

Indiabulls Real Estate

Strong execution; leasing on an upmove

Result highlights

Strong execution of residential projects

IBREL registered revenues of INR4bn for 3QFY11, up 967% YoY and 33% QoQ. Net profit increased to INR770m from INR28m in 3QFY10 and INR510m in 2QFY11. The YoY increase is significant since residential projects had not begun contributing to revenues in 3QFY10. Even on a QoQ basis, net profit has grown by 51% on account of better than anticipated execution of residential projects and better margins. EBITDA margins improved 367bps QoQ to 30.7% in 3QFY11 from 27.1% in 2QFY11.

Panvel and Gurgaon account for major 3QFY11 sales

A total area of 2.27m sq ft has been sold during 3QFY11 compared to 1.84m sq ft sold in the previous quarter. However value of area sold was much lower at INR8.7bn in 3QFY11 vs. INR31.0bn in 2QFY11 on account of change in sales mix. In 3QFY11, Panvel and Gurgaon projects accounted for over 50% of the sales while Lower Parel projects contributed majority of the sales in 2QFY11.

Pick-up in commercial leasing

0.25m sq ft was leased in 3QFY11 vs. 0.11m sq ft in 2QFY11. Total area leased in Jupiter and Elphinstone Mills stood at 1.41m sq ft at the end of 3QFY11. Further, the second building of 0.55m sq ft in Elphinstone Mills was completed and has been handed over for fit outs. Out of total office space of 3.3m sq ft, at Lower Parel, ~2.45m sq ft is now complete.

Demerger of power business

IBREL's board has approved a restructuring scheme, under which the power business will be demerged to Indiabulls Infrastructure and Power Ltd (IIPL) and each shareholder of IBREL will get 2.95 shares of IIPL. The scheme is subject to approval of shareholders, creditors and Delhi High Court.

Valuation and outlook

We reiterate our BUY recommendation with a target price of INR166. The current market price seems to be factoring in a substantial discount for the real estate business which is expected to reduce once the power business is demerged.

Quarterly financials

INRm	3QFY11	3QFY10	YoY(%)	QoQ(%)	9mFY11	9mFY10	YoY(%)
Revenues	3,997	375	967	33	8,714	686	1,170
Operating exp	2,768	696	297	27	6,456	1,638	294
EBITDA	1,229	(322)	482	51	2,257	(951)	337
EBITDA mgn (%)	30.7	(85.9)			25.9	(138.6)	
Interest	18	43	(59)	(85)	144	95	52
Other Income	182	480	(62)	(26)	631	1,405	(55)
Depreciation	73	32	125	72	148	93	60
PAT	784	99	691	55	1,540	5	28,207
Minority Int	18	71			60	174	
PAT after Min Int	766	28	2,672	51	1,480	(169)	977

Source: Company, Antique



19 January 2011

Previous Reco	: BUY
Current Reco	: BUY
CMP	: INR123
Target Price	: INR166
Potential Upside	: 35%

Market data

Sector	:	Real Estate
Market Cap (INRbn)	:	49
Market Cap (USDbn)	:	1.1
O/S Shares	:	402
Free Float (m)	:	297
52-wk HI/LO (INR)	:	219/115
Avg Daily Vol ('000)	:	6,701
Bloomberg	:	IBREL IN
Reuters	:	INRL.BO

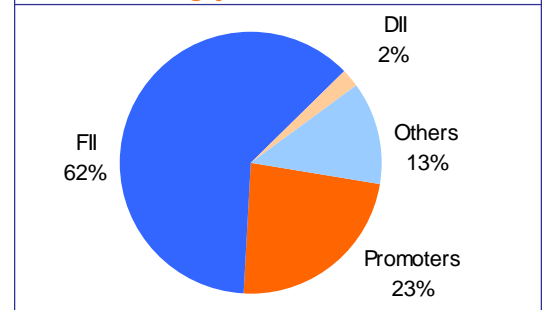
Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	(9)	(40)	(26)	(42)
Relative	(6)	(37)	(30)	(47)

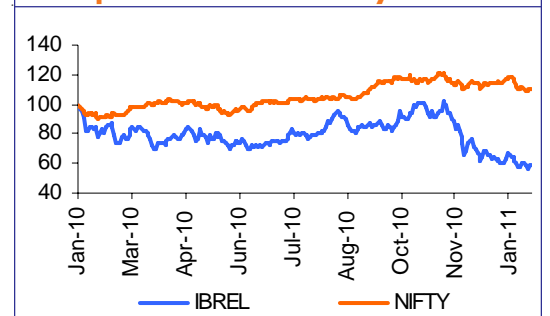
Source: Bloomberg

Shareholding pattern



Source: BSE

Price performance vs Nifty



Source: Bloomberg

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Land bank update

- In 3QFY11, IBREL acquired additional land of ~48acres at Panvel, NCR and Chennai. It paid INR21.5bn for land acquisition during the quarter, including the payment for Bharat and Poddar Mills (10.8acres).
- During 3Q, ~21acres of land has been moved from land bank to area under development, resulting an addition of 2.93m sq ft to under development area. Factoring this and completion of 0.55m sq ft of commercial area, area under development increased to 59.5m sq ft in 3Q from 57.1m sq ft in the previous quarter and additional development potential increased to 3,111acres from 3,084acres during the same period.

Indiabulls Power update

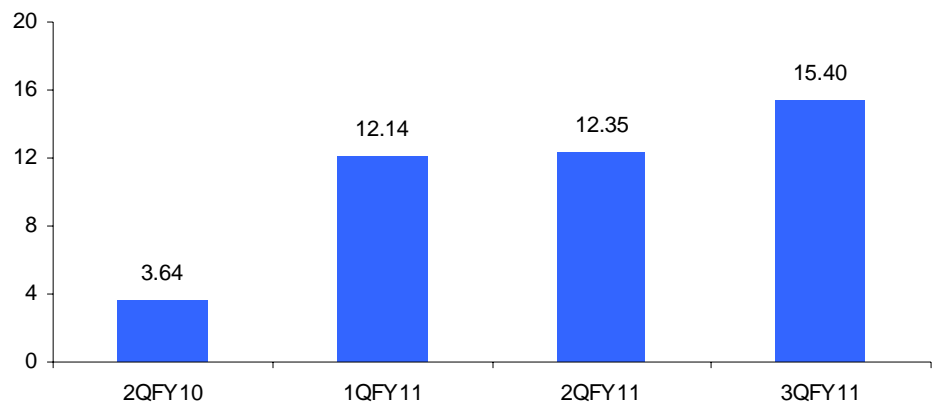
- Construction is on full swing for Phase I of Amravati and Nasik power projects (2,700MW).
- Financial closure was achieved for Phase II of Nasik with a debt of INR48.87bn.
- Transmission licenses were granted by Maharashtra Electricity Regulatory Commission in 3QFY11 for establishing and operating transmission lines from Amravati to Akola for Amravati power plant and Sinnar to Babhaleshwar for Nasik power plant.

Sales

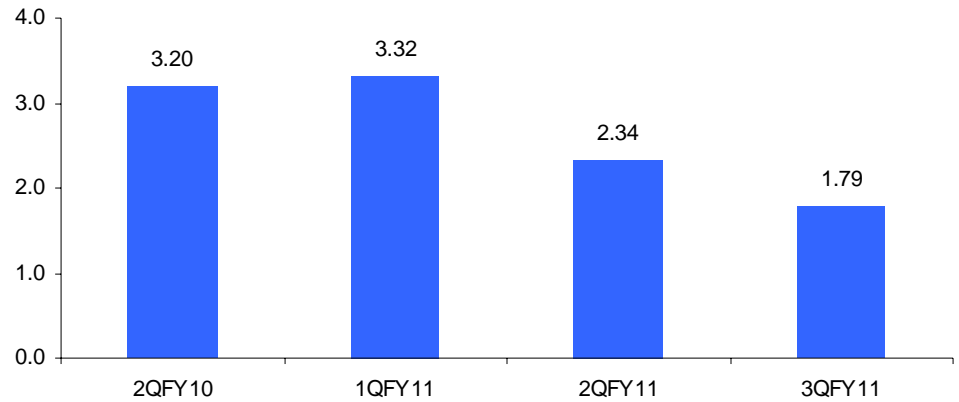
	3QFY11	2QFY11	1QFY11
Area Sold (m sq ft)	2.27	1.84	0.65
Value of Sales (INRm)	8,680	30,990	3,100
Avg Realization (INR/sq ft)	3,824	16,842	4,769

Source: Company, Antique

Residential projects under construction (m sq ft)



Source: Company, Antique

Commercial projects under construction (m sq ft)


Source: Company, Antique

Valuation and outlook

We reiterate our BUY recommendation on the stock with a target price of INR166/share which includes INR50/share for IBREL's stake in IPIT (Indiabulls Properties and Investment Trust), INR62/share for IBREL's other landbank and INR54/share for stake in Indiabulls Power.

The current market price appears to be factoring in a substantial discount for the real estate business and we believe this discount will reduce once the power business is demerged. Given improved execution, we are increasing our FY11e and FY12e revenue estimates to INR10.3bn and INR10.4bn and net profit estimate to INR2.7bn and INR3.9bn, respectively.

Valuation summary

	Gross value (INRm)	Discount (%)	Target value (INR m)	Target value/ share (INR)
IBREL's stake in Indiabulls Properties Inv Trust	21,562	0	21,562	50
Value of other landbank	35,722	25	26,792	62
IBREL's stake in Indiabulls Power	30,812	25	23,109	54
Total	88,096		71,463	166

Source: Antique

Financials

Profit and loss account (INRm)

Year ended 31st Mar	2008	2009	2010	2011e	2012e
Revenues	1,407	2,086	1,294	10,279	10,405
Expenses	1,426	2,656	2,365	6,633	6,475
EBITDA	(20)	(570)	(1,072)	3,646	3,929
Depreciation & amortisation	33	108	126	132	139
EBIT	(53)	(678)	(1,197)	3,514	3,791
Interest expense	522	244	97	164	180
Other income	6,240	2,313	1,699	627	5
Profit before tax	5,665	1,390	404	3,977	3,616
Taxes incl deferred taxation	1,598	698	337	1,392	1,266
Profit after tax	4,067	692	68	2,585	2,350
Adjusted profit after tax	3,959	134	(240)	2,682	3,959
Recurring EPS (INR)	16.4	0.5	(0.6)	6.7	9.2

Balance sheet (INRm)

Year ended 31st Mar	2008	2009	2010	2011e	2012e
Share Capital	7,321	7,337	3,928	5,111	3,984
Reserves & Surplus	37,828	51,071	92,740	96,194	106,015
Networth	45,149	58,407	96,668	101,305	110,000
Minority Interest	11,671	11,333	19,956	16,014	15,388
Debt	3,389	11,956	13,632	13,672	15,459
Capital Employed	60,209	81,696	130,256	130,990	140,847
Gross Fixed Assets	1,532	1,688	8,427	8,848	9,290
Accumulated Depreciation	40	148	0		
Net Assets	1,493	1,540	8,427	8,848	9,290
Capital work in progress	753	2,644	0		
Investments	675	12,347	72,474	51,474	50,066
Current Assets, Loans & Advances					
Inventory	11,441	17,566	24,489	50,323	54,018
Debtors	1,165	878	190	4,105	4,990
Cash & Bank balance	16,219	15,897	10,454	87	391
Loans & advances and others	49,716	32,535	18,540	24,469	32,002
Current Liabilities & Provisions					
Other liabilities & provisions	21,458	1,702	4,320	8,318	9,912
Net Current Assets	57,083	65,174	49,353	70,666	81,488
Deferred tax assets/(liabilities)	(7)	(9)	2	2	2
Goodwill	213	0	0	0	0
Application of Funds	60,209	81,696	130,256	130,990	140,847

Per share data

Year ended 31st Mar	2008	2009	2010	2011e	2012e
No. of shares (m)	241	258	401	401	430
BVPS (INR)	187.5	226.8	241.0	252.6	255.9
CEPS (INR)	16.6	0.9	(0.3)	7.0	9.5
DPS (INR)	13.5	-	-	-	-

Margins (%)

Year ended 31st Mar	2008	2009	2010	2011e	2012e
EBITDA	(1)	(27)	(83)	35	38
EBIT	(4)	(33)	(93)	34	36
PAT	281	6	(19)	26	38

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31st Mar	2008	2009	2010	2011e	2012e
Adjusted PAT	3,959	134	(240)	2,682	3,959
Depreciation & amortisation	33	108	126	132	139
Minority Interest	65	398	228	-	-
(Inc)/Dec in working capital	(80,133)	(8,414)	10,379	(31,681)	(10,518)
Other Items	35,204	1,722	12,994	-	-
CF from operating activities	(40,872)	(6,052)	23,486	(28,866)	(6,421)
Capital expenditure	(2,041)	(2,047)	4,332	(3,724)	(22)
Inc/(Dec) in & inc from investments	3,402	(11,672)	(60,127)	21,000	1,408
CF from investing activities	1,360	(13,719)	(55,795)	17,276	1,386
Inc/(Dec) in share capital	38,775	10,881	25,191	1,183	3,552
Inc/(Dec) in debt	1,451	8,567	1,676	40	1,787
Dividends paid	(191)	-	-	-	-
CF from financing activities	40,035	19,449	26,867	1,223	5,339
Net cash flow	523	(322)	(5,443)	(10,367)	304
Opening balance	15,696	16,219	15,897	10,454	87
Closing balance	16,219	15,897	10,454	87	391

Growth indicators (%)

Year ended 31st Mar	2008	2009	2010	2011e	2012e
Revenue	911	48	(38)	695	1
EBITDA	na	(2,800)	(88)	440	8
PAT	3,233	(97)	(280)	1,216	48
EPS	2,386	(97)	(215)	1,216	38

Valuation (x)

Year ended 31st Mar	2008	2009	2010	2011e	2012e
PE	7.5	236.7	na	18.4	13.4
P/BV	0.7	0.5	0.5	0.5	0.5
EV/EBITDA	na	na	na	14.4	13.4
EV/Sales	37.3	25.2	40.6	5.1	5.0
Dividend Yield (%)	11.0	0.0	0.0	0.0	0.0

Financial ratios (%)

Year ended 31st Mar	2008	2009	2010	2011e	2012e
RoE	9	0	(0)	3	4
RoCE	(0)	(1)	(1)	3	3
Debt/Equity (x)	0.1	0.2	0.1	0.1	0.1
EBIT/Interest (x)	(0.1)	(2.8)	(12.4)	21.4	21.0

Source: Company Antique

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