

Real Estate: Building Momentum

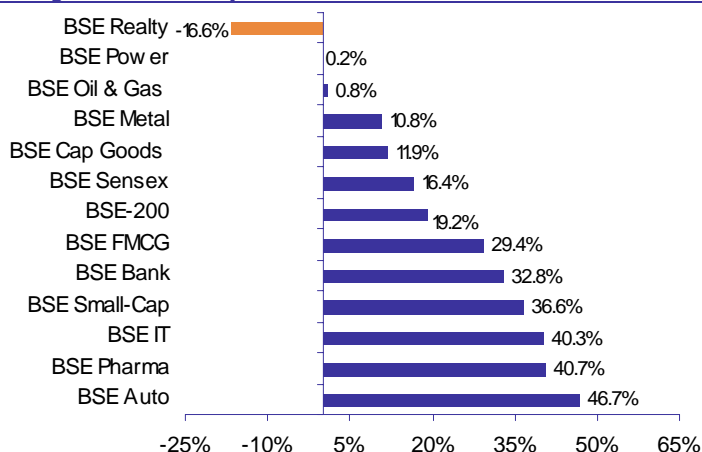
Real Estate stocks have been underperforming the main indices in the current rally. In last one year, the Sensex gained 16.4% while the BSE Real Estate index has lost 17%. Even in comparison with other sectoral indices, BSE Real Estate index has been the major laggard (as shown in the chart below) .

With improving business prospects, we expect the BSE Realty Index to break this lull period and advance in the coming weeks. With the festival season nearing its peak, business for the realtors could also pick up, especially in the residential space. As a result, the BSE Realty index is likely to remain in the spotlight.

Despite an 8-10% increase in residential prices in Mumbai and NCR since June, volumes have been good. Leasing activities across major IT hubs too have gained momentum. While debt levels for some of the major realty players remain high, the maturity profile is spread over next 2-3 years, providing cushion for further growth.

Ongoing IPOs of some of the regional players, bidding for some major land banks and host of new launches are some of the factors that could keep investors' interest alive in the real estate players.

One-year sector performance chart



Source: Bloomberg

Technically, Real estate index has been a laggard. In this note, we have covered Indiabulls Real Estate, DLF and Peninsula Land which is likely to do well as the positive momentum accentuate the market.

Usually the sector picks up when investors consensus on broader market improves. Similar trend was observed during late-2007. If similar trend is likely to continue, then we might see the underperformance getting voided.

Indiabulls Real Estate - BUY

CMP Rs206, Target Rs245

Sector: Real Estate

Sensex:	20,169
CMP (Rs):	206
Reco type:	Technical
Target 1 (Rs):	245
Target 2 (Rs):	250
Stop Loss (Rs):	180
Upside (%):	21.3
52 Week h/l (Rs):	295 / 142
Market cap (Rscr) :	8,281
6m Avg vol ('000Nos):	5,400
No of o/s shares (mn):	402
FV (Rs):	2
Bloomberg code:	IBREL IS
Reuters code:	INRL.BO
BSE code:	532832
NSE code:	IBREALEST

Prices as on 18 Oct, 2010

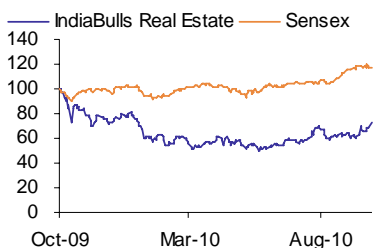
Share holding pattern

June '10	(%)
Promoters	22.1
Institutions	62.5
Non promoter corp hold	3.6
Public & others	11.8

Performance rel. to sensx

(%)	1m	3m	1yr
IBReal Estate	11.9	11.4	(46.0)
DLF	4.2	7.6	(35.7)
HDIL	(5.1)	(10.1)	(49.1)
Penin Land	(1.4)	(23.2)	(47.0)

Share price trend



Indiabulls Real Estate after hitting a peak of Rs850 in January 2008, has seen a sharp decline to the levels of Rs81 in November 2008. Since then it has retraced 2.5x of the entire decline which began from March 2009.

Last week as the stock surpassed the slanting resistance line drawn from peak of January 2008 and August 2010 with improved volume activity, has brought an end to the corrective phase. Positive crossover in MACD and move above the reference line may support the buying momentum even on medium term chart. We thus expect the stock to continue its uptrend and head higher to retest its 2010 peak of Rs237 in the short term.

Indiabulls Real Estate rise has resumed after brief consolidation and has surged to a high of Rs207 on Monday. Medium term bias remains on the upside and current rally is expected to target 50% and 61.8% projection of Rs222 and Rs237 respectively.

On the daily chart, the break of Rs203 indicates that the long term up trend is still in progress. **Applying Elliot Wave principle, advance from Rs203 is seen as the fifth wave of the rise five wave sequence from Rs160. Hence, the stock has the potential to hit the levels of Rs244-245, where the fifth wave concludes as per Elliot Wave projections.**

The afore-mentioned intermediate-term uptrend will not be under threat unless the stock closes below Rs180, (100-weekly moving average) and investors with medium-term perspective can hold the stock as long as it trades above this support.

We believe that Indiabulls Real Estate is likely to outperform Nifty and Real Estate Index in the medium term. **We recommend traders to accumulate the stock between 200-208 with stop loss of Rs180, for a target of Rs245, 250.**

Weekly chart



Source: India Infoline Research, IRIS

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DLF – BUY
CMP Rs378

A detailed study of DLF weekly chart, shows a pattern of rounded bottom, signaling a temporary bottom. The overall base-like pattern carved out by DLF during the past 10 months appearing to be maturing now. In fact, the last couple of weeks, it represents a high level bullish congestion area between Rs370-390. We believe that the current bullish consolidation could lead to a potential upside up to the levels of Rs430 and above. **We recommend traders to buy the stock above Rs382 for a medium term target of Rs430 with a stop loss of Rs360.**

Moreover, a breakout past the downward sloping trendline at Rs360 on the daily chart (as shown in the chart) depicts an accumulation phase after a sharp correction. Thus a sustained move above Rs382 may trigger buying momentum.

DLF touched its year high on 21st October 2009. Since then till date, the scrip has lost 20% while the broader indices have seen a phenomenal rally. The stock has underperformed in comparison with the broader indices and is expected to improve from hereon as it continues to make higher tops and higher bottom on the weekly chart. Such confirmation of bullish undertone on the short-term and medium term chart, reduces the scope for any whipsaw movement.

DLF daily chart



Source: India Infoline Research, IRIS

Peninsula Land - BUY
CMP Rs66

Peninsula Land is pointing to continued strength in the weeks to come as it is trading around its downward-sloping trend line. A detailed study of the daily chart shows that the stock has corrected from the high of Rs95 in January 2010 to touch a low of Rs59 in September.

Last week, the stock attempted a breakout past the downward sloping trendline with impressive volumes. A move above Rs69 is likely to validate our view of an end of the intermediate downtrend.

In the chart, it is observed that the stock has been trading sideways, while the RSI oscillator is forming higher trough, resulting in positive divergence. **A sustained rally past the levels of Rs69 could see the stock attempting target of Rs82. It is advised to maintain a stop loss of Rs62.**

Peninsula Land weekly chart



Source: India Infoline Research, IRIS

Recommendation parameters for fundamental reports:

Buy – Absolute return of over +10%

Market Performer – Absolute return between -10% to +10%

Sell – Absolute return below -10%

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