

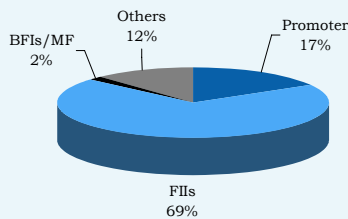
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Key points

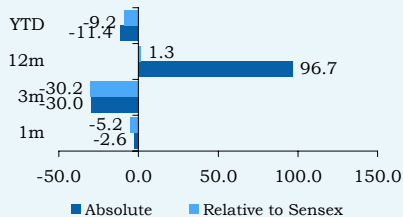
- Profit mainly from interest income
- We estimate cash outflows of over Rs6bn during the quarter for development/construction in the real estate business.

CMP	Rs201
Reuters code	INRL.BO
Bloomberg code	IBREL IB
Shares o/s (mn)	401
Mkt Cap	Rs81bn/US\$1.8bn
52 wk high / Low	Rs298/83
Avg daily trad vol	7.66(mn shs)
BSE Sensex	17,051
Nifty	5,094

Shareholding pattern



Performance



Share price movement



Profit only from interest income

Results below our estimates

Indiabulls Real Estate reported consolidated Net Revenues of Rs375mn, below our estimate of Rs453mn. The net revenues were lower as no residential sales (1.75msf booked till 2QFY10) may have been recognized during the quarter. Standalone Net Revenues (mainly from advisory income) declined QoQ from Rs227mn to Rs187mn in 3QFY10. EBITDA continued to remain negative at -Rs322mn. Other income (interest income from cash and Inter Corporate Deposits), where we estimate over 55% was from cash in Indiabulls Power (~Rs32bn of cash), reduced to Rs480mn from Rs612mn. We estimate that this is due to deployment of cash in the real estate and power businesses. Minority interest was higher at 72% of PAT, as IBREL's stake in Indiabulls Power has reduced from 71.4% to 57.8% post the IPO of the power business. Net profit (after minority interest) was correspondingly lower at Rs28mn (our estimate was Rs125mn).

Reduction in interest income implies cash utilization

The standalone interest income has reduced QoQ by Rs85mn. We estimate that this implies a cash outflow of over ~Rs6bn towards construction/development of their residential/commercial and retail projects in 3QFY10. The quantum of cash outflow appears to be high for one quarter given that our channel checks indicate slow construction progress across their properties. We await more clarity from management on the end use of cash outflows during the quarter.

Valuations and view

The 3QFY10 net profit was almost entirely from Interest income from cash in Indiabulls Real Estate standalone (~Rs38bn of net cash) and Indiabulls Power (~Rs32bn of cash). Revenue recognition from sales bookings (~1.75msf was sold till 2QFY10) does not appear to have begun during the quarter.

We currently await for more details from management on 1) the end use of the ~Rs5 to 6bn cash outflows, 2) residential sales bookings during 3QFY10, 3) lease progress in IPIT and 4) execution progress across their properties.

Our rating and target price are under review pending more clarity from management.

Exhibit 1 - Results Summary (Consolidated)

Rsmn	3QFY09	4QFY09	1QFY10	2QFY10	3QFY10
Net Sales	389	422	179	132	375
<i>yoy growth (%)</i>	3.0	-38.1	-60.9	-83.8	-3.8
<i>qoq growth (%)</i>	-52.2	8.4	-57.6	-26.0	182.8
Operating expenses	561	632	479	462	696
<i>yoy growth (%)</i>	10.5	17.3	-13.3	-49.3	24.2
<i>qoq growth (%)</i>	-38.5	12.8	-24.2	-3.6	50.7
Operating profit	-171	-210	-300	-330	-322
<i>yoy growth (%)</i>	NM	NM	NM	NM	NM
<i>qoq growth (%)</i>	79.6	22.6	43.1	9.8	-2.4
Other income	563	460	313	612	480
<i>yoy growth (%)</i>	-87.6	-45.6	-53.0	-1.8	-14.8
<i>qoq growth (%)</i>	-9.5	-18.3	-31.9	95.3	-21.5
Interest expenses	10	7	31	21	43
<i>yoy growth (%)</i>	-93.9	-97.7	-78.7	-74.3	338.2
<i>qoq growth (%)</i>	-87.9	-32.1	373.2	-34.2	107.1
PBT	356	212	-48	231	83
<i>yoy growth (%)</i>	-91.6	-69.5	-112.0	-45.2	-76.6
<i>qoq growth (%)</i>	-15.3	-40.4	-122.6	-580.0	-63.8
Provisions for tax	177	224	144	132	-16
<i>yoy growth (%)</i>	-85.3	8.4	7.6	-18.9	-108.8
<i>qoq growth (%)</i>	8.9	26.9	-35.6	-8.8	-111.8
Net profit after Minority	113	-30	-243	47	28
<i>yoy growth (%)</i>	-96.2	NM	-285.7	-41.4	-75.6
<i>qoq growth (%)</i>	41.6	NM	NM	NM	-41.1

Other income lower due to deployment of cash in Real Estate and Power businesses

Minority interest was higher due to lower stake of Indiabulls Real Estate in Indiabulls Power after the IPO

Source: Alchemy Research, Company

The ratings are based on the absolute upside of our target price from the current price.

Upside more than 25%	Strong Buy
Upside between 15-25%	Buy
Upside of up to 15%	Accumulate
Downside of up to 15%	Reduce
Downside of more than 15%	Sell
Sector Relative call:	
Outperform	>5% upside to sector benchmark
Marketperform	+5% to -5% of sector benchmark
Underperform	>5% downside to sector benchmark
Sector Weightage	
Overweight	
Equal weight	
Underweight	

Sales

91-22-6639 9125

91-22-6639 9126

91-22-6639 9178

Trade Execution

91-22-6639 9121

91-22-6639 9134

91-22-6639 9167

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