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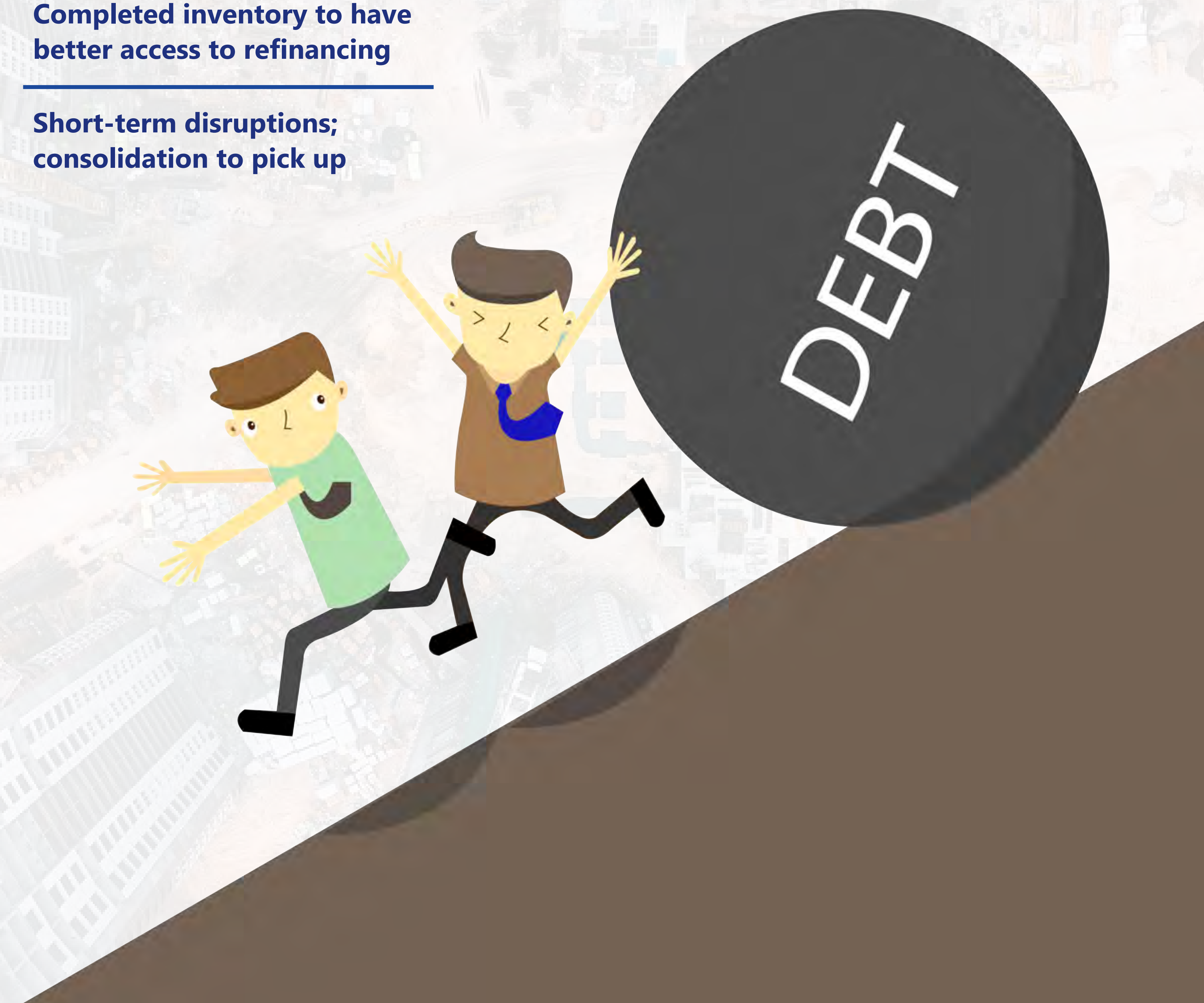
Sector Funding Risks: Buckle Up

NBFC funding to the sector: 45% CAGR over FY14-18

Completed inventory to have better access to refinancing

Short-term disruptions; consolidation to pick up



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Abhishek Anand
abhishek.anand@jmfl.com
Tel: (91 22) 6630 3067

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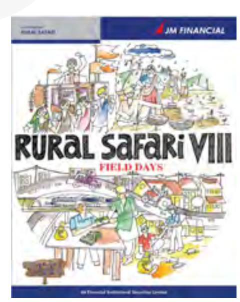

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Sector Funding Risks: Buckle Up

Over the last month, concerns have emerged on liquidity in the system, especially for Non-Banking Financial Institutions (NBFCs). Construction/project financing has been an essential component for real estate (RE) developers facing declining demand and lower cash flows. NBFC funding to developers posted a 35% CAGR over FY16-18 as companies faced operating cash deficits. With an increase in funding costs and fewer refinancing lines, developers would need to increase collections to meet the shortfall. We believe the next 6-12 months could be an attractive period for investors to take exposure in RE as prices are expected to rationalise in the near term.

We build in higher cap rates for commercial projects while taking a realisation cut of 5-10% in FY20 to factor the current trend of discount and short-term disruptions in sector funding. With sector stocks correcting by 40% YTD, concerns on rising rates have been factored in. While we expect RE stocks to remain volatile in the current environment, we recommend accumulating companies with strong balance sheets and robust execution capabilities. A strong balance sheet would not only help companies face short-term liquidity constraints, but also help them expand portfolios with favourably valued deals. Our top picks in the sector are Oberoi Realty and Godrej Properties.

NBFC funding to RE: 45% CAGR over FY14-18

Despite tough operating environment, the RE sector has received >INR 4,000bn funds from banks and NBFCs. While bank funding to developers was reported to post a 4.7% CAGR over FY14-18, NBFCs reported a 45.3% CAGR. NBFC market share in developer financing increased from 24% at end-FY14 to 53% as of Mar'18. A recurring operating deficit and material increase in leverage implies that a portion of funding has been utilised to meet construction costs as well interest outgo for existing debt/current debt. In such a scenario, availability of funding is an essential part of business continuity. As funding availability become difficult and expensive, we could see a break in the cycle as pressing refinancing needs could drive price cuts.

Completed inventory to have better access to refinancing

In our model case, we identify project funding risks as demand slows and execution risks emerge. Our analysis suggests that projects with fewer execution slippages would have a much higher funding cover as against projects that face execution delays. The net receivables-to-loan ratio (RTL) declines during the construction period but improves after project delivery as completed units have a better value proposition for end users in the current environment (stagnant to declining prices, no execution risk, no GST, etc.).

Delayed projects at key risk

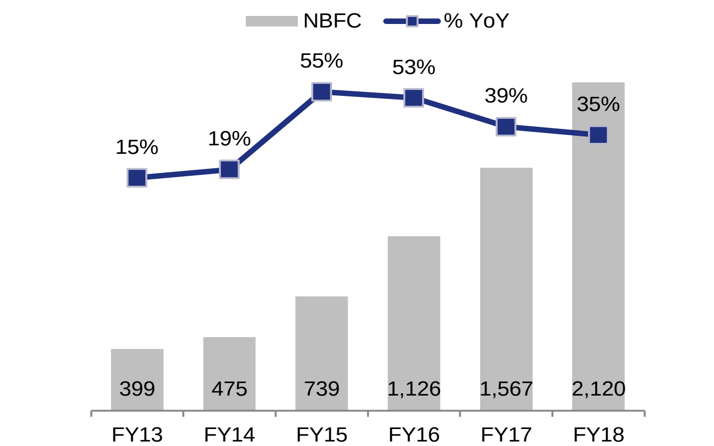
In case of execution delays, funding for loan servicing – interest during construction on loans already availed – would lead to a higher burden on cash flows and reduce the RTL cover available for financial institutions (FY12-14). In a declining interest rate scenario (FY15-18), the RTL cover improves on refinancing as rates are lowered. However, muted demand for delayed projects results in a higher requirement of debt needed for servicing the working capital deficit, interest servicing and debt refinancing. Lower refinancing and increase in funding costs would have the maximum impact on under-construction projects, in our view, and could lead to default on obligations.

Short-term disruptions likely; consolidation pace to pick up in the medium term

We expect availability of funds for last-mile completion of projects and completed projects if sufficient RTL cover is available. However, on continuation of tight liquidity, we could see tier 2/3 developers reducing property prices of under-construction and/or completed projects to improve liquidity and meet servicing obligations. While price reduction in under-construction projects is unlikely to impact tier 1 developers (unlikely to attract end users), cuts in completed inventory would have sector-level repercussions. The intensity and timeline of the correction is contingent on the availability of credit lines and improvement in operations.

Focus Charts

Exhibit 1. NBFC funding gained market share in the last 4 years

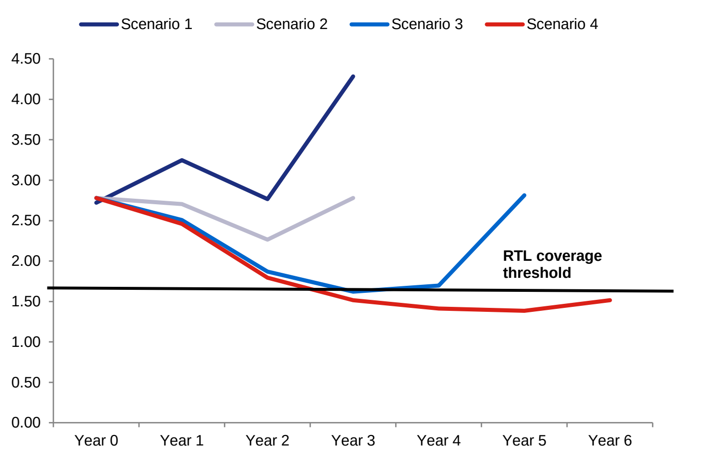


Source: Industry, JM Financial

Exhibit 2. Rising yields, lower liquidity to impact developers

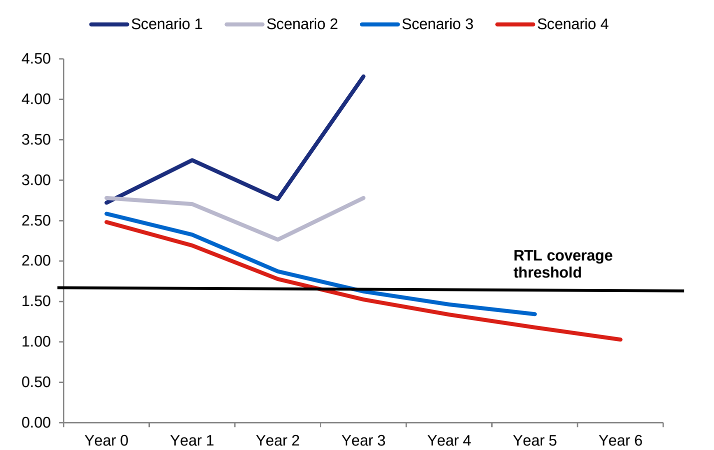
Source: Industry, JM Financial;

Exhibit 3. Case- Execution as per timeline: Better cover available for FIs if completion on time



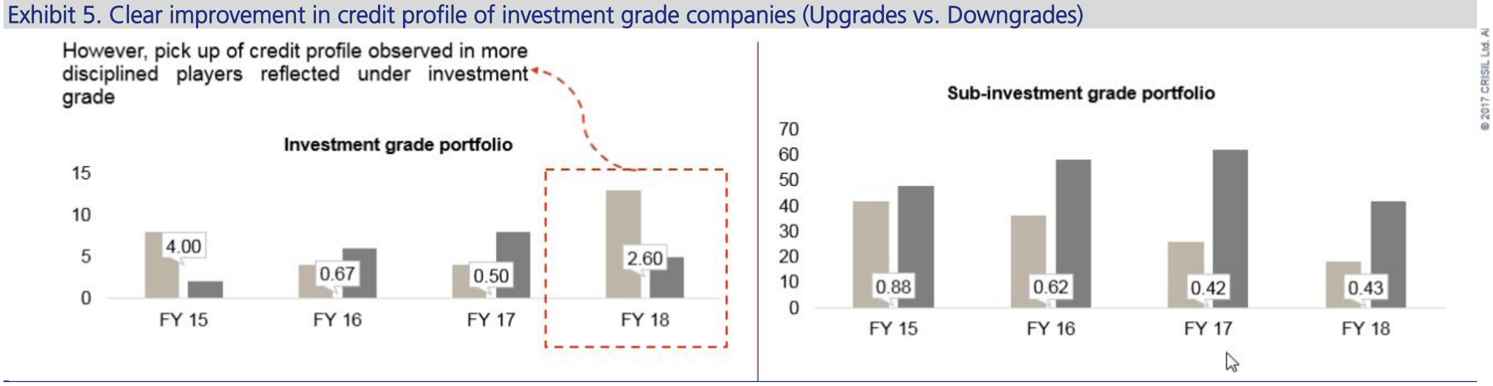
Source: Industry, JM Financial

Exhibit 4. Case- Execution delayed to meet cash flows: Cover deteriorates will higher probability of default



Source: Industry, JM Financial;

Exhibit 5. Clear improvement in credit profile of investment grade companies (Upgrades vs. Downgrades)



Source: CRISIL

Model Case - Analysis of creditworthiness across the project lifecycle

- We have analysed the credit-worthiness of a real estate project by varying two parameters - 1) Sales and 2) Execution.
- The JM real estate model factors in the following key assumptions and we present a brief snapshot of a scenario (4 years of execution and 6 years of sales). We assume sales to be equally divided across years.
- We monitor the RTL ratio at the end of each year. As the ratio declines below 2, the credit-worthiness declines lower than the comfort level of financial institutions. RTL<1 implies a scenario of default.

Exhibit 6. Key parameters

Area (msf)	1.0
Realisation (INR/sf)	5,200
Construction Cost (INR/sf)	2,500
Overheads (INR/sf)	10% of sales
Land Cost (INR/sf)	1,000
Margin (INR/sf)	1,180
Operating Margin (%)	23%
Interest during construction (%)	15%

Source: JM Financial

Exhibit 7. Model project working for 4-year execution and 6 years for sales completion

Year->	Land Acquisition	Year taken for approvals	1	2	3	4	5	6
Sales Schedule			17%	17%	17%	17%	17%	17%
Sales Volume (msf)			0.17	0.17	0.17	0.17	0.17	0.17
Construction Schedule			5%	32%	32%	32%		
Construction (msf)			0.05	0.32	0.32	0.32		
Realisation (INR/sf)			5,200	5,200	5,200	5,200	5,200	5,200
% YoY				0%	0%	0%	0%	0%
Sales Value (INR mn)			867	867	867	867	867	867
Construction Cost (INR/sf)			2500	2,625	2,756	2,894	3,039	3,191
%YoY				5%	5%	5%	5%	5%
Construction (INR mn)			125	831	873	916	0	0
Overheads (INR mn)			87	87	87	87	87	87
Collection Schedule			30%	20%	20%	30%		
Cash Flows								
Cash Inflow (INR mn)			260	607	953	1,647	867	867
Construction Cost			-125	-831	-873	-916		
Overheads			-87	-87	-87	-87	-87	-87
Land Cost	-1000							
Debt	500							
Interest cost*	-90	-106	-104	-113	-176	-204	-138	-42
Net Cash flows	**-590**	**-106**	**-56**	**-424**	**-183**	**440**	**642**	**738**
Net Receivables to Loan Ratio Calculations (RTL)								
Receivables		0	607	867	780	0	0	0
Unsold Inventory		5,200	4,333	3,467	2,600	1,733	867	0
Construction Cost pending		3,266	3,054	2,136	1,176	173	87	0
Net Receivables +Inventory-Construction Cost (a)		1,934	1,886	2,197	2,204	1,560	780	0
Loan- (b)		696	752	1,176	1,359	919	277	0
Value to loan (a) / (b)		**2.78**	**2.51**	**1.87**	**1.62**	**1.70**	**3.13**	

Source: Industry, JM Financial * Land Stage 18% cost of debt; Construction Finance at 15%

Case A - Muted demand impacts project sales; execution remains robust

In this scenario we assume that the developer completes execution in the projected timeline; however, the sales period varies and the project has no realisation growth.

Scenario 1: As the developer starts the project with 20% EIRR (Equity IRR) assuming 5% price and cost escalations. The cash flows offer comfortable cover for financial institutions. We expect easier refinancing terms as the project proceeds towards completion.

Scenario 2: However, the current market environment impacts realisation growth, leading to a decline in expected EIRR from 20% to 11%. Cash flows still remain comfortable for financial institutions.

Scenario 3: Sales don't pan out as expected. 2 additional years are required to sell completed inventory. Interest rate compounding impacts the project's EIRR. We expect relatively tough refinancing terms in year 3 and 4 of execution.

Scenario 4: A further delay in sales by a year. RTL remains below the comfort zone from Year 3, while debt will be serviced but the developer does not earn EIRR. Developers focused on building-brand and operating for a long time will continue to support the project.

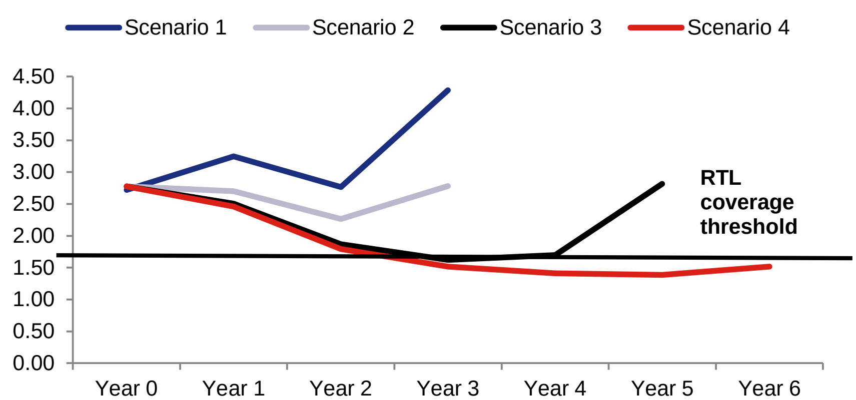
Based on our analysis, we see that projects with low execution volatility would have a much higher funding cover as against projects that face execution delays. The RTL ratio declines during the construction period but improves after completion as cash flows in from completed units. In addition, completed units have a better value proposition for end users in the current environment (stagnant to declining prices, no execution risk, no GST, etc.). We expect completed projects to have better access to capital as cover for financial institutions is much more predictable.

Exhibit 8. Scenarios considered

Coverage Ratio	Realisation growth per annum	Sale Period (years)	Construction Period (years)	EIRR	Debt Serviceability	Comment
Scenario 1	5%	4	4	20%	Yes	Base case of price escalations resulting in EIRR of 20%
Scenario 2	0%	4	4	11%	yes	No growth in realisation still keeps EIRR in double digits
Scenario 3	0%	6	4	-1%	Yes	Muted demand impacts EIRR with 3rd and 4th year funding parameters slightly stretched; developer does not recover investment
Scenario 4	0%	7	4	-13%	Yes	Muted demand impacts EIRR with 4-6 year funding parameters stretched; does not recover investment

Source: Industry, Company

Exhibit 9. Net receivables to loan ratio



Source: Industry, JM Financial; Threshold for loan refinancing assumed at 1.66x

Case B - Project delayed in execution

Developer matches the execution schedule with demand schedule as availability of funds declines

In this scenario, we assume that the developer executes the project as per the sales schedule i.e. construction takes place to match collection receipts.

Scenario 1: The developer starts the project with 20% EIRR (Equity IRR) assuming 5% price and cost escalations. Cash flows offer comfortable cover for financial institutions. Expect easier refinancing terms as the project proceeds towards completion.

Scenario 2: However, the current market environment impacts realisation growth, leading to a decline in expected EIRR from 20% to 11%. Cash flows still remain comfortable for financial institutions.

Scenario 3: Sales do not pan out as expected. 2 additional years are required to sell completed inventory. The developer delays the project to reduce the construction outgo as refinancing is difficult. Interest rate compounding impacts the project's EIRR. Expect tough refinancing terms from year 3. RTL declines after year 3 below threshold levels.

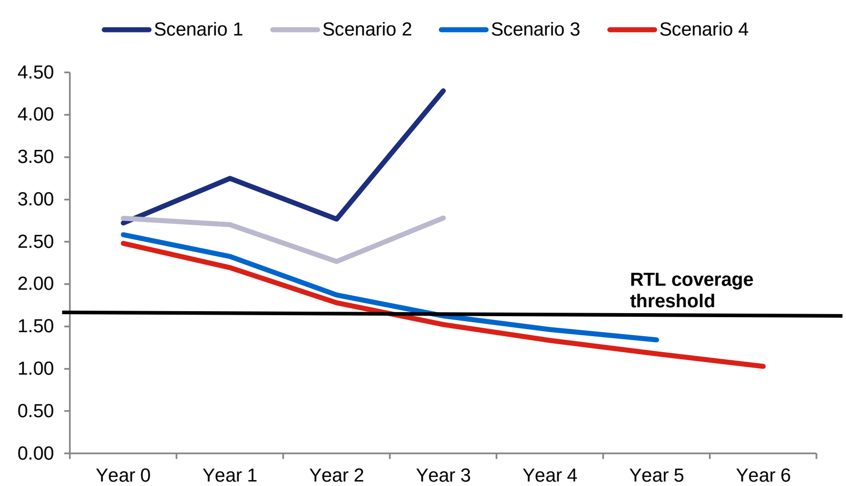
Scenario 4: Further delay in sales and execution by a year. RTL remains below the comfort zone from year 3. Delay in execution leads to compounding of servicing cost, thus leading to unserviceable accumulated debt. Recovery of debt likely if the project is completed (end-user demand improves) and pricing recovers. Developer does not recover any investment from the project.

Exhibit 1. Rising yields stretch the balance sheet further

Coverage Ratio	Realisation growth per annum	Sale Period (years)	Construction Period (years)	EIRR	Debt Serviceability	Comment
Scenario 1	5%	4	4	20%	Yes	Base case of price escalations resulting in EIRR of 20%
Scenario 2	0%	4	4	11%	yes	No growth in realisation still keeps EIRR in double digits
Scenario 3	0%	6	6	-12%	Yes	Delays in project execution; credit profile deteriorates from year 4; does not recover investment; Able to service debt
Scenario 4	0%	7	7	NA	No	Additional year of delay leads to default on debt

Source: Industry, Company

Exhibit 2. Net receivables to loan ratio deteriorate post year 3



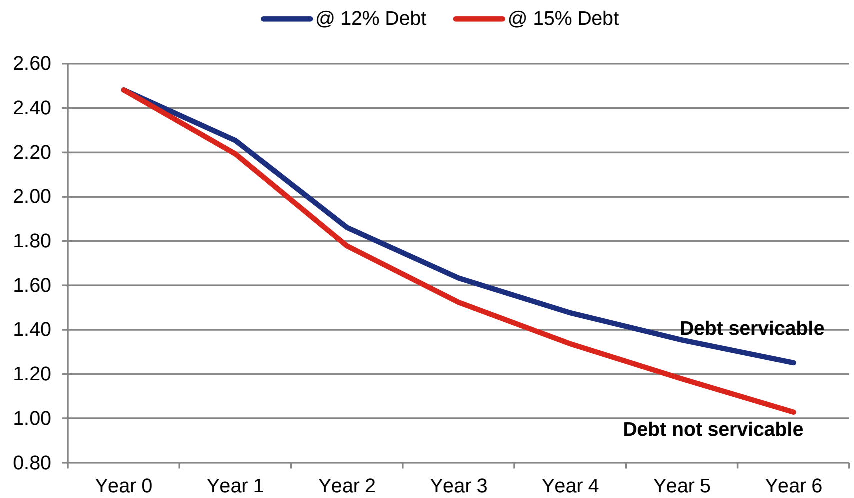
Source: Industry, JM Financial Threshold for loan refinancing assumed at 1.66x

- In case of execution delays, funding for loan servicing – interest during construction on loans already availed – would lead to a higher burden on cash flows and reduce the RTL cover available for financial institutions (FY12-14).
- In a declining interest rate scenario (FY15-18), the RTL cover improves on refinancing as rates are lowered. However, muted demand for delayed projects (limited end-user demand) results in higher requirement of debt needed for 1) servicing the working capital deficit, 2) interest servicing and 3) debt refinancing.

Role of interest rates:

- We further analysed how the RTL ratio changes under different interest rate regimes. While we analysed a regime of 15% construction finance rates in the scenarios above, refinancing has been prevalent as the interest curve has been on a decline since 2014.
- The exhibit below shows how RTL varies in two interest rate regimes

Exhibit 3. Falling interest rate scenario had improved refinancing economics



Source: JM Financial, Industry

Exhibit 4. India 10 year G-Sec yields: Increase in yields to increase cost of funding

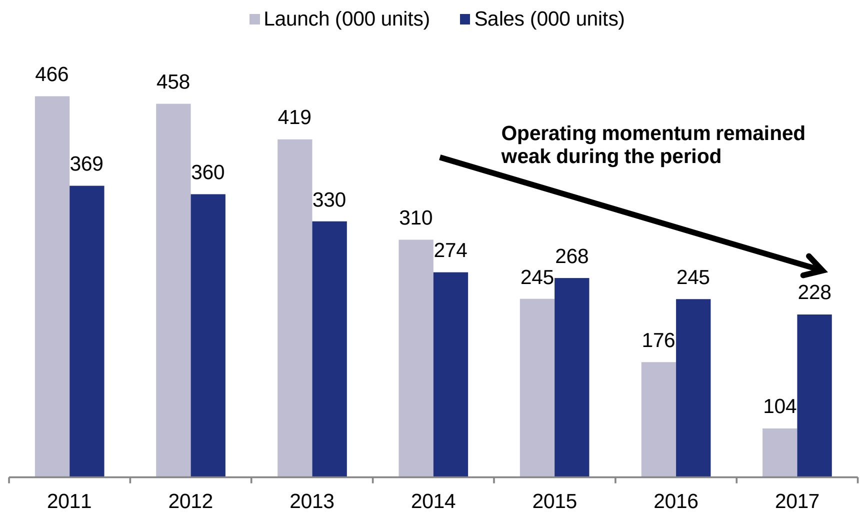
Source: Industry, JM Financial

- With an increase in interest rates, RTL will be recalculated on higher rates factoring in the increase in cost of funds and risks involved in delayed projects. Lowering of liquidity would impact the under-construction project the most, in our view, with lower financing channels available and could lead to default on obligations. A resolution in such cases is possible only if market pricing recovers to cover the loan or the developer infuses capital to protect the brand name. However, we do not expect equity IRRs in such a scenario.

Real Estate Sector and funding – Operationally tough 5 years

- The RE sector has witnessed a significant decline in sales and launches (as a result). Muted demand was the key reason behind the decline in real estate activity. Demonetization (Nov'16), RERA enactment (May'17) and GST implementation (Jul'17) also contributed to the decline in launch activity in 2017.

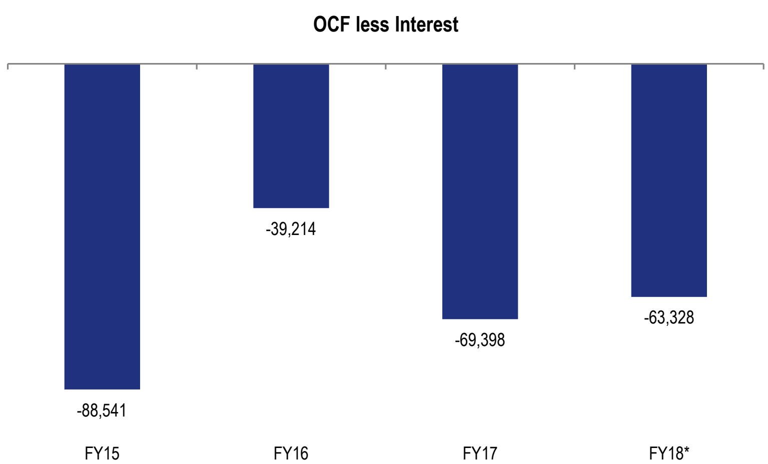
Exhibit 5. Declining sales and launches have led to a significant decline in real estate activity



Source: Knight Frank, JM Financial

- Muted demand has resulted in a significant operating cash flow deficit at the sector level. Key listed and unlisted companies – accounting for debt of c.INR 1,050bn – have reported operating cash flows significantly below interest servicing costs over the last 4 years.

Exhibit 6. Sector funding deficit over the last 4 years (INR mn)



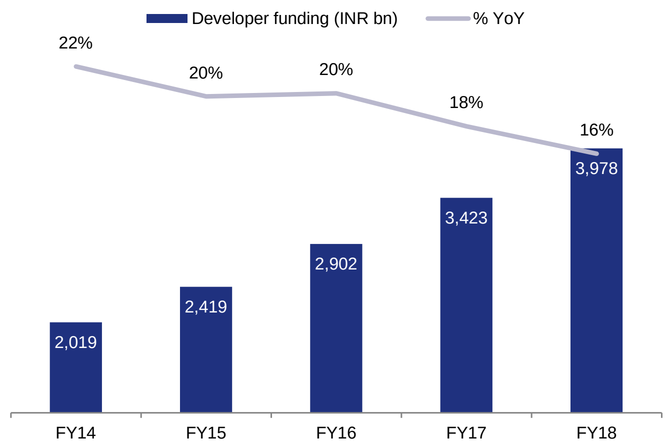
Source: Capitaline, Company *FY18 OCF considered ex- DLF-GIC transaction

- While we believe sales have bottomed out in the real estate sector, the market still remains an end-user or long-term market. Recent reports of improvement in housing sales (Prop Equity report suggests 6% increase in housing sales in Jul-Sep'18 qtr- Source) are good signs for the revival of home sales. However, inventory liquidation would still take 3 years at the current sales pace.

Funding to the RE sector

- Despite the tough operating environment, we see a significant increase in debt given to the sector. Funding reported an 18% CAGR (Bank funding + Select NBFCs) during FY14-18.

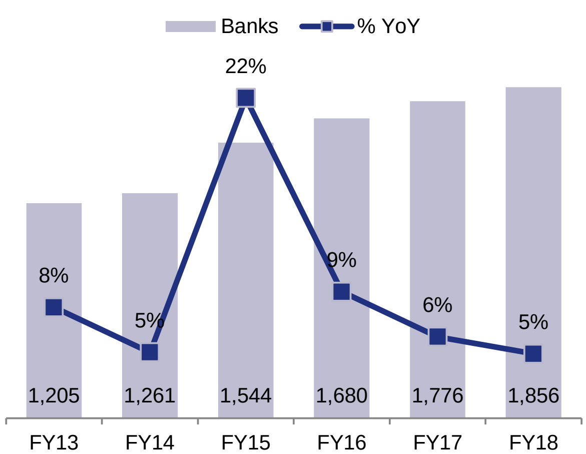
Exhibit 7. Funding to the sector - 18% CAGR over FY14-18



Source: Industry, JM Financial- NBFC/HFC book analysed- HDFC Ltd, Piramal, Indiabulls, PNB housing, L&T finance, Dewan Housing, LIC housing, JMF Financial, Edelwiss, IIFL

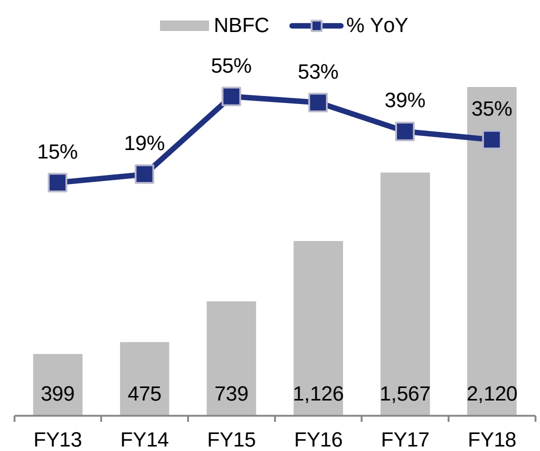
- While bank funding to developers was reported to post a 4.7% CAGR during the same period, NBFCs reported a 45.3% CAGR. NBFC market share in developer financing has increased from 24% at end-FY14 to 53% as of Mar'18.

Exhibit 8. Bank funding remained stable (INR bn)



Source: Industry, JM Financial

Exhibit 9. NBFC funding gained market share in the last 4 years (INR bn)



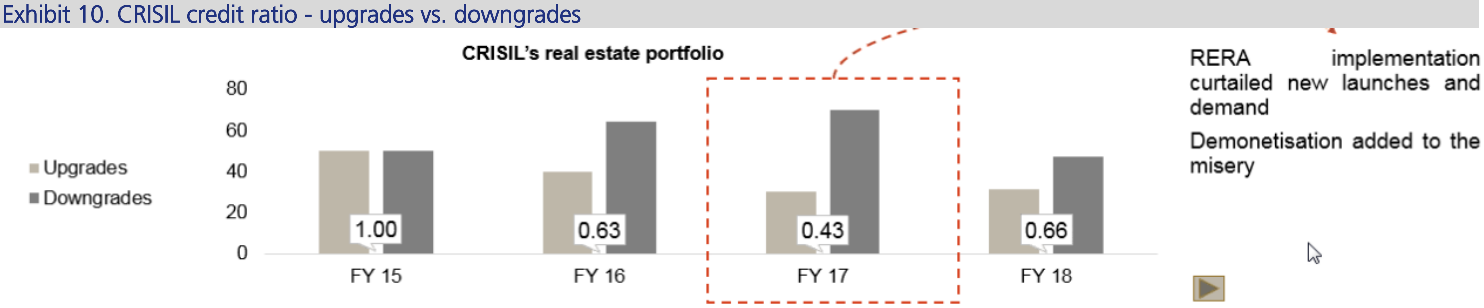
Source: Industry, JM Financial;

- A recurring operating deficit (Exhibit 6) and material increase in leverage implies that a portion of funding has been utilised to meet construction costs as well interest outgo for existing debt/current debt. In such a scenario, the availability of funding is an essential part of business continuity. If funding availability remains benign, developers have limited incentives to cut prices (hope of recovery, investors could cancel on price cuts, financial institutions cover declines, etc.). However, as funding availability become difficult and expensive, we could see a break in the cycle as pressing refinancing needs could drive price cuts.
- Other channels to raise capital are private equity deals and public listing. While private funding has been available, a lot of capital has been attracted by the commercial segment.

Credit Risk - Clear differentiator between developers

- Based on a recent presentation by CRISIL, we analyse the upgrade/downgrade ratio among companies covered by the company (650 developers). We believe the trend gives a clear idea of where the stress could be expected as funding declines.
- The exhibit below shows the consolidated upgrade-to-downgrade ratio in the real estate sector over the last 4 years. Clearly, the ratio of downgrades has increased after FY15, while FY17 considered the negative impact of RERA and Demonetization.

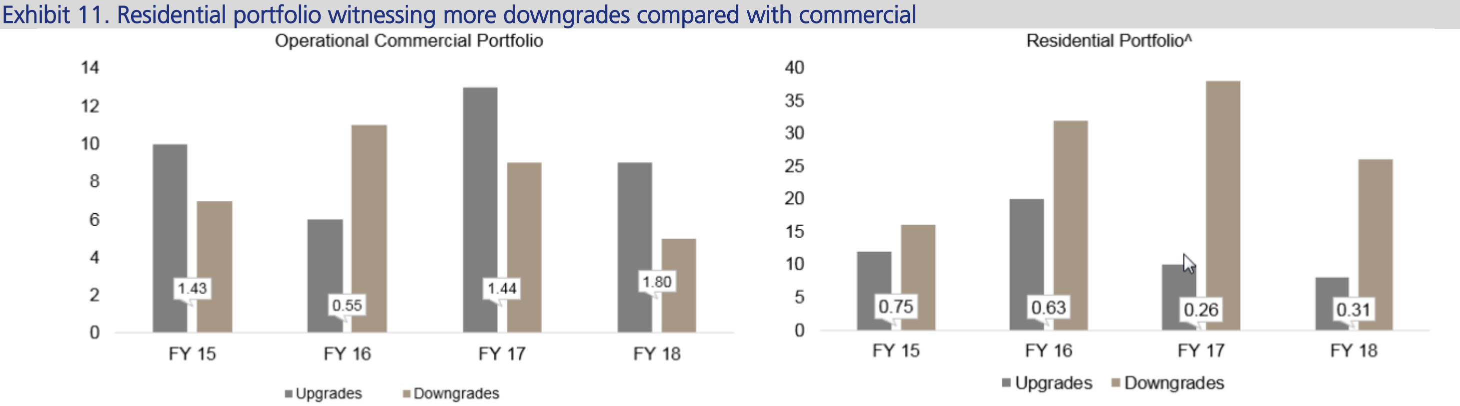
Exhibit 10. CRISIL credit ratio - upgrades vs. downgrades



Source: CRISIL, JM Financial

- The exhibit below shows the downgrades primarily arising in residential segment as against the commercial segment. However the number of companies in the commercial segment was significantly less than that in the residential segment.
- While the total loan book in lease rental discounting is not available, we believe the lease rental discounting loan book will be c.INR 1,400bn, forming c.34% of the total lending book. We base our estimate on 466msf of office leased area with an annual rental of INR 86/sf/month (Source CBRE).

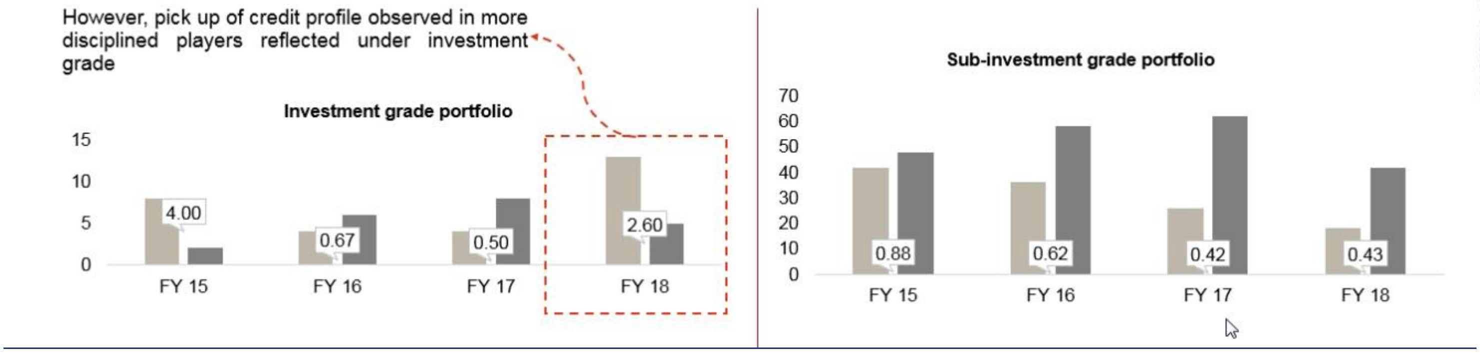
Exhibit 11. Residential portfolio witnessing more downgrades compared with commercial



Source: CRISIL

- An important takeaway from the CRISIL presentation was the difference in credit profile of investment grade real estate companies (BBB- credit rating) and the sub-investment grade portfolio. As seen below, the quantum of companies facing a downgrade in sub-investment grade is significantly higher than that in investment grade.
- This clearly implies that the developers with strong balance sheets have been improving their credit profiles, thus receiving better access to funds.
- Sub-investment grade slippages in credit risk impacts the developer's ability to raise capital and increases the cost of funding.

Exhibit 12. Clear improvement in credit profile of investment grade companies (Upgrades vs. Downgrades)



Source: CRISIL

Exhibit 13. Ratings of some real estate developers

Co_Name	Rating Date	Rating	Rating By	Credit facility (INR mn)
Ansal Housing	21/09/2018	D(ind)	DCR India	6,111
Ansal Properties	04/04/2018	D	CARE	17,369
Arihant Super.	24/03/2017	BBB-	CARE	2,558
Ashiana Housing	30/05/2018	A+	BRICKWORK	887
Brigade Enterpr.	30/04/2018	A	CRISIL	25,763
CHD Developers	16/08/2017	BBB	CARE	1,751
CHD Developers	16/08/2017	BBB	CARE	1,751
D S Kulkarni Dev	30/06/2017	D	CARE	5,468
DLF	18/01/2018	A+	CRISIL	2,92,022
Emaar MGF	04/05/2017	BB	CARE	46,118
Godrej Properties	10/09/2018	AA	ICRA	2,500
Lancor Holdings	08/01/2018	BBB-	CRISIL	1,506
Leading Mumbai Developer	16/07/2018	A	BRICKWORK	1,38,347
Mahindra Life.	30/12/2017	AA-	CRISIL	6,516
Manjeera Constr.	31/08/2018	C	ICRA	4,120
Oberoi Realty	06/11/2017	AA+	CARE	8,686
Prestige Estates	06/07/2018	A1+	ICRA	57,394
PSP Projects	05/01/2018	A	CARE	750
PSP Projects	05/01/2018	A1	CARE	750
Puranik Builders	12/05/2017	BBB+	CARE	8,224
PVP Ventures	12/03/2018	BB	BRICKWORK	3,024
Sobha	05/04/2018	A	CARE	22,220
Sunteck Realty	15/06/2018	AA-	CARE	9,437
Supertech	10/10/2018	D	BRICKWORK	18,664.4
Swan Energy	19/04/2017	BB	CARE	8,209
Vatika Ltd	17/10/2017	BB	CARE	3,701.4
Vipul Ltd	29/11/2017	BB	CARE	4,575

Source: Industry, JM Financial

What to expect- Prices expected to rationalise as funding remains the key monitorable

- Funding for real estate projects has been the key for developers facing tough operating cycles. Continuous operating deficits and a material increase in leverage implies that a portion of funding has been utilised to meet the operations as well as interest costs for servicing the current debt. In such a scenario, availability of funding is an essential part of business continuity.
- **Price cut a measure of last resort:** If funding availability remains benign, developers have limited incentives to cut prices as a cut in price 1) impacts the cover available for financial institutions; 2) increases probability of investors cancelling bookings; and 3) does not necessarily lead to demand uptick and could fuel expectations of a further price decline.
- However, as funding availability become difficult and expensive, we could see a break in the cycle as pressing refinancing necessitates higher collection, which can be theoretically achieved by price rationalisation.

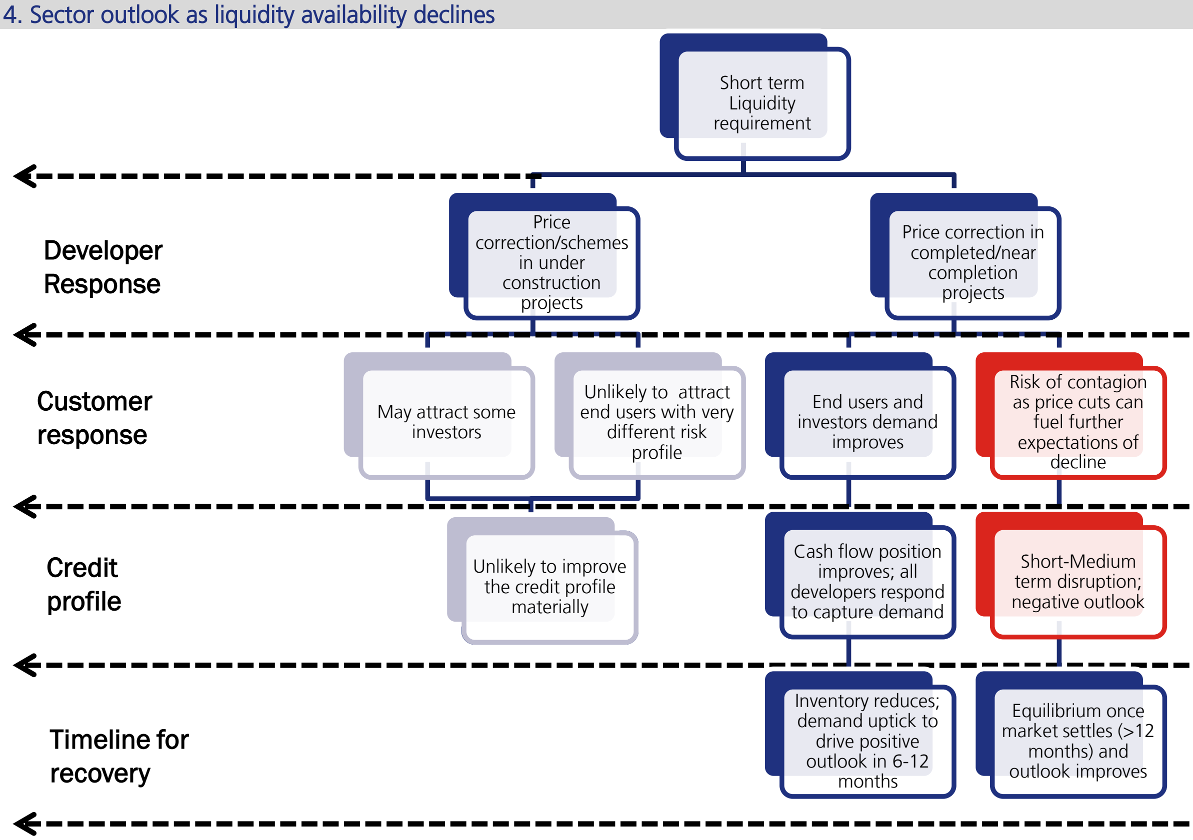
Funding availability key monitorable

- Early indications and channel checks suggest that developer funding is unlikely to continue at the pace we have seen over the last 4 years. This, in our view, could lead to short-term disruption in the cycle, where prices could rationalise in the next 6-12 months.

Prices could rationalise in short term

- In an ideal scenario, developers with strong balance sheets would face limited impact of liquidity tightening. We believe while under-construction price correction is unlikely to impact branded developer sales, any price correction in completed inventory would impact all developers.
- A scenario of liquidity tightening would result in developer or financial institutions selling properties that are marketable in the current environment. With end users being key buyers, we expect builders offering more schemes and discounts on ready projects or near-completion projects to improve cash flows. As end-use demand gets activated, we could reach a market equilibrium sooner than previously expected (See our note "The times, they are a-changin'" dated 17Apr'18).

Exhibit 14. Sector outlook as liquidity availability declines

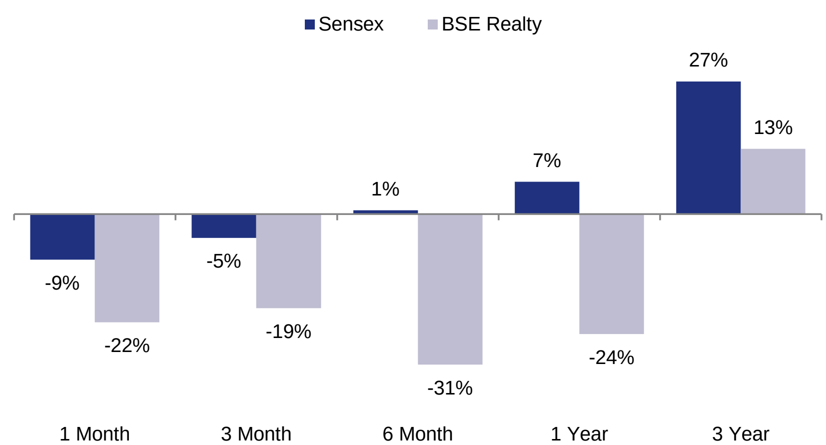


Source: JM Financial

What are we changing - Factoring short-term disruptions

- With an expectation of prices moderating in the short term, we reduce realisation across companies by 5-10%.
- We increase the discounting factor to incorporate a higher cost of borrowing and sector risks. We value commercial projects at an implied cap rate of 9%.
- We continue to maintain the thesis of sector consolidation. While the market will attribute limited weightage to going concern value in the short term, gradually, market valuation would incorporate the business development value if volume growth is reported by branded developers.
- A scenario of liquidity tightening would result in developer or financial institutions selling properties that are marketable in the current environment. With end users being the key buyers, we expect builders offering more schemes and discounts on ready projects or near-completion projects to improve cash flows.
- The Real Estate sector has gone through a material correction over last 1 year, underperforming the market by 31%.

Exhibit 15. Real estate index has significantly underperformed broader market



Source: Bloomberg

Oberoi Realty- BUY TP INR 515

Broadly maintain sales velocity for Oberoi Realty as we expect company to launch Borivali Tower E (0.5msf), Goregaon Ph3 (2.5msf) and Thane (2-3msf) over next 4 quarters. In addition work has commenced on Worli and Borivali malls and Three Sixty West is in advance stage of completion. Pick up in sales of Three Sixty West will improve OBER cash flows.

We factor in 50bps increase in discounting rate for Oberoi and assume a price moderation of 10% in FY20.

Exhibit 16. Oberoi Realty SoTP

Project	Location	Area (mn sq ft)	NAV (INR mn)	Value per share (INR)	% of Total
Oberoi Exquisite	Goregaon(E)	1.54	1,388	4	1%
Oberoi Esquire	Goregaon(E)	2.12	11,489	32	6%
Oberoi Eternia	Mulund(W)	2.15	5,343	15	3%
Oberoi Enigma	Mulund(W)	1.99	4,925	14	3%
Oberoi Exquisite - III	Goregaon(E)	2.10	6,764	19	4%
Oberoi Exquisite - IV	Goregaon(E)	2.49	3,073	8	2%
Oasis Residential	Worli	2.31	17,886	49	10%
Oberoi Splendor Prisma	Andheri(E)	0.65	129	0	0%
Sky City- Borivali Ph 1	Borivali	2.03	7,705	21	4%
Sky City- Borivali Ph 2	Borivali	2.57	10,628	29	6%
Oberoi Thane	Thane- Pokharan	12.00	33,551	92	18%
Residential Total		**32.28**	**1,02,899**	**283**	**55%**
Commercial for Sale Total		**0.91**	**2,107**	**6**	**1%**
Commerz I	Goregaon(E)	0.36	4,871	13	3%
Commerz II - Phase I	Goregaon(E)	0.73	8,505	23	5%
Commerz II - Phase II	Goregaon(E)	2.30	2,345	6	1%
Oberoi Mall	Goregaon(E)	0.55	13,475	37	7%
Sky City Mall	Borivali	1.56	9,577	26	6%
Worli	Worli	1.02	8,192	23	5%
Commercial for Lease Total		**6.66**	**47,181**	**130**	**21%**
Social Infra Total		**1.98**	**5,247**	**14**	**3%**
The Westin Mumbai	Goregaon(E)	0.38	6,312	17	3%
Oasis Hotel	Worli	0.34	4,427	12	2%
Hotels Total		**0.72**	**10,739**	**30**	**6%**
Enterprise Value		**42.55**	**1,68,174**	**463**	**91%**
Net Debt			1,279	4	1%
NAV		**42.55**	**1,66,894**	**459**	**89%**
Business development value			19,389	53	10%
Equity Value		**42.55**	**1,86,283**	**515**	**100%**

Source: Company, JM Financial

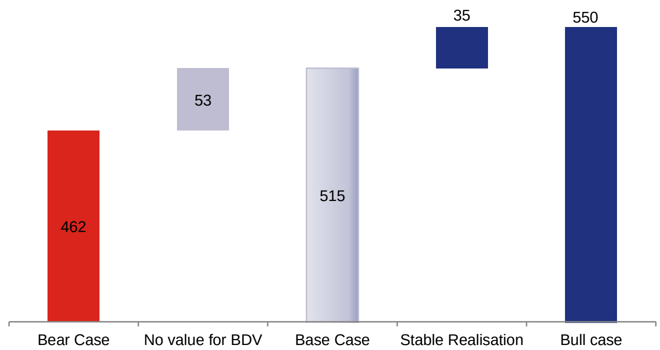
Key triggers

- Land bank acquisition, Thane project launch, development of strong retail portfolio through Worli and Borivali projects, better than expected sales velocity

Key risks

Higher than expected moderation in prices, rising interest rates, limited portfolio addition over next 12 months

Exhibit 17. Valuation spread (INR)



Source: Company, JM Financial

Bear case: We don't attribute any value to business development. We continue to factor in 10% realisation decline in FY20. This scenario will pan out if the demand recovery is elongated despite property price rationalisation.

Bull case: No FY20 realisation cut factored in. Scenario to pan out if the market has quick recovery and limited impact on organised/branded developers.

Godrej Properties- BUY TP INR 680

Maintain our assumption of 5% market share across geography for GPL by FY23. We moderate sales expectations in FY19/20 to INR 44.3/61.5bn (from INR 52.1/77.1bn).

We expect good opportunity for business development over next 12 months. As GPL has raised INR 10bn in FY19, the company is well placed to tap the market

Exhibit 18. Godrej Properties SoTP

NET CASH FLOWS	Present Value	Per Shr
Residential Projects	85,705	374
Commercial Projects	7,065	31
Development Manager Value	14,271	62
Vikhroli	43,419	189
The Trees Commercial	4,193	18
BDV	34,887	152
Gross Value	**1,89,539**	**827**
Staff Costs	5,995	26
Other Expenses	10,303	45
Taxes	2,008	9
Total Overheads and Taxes	18,306	80
Net Value	**1,71,233**	**747**
Net Debt	15,194	66
Target Price	**1,56,039**	**680**

Source: Company, JM Financial

We factor in 50bps increase in discounting rate for GPL and assume a price moderation of 10% in FY20.

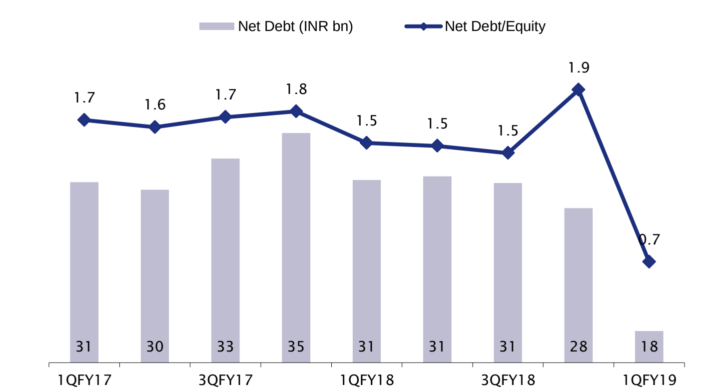
Key triggers

- Portfolio addition, Vikhroli land parcel development plan, market share gains across geographies

Key risks

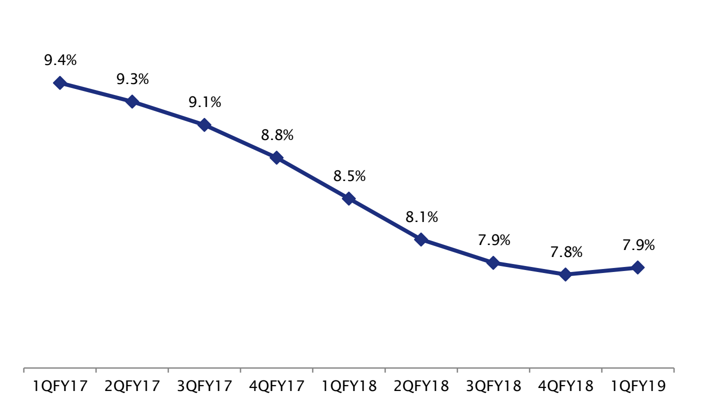
- Higher than expected moderation in prices, limited portfolio addition over next 12 months, low profitability in existing portfolio

Exhibit 19. Comfortable leverage



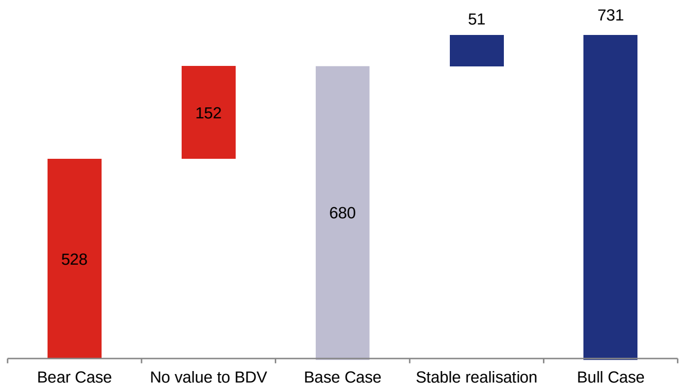
Source: Industry, JM Financial

Exhibit 20. Access to low cost of fund



Source: Industry, JM Financial

Exhibit 21. Valuation Spread



Source: Company, JM Financial

Bear case: We don't attribute any value to business development. We value Vikhroli land parcel at INR 189/share. We continue to factor in 10% realisation decline in FY20. This scenario will pan out if the demand recovery is elongated despite property price rationalisation.

Bull case: No FY20 realisation cut factored in. Scenario to pan out if the market has quick recovery and limited impact on organised/branded developers.

Prestige Estates- BUY TP INR 260

We factor in price rationalisation in FY20 by 10% and reduce the commercial real estate value implying a cap rate of 9% for completed projects.

Increase in debt is a key concern in PEPL. We believe strong commercial portfolio will support a debt of c.INR 40-45bn. However further increase in debt could lead to material decline in margins for residential projects and impact cash flows. Stake sale in commercial or hospitality to improve balance sheet will be a positive development.

Exhibit 22. Prestige Estates SoTP

	Value INR mn	INR/sh
Development Business	93,013	248
Rental Business	96,876	258
Total	**1,89,890**	**506**
Staff Costs	-16,321	-44
Other Expenses	-11,958	-32
Taxes	-7,604	-20
Enterprise Value	**1,54,006**	**411**
Net Debt	-68,723	-183
BDV	12,377	33
Equity Value	**97,660**	**260**

Source: Company, JM Financial

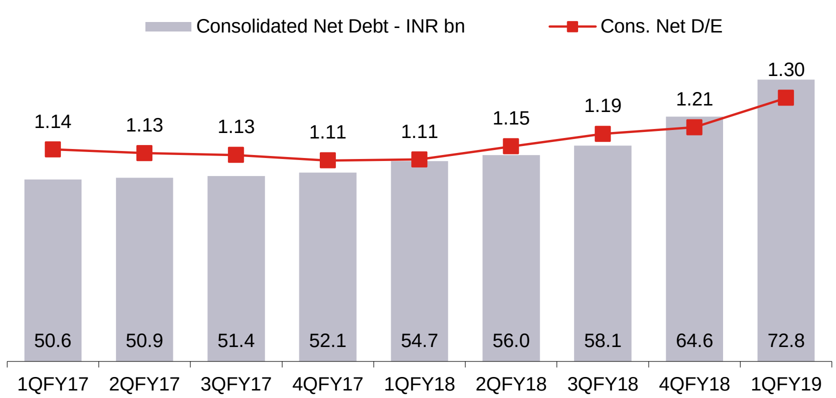
Key triggers

- Improvement in pre-sales, capital unlocking in commercial/hotel segment

Key risks

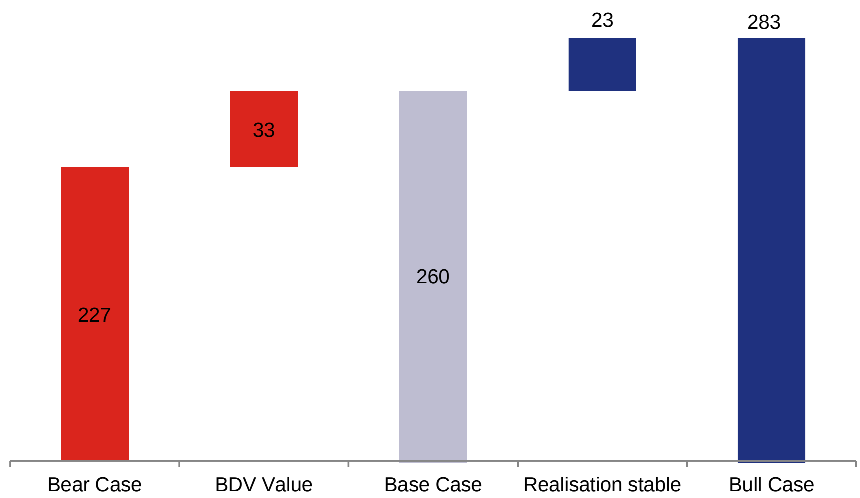
- Further increase in debt, continued sluggishness in sales velocity, low profit margins in residential segment

Exhibit 23. Increase in net debt a key concern



Source: Company, JM Financial

Exhibit 24. Valuation Spread (INR)



Source: Company, JM Financial

Bear case: We don't attribute any value to business development. We continue to factor in 10% realisation decline in FY20. This scenario will pan out if the demand recovery is elongated despite property price rationalisation.

Bull case: No FY20 realisation cut factored in. Scenario to pan out if the market has quick recovery and limited impact on organised/branded developers.

Sobha Ltd- BUY TP INR 470

Company has reported material improvement in pre-sales over last few quarters indicating market share gains.

However, as company enter commercial segment we could see cash flow drag going forward. With funding costs expected to rise, increase in debt from current levels could reduce company's balance sheet flexibility to participate in business development

Exhibit 25. Sobha SoTP

	mn sq ft	INR mn	Rs/sh
Real estate business	16	28,905	305
BDV/Land	204	33,726	356
Contract business		7,263	77
SOTP Value		**69,893**	**737**
Net Debt		25,295	267
Target Price – Sep'19			**470**

Source: Industry, JM Financial

Key triggers

- Improvement in pre-sales, Hoskote launch, affordable housing project launch

Key risks

- Further increase in debt on commercial segment capex, sluggishness in sales velocity

Exhibit 26. Valuation Spread (INR)

Source: Company, JM Financial

Bear case: We don't attribute any value to business development. We value land at book value. We continue to factor in 10% realisation decline in FY20. This scenario will pan out if the demand recovery is elongated despite property price rationalisation.

Bull case: No FY20 realisation cut factored in. Scenario to pan out if the market has quick recovery and limited impact on organised/branded developers.

Phoenix Mills- BUY TP INR 620

We are factoring in 50-100bps higher implied cap rates for retail malls. With increase in cost of funding we expect moderation in valuation and rise in interest expense.

We factor in 10% lower realisation for residential segment.

Exhibit 27. Phoenix Mills SoTP

	Total Value (INR mn)	Stake	Phoenix's Share (INR mn)	INR /share	% of Total
High Street Phoenix	**30,390**	**100%**	**30,390**	**199**	**32%**
PMC Kurla	7,330	100%	7,330	48	8%
PMC Pune	13,634	100%	13,634	89	14%
PMC Bangalore	36,241	51%	18,483	121	19%
PMC Chennai	13,364	50%	6,684	44	7%
PMC Chennai	2,807	29%	823	5	1%
Acquisitions (Parent)	2,001		2,001	13.07	2%
Retail	**1,05,768**		**79,344**	**518**	**84%**
Hotel			3,392	22	4%
Commercial			4,762	31	5%
Residential			5,890	38	6%
Other Investments			1,565	10	2%
Total			**94,952**	**620**	**100%**

Source: Industry, JM Financial

Key trigger:

Completion of under construction projects;

Key Risks:

Increase in interest rates, muted consumption growth in retail assets

Snapshot of real estate corporate debt

Here is the list of companies and their debt last reported or available through channel checks

Exhibit 28. Company wise debt

Co_Name	Debt (INR bn)	Comment/Source
DLF	224.7	FY18 Listed
Omkar Realtors & Developers Private Limited (Omkar)	76.2	FY17 consol
Prestige Estates	74.2	FY18 Listed
Supertech Limited	70.3	Credit Lines as on date
Embassy	60.4	FY17 consol
Vatika Limited (Vatika)	54.0	FY17 consol
Wadhwagroup Holdings Private Limited (Wadhwa)	45.4	FY17 consol
Parsvnath Devl.	44.0	FY18 Listed
Godrej Propert.	37.0	FY18 Listed
Phoenix Mills	36.7	FY18 Listed
Nirmal Lifestyle Limited	34.6	Credit Lines as on date
Brigade Enterpr.	33.9	FY18 Listed
Unitech	29.1	FY18 Listed
Kanakia	29.0	FY17 consol
Raghuleela Builders Private Limited (Radius Developers)	26.4	FY17 Standalone
Anant Raj	26.0	FY18 Listed
Peninsula Land	24.2	FY18 Listed
Puravankara	23.8	FY18 Listed
Sobha	23.3	FY18 Listed
Adarsh	23.0	
H D I L	22.7	FY18 Listed
Ariisto Realtors	20.0	
Omaxe	18.0	FY18 Listed
M3M India Holdings Private Limited (M3M India)	17.8	FY17 consol
D B Realty	17.3	FY18 Listed
Oberoi Realty	16.9	FY18 Listed
Ozone Group	16.2	Includes FY17 consol debt of Tuscan consultants and Ozone Propex
Rajesh Construction Company Private Limited	15.3	FY17 consol
Shree naman developers private Limited (Shree Naman Group)	15.2	FY17 Standalone
Hubtown	15.1	FY18 Listed
Ansal Properties	13.4	FY18 Listed
Nitesh Estates	13.1	FY18 Listed
Prateek Buildtech (India) Private Limited - Prateek Group	12.5	FY17 consol
Runwal Developers Private Limited (Runwal)	11.7	FY17 consol
Shree Ram Urban	11.7	FY18 Listed
Century Real Estate	10.9	
Kumar Urban Development Private Limited (Kumar Urban)	10.7	Credit Lines as on date
Puranik Builders	10.7	Dec'17 Consol
Mantri Developers Private Limited (Mantri)	10.3	FY17 Standalone
Cornerstone	10.0	

Source: Industry,Capitaline, Company, JM Financial

Exhibit 29. Company wise debt- continued

Co_Name	Debt (INR bn)	Comment/Source
Orbit Corpn.	9.7	FY18 Listed
Swan Energy	9.1	FY18 Listed
ATS Infrastructure Limited (ATS)	8.3	FY17 consol
Shrist Infra	8.3	FY18 Listed
Manyata Developers Private Limited (Manyata)	8.2	FY17 consol
D S Kulkarni Dev	7.5	FY18 Listed
Satra Properties	7.3	FY18 Listed
Bhartiya City Developers Pvt Ltd (Bhartiya City Developers)	7.2	FY17 Standalone
Ganesh Housing	7.1	FY18 Listed
Kolte Patil Dev.	6.9	FY18 Listed
Vipul Ltd	6.6	FY18 Listed
Ansal Housing	6.3	FY18 Listed
Orris Infrastructure Private Limited (Orris Infrastructure)	6.2	Credit Lines as on date
Bestech India Pvt Ltd (Bestech)	5.9	FY17 consol
Mahagun (India) Private Limited - Mahagun Developers	5.9	FY17 consol
Sunteck Realty	5.7	FY18 Listed
Ajmera Realty	5.2	FY18 Listed
Neptune Developers Limited	5.1	Credit Lines as on date
Mahindra Life.	4.6	FY18 Listed
Man Infra	4.4	FY18 Listed
PVP Ventures	3.5	FY18 Listed
Prozone Intu	3.4	FY18 Listed
Vascon Engineers	2.8	FY18 Listed
Elpro Intl.	2.6	FY18 Listed
MVL	2.6	FY18 Listed
Arihant Super.	2.6	FY18 Listed
Lotus Greens Developers Private Limited (Lotus Greens)	2.4	FY17 consol
CHD Developers	2.1	FY18 Listed
Arih.Found.Hsg	1.8	FY18 Listed
Lancor Holdings	1.6	FY18 Listed
Ashiana Housing	1.4	FY18 Listed
Tirupati Sarjan	0.8	FY18 Listed
Ansal Buildwell	0.8	FY18 Listed
RDB Realty	0.7	FY18 Listed
Sumit Woods	0.5	FY18 Listed
SSPDL Ltd	0.4	FY18 Listed
Prakash Constro.	0.4	FY18 Listed
Supreme Holdings	0.4	FY18 Listed
TCI Developers	0.2	FY18 Listed
3P Land Hold.	0.2	FY18 Listed
Shervani Indl Sy	0.1	FY18 Listed
Mercantile Vent.	0.1	FY18 Listed
Total	1,452	

Source: Industry,Capitaline, Company, JM Financial

Financials

Oberoi Realty Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY16A	FY17A	FY18A	FY19E	FY20E
Net Sales	13,997	11,045	12,572	24,919	27,992
Sales Growth	53.7%	-21.1%	13.8%	98.2%	12.3%
Other Operating Income	84	92	82	86	91
Total Revenue	**14,081**	**11,138**	**12,654**	**25,005**	**28,082**
Cost of Goods Sold/Op. Exp	6,297	4,372	4,775	11,592	14,548
Personnel Cost	576	642	672	739	813
Other Expenses	533	423	455	899	1,010
EBITDA	**6,674**	**5,701**	**6,753**	**11,775**	**11,712**
EBITDA Margin	47.4%	51.2%	53.4%	47.1%	41.7%
EBITDA Growth	29.9%	-14.6%	18.5%	74.4%	-0.5%
Depn. & Amort.	490	495	491	658	567
EBIT	6,185	5,206	6,262	11,116	11,145
Other Income	362	473	266	656	978
Finance Cost	2	56	69	80	129
PBT before Excep. & Forex	6,545	5,623	6,459	11,692	11,994
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	6,545	5,623	6,459	11,692	11,994
Taxes	2,286	1,869	1,907	3,394	3,422
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	-31	-36	-36	-4,939
Reported Net Profit	4,259	3,786	4,588	8,334	13,511
Adjusted Net Profit	**4,259**	**3,786**	**4,588**	**8,334**	**13,511**
Net Margin	30.2%	34.0%	36.3%	33.3%	48.1%
Diluted Share Cap. (mn)	339.6	339.6	339.6	363.6	363.6
Diluted EPS (INR)	**12.5**	**11.1**	**13.5**	**22.9**	**37.2**
Diluted EPS Growth	29.8%	-11.1%	21.2%	69.7%	62.1%
Total Dividend + Tax	790	817	817	817	814
Dividend Per Share (INR)	1.9	2.0	2.0	1.9	1.9

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY16A	FY17A	FY18A	FY19E	FY20E
Shareholders' Fund	53,043	57,260	60,924	80,321	93,018
Share Capital	3,393	3,395	3,396	3,636	3,636
Reserves & Surplus	49,650	53,864	57,528	76,685	89,382
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	6,415	8,686	16,941	16,941	16,941
Def. Tax Liab. / Assets (-)	229	-1,176	-1,236	-1,236	-1,236
Total - Equity & Liab.	**59,687**	**64,770**	**76,629**	**96,026**	**1,08,723**
Net Fixed Assets	12,964	10,545	10,890	17,136	32,326
Gross Fixed Assets	11,855	10,417	11,211	18,115	18,115
Intangible Assets	2,654	0	0	0	0
Less: Depn. & Amort.	2,083	968	1,446	2,104	2,672
Capital WIP	539	1,095	1,125	1,125	16,882
Investments	744	18,243	24,200	24,237	29,175
Current Assets	63,889	54,578	65,513	79,753	73,502
Inventories	39,306	37,664	42,467	54,108	54,108
Sundry Debtors	1,170	1,058	1,813	1,813	1,813
Cash & Bank Balances	3,209	3,458	1,167	15,661	9,411
Loans & Advances	19,937	1,337	1,573	1,731	1,731
Other Current Assets	267	11,062	18,492	6,439	6,439
Current Liab. & Prov.	17,911	18,595	23,974	25,099	26,280
Current Liabilities	17,867	18,558	23,953	25,078	26,259
Provisions & Others	44	37	21	21	21
Net Current Assets	45,978	35,983	41,539	54,653	47,222
Total – Assets	**59,687**	**64,770**	**76,629**	**96,026**	**1,08,723**

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY16A	FY17A	FY18A	FY19E	FY20E
Profit before Tax	6,545	5,623	6,459	11,692	11,994
Depn. & Amort.	490	495	491	658	567
Net Interest Exp. / Inc. (-)	364	529	334	737	1,107
Inc (-) / Dec in WCap.	-995	-2,180	-6,771	1,379	1,181
Others	-19	-903	-463	-1,313	-1,956
Taxes Paid	-2,118	-1,825	-2,108	-3,394	-3,422
Operating Cash Flow	**4,267**	**1,738**	**-2,058**	**9,760**	**9,472**
Capex	-465	-763	-773	-5,375	-14,277
Free Cash Flow	3,802	976	-2,831	4,385	-4,805
Inc (-) / Dec in Investments	139	-2,932	-7,231	0	0
Others	-2,108	-1,897	2,122	656	978
Investing Cash Flow	**-2,434**	**-5,591**	**-5,883**	**-4,719**	**-13,299**
Inc / Dec (-) in Capital	3,258	60	17	240	0
Dividend + Tax thereon	-1,607	0	-817	-817	-814
Inc / Dec (-) in Loans	-2,600	3,820	8,306	0	0
Others	-862	-527	-996	10,031	-1,609
Financing Cash Flow	**-1,812**	**3,353**	**6,510**	**9,453**	**-2,423**
Inc / Dec (-) in Cash	**21**	**-500**	**-1,431**	**14,494**	**-6,251**
Opening Cash Balance	2,937	3,209	3,458	1,167	15,661
Closing Cash Balance	2,958	2,709	2,027	15,661	9,411

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY16A	FY17A	FY18A	FY19E	FY20E
Net Margin	30.2%	34.0%	36.3%	33.3%	48.1%
Asset Turnover (x)	0.2	0.2	0.2	0.3	0.3
Leverage Factor (x)	1.2	1.1	1.2	1.2	1.2
RoE	8.6%	6.9%	7.8%	11.8%	15.6%

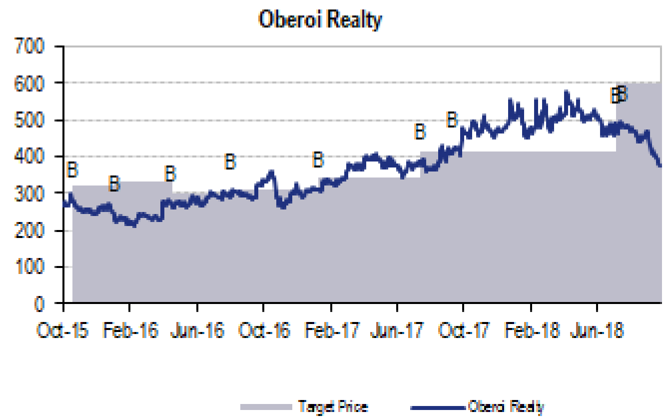
Key Ratios					
Y/E March	FY16A	FY17A	FY18A	FY19E	FY20E
BV/Share (INR)	156.2	168.6	179.4	220.9	255.8
ROIC	7.5%	7.0%	9.1%	14.4%	12.4%
ROE	8.6%	6.9%	7.8%	11.8%	15.6%
Net Debt/Equity (x)	0.1	0.1	0.3	0.0	0.1
P/E (x)	29.9	33.6	27.8	16.4	10.1
P/B (x)	2.4	2.2	2.1	1.7	1.5
EV/EBITDA (x)	19.6	23.3	21.2	10.9	11.5
EV/Sales (x)	9.3	11.9	11.3	5.2	4.8
Debtor days	30	35	52	26	24
Inventory days	1,019	1,234	1,225	790	703
Creditor days	881	1,246	1,481	692	586

Source: Company, JM Financial

History of Earnings Estimate and Target Price

Date	Recommendation	Target Price	% Chg.
4-Nov-15	Buy	320	
19-Jan-16	Buy	330	3.1
2-May-16	Buy	300	-9.1
18-Aug-16	Buy	310	3.3
27-Jan-17	Buy	340	9.7
1-Aug-17	Buy	415	22.1
25-Sep-17	Buy	415	0.0
23-Jul-18	Buy	600	44.6
1-Aug-18	Buy	600	0.0

Recommendation History



Godrej Properties Financial Tables

Income Statement (INR mn)

Y/E March	FY16A	FY17A	FY18A	FY19E	FY20E
Net Sales	21,226	15,829	15,883	10,859	9,306
Sales Growth	21.8%	-25.4%	0.3%	-31.6%	-14.3%
Other Operating Income	0	0	0	699	1,812
Total Revenue	**21,226**	**15,829**	**15,883**	**11,558**	**11,118**
Cost of Goods Sold/Op. Exp	17,342	10,809	13,455	7,213	6,745
Personnel Cost	450	928	1,384	1,246	1,308
Other Expenses	2,068	1,565	2,833	1,360	1,428
EBITDA	**1,366**	**2,527**	**-1,790**	**1,740**	**1,637**
EBITDA Margin	6.4%	16.0%	-11.3%	15.1%	14.7%
EBITDA Growth	-46.9%	84.9%	0.0%	0.0%	-5.9%
Depn. & Amort.	142	145	161	173	190
EBIT	1,225	2,382	-1,951	1,567	1,447
Other Income	1,295	1,185	4,986	1,805	1,613
Finance Cost	406	1,038	1,502	1,345	1,345
PBT before Excep. & Forex	2,113	2,528	1,534	2,027	1,714
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	2,113	2,528	1,534	2,027	1,714
Taxes	679	777	300	608	514
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	317	-366	243	849
Reported Net Profit	1,434	2,068	869	1,662	2,049
Adjusted Net Profit	**1,434**	**2,068**	**869**	**1,662**	**2,049**
Net Margin	6.8%	13.1%	5.5%	14.4%	18.4%
Diluted Share Cap. (mn)	216.3	216.4	216.4	229.2	229.2
Diluted EPS (INR)	**6.6**	**9.6**	**4.0**	**7.3**	**8.9**
Diluted EPS Growth	-30.7%	44.1%	-58.0%	80.6%	23.2%
Total Dividend + Tax	0	0	0	0	0
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	0.0

Source: Company, JM Financial

Balance Sheet (INR mn)

Y/E March	FY16A	FY17A	FY18A	FY19E	FY20E
Shareholders' Fund	17,648	20,037	22,403	34,067	36,116
Share Capital	1,081	1,082	1,082	1,146	1,146
Reserves & Surplus	16,567	18,956	21,321	32,921	34,969
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	31,229	39,765	37,029	37,029	37,029
Def. Tax Liab. / Assets (-)	-1,223	-1,382	-846	-846	-846
Total - Equity & Liab.	**47,655**	**58,420**	**58,586**	**70,249**	**72,298**
Net Fixed Assets	1,072	1,021	1,841	2,068	2,278
Gross Fixed Assets	1,491	1,020	1,126	1,526	1,926
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	425	0	0	173	363
Capital WIP	5	0	715	715	715
Investments	6,639	7,600	15,207	15,722	16,857
Current Assets	56,850	61,786	52,857	63,843	64,149
Inventories	39,231	39,661	23,437	23,986	24,694
Sundry Debtors	1,719	2,218	1,925	1,900	2,284
Cash & Bank Balances	1,056	1,104	3,147	15,790	17,372
Loans & Advances	6,229	8,164	11,657	11,083	10,661
Other Current Assets	8,616	10,639	12,691	11,083	9,138
Current Liab. & Prov.	16,907	11,987	11,320	11,384	10,986
Current Liabilities	5,949	4,684	3,126	3,167	3,046
Provisions & Others	10,958	7,303	8,193	8,218	7,940
Net Current Assets	39,943	49,799	41,537	52,458	53,163
Total – Assets	**47,655**	**58,420**	**58,586**	**70,249**	**72,298**

Source: Company, JM Financial

Cash Flow Statement (INR mn)

Y/E March	FY16A	FY17A	FY18A	FY19E	FY20E
Profit before Tax	2,113	2,528	1,534	2,027	1,714
Depn. & Amort.	142	145	161	173	190
Net Interest Exp. / Inc. (-)	406	1,038	1,502	1,345	1,345
Inc (-) / Dec in WCap.	-238	-6,712	13,634	4,333	3,488
Others	-1,069	-1,185	-4,986	-1,805	-1,613
Taxes Paid	-1,471	-777	-300	-608	-514
Operating Cash Flow	**-117**	**-4,962**	**11,545**	**5,465**	**4,611**
Capex	-244	471	-106	-400	-400
Free Cash Flow	-361	-4,490	11,439	5,065	4,211
Inc (-) / Dec in Investments	683	0	-1,773	-272	-286
Others	249	297	-11,648	2,038	1,613
Investing Cash Flow	**688**	**768**	**-13,527**	**1,366**	**927**
Inc / Dec (-) in Capital	1	0	10,000	0	0
Dividend + Tax thereon	-480	0	0	0	0
Inc / Dec (-) in Loans	-2,172	8,535	-2,736	0	0
Others	-457	-4,294	-4,294	-3,956	-3,956
Financing Cash Flow	**-3,109**	**4,241**	**2,969**	**-3,956**	**-3,956**
Inc / Dec (-) in Cash	**-2,538**	**48**	**988**	**2,875**	**1,582**
Opening Cash Balance	6,954	1,056	1,104	3,147	15,790
Closing Cash Balance	4,416	1,104	2,092	6,022	17,372

Source: Company, JM Financial

Dupont Analysis

Y/E March	FY16A	FY17A	FY18A	FY19E	FY20E
Net Margin	6.8%	13.1%	5.5%	14.4%	18.4%
Asset Turnover (x)	0.4	0.3	0.3	0.2	0.2
Leverage Factor (x)	2.9	2.8	2.8	2.3	2.0
RoE	7.9%	11.0%	4.1%	5.9%	5.8%

Key Ratios

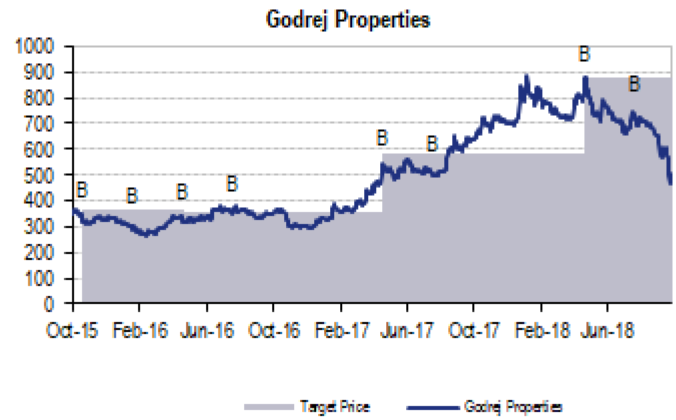
Y/E March	FY16A	FY17A	FY18A	FY19E	FY20E
BV/Share (INR)	81.6	92.6	103.5	148.6	157.5
ROIC	1.9%	3.6%	-3.4%	2.7%	2.6%
ROE	7.9%	11.0%	4.1%	5.9%	5.8%
Net Debt/Equity (x)	1.5	1.7	1.3	0.5	0.4
P/E (x)	81.6	56.6	134.7	74.6	60.5
P/B (x)	6.6	5.8	5.2	3.6	3.4
EV/EBITDA (x)	104.9	60.1	-81.2	76.1	79.7
EV/Sales (x)	6.8	9.6	9.1	11.5	11.7
Debtor days	30	51	44	60	75
Inventory days	675	915	539	757	811
Creditor days	109	129	65	118	117

Source: Company, JM Financial

History of Earnings Estimate and Target Price

Date	Recommendation	Target Price	% Chg.
5-Nov-15	Buy	365	
2-Feb-16	Buy	365	0.0
6-May-16	Buy	360	-1.4
4-Aug-16	Buy	360	0.0
5-May-17	Buy	580	61.1
3-Aug-17	Buy	580	0.0
7-May-18	Buy	880	51.7
5-Aug-18	Buy	880	0.0

Recommendation History



Prestige Estates Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY16A	FY17A	FY18A	FY19E	FY20E
Net Sales	54,599	47,422	54,663	64,665	68,520
Sales Growth	64.4%	-13.1%	15.3%	18.3%	6.0%
Other Operating Income	711	323	323	323	323
Total Revenue	**55,310**	**47,745**	**54,986**	**64,988**	**68,843**
Cost of Goods Sold/Op. Exp	40,087	33,541	38,582	45,886	48,114
Personnel Cost	2,030	2,933	2,952	3,100	3,255
Other Expenses	2,531	2,073	2,512	2,763	3,040
EBITDA	**10,663**	**9,198**	**10,940**	**13,239**	**14,435**
EBITDA Margin	19.3%	19.3%	19.9%	20.4%	21.0%
EBITDA Growth	7.3%	-13.7%	18.9%	21.0%	9.0%
Depn. & Amort.	1,274	1,637	1,547	1,870	2,013
EBIT	9,389	7,561	9,393	11,369	12,422
Other Income	2,831	872	679	630	453
Finance Cost	3,462	3,160	3,827	5,248	5,781
PBT before Excep. & Forex	8,758	5,274	6,245	6,751	7,093
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	8,758	5,274	6,245	6,751	7,093
Taxes	2,292	1,660	2,135	2,160	2,270
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	502	1,206	669	669	669
Reported Net Profit	6,098	2,650	3,713	4,194	4,427
Adjusted Net Profit	**6,098**	**2,650**	**3,713**	**4,194**	**4,427**
Net Margin	11.0%	5.6%	6.8%	6.5%	6.4%
Diluted Share Cap. (mn)	375.0	375.0	375.0	375.0	375.0
Diluted EPS (INR)	**16.3**	**7.1**	**9.9**	**11.2**	**11.8**
Diluted EPS Growth	83.4%	-56.5%	40.1%	12.9%	5.6%
Total Dividend + Tax	542	596	656	722	794
Dividend Per Share (INR)	1.2	1.3	1.5	1.6	1.8

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY16A	FY17A	FY18A	FY19E	FY20E
Shareholders' Fund	41,999	44,148	47,327	50,865	54,570
Share Capital	3,750	3,750	3,750	3,750	3,750
Reserves & Surplus	38,249	40,398	43,577	47,115	50,820
Preference Share Capital	0	0	0	0	0
Minority Interest	2,266	2,027	2,300	2,833	3,366
Total Loans	53,741	57,394	69,078	77,078	77,078
Def. Tax Liab. / Assets (-)	1,814	2,057	2,109	2,109	2,109
Total - Equity & Liab.	**99,819**	**1,05,626**	**1,20,814**	**1,32,885**	**1,37,123**
Net Fixed Assets	46,964	54,175	76,429	81,859	87,346
Gross Fixed Assets	35,907	36,898	60,699	65,187	70,378
Intangible Assets	3,069	3,069	3,069	3,069	3,069
Less: Depn. & Amort.	1,831	3,744	5,291	7,161	9,174
Capital WIP	9,819	17,952	17,952	20,764	23,073
Investments	5,129	3,551	4,346	4,482	4,618
Current Assets	1,12,503	1,10,577	1,08,250	1,15,720	1,12,690
Inventories	67,148	66,919	57,127	62,317	62,242
Sundry Debtors	11,426	10,057	9,645	10,331	9,812
Cash & Bank Balances	4,604	3,864	7,385	8,355	2,963
Loans & Advances	17,446	16,914	18,110	18,734	21,690
Other Current Assets	11,880	12,822	15,983	15,983	15,983
Current Liab. & Prov.	64,777	62,677	68,211	69,177	67,532
Current Liabilities	63,355	60,553	66,693	67,659	66,014
Provisions & Others	1,423	2,124	1,518	1,518	1,518
Net Current Assets	47,726	47,900	40,039	46,543	45,158
Total – Assets	**99,819**	**1,05,626**	**1,20,814**	**1,32,885**	**1,37,123**

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY16A	FY17A	FY18A	FY19E	FY20E
Profit before Tax	8,758	5,274	6,245	6,751	7,229
Depn. & Amort.	1,274	1,637	1,547	1,870	2,013
Net Interest Exp. / Inc. (-)	3,462	3,160	3,827	5,248	5,781
Inc (-) / Dec in WCap.	-4,500	251	11,111	-5,534	-4,007
Others	-2,831	-872	-679	-630	-453
Taxes Paid	-2,292	-1,660	-2,135	-2,160	-2,270
Operating Cash Flow	**3,871**	**7,789**	**19,916**	**5,544**	**8,294**
Capex	-4,142	-9,124	-23,801	-7,300	-7,500
Free Cash Flow	-271	-1,335	-3,885	-1,756	794
Inc (-) / Dec in Investments	-2,342	1,578	-795	-136	-136
Others	2,831	-3,953	679	630	453
Investing Cash Flow	**-3,652**	**-11,499**	**-23,917**	**-6,806**	**-7,183**
Inc / Dec (-) in Capital	0	-6,485	-5,165	0	0
Dividend + Tax thereon	-92	-542	-596	-656	-722
Inc / Dec (-) in Loans	8,250	13,185	3,653	11,684	8,000
Others	241	-12,571	4,340	-8,796	-13,645
Financing Cash Flow	**8,399**	**-6,413**	**2,232**	**2,232**	**-6,367**
Inc / Dec (-) in Cash	**8,618**	**-10,122**	**-1,769**	**970**	**-5,256**
Opening Cash Balance	5,368	4,604	3,864	7,385	8,355
Closing Cash Balance	13,985	-5,518	2,095	8,355	3,099

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY16A	FY17A	FY18A	FY19E	FY20E
Net Margin	11.0%	5.6%	6.8%	6.5%	6.4%
Asset Turnover (x)	0.6	0.5	0.5	0.5	0.5
Leverage Factor (x)	2.3	2.4	2.5	2.6	2.6
RoE	15.2%	6.2%	8.1%	8.5%	8.4%

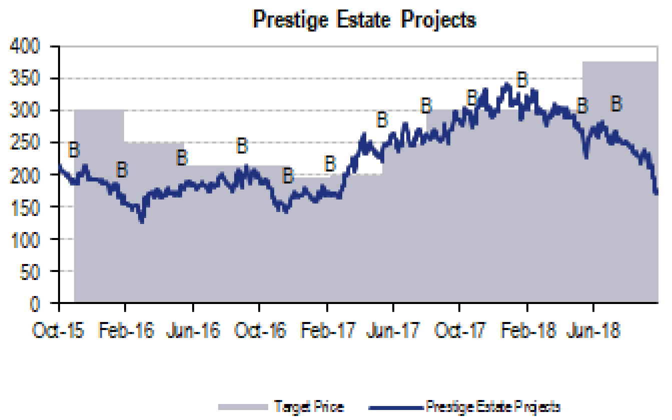
Key Ratios					
Y/E March	FY16A	FY17A	FY18A	FY19E	FY20E
BV/Share (INR)	112.0	117.7	126.2	135.6	145.5
ROIC	8.5%	5.6%	6.1%	6.9%	6.9%
ROE	15.2%	6.2%	8.1%	8.5%	8.4%
Net Debt/Equity (x)	1.2	1.2	1.3	1.4	1.4
P/E (x)	11.9	27.5	19.6	17.3	16.4
P/B (x)	1.7	1.6	1.5	1.4	1.3
EV/EBITDA (x)	11.6	13.9	12.5	10.9	10.4
EV/Sales (x)	2.2	2.7	2.5	2.2	2.2
Debtor days	75	77	64	58	52
Inventory days	443	512	379	350	330
Creditor days	518	573	553	477	443

Source: Company, JM Financial

History of Earnings Estimate and Target Price

Date	Recommendation	Target Price	% Chg.
16-Nov-15	Buy	300	
11-Feb-16	Buy	250	-16.7
1-Jun-16	Buy	215	-14.0
16-Sep-16	Buy	215	0.0
9-Dec-16	Buy	195	-9.3
23-Feb-17	Buy	200	2.6
31-May-17	Buy	250	25.0
17-Aug-17	Buy	300	20.0
8-Nov-17	Buy	300	0.0
9-Feb-18	Buy	300	0.0
29-May-18	Buy	375	25.0
30-Jul-18	Buy	375	0.0

Recommendation History



Sobha Financial Tables (Consolidated)

Income Statement (INR mn)

Y/E March	FY17A	FY18A	FY19E	FY20E	FY20E
Net Sales	22,461	27,870	30,160	30,823	68,520
Sales Growth	14.8%	24.1%	8.2%	2.2%	6.0%
Other Operating Income	58	164	0	0	323
Total Revenue	**22,519**	**28,034**	**30,160**	**30,823**	**68,843**
Cost of Goods Sold/Op. Exp	13,191	16,840	17,565	17,212	48,114
Personnel Cost	1,779	1,985	2,184	2,402	3,255
Other Expenses	3,294	3,848	4,961	5,200	3,040
EBITDA	**4,255**	**5,361**	**5,451**	**6,009**	**14,435**
EBITDA Margin	18.9%	19.1%	18.1%	19.5%	21.0%
EBITDA Growth	-5.8%	26.0%	1.7%	10.2%	9.0%
Depn. & Amort.	638	544	566	595	2,013
EBIT	3,617	4,817	4,885	5,414	12,422
Other Income	328	331	121	181	453
Finance Cost	1,497	1,978	2,128	2,191	5,781
PBT before Excep. & Forex	2,448	3,170	2,878	3,404	7,093
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	2,448	3,170	2,878	3,404	7,093
Taxes	970	1,002	910	1,089	2,270
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	129	0	0	0	669
Reported Net Profit	1,607	2,168	1,968	2,315	4,427
Adjusted Net Profit	**1,607**	**2,168**	**1,968**	**2,315**	**4,427**
Net Margin	7.1%	7.7%	6.5%	7.5%	6.4%
Diluted Share Cap. (mn)	96.3	94.8	94.8	94.8	375.0
Diluted EPS (INR)	**16.7**	**22.9**	**20.8**	**24.4**	**11.8**
Diluted EPS Growth	18.5%	37.0%	-9.2%	17.6%	5.6%
Total Dividend + Tax	290	286	799	914	794
Dividend Per Share (INR)	2.5	2.5	7.0	8.0	1.8

Source: Company, JM Financial

Balance Sheet (INR mn)

Y/E March	FY17A	FY18A	FY19E	FY20E	FY20E
Shareholders' Fund	26,445	27,699	28,868	30,269	54,570
Share Capital	963	948	948	948	3,750
Reserves & Surplus	25,482	26,751	27,920	29,321	50,820
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	3,366
Total Loans	21,797	23,089	24,589	27,589	77,078
Def. Tax Liab. / Assets (-)	2,663	2,829	2,829	2,829	2,109
Total - Equity & Liab.	**50,905**	**53,617**	**56,286**	**60,687**	**1,37,123**
Net Fixed Assets	5,952	6,103	6,855	9,751	87,346
Gross Fixed Assets	6,103	6,252	6,605	6,910	70,378
Intangible Assets	0	0	0	0	3,069
Less: Depn. & Amort.	950	1,494	2,060	2,655	9,174
Capital WIP	799	1,345	2,310	5,496	23,073
Investments	0	1,125	1,125	1,125	4,618
Current Assets	82,958	82,966	85,054	84,792	1,12,690
Inventories	50,960	48,349	50,181	48,216	62,242
Sundry Debtors	2,410	3,407	3,519	3,636	9,812
Cash & Bank Balances	1,469	1,194	819	2,203	2,963
Loans & Advances	8,994	8,696	9,216	9,418	21,690
Other Current Assets	19,125	21,320	21,320	21,320	15,983
Current Liab. & Prov.	38,005	36,577	36,749	34,982	67,532
Current Liabilities	7,693	7,205	7,121	6,850	66,014
Provisions & Others	30,312	29,372	29,628	28,132	1,518
Net Current Assets	44,953	46,389	48,305	49,810	45,158
Total – Assets	**50,905**	**53,617**	**56,285**	**60,686**	**1,37,123**

Source: Company, JM Financial

Cash Flow Statement (INR mn)

Y/E March	FY17A	FY18A	FY19E	FY20E	FY20E
Profit before Tax	2,577	3,170	2,878	3,404	7,229
Depn. & Amort.	638	544	566	595	2,013
Net Interest Exp. / Inc. (-)	1,497	1,978	2,128	2,191	5,781
Inc (-) / Dec in WCap.	-1,113	972	-1,916	426	-4,007
Others	-328	-331	-121	-181	-453
Taxes Paid	-970	-1,002	-910	-1,089	-2,270
Operating Cash Flow	**2,301**	**5,331**	**2,626**	**5,346**	**8,294**
Capex	-376	-149	-1,318	-3,491	-7,500
Free Cash Flow	1,925	5,182	1,307	1,855	794
Inc (-) / Dec in Investments	0	0	0	0	-136
Others	328	331	121	181	453
Investing Cash Flow	**-48**	**182**	**-1,198**	**-3,310**	**-7,183**
Inc / Dec (-) in Capital	-594	-620	0	0	0
Dividend + Tax thereon	-196	-286	-799	-914	-722
Inc / Dec (-) in Loans	717	-1,464	1,500	3,000	8,000
Others	0	0	0	0	-13,645
Financing Cash Flow	**-2,890**	**-4,838**	**-1,803**	**-653**	**-6,367**
Inc / Dec (-) in Cash	**-637**	**674**	**-375**	**1,384**	**-5,256**
Opening Cash Balance	1,185	1,469	1,194	819	8,355
Closing Cash Balance	548	2,143	819	2,203	3,099

Source: Company, JM Financial

Dupont Analysis

Y/E March	FY17A	FY18A	FY19E	FY20E	FY20E
Net Margin	7.1%	7.7%	6.5%	7.5%	6.4%
Asset Turnover (x)	0.5	0.6	0.6	0.6	0.5
Leverage Factor (x)	1.8	1.8	1.9	1.9	2.6
RoE	6.2%	8.0%	7.0%	7.8%	8.4%

Key Ratios

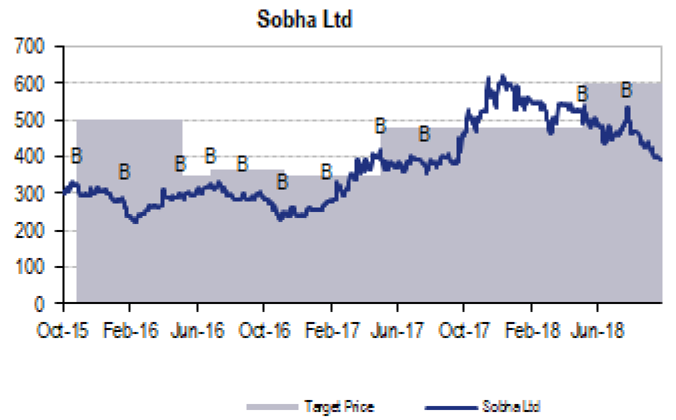
Y/E March	FY17A	FY18A	FY19E	FY20E	FY20E
BV/Share (INR)	274.6	292.2	304.5	319.3	145.5
ROIC	4.7%	6.9%	6.7%	6.9%	6.9%
ROE	6.2%	8.0%	7.0%	7.8%	8.4%
Net Debt/Equity (x)	0.8	0.8	0.8	0.8	1.4
P/E (x)	26.0	19.0	20.9	17.8	16.4
P/B (x)	1.6	1.5	1.4	1.4	1.3
EV/EBITDA (x)	14.6	11.9	12.0	11.2	10.4
EV/Sales (x)	2.8	2.3	2.2	2.2	2.2
Debtor days	39	44	43	43	52
Inventory days	826	629	607	571	330
Creditor days	154	116	105	101	443

Source: Company, JM Financial

History of Earnings Estimate and Target Price

Date	Recommendation	Target Price	% Chg.
13-Nov-15	Buy	500	
7-Feb-16	Buy	500	0.0
19-May-16	Buy	350	-30.0
14-Jul-16	Buy	365	4.3
11-Sep-16	Buy	365	0.0
22-Nov-16	Buy	350	-4.1
10-Feb-17	Buy	350	0.0
18-May-17	Buy	480	37.1
7-Aug-17	Buy	480	0.0
22-May-18	Buy	600	25.0
8-Aug-18	Buy	600	0.0

Recommendation History



Phoenix Mills Financial Tables (Consolidated)

Income Statement (INR mn)

Y/E March	FY17A	FY18A	FY19E	FY20E	FY20E
Net Sales	22,461	27,870	30,160	30,823	68,520
Sales Growth	14.8%	24.1%	8.2%	2.2%	6.0%
Other Operating Income	58	164	0	0	323
Total Revenue	**22,519**	**28,034**	**30,160**	**30,823**	**68,843**
Cost of Goods Sold/Op. Exp	13,191	16,840	17,565	17,212	48,114
Personnel Cost	1,779	1,985	2,184	2,402	3,255
Other Expenses	3,294	3,848	4,961	5,200	3,040
EBITDA	**4,255**	**5,361**	**5,451**	**6,009**	**14,435**
EBITDA Margin	18.9%	19.1%	18.1%	19.5%	21.0%
EBITDA Growth	-5.8%	26.0%	1.7%	10.2%	9.0%
Depn. & Amort.	638	544	566	595	2,013
EBIT	3,617	4,817	4,885	5,414	12,422
Other Income	328	331	121	181	453
Finance Cost	1,497	1,978	2,128	2,191	5,781
PBT before Excep. & Forex	2,448	3,170	2,878	3,404	7,093
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	2,448	3,170	2,878	3,404	7,093
Taxes	970	1,002	910	1,089	2,270
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	129	0	0	0	669
Reported Net Profit	1,607	2,168	1,968	2,315	4,427
Adjusted Net Profit	**1,607**	**2,168**	**1,968**	**2,315**	**4,427**
Net Margin	7.1%	7.7%	6.5%	7.5%	6.4%
Diluted Share Cap. (mn)	96.3	94.8	94.8	94.8	375.0
Diluted EPS (INR)	**16.7**	**22.9**	**20.8**	**24.4**	**11.8**
Diluted EPS Growth	18.5%	37.0%	-9.2%	17.6%	5.6%
Total Dividend + Tax	290	286	799	914	794
Dividend Per Share (INR)	2.5	2.5	7.0	8.0	1.8

Source: Company, JM Financial

Balance Sheet (INR mn)

Y/E March	FY17A	FY18A	FY19E	FY20E	FY20E
Shareholders' Fund	26,445	27,699	28,868	30,269	54,570
Share Capital	963	948	948	948	3,750
Reserves & Surplus	25,482	26,751	27,920	29,321	50,820
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	3,366
Total Loans	21,797	23,089	24,589	27,589	77,078
Def. Tax Liab. / Assets (-)	2,663	2,829	2,829	2,829	2,109
Total - Equity & Liab.	**50,905**	**53,617**	**56,286**	**60,687**	**1,37,123**
Net Fixed Assets	5,952	6,103	6,855	9,751	87,346
Gross Fixed Assets	6,103	6,252	6,605	6,910	70,378
Intangible Assets	0	0	0	0	3,069
Less: Depn. & Amort.	950	1,494	2,060	2,655	9,174
Capital WIP	799	1,345	2,310	5,496	23,073
Investments	0	1,125	1,125	1,125	4,618
Current Assets	82,958	82,966	85,054	84,792	1,12,690
Inventories	50,960	48,349	50,181	48,216	62,242
Sundry Debtors	2,410	3,407	3,519	3,636	9,812
Cash & Bank Balances	1,469	1,194	819	2,203	2,963
Loans & Advances	8,994	8,696	9,216	9,418	21,690
Other Current Assets	19,125	21,320	21,320	21,320	15,983
Current Liab. & Prov.	38,005	36,577	36,749	34,982	67,532
Current Liabilities	7,693	7,205	7,121	6,850	66,014
Provisions & Others	30,312	29,372	29,628	28,132	1,518
Net Current Assets	44,953	46,389	48,305	49,810	45,158
Total – Assets	**50,905**	**53,617**	**56,285**	**60,686**	**1,37,123**

Source: Company, JM Financial

Cash Flow Statement (INR mn)

Y/E March	FY17A	FY18A	FY19E	FY20E	FY20E
Profit before Tax	2,577	3,170	2,878	3,404	7,229
Depn. & Amort.	638	544	566	595	2,013
Net Interest Exp. / Inc. (-)	1,497	1,978	2,128	2,191	5,781
Inc (-) / Dec in WCap.	-1,113	972	-1,916	426	-4,007
Others	-328	-331	-121	-181	-453
Taxes Paid	-970	-1,002	-910	-1,089	-2,270
Operating Cash Flow	**2,301**	**5,331**	**2,626**	**5,346**	**8,294**
Capex	-376	-149	-1,318	-3,491	-7,500
Free Cash Flow	1,925	5,182	1,307	1,855	794
Inc (-) / Dec in Investments	0	0	0	0	-136
Others	328	331	121	181	453
Investing Cash Flow	**-48**	**182**	**-1,198**	**-3,310**	**-7,183**
Inc / Dec (-) in Capital	-594	-620	0	0	0
Dividend + Tax thereon	-196	-286	-799	-914	-722
Inc / Dec (-) in Loans	717	-1,464	1,500	3,000	8,000
Others	0	0	0	0	-13,645
Financing Cash Flow	**-2,890**	**-4,838**	**-1,803**	**-653**	**-6,367**
Inc / Dec (-) in Cash	**-637**	**674**	**-375**	**1,384**	**-5,256**
Opening Cash Balance	1,185	1,469	1,194	819	8,355
Closing Cash Balance	548	2,143	819	2,203	3,099

Source: Company, JM Financial

Dupont Analysis

Y/E March	FY17A	FY18A	FY19E	FY20E	FY20E
Net Margin	7.1%	7.7%	6.5%	7.5%	6.4%
Asset Turnover (x)	0.5	0.6	0.6	0.6	0.5
Leverage Factor (x)	1.8	1.8	1.9	1.9	2.6
RoE	6.2%	8.0%	7.0%	7.8%	8.4%

Key Ratios

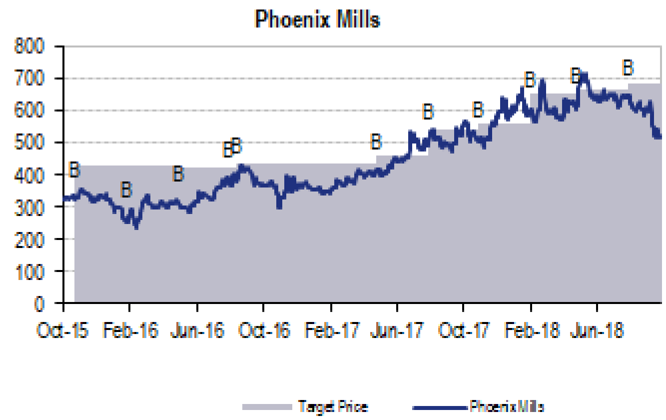
Y/E March	FY17A	FY18A	FY19E	FY20E	FY20E
BV/Share (INR)	274.6	292.2	304.5	319.3	145.5
ROIC	4.7%	6.9%	6.7%	6.9%	6.9%
ROE	6.2%	8.0%	7.0%	7.8%	8.4%
Net Debt/Equity (x)	0.8	0.8	0.8	0.8	1.4
P/E (x)	26.0	19.0	20.9	17.8	16.4
P/B (x)	1.6	1.5	1.4	1.4	1.3
EV/EBITDA (x)	14.6	11.9	12.0	11.2	10.4
EV/Sales (x)	2.8	2.3	2.2	2.2	2.2
Debtor days	39	44	43	43	52
Inventory days	826	629	607	571	330
Creditor days	154	116	105	101	443

Source: Company, JM Financial

History of Earnings Estimate and Target Price

Date	Recommendation	Target Price	% Chg.
9-Nov-15	Buy	430	
12-Feb-16	Buy	430	0.0
17-May-16	Buy	425	-1.2
16-Aug-16	Buy	425	0.0
29-Aug-16	Buy	435	2.4
11-May-17	Buy	460	5.7
14-Aug-17	Buy	540	17.4
14-Nov-17	Buy	560	3.7
15-Feb-18	Buy	650	16.1
9-May-18	Buy	665	2.3
13-Aug-18	Buy	685	3.0

Recommendation History



APPENDIX I

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SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst – INH000000610
Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.
Board: +9122 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.com
Compliance Officer: Mr. Sunny Shah | Tel: +91 22 6630 3383 | Email: sunny.shah@jmfl.com

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Rating	Meaning
Buy	Total expected returns of more than 15%. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 15% upside from the current market price.
Sell	Price expected to move downwards by more than 10%

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