

February 19, 2009

Industry View
In-Line

India Property

Ears on the Ground 4 – Price Cuts Accelerating, Land Bank Contraction Begins

Quick Comment: Decline in housing prices accelerates – From roughly 10-12% price cuts across cities as of end-2008, we are now seeing sharper price falls of 20-25% in a few micro markets, e.g., DLF's repricing in **Bangalore** at Rs2,000 psf (down 25% from end-2008), DLF's **Hyderabad** (Kokapet) launch at Rs2,000 psf, in **Mumbai**, Lodha launch at Thane at Rs3,000 psf (down 30%), Orbit's Lower Parel pricing of Rs16,500 psf (down 20% from peak), and in **Goa** plot prices softening 20-25%. Clearly, a few developers are eager to move sales, at the cost of margins. We expect this trend to spread to other city markets/developers.

How demand is reacting to price cuts and softening rates: Our channel checks suggest customer sentiment remains weak and transaction volumes are low.

Commercial projects face higher vacancies: Leasing volumes remain low, as indicated by UCP/Ishaan/Mahindra WorldCity Jaipur/IBREL. Stock of ready Grade A office complexes appears to be rising with low occupancy rates. Rentals appear to be softening in key markets including Mumbai and Gurgaon.

Cancellation of pending land deals: News flow of renegotiation/restructuring/cancellation of ongoing land deals is increasing. To name a few, Dankuni and Bidadadi for DLF, Noida for BPTP, and Bangalore for Sobha.

Private equity trickle: Pune-based Kumar Builders concluded two pvt equity transactions – 1) sale of (fully leased) 300ksf office tower to ILFS/Milestone for Rs1.39 bln and 2) sale of 10% project level stake in its 124-acre township at Hinjenwadi to Landmark for Rs1 bln.

Investment thesis: Tight balance sheets and weak demand environment drive our sell ratings – DLF (U/W), UT (U/W), PDL (U/W), and Sobha (E/W).

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(as of January 31, 2009)

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Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)		
	Count	% of Total	Count	% of Total IBC	% of Rating Category
Overweight/Buy	773	33%	223	37%	29%
Equal-weight/Hold	1044	44%	266	44%	25%
Not-Rated/Hold	33	1.4%	8	1.3%	24.2%
Underweight/Sell	498	21%	101	17%	20%
Total	2,348		598		

Data include common stock and ADRs currently assigned ratings. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations. Investment Banking Clients are companies from whom Morgan Stanley or an affiliate received investment banking compensation in the last 12 months.

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Overweight (O or Over) - The stock's total return is expected to exceed the total return of the relevant country MSCI Index, on a risk-adjusted basis over the next 12-18 months.

Equal-weight (E or Equal) - The stock's total return is expected to be in line with the total return of the relevant country MSCI Index, on a risk-adjusted basis over the next 12-18 months.

Not-Rated/Hold (NA or NAV) - Currently the analyst does not have adequate conviction about the stock's total return relative to the relevant country MSCI Index, on a risk-adjusted basis, over the next 12-18 months. Please note that NA or NAV may also be used to designate stocks where a rating is not currently available for policy reasons. For the current list of Not-Rated/Hold stocks as counted above in the Global Stock Ratings Distribution Table, please email morganstanley.research@morganstanley.com.

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Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

Analyst Industry Views

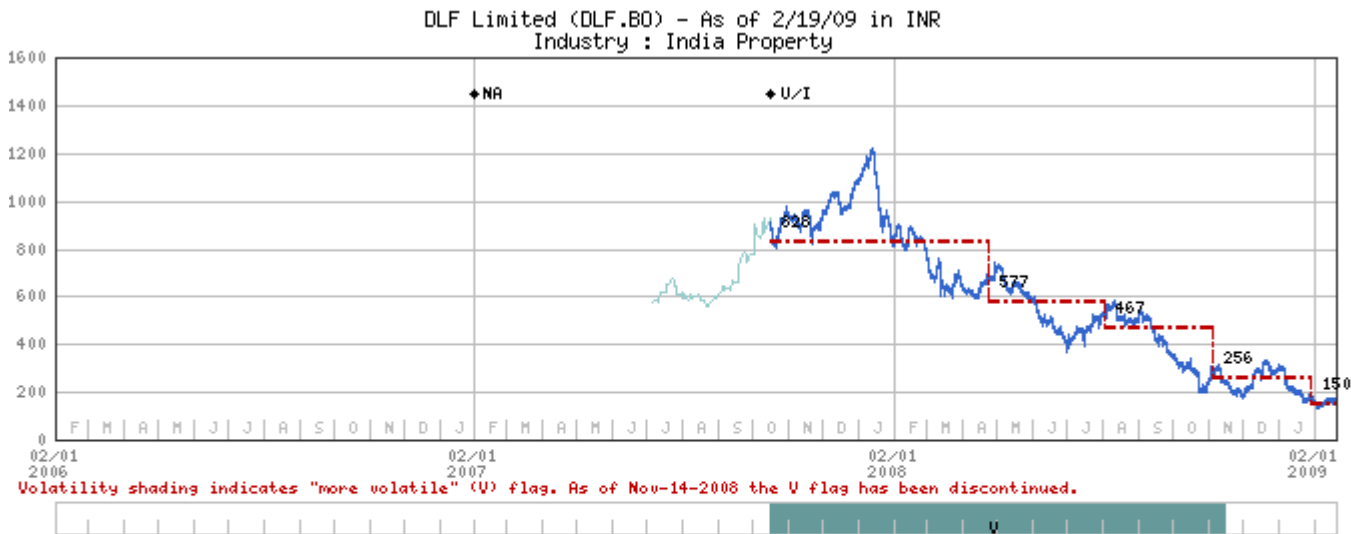
Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

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Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index.

Stock Price, Price Target and Rating History (See Rating Definitions)



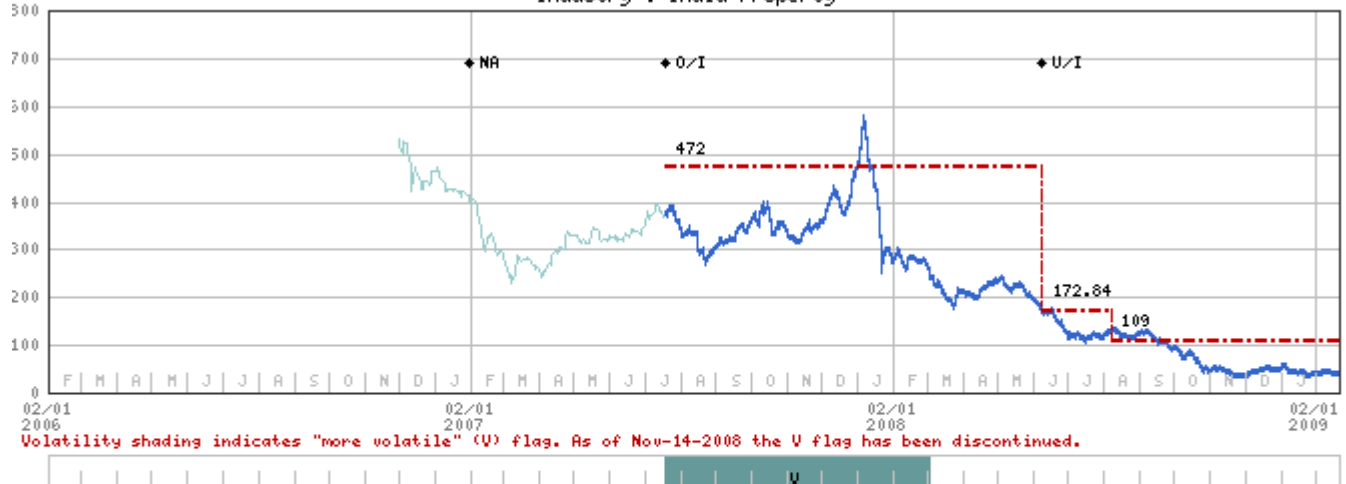
Stock Rating History: 1/31/07 : NA; 10/17/07 : U/I

Price Target History: 10/17/07 : 828; 4/24/08 : 577; 8/3/08 : 467; 11/5/08 : 256; 1/29/09 : 150

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target --- No Price Target Assigned (NA)
 Stock Price (Not Covered by Current Analyst) --- Stock Price (Covered by Current Analyst) ■
 Stock Ratings abbreviated as below (Effective 3/18/02, ratings appear as Stock Ratings/Industry View) ♦
 Stock Ratings as of 3/18/02: Overweight (O) Equal-weight (E) Underweight (U) More Volatile (V) No Rating Available (NAU)
 Stock Ratings prior to 3/18/02: Strong Buy (SB) Outperform (OP) Neutral (N) Underperform (UP) No Rating Available (NAU)
 Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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Parsvnath Developers Limited (PARV.BO) - As of 2/19/09 in INR
Industry : India Property

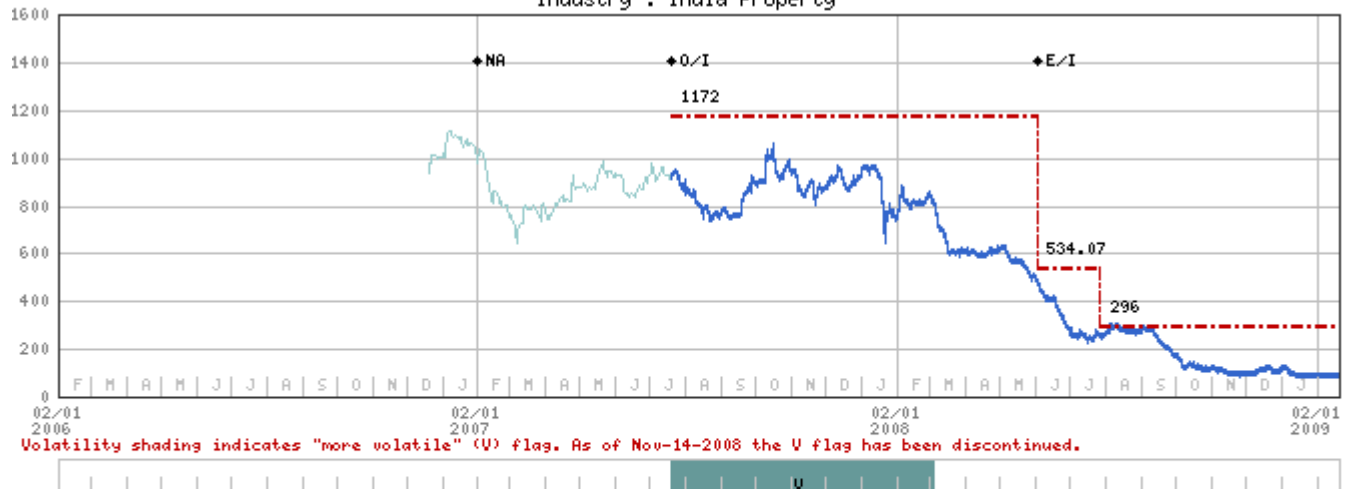


Volatility shading indicates "more volatile" (U) flag. As of Nov-14-2008 the U flag has been discontinued.

Stock Rating History: 1/31/07 : NA; 7/19/07 : O/I; 6/9/08 : U/I
Price Target History: 7/19/07 : 472; 6/9/08 : 172.84; 8/7/08 : 109

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target --- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) ■
Stock Ratings abbreviated as below (Effective 3/18/02, ratings appear as Stock Ratings/Industry View) ♦
Stock Ratings as of 3/18/02: Overweight (O) Equal-weight (E) Underweight (U) More Volatile (U) No Rating Available (NAU)
Stock Ratings prior to 3/18/02: Strong Buy (SB) Outperform (OP) Neutral (N) Underperform (UP) No Rating Available (NAU)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

Sobha Developers Ltd. (SOBH.BO) - As of 2/19/09 in INR
Industry : India Property



Volatility shading indicates "more volatile" (U) flag. As of Nov-14-2008 the U flag has been discontinued.

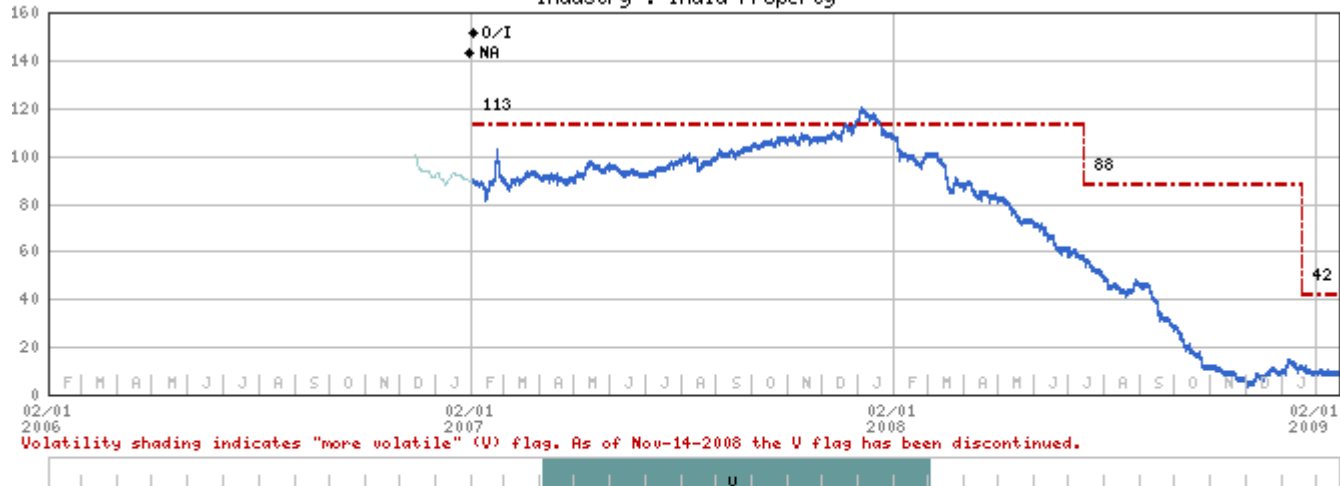
Stock Rating History: 1/31/07 : NA; 7/19/07 : O/I; 6/2/08 : E/I
Price Target History: 7/19/07 : 1172; 6/2/08 : 534.07; 7/27/08 : 296

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target --- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) ■
Stock Ratings abbreviated as below (Effective 3/18/02, ratings appear as Stock Ratings/Industry View) ♦
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Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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Unitech Corporate Parks Plc (UCP.L) - As of 2/19/09 in GBP
Industry : India Property



Stock Rating History: 1/31/07 : NA; 2/2/07 : O/I
Price Target History: 2/2/07 : 113; 7/15/08 : 88; 1/19/09 : 42

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target --- No Price Target Assigned (NA)
 Stock Price (Not Covered by Current Analyst) --- Stock Price (Covered by Current Analyst) ---
 Stock Ratings abbreviated as below (Effective 3/18/02, ratings appear as Stock Ratings/Industry View) ♦
 Stock Ratings as of 3/18/02: Overweight (O) Equal-weight (E) Underweight (U) More Volatile (U) No Rating Available (NAU)
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 Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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Industry Coverage:India Property

Company (Ticker)	Rating (as of)	Price (02/19/2009)
Sameer Baisiwala, CFA		
DLF Limited (DLF.BO)	U (10/17/2007)	Rs156.35
Parsvnath Developers Limited (PARV.BO)	U (06/09/2008)	Rs37.5
Sobha Developers Ltd. (SOBH.BO)	E (06/02/2008)	Rs81
Unitech Corporate Parks Plc (UCP.L)	O (02/02/2007)	8p
Unitech Limited (UNTE.BO)	U (09/11/2008)	Rs28.6

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