



Indiabulls Real Estate

BSE SENSEX 17,077	S&P CNX 5,158	CMP: INR69	TP: INR91	Buy								
Bloomberg Equity Shares (m)	IBREL IN 446.1	Year	Net Sales	PAT	EPS	EPS	P/E	P/BV	RoE	RoCE	EV/ Sales	EV/ EBITDA
52-Week Range	153/40	End	(INR M)	(INR M)	(INR)	GR. (%)	(X)	(X)	(%)	(%)		
1,6,12 Rel. Perf. (%)	37/-30/-35	3/10A	1,294	-160	-0.6	-154.2	-	-	-0.2	0.4	-	-
M.Cap. (INR b)	30.8	3/11A	14,325	1,598	4.0	1,099.8	17.4	0.3	1.6	2.4	4.0	17.7
M.Cap. (USD b)	0.6	3/12E	13,251	1,927	4.8	20.6	14.4	0.4	2.6	5.3	3.8	14.3
		3/13E	17,247	2,198	5.5	14.1	12.6	0.4	2.9	5.0	2.8	10.4

- Indiabulls Real Estate (IBREL) witnessed 16% decline in its EBITDA for 3QFY12 to ~INR1b; EBITDA margin was largely steady at 29% v/s 31% in 2QFY12.
- Sales volume declined QoQ, with 0.9msf (INR4.5b) in 3QFY12 v/s 1.2msf (INR4.9b) in 2QFY12 and 2.3msf (INR8.7b) in 3QFY11. Projects at Panvel and Gurgaon remain the major sales drivers. The average realization during the quarter improved to INR4,934/sf (v/s INR3,967/sf in 2QFY12).
- Sales for 9MFY12 were ~2.9msf (INR13.2b) v/s the company's full-year guidance of crossing FY11 sales of ~5.9msf (INR48.4b) and our full-year sales estimate of ~4.4msf (~INR19b).
- Leasing in IPIT commercial remained steady QoQ at 0.18msf, taking the total area under lease at IFC and Indiabulls One to 2.15msf. Majority of the leasing at IFC took place at INR110-125/sf/month.
- IBREL has received approval from Maharashtra Pollution Control Board (MPCB) for its Sky Suit and Sky Forest projects. Commencement of construction would be a key sentiment booster.
- Post the power vertical demerger, net debt stood at 0.26x. The stock is trading at ~0.4x FY13E BV and 12.6x FY13E EPS, and at a ~40% discount to our NAV estimate. Re-iterate **Buy**.

Quarterly Performance (Consolidated)										(INR Million)	
Y/E March	FY11				FY12				FY11	FY12E	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			
Sales	1,717	3,000	3,997	5,611	2,419	3,320	3,565	3,947	14,325	13,251	
Change (%)	858.4	2,164.7	966.8	823.9	40.9	10.7	-10.8	-29.7	1,007.4	-7.5	
Total Expenditure	1,500	2,188	2,768	4,639	2,118	2,294	2,534	2,813	11,095	9,760	
Cost of land/constructor	1,323	1,874	2,523	4,172	1,616	1,753	2,166	3,231	9,892	8,766	
Staff Cost	122	136	87	143	198	257	115	-106	488	464	
Others	56	178	158	324	304	285	253	-312	716	530	
EBITDA	217	812	1,229	972	301	1,026	1,031	1,133	3,230	3,491	
Change (%)	LTP	LTP	LTP	LTP	38.9	26.3	-16.1	16.6	LTP	8	
As % of Sales	12.6	27.1	30.7	17.3	12.4	30.9	28.9	28.7	22.5	26	
Depreciation	33	42	73	35	53	55	52	52	184	213	
Interest	10	116	18	465	334	724	494	428	609	1,980	
Other Income	206	244	182	0	1,415	350	209	135	631	2,109	
PBT	378	897	1,320	472	1,329	597	694	788	3,067	3,407	
Tax	127	393	536	238	306	213	285	235	1,293	1,039	
Effective Tax Rate (%)	33.5	43.8	40.6	50.4	23.0	35.7	41.1	29.8	42.2	30.5	
Reported PAT	252	505	784	234	1,022	384	408	553	1,774	2,368	
Change (%)	230.7	409.8	690.7	278.1	306.1	-23.9	-47.9	136.5	-	33.5	
Adj. PAT	206	509	766	117	660	394	417	456	1,598	1,927	
Change (%)	LTP	984.1	2,662.0	89.8	221.0	-22.5	-45.6	288.3	LTP	20.6	

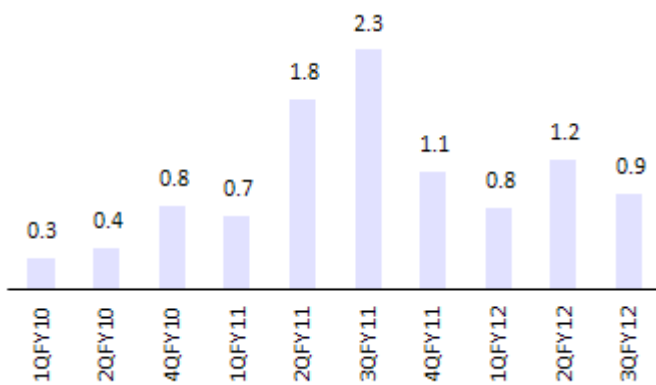
E: MOSL Estimates; Consolidated Results

Key highlights

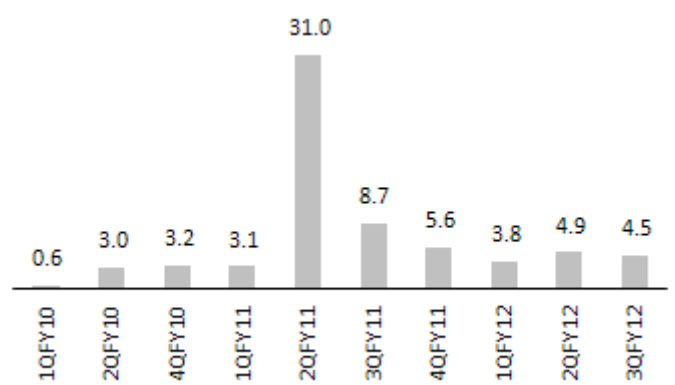
- **Revenue de-grew by 10.8%YoY:** 3QFY12 revenue de-grew by 10.8%YoY to INR3.6b v/s. INR3.3b in 2QFY12. The key projects accounting for significant portion of revenue recognition continue to be a) Indiabulls Green (Panvel), b) Centrum Park (Gurgaon) and c) Chennai Green.
- **EBITDA margin stable:** EBITDA declined by 16%YoY to ~INR1b, while EBITDA margin stood at 29% v/s. 30.1% in 2QFY12. We estimate FY12E EBITDA margin at 26%.
- **PAT de-grew YoY due to high interest cost:** PAT declined by 46%YoY to INR417, due to higher interest expense. However Interest expense reduced sequentially to INR494m v/s. INR724m in 2QFY12 due to the one off payment effect 2QFY12 witnessed.
- **Sales declines sequentially:** During 3QFY12, IBREL sold 0.9msf (INR4.5b) v/s. 1.2msf (INR4.9b) in 2QFY12 and 2.3msf (INR8.7b) in 3QFY11. Projects at Panvel and Gurgaon remain the major sales drivers. The average realization during the quarter improves to INR4934/sf (v/s. INR3967/sf during 2QFY12).
- **Sales guidance at risk:** IBREL has achieved only ~2.9msf (INR13.2b) of sales over 9MFY12 v/s. its guidance of crossing its FY11 full year volume of ~5.9msf (INR48.4b). However delay in new launches, approval hurdle in central Mumbai projects and sluggish market have been key deterrents. We estimate ~4.4msf (~INR19b) of sales over FY12
- **New launches much awaited:** IBREL launched no new project during 3QFY12, however expects to launch projects at Savroli, Chennai and Bharat Mills over next few months. Most of these projects are currently awaiting final approvals. Recent equity infusion of INR2b by diluting 9.36% stake at Bharat Mills project to IL&FS indicates for a possible launch in near-term.
- **Leasing run-rate maintained at IPIT commercial properties:** Leasing volume in IPIT commercial remained steady QoQ at 0.18msf, taking total area under lease at IFC and Indiabulls One to 2.15msf. Major share of leasing at IFC happened at average rental of INR110-125/sf/month.
- **Execution area stable over past 5 quarters:** While IBREL's average quarterly revenue recognition run-rate of ~INR3b against quarterly sales booking of ~INR4.5b bodes for a steady execution, we see total area under construction to remain stable at ~17msf (including 2.7msf of commercial projects- handed over 0.2msf in 3QFY12) over past 5 quarters, largely due to muted new launch. Earlier the management has guided for strong traction in execution with INR65b capex over next 3-4 years in RE vertical. We see further upside scope in revenue booking going forward.
- **Net DER(x) stood 0.26x:** During 3QFY12, post demerger power vertical IBREL's net debt stood at INR18.4, implying a net DER of 0.26x
- **Share capital increased for scheme of arrangement:** IBREL's share capital increased to INR906m, due to a) issuance of 42.5m share to IBREL-IBL Scheme Trust for amalgamation of Indiabulls Builder Limited (IBL), a 100% owned IBREL subsidiary with IBREL as a part of scheme of arrangement and b) partial execution of warrant conversion of 28.5m.

- Receives approval from MPCB:** IBREL has received approval from Maharashtra Pollution Control Board (MPCB) for its Sky Suit and Sky Forest project. The approval came on the back of minor change in building plan, which would reduce the construction area from 12.2x (earlier) to 11.4x of the plot. Based on the proposed development permission, the project area could be lowered by ~0.5msf (0.3msf in Jupitar Mills and ~0.2msf in Elphinstone Mills). However, the actual impact on the saleable area could be lesser if the proposed deduction is partially offset from private parking area. The approval will allow IBREL to resume execution in these super luxury projects, which could be a strong sentiment booster as this would improve sales interest.

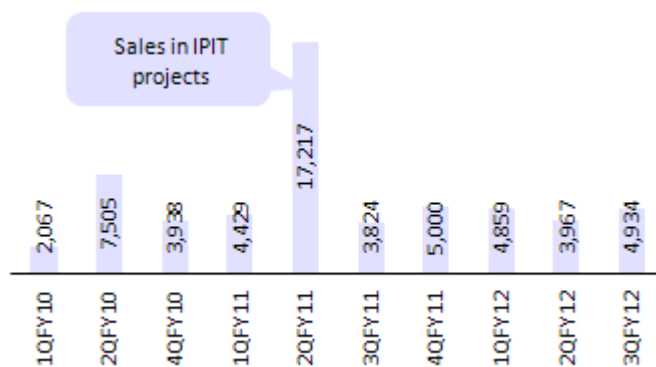
Sales witnessed decline 25%QoQ (msf)



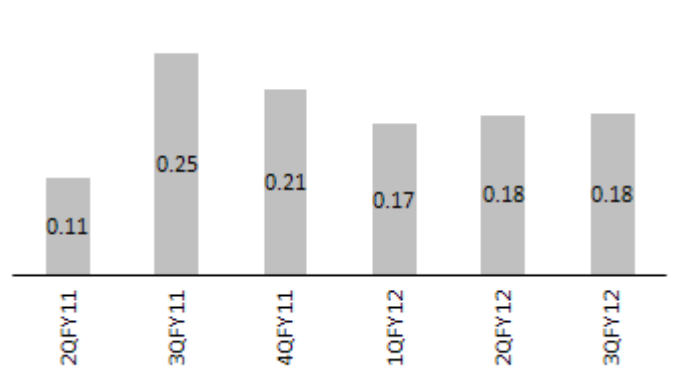
Trend of sales value (INR b)



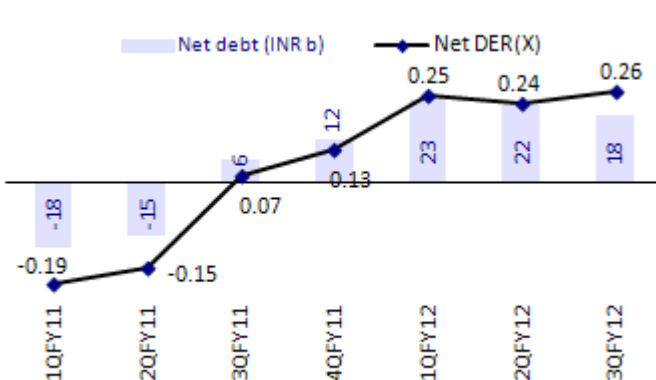
Average realization improves (INR/sf)



Leasing volume (msf) steady, albeit effective rental declined



Post demerger net debt stood at 0.26x



Construction area steady for past 5 quarters

	3QFY12	2QFY12	1QFY12	4QFY11	3QFY11
Residential					
Super Premium	3.3	3.3	3.3	3.3	3.3
Premium	6.6	6.6	6.6	6.6	6.6
Mid Income	4.7	4.7	4.66	5.5	5.5
Sub-total	14.6	14.6	14.6	15.4	15.4
Commercial					
Super Premium	0.2	0.2	0.2	0.2	0.9
Premium	-	-	-	-	-
Mid Income	2.5	2.7	2.4	1.4	0.9
Sub total	2.7	2.9	2.6	1.6	1.8
Grand Total	17.3	17.5	17.2	17.0	17.2

Source: Company/MOSL

Valuation and views: "Go ahead" on execution in IPIT a strong positive; several recent triggers for the stock

- Despite a subdued sales momentum over past 3-4quarters, IBREL's strong pre-sales of ~INR74b offers a robust cash flow and revenue visibility going forward.
- With MPCB approvals at Sky Suit and Forest, we expect mitigation of environment overhang on ~25% of NAV estimate (We estimate IPIT residential (Sky, Suites and Forest) and IPIT commercial (IFC and IBREL Jupiter) to account for ~39% of IBREL's NAV of INR113, while the mentioned residential towers Sky Suit and Sky Forest accounts for ~25% of NAV).
- While sales momentum central Mumbai market has been sluggish, we expected IBREL's project to command customer preference due to higher progress in construction compared to peers. However the approval hurdle over past couple of quarters impacted the execution pace. Now with go ahead from MPCB, we anticipate revival of momentum in these projects along with commencement of construction.
- Recently IBREL has raised INR2b by diluting 9.36% stake to IL&FS Trust Company Limited in its Bharat Mill project at Worli, which values the project at INR21.4b as against acquisition cost of ~INR15.8b in 2010 (deal is 35% premium to acquisition cost). This also signifies improving sentiment for central Mumbai market.
- The Board has also approved buyback of up to INR4.5b at a maximum price of INR75/share from open market recently.
- The stock is trading at ~0.4x FY13E BV and 12.6x FY13E EPS, and at a ~40% discount to our NAV estimate. Re-iterate **Buy**.

Indiabulls Real Estate: an investment profile

Company description

IBREL, the de-merged real estate arm of Indiabulls Financial Services (IBFSL), listed on the Bombay Stock Exchange and the National Stock Exchange in March 2007. It entered the real estate sector in 2005 after it won two land parcels at auction bids of textile mill land in central Mumbai. The company is focused on development and sale of residential properties in tier-I cities like the NCR, Mumbai and Chennai and rental of commercial properties to be developed in Mumbai.

Key investment arguments

- Strong monetization visibility from robust pre-sales and steady progress in execution;
- Strong ongoing recovery in the commercial vertical a positive;
- Restructuring of IBREL's holding in IPL a positive for IBREL shareholders and the move will reduce its NAV discount.

Key investment risks

- Since IBREL is a relatively new player in the real estate space, execution of its aggressive development plan seems to be a challenge.
- Slower sales momentum in Central Mumbai projects

Comparative valuations

		IBREL	Phoenix	Oberoi
P/E (x)	FY12E	14.4	21.9	18.9
	FY13E	12.6	18.4	10.8
P/BV (x)	FY12E	0.4	1.6	2.2
	FY13E	0.4	1.5	1.8
EV/Sales (x)	FY12E	3.8	10.2	8.4
	FY13E	2.8	6.8	4.2
EV/EBITDA (x)	FY12E	14.3	16.5	14.7
	FY13E	10.4	10.9	7.2

Shareholding pattern (%)

	Dec-11	Sep-11	Dec-10
Promoter	35.3	32.3	32.4
Domestic Inst	4.1	3.6	3.6
Foreign	36.4	42.0	43.3
Others	24.3	22.1	20.8

Recent developments

- Recently IBREL has raised INR2b by diluting 9.36% stake to IL&FS Trust Company Limited in its Bharat Mill project at Worli, which values the project at INR21.4b as against acquisition cost of ~INR15.8b in 2010 (deal is 35% premium to acquisition cost).
- The Board has also approved buyback of up to INR4.5b at a maximum price of INR75/share from open market recently.

Valuation and view

- "Go ahead" on execution in IPIT a strong positive; several recent triggers for the stock.
- Robust pre-sales and steady execution progress renders a strong cash flow and revenue visibility.
- The stock is trading at ~0.4x FY13E BV and 12.6x FY13E EPS, and at a ~40% discount to our NAV estimate. Re-iterate **Buy**.

Sector view

- RE sector has been a major underperformer over the last 12 months with multiple operational and non-operational headwinds such as volume slowdown (due to declining affordability), monetary tightening, pilling liquidity pressure etc. However, with a buoyant macro-picture, likelihood of interest rate cut and increasing focus on execution, we believe the outlook will improve going forward.

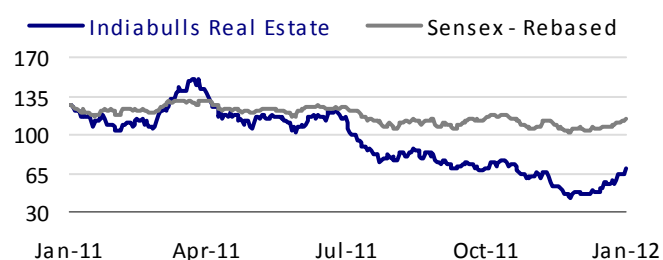
EPS: MOSL forecast v/s consensus (INR)

	MOSL Forecast	Consensus Forecast	Variation (%)
FY12	4.8	5.9	-18.7
FY13	5.5	7.8	-29.7

Target price and recommendation

Current Price (INR)	Target Price (INR)	Upside (%)	Reco.
69	91	31.9	Buy

Stock performance (1 year)



Financials and Valuations

Income Statement		(INR Million)			
Y/E March	2010	2011	2012E	2013E	
Net Sales	1,294	14,325	13,251	17,247	
Change (%)	-38	1,007	-8	30	
Construction Expenses	105	9,892	8,766	11,493	
Staff Cost	640	488	464	517	
Office & Site Establis. Exps	1,620	716	530	517	
EBITDA	-1,071	3,230	3,491	4,719	
% of Net Sales	-83	23	26	27	
Depreciation	126	184	213	208	
Interest	97	609	1,980	1,483	
Other Income	1,699	631	2,109	742	
PBT	405	3,067	3,407	3,770	
Tax	337	1,293	1,039	1,131	
Rate (%)	83	42	31	30	
Reported PAT	68	1,774	2,368	2,639	
Minority Interest	228	176	441	441	
Adjusted PAT	-160	1,598	1,927	2,198	
Change (%)	-154	1,100	21	14	

Balance Sheet		(INR Million)			
Y/E March	2010	2011	2012E	2013E	
Share Capital	803	804	906	906	
Reserves	93,512	89,833	71,825	74,433	
Net Worth	94,315	90,638	72,731	75,339	
Loans	13,632	35,378	21,181	21,181	
Capital Employed	130,255	155,691	102,365	104,973	
Gross Fixed Assets	2,102	4,152	2,961	3,471	
Less: Depreciation	126	184	213	208	
Net Fixed Assets	1,976	3,968	2,748	3,262	
Capital WIP	6,451	33,216	611	659	
Investments	72,474	66,698	50,810	50,810	
Curr. Assets	53,572	77,828	71,961	76,139	
Inventory	24,489	47,220	52,766	55,628	
Debtors	190	5,840	9,076	8,505	
Cash & Bank Balance	10,454	6,058	2,588	3,346	
Loans & Advances	18,439	18,710	7,530	8,660	
Current Liab. & Prov.	4,320	26,123	23,867	26,001	
Creditors	4,320	26,123	23,867	26,001	
Net Current Assets	49,252	51,705	48,094	50,138	
Application of Funds	130,255	155,691	102,365	104,973	

E: MOSL Estimates

Ratios					
Y/E March	2010	2011	2012E	2013E	
Basic (INR)					
Adjusted FDEPS	-1.2	4.0	4.8	5.5	
Growth (%)	-339.5	-418.9	20.6	14.1	
Consolidated FDEPS	-0.6	4.0	4.8	5.5	
Growth (%)	-154.2	740.1	20.6	14.1	
Cash EPS	0.5	4.9	5.7	6.3	
Book Value	236.8	235.6	160.5	166.2	
DPS	1.0	3.0	4.0	5.0	
Payout (incl. Div. Tax.)	-98.5	0.8	0.7	0.6	
Valuation (x)					
P/E		17.4	14.4	12.6	
Cash P/E		14.2	12.1	11.0	
EV/EBITDA		17.7	14.3	10.4	
EV/Sales		4.0	3.8	2.8	
Price/Book Value		0.3	0.4	0.4	
Profitability Ratios (%)					
RoE	-0.2	1.6	2.6	2.9	
RoCE	0.4	2.4	5.3	5.0	
Leverage Ratio					
Debt/Equity (x)	0.1	0.4	0.3	0.3	

Cash Flow Statement		(INR Million)			
Y/E March	2010	2011	2012E	2013E	
PBT before EO Items	405	3,067	3,407	3,770	
Add : Depreciation	126	184	213	208	
Interest	97	609	1,980	1,483	
Less : Direct Taxes Paid	337	1,293	1,039	1,131	
(Inc)/Dec in WC	10,379	-6,844	142	-1,287	
CF from Operations	10,670	-4,277	4,702	2,963	
(Inc)/Dec in FA	-4,835	-29,000	33,584	-767	
(Pur)/Sale of Investments	-60,127	5,776	1,372	0	
CF from Investments	-64,951	-23,217	34,956	-767	
(Inc)/Dec in Networth	38,752	-1,124	-27,079	426	
(Inc)/Dec in Debt	1,676	21,746	-14,196	0	
Less : Interest Paid	97	609	1,980	1,483	
Dividend Paid	92	14	16	16	
CF from Fin. Activity	48,838	19,822	-43,271	-1,514	
Inc/Dec of Cash	-5,442	-4,396	-3,470	758	
Add: Beginning Balance	15,897	10,454	6,058	2,588	
Closing Balance	10,455	6,058	2,588	3,346	

N O T E S

Disclosures

This report is for personal information of the authorized recipient and does not constitute to be any investment, legal or taxation advice to you. This research report does not constitute an offer, invitation or inducement to invest in securities or other investments and Motilal Oswal Securities Limited (hereinafter referred as MOST) is not soliciting any action based upon it. This report is not for public distribution and has been furnished to you solely for your information and should not be reproduced or redistributed to any other person in any form.

Unauthorized disclosure, use, dissemination or copying (either whole or partial) of this information, is prohibited. The person accessing this information specifically agrees to exempt MOST or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOST or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOST or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

The information contained herein is based on publicly available data or other sources believed to be reliable. While we would endeavour to update the information herein on reasonable basis, MOST and/or its affiliates are under no obligation to update the information. Also there may be regulatory, compliance, or other reasons that may prevent MOST and/or its affiliates from doing so. MOST or any of its affiliates or employees shall not be in any way responsible and liable for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. MOST or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This report is intended for distribution to institutional investors. Recipients who are not institutional investors should seek advice of their independent financial advisor prior to taking any investment decision based on this report or for any necessary explanation of its contents.

MOST and/or its affiliates and/or employees may have interests/positions, financial or otherwise in the securities mentioned in this report. To enhance transparency, MOST has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

Disclosure of Interest Statement

Indiabulls Real Estate

- | | |
|---|----|
| 1. Analyst ownership of the stock | No |
| 2. Group/Directors ownership of the stock | No |
| 3. Broking relationship with company covered | No |
| 4. Investment Banking relationship with company covered | No |

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report. The research analysts, strategists, or research associates principally responsible for preparation of MOST research receive compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors and firm revenues.

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOST & its group companies to registration or licensing requirements within such jurisdictions.

For U.K.

This report is intended for distribution only to persons having professional experience in matters relating to investments as described in Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (referred to as "investment professionals"). This document must not be acted on or relied on by persons who are not investment professionals. Any investment or investment activity to which this document relates is only available to investment professionals and will be engaged in only with such persons.

For U.S.

MOST is not a registered broker-dealer in the United States (U.S.) and, therefore, is not subject to U.S. rules. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., Motilal Oswal has entered into a chaperoning agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, Marco Polo and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.



Motilal Oswal Securities Ltd

3rd Floor, Hoechst House, Nariman Point, Mumbai 400 021

Phone: (91-22) 39825500 Fax: (91-22) 22885038. E-mail: reports@motilaloswal.com