EXECUTIVE SUMMARY

Background

Value and Budget Housing Corporation Limited (hereinafter referred to as 'VBHC') is developing a residential project on a plot measuring an area of about 5.40 acres located on Sarmal village, OPP JSW Factory, Vasind Post, Thane District, Maharashtra, India (hereinafter referred to as the 'Project'). VBHC is developing this residential apartment complex through a Special Purpose Company (SPC)[1], comprising 1-BHK Apartments (carpet area of 374-395 sq. ft.; super built-up area of 496-526 sq. ft.); and 2-BHK Apartments (carpet area of 499-538 sq. ft.; super built-up area of 672-724 sq. ft.)

In this regard, VBHC has commissioned Jones Lang LaSalle Property Consultants India Private Limited[2] (hereinafter referred to as 'Jones Lang LaSalle') to provide an independent, expert assessment of the marketability of the Project being developed by VBHC.

The objective of the market research and assessment is to provide potential buyers of apartment with supplementary information, which may be of assistance in making the investment decision. Notwithstanding the foregoing, this Report should be treated as additional information only and shall not constitute formal advice rendered directly to the prospective purchaser. The readers of this Report are encouraged to carefully read the 'Disclaimer Statement' below to understand the purpose and objective of this Report to the prospective buyers.

Profile of Mumbai Metropolitan Region

The Mumbai Metropolitan Region (MMR) consists of Greater Mumbai and its satellite towns. MMR covers an area of 4,355 sq km and a population of 17,702,761 (according to Census 2001). The MMR area falls over four districts of the State of Maharashtra, i.e. Mumbai City, Mumbai Suburban District, part of Thane District and part of Raigad District.

The Mumbai City has spawned from its origin nucleus – Fort, which still remains the seat of the State Government and commercial district for the entire city. The urbanisation path of the city has largely been along the north – south corridor along the suburban railway tracks bounded by the sea to the west and separation from the mainland by a creek. Navi Mumbai was conceptualised and planned as a counter magnet to the present city of Mumbai. What started as a parallel city is now fast developing into an independent self-contained metro city. The major growth drivers of Navi Mumbai are the existing/upcoming development and infrastructure projects. It has been observed that areas in and around the proposed developments are emerging as growth corridors of Navi Mumbai. Some other Major Urban Centres in Extended suburbs of MMR excluding Thane and Navi Mumbai, Panvel, Karjat, Khopoli, Neral, Pen and Alibaug.

MMR comprises 7 municipal corporations, 13 municipal councils and 8 sub-regions. The MMR has various planning authorities established for different areas. A list of these planning authorities is shown in map below.

[1] Name of the SPC is VBHC Delhi Projects Pvt Ltd (VBHC-Delhi). VBHC- Delhi has two share holders, VBHC, which holds the majority stake, and HDFC Portfolio Management Services, which owns the remaining equity.

[2] Jones Lang LaSalle, the Indian operations of Jones Lang LaSalle (NYSE: JLL), is the only real estate money management and services firm named to FORTUNE magazine's "100 Best Companies to Work For" and Forbes magazine's "400 Best Big Companies". It is the premiere and largest real estate Services Company in India, with an extensive geographic footprint across ten cities (Delhi, Mumbai, Bangalore, Pune, Chennai, Hyderabad, Kolkata, Kochi, Chandigarh and Coimbatore) and staff strength of over 4,000. The company provides investors, developers, local corporates and multinational companies with a comprehensive range of services including research, consultancy, transactions, project and development services, integrated facility management, property management, capital markets, residential, hotels and retail advisory. For further information, please visit www.joneslanglassale.co.in. Brief profile of the team members who authored this Report is given at the end of this report.

As per the Census of 2011, Mumbai Metropolitan Region (MMR), accounts for ¼ th of the population of Maharashtra and 2% of the population of the country, as per Census 2011. The spatial dynamics of MMR has been changing rapidly over the past few decades. The share of population of Greater Mumbai including its suburbs has decreased from 60% in 2001 to 45% in 2011. While the share of extended suburbs and regions in fringe areas have increased significantly in the total MMR population. This indicates that the urban areas in MMR are growing further outwards towards the fringes.

Mumbai, which is the major urban centre of MMR, has a large and active private sector, skilled manpower, availability of international sea and air port facilities, corporate headquarters of many multinationals and large industrial houses and many leading research and training institutions. It has an active regional (80% of total turnover of the country) and national stock exchange and leading financial institutions including the head offices of many Central government institutes. Mumbai accounts for 50% of Import and export and 40% of central revenue generated through excise and income tax. Mumbai's contribution to economic growth has been significant. Nearly 40% of State Domestic Product (SDP) originates in Mumbai. Mumbai with its port, manufacturing industries (traditional and modern), government, financial institutions, trade and services represents one of the most diversified and vibrant local economies.

The region being a financial hub of India is well connected with all tier II & III cities in the country and also has good connectivity within the region. Mumbai Airport, which is the only major airport in the MMR, is one of the busiest airports in the country. Most of the international airlines have regular flights to and from the city. By 2015, the projected passenger traffic is 82 million pax per annum, of which 40 million will be handled by the existing Mumbai International Airport, and the balance would be handled by the proposed Navi Mumbai Airport. Road communications with hinterlands for the MMR comprise of four National Highways converging at Mumbai and 19 State Highways. The four National Highways provide access to Pune (NH4), Goa (NH17), Gujarat (NH8), Nashik, Indore and Delhi (NH3). MMR is served by two zonal railways, Western and Central. The Western Railway line connects Island city at Churchgate Terminus to the Western Suburbs uptil Virar (60 Km) and further runs northward connecting most parts of Western and Northern India. The Central Railway runs from Chhatrapati Shivaji Terminus (CST) of the Island and serves a large part of Central India. Suburban services extend from Mumbai CST to Kasara to the north east (120 km) and Karjat to the south east (100 km). The Central Railway is also responsible for services on the harbour line, which connects the CST and Western Suburbs and Eastern Suburbs with Navi Mumbai.

Real Estate Macro- Market Review

COMMERCIAL: The cumulative stock of commercial office space across Mumbai stood at 71.65 million sq. ft. as of end 2011 which recorded a growth of 26% from the total stock of 2010 end. Even though the total stock of Commercial office space has been increasing the vacancy too has been seen increasing since the economic downturn. In 2009, the vacancy rate stood at 13.9% and has grown since then to 19.7% in 2011. The rising trend in vacancy rate in Commercial office space market can be attributed to the increasing supply which is not able to match the demand for such. The total supply of commercial office space in Mumbai in 2011 was 14.8 million sq ft recording a substantial increase from the levels of 2010. In 2011, the overall city witnessed a slight upward trend in rentals except the micro market of SBD central. While most of the micro market witnessed good demand, the SBD central micro market witnessed consistent supply, keeping rentals under pressure. The highest average rental was in CBD (Nariman Point) micro market pegged at INR 245 per sq ft per month and the lowest average rental was in Thane and Navi Mumbai micro market pegged at INR 34 per sq ft per month. The commercial sector has been witnessing gradual recovery through the year 2010 and 2011, as witnessed by healthy demand and absorption figures. However, the city may have to face an oversupply situation, with the stock number expected to cross 100 million sq. ft. by end of 2013. As a consequence of the new completions, all micro-markets are expected to witness a rise in vacancy rates. A huge supply in pipeline is expected keep rentals under pressure in the 2012.

RETAIL: The cumulative organized retail stock of Mumbai stood at 17.24 million sq. ft. as of end 2011 which recorded a growth of 26% from the total stock of 2010 end. The increase of total stock in 2008 was the highest, which saw a growth of 67% from the levels of 2007. After the slowdown, retail was the most affected asset class among all, the vacancy dropped at alarming rate. Post slowdown, many developers who were proposing to launch retail mall, not only delayed their projects but some also shelved it. The vacancy rate since the slowdown has been increasing since then at an alarming rate. The rate of vacancy has dropped marginally in 2011 indicating a positive sign since the slowdown. The rental movement for all the micro-markets has followed same trend, rising to peak in 2007, drop till 2009, and stabilising since then. The rentals have moved corresponding to the vacancy rates, and going further as the vacancy rates drops we will see an increase in average rentals in most of the malls in Mumbai. The highest average rental was in Prime South micro market pegged at INR 232 per sq ft per month and the lowest average rental was in Suburbs micro market pegged at INR 98 per sq ft per month.

RESIDENTIAL: This asset class in Mumbai is fuelled by the immigrants to the city looking for better job opportunities. The residential developments in the city range from premium and high end in areas like South Mumbai, Bandra, Powai etc to affordable housing in Boisar, Palghar, Mira Bhayander, Virar, Vasind, Shahapur, Karat etc. Historically, the residential sector growth in Mumbai which had started from South Mumbai spread towards central Mumbai. Due to acute shortage of space within the Municipal limits, increase in demand and improvement in connectivity, the suburbs also started witnessing residential activity. Further, Extended Western Suburbs which had been dormant since a long time also witnessed increased absorption since 2004. Although at present as compared to other residential zones, activities in Vasai, Virar & Palghar, Boisar region is not very significant, but owing to the connectivity, availability of land and future proposed infrastructure development initiatives, these are the upcoming residential destinations in MMR. Increasing level of awareness of the highly educated professionals from the service sector towards larger living space coupled with better environment & good infrastructure would improve demand of weekend/vacation homes towards extended suburbs within easy reach (1-2 hours driving distance) of the city. In almost all the micro markets of Mumbai except for Navi Mumbai and extended suburbs there exists a wide range of per sqft rates as given in the table below.

	Prime south		South Central		Western suburb 1		Western suburb 2		Extended W suburbs		Eastern suburbs		Extended E suburbs**		Navi Mumbai	
Year	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
2011	40,000	80,000	13,500	40,000	11,000	44,000	8,000	15,000	3,000	6,000	7,000	18,000*	3,000	8,000	3,000	11,500

* Hiranandani gardens: INR 20,000 and above / Sion: INR 12,000 to 14,000

** Hiranandani Estate and Meadows: Higher than the upper range

During 2011, the fresh supply of residential units in Mumbai Region were around 30,000 units which were approximately 21,000 units less than the supply during year 2010. There was an average absorption of around 50% in the new launches of overall Mumbai residential market during the year 2011, which is indication of low interest of buyers as against the year 2010 when the average absorption rate was approximately 66%.

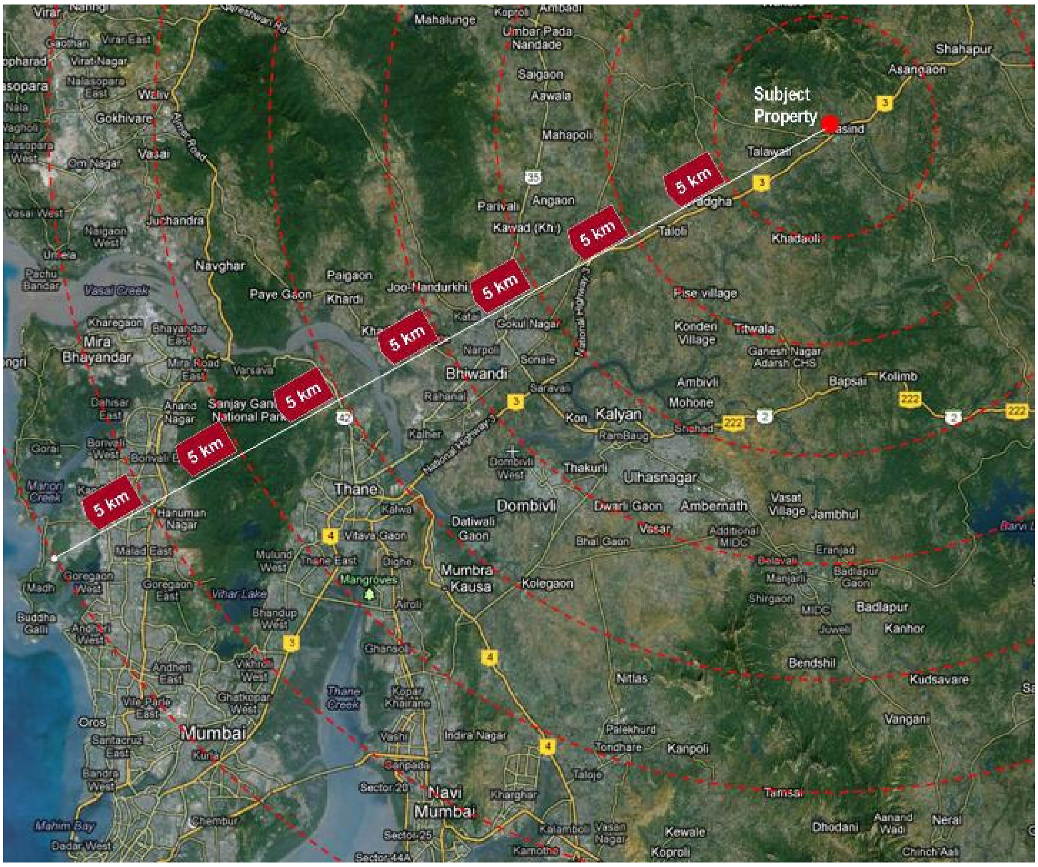
AFFORDABLE HOUSING: Affordable housing is a term used to describe dwelling units whose total housing costs are deemed "affordable" to those that have a median income or less than median income. Although the term is often applied to rental housing that is within the financial means of those in the lower income ranges of a geographical area, the concept is applicable to both renters and purchasers in all income ranges.

It is observed in the real estate market that housing demand is generally governed by the affordability. And affordability is driven by the income level of the households. It has been considered that affordability of a household to buy a dwelling unit is 4 times the annual income. Demand, supply and absorption analysis of housing units in different ticket size ranges in year 2011 in MMR has been carried out to understand the dynamics of demand and supply in various segments of households in MMR.

The analysis indicates that there is a huge unmet demand of housing units in the ticket size range of less than INR 20 lakh. The absorption percentages of these housing units also support the huge demand indicators. Maximum supply is of units in ticket size of more than 1 crore however the absorption percentage in this range is the lowest. Housing units in the ticket size range of 20 lakh to less than 40 lakh available in the fringe areas are not affordable for their target segment, while housing units available in this ticket size range in the suburban Mumbai are comparatively smaller in size; hence the absorption figures are lower. Current supply of affordable housing in MMR is around 12,820 units (unsold units of projects launched in last 3 years). The share of different locations of MMR in affordable housing has been shown in the map below which indicates that Neral, Karjat, Boisar, Palghar and Shahpur-Vasind are contributing maximum to the total affordable housing supply in MMR.

Project Site Analysis

The subject property is 5.4 acres of vacant land in Sarmal village, Vasind Post, Thane District. Sarmal village is located near Vasind town which is on the opposite side (on the northern side) of the NH3 connecting Mumabi to Nashik. The railway station closest to the Subject property is Vasind on the Central railway. The average time taken by a slow train from Vasind Railway station to Chhatrapati Shivaji Terminus (CST) station is 2 hrs and to Dadar station is 1.5 hrs. The subject property is 500 mts off the NH3 and around 1.8 kms from Vasind railway station. The closest important landmark of the subject property is JSW steel unit in Vasind which is located on the NH3 and is around 500 mts from the subject property. The closest important settlement would be Shahpur Town which has provisions for schools, colleges, healthcare facilities etc. The site is about 20 km from Kalyan and Bhiwandi – which are the nearest two urban clusters.



Two major affordable housing townships have come up in the immediate vicinity of the subject property, which are located on the NH 3. The Subject property is located under the jurisdiction of MMRDA. At present the subject property's neighbourhood is gaining popularity as most best performing affordable housing destination mainly because of its connectivity with Mumbai and Nashik, also the existence of high profile developer such as THDC has also assisted in this.

Area	5.4 acres (i.e. 235,224sq. ft. approximately)
Access	Internal village road (off NH3)
Shape	Irregular in shape
Visibility	Low visibility from the NH3, but good from the internal village road.
Contiguity	Contiguous and single
Topography	Moderately undulating terrain
Frontage	Small frontage on the internal village road.
Land use	Residential Use (As informed by VBHC)

Primary catchment spreads to an extent of 10 km distance towards north, northeast and south, covering major settlements of Vasind, Asangaon and Shahapur. Of these three, Shahapur town is the most developed town in the catchment area. The primary catchment has a mix of middle and lower income group households. The primary catchment is not an established real estate market and only the residential (affordable housing) is in nascent stage of development, but is foreseen to rise upwards relatively faster. The commercial, retail and hospitality development in the catchment area is negligible and is only limited to activities involved at local scale. The primary catchment of the Subject property, especially Shahapur area is mainly into residential development. Initially, this micro market was one of the second homes destinations of Mumbai but in recent past, affordable housing projectsare emerging in this region.

Areas such as Kalyan, Dombivali, Bhiwandi and Ulhasnagar can be considered to be the secondary catchment for the subject property. Of these four major settlements, Kalyan and Dombivali have in recent past has seen tremendous growth in real estate development. One of major industrial developments in the MMR outside Mumbai/Thane, Kalyan-Dombivali is also a major residential destination in the region for MIG & LIG households. Better connectivity with Mumbai and surrounding region and relatively low property prices has fueled residential development at Kalyan & Dombivli areas.

SWOT analysis of Subject Property

Strengths	Weaknesses
▪ The upgradation of NH3 has improved the connectivity of Vasind with Kalyan, Bhiwandi and Dombivali. ▪ Being located close to NH3 and in proximity to Vasind station, will be a value addition for any development on the site. ▪ There are no significant site encumbrances that have been identified. ▪ Located in a neighbourhood which is widely gaining popularity as an affordable housing destination. ▪	▪ Low visibility as the subject property is located 500 mts off NH3. ▪ The immediate surrounding lacks social infrastructure which can be addressed through project amenities ▪ Social index of the region is poor presently.
Opportunities	**Threats**
▪ Large unmet demand from potential occupiers with a budget of 5-20lakh bracket for apartments. ▪ Low land cast in this corridor strengthen the feasibility to launch a project at affordable rates, and in recent past it has been observed that residential projects with affordable rates have higher absorption rate.	▪ Competition from other newly launched projects like Shubh Vastu and projects in Shahapur and Asangaon which are focusing on affordable category of apartments. ▪ The immediate catchment due to its profile may have very less takers for the subject property development, and hence will be dependent on buyers from secondary catchment and Mumbai.

Real Estate Macro- Market Review

The development Vasind-Shahpur region can be put in a timeline starting early 80's when JSW set up its plant in Vasind and ending as of date with the last major event being the launch of Shubh Griha project by THDC in 2010. Although the last 3 years period is significantly shorter component of the overall time period, from a real estate development perspective it is of prime importance. The Catchment area of the subject property has turned into an attractive real estate investment destination due to its proximity to Mumbai, industrial development and to an extent some tourism value (due to its pleasant climate and geographical characters). This belt (in and around Shahpur) which was earlier looked upon as a second home destination has now emerged as one of the destination for affordable housing. In 4Q 2010 THDC launched a residential project, about 1.5 km from Vasind railway station. Of the total number of homes, about 1,250 flats were in the low-cost category under its Shubh Griha brand. This project was an immediate success and was sold on lottery system akin to MHADA schemes. Within two months of this launch, the remaining flats were launched under the brand Smart Value homes. This project too was an immediate success and the project which was launched @INR 2200 per sq ft in December 2010 reached @INR 3200 in August 2011 and by then was completely sold. Vasind town in particular has some good quality but older real estate development which is partly also because of the presence of the Jindal industrial units present in Vasind. The industrial group has developed entertainment and other facilities in Vasind that are limited to its own workers.

Most of the projects in the primary catchment of the subject property comprises of majority of 1 BHK and 2 BHK units, which forms almost 84% of the total inventory. 1 RK units (which are found in 2 projects including Shubh Griha project) form 8% of the total inventory. Though these projects are known as affordable housing projects, THDC launched 3 BHK units having areas ranging from 1200- 1400 sq ft of Super built up area. As of date the share of 3 BHK units in total is 8%. The typical area of apartment units ranges from 550 – 650 sq ft of SBUA area for 1 BHK units and 650-1200 sq ft SBUA for 2 BHK units.

In the second half of 2010, Shubh Griha project by THDC was launched followed by New Haven by the same developer. The New Haven project which was sold thru open sale method (unlike Shubh Griha's lottery system) also witnessed good response and recorded almost 40% absorption within a month of its launch. During 1H 2011 the total stock of residential units in the region doubled, as three new projects were launched. The absorption did falter slightly as the supply increased significantly. The supply in the 2H 2011 recorded an increase of approximately 5%, but lower additional supply helped ease pressure from absorption. As of date the total stock of residential units is almost 10,000 units of which almost 80% has been sold, and only 20% (20,000 units) remains unsold.

The period between 2H 2009 and 1H 2010 saw a little movement in the capital values of residential units in the region. The game changer in this aspect was New Haven project which sold at INR 2200 / sq ft on an average in the 2H 2010. The upper limit of the range of the capital value kept rising till the 2H 2011 when the project was completely sold at an average price of INR 3200 per sq ft of SBUA. Though no other project has been able to earn such price appreciation, THDC's sales/marketing strategy as well as its background assisted in achieving it. The lower end of the price range has slightly improved over the years and has reached at INR 2000 as of today. Like almost all geographies, the residential market in the region also observes significantly discounted Capital values at the time of project launch which increases as the project progresses. This is the reason for the lower end of the capital value range has remained at INR 2000. As of date, the residential units are available in the market starting from INR 2,000 per sq ft of SBUA (Kaarm residency, Shahapur) up to INR 2,400 per sq ft of SBUA (Gokool Residency, Shahapur). As the New Haven project was last sold at capital value of INR 3200 per sq ft in 2H 2011, the upper limit in 1H 2012 has been kept at same.

From a luxury housing perspective, it is difficult to develop luxury housing without creating a destination in itself which could potentially justify higher pricing. Natural beauty of the site chosen for development coupled with large scale high end development could be a medium for achieving demand for any high end residential development. Currently there are no luxury residential developments in and around Vasind and there would be limited demand for such offerings. As far as commercial development is concerned in the stretch beyond Bhiwandi and Shahpur along NH3 any commercial development seen is limited to small strip like growth at few points on either side of the NH3 to provide for rest / fuel or food to the highway traffic.

Conclusion and Recommendations

As of today, though the region is not an established residential micro - market of Mumbai but we foresee looking at the growth of affordable housing projects, the residential development in the subject region would grow in similar lines to the Extended Eastern Suburbs (Kalyan- Dombivali) micro market.

We recommend keeping the sales prices at launch at competitive levels, increasing the prices linked to construction and holding few residential units (say 10-15%) till the construction reaches completion. These 10-15% units can then be sold by developer at much certain premium. As many projects in the neighbourhood are under construction and are moving at very slow pace, the subject property development can achieve a relatively good sales price (and eat into the market share) if a sustained and brisk pace of constructions is maintained.

We believe that over the next 3-4 years this region will see major changes in socio-economic profile. With rising unaffordable levels of residential units in Island city of Mumbai and its suburbs, the region (Vasind - Shahapur and Asangaon) will see increased demand of residential projects. The train frequency is an issue during peak hours of morning and evening. Though there no immediate proposal to address the train frequency issue in the region, we foresee that once the ongoing residential projects are complete and occupied, the pressure on the authority to improve the connectivity will increase.

The retail other entertainment development (restaurants, multiplexes etc) in the region is negligible as of today; hence the projects which are offering shopping arena or amenities such as clubhouses are most popular among the buyers. The rising demand for such developments from the future residents may trigger the organized retail development in the region

Proposed residential apartment units on the Project Site have been evaluated with respect to the detailed market assessment carried out within the micro-market pertaining to similar developments. Prevalent price range for conventional as well as affordable housing segment has been considered for determining the ‘average benchmark price’ for the proposed residential apartment development on the Project Site. The ‘average benchmark price’ determined above is considered for potential price adjustments for various attributes like location, accessibility, developers’ profile, size of the development, product offering, present project status, site attributes, etc. among others, to determine ‘achievable pricing’ for the proposed residential apartment development on the Project Site. The price adjustments have been carried out in terms of premium and/or discount on attributes of the Project Site with respect to the competing projects in the micro-market.

There are 8 projects under affordable housing segment amounting almost 10,000 units within the subject property neighbourhood between Vasind and Shahapur. Though the supply is huge the absorption has been exceptional and only around 2,000 units remain unsold within this region. But as the infrastructure augmentation in Palghar, Boisar, Murbad, Karjat and other competitive markets commences, the region will a tough competition in the affordable housing segment. Newly launched projects in the subject property neighbourhood are usually sold in the range of INR 1800-2300 per sq ft. But as the subject property developer is a popular brand for affordable housing projects, the subject property development can fetch the upper limit of the range at INR 2,300 per sq ft of super built-up area with aggressive sales and marketing strategies.

Based on the assumptions, trends observed as mentioned above and price adjustments, Jones Lang LaSalle is of the opinion that the achievable pricing for the residential apartment on the Project Site will be
INR 2,300 per sq. ft
(Applied over the saleable / super built-up area).

This achievable pricing is for a residential apartment product for affordable housing project for apartment development. It may be noted that the above achievable pricing is as on the date of assessment (MAY, 2012) and the indicated price is only the base price for the unit saleable area of the apartment. Other charges like parking, club membership, deposits payable to civic authorities, etc. are chargeable over and above the base price. Maintenance charges are charged at possession as INR 1 per sq ft of saleable area for 24 months from the possession. From the details given above that the properties which offer clubhouses (which includes swimming pools, gymnasiums, Indoor games centre, yoga room etc), school, health care centre and shopping arcades charge around 8% additional on the base price for these facilities. While the projects which are small in size and does not include in school, health care centre and in some cases clubhouse too charge around 3-4% additional on the base price. Hence, in the subject property's case where Clubhouse, a play school and shopping area facilities are proposed the additional charges should be average at around 5-6% over and above the base price.

In the case of year wise price increase, the subject property region has seen average CAGR of around 15% - 20% which is high compared to other residential markets of Mumbai. Excluding the New Haven project, other projects has seen an CAGR of around 10 -15% y-o-y. The availability of land parcels in the region, the affordable residential supply in other markets in Sub regions of Mumbai, and existing supply we foresee the CAGR of 12% in the neighbourhood and for the subject property.

Though no notable projects area quoting the rental values, few residential units which are completed but not within a gated community the rental varies from INR 5 per sq ft to INR 7 per sq ft on saleable area. This value translates to rentals in the range of INR 2,500 to INR 5,250 per month for dwelling unit with area in the range of 500 sq ft to 750 sq ft of saleable area. We have taken a small premium from this quoted figure to arrive at the achievable rental value of the proposed apartment development assuming it to be complete as of today. Based on the above mentioned assumptions and the expected yield in the said micro market the following table details the achievable rentals for the proposed development mix.

Achievable Rental Value for the Proposed 1 and 2 BHK Apartments on the Project Site

Unit Size (Saleable Area in sq ft)	Rental Value (INR/month)	Capital Value (INR/ sq ft)	Yield	Rental (INR/sqft)
496	3,200	2,300	3.37%	6.45
526	3,500	2,300	3.47%	6.65
672	4,500	2,300	3.49%	6.70
724	5,000	2,300	3.60%	6.91

There is no rental trend available for the apartments in the micro-market. Considering the fact that the market typically maintains the capital value & rental value gap, average annual increase of 12% (same as capital value) is considered for projecting the rentals for future.