERA.
7. For FY18, has a good line-up of new launches. RERA could however be the key risk and delay some of these planned launches.
8. GPL is looking at launching projects in the affordable housing space to avail the tax incentives. No projects have yet been finalised for this as the company seeks more clarity, especially for projects for which plans have already been approved.
9. Does not expect 70% escrow requirement under RERA to hinder business development (project acquisition) funding needs.

## Financial snapshot

(INR mn)

Year to March	Q4FY17	Q4FY16	% change	Q3FY17	% change	FY16	FY17E	FY18E
Net revenues	4,648	3,897	19.3	5,183	(10.3)	26,340	17,586	21,946
Direct Operating expenses	2,927	3,038	(3.7)	3,377	(13.3)	21,355	12,066	14,368
Staff costs	119	90	32.8	116	2.8	459	501	576
Other expenses	603	794	(24.0)	483	24.8	1,021	1,888	2,210
Total expenditure	-	-		-		22,835	14,455	17,153
EBITDA	1,000	(24)	(4,284.9)	1,207	(17.1)	3,504	3,131	4,794
Depreciation	40	42	(3.8)	36	10.5	150	155	172
Other income	-	-		334	(100.0)	941	1,290	1,130
Interest	248	74	233.7	355	(30.1)	154	1,160	1,100
Profit before tax	711	(140)	(607.5)	1,149	(38.1)	4,142	3,106	4,651
Provision for taxes	189	(7)	(2,788.7)	405	(53.2)	1,248	994	1,581
PAT	522	(133)	(492.1)	744	(29.9)	2,894	2,112	3,070
Minority interest	-	-		-		583	190	150
Associate profit share	102	24	324.6	27	280.5	-	-	-
Reported net profit	624	(109)	(672.0)	771	(19.1)	2,311	2,302	3,220
Diluted shares (mn)	216	216		216		216	216	216
Adjusted Diluted EPS	2.9	(0.6)	(607.0)	3.6	(19.3)	10.7	10.6	14.9
Cost of construction	63.0	78.0		65.2		81.1	68.6	65.5
Employee cost	2.6	2.3		2.2		1.7	2.8	2.6
Other expenses	13.0	20.4		9.3		3.9	10.7	10.1
Total expenses	78.5	100.6		76.7		86.7	82.2	78.2
EBITDA	21.5	(0.6)		23.3		13.3	17.8	21.8
Depreciation	0.9	1.1		0.7		0.6	0.9	0.8
EBIT	20.6	(1.7)		22.6		12.7	16.9	21.1
Interest expenditure	5.3	1.9		6.9		0.6	6.6	5.0
Reported net profit	13.4	(2.8)		14.0		8.8	13.1	14.7
Tax rate	26.6	5.0		35.2		30.1	32.0	34.0

### Company Description

Godrej Properties Limited (GPL), established in 1990, is a pan-India real estate developer focusing mainly on residential development. It has a development portfolio with significant exposure to key markets of Ahmedabad, Bangalore, Mumbai, Pune, NCR, Hyderabad and Kolkata. It's land bank strategy includes both outright purchase of land and joint agreement with land owners in the form of revenue / profit share. Additionally it also ties-up with developers as a 'Development Manager' entailing GPL to earn 10-11% of project revenues in lieu of marketing, selling and branding of the project.

### Investment Theme

We have a HOLD rating on GPL in view of strong fundamentals and expected tailwinds largely priced in. We cite the following positives and expected tailwinds.

1. Continued scale-up in operations through steady new launches and strong sales recorded in these projects.
2. Tailwinds in the form of some demand uptick due to interest rate subvention offered to first-time home buyers for affordable housing.
3. Steady augmentation of GPL's development portfolio through value accretive JDA/JV deals in key city markets.
4. Post implementation of RERA, opportunities for new project acquisitions are expected to increase, especially for organised/large developers like GPL.
5. Strong cash flows expected from monetisation of balance inventory in legacy commercial projects and Godrej BKC.
6. GPL could benefit from tax incentives offered under the affordable housing initiatives.
7. Geographically diversified development portfolio.

### Key Risks

#### Upside Risks:

1. Sharp improvement in demand across markets coupled with price increases.
2. Faster addition of new projects to development portfolio versus our expectations.
3. New project acquisitions at significantly attractive terms.
4. Quick liquidation of balance inventory in legacy commercial projects and BKC.
5. Increase in market share in key city markets owing to RERA and shift of customer preference to organised developers.

#### Downside Risks:

1. Slowdown in new launches owing to uncertainties related to RERA implementation leading to slower new sales.
2. Low involvement in certain Group MoUs.
3. Slower than expected sales in Godrej BKC project and delay in selling balance inventory in legacy commercial projects.
4. Infusion of PE in projects at high hurdle rates.
5. Protracted redevelopment projects.



## Financial Statements

### Key Assumptions

Year to March	FY16	FY17	FY18E	FY19E
<b>Macro</b>				
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
<b>Company</b>				
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	26,340	17,586	21,946	24,674
Direct costs	21,355	12,066	14,368	15,134
Employee costs	459	501	576	662
Other Expenses	1,021	1,888	2,210	2,651
Total operating expenses	22,835	14,455	17,153	18,447
EBITDA	3,504	3,131	4,794	6,226
Depreciation	150	155	172	172
EBIT	3,354	2,976	4,621	6,054
Add: Other income	941.2	1,290.35	1,130.11	757.44
Less: Interest Expense	154	1,160	1,100	720
Profit Before Tax	4,142	3,106	4,651	6,091
Less: Provision for Tax	1,248	994	1,581	2,071
Less: Minority Interest	583	190	150	200
Reported Profit	2,311	2,302	3,220	4,220
Adjusted Profit	2,311	2,302	3,220	4,220
Shares o /s (mn)	216	216	216	216
Adjusted Basic EPS	10.7	10.6	14.9	19.5
Diluted shares o/s (mn)	216	216	216	216
Adjusted Diluted EPS	10.7	10.6	14.9	19.5
Adjusted Cash EPS	11.4	11.4	15.7	20.3
Dividend per share (DPS)	-	3.5	3.5	3.5
Dividend Payout Ratio(%)	-	0.4	0.3	0.2

### Common size metrics

Year to March	FY16	FY17	FY18E	FY19E
Operating expenses	86.7	82.2	78.2	74.8
Staff costs	1.7	2.8	2.6	2.7
S G & A expenses	3.9	10.7	10.1	10.7
Depreciation	0.6	0.9	0.8	0.7
Interest Expense	0.6	6.6	5.0	2.9
EBITDA margins	13.3	17.8	21.8	25.2
Net Profit margins	8.8	13.1	14.7	17.1

### Growth ratios (%)

Year to March	FY16	FY17	FY18E	FY19E
Revenues	42.9	(33.2)	24.8	12.4
EBITDA	36.2	(10.7)	53.1	29.9
PBT	27.1	(25.0)	49.7	31.0
Adjusted Profit	21.1	(0.4)	39.9	31.1
EPS	11.6	(0.4)	39.9	31.1

Balance sheet		(INR mn)			
As on 31st March	FY16	FY17	FY18E	FY19E	
Share capital	1,081	1,081	1,081	1,081	
Reserves & Surplus	20,601	22,018	24,352	27,686	
Shareholders' funds	21,682	23,099	25,433	28,768	
Minority Interest	1,172	1,172	1,172	1,172	
Long term borrowings	32,034	36,132	30,566	20,000	
<b>Sources of funds</b>	<b>54,888</b>	<b>60,403</b>	<b>57,171</b>	<b>49,940</b>	
Gross Block	1,722	1,722	1,722	1,722	
Net Block	1,298	1,143	970	798	
Capital work in progress	158	161	161	161	
Deferred tax asset	(345)	2,500	2,500	2,500	
Total Fixed Assets	1,456	1,304	1,131	959	
Non current investments	-	2,850	2,850	2,850	
Cash and Equivalents	6,404	6,130	16,145	6,535	
Inventories	51,758	43,950	37,231	37,916	
Trade receivables	1,916	2,458	2,502	2,367	
Loans & Advances	16,692	16,192	14,192	15,192	
Total current assets	70,366	62,600	53,925	55,476	
Current liabilities	22,880	14,380	18,780	17,780	
Provisions	112	600	600	600	
Total Current Liab	22,992	14,980	19,380	18,380	
Net Curr Assets-ex cash	47,374	47,620	34,545	37,096	
<b>Uses of funds</b>	<b>54,888</b>	<b>60,403</b>	<b>57,171</b>	<b>49,940</b>	
BVPS (INR)	100.3	106.8	117.6	133.0	

Free cash flow		(INR mn)			
Year to March	FY16	FY17	FY18E	FY19E	
Reported Profit	2,311	2,302	3,220	4,220	
Add: Depreciation	125	155	172	172	
Interest (Net of Tax)	107	789	726	475	
Less: Changes in WC	929	246	(13,075)	2,551	
Operating cash flow	1,507	2,212	16,467	1,842	
Less: Capex	250	-	-	-	
<b>Free Cash Flow</b>	<b>1,364</b>	<b>3,000</b>	<b>17,193</b>	<b>2,317</b>	

Cash flow metrics		FY16	FY17	FY18E	FY19E
Year to March					
Investing cash flow	708	(5,698)	-	-	
Financing cash flow	(204)	(886)	(886)	(886)	
Net cash Flow	2,010	(4,372)	15,581	956	
Capex	250	-	-	-	
Dividend paid	-	886	886	886	
Share issue/(buyback)	903	-	-	-	

Profitability and efficiency ratios		FY16	FY17	FY18E	FY19E
Year to March					
EOP(ROE) (%)	10.7	10.0	12.7	14.7	
ROAE (%)	11.5	10.3	13.3	15.6	
ROACE (%)	8.1	7.3	10.4	14.0	
Current Ratio	333.9	458.8	361.6	337.4	
Gross Debt/EBITDA	914.2	1,154.1	637.6	321.2	
Gross Debt/Equity	147.7	156.4	120.2	69.5	
Net Debt/Equity	118.2	129.9	56.7	46.8	

Operating ratios		FY16	FY17	FY18E	FY19E
Year to March					
Total Asset Turnover	0.5	0.3	0.4	0.5	
Fixed Asset Turnover	21.3	14.4	20.8	27.9	
Equity Turnover	1.3	0.8	0.9	0.9	

Valuation parameters		FY16	FY17	FY18E	FY19E
Year to March					
Adj. Diluted EPS (INR)	10.7	10.6	14.9	19.5	
Y-o-Y growth (%)	11.6	(0.4)	39.9	31.1	
Adjusted Cash EPS (INR)	11.4	11.4	15.7	20.3	
Diluted P/E (x)	49.7	49.9	35.7	27.2	
P/B (x)	5.3	5.0	4.5	4.0	
Dividend Yield (%)	-	0.7	0.7	0.7	

## Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		P/B (X)		ROAE (%)	
		FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
Godrej Properties	1,788	35.7	27.2	4.5	4.0	13.3	15.6
Brigade Enterprises	426	17.1	14.1	1.6	1.5	9.8	10.9
DLF	5,175	36.5	33.3	1.2	1.1	3.2	3.4
Oberoi Realty	2,095	15.7	14.6	2.1	1.9	14.3	13.5
Sobha Developers	618	20.0	15.5	1.4	1.3	7.2	8.8
Median	-	20.0	15.5	1.6	1.5	9.8	10.9
AVERAGE	-	25.0	21.0	2.2	2.0	9.6	10.4

Source: Edelweiss research

## Additional Data

### Directors Data

Mr. Adi B. Godrej	Chairman	Mr. Jamshyd N. Godrej	Non-Executive Director
Mr. Nadir B. Godrej	Non-Executive Director	Mrs. Parmeshwar A. Godrej	Non-Executive Director
Mr. Pirojsha Godrej	Managing Director & Chief Executive Officer	Mr. Amit B. Choudhury	Independent Director
Mr. Keki B. Dadiseth	Independent Director	Mrs. Lalita D. Gupte	Independent Director
Mr. Pranay Vakil	Independent Director	Dr. Pritam Singh	Independent Director
Mr. S. Narayan	Independent Director	Mr. Amitava Mukherjee	Independent Director
Mr. Mohit Malhotra	Executive Director		

Auditors - M/s. KALYANIWALLA & MISTRY

### Holding – Top10

	Perc. Holding		Perc. Holding
Godrej industries lt	56.7	Godrej & boyce manuf	4.92
Innovia multivent pv	3.44	Rkn enterprises	1.84
Naoroji rishad kaikh	1.84	Godrej nadir burjorj	1.84
Commonwealth bank of	1.7	Jpmorgan chase & co	1.57
L&t investment manag	1.38	Franklin resources	1.07

*\*in last one year*

### Bulk Deals

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

*\*in last one year*

### Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
30 Mar 2017	Innovia Multiventures Private Limited	Buy	7440862.00
30 Mar 2017	Godrej Investments Private Limited	Sell	7440862.00
23 Dec 2016	M/s. RKN Enterprises	Buy	3986400.00
22 Dec 2016	MR. RISHAD NAOROJI	Sell	3986400.00
05 Jul 2016	Milind Apte	Sell	18000.00

*\*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, Suntech Realty Limited

#### Recent Research

Date	Company	Title	Price (INR)	Recos
05-Apr-17	Sobha	Uptick in Q4FY17 operations; FY17 guidance missed; <i>Company Update</i>	343	Buy
31-Mar-17	Oberoi Realty	Growth with prudence; <i>Visit Note</i>	366	Buy
17-Feb-17	Suntech Realty	Demonetisation hurts sales; scale-up story on track; <i>Result Update</i>	249	Buy

#### Distribution of Ratings / Market Cap

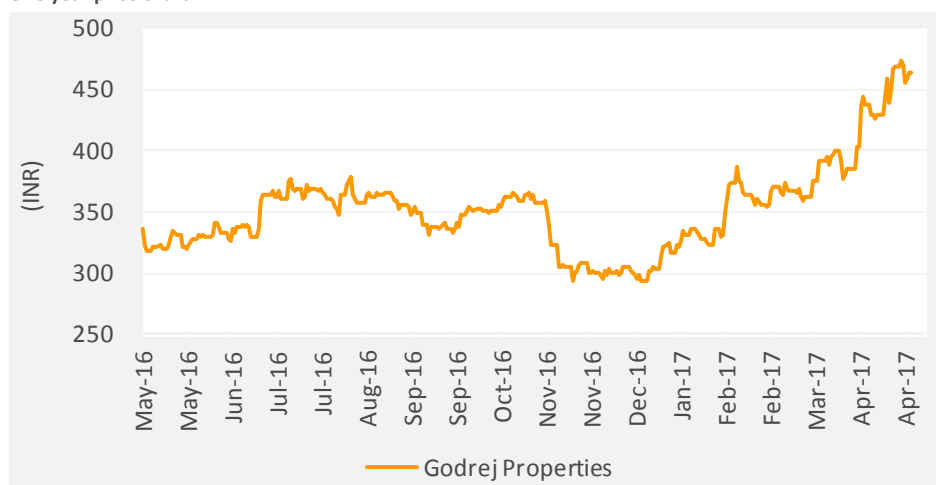
##### Edelweiss Research Coverage Universe

	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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