

# Downside protected; Reiterate Buy

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## Quality assets at deep discount; valuation compelling

We reiterate our Buy rating on IBREL with PO of Rs142, as we believe that post 45% correction from the Nov' 10 peak, the share price more than adequately reflects the near term challenges. We cut our NAV estimate by 32% to Rs167 as we now only value the company's key projects where there is visibility on launch and execution over the next 2 years. We believe the stock looks compelling from a risk-return perspective as downside risk to our NAV estimates are very low. We have also cut our earnings by 20-25% to reflect lower sales volume in FY11-13E.

## Lower Parel: All is not lost, execution will be key

IBREL derives 60% of its valuation from projects located in Lower Parel, Mumbai. The stock is currently factoring in over 45% correction in residential prices, which we believe is very unlikely. While we do believe developers have gone overboard in the luxury quotient in the micro market leading to short term oversupply. But IBREL being the first mover, is at least 12-15 months ahead of competition on execution which will be key factor in determining the future sales in these projects.

## Power business: On-ground progress

We value the power business at 1x P/B and believe this subsidiary has achieved substantial progress on execution of projects in the last 12 months, having placed most of the orders with reputed contractors like BHEL. It has also achieved financial closure for the 5,400MW project and has started to draw down the debt for construction. The restructuring of power investment will further add value to IBREL shareholders though it is still 3-4 months away.

## Investment in new land assets key risk

IBREL has consistently invested in land in the last 3-4 years and we believe an increase in debt due to further investment in land assets is the key risk to our call.

## Estimates (Mar)

(Rs)	2009A	2010A	2011E	2012E	2013E
Net Income (Adjusted - mn)	278	(160)	1,794	2,068	2,723
EPS	1.08	(0.399)	4.47	5.15	6.78
EPS Change (YoY)	-93.5%	NM	NM	15.3%	31.7%
Dividend / Share	0	0	0	0.515	1.02
Free Cash Flow / Share	(151.20)	(125.72)	(75.38)	(17.68)	(22.70)

## Valuation (Mar)

	2009A	2010A	2011E	2012E	2013E
P/E	101.13x	NM	24.45x	21.21x	16.11x
Dividend Yield	0%	0%	0%	0.471%	0.931%
EV / EBITDA*	51.37x	142.84x	27.25x	26.05x	20.63x
Free Cash Flow Yield*	-88.76%	-115.08%	-69.00%	-16.19%	-20.77%

\* For full definitions of *iQmethod*<sup>SM</sup> measures, see page 11.

## Stock Data

Price	Rs109.25
Price Objective	Rs142.00
Date Established	8-Mar-2011
Investment Opinion	C-1-8
Volatility Risk	HIGH
52-Week Range	Rs99.20-Rs218.55
Mrkt Val / Shares Out (mn)	US\$974 / 401.5
Average Daily Volume	4,419,290
BofAML Ticker / Exchange	IBELF / BSE
Bloomberg / Reuters	IBREL IN / INRL.BO
ROE (2011E)	1.9%
Net Dbt to Eqty (Mar-2010A)	2.7%
Est. 5-Yr EPS / DPS Growth	58.3% / NA
Free Float	77.0%

## Key Changes

(Rs)	Previous	Current
Price Obj.	208.00	142.00
2011E EPS	5.42	4.47
2012E EPS	6.79	5.15
2013E EPS	8.49	6.78
2011E EBITDA (m)	3,995.3	3,285.4
2012E EBITDA (m)	4,498.1	3,437.5
2013E EBITDA (m)	5,500.9	4,340.0

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Refer to important disclosures on page 12 to 14. Analyst Certification on Page 9. Price Objective Basis/Risk on page 9. Link to Definitions on page 9.11027745

08 March 2011

## iQprofile<sup>SM</sup> Indiabulls Real Estate Ltd

Key Income Statement Data (Mar)	2009A	2010A	2011E	2012E	2013E
<b>(Rs Millions)</b>					
Sales	4,399	2,992	11,582	13,426	18,871
Gross Profit	3,757	2,247	3,768	3,996	5,134
Sell General & Admin Expense	(1,735)	(1,620)	(483)	(558)	(794)
Operating Profit	1,635	501	3,083	3,269	4,205
Net Interest & Other Income	(244)	(97)	(200)	(200)	(200)
Associates	(17)	0	0	0	0
Pretax Income	1,374	404	2,883	3,069	4,005
Tax (expense) / Benefit	(698)	(337)	(1,009)	(921)	(1,201)
Net Income (Adjusted)	278	(160)	1,794	2,068	2,723
Average Fully Diluted Shares Outstanding	258	402	402	402	402

### Key Cash Flow Statement Data

Net Income	278	(160)	1,794	2,068	2,723
Depreciation & Amortization	108	126	203	169	135
Change in Working Capital	(23,076)	(12,283)	(12,428)	1,681	5,251
Deferred Taxation Charge	2	0	0	0	0
Other Adjustments, Net	(2,313)	(1,708)	(849)	(1,019)	(1,223)
Cash Flow from Operations	(25,001)	(14,025)	(11,281)	2,899	6,887
Capital Expenditure	(13,935)	(36,456)	(18,987)	(10,000)	(16,000)
(Acquisition) / Disposal of Investments	0	0	0	0	0
Other Cash Inflow / (Outflow)	2,313	1,699	849	1,019	1,223
Cash Flow from Investing	(11,622)	(34,758)	(18,138)	(8,981)	(14,777)
Shares Issue / (Repurchase)	16	(2,034)	0	0	0
Cost of Dividends Paid	0	0	0	(238)	(470)
Cash Flow from Financing	21,422	48,718	15,000	5,762	5,530
Free Cash Flow	(38,936)	(50,482)	(30,268)	(7,101)	(9,113)
Net Debt	(25,227)	3,176	22,595	23,915	30,775
Change in Net Debt	23,768	364	29,419	6,320	8,360

### Key Balance Sheet Data

Property, Plant & Equipment	1,540	1,414	1,212	1,043	908
Other Non-Current Assets	15,522	79,486	88,474	93,474	107,974
Trade Receivables	878	190	1,764	2,039	2,901
Cash & Equivalents	38,559	10,454	6,035	10,716	9,856
Other Current Assets	27,439	43,028	69,646	73,128	78,724
Total Assets	83,938	134,573	167,131	180,400	200,363
Long-Term Debt	13,331	13,631	28,631	34,631	40,631
Other Non-Current Liabilities	9	0	0	0	0
Short-Term Debt	NA	NA	NA	NA	NA
Other Current Liabilities	1,702	4,320	20,084	25,522	37,232
Total Liabilities	15,042	17,951	48,714	60,153	77,862
Total Equity	68,896	116,624	118,417	120,248	122,501
Total Equity & Liabilities	83,938	134,574	167,132	180,401	200,364

### iQmethod<sup>SM</sup> - Bus Performance\*

Return On Capital Employed	1.1%	0.2%	1.4%	1.5%	1.9%
Return On Equity	0.6%	-0.2%	1.9%	2.1%	2.8%
Operating Margin	78.4%	38.7%	28.7%	26.3%	23.8%
EBITDA Margin	39.6%	21.0%	28.4%	25.6%	23.0%

### iQmethod<sup>SM</sup> - Quality of Earnings\*

Cash Realization Ratio	NM	NM	-6.3x	1.4x	2.5x
Asset Replacement Ratio	NM	NM	NM	NM	NM
Tax Rate (Reported)	50.8%	83.3%	35.0%	30.0%	30.0%
Net Debt-to-Equity Ratio	-36.6%	2.7%	19.1%	19.9%	25.1%
Interest Cover	6.7x	5.2x	15.4x	16.3x	21.0x

### Key Metrics

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 11.

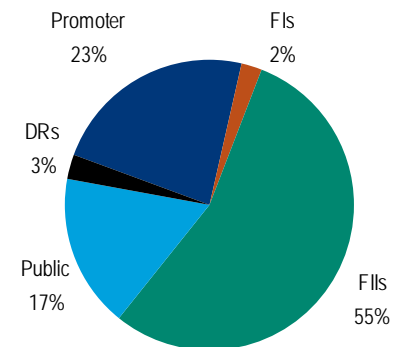
### Company Description

Indiabulls Real Estate is part of Indiabulls group with interest in diverse businesses. Indiabulls Real Estate is focused on real estate development and power generation. It is developing projects across residential and office space. The company has 45% stake in business trust listed in Singapore Exchange which is developing 7mn sq ft of property in Mumbai. In power, it has 58% stake in Indiabulls Power, which is planning to create generation capacity of more than 5000MW over next 3-4 years.

### Investment Thesis

We believe the correction in residential prices in Central Mumbai will not be as sharp as expected by the market while its superior execution will give it an edge over competition leading to better demand. The progress in power sub is also reasonable and likely to surprise the market on the upside. We believe stock looks compelling given strong balance sheet and very low downside risks. Hence Buy rating.

Chart 1: Shareholding as on Dec 2011

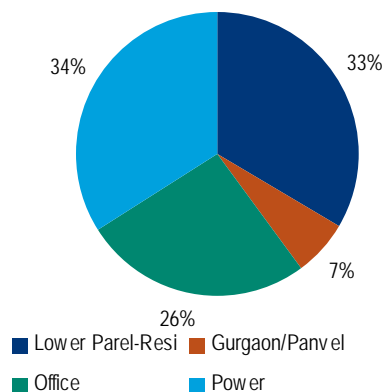


Source: BSE

### Stock Data

Price to Book Value 0.5x

Chart 2: IBREL NAV breakdown



Source: BofA Merrill Lynch Global Research

## Reiterate Buy, PO of Rs142

We reiterate our Buy rating on IBREL with a price objective of Rs142 offering 30% potential upside from the current levels. Our PO is based on 15% discount to our NAV of Rs167. We have cut our PO by 32% as we are now valuing only the key projects with visibility on launch and execution over the next two years in our NAV estimates.

We believe the stock offers value even after we build in a sharp cut of 25-30% in sale price in its key real estate projects. Further, the market is ignoring considerable execution progress made by its power subsidiary where IBREL holds a 58.5% stake. In our revised NAV, we are valuing only the Lower Parel projects (with lower prices), the power subsidiary at 1x P/B, and other real estate projects in Panvel and Gurgaon that have already been launched for sale by IBREL leading to 32% drop in NAV.

Table 1: NAV Snapshot

	Value (Rs m)	Value per share (Rs)	% of NAV (pre debt)
Indiabulls Bleu	16,894	42	22.9%
Other resi projects	4,862	12	6.6%
IPIT	27,163	68	36.9%
Power business	24,730	62	33.6%
<b>Gross NAV</b>	<b>73,649</b>	<b>183</b>	
<i>Less</i>			
- Debt/ (cash) in the parent entity	6,500	16	
<b>Net NAV</b>	<b>67,149</b>	<b>167</b>	
<b>Assuming 15% discount to NAV</b>		<b>142</b>	
<b>Price Objective</b>		<b>142</b>	

Source: BofA Merrill Lynch Global Research

## Limited downside risk to our NAV

The downside risks to NAV are limited as we have factored in most of the negatives while there remains upside risks from launch/execution of projects not included in our valuation. We believe 15% discount to NAV is reasonable given we have valued all the projects very conservatively.

Table 2: Conservation assumptions protect downside

Projects	Assumptions
Lower Parel Residential	NAV includes 25-30% lower prices, don't expect further downside
Lower Parel Office	Rental assumption of Rs140-165/sq ft/month, leasing in 3 years
Power	15% discount to P/B of 1x, power utilities trading in the range of 1.5-2.2x

Source: BofA Merrill Lynch Global Research

## Key triggers -

- The improving execution in its Lower Parel projects over next 6-12 months will help establish its ability to deliver the project and we believe will also improve sales volume
- Increased leasing at the Lower Parel projects where currently only 50% is leased
- Restructuring of the power subsidiary in next 6 months

Table 3: India Real Estate Coverage

Company	Ticker	QRO	Price Rs	Mkt cap (US\$ m)	Rating	NAV Rs	Target	Current	P/E		P/B		ROE	
							disc to NAV	disc to NAV	FY11E	FY12E	FY11E	FY12E	FY11E	FY12E
<b>Mumbai</b>														
Oberoi	XRROF	C-1-8	240	1,747	Buy	290	0%	17%	14	13	2.4	2.1	22%	17%
HDIL	XGHSF	C-1-7	160	1,468	Neutral	206	15%	22%	7	7	0.7	0.6	12%	10%
Indiabulls Real Estate	IBELF	C-2-8	107	975	Buy	167	15%	36%	24	21	0.5	0.5	2%	2%
<b>NCR</b>														
DLF	XVDUF	B-1-8	219	8,232	Buy	324	0%	33%	20	14	1.4	1.3	7%	10%
Unitech	UTKIF	B-2-8	35	1,981	Neutral	106	10%	66%	9	7	0.7	0.7	9%	10%
Jaypee Infra	XJAYF	C-1-8	59	1,808	Buy	123	15%	52%	5	6	1.6	1.3	43%	22%
Anant Raj	XNRJF	C-1-7	79	520	Buy	189	15%	58%	12	7	0.6	0.6	6%	9%
Omaxe	XOMXF	C-3-9	133	512	U/p	122	30%	-9%	21	17	1.4	1.3	7%	8%
APIL	ANSFF	C-3-8	36	125	U/p	89	30%	60%	5	4	0.3	0.3	7%	8%
<b>Bangalore</b>														
Sobha	SBDRF	C-1-7	265	596	Buy	529	15%	50%	13	10	1.5	1.3	11%	14%
Puravankara	XPJVF	C-1-7	105	491	Buy	159	15%	34%	16	12	1.4	1.3	9%	11%
Brigade	XBDGF	C-1-7	97	274	Buy	195	20%	50%	12	9	1.1	1.0	10%	12%

Source: BoFA Merrill Lynch Global Research

## Lower Parel: Execution to decide the winner

IBREL's projects in Lower Parel, Mumbai account for Rs110/share or 60% of its NAV and thus is most important for stock performance. The micro market has seen a number of residential launches in the last two years in the super luxury segment. This has led to concern on absorption of the residential units and expectation of a sharp drop in prices in the near future. We try and address some of these concerns below and have built in very conservative estimates for our NAV calculation of the projects located in the micro market. The residential developments account for 56% of NAV while office developments 44% of NAV. We have built in a sale price of Rs18,000-20,000/sq ft for the residential developments (25-30% drop from the current ASP) and believe prices are unlikely to fall below these levels.

## Oversupply but all under construction

While there is talk about oversupply, it is only in terms of launches and not ready supply of apartments. As of now, very few projects are expected to be completed over the next two years and even in those pre-sales are above 70%. Therefore, prices for ready apartments will continue to remain high at over Rs30,000/sq ft, which we believe would provide support to under-construction projects.

## Ready supply only post FY15

In the last 18 months, we have seen around 6-7 projects being launched offering over 3,000 apartments for sale, but the construction on most of the projects has only started in the last six months. This would imply the ready stock will come in the market only four years from now. Even in these projects, over 40% of inventory is sold. Since most of the projects are promising over 70 floors (being developed in India for the first time), we expect execution delays of 12-18 months.

## Launches getting staggered due to approval delays

We expect another 3-4 projects to be launched in 12 months but these projects were expected in 2010 itself and have now been delayed due to lack of approvals. The visibility beyond these projects is not great and we are unlikely to see any big launches since the land supply is mostly coming from auction of old

mill land by government entity. Further, the state government is no longer granting higher FSI under the parking policy (developers in recent projects have managed to increase FSI from 1.33 to almost 4 under this policy).

### Is FSI under threat? Unlikely for approved projects

Residential projects in the micro market have been granted higher FSI of up to 4 against the normal FSI of 1.33 under the public parking policy. As per our conversation with developers, all planned projects have already got approval from the local authorities for the higher FSI. The state government is currently reviewing the policy and is not granting new approvals, but is not looking to change the policy retrospectively.

### Execution will be key differentiator

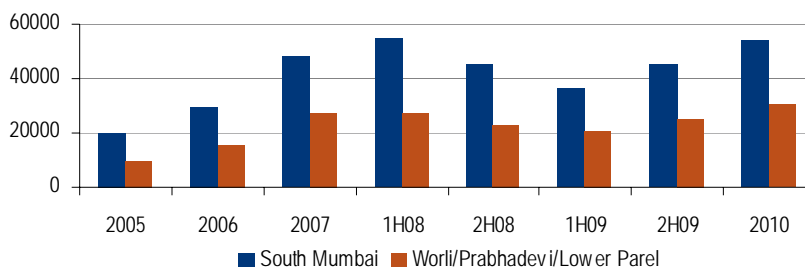
We believe the success of announced projects will be largely dependent on the execution progress since there is a lot of concern on the ability of developers to execute projects offering over 70 floors. We believe IBREL has a distinct advantage over its peers on this aspect because its project was the first to be launched and hence is almost 12 months ahead of competition in terms of execution. Secondly, none of the company's projects are offering 90-110 floors, and have mostly around 50 habitable floors with the first 20 floors being car parks. This, we believe, will substantially reduce the execution challenge and costing of the project as compared to its competitors.

Also, as seen in the office development in the micro market, IBREL has managed to launch the project much ahead of competition.

### Pricing cheap relative to South Mumbai

If we compare the prices in Lower Parel to those in South Mumbai, they are still 35-40% cheaper and therefore offer a good alternative to those aspiring to stay in South Mumbai. Most of these apartments are offering best-in-class amenities like private swimming pools, private escalators, private garden etc, which India is experiencing for the first time.

Chart 3: Lower Parel prices 35-40% lower than South Mumbai



Source: BofA Merrill Lynch Global Research

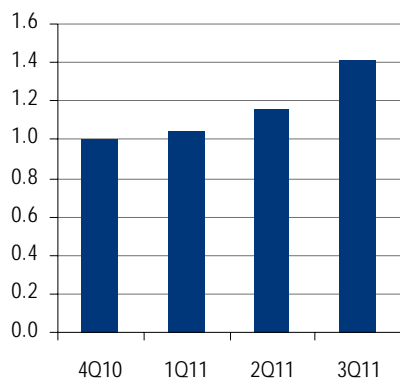
We do not expect prices to fall below Rs18,000-20,000/sq ft since the construction cost for most of these projects would be upward of Rs6,000/sq ft with land cost upwards of Rs7,000/sq ft (NTC plans to auction extra FSI of 0.2mn sq ft with a base price of Rs11,000/sq ft), and developers would be unwilling to cut prices below these levels. Like in office projects, even in worst of the times, developers refused to reduce rentals below Rs150/sq ft. Similarly, developers are unlikely to cut residential prices below Rs20,000/sq ft. Most developers have deep pockets and are in no hurry to sell their projects cheap.

## Residential: Near-term challenges, but factored in

**Sky Residences - 3.3mn sq ft** – This project, which accounts for 12% of our NAV for IBREL, was launched in 2009 and comprises three towers. It has pre-sold over 1.5mn sq ft with average realization of Rs25,000/sq ft. The construction is in full swing across the three towers with the first tower expected to be completed in the next four years. We have assumed a sale price of Rs18,000/sq ft with sales spread across the next five years. We do expect sales to remain soft over the next 12 months due to the current high prices (exceed Rs25,000/sq ft) and on expectations of a price correction. But the sales volume will improve as execution becomes visible in the next 12 months and prices stabilize at lower levels.

**Indiabulls Bleu - Worli** - We have assumed a normal FSI of 1.33 for this project and expect it to be launched in FY12 with a development period of five years. IBREL has invested Rs21bn for the land, though we are ascribing only Rs16bn for the project due to lower FSI and conservative sale price assumptions. The project is better located as compared to its Sky project, and other projects in the vicinity are commanding over Rs30,000/sq ft. We have assumed sale price of Rs20,000/sq ft and construction cost of Rs6,000/sq ft for the project.

Chart 4: Office leasing by IBREL



Source: BofA Merrill Lynch Global Research

## Office leasing at steady pace

IBREL has leased 1.4mn sq ft of its 3.8mn sq ft of office development with rentals averaging around Rs160-170/sq ft. The firm expects to complete 1.2mn sq ft of development in the next 6-9 months while the remaining 0.5mn sq ft is under planning. We have valued the currently ready asset – One Indiabulls centre at Rs165/sq ft /month and the Indiabulls Financial Centre at Rs140/sq ft / month with a 11% cap rate, which we believe is conservative.

## Supply to cap rental recovery

The location will continue to see oversupply for the next two years and the rentals are expected to remain at Rs150-170/sq ft. Even after many developers converted their planned office projects into residential development, the under-construction projects will almost double the office stock in the next three years. Also, vacancy levels are expected to increase from around 20% currently to over 25% in 2011. Some of the key projects in advance stages of construction include those by Indiabulls Real Estate, Peninsula Developers, Marathon, Kohinoor and Lodha.

## Power: Visible progress in projects

Indiabulls Power accounts for Rs62/sh or 34% of our NAV estimate, and we believe our valuation is conservative given the on-ground progress achieved by this vertical in project implementation. IBREL has a 58.5% stake in Indiabulls Power is planning to demerge its investment in the power subsidiary into a separate entity and subsequently merge it with Indiabulls Power. This will make IBREL a pure real estate play. The shareholders of IBREL will receive 2.97share of Indiabulls Power on completion of the restructuring exercise.

We have valued the power subsidiary at 1x P/B while arriving at our NAV for IBREL. Most of the pure utility players are currently trading at 1.5-2x price to book multiple. Our valuation at 30-50% discount factors in most of the downside from likely delays in commissioning of the projects and expected correction in power tariffs from FY13. Indiabulls Power's first plant is expected to start operations from FY13. During the last 2-3 quarters, the power subsidiary has made considerable progress in implementation of projects, which makes us believe that our valuation at 1x P/B is conservative. We highlight some of the steps taken by the management below.

**Orders in place** - Indiabulls has placed the order for BTG with BHEL for 20 sets of 270MW, making it the second-largest customer of BHEL providing credibility to its plans and assuring quality and timely implementation of the order. The first of the power plants is expected to come on stream as early as FY13. Orders for other segments of the power plant have also been placed with different reputed contractors like Shapoorji for BTG civil and structures, L&T for the coal handling plant, and Areva for the power transformer.

**Financial closure and approvals in place**- IBREL has achieved financial closure for all the two phases of the both the projects and has started the draw down for Phase 1 of the project. It has so far drawn Rs4.25bn for the Amravati and Rs3bn for the Nashik projects. Other approvals like coal and water linkages are also in place while the land was acquired way back in 2008-09.

The company has signed a power purchase agreement (PPA) with the Maharashtra government for Phase 1 of the 1200MW Amravati project at 3.26/unit for 25 years. It plans to sign further deals as the plants near commissioning.

## Other land bank

IBREL's other land banks include the ones in Panvel and Gurgaon. The company has already launched residential projects in these two locations. We have valued these projects at prices which are at a 15-20% discount to current prices and contribute Rs12/sh or 7% of our NAV.

**Gurgaon** - IBREL has launched two projects in Gurgaon, a location where it has two more land parcels. Its land bank is located along the upcoming Gurgaon - Dwarka expressway where the residential price is around Rs3,000-3,200/sq ft. We have assumed a realization at Rs2,700/sq ft.

**Panvel** - The project has seen very good response in the last 18 months with prices increasing from Rs2,000/sq ft to over Rs3,700/sq ft currently. The approval for setting up of the second Mumbai airport close to the project led to a sharp run-up in prices. We have assumed average realization of Rs3,000/sq ft. Apart from the current project, IBREL has a large land parcel in Panvel which we have not valued.

### Key land banks not considered for valuation

**Delhi** - The project was among the first few that IBREL launched, but has been delayed due to litigation. It has now got all the approvals from the court and we expect IBREL to launch the project within the next 12-18 months.

The Panvel project has additional development potential of over 15mn sq ft, which we believe is extremely valuable given the progress on development of the second airport in Navi Mumbai.

## Earnings to remain unexciting

We have cut our earnings estimate for FY11-13 by 15-20% to factor in lower sales volume and prices. We expect the EBIDTA margin to also drop from 23% in FY11 to 19% in FY12/13 as IBREL launches its premium project Indiabulls Bleu, which will make a very thin margin due to very high land cost paid by IBREL. We have also built in a drop in sales volume to 3.2mn sq ft in FY12 from 4.5mn sq ft in FY11

IBREL has started recognizing revenue from real estate development in FY11 only and since one of its flagship projects in Central Mumbai/ Lower Parel is parked in IPIT, a REIT listed in Singapore, it is not reflected in its earnings. The company owns a 45% stake in IPIT and will receive dividend once IPIT's cash flows improve, which we think is unlikely before FY13. We have not built in any earnings from IPIT in our model for FY12-13.

Table 4: Earnings Snapshot

	FY09A	FY10E	FY11E	FY12E	FY13E
Total operating income	2,086	1,294	10,733	12,407	17,648
-growth	48%	-38%	730%	16%	42%
EBITDA	(570)	(1072)	2436	2418	3117
-growth	nm	nm	nm	-1%	29%
Net Income	278	160	1,794	2,068	2,723
-growth	-93%	-158%	-1219%	15%	32%
<b>Margins</b>					
Gross margin	90%	92%	32%	28%	27%
EBIDTA margin	-27%	-83%	23%	19%	18%
Net Income margin	13%	-12%	17%	17%	15%

Source: BofA Merrill Lynch Global Research

### Cash flows to remain muted

The cash flow is expected to remain muted given the large projects are parked in IPIT and we have taken conservative assumption on volume. In real estate business we expect IBREL to show marginally positive cash flow over next two years. We estimate free cash flow of Rs0.8bn and Rs2.7bn in FY12 and FY13 respectively.

The consolidated debt will show an increase given the investment in power projects by Indiabulls Power. This also leads to large negative cash flow for next couple of years at the consolidated level.



## Price objective basis & risk Indiabulls Real Estate Ltd (IBELF)

Our preferred valuation methodology is NAV, calculated by discounting the cash flows from each of the real estate projects. Our price objective of Rs142 is therefore based on a 15% discount to our NAV of Rs167. We expect IBREL to trade at 15% discount to large developers like DLF, on price to NAV multiple, because of its smaller size. Key assumptions underlying our NAV are WACC of 14.7%, capitalization rate of 11-12% and inflation of 5% from FY13 on both selling prices and construction costs. On a P/E basis, at our PO of Rs142, the stock would trade at 28x FY12E earnings. Downside risks are lower-than-expected sales volume and a delay in revival of demand for commercial real estate.

## Link to Definitions

### Financials

Click [here](#) for definitions of commonly used terms.

## Analyst Certification

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08 March 2011

**India - General Coverage Cluster**

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Aditya Birla Nu	ADYAF	ABNL IN	Reena Verma Bhasin, CFA
	Anant Raj Industries Ltd	XNRJF	ARCP IN	Gagan Agarwal
	Brigade Enterprises	XBDGF	BRGD IN	Gagan Agarwal
	Chambal Fertilisers & Chemicals	CHBZF	CHMB IN	Prasad Deshmukh
	Container Corp	CIDFF	CCRI IN	Sanjaya Satapathy
	Coromandel International Ltd	CMDFF	CRIN IN	Prasad Deshmukh
	Cummins India	CUIDF	KKC IN	Sanjaya Satapathy
	DLF Limited	XVDUF	DLFU IN	Gagan Agarwal
	Exide Indus Ltd	XEDRF	EXID IN	Sanjaya Satapathy
	Fortis Healthcare Limited	XFFTF	FORH IN	Prasad Deshmukh
	Havells	HVLIF	HAVL IN	Sanjaya Satapathy
	Indiabulls Real Estate Ltd	IBELF	IBREL IN	Gagan Agarwal
	Jaypee Infratech	XJAYF	JPIN IN	Gagan Agarwal
	Jet Airways	JTAIF	JETIN IN	Anand Kumar
	Motherson Sumi	XMSUF	MSS IN	Sanjaya Satapathy
	Oberoi Realty Ltd	XRXOF	OBER IN	Gagan Agarwal
	Puravankara Projects Ltd	XPJVF	PVKP IN	Gagan Agarwal
	Renuka Sugars	SRNKF	SHRS IN	Sanjaya Satapathy
	SINTEX INDUSTRIES LTD	SIXDF	SINT IN	Prasad Deshmukh
	Sobha Developers	SBDRF	SOBHA IN	Gagan Agarwal
	SpiceJet Ltd	MDLFF	SJET IN	Anand Kumar
	Voltas	VTSJF	VOLT IN	Sanjaya Satapathy
<b>NEUTRAL</b>				
	Grasim	GRSJF	GRASIM IN	Reena Verma Bhasin, CFA
	Grasim -G	GRSJY	GRAS LX	Reena Verma Bhasin, CFA
	Housing Development and Infrastructure	XGHSF	HDIL IN	Gagan Agarwal
	Jain Irrigation Systems Ltd	JNIDF	JI IN	Prasad Deshmukh
	Shree Cements	SREEF	SRCM IN	Reena Verma Bhasin, CFA
	Unitech Ltd	UTKIF	UT IN	Gagan Agarwal
<b>UNDERPERFORM</b>				
	Ambuja Cements	AMBUF	ACEM IN	Reena Verma Bhasin, CFA
	APIL	ANSFF	APIL IN	Gagan Agarwal
	Assoc. Cement	ADCLF	ACC IN	Reena Verma Bhasin, CFA
	Bajaj Hindusthan	BJJHF	BJH IN	Sanjaya Satapathy
	Balrampur Chini	BMPRF	BRCM IN	Sanjaya Satapathy
	India Cements	INIAF	ICEM IN	Reena Verma Bhasin, CFA
	India Cements -G	IAMUY	ICEM LX	Reena Verma Bhasin, CFA
	Jindal Saw	SWPFF	JSAW IN	Sanjaya Satapathy
	Nagarjuna Fertilizers & Chemicals Ltd	NFACF	NFCL IN	Prasad Deshmukh
	Omaxe Limited	XOMXF	OAXE IN	Gagan Agarwal
	Tata Chemicals Ltd	TTCXF	TTCH IN	Prasad Deshmukh
	Triveni Engg	TVIEF	TRE IN	Sanjaya Satapathy
	UltraTech Cemen	XDJNF	UTCEM IN	Reena Verma Bhasin, CFA
	Welspun Corp Ltd	XUORF	WLCO IN	Sanjaya Satapathy

**iQmethod<sup>SM</sup> Measures Definitions**

<b>Business Performance</b>	<b>Numerator</b>	<b>Denominator</b>
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) * (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
<b>Quality of Earnings</b>		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
<b>Valuation Toolkit</b>		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	$\text{EV} = \text{Current Share Price} * \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Sales} + \text{Other LT Liabilities}$	
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

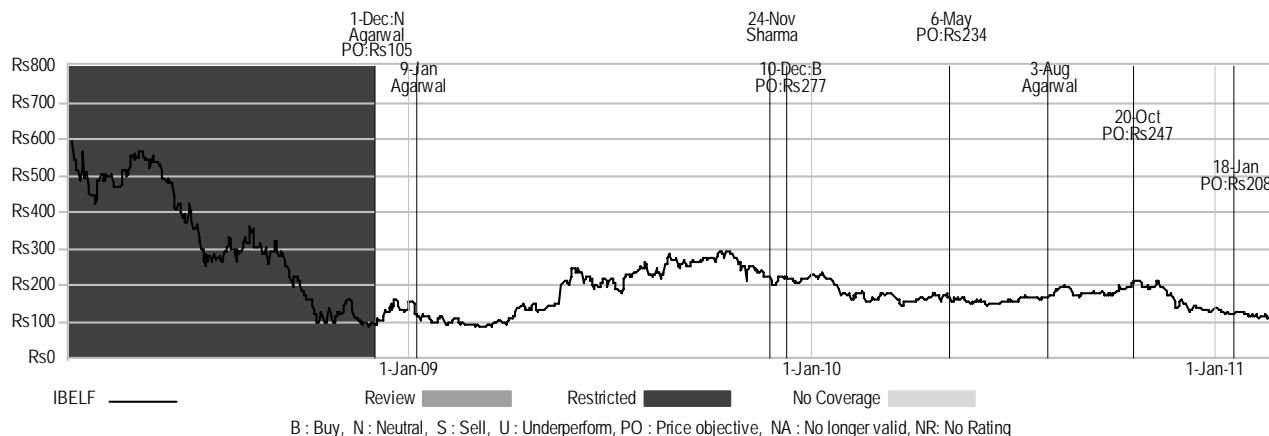
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### Investment Rating Distribution: Real Estate/Property Group (as of 01 Jan 2011)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	65	52.85%	Buy	17	27.87%
Neutral	28	22.76%	Neutral	4	14.29%
Sell	30	24.39%	Sell	6	20.69%

### Investment Rating Distribution: Global Group (as of 01 Jan 2011)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	2011	53.86%	Buy	874	48.31%
Neutral	925	24.77%	Neutral	444	52.30%
Sell	798	21.37%	Sell	276	36.75%

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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