

**HDIL**

₹ 78

*The Slumdog Millionaire***Buy**

Feb 01, 2013

**Company Background**

Housing Development & Infrastructure Limited (HDIL) is part of the Wadhawan Group (formerly Dheeraj Group). HDIL was incorporated on 25th July 1996 and is a market leader in Mumbai. It has targeted small to mid housing sector which has high demand in the region. Its business focuses on real estate development, including construction and development of residential projects, commercial, retail and slum rehabilitation projects. Its residential projects range from apartment complexes to townships. It's a key redeveloper in Mumbai especially in the SRA scheme, offering TDRs in exchange for clearing & redeveloping slums, while providing replacement housing for displaced slum dwellers. It has been catering the diverse needs of scores of home seekers in Mumbai region and has expanded its operations to Hyderabad, Kochi & Pune. It also diversified into Energy, Hospitality & SEZs sector. HDIL entered the Entertainment Sector with the launch of its first 3 screens multiplex in Vasai under brand BROADWAY in Feb 2008. HDIL has completed ~100 mn sq.ft of construction in all verticals of real estate and has rehabilitated around 30,000 families in last one decade

**Key Highlights**

- ➔ HDIL currently has a land reserve of 229.93 mn sq ft as on 30 June 12. It has been a major player in Mumbai Realty with 90% land Reserves in the Mumbai Metropolitan Region and a market leader in Residential and SRA projects.
- ➔ HDIL is currently executing the largest SRA project for rehabilitation of approx. 85,000 slum dwellers under expansion & modernization of Chhatrapati Shivaji International Airport, Mumbai. Approx. 33,000 housing units is under construction for MIAL Slum Rehabilitation Project.
- ➔ HDIL, the market leader in slum rehabilitation, is well poised to cash in on the immense opportunity in the slum rehabilitation scheme (SRS) segment. It has executed close to 10mn sqft of SRA projects in last 15 years and is more competitive than other developers in the fray. A resolution of the Mumbai International Airport (MIAL) project will act as a strong catalyst for HDIL.
- ➔ HDIL has launched residential project Exotica (Phase II) in Kurla, approx. saleable area of 0.8 mn sq. ft. Project sale is valued at Rs.7.50 bn approx.

**Key Financials**

Year Ended 31 <sup>st</sup>	Mar 10	Mar 11	Mar 12
Revenue (INR mn)	15,995.7	19,237.0	10,667.9
Rev. growth (%)	(15.37)	20.26	(44.54)
EBITDA (INR mn)	11,831.9	15,349.1	10,027.0
Net profit (INR mn)	5,966.6	8,973.7	3,965.2
Shares outstanding (mn)	358.8	415.0	419.0
EPS (INR)	16.6	21.6	9.5
EPS growth (%)	(44.84)	30.05	(56.23)
P/E (x)	17.2	8.1	9.0
RONW (%)	10.4	10.8	3.9
ROCE (%)	6.1	7.2	2.8

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**Info Codes**

Reuters	: HDIL.BO
Bloomberg	: HDIL@IN
NSE	: HDIL
BSE	: 532873

**Market Data**

52 Wk Range (₹)	: 135 / 60
Shares in Issue (mn)	: 419.0
Mkt. Cap (₹ bn)	: 37.61
BSE 2 Wk Avg Vol (mn)	: 12.04

**Share Holding Pattern (%)**

Promoters	: 37.36
DII's	: 00.34
FII's	: 41.79
Others	: 20.51

**Investment Theme**

HDIL has established itself as one of India's premier real estate development companies, with significant operations in the Mumbai Metro Region. The group has completed more than 100 million sq.ft of construction in all verticals of real estate & rehabilitated around 30,000 families in last decade. With operations spanning every aspect of the real estate business, from residential, commercial and retail projects, to slum rehabilitation to land development, HDIL was ranked as India's fastest growing real estate company by Construction World-NICMAR in Oct 07. Company's residential projects range from apartment complexes to towers to townships. Company's commercial projects comprise premium office spaces as well as multiplex cinemas. In retail, the company focus on building world-class shopping malls. HDIL has also diversified in energy, hospitality & SEZs..

**They Raise Slums....**

## Financial Statements

### Income Statement

(₹ mn)

Year end	Mar 10	Mar 11	% Chg	Mar 12	% Chg
Total Sales + Excise	14936.5	18055.9	20.88	9064.8	(49.80)
Other Income	1001.3	1135.8	13.43	1600.8	40.94
Change in Stocks	15919.6	24151.8	51.71	6072.8	(74.86)
Raw Material Con.	14633.6	14422.2	(1.44)	4419.2	(69.36)
Employee Exp.	440.3	597.2	35.63	394.3	(33.98)
Indirect Taxes	0.8	24.1	2912.50	23.8	(1.24)
Other Exp.	4950.8	12950.9	161.59	1874.1	(85.53)
Operating Exp.	4105.9	3842.6	(6.41)	638.6	(83.38)
Operating Profit	10830.6	14213.3	31.23	8426.2	(40.72)
Total Interest	5175.1	5779.9	11.69	5791.2	0.20
Gross Profit	6656.8	9569.2	43.75	4235.8	(55.74)
Net Dep.	(639.7)	(980.0)	53.20	84.4	(108.61)
Total Taxation	1329.9	1575.5	18.47	186.2	(88.18)
Net Profit/Loss	5966.6	8973.7	50.40	3965.2	(55.81)

### 4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 <sup>st</sup>	Mar 09	Mar 10	Mar 11	Mar 12
<b>SOURCES OF FUNDS</b>	<b>86,110.6</b>	<b>111,695.6</b>	<b>138,325.9</b>	<b>137,775.3</b>
Equity Share capital	2,754.9	3,588.4	4,150.0	4,190.0
Share Application Money	1.0	1.0	1.0	1.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	41,921.5	67,589.0	92,220.9	96,176.0
Long Term Loans	37,483.2	33,467.2	35,154.9	29,574.2
Short Term Loans	3,950.0	7,050.0	6,799.1	7,834.1
<b>USES OF FUNDS</b>	<b>86,110.6</b>	<b>111,695.6</b>	<b>138,325.9</b>	<b>137,775.3</b>
Gross Block	629.2	1,905.3	1,883.9	1,940.6
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	48.9	98.3	106.8	188.9
Net Block	580.3	1,807.0	1,777.1	1,751.7
Capital Work in Progress	147.2	22.8	910.7	68.6
Investments	3,029.3	5,964.9	7,859.7	13,019.7
Current Assets	91,371.3	116,200.9	151,271.1	151,945.4
Less : Current Liabilities	9,017.5	12,300.0	23,492.7	29,010.1
Total Net Current Assets	82,353.8	103,900.9	127,778.4	122,935.3
Misc. Expenses not written	0.0	0.0	0.0	0.0
<b>NOTE</b>				
Bk Val Unquoted Investments	3,027.5	5,964.5	7,859.3	13,019.3
Mkt Val. Quoted Investments	1.8	0.4	0.0	0.0
Contingent Liabilities	1,081.0	2,164.5	4,849.3	7,637.6
Dividend (%)	0	0	0	0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Dec 11	Mar 12	Jun 12	Sep 12
Net Sales	898.40	1,672.30	1,911.20	2,464.10
Cost Of Sales	815.00	371.00	(644.80)	(167.10)
Operating Profit	83.40	1,301.30	2,556.00	2,631.20
Recurring Income	424.20	415.80	266.00	591.50
Adjusted PBDIT	507.60	1,717.10	2,822.00	3,222.70
Financial Expenses	194.60	1,465.00	1,365.80	1,375.60
Depreciation	21.50	21.10	19.60	19.70
Other Write Offs	0.00	0.00	0.00	0.00
Adjusted PBT	291.50	231.00	1,436.60	1,827.40
Tax Charges	52.50	0.00	201.90	241.70
Adjusted PAT	239.00	231.00	1,234.70	1,585.70
Non Recurring Items	0.00	735.80	0.00	0.00
Other Non Cash Adjust	0.00	0.00	0.00	0.00
Net Profit	239.00	966.80	1,234.70	1,585.70

52 Week Index Relative Percentage Appreciation



HDIL vs SENSEX vs Realty

Risks Associated

➔ Weak Market

The Rising costs of raw materials have put huge pressure on the real estate companies. The margin has dropped considerably. This coupled with drop in the sales and high debt has led to tight financial situation in many companies. Sustained weak environment could harm the companies' performance severely.

➔ High Interest Rates

The inflation has been rising in the Indian economy. This has led to a steep rise in the interest rates. Though the property prices have remained subdued, the rising interest cost has in effect increased the net property cost. This has greatly affected the net sales in the real estate sector especially residential segment.

➔ Issue with Regulators

Recently the Competition Commission of India (CCI) took strict actions against DLF for not following business norms. Many real estate companies are accuses of abusing their customer rights. The BMC had slapped a notice to a housing project of HDIL for not paying the tax, such things could further dampen the market demand.

➔ Particularly SRA

It is a known fact that SRA projects are the most difficult to handle due to the number of regulators and permissions involved. Though HDIL is an elder entrant in the SRA space, any changes in the policy or Government Intentions related to SRA could dampen any further growth.



**In a Nutshell**

Housing Development & Infrastructure Limited (HDIL) is part of the Wadhawan Group formerly known as the Dheeraj Group. It is a leading Mumbai based real estate developer. It has dominant presence across the MMR. 90% of its land bank is in Mumbai. It is developing key real estate projects in Virar and Mulund two key suburban areas of Mumbai which offer strong demand potential from the working population of Mumbai. The company is the largest slum rehabilitation projects developer in the country. It is currently executing its most ambitious project- Mumbai Airport Rehabilitation Project (MIAL), aimed at eventually freeing 275 acres of encroached airport land for development. HDIL is now diversifying into hospitality and entertainment business. In Mumbai, HDIL Leisures is at present executing its first ever luxury five-star hotel project at Juhu which would be managed by the Hilton group. HDIL has entered into agreement with the group for 20 years. HDIL Entertainment, a fully owned subsidiary of HDIL, has launched a chain of multiplexes under the brand name Broadway with 13 screens have been launched so far. HDIL Entertainment also plans to set up around 150 screens in major cities. Recent reports of many-fold hike along with weak performance have dragged the share price considerably down. Budget has certain provision which can ease the pressure on the market whilst boosting fresh investment. For the past two years, demand has been subdued due to higher price and financing cost. We expect fresh rate cuts in the next quarter. It can increase the fund availability and also reduce the interest burden from companies & these would do well in mid to long term. We are bullish on HDIL and thus we recommend to buy this share.

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**Rating Interpretation**

<b>Buy</b>	: Expected to appreciate 20% or more over 12-months	<b>Reduce</b>	: Expected to depreciate up to 10% over 12-months
<b>Accumulate</b>	: Expected to appreciate 10% to 20% over 12-months	<b>Sell</b>	: Expected to depreciate 10% or more over 12-months
<b>Trade Buy</b>	: Expected to appreciate more than 10% over 45-days	<b>Trade Sell</b>	: Expected to depreciate more than 10% over 45-days

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