

July 1, 2010

Stock Rating  
**Overweight**

Industry View  
**In-Line**

## Indiabulls Real Estate Limited

### 'Show Me' Stock – Initiating at OW, PT Rs200

**Favourable risk-reward:** We initiate coverage on IBREL with an Overweight rating and a PT of Rs200 per share (20% discount to Mar-11 NAV), implying 27% upside. We believe IBREL can unlock significant value in its underlying assets – IPIT, non-IPIT real estate, and power – over the next three years. Effective use of surplus cash and commissioning of power projects could lift our NAV to our bull-case value of Rs290 per share.

**Markets are not entirely convinced** and want to see execution, cash flows, and ROE. We believe that F10 was the year of re-capitalization, F11 is that of a pickup in execution, and F12-14 should be the delivery phase. We highlight the key investment debates below.

**Debate 1: Execution looks like a challenge,** as IPIT commercial appears to be the only key project on display. However, we believe that preparedness to execute is good. For real estate, construction has started at multiple sites, including Lower Parel (residential), Panvel, Gurgaon, and Chennai. For power, equity funding, loan sanctions, several regulatory approvals, and vendors are in place.

**Debate 2: Oversupply in South Central Mumbai** is a clear risk (21 msf expected supply, 2.5-3 msf p.a. absorption) for IPIT assets, but manageable if the product and pricing are correct. Our NAV is realistic with Rs20k psf (all incl.) ASP and 5 years to completion.

**Debates 3/4: B/S management and alignment of promoter interests** – Math does not favor promoters (US\$280mn in equity stake vs. US\$840mn in capital under management) and historical ROEs are subpar. Risk appears priced in, as the stock trades at 0.68x F10 P/B (0.38x ex-power business) and promoters have increased their stake recently. Successful project execution, productive capital usage, & operating cash generation should help unlock longer-term value.

### Key Ratios and Statistics

Reuters: INRL.BO Bloomberg: IBREL IN

#### India Property

Price target	Rs200.00
Up/downside to price target (%)	27
Shr price, close (Jun 30, 2010)	Rs157.70
52-Week Range	Rs298.10-141.65
Sh out, dil, curr (mn)	402
Mkt cap, curr (mn)	Rs63,323
EV, curr (mn)	Rs17,106
Avg daily trading value (mn)	US\$24.5

Fiscal Year ending	03/10	03/11e	03/12e	03/13e
ModelWare EPS (Rs)	(0.40)	2.65	7.91	14.23
Consensus EPS (Rs)§	1.03	5.86	11.30	15.44
ModelWare net inc (Rs mn)	(160)	1,064	3,178	5,714
P/E	NM	59.5	19.9	11.1
P/BV	0.7	0.7	0.6	0.6

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework (please see explanation later in this note).  
§ = Consensus data is provided by FactSet Estimates.  
e = Morgan Stanley Research estimates

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Initiation

## Indiabulls Real Estate Limited: Financial Summary

Rs million; Years Ending March

### Income Statement

Rs Million	2010	2011E	2012E	2013E
<b>Revenue from Operations</b>	<b>1,294</b>	<b>3,503</b>	<b>7,661</b>	<b>9,459</b>
Real Estate development		2,338	6,451	8,155
<b>Expenditure</b>	<b>2,365</b>	<b>3,207</b>	<b>5,796</b>	<b>6,906</b>
Cost of Real Estate Projects	105	1,435	4,001	5,078
Employee Cost	640	576	519	467
<b>Administrative and Other Expenses (incl opex at IPL)</b>	<b>1,620</b>	<b>1,196</b>	<b>1,276</b>	<b>1,362</b>
<b>Operating Profit</b>	<b>(1,072)</b>	<b>296</b>	<b>1,866</b>	<b>2,553</b>
Other Income	1,699	1,899	1,528	1,528
Financial Expenses	97	106	117	129
Depreciation	126	126	126	126
<b>Profit before Tax</b>	<b>404</b>	<b>1,963</b>	<b>3,151</b>	<b>3,827</b>
<b>Less: Provision for Tax</b>	<b>337</b>	<b>648</b>	<b>1,040</b>	<b>1,263</b>
<b>Profit after tax</b>	<b>68</b>	<b>1,315</b>	<b>2,111</b>	<b>2,564</b>
Less: Minority Interest (largely for IPL)	228	256	67	67
Add : Share of profits in associate company (IPIT, 45%)	-	5	1,133	3,216
<b>Net Profit</b>	<b>(160)</b>	<b>1,064</b>	<b>3,178</b>	<b>5,714</b>

### Balance Sheet

Rs Million	2010	2011E	2012E	2013E
Share Capital	803	803	803	803
Reserves & Surplus	92,740	93,805	96,664	101,807
<b>Net Worth</b>	<b>93,543</b>	<b>94,608</b>	<b>97,467</b>	<b>102,610</b>
Minority Interest	19,956	19,956	19,956	19,956
<b>Loan Funds</b>	<b>13,632</b>	<b>26,366</b>	<b>46,439</b>	<b>67,931</b>
<b>Total Liabilities</b>	<b>130,253</b>	<b>144,051</b>	<b>166,985</b>	<b>193,619</b>
Net Debt (on consol basis)	3,178	13,176	29,351	54,712
<b>Total Fixed Assets</b>	<b>8,427</b>	<b>23,346</b>	<b>48,211</b>	<b>78,048</b>
Investments	72,474	68,744	62,528	62,528
Cash & Bank Balances	10,454	13,190	17,088	13,219
<b>Current Assets</b>	<b>43,219</b>	<b>43,270</b>	<b>44,129</b>	<b>44,823</b>
Inventories	24,489	24,479	25,338	26,032
Sundry debtors	190	190	190	190
Other Current Assets	101	101	101	101
Loans and advances	18,439	18,500	18,500	18,500
<b>Less: Current Liabilities &amp; Prov.</b>	<b>4,320</b>	<b>4,498</b>	<b>4,971</b>	<b>4,999</b>
<b>Net Current Assets</b>	<b>38,899</b>	<b>38,772</b>	<b>39,158</b>	<b>39,823</b>
<b>Total Assets</b>	<b>130,253</b>	<b>144,051</b>	<b>166,985</b>	<b>193,619</b>

### Cash Flow Statement

Rs Million	2010	2011E	2012E	2013E
<b>Cash flow from operating activities:</b>				
Net Profits	(160)	1,064	3,178	5,714
add depreciation	126	126	126	126
less working capital required	(10,379)	(127)	386	665
<b>Net cash from operations</b>	<b>10,344</b>	<b>1,317</b>	<b>2,917</b>	<b>5,174</b>
<b>Cash flow from investing activities</b>				
fixed asset investments	4,368	15,045	24,991	29,964
Other investments	60,127	(3,730)	(6,216)	0
<b>Net cash from investing</b>	<b>(64,495)</b>	<b>(11,315)</b>	<b>(18,774)</b>	<b>(29,964)</b>
<b>Cash flow from financing activities</b>				
Issuance of equity / (Dividends)	38,421	(0)	(318)	(571)
Other adjustments	8,612	0	0	0
<b>Net cash from financing</b>	<b>47,033</b>	<b>(0)</b>	<b>(318)</b>	<b>(571)</b>
<b>(Increase)/decrease in net debt</b>	<b>(7,118)</b>	<b>(9,998)</b>	<b>(16,175)</b>	<b>(25,361)</b>
Opening net debt	(3,941)	3,178	13,176	29,351
Closing net debt	3,178	13,176	29,351	54,712

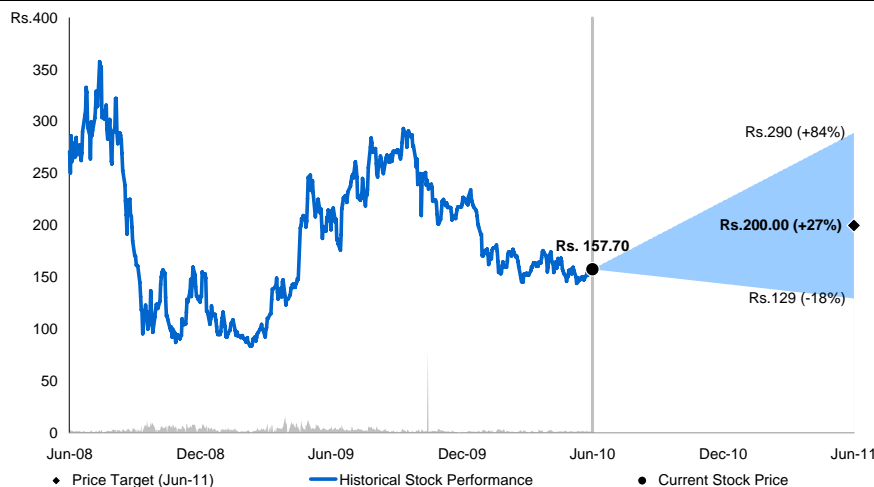
### Key Ratios

	2010	2011	2012	2013
<b>Profitability Ratios</b>				
Operating Margin (%)	-83	8	24	27
Pre-tax Margin (%)	31	56	41	40
Net Margin (%)	-12	30	41	60
<b>Valuation Ratios</b>				
ROE (%)	-0.2	1.1	3.3	5.6
ROCE (%)	0.4	1.4	2.0	2.0
<b>Leverage Ratios</b>				
Net Debt/Equity (%)	3	14	30	53
Total Debt/Equity (%)	15	28	48	66
<b>Per Share data</b>				
EPS	-0.40	2.65	7.91	14.23
BVPS	233	236	243	256

Source: Company data, Morgan Stanley Research. E = Morgan Stanley Research estimates

## Risk-Reward Snapshot: Indiabulls Real Estate Limited (INRL.BO, Rs158, OW, PT Rs200)

### Risk-Reward View: Limited Downside, High Upside Story



### Investment Thesis

- **We are Overweight** on the stock. We expect IBREL to unlock value in its various assets over the next 1-3 years. IPIT commercial and non-IPIT residential should start yielding meaningful returns in F12, IPIT residential in F12-14, and power projects in F13-14.
- **Inexpensive valuations:** The stock appears inexpensive on NAV and P/B basis. Low ROE seems priced in, and timely project execution should play into earnings in the next 3 years.
- **Macro themes** to drive longer-term demand: India's GDP growth, urbanization, strong demographics, rising affordability, customer preference shifting to organized players, and easy credit availability.

### Key Value Drivers

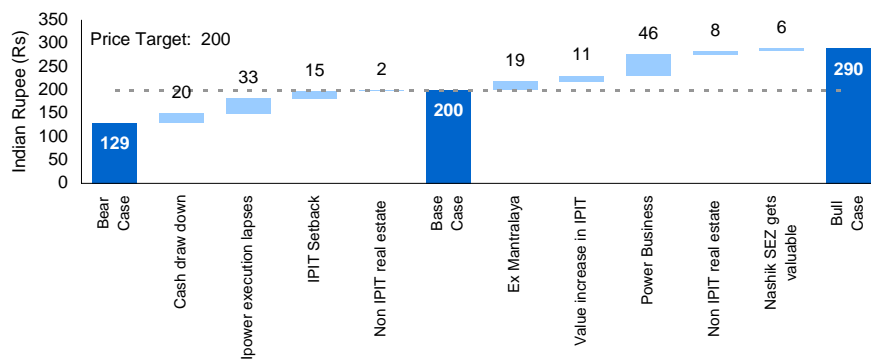
- Absorption of IPIT and non-IPIT real estate projects.
  - Commissioning of Nashik and Amravati power projects.
  - Effective use of surplus cash, purchase of value-accretive new land parcels (such as Mantralaya Project)
- ### Potential Catalysts
- Progressive leasing of the balance 2msf in IPIT commercial.
  - Construction / presale progress of IPIT and non-IPIT residential projects like Panvel.
  - Commissioning of sub-part of Phase I in 2011 and drawdown of debt.

### Key Downside Risks

- Oversupply in South Central Mumbai.
- Execution risk in power projects, large format SEZs, and residential projects.
- Prolonged period of depressed ROE.
- **Sector-wide risks** include an impending interest rate up-cycle in India, regulatory changes, and an adverse global macro-environment.

<b>Price Target Rs200</b>	Derived 100% from Base Case	
<b>Bull Case Rs290</b>	Implies 109x F11e EPS, 37x F12e	<b>Stronger execution creates value:</b> Assumes 10% higher ASPs and 20% higher rents in IPIT (Rs11/share); conversion of Mantralaya Project (Rs19/share); execution of 1995MW in Nashik & Amravati (Rs46/share); unlocking value from Nashik SEZ (Rs6/share), faster monetization of non-IPIT land (Rs8/share).
<b>Base Case Rs200</b>	Implies 75x F11e EPS, 25x F12e	<b>Assumes realistic business environment:</b> Includes Mar-11e NAV of Rs250 with base case at a 20% discount to this forward NAV. NAV is obtained by SOTP of share in IPIT portfolio, non-IPIT real estate biz, power business, and net cash. Valuation assumes 15% discount rate, 5% price / cost inflation p.a., 9% cap rate.
<b>Bear Case Rs129</b>	Implies 49x F11e EPS, 16x F12e	<b>Cash pain and power business lapses:</b> Assumes 20% lower ASPs and rents in IPIT (Rs15/share); slow execution of power projects (Rs33/share); cash drawdown (Rs20/share); delayed monetization of non-IPIT land (Rs2/share).

### Bear to Bull: Power Dominates Several Upside Value Sources



Source: Morgan Stanley, FactSet

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## Favourable Risk-Reward as Asset Value Is Unlocked

### Initiating at Overweight, PT Rs200 per share

We expect IBREL to unlock value in its various assets over next 1-3 years, which should drive stock price performance. IPIT commercial and non-IPIT residential should start yielding meaningful returns in F12, IPIT residential in F12-14, and power projects in F13-14.

The stock appears inexpensive on both a NAV and a P/B basis. Our SOTP-based price target of Rs200 implies 27% upside from the current market price. Productive deployment of surplus cash could provide upside to our NAV, as seen in our bull case, which we value at Rs290, suggesting 84% upside. In contrast, our bear case of Rs129 implies 18% downside, and would need poor execution of power projects, cash loss, and much lower ASPs and rents in IPIT.

**Valuations:** IBREL is trading at a 37% discount to our Mar-11 NAV of Rs250 per share, which appears to be inexpensive relative to our estimate of the underlying value in the company. On P/B, the stock is trading at 0.68x F10 (0.38x F10 excluding the power business). On P/E, the stock is trading at 60x and 20x F11e and F12e EPS, respectively. We expect underlying assets to start yielding meaningful profits from F13 onwards, which should transition the story from an “asset play” to an “earnings play”.

### What's Priced In

We believe that the markets are pricing in a fair bit of execution risk across business segments for IBREL.

- **IPIT assets** – The commercial part (largely completed) appears priced in, the residential part not.
- **Non-IPIT assets** do not appear to be priced in, given their early stages of execution and suburban location.
- **Power business** appears to be priced in to the extent of the (equity) cash value; mid/longer-term value creation does not appear to be priced in.

- **Net cash is priced in at 1x value;** returns on its productive deployment do not appear to be in the price.

### Catalysts for the Stock

- Progressive leasing of the balance 2 msf or so of IPIT commercial projects.
- Construction and presale progress of IPIT residential projects.
- Construction and presale progress of non-IPIT residential projects, in particular, the Panvel project.
- Key execution milestones in power projects, including onsite work, commissioning of sub-part of Nashik Phase I in 2011, and drawdown of debt (indicates lenders' comfort in the progress of the projects).
- Deployment of surplus cash through new land purchases including public-private partnership.

### Key Risks

Key downside risks to our OW rating include –

1. **Oversupply in South Central Mumbai,** leading to poor presales in Lower Parel residential projects and slower-than-expected leasing of commercial projects.
2. **Execution risk** in power projects, large format SEZs, and residential projects.
3. **Unproductive deployment of surplus capital,** leading to low value creation.
4. **Prolonged period of depressed ROE.**
5. **Sector-wide risks** include an impending interest rate up-cycle in India, regulatory changes, and an adverse global macro-environment.

## Debate #1: Can IBREL Scale Up Its Execution?

**Market view:** As IBREL has demonstrated limited execution (ex-IPIT commercial assets), the market is tentative about the future.

**Our view:** We agree that IBREL has demonstrated limited success in the past. However, we believe that IBREL's preparedness to scale up its execution looks good in IPIT residential projects, non-IPIT real estate projects, and the power business over the next 3-5 years. IPIT commercial appears ahead of comps in execution (Exhibit 1).

### What Has Transpired – Partially Good

IBREL bought Lower Parel (Mumbai) mill land (Jupiter and Elphinston) in 2005. In the same year, two other mill lands were sold in the close neighborhood (Exhibit 1) – Apollo and Mumbai NTC – one of which has partially developed mixed use complex and the other is yet to commence construction. In comparison, IBREL has constructed close to 3.1 msf of commercial space (1.4 msf completed, 1.7msf nearing completion, overall 1msf leased), which underlines its execution capabilities on a relative basis. We note that IBREL is a young property company (incorporated in April 2006), with just four years of experience.

### Rest Not So Good

IBREL has bought several (non-IPIT) land parcels, including Panvel, Nashik and Gurgaon, over the past 2-3 years, where construction is in the early stages. We estimate it has made roughly Rs20bn in investments in non-IPIT land bank, which is not generating returns. IBREL's power business (started in FY08) is also in the early stages of execution.

### Preparedness for Execution Appears Good

**Power business** – Indiabulls Power Limited is a well-capitalized company with Rs39bn in equity capital. It has loan

facilities in place for project finance. The company has land in place (Nashik and Amravati), has received several regulatory approvals, and the construction work has started. According to the company, it has placed orders (to BHEL) to buy the equipment. The company has been hiring talent from the industry to build its project execution team.

**Real estate business** – IBREL commenced presales and construction at several locations in 2009, including Panvel, Gurgaon, Chennai, Hyderabad, Madurai, Baroda, and Ahmedabad. Together these projects have 42.6 msf in saleable area (36.2 msf IBREL's share), of which Phase I totaling 8.3 msf (2.5 msf is pre-sold) is under construction (with revenue potential of Rs11bn, we estimate).

### Execution Upside – F12-14

- **F11 will likely be the start-up** year for IPIT residential construction, non-IPIT real estate, and power businesses, we believe.
- **F12 will likely be the year of the first installment of returns**, with Indiabulls Sky and Panvel achieving the 30% construction threshold for revenue recognition in the accounts. A small facility for power generation could get commissioned in 2011. Lease rentals from One Indiabulls Centre should scale up.
- **F13-14 will likely be the culmination of Phase I execution** for non-IPIT residential projects, Phase I Nashik and Amravati power projects, and partial completion of IPIT residential projects, we believe.

Exhibit 1

### Execution Progress on Auctioned Mill Land in Mumbai

Mumbai Mill Land	Location	Auction Year	Land (acres)	SA (in msf)	Status
Elphinstone / Jupiter	Lower Parel	2005	19	7.1	<b>Completed</b> - 1.4 msf commercial <b>Under construction</b> - 1.9 msf commercial (superstructure nearing completion), 3.3 msf residential (reached basement / ground level) <b>Work not started</b> - 0.5 msf
Apollo	Mahalaxmi	2005	8	1.5	<b>Completed / near complete</b> - 0.82 msf Residential, 0.46 msf commercial <b>Under construction</b> - 0.22 msf residential
Mumbai NTC	Lower Parel	2005	17	4.5	Residential component to be launched, Construction yet to start

Source: Company data, Morgan Stanley Research

## Debate #2: Is Oversupply in South Central Mumbai a Risk for IBREL?

**Market view:** Oversupply of residential projects in South Central Mumbai will hurt IBREL.

**Our view:** The situation could be manageable if product specifications and pricing are correct. Market dynamics (low fragmentation), underlying demand (at a price), and a long time frame (5-6 years) should make our NAV realistic.

### Strong Supply in South Central Mumbai Expected

Based on the disclosed land holdings of key developers in the Lower Parel-Prabhadevi belt, we estimate 20-21 msf of supply (Exhibit 4) in the ensuing months (some have been launched). This can slow down absorption per project, we believe, in the quarters ahead.

### Right Projects Have a Future

High expected supply should be seen in the context of:

- **Demand** – Historical data suggests roughly 1500 units p.a. in new sales (four-year average, Exhibit 3), implying 2.5-3msf demand p.a. (not adjusting for growth) for South Central Mumbai.
- **Upcoming supply** will take 5-6 years to be executed, which nicely ties in with the p.a. demand (assuming no further launches). Some of this supply may be staggered and/or changed in usage.
- **Right ticket size, pricing, and specifications** can differentiate one project from the other, and certain projects can do better than others.

### Comfortable with Our NAV Assumptions

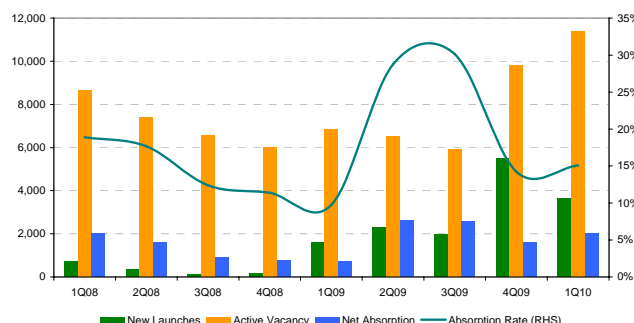
We believe that our assumptions for IPIT's residential and commercial projects (Exhibit 17) are consistent with our read of high supply in the neighborhood market. Our key assumptions include:

- **Lower Parel residential** – ASP of Rs20,000 psf (implying Rs17,500 psf BSP, a 20% discount for the neighborhood), and 5% p.a. cost/price inflation. High loading in IBREL's

project would possibly put the ASP in line with the market price. We have assumed 5-6 years for completion.

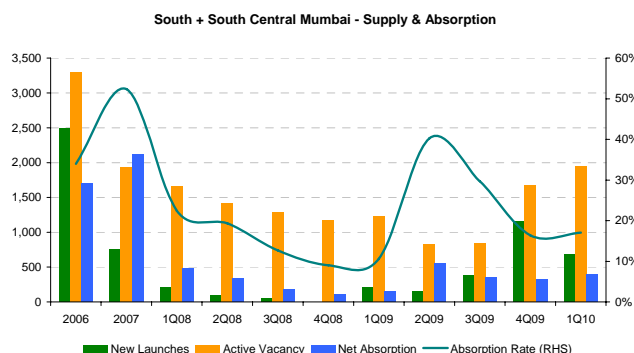
- **Lower Parel commercial** – We have assumed Rs160-170psf per month in rents and three years for leasing to be completed (though construction is nearing completion).

Exhibit 2  
**Mumbai Residential Supply & Absorption**



Source: JLLM REIS 1Q10 data, Morgan Stanley Research (LHS: units, RHS: absorption rate)

Exhibit 3  
**South / South Central Mumbai Residential Supply and Absorption**



Source: JLLM REIS 1Q10 data, Morgan Stanley Research (LHS: units, RHS: absorption rate)

July 1, 2010

Indiabulls Real Estate Limited

Exhibit 4

## Residential Supply in South Central Mumbai

Developer	Project**	Location	Saleable Area (msf)
IBREL	Sky Range	Lower Parel	3.50
DLF	Mumbai NTC mill project	Lower Parel	4.50
DLF	Tulsiwadi Project	Tulsiwadi	1.80
DB Realty	Orchid Heights	Jacob Circle	0.62
DB Realty	Orchid Turf View	Race Course Road	1.48
DB Realty	Orchid Crown	Prabha Devi, Crown Mills	0.90
K Raheja Corp	Vivarea	Central Mumbai - Mahalaxmi	0.86
Lodha Group	Shrinivas Mills	Lower Parel	3.50
Orbit Corp	Orbit Grand	Lower Parel	0.08
Orbit Corp	Orbit Terraces	Lower Parel	0.28
Raheja	Platinum	Worli	1.51
Oberoi	Skyz	Worli	1.54
<b>TOTAL</b>			<b>20.57</b>

Source: Company data, Morgan Stanley Research, \*\* Includes some pre-sold component



## Debate #3: B/S Management Has Not Been Impressive

**Market view:** The Indiabulls group has tapped equity capital several times, but return on equity remains low.

**Our view:** Low ROE is priced in – 0.68x Mar-10 P/B. Return characteristics vary – high with Lower Parel projects, low with non-IPIT projects, long gestation with power projects, and some unclear to us. IBREL as of now is an asset story, but should transition to an earnings story in three years.

### IBREL Is Yet To Demonstrate Adequate Return on Equity

IBREL has been an asset value story and not an earnings story, i.e., the underlying investments are gestating and valuable (based on market prices), though the cash generation remains negligible.

**ROE history tepid** – IBREL's average ROE over the last four years (F07-10) has been a low 2.6% (Exhibit 6). IBREL's investments have been in its land bank and power projects, leaving some idle cash. The first completed project (IPIT commercial) is a rent-yielding asset (investment properties), which is around 33% leased and not fully yielding.

### Low ROE, in the Context of High Equity Dilution

IBREL and related companies (Dev Property, IPIT, Indiabulls Power) have raised significant equity capital (totaling Rs104bn) from the capital market over the last 3-4 years. This is summarized later in the *Business Description Section – Chronology of Capital Raising by IBREL and Related Entities*. Consequently, IBREL's net worth has risen from Rs14.5bn in F07 to Rs93.5bn in F10.

In 2009, the Indiabulls group raised approximately US\$1.2bn in equity capital (Exhibit 5).

### Application of Capital – Mixed Bag

We believe that IBREL's capital deployment has been mixed, so far. A few investments have been outstanding (such as two Lower Parel projects), a few futuristic (non-IPIT real estate), a few long gestation (power investments), and some unclear to us.

### Low ROE Appears Priced In, Value Unlocking Is Not

We believe that IBREL's limited return on invested capital is adequately priced into the stock, as the stock is trading at 0.68x F10 P/B (0.38x ex-power business, Exhibit 7).

Our analysis suggests that, subject to execution and demand, IBREL can potentially unlock value from a meaningful part of its stated net worth (Rs93.5bn, F10). In particular, 24% of its net worth is invested in the power business, 26% in non-IPIT real estate, 18% in IPIT assets, and 8% is net cash (excluding CCD/OCD). These could drive the earnings and ROE over next 3-4 years, in our view.

Exhibit 5

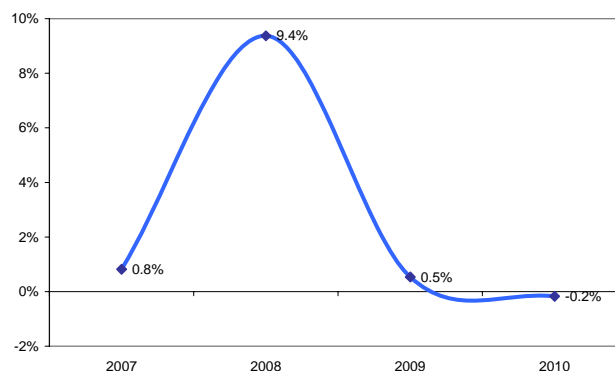
### Indiabulls Group: Equity Raising in 2009

Group Company	Amount Raised (US\$mn)	Issue Type (Date)
IBFSL	200	QIP (Jul-09)
IBREL	531	QIP (May-09)
IBPL	345	IPO (Oct-09)
IPIT	143	Rights Issue (Oct-09)
<b>Total</b>	<b>US\$1.2bn</b>	

Source: Company data, Morgan Stanley Research

Exhibit 6

### IBREL: ROE Movement



Source: Company data, Morgan Stanley Research

Exhibit 7

### IBREL: P/BV Computation Excl. Power Business

IBREL Mcap (Rs million)	63,323
IBREL F10 BV (Rs million)	93,543
P/BV	0.68
IBREL's stake in Indiabulls Power (IBP) (%)	58.6%
IBP Mcap attributable to IBREL (Rs million)	36,794
IBP F10 BV attributable to IBREL (Rs million)	22,807
P/BV	1.61

**Implied P/BV of IBREL Excl. Power Business 0.38**

Source: Company data, Morgan Stanley Research  
Based on stock price as of 30 June 2010.

## Debate #4: Are Promoters' Interests Aligned with Those of Minority Shareholders? Time Will Tell

**Market view:** The math is stacked against the promoters – their implied stake is US\$280mn in IBREL versus US\$840mn in capital (IBREL consolidated B/S) under management. Investors are waiting for the next leg of value accretion in IBREL.

**Our view:** Avenues to restore investor trust are many: 1) impending deployment of Rs40bn in equity capital in IPower, 2) productive usage of Rs19bn in gross cash with IBREL (ex-IPower capital), and 3) accelerating returns on real estate projects.

### Promoters Versus Minority Shareholders – Alignment of Interests?

In general, most promoters in the India property sector own a 40-80% stake in the company. IBREL is one of the exceptions, with the promoter shareholding being considerably lower at about 20%. At the current stock price, the promoter stake is worth US\$280mn.

In contrast, gross cash on the consolidated IBREL balance sheet is roughly US\$840mn (of which, US\$420mn is with IPL). Given the relatively lower equity stake of promoters in IBREL, disproportionately higher company capital under their control, and undemonstrated ROE history, **the markets are unsure of the long-term value creation in IBREL.**

### Enough Avenues to Win Market Confidence

IBREL has several business platforms through which to unlock value and generate shareholder returns, we believe. These include impending execution in power projects, scaling up execution of the non-IPIT real estate business, monetization of IPIT assets, and value-creative deployment of surplus cash.

We believe that the next two years will be critical for IBREL in terms of execution of its various projects. The market will likely be focused on the progress of these projects and concomitant cash flow generation.

### Recent Rise in Promoter Shareholding

In the last two quarters, promoters of the Indiabulls group have raised their equity stake in group companies, including IBREL, IBFSL, and IBSL (Exhibit 9). Specifically, per F4Q10 data, promoter ownership has risen by 1.6ppt to 18.3% in the quarter ending Mar-10 and further by 2ppts to 20.3% per NSE filings post Mar-2010. The rising promoter stake in the company could be an indication of the promoters' confidence in the longer-term value creation in IBREL.

Exhibit 8

### Indiabulls Group: Promoters' Stake

Indiabulls Group Company	Mcap (USD mn)	Promoter Stake (USD mn)	Prom stake (%)
IBulls Fin. Services	952	263	28
IBulls Power	1,351		**
IBREL	1,363	276	20
IBulls Securities	135	40	30
IPIT	634		***
	<b>3356<sup>^</sup></b>	<b>580</b>	<b>17</b>

Source: Company data, Morgan Stanley Research

Note: Pricing as of June 30, 2010.

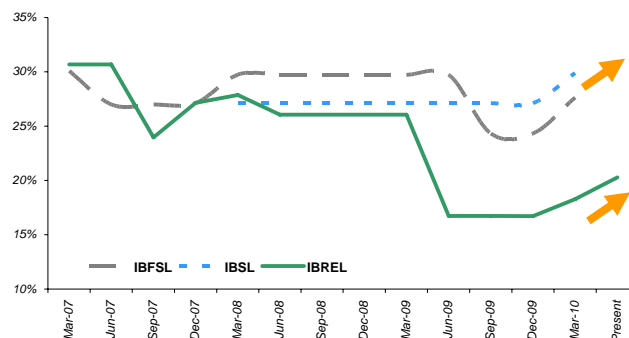
\*\* Promoter holding indirect through 59% IBREL stake.

\*\*\* Promoter holding indirect through 45% IBREL stake.

<sup>^</sup> Includes 41% of non-IBREL share in IBP and 55% of non-IBREL share in IPIT.

Exhibit 9

### Indiabulls Group: Promoter Stake Movement



Source: Company data, Morgan Stanley Research

## Debate #5: Is There Value in IBREL Beyond IPIT and IPower?

**Market view:** IBREL = IPIT + IPower + Cash

**Our view:** There is likely unrecognized value in non-IPIT real estate projects, including Panvel, Chennai, Gurgaon, Tekhand, and Nashik.

### IPIT/Power Assets Held Centre Stage

Given the high value vested in IPIT and power assets, the market focus has largely been on these assets. Value unlocking in IPIT and power will continue to be the major part of our investment thesis for IBREL. These two (along with cash) account for 70% of our total NAV value for IBREL (Rs100bn).

### However, Don't Ignore the Remaining Real Estate Assets

Given that IBREL has commenced construction on the non-IPIT real estate projects totaling 8.3msf (2.5 msf presold, overall size of 42.6 msf), there is early visibility of unlocking

value here. These projects will take 2-4 years for completion (except Ahmedabad, which could be earlier), and will contribute to cash flows going forward. Of these projects, Panvel could be more lucrative than the others, we believe.

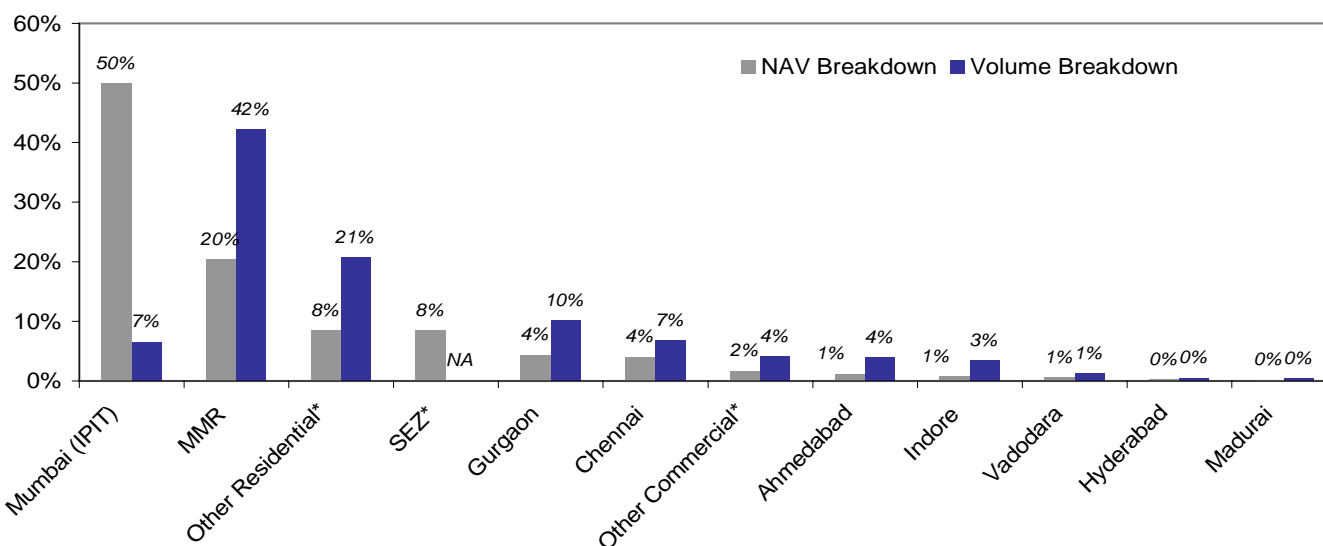
### Which We Estimate Are 50% of Real Estate NAV

We estimate that the portfolio of non-IPIT real estate projects (totaling 42.6msf, of which 85% is IBREL's share plus 300 acres of pipeline projects and the Nashik SEZ) accounts for 50% of the real estate NAV value of Rs60 billion, excluding power and cash (Exhibits 10, 13, and 17). This should be unlocked over the ensuing years, subject to demand in the respective markets.

We detail the volume and value breakdown of the real estate portfolio in Exhibit 10 below. Site pictures of the projects in Panvel, Gurgaon, and Chennai, where the construction work has commenced, are included later in this report.

Exhibit 10

### IBREL: Real Estate NAV<sup>^</sup> and Volume Breakdown



Source: Company data, Morgan Stanley Research

\* Indicates Land Parcels not under Execution;

<sup>^</sup> Real Estate NAV excludes Power and Cash. It constitutes NAV contribution from IPIT (50%) and non-IPIT projects (50%).

Note: For 300 acres of Residential / Commercial land parcels not under execution, the FSI for arriving at volume in msf is taken as 2; For SEZ land parcel, volume has not been considered.

## Valuation: Rs200 Price Target Reflects SOTP & 20% Discount to NAV

### Sum-of-the-Parts Valuation – Real Estate (including IPIT) + Power + Cash

We value IBREL stock using sum-of-the-parts (SOTP) methodology, wherein we calculate separately the valuations of the real estate business and the power business, and sum the results along with net cash. We then take a 20% discount to the resulting Mar-11 NAV.

### Real Estate Valuation – Ongoing, Pipeline, and IPIT Projects

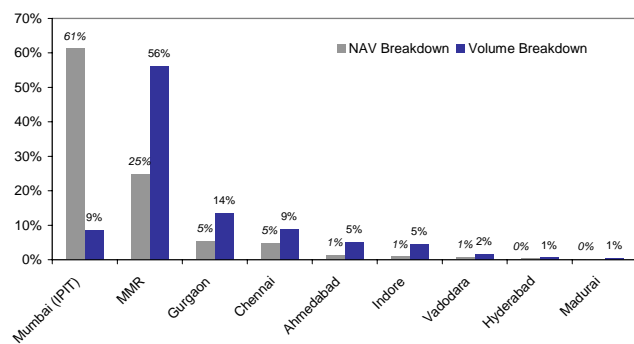
We have valued IBREL's land bank consisting of IPIT assets (6.6 msf, 52% economic share of IBREL), other ongoing real estate projects (36.2 msf), and (not yet started) pipeline projects (250 acres residential, 50 acres commercial, and 2500 acres Nashik SEZ) using NAV methodology.

**Our key NAV assumptions**, including project start and end dates, ASP, and cost of construction for IBREL's IPIT assets and other ongoing projects are summarized in the Exhibit 17. Our NAV calculation methodology is detailed later in this section.

**We arrive at Rs48.6bn NAV value** for IBREL's project portfolio, consisting of IPIT assets and ongoing projects. Of this, IPIT assets account for roughly 61%, given their prime location in South Central Mumbai.

Exhibit 11

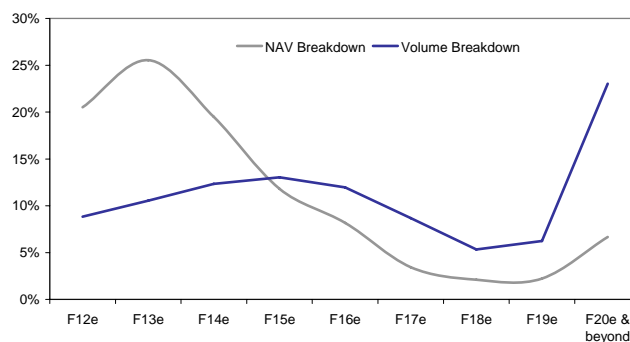
### IBREL: NAV/Volume Breakdown by Location for Projects under Development



Source: Company data, Morgan Stanley Research

Exhibit 12

### IBREL: NAV/Volume Breakdown over Time for Projects under Development



Source: Company data, Morgan Stanley Research. e = Morgan Stanley Research estimates

We have separately valued the part of IBREL's land bank (2800 acres) where the real estate execution is yet to commence. Our value per acre assumptions are detailed in Exhibit 13. We value this land bank at Rs11bn.

By adding the value (discussed above) for the two separate portions of IBREL's land bank, we arrive at Mar-11 NAV of Rs59.6bn for IBREL's overall land bank.

Exhibit 13

### IBREL: NAV Computation for Land Bank Not under Execution

	Acres	Value	Total
		Rs mn/acre	Rs mn
Residential	250	20	5,000
Commercial	50	20	1,000
Nashik SEZ	2,500	2	5,000
<b>Total</b>	<b>2,800</b>	<b>42</b>	<b>11,000</b>

Source: Company data, Morgan Stanley Research

### Power Business Valuation

The power business (Indiabulls Power Limited) is a relatively new venture for the Indiabulls group. The company is yet to demonstrate execution in this business.

To value IBREL's investments in the power business, we have used the current market cap of Indiabulls Power Ltd (listed in November 2009) and assigned at 10% margin of safety (to account for fluctuation in the stock price). Using this method, we arrive at a Rs32.7bn valuation for IBREL's 58.6% stake in the power business. At this value, the implied F10 P/B multiple is 1.4x, which is a 60% discount to the power sector average (Exhibit 23).

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Exhibit 14

## Indiabulls Power Valuation

Current Market Cap	Rs62bn
Safety Margin (%)	10%
Adj Market Cap	56bn
Implied F10 P/Bx	1.4
<b>IBREL Equity Stake (%)</b>	<b>59%</b>
<b>IBREL share in IPower (Rs Mn)</b>	<b>32,699</b>

Source: Company data, Morgan Stanley Research  
Stock price as of 30 June 2010.

### Valuation and Price Target (Rs200)

We arrive at our Mar-11 NAV of Rs100bn for IBREL by adding the value for the real estate (Rs59.6bn, calculated above), power business (Rs32.7bn, calculated above), and F11e net cash of Rs7.9bn (excluding outstanding OCDs/CCDs).

We calculate our price target of Rs200 per share by ascribing a 20% discount to our Mar-11 NAV of Rs100bn. We argue for a 20% discount to NAV on account of the following –

- 1) Net cash on the balance sheet (which should help grow NAV); versus:
- 2) Limited execution and experience in the real estate business, which could prolong unlocking the value in the key land parcels (including IPIT assets).
- 3) Early stages of execution (for non-IPIT projects) and suburban land bank, which could imply a longer time frame to develop and monetize the assets.
- 4) No near-term visibility of meaningful cash flow generation from the power business.
- 5) Our view of not so astute balance sheet management by the company.

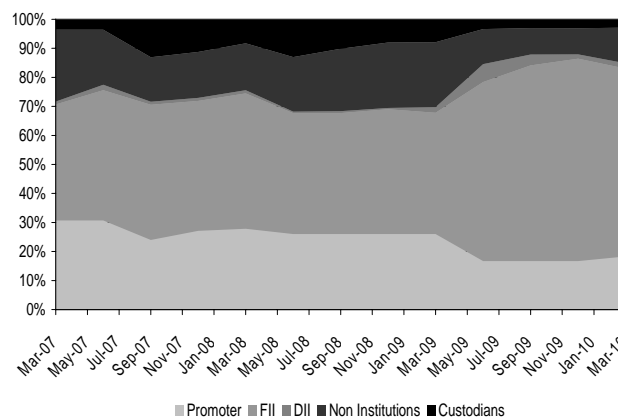
**Treatment to CCDs/OCDs:** IBREL has raised Rs7.9bn and Rs1.4bn by issuing compulsorily convertible debentures (CCDs) and optionally convertible debentures for its projects (such as Gurgaon and Chennai) in SPVs. These instruments have a 15% coupon, and as of 31 March 2010 carry Rs1.98bn accrued interest. We have netted off this liability from the cash for our NAV calculations.

The stock is trading at a 37% discount to our Mar-11e NAV of Rs250, implying a discount to sector valuations. On a P/E

basis, the stock is trading at 60x and 20x our F2011E and F2012E EPS.

Exhibit 15

## IBREL: Shareholding Pattern



Source: Company data, Morgan Stanley Research

Exhibit 16

## IBREL: Price Target

Rs mn	
Real Estate Value	59,563
Power Value	32,699
Balance Sheet Adjustment	-7,886
Total Value	100,148
<b>Total Value, per share</b>	<b>250</b>
Discount (%)	20
<b>Price Target, Rs</b>	<b>200</b>

Source: Morgan Stanley Research

### NAV Calculations (Exhibit 16) – Post-Tax Discounted Cash Flows

1. **Market value (discounted sales) estimate:** First, we developed an execution schedule for each land parcel based on our estimate of market demand. Then we arrived at the sales realization based on our estimate of IBREL's selling price (the current market price). We then discounted this back to the present to arrive at the market value. We have assumed 5% price and cost inflation p.a. for the development period.
2. **For investment properties,** we have assumed cap rates of 9% to arrive at market value (i.e., asset sale assumed).

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3. **(Discounted) construction cost:** We have estimated the construction cost for each project based on the current market rates. We then discounted this back to the present value to arrive at the construction cost.

**Less overhead and tax:** This is adjusted for the overhead (at 5% of sales) and tax (at approximately 30%) for each year for the duration of the land bank development. These numbers are discounted back to March 2011.

**Balance sheet adjustments:** In the end, we have made adjustments for balance sheet items. This primarily reflects the value of the net cash with IBREL (excluding the Indiabulls Power contribution from IBREL's consolidated B/S).

**Discount rate:** Our discount rate of 15% is arrived at by using a 7.5% risk-free rate, a 5.5% equity risk premium, and a 1.3 beta.

### Company Description

Indiabulls Real Estate Ltd (IBREL) is a prominent Indian real estate developer focused on residential, commercial, and SEZ projects. The company has also diversified into the power generation business. The company has an ongoing project pipeline of 43msf (85% share) and another 7.1msf in IPIT assets (45% equity stake).

### India Property

#### Industry View: In-Line

Momentum in economic growth in India is playing into a gradual recovery in the physical property market. We believe that the companies have good preparedness to benefit from this. Balance sheet risks have moderated after the re-capitalization in C09. However, an interest rate up-cycle, supply of paper, and adverse global macro are the headwinds.

Exhibit 17

## IBREL: NAV Breakdown for Projects under Development

Name of Project	Location	Total SA (msf)	IBREL stake %	Start Date Fiscal Yr	End Date Fiscal Yr	ASP Rs. Psf	Const Cost Rs. Psf	NAV Rs. Million
<b>Residential</b>								
Central Park	Gurgaon	1.25	51%	2011	2014	2,750	1,700	282
Central Park (balance)	Gurgaon	5.59	51%	2013	2019	2,750	1,700	1,132
Indiabulls Greens	Panvel	4.90	100%	2011	2015	3,200	1,700	3,009
Indiabulls Greens (balance)	Panvel	15.06	100%	2014	2025	3,400	1,700	7,516
Indiabulls Greens	Chennai	0.75	75%	2011	2014	3,100	1,700	339
Indiabulls Greens (balance)	Chennai	4.00	75%	2013	2017	3,300	1,700	2,033
Central Park	Ahmedabad	1.80	100%	2011	2016	1,900	1,200	527
Central Park	Indore	1.46	100%	2011	2017	2,200	1,500	384
Central Park	Hyderabad	0.26	100%	2011	2013	3,400	1,700	170
Central Park	Madurai	0.22	100%	2011	2013	2,500	1,600	75
<b>Commercial</b>								
<b>Work Started</b>								
Central Park	Gurgaon	0.30	51%	2011	2013	4,500	1,700	168
High Street	Vadodara	0.66	100%	2011	2013	3,400	1,700	373
Thane Project	Thane	0.08	100%	2011	2013	5,000	1,700	104
<b>Work Not Started</b>								
Central Park (balance)	Gurgaon	3.41	51%	2012	2020	3,300	1,700	1,016
Central Park	Ahmedabad	0.26	100%	2013	2015	3,000	1,700	158
Central Park	Indore	0.37	100%	2015	2017	2,200	1,700	63
Indiabulls Greens	Panvel	2.22	100%	2014	2018	3,400	1,700	1,478
<b>IPIT Portfolio</b>								
<b>Residential</b>								
Indiabulls Sky	Mumbai	0.50	45%	2012*		20,000	5,000	2,077
Indiabulls Sky Suites	Mumbai	1.00	45%	2012*		20,000	5,000	4,060
Indiabulls Sky Forest	Mumbai	2.00	45%	2013*		20,000	5,000	7,414
<b>Commercial</b>								
						<b>Lease (Rs. Psf pm)</b>		
One Indiabulls Centre - T1	Mumbai	0.46	45%	2011**		170	3,500	3,114
One Indiabulls Centre - T2	Mumbai	0.98	45%	2013**		170	3,500	6,456
Indiabulls Finance Centre - T1	Mumbai	0.18	45%	2013**		160	3,500	804
Indiabulls Finance Centre - T2	Mumbai	0.94	45%	2014**		160	3,500	3,855
Indiabulls Finance Centre - T3	Mumbai	0.56	45%	2014**		160	3,500	1,955
<b>TOTAL</b>		<b>49.20</b>						<b>48,563</b>

Source: Company data, Morgan Stanley Research

\* First Year of Revenue Recognition

\*\* First Year of Full Rent Collection

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Exhibit 18

## IBREL: Real Estate NAV Sensitivity to Price Inflation

Discount Rate (%)	Price Inflation p.a.				
	3.0	4.0	5.0	6.0	7.0
13.0	-5	0	5	11	17
14.0	-7	-3	3	8	13
15.0	-9	-5	0	5	10
16.0	-11	-7	-2	2	7
17.0	-13	-9	-5	0	5

Source: Morgan Stanley Research

Exhibit 19

## IBREL: Real Estate NAV Sensitivity to Cost Inflation

Discount Rate (%)	Cost Inflation p.a.				
	3.0	4.0	5.0	6.0	7.0
13.0	10	8	5	3	0
14.0	7	5	3	0	-2
15.0	4	2	0	-2	-5
16.0	2	0	-2	-5	-7
17.0	-1	-3	-5	-7	-9

Source: Morgan Stanley Research

Exhibit 20

## Real Estate Valuation Parameters: Indian Companies

Prices as of 30/06/2010 India Companies	Price (Rs)	Mkt Cap (Rs. mn.)	EPS			P/E			P/B			NAV/Share	% (Dis)/Prem NAV
			F2009	F2010E	F2011E	F2009	F2010E	F2011E	F2009	F2010E	F2011E		
DLF#	288	489,188	26.3	10.6	15.6	6.4	27.3	18.5	1.2	2.0	1.8	359	-19.7%
Unitech#	75	177,914	7.4	3.6	4.6	4.7	20.5	16.2	1.1	1.7	1.6		
Indiabulls Real Estate Ltd. #	158	63,252	(0.4)		2.7		NM	59.5		0.7	0.7	250	-36.9%
Housing Development & Infrastructure Ltd.	250	86,443	17.4	20.2	33.8	4.7	12.3	7.4	0.6	1.2	1.0		
Puravankara Projects Ltd.	106	22,516	6.8	6.9	8.0	5.9	15.3	13.1	0.6	1.2	1.3		
Peninsula Land	73	20,465	10.5	10.9	10.4	2.1	6.7	7.1	0.6	1.3	1.1		
Sobha Developers Ltd.#	289	28,301	14.8	13.9	17.1	5.3	20.7	16.9	0.5	1.6	1.5	445	-35.1%
Parsvnath Developers Ltd.#	125	24,769	7.0	7.0	18.8	5.9	17.9	6.7	0.3	1.2	1.0	134	-6.6%
Mahindra Lifespace Developers	460	18,753	18.9	25.2	32.9	7.0	18.2	14.0	0.6	1.7	1.5		
Ansar Properties	78	9,610	6.1	8.4	10.4	4.1	9.3	7.5	0.3	0.7	0.6		
Jaypee Infratech Ltd #	90	125,172		4.0	7.0		23.0	12.8		5.6	2.7	106	-15.1%
<b>AIM Listed companies</b>	<b>(GBp)</b>	<b>(£mn)</b>											
Unitech Corporate Parks*	26	94											
Hirco PLC*	134	103											
Ishaan*	65	94											

Source: Company data, Morgan Stanley Research

\*Prices in pence as of June 30, 2010, Mkt cap in £mn.

# = Morgan Stanley Research estimates; all others are FactSet Consensus; E= estimates,

\*\* DLF, Jaypee Infratech, IBREL and Sobha NAV are for Mar '11

Exhibit 21

## Real Estate Valuation Parameters: Regional Companies

6/30/2010 Company	Share Price	Mkt Cap US\$M	P/E		P/B		RoE		Net D/E	Int. Cov	NAV/ share	Disc to NAV	Fwd NAV	Disc to fwd NAV
			2010E	2011E	2010E	2011E	2010E	2011E	2010	2010				
<b>China Property Stocks</b>														
China Vanke	6.78	11,173	11.3	10.1	1.7	1.5	18%	17%	0.4	12.8	11.0	-38%	11.3	-40%
COLI.	14.68	15,412	15.3	14.0	2.5	2.2	19%	18%	0.4	30.1	-		NA	
Country Garden	2.09	4,392	10.0	10.2	1.3	1.2	14%	13%	0.6	5.3	4.0	-48%	4.3	-52%
Guangzhou R&F	9.99	4,135	7.2	7.5	1.4	1.2	23%	19%	1.2	10.9	23.0	-56%	23.2	-57%
China Resources Land	14.80	9,576	17.0	16.2	2.0	1.8	12%	12%	0.6	19.6	-		NA	
Agile Property	8.09	3,892	7.9	8.2	1.6	1.4	23%	19%	0.8	51.0	18.2	-55%	19.5	-58%
Shanghai Forte Land	2.06	669	3.4	5.7	0.6	0.6	23%	11%	0.9	26.8	6.1	-66%	6.2	-67%
China Aoyuan	1.15	407	12.4	9.4	0.5	0.5	4%	5%	0.7	17.8	4.3	-73%	4.4	-74%
<b>HK Property Stocks</b>														
SHK Properties	107.40	35,376	18.7	15.7	1.2	1.1	7%	8%	0.2	25.2	134.4	-20%	141.74	-24%
Sino Land	14.04	8,774	21.3	23.4	1.1	1.1	5%	5%	0.2	25.4	18.5	-24%	20.6	-32%
Hysan Development	22.20	2,963	22.5	23.0	0.7	0.7	3%	3%	0.1	9.5	37.7	-41%	39.5	-44%
Great Eagle Holdings	19.96	1,533	11.5	11.1	0.6	0.6	6%	6%	(0.3)	6.3	33.0	-39%	34.7	-43%

Source: Company data, Morgan Stanley Research; E = Morgan Stanley Research estimates



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Exhibit 22

## India Utilities Valuation Comps (1/2)

Company Name	Market Price (Rs/Shr)	Adjusted Price (Rs/Shr)	Implied Mkt Cap (US\$m)	EV/MW - US\$m				Mkt Cap/MW - US\$m				EV/EBITDA (x)			
				F2010e	F2011e	F2012e	F2013e	F2010e	F2011e	F2012e	F2013e	F2010e	F2011e	F2012e	F2013e
				Reliance Power	170	170	8,740	12.68	12.51	6.86	4.86	11.92	8.46	3.37	1.67
NTPC	197	197	34,997	1.28	1.19	1.02	0.94	1.09	1.00	0.83	NA	14.80	12.02	10.42	NA
Lanco Infratech	67	67	3,447	4.61	2.46	2.05	2.20	2.56	1.03	0.73	0.73	17.03	9.03	7.35	8.01
Tata Power	1,303	1,001	5,109	2.64	2.49	1.63	1.20	1.81	1.52	0.93	0.65	15.20	13.80	10.68	7.43
KSK Energy Ventures	170	170	1,365	10.16	4.04	NA	NA	4.89	1.58	0.51	0.30	14.69	12.00	NA	NA
Reliance Infrastructure	1,180	574	2,793	NA	NA	NA	NA	NA	NA	NA	NA	18.89	9.52	7.21	6.29
Adani Power	124	124	5,794	11.90	5.02	2.11	1.65	8.33	2.93	1.10	0.88	149.78	27.17	7.42	5.41
Indiabulls Power	30	30	1,306	NA	NA	NA	NA	NA	NA	0.98	0.28	NA	NA	NA	NA
NHPC	30	30	8,031	2.04	1.66	1.62	1.14	1.52	1.23	1.20	0.85	13.85	11.39	10.64	NA
Jindal Steel and Power - @ MS Power Biz FV	354	354	7,100	6.77	4.94	3.68	2.26	6.26	4.24	3.02	1.71	10.63	9.29	6.77	7.38
Jindal Steel and Power - implied	621	309	6,194	5.97	4.40	3.29	2.04	5.46	3.70	2.64	1.49	9.37	8.28	6.06	6.67
JSW Energy	123	123	4,341	5.69	1.80	1.80	1.66	4.36	1.38	1.38	1.27	10.20	7.09	7.16	8.80

## India Utilities Valuation Comps (2/2)

Company Name	Market Price (Rs/Shr)	Adjusted Price (Rs/Shr)	Implied Mkt Cap (US\$m)	P/B (x)				ROE (%)				P/E (x)			
				F2010e	F2011e	F2012e	F2013e	F2010e	F2011e	F2012e	F2013e	F2010e	F2011e	F2012e	F2013e
				Reliance Power	170	170	8,740	2.97	2.93	2.85	2.85	0.0	0.6	1.5	NM
NTPC	197	197	34,997	2.59	2.35	2.12	NA	14.6	16.1	16.8	NA	17.72	14.61	12.61	NA
Lanco Infratech	67	67	3,447	4.77	3.69	2.89	2.27	20.4	25.8	23.6	22.1	23.41	14.31	12.24	10.28
Tata Power	1,303	1,001	5,109	2.75	2.47	2.19	1.89	11.8	12.8	13.7	15.6	23.27	19.30	16.01	12.10
KSK Energy Ventures	170	170	1,365	2.01	1.64	NA	NA	12.5	16.7	NA	0.0	16.12	9.84	NA	NA
Reliance Infrastructure	1,180	574	2,793	0.73	0.68	0.63	0.59	5.0	6.3	7.5	6.3	14.69	10.95	8.38	9.39
Adani Power	124	124	5,794	4.40	4.00	2.48	1.78	2.9	13.9	37.9	28.3	150.27	28.79	6.54	6.30
Indiabulls Power	30	30	1,306	NA	NA	NA	NA	NA	NA	NA	0.0	NA	NA	NA	NA
NHPC	30	30	8,031	1.49	1.43	NA	NA	7.0	7.8	NA	NA	21.33	18.24	18.17	NA
Jindal Steel and Power - @ MS Power Biz FV	354	354	7,100	7.07	4.49	2.94	2.25	47.3	36.5	34.5	23.4	14.94	12.32	8.53	9.64
Jindal Steel and Power - implied	621	309	6,194	6.17	3.92	2.57	1.97	47.3	36.5	34.5	23.4	13.04	10.75	7.44	8.41
JSW Energy	123	123	4,341	3.67	2.51	2.06	2.06	20.3	24.0	20.4	16.0	18.07	10.44	10.08	12.84
<b>Average</b>				<b>3.51</b>	<b>2.74</b>	<b>2.30</b>	<b>1.96</b>								

Source: FactSet, Morgan Stanley Research, e = Morgan Stanley Research estimates, except FactSet mean estimates for KSK Energy, Indiabulls Power, NHPC, and JSW Energy.

Stock prices as of 30 Jun 2010

Reliance Infrastructure is adjusted for investment is Reliance Power at Rs606/share

Tata Power price is adjusted for its investment in Indonesian coal assets (Rs159/share) and investments in group companies (Rs143/share).

Jindal Steel and Power @ MS FV is Morgan Stanley Research estimates for the company's power business @ Rs354/share (power business + JSPL's 1350 MW plant).

Jindal Steel and Power implied is adjusted for steel business at Rs313/share.

NA = Not Available; NM = Not Meaningful

## **Risk-Reward Section**

## IBREL Base Case, Rs200: Assumes Realistic Business Environment

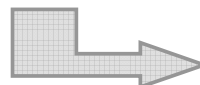
### IBREL Base-Case Assumptions (with 20% discount to NAV)

Projects under Development	Total SA <i>msf</i>	IBREL share %	Construc. Tenure <i>Fiscal Year</i>	ASP <i>Rs/sf</i>	Const Cost <i>Rs/sf</i>
<b>Residential</b>					
Central Park, Gurgaon	6.8	51%	2011-19	2,750	1,700
Greens, Panvel	20.0	100%	2011-25	3,200	1,700
Greens, Chennai	4.8	75%	2011-17	3,100	1,700
Central Park, Ahmd	1.8	100%	2011-16	1,900	1,200
Central Park, Indore	1.5	100%	2011-17	2,200	1,500
Central Park, Hyderabad	0.3	100%	2011-13	3,400	1,700
Central Park, Madurai	0.2	100%	2011-13	2,500	1,600
<b>Commercial</b>					
Central Park, Gurgaon	3.7	51%	2011-20	4,500	1,700
High Street, Vadodara	0.7	100%	2011-13	3,400	1,700
Thane Project	0.1	100%	2011-13	5,000	1,700
Central Park, Ahmd	0.3	100%	2013-15	3,000	1,700
Central Park, Indore	0.4	100%	2015-17	2,200	1,700
Greens, Panvel	2.2	100%	2014-18	3,400	1,700
<b>IPIT Portfolio (Resi)</b>					
			<b>Rev Recognition Start</b>		
Indiabulls Sky	0.5	45%	2012	20,000	5,000
Indiabulls Sky Suites	1.0	45%	2012	20,000	5,000
Indiabulls Sky Forest	2.0	45%	2013	20,000	5,000
<b>IPIT Portfolio (Resi)</b>					
			<b>Leasing Complete</b>	<b>Rental (Rs/sf/m)</b>	
One Indiabulls Centre - T1	0.5	45%	2011	170	3,500
One Indiabulls Centre - T2	1.0	45%	2013	170	3,500
Indiabulls Finance Centre - T1	0.2	45%	2013	160	3,500
Indiabulls Finance Centre - T2	0.9	45%	2014	160	3,500
Indiabulls Finance Centre - T3	0.6	45%	2014	160	3,500
<b>Contribution (Rs/share)</b>					<b>97</b>

Land Reserve not under Execution	Acreage <i>Acres</i>	Value <i>Rs min/acre</i>
Residential	250	20
Commercial	50	20
Nashik SEZ	2500	2
<b>Contribution (Rs/share)</b>		<b>22</b>

<b>Indiabulls Power</b>	
Current Market Cap (Rs min)	62,000
Safety Margin	10%
IBREL Equity Stake	58.6%
<b>Contribution (Rs/share)</b>	
<b>65</b>	

<b>B/S Adjustments</b>	
IBREL cash (excl. iPower)	2,939
IBREL investments (debt instruments, excl iPower)	16,079
IBREL Debt	13,632
IBREL - Net Cash	5,387
F11 - Increase	2,440
<b>IBREL Net Cash F11</b>	
<b>7,827</b>	
<b>Contribution (Rs/share)</b>	
<b>16</b>	



Base-Case Value: **Rs200/share**

Source: Company data, Morgan Stanley Research

## IBREL Bull Case, Rs290: Stronger Execution Creates Value

### IBREL Bull-Case Assumptions (with 20% discount to NAV)

*Better price / rent realization in the Lower Parel projects*

Residential (in Rs psf)	ASP	
	Base Case	Bull Case
Indiabulls Sky	20,000	22,000
Indiabulls Sky Suites	20,000	22,000
Indiabulls Sky Forest	20,000	22,000

Commercial (in Rs psf pm)	Rentals	
	Base Case	Bull Case
One Indiabulls Centre - T1	170	204
One Indiabulls Centre - T2	170	204
Indiabulls Finance Centre - T1	160	192
Indiabulls Finance Centre - T2	160	192
Indiabulls Finance Centre - T3	160	192

<b>Contribution (Rs/share)</b>	<b>11</b>
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*Value created contingent on the conversion of the key Mantralaya Project in South Mumbai*

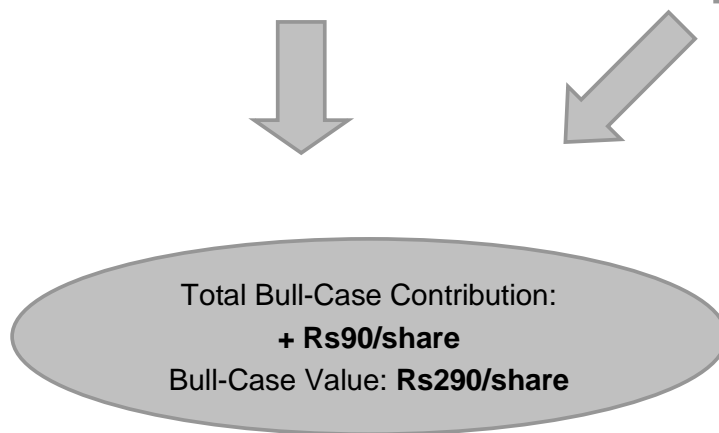
Mantralaya Project	
Land Area (in acres)	4.5
FAR	4.0
Loading	45%
Saleable Area (in msf)	1.14
ASP (Rs. Psf)	35,000
Sales (in Rs. Mln)	39,792
Project Cost (in Rs. Mln)	20,000
<b>PAT (in Rs. Mln) with 30% tax rate</b>	<b>13,854</b>
Years to complete	5
NPV (in Rs. Mln)	9,351
<b>Contribution (Rs/share)</b>	<b>19</b>

*Value creation on the execution of large projects in Power (Amravati & Nashik Phase-I) and Real Estate (2500 acre Nashik SEZ)*

Nashik + Amravati Phase-I	
1995 MW	
Industry Multiple - F10 EV per MW	US\$ 5 mln
Time to Commission	5 years
Disc %	20%
Capex Required	Rs. 99 billion
Debt / Equity	75% : 25%
<b>Contribution (Rs/share)</b>	<b>46</b>

Nashik SEZ	
2500 acres	
Industry Multiple - EV per SEZ acre	Rs. 6.4 mln
Discounting period	5 years
Disc %	15%
<b>Contribution (Rs/share)</b>	<b>6</b>



*Faster execution in IBREL's land bank in Gurgaon, Panvel and Chennai*

Land Bank	IBREL share (msf)	Tenure (yrs)	
		Base Case	Bull Case
Gurgaon	5.4	10	6
Panvel	22.2	15	8
Chennai	3.6	7	4
<b>Contribution (Rs/share)</b>			<b>8</b>

Source: Company data, Morgan Stanley Research

## IBREL Bear Case, Rs129: Cash Pain and Power Business Lapses

IBREL Bear-Case Assumptions (with 20% discount to NAV)

*Lower price / rent realization in Lower Parel projects*

Residential (in Rs psf)	ASP	ASP
	Base Case	Bear Case
Indiabulls Sky	20,000	16,000
Indiabulls Sky Suites	20,000	16,000
Indiabulls Sky Forest	20,000	16,000

Commercial (in Rs psf pm)	Rentals	Rentals
	Base Case	Bear Case
One Indiabulls Centre - T1	170	136
One Indiabulls Centre - T2	170	136
Indiabulls Finance Centre - T1	160	128
Indiabulls Finance Centre - T2	160	128
Indiabulls Finance Centre - T3	160	128

<b>Contribution (Rs/share)</b>	<b>-15</b>
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*Longer monetization period for IBREL's land bank in Gurgaon, Panvel and Chennai*

Land Bank	IBREL share (msf)	Tenure (yrs)	Tenure (yrs)
		Base Case	Bear Case
Gurgaon	5.4	10	12
Panvel	22.2	15	17
Chennai	3.6	7	9

<b>Contribution (Rs/share)</b>	<b>-2</b>
--------------------------------	-----------

*Slow execution of power projects, leading to a discount valuation to book value*

Indiabulls Power	
IBREL stake in Power Business	58.6%
P/BV bear case multiple	0.7

<b>Contribution (Rs/share)</b>	<b>-33</b>
--------------------------------	------------

*Cash Draw Down*

Loss of Cash	
Cash available	Rs. 8 billion
Drawdown	100%

<b>Contribution (Rs/share)</b>	<b>-20</b>
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Total Bear-Case Contribution:  
**- Rs70/share**  
 Bear-Case Value: **Rs129/share**

Source: Company data, Morgan Stanley Research

## Company Background

Indiabulls Real Estate Ltd (IBREL) was incorporated in India on April 4, 2006, as a public limited company and a wholly owned subsidiary of Indiabulls Financial Services Limited (IBFSL). Effective May 1, 2006, IBREL demerged from IBFSL.

**IBREL is a fully integrated Indian real estate company** with end-to-end capabilities – from identification and acquisition of land to the planning, execution, construction, and marketing of its projects. The company is engaged in development of a wide spectrum of projects including offices, residential complexes, retail and large/small format SEZs. IBREL also provides real estate services including project management, construction services, and investment advisory.

**IBREL's current land bank** includes 6.6 msf IPIT assets (of which IBREL has a 45% equity stake), 42.6 msf of ongoing projects (36.2 msf – IBREL's share), 300 acres of pipeline projects (of which 50 acres are commercial projects), and 2500 acres of Nashik SEZ. Indiabulls Properties Investment Trust (IPIT, US\$0.63bn market cap) is listed on Singapore Stock Exchange and owns two Lower Parel projects.

**IBREL diversified into the power generation business** in 2007 to leverage the power supply paucity in India. Indiabulls Power Limited (IPL, US\$1.36bn market cap), a 58.6% owned subsidiary of IBREL, is engaged in the power generation business and was listed on Indian stock exchanges in 2009.

## IBREL Financial Statements

Increase in assets of Indiabulls Power

Rising debt of Indiabulls Power

Exhibit 23

### IBREL: Balance Sheet

Rs Million	2007	2008	2009	2010	2011E	2012E	2013E
Share Capital	3,322	1,857	1,890	803	803	803	803
Reserves & Surplus	11,065	37,615	51,071	92,740	93,805	96,664	101,807
Net Worth	14,502	42,244	55,283	93,543	94,608	97,467	102,610
Minority Interest	2,857	11,671	11,333	19,956	19,956	19,956	19,956
Preference Share Capital of Subsidiary Companies	561	2,577	3,125	3,125	3,125	3,125	3,125
Loan Funds	1,420	3,783	11,956	13,632	26,366	46,439	67,931
<b>Total Liabilities</b>	<b>19,346</b>	<b>60,397</b>	<b>81,705</b>	<b>130,253</b>	<b>144,051</b>	<b>166,985</b>	<b>193,619</b>
Net Debt (on consol basis, i.e. incl power)	(10,710)	(12,435)	(3,941)	3,178	13,176	29,351	54,712
<b>Fixed Assets</b>							
Total Fixed Assets	249	2,246	4,184	8,427	23,346	48,211	78,048
Investments	5,944	675	12,347	72,474	68,744	62,528	62,528
Cash & Bank Balances	12,129	16,218	15,897	10,454	13,190	17,088	13,219
Current Assets, Loans & Advances	5,696	62,257	50,979	43,210	43,270	44,129	44,823
Inventories	1,993	11,441	17,566	24,489	24,479	25,338	26,032
Sundry debtors	59	1,165	878	190	190	190	190
Other Current Assets	61	174	374	101	101	101	101
Loans and advances	3,583	49,477	32,160	18,439	18,500	18,500	18,500
Less: Current Liabilities & Provisions	4,672	20,998	1,702	4,320	4,498	4,971	4,999
Liabilities	4,521	16,785	1,508	4,063	4,242	4,715	4,743
Provisions	152	4,213	194	257	257	257	257
Net Current Assets	1,024	41,259	49,277	38,899	38,772	39,158	39,823
<b>Total Assets</b>	<b>19,346</b>	<b>60,397</b>	<b>81,705</b>	<b>130,253</b>	<b>144,051</b>	<b>166,985</b>	<b>193,619</b>

Source: Company data, Morgan Stanley Research. E = Morgan Stanley Research estimates

Includes Rs28 billion of debt instruments

Constitutes non-IPIT real estate land bank

Non-IPIT real estate contribution

Exhibit 24

## IBREL Income Statement

Rs Million	2007	2008	2009	2010	2011E	2012E	2013E
<b>Revenue from Operations</b>	<b>139</b>	<b>1,407</b>	<b>2,086</b>	<b>1,294</b>	<b>3,503</b>	<b>7,661</b>	<b>9,459</b>
Real Estate development					2,338	6,451	8,155
<b>Expenditure</b>	<b>144</b>	<b>1,426</b>	<b>2,656</b>	<b>2,365</b>	<b>3,207</b>	<b>5,796</b>	<b>6,906</b>
Cost of Real Estate Projects Under Development (construction and land cost)	2	790	1,506	105	1,435	4,001	5,078
Employee Cost	37	177	429	640	576	519	467
<b>Administrative and Other Expenses (incl opex at IPL)</b>	<b>105</b>	<b>459</b>	<b>721</b>	<b>1,620</b>	<b>1,196</b>	<b>1,276</b>	<b>1,362</b>
<b>Operating Profit</b>	<b>(4)</b>	<b>(20)</b>	<b>(570)</b>	<b>(1,072)</b>	<b>296</b>	<b>1,866</b>	<b>2,553</b>
Margins (%)				-83	8	24	27
Other Income (Incl income on IPL part cash)	316	6,240	2,313	1,699	1,899	1,528	1,528
Financial Expenses	53	522	244	97	106	117	129
Depreciation	8	33	108	126	126	126	126
<b>Profit before tax</b>	<b>250</b>	<b>5,665</b>	<b>1,390</b>	<b>404</b>	<b>1,963</b>	<b>3,151</b>	<b>3,827</b>
<b>Less: Provision for Tax</b>	<b>119</b>	<b>1,598</b>	<b>698</b>	<b>337</b>	<b>648</b>	<b>1,040</b>	<b>1,263</b>
<b>Profit after tax</b>	<b>131</b>	<b>4,067</b>	<b>692</b>	<b>68</b>	<b>1,315</b>	<b>2,111</b>	<b>2,564</b>
Less: Minority Interest (largely for IPL)	(9)	65	398	228	256	67	67
Add : Share of profits in associate company (IPIT, 45%)				-	5	1,133	3,216
<b>Net Profit</b>	<b>119</b>	<b>3,959</b>	<b>295</b>	<b>(160)</b>	<b>1,064</b>	<b>3,178</b>	<b>5,714</b>

Source: Company data, Morgan Stanley Research. E = Morgan Stanley Research estimates

Scaling up of IPIT rental income



Exhibit 25

## IBREL Cash Flow Statement

Rs Million	2007	2008	2009	2010	2011E	2012E	2013E
<b>Cash flow from operating activities:</b>							
Net Profit	119	3,959	295	(160)	1,064	3,178	5,714
add depreciation	8	32	109	126	126	126	126
less working capital required	1,024	40,235	8,018	(10,379)	(127)	386	665
<b>Net cash from operations</b>	<b>(897)</b>	<b>(36,245)</b>	<b>(7,615)</b>	<b>10,344</b>	<b>1,317</b>	<b>2,917</b>	<b>5,174</b>
<b>Cash flow from investing activities</b>							
fixed asset investments	257	2,029	2,047	4,368	15,045	24,991	29,964
Other investments	5,944	(5,269)	11,672	60,127	(3,730)	(6,216)	0
<b>Net cash from investing</b>	<b>(6,201)</b>	<b>3,241</b>	<b>(13,719)</b>	<b>(64,495)</b>	<b>(11,315)</b>	<b>(18,774)</b>	<b>(29,964)</b>
<b>Cash flow from financing activities</b>							
Issuance of equity / (Dividends)	14,383	23,784	12,744	38,421	(0)	(318)	(571)
Other adjustments	3,425	10,945	97	8,612	0	0	0
<b>Net cash from financing</b>	<b>17,808</b>	<b>34,729</b>	<b>12,840</b>	<b>47,033</b>	<b>(0)</b>	<b>(318)</b>	<b>(571)</b>
<b>(Increase)/decrease in net debt</b>	<b>10,710</b>	<b>1,725</b>	<b>(8,494)</b>	<b>(7,118)</b>	<b>(9,998)</b>	<b>(16,175)</b>	<b>(25,361)</b>
Opening net debt	0	(10,710)	(12,435)	(3,941)	3,178	13,176	29,351
Closing net debt	(10,710)	(12,435)	(3,941)	3,178	13,176	29,351	54,712

Source: Company data, Morgan Stanley Research. E = Morgan Stanley Research estimates

## IBREL – Quarterly Financial Performance

Exhibit 26

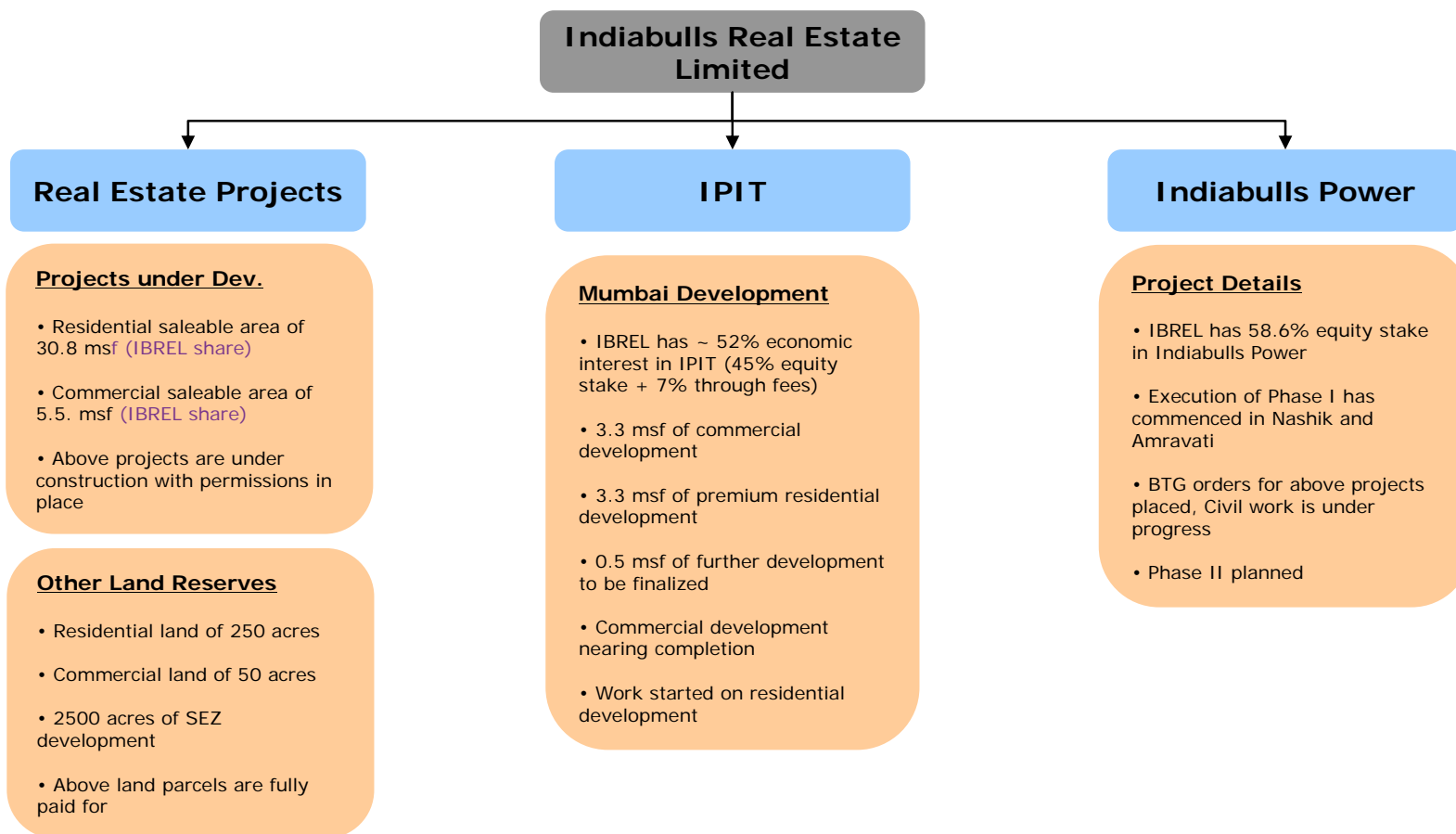
### IBREL: Consolidated Quarterly Performance

IBREL Qtrly (Rs mn)	Dec-09	Sep-09	Jun-09	Mar-09	Dec-08	Sep-08	Jun-08
<b>Income from Operations</b>	<b>374.62</b>	<b>132.48</b>	<b>179.13</b>	<b>422.35</b>	<b>389.49</b>	<b>815.65</b>	<b>458.69</b>
a) (Increase)/Decrease in Real Estate Projects Under Development	-1889.14	-695.71	-4522.44			-756.56	
b) Real Estate Construction and Development Expenses	1909.97	778.22	4522.44			756.56	
c) Employees Cost	165.57	111.88	86.20	123.90	97.87	125.16	82.11
d) Other Expenses	509.97	267.65	393.02	508.18	462.69	785.77	470.50
Total Expenditure	696.36	462.05	479.21	632.08	560.56	910.92	552.62
<b>Operating Income</b>	<b>-321.74</b>	<b>-329.56</b>	<b>-300.09</b>	<b>-209.73</b>	<b>-171.07</b>	<b>-95.28</b>	<b>-93.93</b>
Other Income	480.19	611.62	313.23	460.16	563.34	622.61	666.94
Depreciation / Amortization	32.26	30.66	29.85	31.49	26.02	26.08	24.75
Interest and Finance Charges	42.76	20.65	31.37	6.63	9.76	80.35	147.51
Exceptional items	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Profit From ordinary activities before tax	83.42	230.75	-48.08	212.31	356.49	420.91	400.75
Tax Expense (including Deferred Tax ,Fringe Benefits Tax and Wealth tax)	-15.61	131.77	144.49	224.47	176.93	162.47	134.31
Net Profit from ordinary activities after tax	99.04	98.98	-192.57	-12.17	179.56	258.44	266.44
Minority Interest	71.40	52.07	50.73	17.40	66.29	178.44	135.39
<b>Net Profit for the period</b>	<b>27.64</b>	<b>46.91</b>	<b>-243.31</b>	<b>-29.57</b>	<b>113.28</b>	<b>80.00</b>	<b>131.05</b>
<i>OPM (%)</i>	<i>-85.9</i>	<i>-248.8</i>	<i>-167.5</i>	<i>-49.7</i>	<i>-43.9</i>	<i>-11.7</i>	<i>-20.5</i>
<i>NPM (%)</i>	<i>7.4</i>	<i>35.4</i>	<i>-135.8</i>	<i>-7.0</i>	<i>29.1</i>	<i>9.8</i>	<i>28.6</i>

Source: Company data, Morgan Stanley Research

## **Business Description**

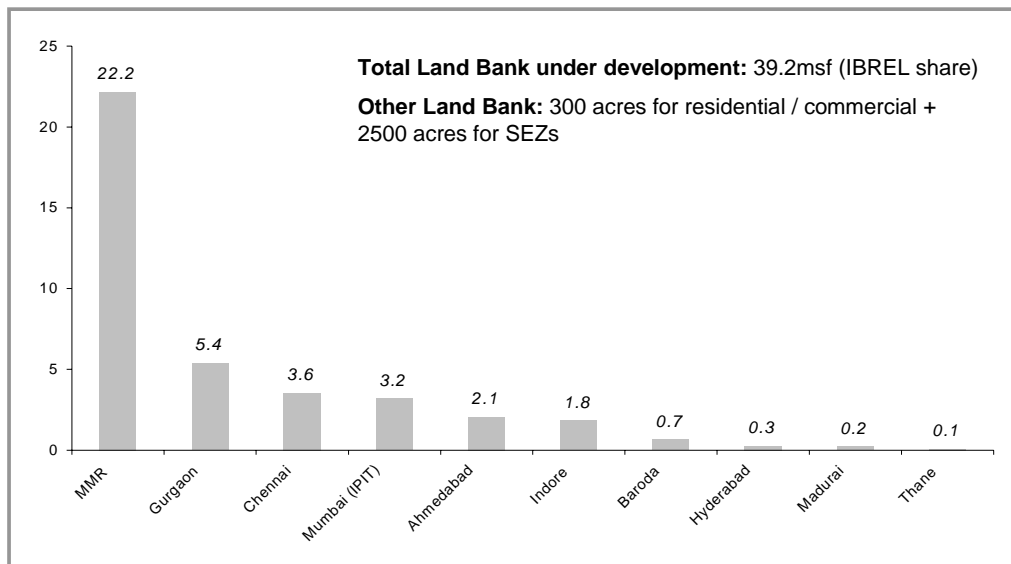
**IBREL: Business Verticals**



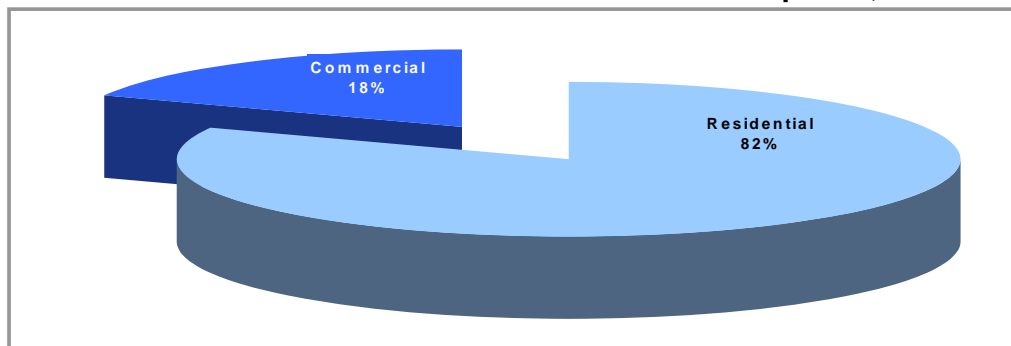
Source: Company Presentation – April 2010, Morgan Stanley Research

## IBREL: Diversified Land Bank

### IBREL: Breakdown of land bank under development, incl. IPIT (msf)



### IBREL: End use breakdown for land bank under development, incl. IPIT



Source: Company data, Morgan Stanley Research

### Land Bank Highlights

- Total land bank = Projects under development of 39.2msf (IBREL's share including 45% IPIT share of 3.2 msf) + Other land bank (250 acres residential + 50 acres commercial + 2500 acres SEZ).
- Diversified land bank under development, spread across ten locations including metros and Tier I / II cities.
- 88% of this land bank is in metros such as Mumbai, MMR (Panvel), Gurgaon, and Chennai.
- Among Tier I/II cities, major presence in cities such as Ahmadabad (2.1 msf) and Indore (1.8 msf).
- 82% of the land bank under development is for residential development, with the balance to be used for commercial development.
- All above land parcels are fully paid for.
- IBREL has a 52% economic interest (45% equity stake + 7% through fees) in Singapore-listed IPIT, which is developing 6.6 msf of residential and commercial space on 19 acres of mill land in Lower Parel, Mumbai.

**IBREL Real Estate: Project Profile (1/2)**

**IBREL: Projects under development , excl. IPIT**

Project	Location	Acreage	Ownership	End Use	Est.DA	IBREL SA
		<i>acres</i>			<i>msf</i>	<i>msf</i>
Central Park	S-103,104,106,109,110, Gurgaon	70	51%	Residential	6.8	3.5
				Commercial	3.7	1.9
Indiabulls Greens	Panvel	90	100%	Residential	20.0	20.0
				Commercial	2.2	2.2
Indiabulls Greens	OMR, Chennai	50	75%	Residential	4.8	3.6
Central Park	Saraspur, Ahmedabad	7	100%	Residential	1.8	1.8
				Commercial	0.3	0.3
Central Park	Indore	15	100%	Residential	1.5	1.5
					0.4	0.4
Central Park	Hyderabad, Near Indra Park	NA	100%	Residential	0.3	0.3
Central Park	Madurai	3	100%	Residential	0.2	0.2
High Street	Vadodara	6	100%	Commercial	0.7	0.7
Thane Project	Thane	NA	100%	Commercial	0.1	0.1
<b>TOTAL</b>					<b>42.6</b>	<b>36.2</b>

**Description of Key Projects**

**Central Park, Gurgaon:** Located on the new Gurgaon – Dwarka Expressway with good connectivity to Delhi.

**Greens, Panvel:** Located adjacent to the Mumbai-Pune Expressway and about 10km from various IT hubs. The project will benefit with Navi-Mumbai developing into a strong commercial and residential location.

**Greens, Chennai:** Located close to the IT corridor, the project entails development of medium to high end residential apartments. The site is located in proximity to several software companies, such as TCS, Wipro, Infosys, Satyam, Scope International, Cognizant, and Accenture.

**Central Park, Ahmadabad:** Predominantly, a quality budget housing project located at a distance of less than 1 km from the railway station. The micro-market experiences good demand for residential purposes, as it is a thickly populated area with a scarcity of land.

**Central Park, Indore:** Located approximately 15 km from the Indore city centre, the land in relation this project was acquired from NTC through an auction process. Mainly a residential project, it is also expected to consist of shops and offices of various sizes.

**High Street, Vadodara:** This project is a high-end integrated development located near Alkapuri in Vadodara-Gujarat. The site is centrally located and is easily accessible.

Source: Company data, Morgan Stanley Research

**IBREL Real Estate: Site Photographs (2/2)**

**Indiabulls Central Park, Gurgaon (1/2)**



Gurgaon - Excavation and site preparation for towers under progress

**Indiabulls Central Park, Gurgaon (2/2)**



Gurgaon - Ground floor slab work under progress

**Indiabulls Greens, Chennai**



Chennai - Site work under progress

**Indiabulls Greens, Panvel**



Panvel - Basement excavation work under progress

Source: Company Presentation – April 2010, Morgan Stanley Research

## IPIT Portfolio: Project Profile (1/3)

### IPIT Portfolio in Lower Parel, Mumbai

Index	Project	Type	Total SA (msf)
R1	Indiabulls Sky (1 Tower)	Premium Residential	
R2	Indiabulls Sky Suites (1 Tower)	Premium Residential	3.5
R3	Indiabulls Sky Forest (4 Towers)	Premium Residential	
C1	One Indiabulls Centre (2 Towers)	Office Space	3.1
C2	Indiabulls Finance Centre (3 Towers)	Office Space	
	Additional Development	TBD	0.5
<b>Total</b>			<b>7.1</b>

#### About the site

The Lower Parel development is spread across the Jupiter Mill compound (11.1 acres) and Elphinstone Mill compound (7.8 acres). Both sites were acquired from NTC mills through an auction process at a total consideration of Rs7.2 billion.

The site is situated close to commercial, retail and office spaces developed in Kamala Mill, Phoenix Mill, and Raghuvanshi Mill. It is accessible through the arterial Senapati Bapat Marg and the Western Rail line, and is close to the premium residential developments in the Worli and Prabhadevi.

#### Premium Residential

**Sky:** IPIT launched Indiabulls Sky in Aug-09 on a 1.4 acre land parcel in the Jupiter Mills compound. The project will be a 65-storey tower with **approx 100 apartments ranging from 2,200 to 6,000 sf.**

**Sky Suites:** Sky Suites was launched in the Indiabulls Finance Centre compound (Elphinstone Mill) in Oct-2009. The project comprises a single tower offering apartments from 1,700 to 2,600 sf.

**Sky Forest:** Launched in Nov-09, Sky Forest comprises apartments up to 10,000 sf in size. The project is located in the One Indiabulls Centre compound in Jupiter Mills.

#### Grade A Commercial

**One Indiabulls Centre:** One Indiabulls Centre is being developed by Indiabulls Properties Private Limited (IPPL) as **an office complex** in the Jupiter Mills compound. The development comprises of 2 towers of 18 and 20 floors.

**Indiabulls Finance Centre:** Indiabulls Finance Centre is being developed by Indiabulls Real Estate Company Private Limited (IRECPL) as **an office complex** in the Elphinstone Mills compound. The development comprises 3 towers of 17, 26 and 31 floors.

Source: Company data, Morgan Stanley Research



**IPIT Portfolio: Commercial Site Photographs (2/3)**



Source: Company Presentation – April 2010, Morgan Stanley Research

**IPIT Portfolio: Residential Site Photographs (3/3)**



**Indiabulls Sky**

Work has reached Ground Floor Level



Architectural Rendering



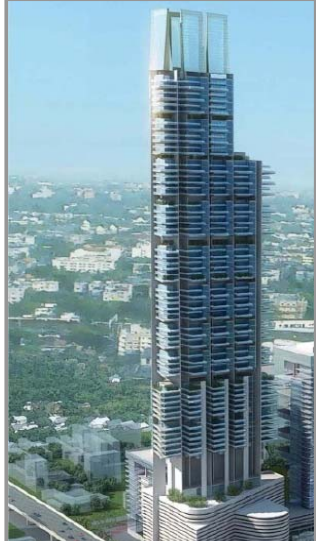
**Indiabulls Sky Forest**

Basement foundation work in Progress



**Indiabulls Sky Suites**

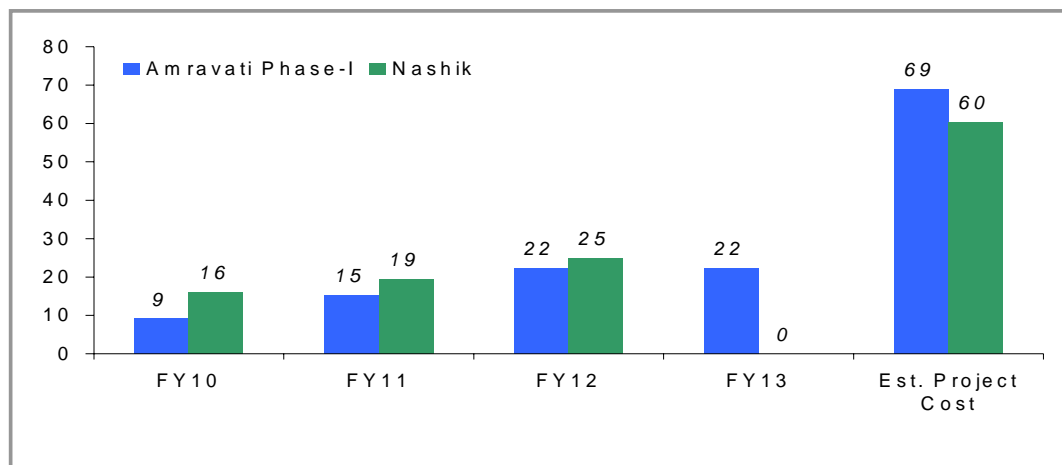
Basement foundation work in Progress



Source: Company Presentation – April 2010, Morgan Stanley Research

**IBREL: Power Business (1/3)**

**Project Capex Phasing (in Rs Billion)**



**Power Business Highlights**

- IBREL has a 59% stake in Indiabulls Power Limited (IPL).
- The company is developing the Amravati Phase I Power Project and the **Nashik Phase I** Power Project on land that has been leased from MIDC and IBREL, respectively.
- These two projects have a combined capital cost of Rs129bn.
- This will be funded by about 75% debt and 25% equity, **according to the company**.
- Amravati Ph-1 and Nashik BTG contracts have been awarded with advances paid. Civil contracts have been awarded to agencies such as Shapoorji Pallonji.

Source: Indiabulls Power RHP - 2009, Company Presentation, Morgan Stanley Research

**IBREL: Power Business (2/3)**

**Indiabulls Power: Project Pipeline and Status**

	<b>Amravati Phase I Project</b>	<b>Nashik Power Project Phase I</b>	<b>Amravati Phase II Project</b>	<b>Bhaiyathan Power Project</b>	<b>Nashik Power Project Phase II</b>
<b>Proposed Capacity</b>	1320 MW coal-fired	1335 MW coal-fired	1320 MW coal-fired	1320 MW coal-fired	1320 MW coal-fired
<b>Procurement Status</b>	BTG and Civil contract awarded and paid for	BTG and Civil contract awarded and paid for	To be finalized	EPC contract entered into	To be finalized
<b>Land Availability</b>	Possession taken on 1350 acres	IBREL agreed to sub-lease 1000 acres	Co-located with Phase I	700 acres (50%) acquired	IBREL agreed to sub-lease 1000 acres
<b>Water Status</b>	Water allocated for Ph I & II	Water allocated	Water allocated for Ph I & II	240 million cu.m. p.a. allocated	Water allocated
<b>Fuel Status</b>	Coal Linkage granted	Coal Linkage granted	Coal Linkage granted	Coal Linkage granted	Coal Linkage granted
<b>Off-take Arrangement</b>	Long term PPA – 1200 MW signed	To be finalized	To be finalized	Long term PPA for 65% of the power produced	To be finalized
<b>Exp. Comm. Date</b>	June 2012	September 2011	March 2013	December 2012	March 2013
<b>Est. Project Cost</b>	INR 68.9 billion	INR 60.5 billion	INR 55.9 billion	INR 68.0 billion	INR 57.3 billion

Source: Indiabulls Power RHP - 2009, Company Presentation, Morgan Stanley Research

**IBREL: Power Business (3/3) – Site Photographs**

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**Amravati Project**



Amravati - PCC & Reinforcement Work in Boiler Unit 1

**Nashik Project**



Nashik - Boiler Unit Excavation



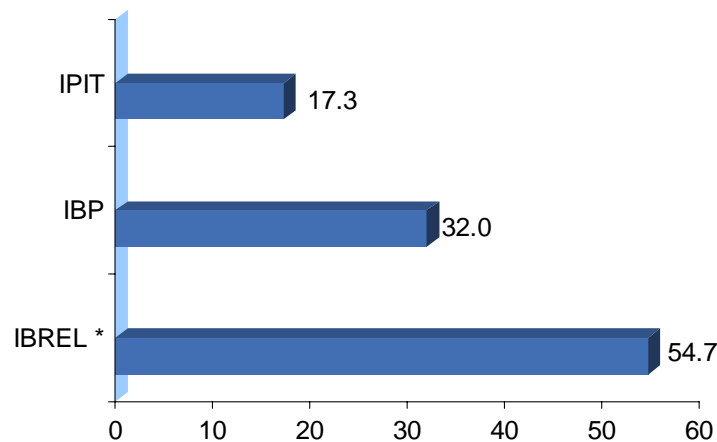
Nashik - Batching Plant being erected

Source: Company Presentation, Morgan Stanley Research

## Chronology of Capital Raising by IBREL and Related Entities

- Jan 2007** • Dev Property Developers raised GBP 138 million (~ Rs12 billion) from the AIM market of LSE. DPD was merged into IBREL in Mar-2008
- Jul 2007** • IBREL raised Rs16.2 billion through GDRs listed in the Luxembourg Stock Exchange
- Feb 2008** • Indiabulls Power raised Rs15.8 billion from FIM Ltd & LNM India Internet Ventures Ltd
- May 2008** • IPIT raised SG\$ 353 million (~ Rs10.6 billion) through issue of fresh units in SGX
- May 2009** • IBREL raised Rs26.6 billion through a QIP issue
- Oct 2009** • Indiabulls Power raised Rs16.2 billion through its Initial Public Offer
- Oct 2009** • IPIT raised SG\$ 200 million (~ Rs6.7 billion) through a rights Issue (Including IBREL's contribution)

### Total Capital Raised: Rs104 Billion



Source: Company data, Morgan Stanley Research

\* Includes capital raised by DPD

## Appendix 1 – IPIT Financial Statements

Exhibit 27

## IPIT: Quarterly Income Statement

S\$'000	7 May-30 Sep' 08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10
<b>Property Income</b>							
Base Rent	0	0	258	3,847	4,971	6,041	6,716
Maintenance & Operating Income	0	0	0	332	416	521	560
Car Park Income	0	0	0	18	19	18	46
Other Income	98	78	71	71	107	74	116
	<b>98</b>	<b>78</b>	<b>329</b>	<b>4,268</b>	<b>5,513</b>	<b>6,654</b>	<b>7,438</b>
<b>Property Expenses</b>							
O&M, G&A Expenses	0	0		65	360	456	419
Property / Leasing Mgmt Fees	0	0		121	154	187	204
Other Property Expenses	56	0	802	961	2,633	1,916	2,090
Other Expenses	116	79	20	64	64	140	92
	<b>172</b>	<b>79</b>	<b>822</b>	<b>1,211</b>	<b>3,211</b>	<b>2,699</b>	<b>2,805</b>
<b>Net Property Income</b>	<b>-74</b>	<b>-1</b>	<b>-493</b>	<b>3,057</b>	<b>2,302</b>	<b>3,955</b>	<b>4,633</b>
<b>Trust Expense</b>							
Mgmt Fees (Base)	0	0	0	1,529	1,514	1,532	1,587
Mgmt Fees (Performance)	0	0	0	122	92	158	186
Trustee Fees	228	184	185	122	122	123	123
Other Trust Operating Expenses	57	74	175	245	127	126	269
	<b>285</b>	<b>258</b>	<b>360</b>	<b>2,018</b>	<b>1,855</b>	<b>1,939</b>	<b>2,165</b>
<b>Net Operating Income</b>	<b>-359</b>	<b>-259</b>	<b>-853</b>	<b>1,039</b>	<b>447</b>	<b>2,016</b>	<b>2,468</b>
Impairment loss on development properties			1,010,305				0
Change in fair value of investment properties			232,105				-9,580
Other Expenses	0	0	0	0	252	0	0
Interest Expense	0	0	167	8,660	9,247	4,906	1,830
<b>PBT</b>	<b>-359</b>	<b>-259</b>	<b>-1,243,430</b>	<b>-7,621</b>	<b>-9,052</b>	<b>-2,890</b>	<b>10,218</b>
Income Tax	0	390	-284,341	270	910	302	38,039
<b>PAT</b>	<b>-359</b>	<b>-649</b>	<b>-959,089</b>	<b>-7,891</b>	<b>-9,962</b>	<b>-3,192</b>	<b>-27,821</b>

Source: Company data, Morgan Stanley Research

July 1, 2010

Indiabulls Real Estate Limited

Exhibit 28

**IPIT: Balance Sheet**

SG\$ mn	Sep-08	Mar-09	Sep-09	Mar-10
<b>Non-current assets</b>				
Property, plant and equipment	1	1	1	2
Development properties	3,731	2,158	57	979
Investment Property	0	264	2,341	1,611
<b>Total</b>	<b>3,732</b>	<b>2,423</b>	<b>2,399</b>	<b>2,592</b>
<b>Current assets</b>				
Prepayments	17	4	0	64
Trade and other receivables	0	1	3	5
Other current assets	11	14	15	21
Investments available for sale	0	0	4	5
Cash and cash equivalents	20	10	5	7
<b>Total</b>	<b>48</b>	<b>28</b>	<b>27</b>	<b>103</b>
<b>Total Assets</b>	<b>3,780</b>	<b>2,452</b>	<b>2,426</b>	<b>2,694</b>
<b>Non-current liabilities</b>				
Interest bearing loans and borrowings	147	186	235	166
Trade and other payables	25	32	31	29
Other non-financial liability	0	0	0	28
Deferred tax liability	723	410	406	464
<b>Total</b>	<b>896</b>	<b>628</b>	<b>671</b>	<b>687</b>
<b>Current liabilities</b>				
Interest bearing loans and borrowings	42	54	21	18
Trade and other payables	49	31	25	23
<b>Total</b>	<b>91</b>	<b>85</b>	<b>47</b>	<b>40</b>
<b>Total Liabilities</b>	<b>988</b>	<b>713</b>	<b>718</b>	<b>727</b>
<b>Net Assets</b>	<b>2,792</b>	<b>1,739</b>	<b>1,709</b>	<b>1,967</b>

Source: Company data, Morgan Stanley Research



## Appendix 2 – Indiabulls Power Financial Statements

Exhibit 29

**IBP: Income Statement**

Rs Million	2009	2010
<b>Income from Operations</b>	<b>0</b>	<b>0</b>
Operating Expenses	0	0
Employees Remuneration and Benefits	92	267
Administrative and Other Expenses	103	99
<b>Total Operating Expenses</b>	<b>195</b>	<b>366</b>
<b>Operating Profit</b>	<b>-195</b>	<b>-366</b>
Interest and Finance Charges	94	32
Depreciation / Amortization	0	4
Other Income	1,413	841
<b>Profit Before Tax</b>	<b>1,123</b>	<b>439</b>
Total Taxes	293	56
<b>Profit After Tax</b>	<b>831</b>	<b>383</b>
Less: Minority Interest	1	1
<b>Net Profit after Minority Interest</b>	<b>830</b>	<b>381</b>

Source: Company data, Morgan Stanley Research

Exhibit 30

**IBP: Balance Sheet**

Rs Million	2009	2010
Share Capital	8,295	20,213
Reserves & Surplus	15,604	18,680
Minority interest	3	7
Less: Goodwill on consolidation	-2	2
<b>Net Worth</b>	<b>23,900</b>	<b>38,903</b>
<b>Loans</b>	<b>2</b>	<b>2,006</b>
<b>Net Debt</b>	<b>-11,953</b>	<b>-5,513</b>
	<b>23,902</b>	<b>40,910</b>
<b>Fixed Assets</b>	<b>2,067</b>	<b>7,385</b>
<b>Investments</b>	<b>0</b>	<b>11,960</b>
Other Current Assets	129	61
Loans and Advances	9,875	14,263
<b>Current Assets</b>	<b>10,004</b>	<b>14,324</b>
Current Liabilities	59	184
Provisions	64	108
<b>Current Liabilities</b>	<b>124</b>	<b>292</b>
<b>Net Current Assets</b>	<b>9,880</b>	<b>14,032</b>
<b>Cash</b>	<b>11,955</b>	<b>7,519</b>
<b>Deferred Tax Assets</b>	<b>0</b>	<b>13</b>
	<b>23,902</b>	<b>40,910</b>

Source: Company data, Morgan Stanley Research

## Appendix 3 – IBFSL Financial Statements

Exhibit 31

### IBFSL: Balance Sheet

Rs Million	2006	2007	2008	2009
Share Capital	320	3,844	2,076	2,076
Share Warrants	167	135		
Reserves and Surplus	12,794	14,630	31,982	32,191
<b>Shareholders' Funds</b>	<b>13,282</b>	<b>18,609</b>	<b>34,058</b>	<b>34,267</b>
Minority Interest	3,697	3,460	950	1,032
Share Application Money Pending Allotment	0	0	0	340
Secured Loans	30	3,358	38,836	45,441
Unsecured Loans	3,000	7,301	73,380	22,850
<b>Loan Funds</b>	<b>3,030</b>	<b>10,659</b>	<b>112,216</b>	<b>68,291</b>
Deferred Tax Liability (Net)	132	621	571	-141
	<b>20,140</b>	<b>33,348</b>	<b>147,794</b>	<b>103,789</b>
Gross Block	826	1,758	590	622
Less: Depreciation /Amortisation	134	310	110	184
Net Block	692	1,448	479	438
Capital work in progress / Capital Advances	32	92	18	12
<b>Fixed Assets</b>	<b>725</b>	<b>1,541</b>	<b>498</b>	<b>450</b>
Investments	2,674	5,846	5,127	11,955
Cash and Bank Balances	8,910	8,054	72,095	24,340
Sundry Debtors	819	1,033	144	84
Other Current Assets	45	265	867	1,180
Loans and Advances	12,383	23,872	83,039	70,499
<b>Total CA</b>	<b>13,247</b>	<b>25,170</b>	<b>84,051</b>	<b>71,764</b>
Current Liabilities	3,711	5,283	9,310	2,319
Provisions	1,705	1,980	4,666	2,401
<b>Current Liabilities and Provisions</b>	<b>5,416</b>	<b>7,263</b>	<b>13,977</b>	<b>4,719</b>
<b>Net Current Assets</b>	<b>7,831</b>	<b>17,907</b>	<b>70,075</b>	<b>67,044</b>
	<b>20,140</b>	<b>33,348</b>	<b>147,794</b>	<b>103,789</b>

Source: Company data, Morgan Stanley Research

July 1, 2010

Indiabulls Real Estate Limited

Exhibit 32

**IBFSL: Income Statement**

Rs Million	2006	2007	2008	2009
<b>Revenue from operations</b>	<b>6,103</b>	<b>12,409</b>	<b>16,862</b>	<b>20,031</b>
Operating Expenses	548	847	426	227
Personnel Costs	795	2,369	2,389	1,669
Administrative and Other Expenses	668	1,740	1,768	6,023
<b>Total Expenditure</b>	<b>2,010</b>	<b>4,957</b>	<b>4,583</b>	<b>7,919</b>
<b>Operating Income</b>	<b>4,093</b>	<b>7,453</b>	<b>12,279</b>	<b>12,112</b>
Interest and Finance Charges	315	680	3,923	10,287
Depreciation / Amortisation	73	177	72	78
Other Income	28	35	25	27
<b>Profit Before Tax</b>	<b>3,734</b>	<b>6,631</b>	<b>8,310</b>	<b>1,775</b>
Provision for Taxation	1,200	2,181	2,482	711
Current Tax	1,079	1,679	2,424	1,414
Deferred Tax Credit / Expenses (Net)	113	489	46	-712
Fringe Benefits Tax	8	13	13	8
<b>Profit After Tax</b>	<b>2,534</b>	<b>4,449</b>	<b>5,828</b>	<b>1,063</b>
Prior Period Adjustments		15	22	4
Interim Dividend on Preference Shares Paid - Subsidiary Company	5			
Corporate Dividend Tax thereon	1			
Minority Interest	159	495	62	65
<b>Profit After Minority Interest</b>	<b>2,368</b>	<b>3,939</b>	<b>5,744</b>	<b>994</b>

Source: Company data, Morgan Stanley Research



**Morgan Stanley ModelWare is a proprietary analytic framework that helps clients uncover value, adjusting for distortions and ambiguities created by local accounting regulations.** For example, ModelWare EPS adjusts for one-time events, capitalizes operating leases (where their use is significant), and converts inventory from LIFO costing to a FIFO basis. ModelWare also emphasizes the separation of operating performance of a company from its financing for a more complete view of how a company generates earnings.

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(as of June 30, 2010)

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Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)		
	Count	% of Total	Count	% of Total IBC	% of Rating Category
<b>Overweight/Buy</b>	<b>1086</b>	<b>42%</b>	<b>362</b>	<b>43%</b>	<b>33%</b>
<b>Equal-weight/Hold</b>	<b>1114</b>	<b>43%</b>	<b>391</b>	<b>46%</b>	<b>35%</b>
<b>Not-Rated/Hold</b>	<b>14</b>	<b>1%</b>	<b>4</b>	<b>0%</b>	<b>29%</b>
<b>Underweight/Sell</b>	<b>348</b>	<b>14%</b>	<b>94</b>	<b>11%</b>	<b>27%</b>
<b>Total</b>	<b>2,562</b>		<b>851</b>		

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 received investment banking compensation in the last 12 months.

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

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**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.

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July 1, 2010

Indiabulls Real Estate Limited

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**Industry Coverage:India Property**

<b>Company (Ticker)</b>	<b>Rating (as of)</b>	<b>Price* (06/30/2010)</b>
<b>Sameer Baisiwala, CFA</b>		
Indiabulls Real Estate Limited (INRL.BO)	O (07/01/2010)	Rs157.7
Jaypee Infratech Limited (JYPE.BO)	E (07/01/2010)	Rs90
DLF Limited (DLF.BO)	O (05/17/2010)	Rs288.2
Parsvnath Developers Limited (PARV.BO)	U (06/09/2008)	Rs124.75
Sobha Developers Ltd. (SOBH.BO)	O (05/25/2010)	Rs288.6
Unitech Corporate Parks Plc (UCP.L)	++	26p
Unitech Limited (UNTE.BO)	++	Rs74.55

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