

INDIABULLS REAL ESTATE LTD

BUY

Indiabulls Real Estate Ltd (IBREL) is India's fourth largest property company with development projects spread across residential projects, commercial offices, hotels, malls, and Special Economic Zones (SEZ).

- The company has witnessed robust activities in the past 6-9 months with residential launches of above 13msf across India and bookings of about 1.7msf till H1 FY2010. It expects to launch 20msf by the end of the year and has completed the sale of the luxury residential project Indiabulls Sky (0.5msf) in South Mumbai.
- The company has also received formal approvals for a multi-product SEZs in Nashik and two IT SEZs in Panvel, Maharashtra and one IT SEZ in Gurgaon, NCR.
- IBREL has a strong balance sheet with debt-equity ratio of less than 0.5. Additionally, the company has done a successful QIP placement of approximately Rs 27bn in May 2009.
- We expect IBREL revenues to grow at a CAGR of 86% over FY2009-12 to Rs 13,525mn by FY2012. We further estimate that the PAT would grow at a CAGR of 58% over FY2009-12 to Rs 2,719mn in FY2012 from Rs 692mn in FY2009.

Based on a FY12 P/B multiple of 0.9 (real estate business) & a 25% holding discount to CMP of Indiabulls Power (power business), the fair value for the company works out to Rs 202.

Financial Snapshot

Projections (Rs mn)	FY08A	FY09A	FY10E	FY11E	FY12E
Net Revenue	1,407	2,086	1,248	6,076	13,525
Y-o-Y Growth %	910%	48%	-40%	387%	123%
EBITDA	6,220	1,743	686	2,309	4,599
Y-o-Y Growth %	1897%	-72%	-61%	236%	99%
PAT	4,067	692	182	1,274	2,719
Y-o-Y Growth %		-83%	-74%	598%	114%
EPSRs	16.6	1.1	(0.3)	2.3	5.8
EBITDA Margins %	442%	84%	55%	38%	34%
NPM %	285%	14%	-9%	15%	17%
RoE %	9%	1%	0%	1%	3%
PERx			-	70.4	27.7
P/B Ratio			0.82	0.81	0.79

Recommendations	<= 1 year	1 - 2 yrs	2 - 5 yrs
Strong Buy			
Buy			
Hold			
Reduce			
Sell			

Strong Buy – Expected Returns > 20% p.a.
Buy – Expected Returns from 10 to 20% p.a.
Hold – Expected Returns from 0% to 10% p.a.
Reduce – Expected Returns from 0% to 10% p.a. with possible downside risk
Sell – Returns < 0%



STOCK DATA

BSE / NSE Code	532832 / IBREALEST
Bloomberg Code	IBREL IN EQUITY
No. of Shares (Mn)	401.5
Sensex / Nifty	16,153 / 4,827

PRICE DATA

CMP Rs (26th Feb '10)	160.1
Beta	1.60
Market Cap (Rs mn)	64,280
52 Week High-Low	298 - 83
Average Daily Volume	2,904,723

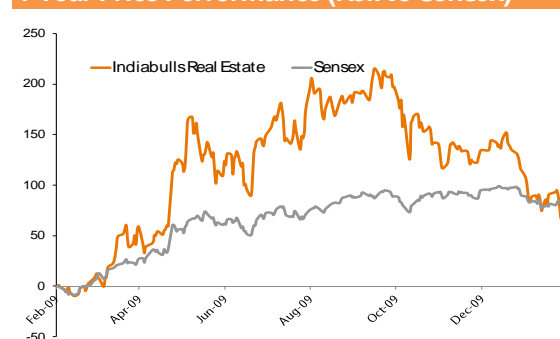
STOCK RETURN (%)

	30D	3M	6M	1Y
Indiabulls Real Estate	-16%	-24%	-44%	71%
Sensex	-3%	-6%	4%	82%
Nifty	-3%	-5%	4%	75%

SHARE HOLDING PATTERN (%)

Promoter	16.7
Institution	74.4
Non Institution	8.9
Total	100.0

1 Year Price Performance (Rel. to Sensex)



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BUSINESS PROFILE

Indiabulls Financial Services Ltd. demerged the entire real estate business in May 2006 to form **Indiabulls Real Estate Ltd**, which currently is focused on the development and sale of residential properties in Tier-1 cities like NCR, Mumbai and Chennai and the rental of commercial properties in Central Mumbai. It is also involved in the development of SEZ at Raigarh and Nashik, and has recently forayed in power and retail. It had partnered with Farallon Capital Management LLC of USA to bring the first FDI into real estate. Indiabulls Real Estate has diversified across various business verticals including Real Estate Development, Project Advisory & Facilities Management: Residential, Commercial (Office and Malls) and SEZ Development.

IBREL has a diversified real estate portfolio with commercial, residential, retail & SEZ projects.

City-wise Business Update for H1 FY2010

Region	Projects	Project Area(msf)	Area Sold (msf)
Mumbai	IndiaBulls Green, IndiaBulls Sky	5.9	0.9
Gujarat	IndiaBulls Central Park	2.6	0.3
Chennai	IndiaBulls Green	1.5	0.2
Hyderabad	IndiaBulls Central Park	0.3	0.0
Indore	IndiaBulls Central Park	1.9	0.1
NCR- Gurgaon	IndiaBulls Centrum Park	1.5	0.2
Total		13.6	1.7
Total Revenue (Rsbn)			10.2
Average Realizations (Rs psf)			5,829

Residential Projects & and an uptick in leasing activity to propel revenue growth...

The company has witnessed robust activities in the past 6-9 months with residential launches of above 13msf (million square feet) across India and bookings of about 1.7msf till H1 FY2010, which translates to revenue of over Rs 10bn, at an average price of Rs 5,829. The company expects to launch 20msf by the end of the year and has also completely sold its recently launched residential project "Indiabulls Sky" (0.5msf) in South Mumbai. The company's revenues would jump up as the residential projects enter revenue projection phase in the coming quarters.

Revenues to jump as the higher number of residential projects enter the revenue recognition stage

Further, with the leasing activity improving, the company has already entered into agreements for its leasing property in Central Mumbai for 0.9msf of office space at Rs 175-190psf pm (per square feet per month) and is negotiating another 0.3msf in the current quarter. IBREL is also a strong contender for large-scale projects such as, Mantralaya redevelopment and Kharghar Plateau. The company also has a multi-product SEZ in Nashik, two IT SEZs in Panvel, Maharashtra, and an IT SEZ in Gurgaon, NCR.

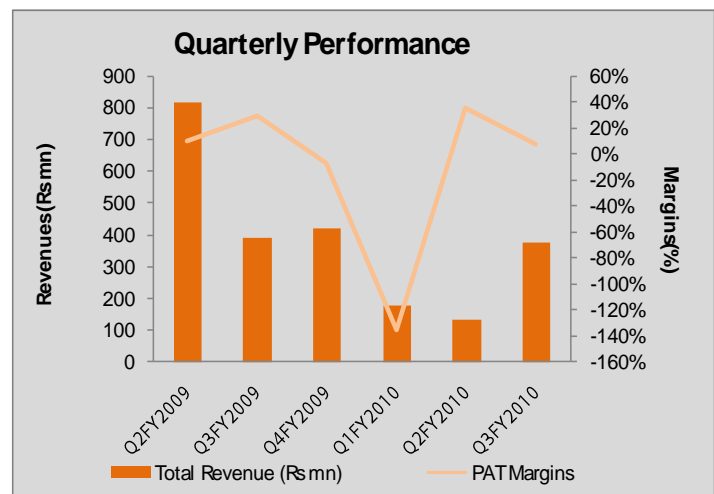
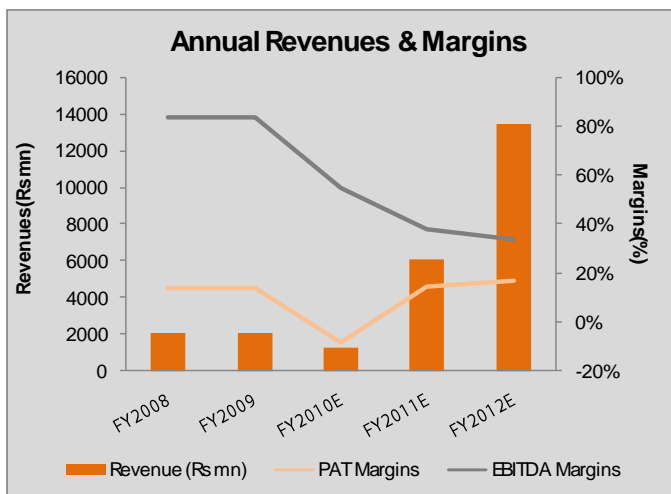
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BUSINESS PERFORMANCE

Strong Revenue Growth ahead.

The last 2-3 quarters exhibited muted growth as the conservative accounting system (i.e. percentage of completion method) has led to lower revenues even as the sales bookings remain robust. The company primarily earned its income from the deployment of cash. Further, the minority interest was also higher due to lower stake of Indiabulls Real Estate in Indiabulls Power post IPO. Going forward, we expect higher revenues with the construction of the projects picking up speed & higher rental income increasing dividends from its Singapore-listed entity.

Net Profit is to grow at a CAGR of 58% over FY09-FY12.



Peer Comparison

IBREL is attractively priced at less than its current book value. IBREL has a strong balance sheet with debt-equity ratio of less than 0.5. Additionally, the company is one of the few companies in the real estate space to have surplus cash, which stands at Rs 38bn, post its successful QIP placement of approximately Rs 27bn in May 2009.

Comfortable leverage position at less than 0.5

Peer Group Comparison

Companies	Revenues (Rs mn)	EBITDA Margins %	PAT Margins %	Debt-Equity Ratio	P/E	P/B	CMP	FV
IndiaBulls Real Estate	1,109	63.5%	-17.9%	0.48	-	0.82	160	2
DLF	65,489	48.3%	22.4%	0.55	34.5	2.22	297	2
Unitech	21,844	62.0%	36.1%	1.28	21.6	1.80	72	2
HDIL	14,157	48.7%	34.0%	0.9	13.2	1.58	301	10

* TTM figures used, D-E ratio based on FY09 figures

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VALUATION

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We recommend the stock as a 'BUY'.

Financial Analysis and Projections

Particulars (Rs mn)	FY2008	FY2009	FY2010E	FY2011E	FY2012E
Net Revenue	1,407	2,086	1,248	6,076	13,525
Other Income	6,240	2,313	1,756	2,108	2,318
Total Income	7,647	4,399	3,004	8,184	15,844
Operating Expenditure	1,426	2,656	2,318	5,875	11,245
Depreciation	33	108	141	211	285
EBITDA	6,220	1,743	686	2,309	4,599
EBITDA Margin (%)	442%	84%	55%	38%	34%
Interest	522.4	244.2	140.0	168.0	193.2
Profit Before Tax	5,665	1,391	405	1,930	4,120
Less: Tax	1,598	698	223	656	1,401
Profit After Tax	4,067	692	182	1,274	2,719
Less: Minority Interest (MI)	65	398	289	361	398
PAT After MI	4,002	295	(107)	912	2,322
PAT Margin (%)	285%	14%	-9%	15%	17%
ROE (%)	9%	1%	0%	1%	3%
EPSRs	16.6	1.1	(0.3)	2.3	5.8
BVPSRs	175.9	214.7	194.5	196.8	202.6
Valuation Ratios (x)			FY2010E	FY2011E	FY2012E
PERx			-	70.4	27.7
P/B Ratio			0.82	0.81	0.79

Valuation

Business	Method	Value (Rs per share)
Real Estate Business	0.9 times FY12E BVPS (RE)	137
India Bulls Power	25% discount to CMP	65
	Fair Value per share	202

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Board Of Directors

Director Name	Current Position	Description
Sameer Gehlaut	Chairman	Mr. Sameer Gehlaut serves as the Chairman of Indiabulls Real Estate Ltd.
Rajiv Rattan	Vice Chairman	Mr. Rajiv Rattan serves as the Vice-Chairman of Indiabulls Real Estate Ltd.
Saurabh K Mittal	Director	Mr. Saurabh K Mittal serves as a director of Indiabulls Real Estate Ltd.
Vipul D Bansal	Joint Managing Director	Mr. Vipul Bansal serves as a Joint Managing Director of Indiabulls Real Estate Ltd. He was previously the founding member of a private equity fund focused on India and a co-founder of one of India's Knowledge and Document Processing Outsourcing Companies. In addition he has set up and managed a steel rolling mill with a production capacity of 200,000 tones per year. He has facilitated customization, replication and dissemination of energy efficient and environment friendly technologies in several industry specific SME clusters in India. He did his Bachelor of Technology in Chemical Engineering from IIT Delhi.
Narendra Gehlaut	Joint Managing Director	Mr. Narendra Gehlaut serves as a Joint Managing Director of Indiabulls Real Estate Ltd. He has set up, owned and operated one of India's leading mining and construction material processing companies and has years of leadership experience in Construction industry and the Indian real estate market. He is a graduate in Electrical Engineering from Delhi College of Engineering.
Labh Singh Stara	Director	Mr. Labh Singh Stara is a director of Indiabulls Real Estate Ltd.
Shamsher Singh	Director	Mr. Shamsher Singh is a Non-Executive Independent Director of Indiabulls Real Estates Ltd. He holds a post graduate degree in History from St. Stephens College, New Delhi. He is an ex-banker and an academician with years of experience behind him. Having been associated with the banking sector for a long time, Mr. Singh has an in depth understanding of the economy of the country and ability to visualize its impact on the Company's business etc. which can be to the benefit of Company's business in years to come, meriting his reappointment as a director on the Board of the Company. Mr. Shamsher Singh is also on the boards of Indiabulls Financial Services Limited and Indiabulls Retail Services Limited. Besides, he is a member of the Audit Committees of the Company, Indiabulls Financial Services Ltd. and Indiabulls Retail Services Limited, and of the Remuneration Committees of the Company, Indiabulls Financial Services Limited and Indiabulls Retail Services Limited.
Aishwarya Katoch	Director	Mr. Aishwarya Katoch is a Non-Executive Independent Director of Indiabulls Real Estates Ltd. He holds a bachelors degree in Business Administration and Merchandising from American College of Applied Arts, London. Mr. Katoch runs a successful business that has interests in Resorts and Hotels. He is on the Board of the Company since May 23, 2006. His business skills will be to the benefit of the Company in the years to come, meriting his reappointment as director on the board of the Company. Mr. Katoch is also on the Boards of Indiabulls Financial Services Ltd; Indiabulls Securities Ltd; Indiabulls Housing Finance Ltd; Indiabulls Retail Services Ltd; Kangra Hotels Pvt. Ltd and Royal Expeditions Pvt. Ltd. He is also a member of the Audit Committee of the Company, Indiabulls Financial Services Limited, Indiabulls Retail Services Limited and Indiabulls Housing Finance Limited; the Share Transfer cum Shareholders' / Investors Grievance Committee of the Company, Indiabulls Financial Services Limited and Indiabulls Retail Services Ltd and the Remuneration Committee of the Company, Indiabulls Financial Services Limited, Indiabulls Securities Limited and Indiabulls Retail Services Limited.
Karan Singh	Director	Mr. Karan Singh is a Non-Executive Independent Director of Indiabulls Real Estates Ltd. He holds a postgraduate degree in English and is a retired professor. His excellent HR administrative skills will be to the benefit of the Company in the years to come, meriting his reappointment as a director on the Board of the Company. He is a Director on the Boards of Indiabulls Financial Services Limited, Indiabulls Securities Limited and Indiabulls Retail Services Limited. Mr. Karan Singh is also a member of the Audit Committee and the Share Transfer cum Shareholders' Investors' Grievance Committee of the board of Indiabulls Securities Limited.
Prem Prakash Mirdha	Director	Mr. Prem Prakash Mirdha is a director of Indiabulls Real Estate Ltd.

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