

Emaar MGF Land Ltd.

Price Band	: Rs540 - 630 per share	February 1, 2008
Issue open during	: February 1 - 6, 2008	
Recommendation	: Subscribe with a long term view	
Book Running Lead Managers	: Enam, DSP Merrill Lynch, Citigroup, etc	
Grading (CARE)	: 4 / 5	
To list on	: NSE & BSE	
Market Cap post-listing	: Rs621Bn \$15.7Bn (based on the cap price)	

IPO of 102.6mn equity shares of Rs10 each, aggregating to Rs64.6Bn or \$1.6Bn (at the cap price)

Shareholding Pattern

Shareholder Categories	Pre-issue		Post-issue	
	No. of shares	% Holding	No. of shares	% Holding
Promoters and promoter group	841,094,258	95.2%	841,094,258	85.3%
Others	40,815,872	4.6%	40,815,872	4.1%
Pre-IPO Placement	1,449,273	0.2%	1,449,273	0.1%
QIBs excluding Mutual Funds	-	0.0%	58,465,255	5.9%
Mutual Funds	-	0.0%	3,077,119	0.3%
Non Institutional Investors	-	0.0%	10,257,062	1.0%
Public	-	0.0%	30,771,187	3.1%
Total	883,359,403	100.0%	985,930,026	100.00%

Recommendation - Subscribe with a long term view

- Emaar MGF Land Ltd. (EMLL) is a JV between Emaar Properties PJSC of Dubai and MGF Development Ltd. of India. It has land reserves aggregating to 13,024 acres translating into saleable area of 566mn sq. ft. EMLL owns 67% of these, directly or through subsidiaries. (See Land ownership status on page 3)
- Residential properties will constitute 81% of the total saleable area, while the balance will comprise of commercial, retail and hotel properties. We expect the development to take place over the next ten years.
- While as much as 80% of total land reserves are agricultural land, we believe its conversion to non-agricultural land is not a major concern, as it mainly involves payment of certain fees. However the process of conversion can lead to a delay in executing the projects, thereby impacting the profitability.
- The short track record of the company is a concern. However project implementation expertise of JV partner Emaar will be a major strength. Also, the fact that EMLL has already paid 90% of the total consideration for its land bank adds to comfort.
- Given the long gestation period of projects, which are likely to get developed in the next 10 years, we have considered NPV as a valuation parameter. As per our estimates, the IPO is priced at 0.96x NPV (based on discounting factor of 14%), indicating limited upside potential.
- With a view to ascertain the impact of various scenarios, we carried out a sensitivity analysis, as per which the price/NPV falls in the broad range of 0.73x - 1.2x. (See sensitivity analysis on page 2)
- However, in view of the JV partner's standing in the Middle East real estate sector and proven execution capabilities, we believe investors may subscribe to the IPO with a long term view.

Valuation - NPV Calculation**(RsCr)**

Profits Discounted	64,907
Less: Debt	5,288
Less: Balance payment for Land Acquisition	958
Less: Advances from Customers	1,200
Add: Cash	43
Add: IPO proceeds	7,077
NPV	64,582
NPV/share (Rs)	655
Cap Price (Rs)	630
Cap Price/NPV (x)	0.96

Assumptions

(i) discounting factor of 14% (ii) price increase of 5% (iii) timely completion of projects

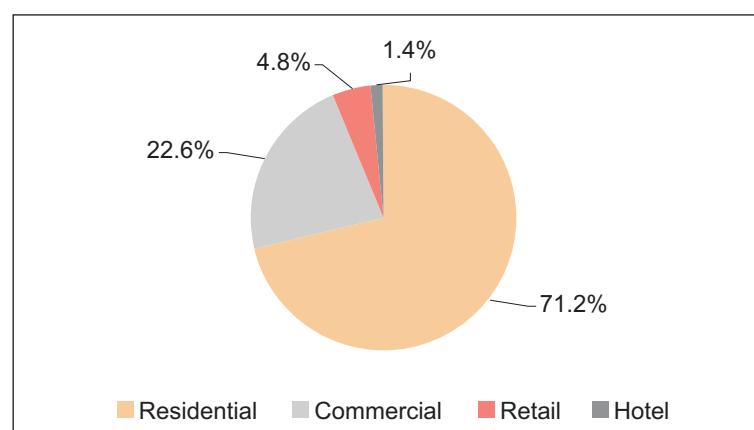
Sensitivity Analysis

For the purpose of carrying out sensitivity analysis, we have considered variables like

(i) implementation of projects on time (within 10.5 years of operation) and (ii) with a 1-year delay price change of (iii) 5% (iv) 0% and (v) -2%

NPV/share (Rs)	On Time	1 year Delay	On Time	1 year Delay	On Time	1 year Delay	On Time	1 year Delay
Price Growth (5%)	854	684	773	638	709	597	655	562
Price Growth (0%)	813	652	736	608	675	569	624	536
Price Growth (-2%)	797	639	722	595	661	558	611	525

On Time = 10.5 years

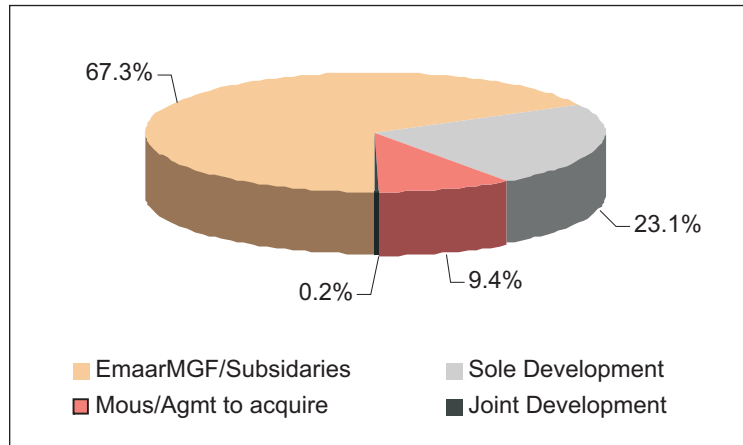
Contribution to NPV by Business segments**Company and Promoter background**

The Company was incorporated in February, 2005 as a joint venture between Emaar and MGF. It operates through subsidiaries and companies owned by EMLL, primarily for the acquisition and development of land.

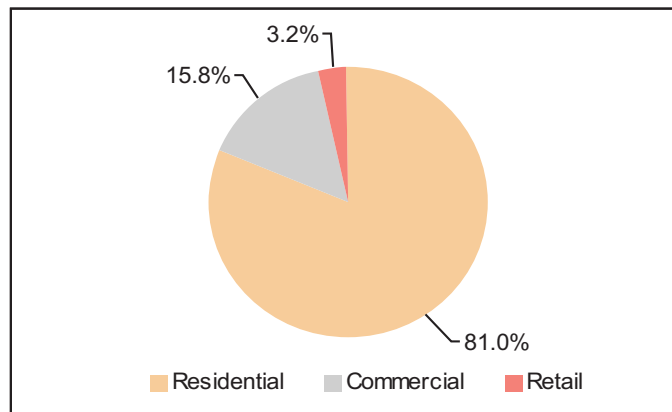
Mr. Shravan Gupta is the MD and Executive Vice-Chairman of the Company. He has over 12 years of experience in the real estate and financial services sectors.

Mohamed Ali Alabbar is the Chairman of the Company, and is also the founding member and Chairman of Emaar Properties PJSC. He has over 10 years of experience in the real estate industry.

Land Ownership status



Break up of saleable area



Break up of saleable area

Objects of Issue

Particulars	(RsCr)
Land acquisition payments	2,561
Repayment of loans	1,450
Palm Drive Project	776

Means of Finance

The objects of the Issue are proposed to be financed entirely through the proceeds of the Pre IPO placement (except conversion) and through the fresh Issue.

Investment Concerns

- Short track record
- 76% of the land reserves is concentrated in Northern India. Any fall in prices may impact the the profitability
- Any delay in executing the projects due to 80% of land being agricultural land may impact the profitability.

Profit and loss statements (RsCr)

For period ending	31.03.07	30.09.07
Net Sales	0	472.72
Cost of Trade Goods Sold	0	183.58
Oper. and Other Exps.	56.87	64.47
Staff Costs	19.01	24.99
Admin. & SGA Exps.	0	14.28
Total Expenditure	75.88	287.32
EBIDTA	-75.88	185.40
Other Income	16.87	29.02
Interest Exps	4.67	9.4
EBDT	-63.68	205.02
Depreciation	4.1	3.62
Net Profit before tax	-67.78	201.40
Total Tax		
Current tax	1.67	49.07
Deferred tax	-21.87	21.89
FBT	0.65	0.6
Profit after Tax	-48.23	129.84

Balance Sheets (RsCr)

As at,	31.03.07	30.09.07
Sources of Funds		
Paid-up Equity Share capital	105.98	868.54
Preference share capital	922.53	922.53
Total Share Capital	1,028.51	1,791.07
Share application Money	227.88	3.5
Reserves & Surplus	3412.63	3055.9
Minority Interest	0.12	0
Total Shareholders Funds	4,669.14	4,850.47
Secured Loans	269.55	1045.05
Unsecured Loans	2247.12	3112.67
Total Debt	2,516.67	4,157.72
Total Liabilities	7,185.81	9,008.19
Applications of Funds		
Gross Block	739.83	866.44
(-) Depreciation	4.59	8.35
Net Block	735.24	858.09
CWIP	43.7	110.56
Exp. during Construction	29.92	89
Investments	26	55.64
Curr. Ass., Loans and Adv.		
Inventories	5770.61	6992.51
Sundry Debtors	0	1.77
Cash and Bank Balances	126.1	68.84
Other current assets	0.71	272.32
Loans and Advances	1204.83	1509.93
Total Curr. Ass.	7,102.25	8,845.37
Current Liabilities and Prov.	768.22	944.92
Net Curr. Ass.	6,334.03	7,900.45
Deferred Tax Liability	-16.92	17.19
Misc. Exp. not written off	0	-11.64
Total Assets	7,185.81	9,008.19

Keynote Capitals Ltd.

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Ratings structure

Subscribe & Hold	:	subscribe for listing gains, hold for further appreciation
Subscribe for listing gains	:	expect decent appreciation on listing
Subscribe with a medium term view	:	stock can deliver only over 6-8 months after listing
Subscribe with a long term view	:	value can only be realised over 12-18 months
Await listing	:	good fundamentals; consider valuations on listing

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