Equity | Real Estate | India

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Property Radar India

Price cuts to rekindle demand?

Fundamentals remain challenging as sales volumes continue to decline on weak affordability as seen in sector underperformance. We expect a gradual recovery on price cuts, peaking rates, policy reforms and sector deleveraging as we remain sanguine about India's long-term structural growth story. Top pick DLF.

Key forecasts and recommendations

Company	Rating	TP (Rs)	CMP* (Rs)	P/E (x) FY12F	P/E (x) FY13F	P/B (x) FY12F	P/B (x) FY13F	Price Performance CY11 YTD	Price Performance LTM# (12M)
DLF	Buy	260	224	23.3	21.3	1.4	1.3	-23%	-41%
Unitech	Hold	28	27	13.6	11.7	0.6	0.6	-59%	-69%
HDIL	Buy	160	100	4.7	3.8	0.4	0.4	-49%	-63%
IBREL	Buy	120	75	14.0	11.9	0.3	0.3	-46%	-57%
BSE Real Index			1,794					-37%	-52%
Sensex			16,446					-20%	-18%

*as on 28th Sep 2011, # LTM =last twelve months
Source: Bloomberg, RBS

While fundamentals remain challenging, in our view…

The real estate sector has been a laggard (down 17% vs the Sensex since January and 34% in the last 12 months). Sales volumes in Indian real estate markets continue to decline due to weak affordability on account of high property prices and high mortgage and inflation rates. The Prop Equity database (covering the primary and secondary markets) shows sales volumes data for June remained weak, with some improvement in July – Gurgaon up 23% yoy and Bangalore up 34% yoy – due to significant launches. On the supply side, developers are caught up with high debt and low asset churn, which continue to reduce their return on equity. Banks' exposure to developers has remained largely flat since April, partly reflecting the banking sector's cautious stance on real estate.

We expect gradual recovery on price cuts, rates peaking and proposed policy reforms

We believe banks may require developers to cut property prices (if they don't on their own) to rekindle sales volume during the upcoming festival season (Oct-Dec 2011) as buyers have been delaying purchases in anticipation of price corrections. RBS Economist Sanjay Mathur believes interest rates have peaked and will ease from March 2012 on. While proposed policy reforms (land bill, floor space index (FSI), government approval for the sale of special economic zones (SEZs) could take time because of various ambiguities, we believe that these are steps in the right direction and bring sector transparency and faster execution. These coupled with developers' measures to deleverage via non-core asset sales could lead to a gradual recovery as we remain sanguine about India's long-term structural growth story. Moreover, our Indian IT analyst expects the top 4 Indian IT companies to increase their employee strength by around 15% in FY12 alongside wage inflation. This is important as the IT sector is one of the country's biggest consumers of real estate.

DLF our top pick; we upgrade Unitech to Hold

We make DLF our top pick given the visibility of Rs30bn of asset monetisation to reduce its high debt, the biggest overhang on the stock. We upgrade Unitech to Hold on its significant underperformance (38% ytd). While we believe headwinds remain for Mumbai-based developers in the near term due to ongoing policy uncertainty, leading to project delays, we maintain Buys on HDIL and Indiabulls Real Estate (and reduce our TPs).

Important disclosures can be found in the Disclosures Appendix.

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Price cuts to rekindle demand?

Fundamentals remain challenging as sales volumes continue to decline due to weak affordability as seen in sector underperformance. However, we expect a gradual recovery on price cuts, peaking rates, policy reforms and sector deleveraging. Top pick DLF.

Fundamentals remain challenging, in our view

Sales volumes in India real estate continue to decline due to weak affordability on account of high property prices, high mortgages and inflation rates.

Sales volumes have been declining…

Data from Prop Equity (a primary and secondary market database) for the quarter ended June 2011 showed weak sales volumes across the key cities of Mumbai, Bangalore and Gurgaon for the quarter ended June 2011.

Table 1 : Sales volumes declined in Mumbai, while Gurgaon and Bangalore saw growth on higher launch momentum

Avg quarterly sales volume (units)*	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Jul-11	yoy	qoq
Mumbai	3,580	2,775	2,042	1,604	2,595	2,468	2,196	2,568	2,993	3,462	3,628	4,212	3,917	3,221	2,497	-31%	-22%
Gurgaon	2,207	1,921	1,403	499	1,502	2,265	2,364	2,455	2,082	2,231	1,830	2,802	3,139	1,888	2,244	23%	19%
Bangalore	3,315	3,118	2,234	1,037	1,550	1,428	1,682	1,949	1,967	1,878	2,148	2,927	3,123	2,894	2,881	34%	0%

*The sales volume data is the monthly data based on average quarterly data; % yoy = July'11/2QCY10 and % qoq = July'/1QCY11.
Source: Prop Equity

However, sales volumes for July were a mixed bag. Sales volume continued to suffer in Mumbai (down 31% yoy, down 22% qoq), while Gurgaon (up 23% yoy, up 19% qoq) and Bangalore (up 34% yoy, flat qoq) saw growth due to higher launch momentum.

Sales volumes may have weakened in August-September as buyers have been putting off purchases due to weak sentiment generated from the current uncertain macro environment and in anticipation of 15% to 20% price correction.

Table 2 : Gurgaon and Bangalore experienced high launch momentum

Avg new launches (units)*	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Jul-11	yoy	qoq
Mumbai	2,702	1,104	822	1,606	5,033	1,469	1,042	3,132	3,747	4,378	4,004	4,600	3,649	3,289	1,157	-71%	-65%
Gurgaon	3,049	1,669	2,167	1,589	3,499	1,282	2,420	1,262	1,075	937	1,704	5,247	1,978	1,618	3,193	87%	97%
Bangalore	2,883	1,923	1,262	1,692	1,128	645	1,563	1,123	2,048	1,797	2,420	4,167	4,841	3,841	3,052	26%	-21%

*The sales volume data is the monthly data based on average quarterly data; % yoy = July'11/2QCY10 and % qoq = July'/1QCY11.
Source: Prop Equity

… as property prices reach all-time highs…

Average prices in July 2011 continued to hover near all-time highs, at Rs8,045/sq ft in Mumbai (up 4% yoy, up 1% mom), Rs4,680/sq ft in Gurgaon (up 45% yoy, up 8% mom) and Rs3,253/sq ft in Bangalore (up 8% yoy, up 2% mom). The numbers for months of unsold inventory have gradually been inching upward and stand at 17, 8 and 15 in Mumbai, Gurgaon and Bangalore, respectively.

Table 3 : Property prices hover near their all-time highs

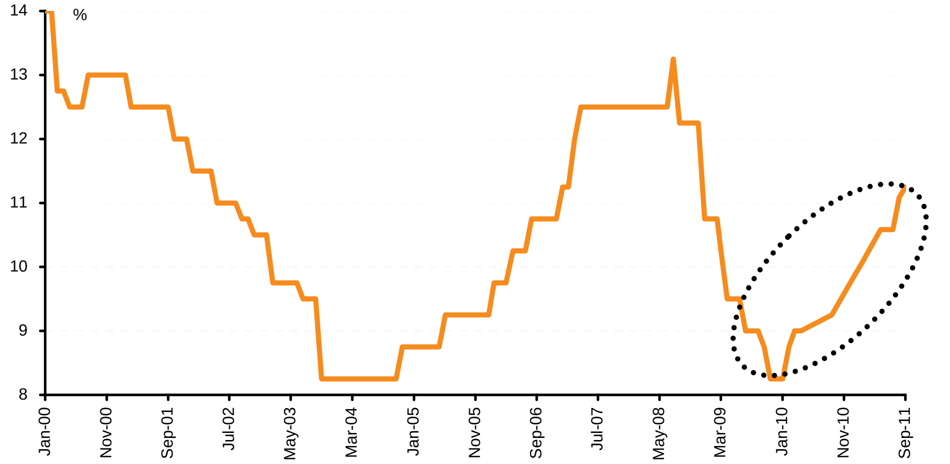
Avg sales price (Rs/sq ft)	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Jul-11	yoy	mom
Mumbai	6,462	6,811	6,874	6,472	4,634	6,552	7,024	7,573	7,071	7,940	7,699	8,006	7,930	8,003	8,045	4%	1%
Gurgaon	2,842	3,218	3,213	3,060	2,750	2,946	3,128	3,129	3,357	3,297	3,214	3,908	4,017	4,339	4,680	45%	8%
Bangalore	3,170	3,214	3,128	3,130	2,997	2,911	2,965	2,944	3,004	3,074	3,078	2,881	3,137	3,174	3,253	8%	2%

Source: Prop Equity

…coupled with an increase in mortgage rates…

The reversal of mortgage rates (where we saw 12 successive key rate hikes in the past 18 months) continues to be more painful for property developers because it comes on a higher loan value (due to the higher ticket size).

Chart 1 : Spike in mortgage rates – more painful this time



Source: HDFC

Table 4 : Current mortgage rates with rate bracket for key banks

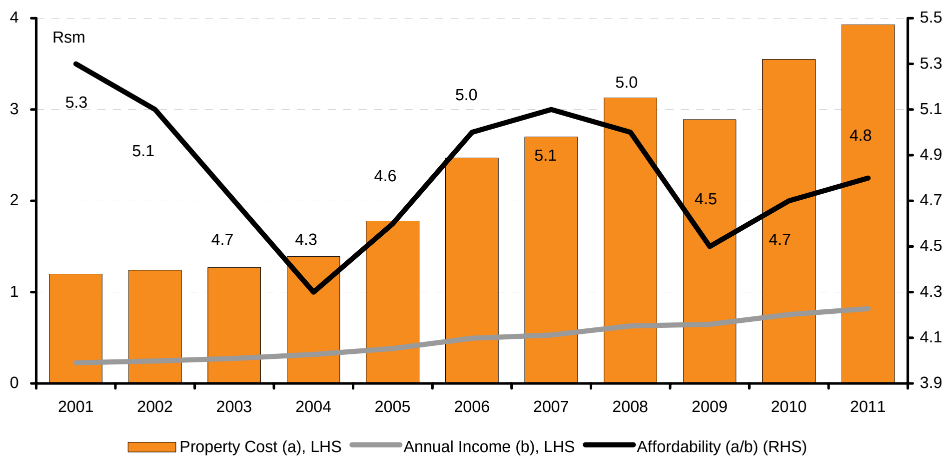
(%)	Up to Rs3m	Rs3m-7.5m	Above Rs7.5m
HDFC Bank	10.75-11.25	11.25-11.50	11.75
State Bank of India	10.5	10.75	11
(%)	**Up to Rs2.5m**	**Rs2.5m-7.5m**	**Above Rs7.5m**
ICICI Bank	10.50-10.75	11.00-11.25	11.50-11.75

Source: Press reports (The Economic Times), RBS

… affecting affordability

With property prices in India at peak levels and as mortgage rates have hardened, affordability remains under pressure. We believe the sentiment of genuine home buyers remains weak and that buyers are delaying purchases in anticipation of a 15-20% price correction.

Chart 2 : Affordability remains under pressure



Source: HDFC, RBS

High debt and low asset churn continue to adversely affect the sector

Due to persistent headwinds, India developers have seen a slower pace of execution (development of real estate properties) resulting in low asset churn. The developers' ROEs are in the single digits (vs about 20% in 2009) and we expect them to remain around that level in the near future given large land banks vs low execution capabilities.

Table 5 : High debt and low asset churn continue to adversely affect the sector

	Market cap (US$m)*	Net debt (US$m)	Land bank (a)	Execution (msf)		Annual average execution run-rate (b)	No of yrs to exhaust land bank (a/b)	ROE (%)			
		FY11/CY10	(In msf)	FY10/CY09	FY11/CY10	(In msf)		2009	2010	2011	2012F
India											
DLF	8,469	5,017	363	2	7	5	79	22%	7%	6%	6%
Unitech**	1,574	1,203	429	7	4	6	78	27%	9%	5%	5%
Sobha^	481	272	234	2	4	3	79	10%	10%	10%	11%
China											
China Overseas Land	15,528	1,770	381	55	61	58	7	17%	20%	19%	19%
China Resources Land	8,065	3,324	287	12	19	16	18	8%	13%	10%	12%
Country Garden Holdings	6,222	2,280	520	38	53	45	11	7%	11%	18%	24%

*Priced as on 28-Sep-2011. **Unitech last disclosed its land bank in 2009. ^Sobha is a non-rated company.
2010 refers to Dec-09 for China developers and Mar-10 for India developers.
Source: Bloomberg, RBS forecasts

The fact that India property developers are sitting on a high level of debt remains our key concern. This coupled with a high interest cost of debt (about 50% of EBITDA) continues to adversely affect the property developers.

Table 6 : Interest as a percentage of EBITDA high at around 50%

	FY08	FY09	FY10	FY11	FY12F	FY13F
Net gearing (%)	55%	65%	48%	59%	50%	46%
Net debt (Rsm)	169,504	253,931	275,125	336,403	295,567	289,750
Interest outflow (@12%)	17,089	25,406	31,743	36,692	37,918	35,119
Interest as % of EBITDA	12%	32%	61%	61%	56%	47%

Source: Company data, RBS forecasts

Reserve Bank of India's new measures add to the challenges

Table 7 : RBI expresses concern and takes steps to control rising property prices

	Prior to govt/RBI stimulus package	Govt/RBI stimulus measures	Changes in the past	New changes (per September RBI policy)
Restructuring of debt	Exposure to commercial real estate was not eligible to retain the asset classification of the restructured standard accounts in the standard category	Concessional treatment extended to the commercial real estate exposures that were restructured up to 30 June 2009	Withdrawn. If developers end up in a similar liquidity crisis again (due to rapid price hikes), a second bailout package appears unlikely	Status quo maintained; NBFCs replacing such loans at higher interest rates
Provisioning norms	Provisioning of 1% for standard advances beyond Rs2m to residential segment and 2% for standard advances to commercial real estate	Reduced to 0.4% for housing sector and 1% for commercial real estate loans	Increased to 1% for housing sector loans	Standard asset provisioning for all 'teaser' loans at 2%, while for other housing loans stands at 0.4%
Risk weights	Risk weight of 150% for loans issued to commercial real estate	Reduced to 100%	Status quo maintained	Risk weight for housing loans of Rs7.5m and above, irrespective of the LTV ratio, to 125%. Furthermore, LTV for all loans now cannot exceed 80%
CRR, repo/reverse repo	CRR – 9%, repo – 9%, reverse repo – 6%	CRR cut by 400bp, repo by 425bp and reverse repo by 275bp	CRR raised by 100bp, repo by 125bp and reverse repo by 175bp ytd in 2010.	CRR – 6%, repo – 8.25%, reverse repo – 7.25%
Home loan subsidy	No concession for low-ticket housing loan – ie, up to Rs2m	PSU banks to offer home loans at 8.5% for loans up to Rs0.5m with LTV of 90%; 9.25% for loans between Rs0.5m and Rs2m with LTV of 85%	Banks have disbanded teaser home loan schemes	Since the last month, ICICI's, HDFC Ltd's and LIC's housing finance have introduced dual-rate scheme (offering home loans at a fixed rate initially and at a floating rate thereafter).

Source: RBI data, RBS

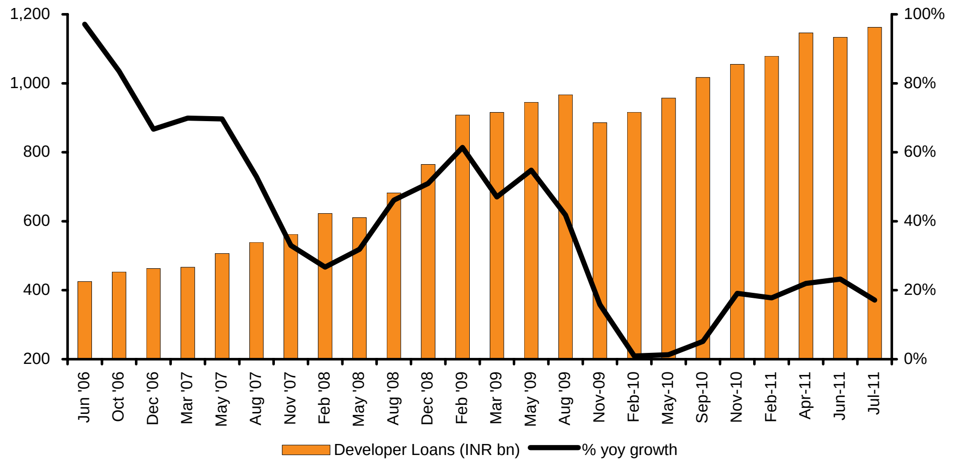
We expect a gradual recovery

We expect gradual recovery on price cuts, rates peaking out, proposed policy reforms and deleveraging by developers as we remain sanguine about India's long-term structural growth story.

Price cuts could rekindle demand in the upcoming festival season (Oct-Dec 2011)

Banks' exposure to developers has remained largely flat since April, partly reflecting the banking sector's cautious stance on real estate. Anecdotal evidence suggests developers are being funded by NBFCs, but at steep 20-24% interest rates. We believe sales must pick up during the festival season (October to December 2011) to justify incremental funding viability for the real estate sector. We believe banks/NBFCs may require property developers to reduce their prices to rekindle sales volume as buyers have been delaying purchases in anticipation of price corrections. On balance, we expect a price correction of 10-15% (vs 25-30% dip in prices after the 2008 crisis) as developers' costs have risen substantially during this period.

Chart 3 : While developer loans show growth yoy, ytd growth remains flat

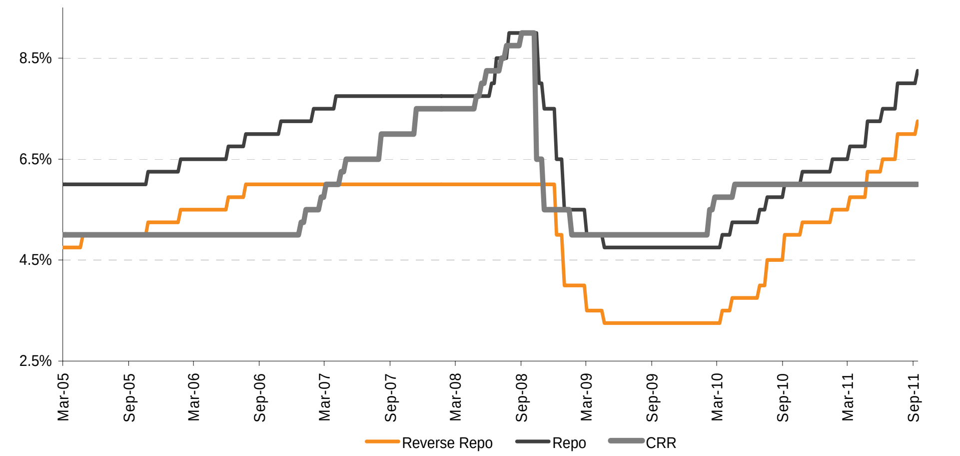


Source: RBI, RBS

Mortgage and interest rates peaking

With the RBI increasing key interest rates for the 12th time since March 2010, mortgage rates have seen significant hardening. However, with signs of a slowing economy, we believe we may not see more rate hikes by the RBI in the near future. RBS Economist Sanjay Mathur believes interest rates have peaked and will ease from March 2012 onward.

Chart 4 : Key interest rates seem very close to peaking



Source: RBI

Proposed policy reforms to bring transparency and enhance execution

- **Land Acquisition and Rehabilitation Bill:** Once effective, this land bill would replace the archaic Land Acquisition Act of 1894. The new bill could aid faster acquisition of land, resulting in efficient utilisation of capex/investments, which would more than compensate for the high cost of land in most cases. While the land bill would increase acquisition costs, we believe most real estate companies that already have significant land banks (sufficient for the next 10-20 years of development) are likely to show gains.

  However, we expect significant dilution to the proposed bill due to various ambiguities such as 1) valuation for compensation set at four times the market value of land in rural areas and two times the market value in urban areas; 2) annuity payments to farmers (monthly subsistence allowance of Rs3,000 per month for each family in the first year after losing their land, and a monthly annuity of Rs2,000 for the next 20 years with index of inflation); and 3) sharing 20% of profits with farmers on each transfer of land within 10 years.

- **Amendment in FSI computation:** To date, property developers in Mumbai have been utilising and selling based on the FSI (floor space index) without any clear market standards. However, once the Maharashtra government's proposal to amend the way the FSI is computed takes effect, we expect to see greater transparency, which in turn would help developers to start making investments that had been stalled due to uncertainty about these proposals. This would also increase supply.

- **Approval of sale of SEZs subject to certain conditions:** There has been positive news flow for developers attempting to sell their special economic zones (SEZs) to reduce their high debt positions as the government's Board of Approval for Special Economic Zones has started giving approvals (although subject to conditions).

  At the 19 September 2011 meeting of the Board of Approval for Special Economic Zones (government body), M/s. Phoenix Infocity Private Limited was allowed to sell its Hyderabad SEZs to Ascendas India Trust by treating the buyer (Ascendas) as a co-developer. This was, however, subject to a statement by the BoA that: "All BoA sanctioned approvals to co-developers are subject to the condition that particular terms and conditions of lease agreement/co-developer agreement will not have any bearing on the treatment of the income by way of lease rentals/down payment/premium etc, for the purposes of assessment under the prevalent Income Tax Act and Rules."

  At that 19 September meeting, DLF sought approval from the BoA to conclude the sale of Pune SEZ to a foreign investor. After clarification by its legal department, the BoA agreed that the change in equity structure through transfer/sale/amalgamation, etc and the consequent change in management cannot be said to be a transfer or sale of land. This, however, would be subject to the following conditions:

- Seamless continuity of the SEZ activities with unaltered responsibilities and obligations for the altered developer entity;

- Fulfilment of all eligibility criteria applicable to developers, including security clearances, etc, by the altered developer entity and its constituents; and

- Applicability of and compliance with all revenue/company affairs/Securities and Exchange Board of India, etc rules that regulate issues such as capital gains, equity change, transfer, taxability, etc.

Developers have also begun to take corrective steps

In the pursuit of increasing their cash flows and reducing their debt, the property developers are 1) focusing on plotted sales to minimise inflation and execution risks; 2) looking at monetising their non-core assets; and 3) cutting prices in certain markets to increase sales volumes.

We remain sanguine about India's long-term structural growth story

We see India's property sector as a long-term structural growth story driven by relatively high GDP growth, a perennial shortage of housing units, favourable demographics (more nuclear families, an increasingly young working population) and increasing urbanisation.

Our IT analyst expects the top 4 Indian IT companies to increase their employee strength by around 15% in FY12. Most of these companies have announced offshore (India base) wage inflation of 12-14% in FY12. This is important as the IT sector is the country's biggest consumer of real estate.

The sector has seen significant underperformance…

Although headwinds remain, the BSE Realty Index has underperformed (down 17% vs the Sensex since January and 34% in the last 12 months).

Table 8 : India property sector's significant underperformance

Company	Rating	Mkt cap (US$m)	CMP (Rs) 28-Sep-2011	Absolute change (%) 1m	3m	6m	CY11 ytd	12m
DLF Ltd	Buy	8,469	224	27%	7%	-9%	-23%	-41%
Unitech Ltd	Hold	1,574	27	8%	-12%	-31%	-59%	-69%
HDIL	Buy	933	100	4%	-36%	-39%	-49%	-63%
Indiabulls Real Estate Ltd	Buy	668	75	-3%	-30%	-39%	-46%	-57%
Anant Raj Industries	NR	381	58	-3%	-4%	-32%	-46%	-58%
Akruti City	NR	307	190	3%	0%	-13%	-24%	-63%
Phoenix Mills	NR	679	211	6%	10%	17%	-5%	-10%
Sobha Developers	NR	481	221	6%	-14%	-21%	-32%	-44%
BSE Real Index			1,794	12%	-9%	-19%	-37%	-52%
Sensex			16,446	4%	-11%	-13%	-20%	-18%

*NR = not rated
Source: Bloomberg, RBS forecasts for a rating exists

With this underperformance, the stocks are currently trading at a 30-70% discounts to NAV and at P/Bs of 0.3-0.6x (except DLF at 1.2x) compared with historical highs of 4-5x, thus signalling to us that the property sector may have bottomed.

Table 9 : Valuation snapshot of coverage companies

Company	Rating	Mkt cap* (US$m)	TP (Rs)	CMP (Rs)	Discount to NAV	OPM FY12F	OPM FY13F	PE (x) FY12F	PE (x) FY13F	P/B (x) FY12F	P/B (x) FY13F
DLF	Buy	8,469	260	224	-25%	42%	40%	23.3	21.3	1.4	1.3
Unitech	Hold	1,574	28	27	-59%	32%	33%	13.6	11.7	0.6	0.6
HDIL	Buy	933	160	100	-71%	59%	57%	4.7	3.8	0.4	0.4
IBREL	Buy	668	120	75	-54%	26%	31%	14.0	11.9	0.3	0.3
BSE Real Index				1,794							
Sensex				16,446							

*Priced as on 28-Sep-2011.
Source: Bloomberg, RBS forecasts.

…we upgrade Unitech to Hold; maintain Buy on DLF, HDIL and IBREL

With the visibility of Rs30bn of asset monetisation to reduce its high debt, the biggest overhang on the stock, we make DLF our top pick. In our notes published today, we upgrade Unitech to Hold on its significant underperformance of the Sensex (38% ytd). While we continue to see headwinds for Mumbai-based developers in the near term, due to ongoing policy uncertainty leading to project delays, we maintain Buys (with reduced TPs) on valuations on HDIL and IBREL. (see our separate notes on the companies).

Table 10 : We upgrade Unitech to Hold and fine-tune our TPs for other companies

	Rating Old	Rating New	Target price Old	Target price New	Change	Reason for change
DLF	Buy	Buy	270	260	-4%	Revision of the value of DLF's non-core assets
Unitech	Sell	Hold	30	28	-7%	Slower pace of execution
HDIL	Buy	Buy	225	160	-29%	Factor in a delay in transfer of development rights and FSI generation and sales
IBREL	Buy	Buy	145	120	-17%	Factor in delay of launch and sales assumptions

Source: RBS forecasts

Company profiles

The following are the latest reports published on these companies:

COMPANY PROFILES

DLF Ltd

Asset sale to start deleveraging

Press reports suggest that monetisation of about Rs30bn from the sale of DLF's assets are under way, which should help the company partially reduce its net debt by year-end. While 2Q12 remains muted in terms of launches and sales, we expect the company to achieve momentum in 2H12 (festival season). Buy.

Buy

Target price
Rs260.00 (from Rs270.00)

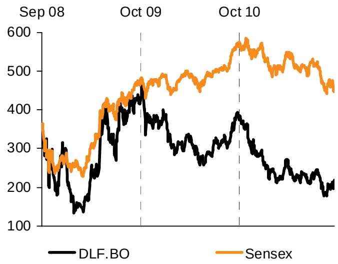
Price
Rs224.00

Short term (0-60 days)
n/a

Market view
Underweight

Price performance

	(1M)	(3M)	(12M)
Price (Rs)	176.1	210.1	378.0
Absolute (%)	27.2	6.6	-40.7
Rel market (%)	22.0	18.8	-27.9
Rel sector (%)	47.1	32.4	-24.0



Market capitalisation
Rs380.22bn (US$7.79bn)

Average (12M) daily turnover
Rs1780.53m (US$39.23m)

Sector: BBG AP Real Estate
RIC: DLF.BO, DLFU IN
Priced Rs224.00 at close 28 Sep 2011.
Source: Bloomberg

Key forecasts

	FY10A	FY11A	FY12F	FY13F	FY14F
Total property income (Rsm)	74,229	95,606	102,590	112,818	126,526
Reported net profit (Rsm)	17,198	16,396	16,341	17,815	19,782
Reported EPS (Rs)	10.10	9.66	9.63	10.50	11.70
Reported PE (x)	22.10	23.20	23.30	21.30	19.20
Dividend per share (Rs)	2.00	2.00	2.00	2.00	2.00
Dividend yield (%)	0.89	0.89	0.89	0.89	0.89
Book value per share (Rs)	179.3	155.1	162.4	170.6	179.9
Disc/(prm) to adj NAV (%)	-24.9	-44.4	-37.9	-31.3	-24.5

Accounting standard: Local GAAP
Source: Company data, RBS forecasts
year to Mar, fully diluted

Asset sale likely to start deleveraging

Press reports (The Economic Times, ET) suggest that non-core asset monetisation worth Rs30bn is visible in the next six months, which would partially reduce DLF's high net debt (Rs227bn as of 30 June 2011). This is in line with the company's guidance of reducing debt to the extent of Rs60-70bn in next two to three years. As per various press reports, the assets up for sale include: 1) the sale of the Pune IT SEZ (in which DLF has about a 70% stake) for Rs8-9bn (ET, 13 September 2011); 2) the sale of the Noida IT Park (in which DLF has about a 70% stake) for Rs4-5bn (ET, 21 September 2011); 3) the sale of a 28-acre property in Gurgaon for Rs4bn (ET, 19 August 2011); and 4) the sale of Aman Resorts for Rs18bn (ET, 20 September 2011). Further, there are press reports (ET, 13 September 2011) that DLF is looking to sell its Lower Parel property in Central Mumbai at Rs25bn-40bn.

Sales seemed subdued in 2QFY12, but we expect momentum in 2H (festival season)

Given the slowdown in demand and, hence, volumes, DLF to date has not been able to launch/sell plot developments as it expected in Lucknow and Panchkula this quarter. We believe this could slow the earnings run rate in 2Q. That said, we now expect the proposed launches and sales to happen during the festival season (Oct-Dec 2011), enabling DLF to improve operational cash flows during 2HFY12.

CCI's potential fine and tax on IT SEZs remain overhangs

The Competition Commission of India's (CCI) recently fined DLF Rs6.3bn for "abuse of dominant position", which DLF has challenged and remains confident of a favourable resolution. During 1QFY12, DLF received an income tax demand notice of Rs5.5bn (in addition to Rs11.6bn in FY11) related to the sale of IT SEZs to DAL (DLF Assets Ltd), which is a concern. However, DLF is confident of a favourable resolution on this too.

Maintain Buy owing to DLF's focus on deleveraging

Given global headwinds, we reduce our asset monetisation assumption from Rs45bn to Rs30bn, resulting in a new SOTP-based target price of Rs260/share (from Rs270), which is based on our FY13F DCF valuation of Rs214/share (post a 10% discount to GAV) for its land bank and Rs46/share for completed leased assets (60% share). We maintain our Buy rating.

This note should be read along with our sector report (*Price cuts to rekindle demand?*, 28 September 2011) for a better understanding of the investment argument.

Important disclosures can be found in the Disclosures Appendix.

Analyst

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Asset sale likely to start deleveraging

Press reports suggests the monetisation of about Rs30bn from the sale of DLF's assets are under way, which would help partially reduce its net debt by year end. Maintain Buy.

Table 1 : DLF's 1QFY12 execution remained largely on track

	1Q11	2Q11	3Q11	4Q11	1Q12
Launch (msf)					
Development business	0.2	2.4	0.0	0.9	0.0
Rental business	0.0	0.9	0.9	0.0	-0.2
Total	**0.2**	**3.2**	**0.9**	**0.9**	**-0.2**
Execution / Delivered (msf)					
Development business	0.5	0.0	0.0	2.2	0.0
Rental business	0.9	1.3	1.0	1.2	1.9
Total	**1.4**	**1.3**	**1.0**	**3.4**	**1.9**
Booked/Leased (msf)					
Development business	1.9	2.1	2.5	3.8	2.3
Rental business (adj for cancellation)	1.0	1.7	1.7	0.0	0.7
Total	**2.9**	**3.8**	**4.2**	**3.8**	**3.0**
Ongoing Projects (msf)					
Development business	38.3	40.7	40.7	39.4	39.3
Rental business	16.3	15.8	15.7	14.5	12.5
Total	**54.6**	**56.5**	**56.4**	**53.9**	**51.7**

Source: Company data

Table 2 : Operating performance was strong but non-operational items affected earnings

Rsm	1Q11	2Q11	3Q11	4Q11	1Q12	% yoy	% qoq
Revenues	20,285	23,690	24,800	26,830	24,458	21%	-9%
EBITDA	9,796	9,289	11,780	6,660	11,110	13%	67%
EBITDA %	48.3%	39.2%	47.5%	24.8%	45.4%	-287 bps	2060 bps
Interest	3,884	4,338	4,280	4,560	4,964	28%	9%
Other Income	1,321	1,509	1,140	1,870	574	-57%	-69%
PBT	5,734	4,920	7,030	2,320	5,018	-12%	116%
Tax rate	29.3%	14.9%	28.9%	6.9%	25.5%	-380 bps	1858 bps
Reported PAT	4,110	4,184	4,660	3,450	3,584	-13%	4%

Source: Company data

Table 3 : Higher 1Q cash flows (post debt servicing) utilised in construction

Cash flow (Rsm)	1Q12	FY11	1Q11
Net cash from operations	**8,370**	**27,570**	**6,470**
Net cash used in investing activities	(2,960)	40,570	24,990
Net cash used in financing activities	(7,790)	(64,030)	(28,030)
- Interest paid	**(5,790)**	**(25,910)**	**(5,500)**
Net change in cash and cash equivalents	(2,380)	4,110	3,430
Opening cash and cash equivalents	12,460	8,350	8,350
Closing cash and cash equivalents	10,080	12,460	11,780

Source: Company data

Asset sale to commence for reduction of debt overhang

Press reports (The Economic Times), suggests monetising assets worth Rs30bn should commence over the next six months. We believe this asset sale will partially reduce DLF's high net debt, which stood at Rs227bn as of 30 June 2011.

Table 4 : High net debt has been DLF's biggest overhang

Rsm	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12
Debt	147,750	147,290	171,680	216,770	233,740	232,380	236,110	239,900	238,630
Cash and equivalents	17,010	11,140	26,770	55,030	35,330	24,040	16,020	14,300	11,780
Net debt	130,740	136,150	144,910	161,740	198,410	208,340	220,090	225,600	226,850
Net worth	245,390	250,040	254,990	307,720	270,970	266,558	265,560	263,320	266,600
Net debt to equity	53%	54%	57%	53%	73%	78%	83%	86%	85%

Source: Company data

This is in line with the company's guidance of reducing debt to the extent of Rs 60-70bn in next two to three years. As per numerous press reports, the various assets up for sale include 1) the sale of the Pune IT SEZ (in which DLF has about a 70% stake) for Rs8-9bn (ET, 13 September 2011); 2) the sale of the Noida IT Park (in which DLF has about a 70% stake) for Rs4-5bn (ET, 21 September 2011); 3) the sale of a 28-acre property in Gurgaon for Rs4bn (ET, 19 August 2011); and 4) the sale of Aman Resorts for Rs18bn (ET, 20 September 2011). Further, there are press reports (ET, 13 September 2011) that DLF is looking to sell its Lower Parel property in Central Mumbai at Rs25bn-40bn.

Table 5 : We expect asset monetisation of Rs30bn in the next six months

Location	Saleable area (msf)	Total value (Rsm)	Ownership	Value for DLF (Rsm)
Pune IT SEZ	1.9	8,000 to 8,500	~70%	5,600
Noida IT Park	1.3	4,000	~70%	2,800
Gurgaon Land Parcel	1.3	4,000	100%	4,000
Aman Resorts	-	18,000	100%	18,000
Total				**30,400**

Source: Press (The Economic Times), RBS estimates

While 2QFY12 launches and sales were subdued, we expect momentum to pick up in 2H

Given slowing demand and, hence, volumes, DLF to date has not been able to launch/sell its plot developments as it expected in Lucknow and Panchkula in the current quarter. This, in our view, could slow the earnings runs rate in 2QFY12. That said, we now expect the larger chunk of the proposed launches and sales (Table 5) to occur in the festival season. This should allow DLF to improve operational cash flows and, in turn, 2HFY12 financial performance. We even expect DLF to book Rs15-18bn in sales from Magnolia-2, its luxury residential project in Gurgaon, this year.

Table 6 : Plot sales could generate gross cash flows of Rs26.7bn in FY12F

Location	Saleable area (msf)	Details	1HFY12F (Rs m)	2HFY12F (Rs m)
Indore	2-2.5	50% phase-1; 1Q -0.2msf	1,000	2,500
Lucknow	2.-2.5	Launch expected in 3Q-4Q; Likely pricing @ Rs10,000-15,000/ sq. yard	-	3,000
New Gurgaon	4	Launched in late 1Q; priced @ Rs40,000 /sq. yard	7,600	7,600
Chandigarh (Mulanpur & Panchkula)	1.5	Expected launch in 3Q; Likely pricing @33,000-40,000/ sq. yard	-	5,475
			8,600	**18,575**

Source: Company data, RBS estimates

We cut our TP 3% to Rs260ps; maintain Buy

With the sale of non-core assets nearing, we reduce our asset monetisation assumption from Rs45bn to Rs30bn (Table 5), resulting in a new SOTP-based target price of Rs260/share (from Rs270), which is based on an end-FY13F DCF value of Rs214/share (after a 10% discount to GAV) for its land bank and Rs46/share for the value of completed and leased assets (60% share).

Table 7 : SOTP-based target price cut 3% to Rs260/share

Valuation based on fiscal year-end	Value (Rs bn)	Value (Rs bn)	% change	Rs/ share	Rs/ share	Rs/ share (% change)
	Previous	New		Previous	New	
Residential GAV	277	277	0%	163	163	0%
Non-residential GAV	364	364	0%	215	215	0%
Total GAV	642	641	0%	378	378	0%
Less: Discount	64	64		38	38	
Adjusted GAV	578	577	0%	340	340	0%
Less: Net debt	226	226	0%	133	133	0%
Less: Balance due for purchase of land	16	16	0%	9	9	0%
Add: Aman sale	23	18		13	11	-20%
Add: Other non-core asset sale	23	12		13	7	-46%
Value of real estate business (a)	**381**	**365**	**-4%**	**224**	**214**	**-4%**
Add: Value of completed and leased assets (b)	77	77	0%	46	46	0%
Target price (a+b)	**458**	**442**	**-3%**	**270**	**260**	**-3%**

Source: Company data, RBS forecasts

Risks to our target price include:

- A lower-than-expected ramp-up in sales due to sector headwinds
- Lower-than-expected margins due to cost escalations and interest rates
- Slower-than-expected monetisation of non-core assets
- Income tax demand notices being upheld
- An unfavourable resolution of the issue of the penalty CCI imposed on DLF over the abuse of its dominant position. DLF has challenged the imposition of the fine.

Income statement

Rsm	FY10A	FY11A	FY12F	FY13F	FY14F
Net rental income	7921	15633	17709	20359	22332
Prop development income	66308	79973	84881	92459	104194
Other revenue	0.00	0.00	0.01	0.00	0.01
Total property income	**74229**	**95606**	**102590**	**112818**	**126526**
Other costs	-39113	-58079	-59729	-68239	-79574
EBITDA	35116	37527	42861	44579	46952
DDA & Impairment (ex gw)	-3249	-6307	-7721	-8708	-8834
EBITA	31866	31220	35140	35870	38118
Goodwill (amort/impaired)	n/a	n/a	n/a	n/a	n/a
EBIT	**31866**	**31220**	**35140**	**35870**	**38118**
Associates (pre-tax)	8.18	88.3	150.0	225.0	275.0
Net interest	-11100	-17056	-17036	-15115	-14504
Other pre-tax items	4280	5839	3591	2820	2531
Reported PTP	**25054**	**20090**	**21844**	**23801**	**26419**
Taxation	-7022	-4594	-5424	-5894	-6536
Minority interests	107.9	-72.4	-79.6	-91.6	-100.7
Other post-tax items	-941.5	972.2	0.00	0.00	0.00
Reported net profit	**17198**	**16396**	**16341**	**17815**	**19782**
Dividends declared	-3395	-3395	-3395	-3395	-3395
Tot normalised items	0.00	0.00	0.00	0.00	0.00
Normalised EBITDA	35116	37527	42861	44579	46952
Normalised PTP	25054	20090	21844	23801	26419
Normalised net profit	17198	16396	16341	17815	19782

Source: Company data, RBS forecasts — year to Mar

Balance sheet

Rsm	FY10A	FY11A	FY12F	FY13F	FY14F
Cash & market secs (1)	9282	13461	10259	6611	3276
Props under dev	n/a	n/a	n/a	n/a	n/a
Other current assets	263775	320890	320120	336571	354677
Investment prop	55052	9958	9958	9958	9958
Other non-current assets	289548	295682	298679	302946	306487
Total assets	**617658**	**639990**	**639016**	**656085**	**674398**
Short term debt (2)	n/a	n/a	n/a	n/a	n/a
Long term debt (3)	216767	239903	214403	208403	197303
Other liabilities	90286	131014	143091	152226	165761
Total liabilities	**307053**	**370917**	**357494**	**360629**	**363064**
Total equity (incl min)	310605	269073	281522	295456	311333
Total liab & sh equity	**617658**	**639990**	**639016**	**656085**	**674398**
Net debt	207484	226442	204144	201792	194027

Source: Company data, RBS forecasts — year ended Mar

Cash flow statement

Rsm	FY10A	FY11A	FY12F	FY13F	FY14F
EBITDA	35116	37527	42861	44579	46952
Change in working capital	50434	-12239	11215	-7316	-4571
Net interest (pd) / rec	-6820	-11217	-13446	-12295	-11973
Taxes paid	-7022	-4594	-5424	-5894	-6536
Other oper cash items	n/a	n/a	n/a	n/a	n/a
Cash flow from ops (1)	**71707**	**9476**	**35206**	**19074**	**23871**
Capex (2)	-148384	-11265	-10718	-12975	-12375
Disposals/(acquisitions)	-41027	45094	0.00	0.00	0.00
Other investing cash flow	14359	-1160	70.4	133.4	174.3
Cash flow from invest (3)	**-175052**	**32669**	**-10648**	**-12842**	**-12201**
Incr / (decr) in equity	48158	-53035	0.00	0.00	0.00
Incr / (decr) in debt	53565	23136	-25500	-6000	-11100
Ordinary dividend paid	-3509	-3395	-3972	-3972	-4006
Preferred dividends (4)	n/a	0.00	0.00	0.00	0.00
Other financing cash flow	2456	-4673	1712	91.6	100.7
Cash flow from fin (5)	**100671**	**-37967**	**-27760**	**-9880**	**-15005**
Forex & disc ops (6)	n/a	n/a	n/a	n/a	n/a
Inc/(decr) cash (1+3+5+6)	**-2674**	**4178**	**-3202**	**-3648**	**-3335**
Equity FCF (1+2+4)	-76677	-1789	24488	6099	11496

Lines in bold can be derived from the immediately preceding lines. — year to Mar
Source: Company data, RBS forecasts

Standard ratios

Performance	DLF FY10A	DLF FY11A	DLF FY12F	DLF FY13F	DLF FY14F	HDIL FY12F	HDIL FY13F	HDIL FY14F	Unitech FY12F	Unitech FY13F	Unitech FY14F
Normalised EPS growth (%)	-61.3	-4.67	-0.34	9.02	11.0	6.59	22.9	-12.7	-7.82	16.2	9.39
EBIT margin (%)	42.9	32.7	34.3	31.8	30.1	54.0	51.4	42.2	30.9	32.0	31.0
Net profit margin (%)	23.2	17.1	15.9	15.8	15.6	40.5	39.8	33.4	18.8	19.1	18.4
Return on avg assets (%)	4.39	4.38	4.30	4.28	4.41	5.97	7.19	6.33	2.01	2.31	2.47
Return on avg equity (%)	6.30	5.78	6.06	6.30	6.65	8.93	10.1	8.16	4.41	4.90	5.11
Return on cap empl (%)	6.93	6.14	7.16	7.30	7.60	8.91	10.8	8.28	5.08	5.91	6.21
ROIC (%)	5.19	3.90	4.61	4.80	4.98	5.61	7.14	5.91	3.27	3.93	4.14
					year to Mar			year to Mar			year to Mar

Valuation	DLF FY10A	DLF FY11A	DLF FY12F	DLF FY13F	DLF FY14F	HDIL FY12F	HDIL FY13F	HDIL FY14F	Unitech FY12F	Unitech FY13F	Unitech FY14F
Normalised PE (x)	22.11	23.19	23.27	21.34	19.22	4.71	3.83	4.39	13.56	11.67	10.67
Dividend yield (%)	0.89	0.89	0.89	0.89	0.89	2.50	3.00	3.00	0.37	0.37	0.37
Disc/(prem) to BV (%)	-24.9	-44.4	-37.9	-31.3	-24.5	59.5	62.9	65.4	41.5	44.2	46.8
Disc/(prm) to adj NAV (%)	-24.9	-44.4	-37.9	-31.3	-24.5	59.5	62.9	65.4	41.5	44.2	46.8
PEG 3yr (%)	n/a	n/a	3.60	n/a	n/a	1.02	n/a	n/a	2.58	n/a	n/a
EV/EBITDA (x)	16.7	16.2	13.6	13.1	12.2	5.17	3.94	5.68	13.1	11.3	10.2
					year to Mar			year to Mar			year to Mar

Per share data	FY10A	FY11A	FY12F	FY13F	FY14F
Tot adj dil sh, ave (m)	1697	1697	1697	1697	1697
Reported EPS (INR)	10.1	9.66	9.63	10.5	11.7
Normalised EPS (INR)	10.13	9.66	9.63	10.50	11.65
Dividend per share (INR)	2.00	2.00	2.00	2.00	2.00
Equity FCF per share (INR)	-45.2	-1.05	14.4	3.59	6.77
Book value per sh (INR)	179.3	155.1	162.4	170.6	179.9
					year to Mar

Solvency	FY10A	FY11A	FY12F	FY13F	FY14F
Net debt to equity (%)	66.8	84.2	72.5	68.3	62.3
Net debt to tot ass (%)	33.6	35.4	31.9	30.8	28.8
Net debt to EBITDA	5.91	6.03	4.76	4.53	4.13
Current ratio (x)	5.89	3.62	3.39	3.24	3.12
Operating CF int cov (x)	12.5	2.25	4.02	3.03	3.54
Dividend cover (x)	5.07	4.83	4.81	5.25	5.83
					year to Mar

Priced as follows: DLF.BO - Rs224.00; HDIL.BO - Rs100.00; UNTE.BO - Rs27.00
Source: Company data, RBS forecasts

Valuation methodology

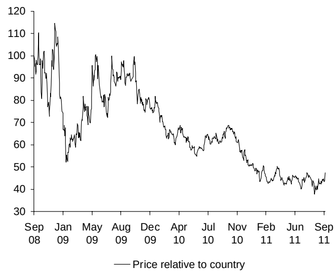
SOTP based TP based on end-FY12F	Value (Rs bn)	Rs/ sh
Residential GAV	277	163
Non-Residential GAV	364	215
Total GAV	**641**	**378**
Less: Discount	64	38
Adjusted GAV	**577**	**340**
Less: Net Debt	226	133
Less: Balance due for purchase of land	16	9
Add: Aman sale	18	11
Add: Other non-core asset sale	12	7
Value of real estate business (a)	**365**	**215**
Add: Value of completed and leased assets (b)	77	46
Target Price (a+b)	**442**	**260**

Source: Company data, RBS forecasts

Company description **Buy**

The DLF group, founded as Delhi Lease and Finance in 1946, is India's largest real estate developer, with a Pan-Indian presence in all property industry segments. The company began to develop properties in Delhi, but, as a result of regulatory changes, shifted its focus to the neighbouring suburb of Gurgaon and is credited for the significant development of that suburb. Since its inception, it has developed more than 220m sq ft, of which more than 50% is in Gurgaon.

Price relative to country



Strategic analysis — Average SWOT company score: 3

Strengths 4

DLF's scale and size offer flexibility to change the product mix and monetise projects. The company has a strong brand due to its proven execution ability. DLF also has one of the largest and most lucrative land banks (367m sq ft, with 80% in metros).

Weaknesses 3

Debt in absolute terms remains high, creating a high interest burden. Slow run rate in launches, sales and completions is disappointing to us.

Opportunities 3

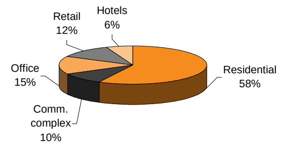
Monetisation and potential cap-rate compression on DAL's listing in the Singapore REIT market could augur well for DLF. We also expect DLF to be the biggest beneficiary of a demand pick-up in the commercial segment in the medium term.

Threats 3

Price increases implemented by many developers, including DLF, could affect affordability and demand. While DLF's concentration in the NCR has been reduced, we believe it is still vulnerable to any slowdown in the region.

Scoring range is 1-5 (high score is good)

GAV breakdown, FY12F



Source: RBS forecasts

Market data

Headquarters
DLF Centre, Sansad Marg, New Delhi - 110001

Website
www.dlf.in

Shares in issue
1697.4m

Freefloat
21%

Majority shareholders
Promoter & Promoter group (79%), Europacific Growth Fund (2%), Janus Overseas Fund (2%)

Country view: India

The compression of multiples typically characteristic of a market undergoing the transition from growth to value continued to pressure Indian equities in the 2Q. While the economic deceleration is well under way, we continue to view the country as a major potential loser from higher costs of capital in quarters and perhaps even years ahead. Still, given the significant short-term relative underperformance and the expected decline in commodities prices, clearly a bounce is possible. Yet, as valuations are broadly unattractive and returns declining, we continue to consider the risk-reward trade-off as unattractive.

The country view is set in consultation with the relevant company analyst but is the ultimate responsibility of the Strategy Team.

Country rel to Asia Pacific

Competitive position — Average competitive score: 3+

Supplier power 3-

Supplier power has weakened in recent times, as most developers have already built large land banks and are not looking at acquiring new parcels unless available at very attractive prices.

Barriers to entry 3+

Real estate development is capital-intensive in nature and therefore deep pockets are a must for entering the sector.

Customer power 3+

High, especially in commercial and retail segments, due to oversupply and low demand. Also high in residential, as volume sales seen in attractively priced affordable housing.

Substitute products 4+

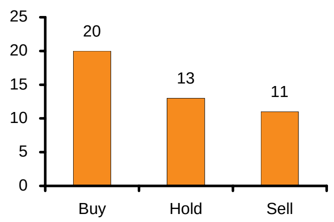
Substitutes such as renting or building a home are common, but are not considered threats to home purchases. Almost no substitutes for commercial and retail properties.

Rivalry 3+

Rivalry among developers is benign during property upcycles, but during downturns there could be severe price cuts and therefore margin pressure.

Scoring range 1-5 (high score is good)   Plus = getting better   Minus = getting worse

Broker recommendations



Source: Bloomberg

28 September 2011

Produced by: The Royal Bank of Scotland N.V., (India) Office

Unitech

Upgrade on underperformance

The CBI's partial exoneration of Unitech Wireless in the 2G spectrum scam is positive, but Unitech is still charged with being ineligible to receive a 2G licence. Unitech's debt reduction plan through asset sales seems aggressive; execution and balance sheet remain concerns. We upgrade to Hold after underperformance.

Change of recommendation

Hold (from Sell)

Target price
Rs28.00 (from Rs30.00)

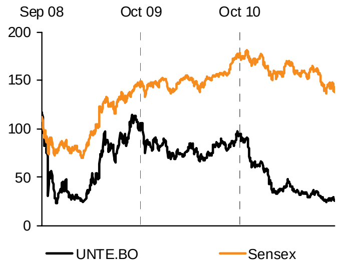
Price
Rs27.00

Short term (0-60 days)
n/a

Market view
Underweight

Price performance

	(1M)	(3M)	(12M)
Price (Rs)	25.15	30.95	86.60
Absolute (%)	7.4	-12.8	-68.8
Rel market (%)	3.0	-2.8	-62.0
Rel sector (%)	24.1	8.3	-60.0



Market capitalisation
Rs70.64bn (US$1.45bn)

Average (12M) daily turnover
Rs1444.06m (US$32.03m)

Sector: BBG AP Real Estate
RIC: UNTE.BO, UT IN
Priced Rs27.00 at close 28 Sep 2011.
Source: Bloomberg

Key forecasts

	FY10A	FY11A	FY12F	FY13F	FY14F
Total property income (Rsm)	28,874	31,226	27,775 ▼	31,716 ▼	36,006
Reported net profit (Rsm)	6,751	5,677	5,211 ▼	6,052 ▼	6,621
Reported EPS (Rs)	2.77	2.17	1.99 ▼	2.31 ▼	2.53
Reported PE (x)	9.75	12.40	13.60	11.70	10.70
Dividend per share (Rs)	0.20	0.10	0.10	0.10	0.10
Dividend yield (%)	0.74	0.37	0.37	0.37	0.37
Book value per share (Rs)	42.70	44.30	46.10	48.30	50.80
Disc/(prm) to adj NAV (%)	36.70	39.00	41.50	44.20	46.80

Use of ▲ ▼ indicates that the line item has changed by at least 5%.
Accounting standard: Local GAAP
Source: Company data, RBS forecasts

year to Mar, fully diluted

Some positive developments…

Unitech faces liquidity pressure due to ongoing sector headwinds as well as one of its promoters, Sanjay Chandra, being in prison for more than five months as part of the 2G wireless spectrum allocation probe. To overcome this, Unitech is launching new projects at attractive prices to achieve faster monetisation (such as Anthea Floors in Gurgaon, which booked Rs3.5bn sales via 450 bookings, as per The Economic Times). Also, the company gained a reprieve in the 2G investigation after the Central Bureau of Investigation's (CBI) public prosecutor informed the special court that there was no evidence of a 'quid-pro-quo or a money trail' between Unitech Wireless (the telecoms arm of Unitech) and former telecom minister, A Raja (The Economic Times, 30 Aug 2011).

…but share overhang persists

Wireless woes and the size of its debt burden have been key overhangs on Unitech shares. Unitech is still charged with being ineligible to receive a mobile permit (issues surround stipulated paid-up capital/net worth and inability to meet main object clause in Memorandum of Association). To tackle its debt, Unitech has announced a target to reduce existing debt (Rs56.5bn) by 10-15% every year via land sales and investments in IT SEZs and IT Parks (60% owned by Unitech Corporate Park [UCP]). We believe this remains a challenge. We highlight that Unitech has been selling its assets (Saket office, hotels, retail mall and land) since 2009 as a part of its de-leveraging strategy, which in our view leaves it with few monetisable assets other than land. Unitech's high level of debtors (up 70% in FY11 to Rs21.5bn), also highlighted by the auditors, and the slow pace of ongoing project execution remain concerns. It has delivered only 11.7msf of projects launched before March 2009, and the remaining 12.2msf are still at various stages of construction.

Upgrade to Hold after significant underperformance

We factor in sector headwinds and cut earnings estimates by 16%/8% for FY12F/13F, resulting in a revised DCF-based TP of Rs28 (applying a 40% discount for execution risk) for its real estate business, down from our earlier TP of Rs30. Unitech's 38% underperformance ytd vs the Sensex causes us to think further downside is limited. Thus, we upgrade to Hold.

This note should be read along with our sector report (*Price cuts to rekindle demand?*, 28 September 2011) for a better understanding of the investment argument.

Important disclosures can be found in the Disclosures Appendix.

Analyst

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Upgrade on underperformance, although headwinds remain

The CBI's reprieve for Unitech Wireless in the 2G probe is positive, but the charge on Unitech's ineligibility to receive a licence remains. Unitech's debt reduction plan looks aggressive; execution and b/s look weak. Upgrade to Hold on underperformance.

Table 1 : Operational performance is muted, but declining residential sales a concern

	1Q11	2Q11	3Q11	4Q11	1Q12
Area launched (msf)	2.76	1.82	1.57	4.29	3.21
Area sold (msf)	3.01	1.98	2.20	1.97	1.90
Residential	2.61	1.44	1.76	1.80	1.66
Non-residential	0.40	0.54	0.44	0.17	0.24
Execution (msf)	0.9	0.9	1.1	1.3	1.6
Total booked value (Rs m)	12,980	10,140	10,360	9,760	10,200
Residential booked value (Rs m)	9,870	6,850	8,020	8,310	7,250
Non-residential booked value (Rs m)	3,110	3,290	2,340	1,450	2,950

Source: Company data

Table 2 : Sales are largely driven by its monetisable NCR (largely Gurgaon) land bank

City (msf)	Launches (1Q10-1Q12)	% share	Sold (1Q10-1Q12)	% share	% sold
Gurgaon	13.8	34%	13.0	47%	94%
Mumbai	2.2	6%	1.9	7%	86%
Chennai	5.3	13%	3.6	13%	68%
Noida +G Noida	8.9	22%	4.8	17%	54%
Kolkata	3.9	10%	1.7	6%	43%
Others	5.8	15%	2.7	10%	46%
Total	**40.0**	**100%**	**27.7**	**100%**	**69%**

Source: Company data Note: 'Others' include Bhopal, Mohali, Lucknow, Mysore, Kochi and Bengaluru

Table 3 : Spike in debtors…

Rs m	Mar-09	Mar-10	Mar-11	Jun-11
Loans and advances	28,674	31,558	33,843	34,150
Projects in progress	157,388	171,740	193,921	200,730
Debtors	9,310	12,670	21,474	21,790
Customer advances	74,453	80,158	101,282	106,860
Creditors	22,549	13,621	15,337	15,400
Net Working Capital	98,370	122,190	132,619	134,410
% change in NWC (yoy)	6%	24%	9%	1%
% change in debtors (yoy)	**25%**	**36%**	**69%**	**69%**
% change in Sales (yoy)	-30.7%	1.3%	8.1%	-28.1%

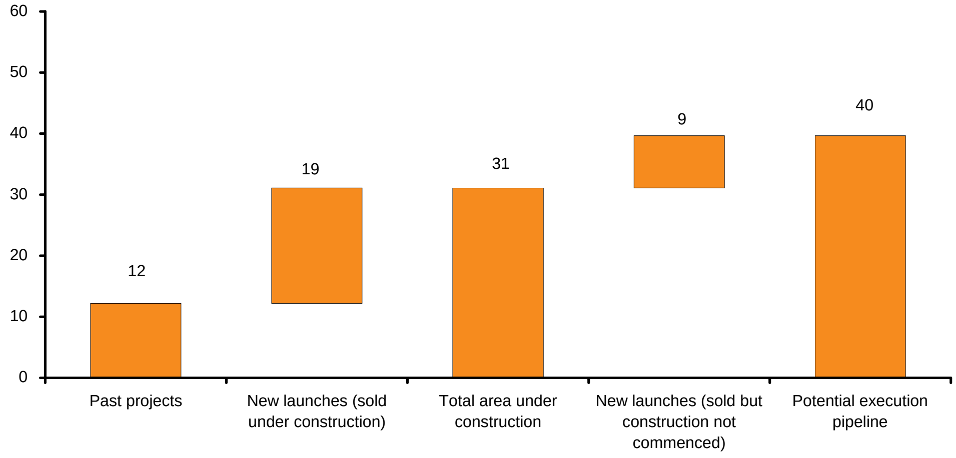
Source: Company data

Table 4 : … and ongoing high debt…

Rs m	1Q11	2Q11	3Q11	4Q11	1Q12
Debt (excluding telecom)	60,130	61,776	58,540	58,507	56,470
Cash and cash equivalents	8,560	10,040	12,380	4,509	3,170
Net debt	51,570	51,736	46,160	53,998	53,300
Net worth	107,590	110,106	115,190	115,836	122,010
Net debt to equity (%)	48%	47%	40%	47%	44%

Source: Company data

Chart 1 : … coupled with poor execution remain our key concerns



Source: Company data, RBS estimates

Debt reduction via asset monetisation looks challenging

Unitech plans to reduce its existing debt (Rs56.5bn as of 30 June 2011) by 10-15% every year via asset sales. We believe the company's plans to reduce debt by selling land (including land at Trivandrum), and selling investments in IT SEZs and IT Parks (60% owned by UCP), will remain a challenge. We further highlight that Unitech has been selling its assets (Saket office, hotels, retail mall and land) since 2009 as a part of its de-leveraging strategy, which, in our view, leaves the company with few monetisable assets, other than land.

Table 5 : We don't expect significant asset monetisation…

Asset monetised (Rs m)	FY07	FY08	FY09	FY10	FY11
Sale of investments in real estate projects	15,788	17,124	14,524	8,672	4,191
Total reported revenues	32,883	41,154	28,502	28,874	31,226
% share of asset monetisaton	48%	42%	51%	30%	13%

Source: Company data

Table 6 : …as further cash flows are likely to be muted in a challenging environment

Cash flow for the period (Rs m)	FY09	FY10	FY11
Net cash from operations	(54)	(13,395)	459
- Interest paid	(4,406)	(10,451)	(10,713)
Net cash used in investing activities	(11,732)	(6,290)	(3,859)
Net cash used in financing activities	4,151	17,035	4,111
Net change in cash and cash equivalents	**(7,634)**	**(2,650)**	**711**
Opening cash and cash equivalents	14,083	6,448	3,799
Closing cash and cash equivalents	6,448	3,799	4,509

Source: Company data

Table 7 : …thus making Unitech's debt reduction target difficult

Rs m	FY08	FY09	FY10	FY11	FY12F	FY13F	FY14F
Net gearing (%)	198%	163%	54%	47%	41%	41%	41%
Net debt	71,441	84,110	56,279	53,998	50,472	51,911	55,151
Interest outflow (@12.5%)	6,314	9,722	8,774	6,892	6,529	6,399	6,691
EBITDA	22,040	15,493	10,272	8,594	10,393	11,283	12,268
Interest as % of EBITDA	29%	63%	85%	80%	63%	57%	55%

Source: Company data, RBS forecasts

We upgrade to Hold on recent share price underperformance

We incorporate lower launch volume, sales and margins in our forecasts

We reduce our launch and sales assumptions, taking account of the sector headwinds (declining sales volumes due to affordability issues), resulting in our revenue forecasts falling by 14% for FY12 and 7% for FY13. This, in turn, results in a net 16%/8% cut to our FY12F/13F earnings.

Table 8 : Cut FY12F/13F earnings by 16%/8%

Rs m	FY12F			FY13F		
	old	new	% chg	old	new	% chg
Revenue	32,226	27,775	-14%	33,985	31,716	-7%
EBITDA	10,393	8,958	-14%	11,283	10,530	-7%
PAT	6,199	5,211	-16%	6,565	6,052	-8%

Source: RBS forecasts

Upgrade to Hold due to recent share price underperformance

We remain cautious in the context of aggressive debt reduction targets, the slow pace of execution and the outcome of the 2G spectrum probe. However, Unitech's 38% share price underperformance versus the Sensex ytd causes us to think further downside is limited. Thus, we upgrade to Hold.

Table 9 : Unitech's recent underperformance compared to the broader index

Company	Rating	Mkt Cap* (US$m)	TP (Rs)	CMP* (Rs)	Discount to NAV	OPM FY12F	OPM FY13F	PE (x) FY12F	PE (x) FY13F	PB (x) FY12F	PB (x) FY13F	Price Performance CY10 ytd	Price Performance CY11 ytd
DLF	Buy	8,469	260	224	-25%	42%	40%	23.3	21.4	1.4	1.3	-38%	-23%
Unitech	Hold	1,574	28	27	-59%	32%	33%	13.6	11.7	0.6	0.6	-67%	-59%
HDIL	Buy	933	160	100	-71%	58%	58%	4.7	3.8	0.4	0.4	-72%	-49%
IBREL	Buy	668	120	75	-54%	26%	30%	13.8	11.7	0.3	0.3	-67%	-46%
BSE Real Index				1,794								-57%	-37%
Sensex				16,446								-6%	-20%

Source: Bloomberg, RBS forecasts. Note: * priced as at 28-Sep-2011

- We cut our target price by 6% to Rs28 as we roll forward our valuations to FY13F. Our TP is based on the real estate business being valued at Rs28 (after applying a 40% discount for execution risk).

Table 10 : Cutting TP by 6% to Rs28

Rs	Old (FY12F)	Revised (FY13F)	% change
DCF-based Gross Asset Value (GAV)	100	96	-4%
Discount rate (execution risk)	40%	40%	
Adj. GAV (1)	60	58	-4%
Less: Net debt (2)	21	21	0%
Less: Payable for land bank (3)	9	9	0%
NAV-Real estate	**71**	**66**	**-6%**
Value of Real estate (1-2-3 = a)	30	28	-9%
Add: Others (32.75% stake in Uninor) – (b)	0	0	
Target price (a+b)	**30**	**28**	**-9%**
Total NAV	**71**	**66**	**-6%**

DCF assumes growth rate growth of 3% and WACC of 16.5%
Source: RBS forecasts

Upside risks to our target price

- Faster sales pick-up.
- Favourable resolution to Unitech Wireless issue.

Downside risks to our target price

- Unfavourable resolution on the 2G scam.
- Further deterioration in the NCR market, where Unitech is a key player.

Income statement

Rsm	FY10A	FY11A	FY12F	FY13F	FY14F
Net rental income	0.00	0.00	0.00	0.00	0.00
Prop development income	28874	31226	27775	31716	36006
Other revenue	0.00	0.00	0.00	0.00	0.00
Total property income	**28874**	**31226**	**27775**	**31716**	**36006**
Other costs	-18602	-22632	-18818	-21186	-24124
EBITDA	10272	8594	8958	10530	11882
DDA & Impairment (ex gw)	-341.1	-318.6	-375.9	-393.0	-726.6
EBITA	9931	8275	8582	10137	11155
Goodwill (amort/impaired)	n/a	n/a	n/a	n/a	n/a
EBIT	**9931**	**8275**	**8582**	**10137**	**11155**
Associates (pre-tax)	n/a	n/a	n/a	n/a	n/a
Net interest	-2000	-1455	-1733	-1970	-2006
Other pre-tax items	1279	1695	900.0	900.0	900.0
Reported PTP	**9210**	**8516**	**7749**	**9067**	**10050**
Taxation	-2264	-2704	-2325	-2720	-3015
Minority interests	-31.4	-103.8	-155.7	-233.6	-350.4
Other post-tax items	-164.5	-31.4	-57.8	-60.7	-63.8
Reported net profit	**6751**	**5677**	**5211**	**6052**	**6621**
Dividends declared	-855.1	-261.6	-261.6	-261.6	-261.6
Tot normalised items	-159.7	23.7	0.00	0.00	0.00
Normalised EBITDA	10272	8594	8958	10530	11882
Normalised PTP	9210	8516	7749	9067	10050
Normalised net profit	6910	5653	5211	6052	6621

Source: Company data, RBS forecasts year to Mar

Balance sheet

Rsm	FY10A	FY11A	FY12F	FY13F	FY14F
Cash & market secs (1)	3799	4509	10735	7376	8175
Props under dev	n/a	n/a	n/a	n/a	n/a
Other current assets	216299	249723	245950	253862	257791
Investment prop	n/a	n/a	n/a	n/a	n/a
Other non-current assets	63568	67393	67423	68908	72712
Total assets	**283666**	**321625**	**324108**	**330146**	**338677**
Short term debt (2)	n/a	n/a	n/a	n/a	n/a
Long term debt (3)	60078	58507	57007	55557	59057
Other liabilities	119164	146793	145871	147613	146330
Total liabilities	**179242**	**205300**	**202878**	**203171**	**205387**
Total equity (incl min)	104424	116325	121229	126976	133290
Total liab & sh equity	**283666**	**321625**	**324108**	**330146**	**338677**
Net debt	56279	53998	46272	48181	50883

Source: Company data, RBS forecasts year ended Mar

Cash flow statement

Rsm	FY10A	FY11A	FY12F	FY13F	FY14F
EBITDA	10272	8594	8958	10530	11882
Change in working capital	-21472	-11861	4851	-4170	-3213
Net interest (pd) / rec	-720.6	240.7	-832.7	-1070	-1106
Taxes paid	-2264	-2704	-2325	-2720	-3015
Other oper cash items	0.64	-123.7	0.00	0.00	0.00
Cash flow from ops (1)	**-14184**	**-5854**	**10651**	**2570**	**4549**
Capex (2)	-664.9	-1342	-1600	-1914	-4562
Disposals/(acquisitions)	0.00	0.00	0.00	0.00	0.00
Other investing cash flow	-2543	-2837	981.0	-258.6	-382.0
Cash flow from invest (3)	**-3207**	**-4179**	**-619.2**	**-2172**	**-4944**
Incr / (decr) in equity	46382	6437	-0.00	-0.00	0.00
Incr / (decr) in debt	-30480	-1571	1500	-1450	3500
Ordinary dividend paid	-936.1	-304.1	-306.1	-306.1	-306.1
Preferred dividends (4)	n/a	n/a	n/a	n/a	n/a
Other financing cash flow	-223.5	6182	-2000	-2000	-2000
Cash flow from fin (5)	**14742**	**10744**	**-3806**	**-3756**	**1194**
Forex & disc ops (6)	n/a	n/a	n/a	n/a	n/a
Inc/(decr) cash (1+3+5+6)	**-2650**	**710.5**	**6226**	**-3359**	**798.3**
Equity FCF (1+2+4)	-14849	-7196	9051	656.1	-13.6

Lines in bold can be derived from the immediately preceding lines. year to Mar
Source: Company data, RBS forecasts

Standard ratios

Performance	Unitech FY10A	Unitech FY11A	Unitech FY12F	Unitech FY13F	Unitech FY14F	DLF Ltd FY12F	DLF Ltd FY13F	DLF Ltd FY14F	HDIL FY12F	HDIL FY13F	HDIL FY14F
Normalised EPS growth (%)	-61.6	-23.7	-7.82	16.2	9.39	-0.34	9.02	11.0	6.59	22.9	-12.7
EBIT margin (%)	34.4	26.5	30.9	32.0	31.0	34.3	31.8	30.1	54.0	51.4	42.2
Net profit margin (%)	23.9	18.1	18.8	19.1	18.4	15.9	15.8	15.6	40.5	39.8	33.4
Return on avg assets (%)	3.02	2.21	2.01	2.31	2.47	4.30	4.28	4.41	5.97	7.19	6.33
Return on avg equity (%)	8.87	5.14	4.41	4.90	5.11	6.06	6.30	6.65	8.93	10.1	8.16
Return on cap empl (%)	6.68	5.00	5.08	5.91	6.21	7.16	7.30	7.60	8.91	10.8	8.28
ROIC (%)	4.73	3.35	3.27	3.93	4.14	4.61	4.80	4.98	5.61	7.14	5.91
					year to Mar			year to Mar			year to Mar
Valuation											
Normalised PE (x)	9.53	12.50	13.56	11.67	10.67	23.27	21.34	19.22	4.71	3.83	4.39
Dividend yield (%)	0.74	0.37	0.37	0.37	0.37	0.89	0.89	0.89	2.50	3.00	3.00
Disc/(prem) to BV (%)	36.7	39.0	41.5	44.2	46.8	-37.9	-31.3	-24.5	59.5	62.9	65.4
Disc/(prm) to adj NAV (%)	36.7	39.0	41.5	44.2	46.8	-37.9	-31.3	-24.5	59.5	62.9	65.4
PEG 3yr (%)	n/a	n/a	2.58	n/a	n/a	3.60	n/a	n/a	1.02	n/a	n/a
EV/EBITDA (x)	12.4	14.5	13.1	11.3	10.2	13.6	13.1	12.2	5.17	3.94	5.68
					year to Mar			year to Mar			year to Mar

Per share data	FY10A	FY11A	FY12F	FY13F	FY14F
Tot adj dil sh, ave (m)	2439	2616	2616	2616	2616
Reported EPS (INR)	2.77	2.17	1.99	2.31	2.53
Normalised EPS (INR)	2.83	2.16	1.99	2.31	2.53
Dividend per share (INR)	0.20	0.10	0.10	0.10	0.10
Equity FCF per share (INR)	-6.09	-2.75	3.46	0.25	-0.01
Book value per sh (INR)	42.7	44.3	46.1	48.3	50.8
					year to Mar

Solvency	FY10A	FY11A	FY12F	FY13F	FY14F
Net debt to equity (%)	53.9	46.4	38.2	37.9	38.2
Net debt to tot ass (%)	19.8	16.8	14.3	14.6	15.0
Net debt to EBITDA	5.48	6.28	5.17	4.58	4.28
Current ratio (x)	2.20	2.10	2.10	2.08	2.14
Operating CF int cov (x)	-15.5	14.1	16.6	5.94	7.84
Dividend cover (x)	8.08	21.6	19.9	23.1	25.3
					year to Mar

Priced as follows: UNTE.BO - Rs27.00; DLF.BO - Rs224.00; HDIL.BO - Rs100.00
Source: Company data, RBS forecasts

Valuation methodology – We value Unitech on a DCF-based TP of Rs28

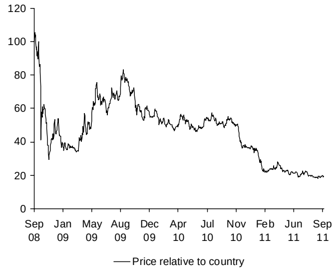
SOTP-based TP	Rs/share
Gross asset value (DCF using 3% growth rate and 16.5% WACC)	96
Discount rate (execution risk)	40%
Adj. GAV	58
Less: Net debt	21
Less: Payable for land bank	9
NAV-Real estate	66
SOTP-Real estate	28
Add: Others (32.75% stake in Uninor at 20% discount)	0
Target price	28
Total NAV	66

Source: RBS forecasts

Company description — Hold

Unitech has four decades of experience in the field of construction/real-estate development and, thus, has built significant brand equity. The company has since become one of the largest real-estate players in India with a presence in 21+ cities, possessing a large land bank (about 429msf). Since inception, it has developed six townships of 1,382 acres and more than 20msf of residential, commercial and retail space with greater focus on the National Capital Region (NCR).

Price relative to country



Strategic analysis — Average SWOT company score: 3

Strengths — 4
Strong brand equity, a large land bank and a growing balance-sheet size remain its key strengths.

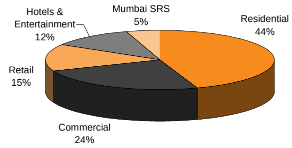
Weaknesses — 3
Margin pressure as it ventures into affordable housing. Sales performance in non-NCR and metro regions has not been very encouraging. Its venture into commercial properties (via UCP) has not been as successful as planned.

Opportunities — 3
Successful execution of the Mumbai rehabilitation project and potential listing of UCP assets on the Singapore REIT market, although both would materialise only over the medium term.

Threats — 3
Collateral damage on account of the ongoign telecom probe. Potential execution and marketing hurdles the company may face as it ventures into non-NCR (its traditional stronghold) markets. Ambitious launch plans could lead to execution delays and cost overruns.

Scoring range is 1-5 (high score is good)

GAV breakdown, FY12F



Source: RBS forecasts

Market data

Headquarters
Unitech Signature Towers, South City-1, Nh8, Gurgaon

Website
http://www.unitechgroup.com/

Shares in issue
2616.3m

Freefloat
51%

Majority shareholders
Promoter and Promoter Group (49%), HSBC Global Investment (7%), Morgan Stanley Mauritius Co Ltd (1%)

Country view: India

The compression of multiples typically characteristic of a market undergoing the transition from growth to value continued to pressure Indian equities in the 2Q. While the economic deceleration is well under way, we continue to view the country as a major potential loser from higher costs of capital in quarters and perhaps even years ahead. Still, given the significant short-term relative underperformance and the expected decline in commodities prices, clearly a bounce is possible. Yet, as valuations are broadly unattractive and returns declining, we continue to consider the risk-reward trade-off as unattractive.

The country view is set in consultation with the relevant company analyst but is the ultimate responsibility of the Strategy Team.

Country rel to Asia Pacific

Competitive position — Average competitive score: 2+

Supplier power — 4+
Supplier power has weakened in recent times, as most developers have already built large land banks and are not looking at acquiring new parcels unless available at very attractive prices.

Barriers to entry — 3+
Real-estate development is capital-intensive in nature and therefore deep pockets are a must for entering the sector.

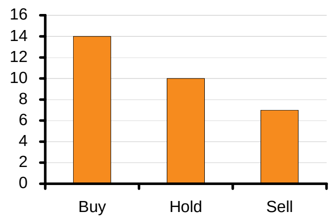
Customer power — 2-
High, especially in commercial and retail segments, due to oversupply and low demand. Also high in residential, as volume sales seen in attractively priced affordable housing.

Substitute products — 1+
Substitutes such as renting or building a home are common, but are not considered threats to home purchases. Almost no substitutes for commercial and retail properties .

Rivalry — 2+
Rivalry between developers is benign during property upcycles, but during downturns there could be severe price cuts and therefore margin pressure.

Scoring range 1-5 (high score is good)   Plus = getting better   Minus = getting worse

Broker recommendations



Source: Bloomberg

28 September 2011

Produced by: The Royal Bank of Scotland N.V., (India) Office

HDIL

Focus shifts to non-SRS projects

Buy

Target price
Rs160.00 (from Rs225.00)

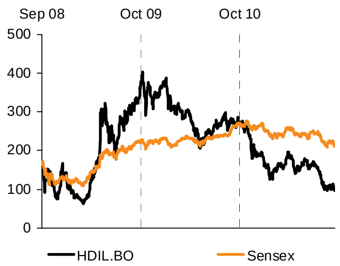
Price
Rs100.00

Short term (0-60 days)
n/a

Market view
Underweight

Price performance

	(1M)	(3M)	(12M)
Price (Rs)	95.85	156.5	271.0
Absolute (%)	4.3	-36.1	-63.1
Rel market (%)	0.1	-28.8	-55.1
Rel sector (%)	20.6	-20.6	-52.7



Market capitalisation
Rs41.50bn (US$850.63m)

Average (12M) daily turnover
Rs1143.82m (US$25.41m)

Sector: BBG AP Real Estate
RIC: HDIL.BO, HDIL IN
Priced Rs100.00 at close 28 Sep 2011.
Source: Bloomberg

MIAL, a Slum Rehabilitation Scheme (SRS) project, continues to face delays. HDIL is shifting its focus to non-SRS projects, eg, FSI sales and development of residential projects. We keep our Buy, but reduce our TP to Rs160 (from Rs225) and our forecasts due to approval delays in Mumbai, where HDIL is a key player.

Key forecasts

	FY10A	FY11A	FY12F	FY13F	FY14F
Total property income (Rsm)	15,021	18,500	21,735	27,219	28,278
Reported net profit (Rsm)	5,666	8,252	8,807 ▼	10,827 ▼	9,455
Reported EPS (Rs)	16.90	19.90	21.20 ▼	26.10 ▼	22.80
Reported PE (x)	5.91	5.03	4.71	3.83	4.39
Dividend per share (Rs)	0.00	0.00	2.50	3.00	3.00
Dividend yield (%)	0.00	0.00	2.50	3.00	3.00
Book value per share (Rs)	210.2	228.6	246.9	269.5	288.7
Disc/(prm) to adj NAV (%)	52.40	56.30	59.50	62.90	65.40

Use of ▲ ▼ indicates that the line item has changed by at least 5%.
Accounting standard: Local GAAP
Source: Company data, RBS forecasts

year to Mar, fully diluted

Focus shifts to non-SRS projects in the near term

HDIL has shifted its focus to non-SRS projects – such as Floor Space Index (FSI) sales and development of residential projects – due to the delay in the Mumbai International Airport (MIAL) SRS project, from which HDIL used to generate Transfer of Development Rights (TDR) by building housing units for slum dwellers. Given the headwinds in the Mumbai real estate market, TDR sales volumes and prices have declined post 3Q11. This shift of focus to FSI sales has helped HDIL maintain sales and cash flow momentum. However, given the liquidity crunch, developers that are buying FSI might stagger payments on their purchases. According to press reports (The Economic Times, 19th September), HDIL is close to selling FSI in Virar (on the outskirts of Mumbai) worth Rs3bn, and in Goregaon (in suburban Mumbai) for Rs1.7bn, which would support sales momentum in the near term, in our opinion.

Revenue recognition from residential projects should begin by late FY12/early FY13

With longer-than-expected approval delays on slum redevelopment projects, we have already seen HDIL disclose its development pipeline in the residential segment. Policy changes across product segments in Mumbai are resulting in slowing sales volumes and approval delays in these projects. However, HDIL, which uses the project completion methodology for revenue recognition, is likely to start recognising revenues because few of HDIL's projects (launched in 2009) are nearing completion. That said, we anticipate pressure on cash flows because recognising profits on sold projects would result in tax outgo.

We factor sector headwinds into our model and cut TP by 29%; Buy on valuation

We maintain our Buy rating, but cut our forecasts and TP due to approval delays in Mumbai, where HDIL is a key player (as 60% and 87% of its Gross Asset Value is from Mumbai and Mumbai Metropolitan Region (MMR) respectively). We cut our FY12F and FY13F earnings by 12% and 10%, respectively. We roll forward our valuations to FY13F and fine tune our SOTP-based TP to Rs160 – derived from Rs47/share for MIAL (post 70% execution risk discount), Rs176/share for non-MIAL projects (post 25% execution risk discount) and Rs31/share for its new redevelopment projects (1x investment cost), reduced by Rs94/share for debt. Buy on attractive valuation.

This note should be read along with our sector report (*Price cuts to rekindle demand?*, 28 September 2011) for a better understanding of the investment argument.

Important disclosures can be found in the Disclosures Appendix.

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Focus shifts to non-SRS projects

MIAL (a Slum Rehabilitation Scheme project) continues to face delays, leading HDIL to shift its focus to non-SRS projects, eg, FSI sales and residential. We cut our estimates and TP due to approval delays in Mumbai, where HDIL is a key player. Maintain Buy on valuation.

Considering headwinds in SRS projects, HDIL has shifted its focus…

Persistent headwinds in the Mumbai real estate market, where HDIL is a key player, and uncertainty surrounding the MIAL project have led HDIL's TDR# sales volumes and prices to decline post 3Q11 (see Table 2). Against the backdrop of this decline, the company has been shifting its focus from TDR to FSI* sale and development of real estate projects.

Table 1 : Mumbai residential sales volume continues to decline due to high property prices

	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	July-11	% yoy	% qoq
Avg quarterly sales volume (units)*^	2,595	2,468	2,196	2,568	2,993	3,462	3,628	4,212	3,917	3,221	2,497	-31%	-22%
Average sales price (Rs/sq ft)	4,634	6,552	7,024	7,573	7,071	7,940	7,699	8,006	7,930	8,003	8,045	4%	1%
Absorption percentage	9%	4%	6%	6%	7%	9%	8%	9%	7%	6%	5%		
Avg quarterly new launches (units)^	5,033	1,469	1,042	3,132	3,747	4,378	4,004	4,600	3,649	3,289	1,157		
Available supply (units)	42,713	39,716	36,252	37,941	40,203	42,953	44,082	45,246	44,442	44,646	43,306		

* % yoy = July 2011/2QCY10 and % qoq = July 2011/1QCY11.
^ The sales volume/new launches is an average quarterly data for a month.
Source: Prop Equity

…to FSI sales…

Accordingly, FSI sales, which made up 14% of 3Q11 revenues, contributed 68% of revenues in 1Q12. This shift of focus to FSI sales has helped HDIL maintain some sales and cash flow momentum. However, given the liquidity crunch, the property developers that are buying FSI might stagger payments on their purchases. We expect this FSI sale to further contribute to HDIL's financials. According to press reports (The Economic Times dated 19th September), HDIL is close to selling FSI in Virar (on the outskirts of Mumbai), worth Rs3bn, and in Goregaon (in suburban Mumbai) for Rs1.7bn. These sales would support sales momentum in the near term because HDIL plans to sell 15-20m sq ft of FSI in the next year or so.

Transfer of Development Rights (TDR) is defined as transferable rights in a certificate of built-up area in lieu of the area surrendered or social infrastructure work undergone, so that the holder of those rights can either use the extra built up area or transfer it to another party for an agreed sum.

* Free Sale Index (FSI) / Floor Space Index (FSI) or Floor Area Ratio (FAR) is the ratio of total floor space to plot size.

Table 2 : Weak sales volume in Mumbai results in weak demand for TDRs

Rs m	1Q11	2Q11	3Q11	4Q11	1Q12
TDR volume	1.1	1	1.25	0.86	0.65
TDR ASP	2,850	3,000	3,120	2,600	2,500
TDR revenues (Rs m)	3,135	3,000	3,900	2,236	1,625
TDR revenues as % of sales	70%	81%	86%	43%	32%

Source: Company data

Table 3 : Earnings run-rate is declining as TDR sales continue to decline

Rs m	1Q11	2Q11	3Q11	4Q11	1Q12	% yoy	% qoq
Revenues	**4,509**	**3,727**	**4,554**	**5,237**	**5,022**	**11%**	**-4%**
EBITDA	**2,674**	**2,372**	**2,665**	**2,556**	**2,658**	**-1%**	**4%**
EBITDA %	59.3%	63.7%	58.5%	48.8%	52.9%	-636bp	413bp
Interest	215	212	203	181	181	-16%	0%
PBT	**2,782**	**2,483**	**2,728**	**2,592**	**2,829**	**2%**	**9%**
Tax rate	15.8%	14.3%	6.3%	23.9%	26.1%	1032bp	224bp
PAT	**2,343**	**2,129**	**2,519**	**1,973**	**2,091**	**-11%**	**6%**

Source: Company data

… and development of residential projects

With longer-than-expected delays to slum redevelopment projects, we see HDIL gradually transitioning into a residential developer. The company plans to launch about 26m sq ft of residential projects in the near to medium term.

Table 4 : HDIL plans to launch an additional 26m sq ft in near term

Project	Location	Saleable area (in sq ft)	Status
Ekta Nagar	Kandivali	1.5	Rehabilitation in progress, sales to be launched
Meadows – Phase II	Goregaon	3.6	MHADA redevelopment in progress, sales to be launched
Daulat Nagar	Santacruz	0.8	Rehabilitation in progress, sales to be launched
Premier Residency – Phase II	Kurla	0.8	Planning and approval stage, sales to be launched
Ghatkopar	Ghatkopar	0.5	Planning and approval stage, sales to be launched
Kochi	Kochi	6.3	Land aggregation and site infrastructure in progress
Kharadi	Pune	0.4	Construction started
Novinon Property (Shahad)	MMR	5	Site preparation and infrastructure work in progress
Paradise City (Phase III)	Palghar	6.8	Sales to be launched
Total		**25.7**	

Source: Company data

We expect 2HFY12/FY13 revenues to be supported by the projects

We expect 2H12/1H13 to be supported by revenue recognition (based on project completion accounting) of its three residential projects – Premier (Kurla), Galaxy (Kurla) and Metropolis (Andheri) – and its Industrial Park project in Virar. As per company, the estimated sales potential of these four projects is Rs17.8bn, of which Rs16.9bn has already been sold but is not reflected in the income statement yet. However, with the above revenues expected to be recognised, we anticipate cash outflow because recognising profits on sold projects would result in tax outgo.

Table 5 : HDIL has achieved realised sales of 72%

Quarter	Project	Est sales area (m sq ft)	Avg sales rate (Rs)	Est sales (Rsm)*	Sales achieved (Rsm)*	Sales achieved (%)
4Q (2008-09)	Premiere Residencies – Kurla	1.00	5,901	5,901	5,606	95%
	Metropolis – Andheri	0.65	10,028	6,518	6,192	95%
		1.65		**12,419**	**11,798**	
1Q (2009-10)	Galaxy – Kurla	0.48	4,898	2,327	2,140	92%
2Q (2009-10)	Industrial Park – Virar	1.50	2,066	3,099	2,944	95%
3Q (2009-10)	Majestic – Bhandup	1.30	5,976	7,769	4,661	60%
4Q (2009-10)	Residency Park – Virar	1.25	2,861	3,576	2,933	82%
		4.53		**16,771**	**12,678**	
1Q (2010-11)	Harmony – Goregaon	0.04	8,601	377	358	95%
	Meadows (P I) – Goregaon	1.00	8,010	8,010	6,408	80%
2Q (2010-11)	Exotica – Kurla	0.70	7,001	4,901	3,234	66%
3Q (2010-11)	Whispering Towers (P I) – Mulund	0.80	6,936	5,549	3,052	55%
	Paradise City (P I) – Palghar	3.00	1,950	5,850	5,675	97%
	Paradise City (P II) – Palghar	2.00	2,100	4,200	2,520	60%
		7.54		**28,887**	**21,247**	
1Q (2011-12)	Whispering Tower (P II) – Mulund	0.80	7,551	6,041	604	10%
		0.80		**6,041**	**604**	
		14.52		**64,117**	**46,328**	**72%**
	Other charges (+)			3,206		
	Total			**67,323**		

*Estimated sale and sales achieved are as of 30 June 2011.
Source: Company data

Revenue recognition policy could see changes

With revenue beginning to be recognised from these projects, HDIL is likely to witness volatility in its revenues under the project completion method. However, to avoid this lumpiness in revenues, we anticipate that HDIL might switch over to the percentage-based completion method from the project completion method of revenue recognition.

While company targets debt reduction, absolute debt remains high

In 1Q12, net debt and gearing have remained largely flat (sequentially) at Rs39.2bn and 40%, respectively. On the analysts' call, management guided for debt reduction of 15-20% by end-FY12 through internal accruals, which seems difficult in a weak macro environment. Additionally, with the magnitude of TDR and FSI sales likely to remain weak in the near term, we expect muted cash flows. Thus, we think the likelihood of a 15-20% debt reduction by FY12 seems challenging.

Table 6 : Net debt has largely remained stable

Rsm	1Q11	2Q11	3Q11	4Q11	1Q12
Debt	40,486	41,333	41,423	41,954	40,583
Cash	5,155	12,037	1,562	2,260	1,424
Net debt	35,331	29,296	39,861	39,694	39,160
Net worth	75,861	91,120	94,279	96,371	98,492
Net debt to equity (%)	47%	32%	42%	41%	40%

Source: Company data

Cutting FY12/13F PAT by 12% and 10%, and TP by 29%

We cut our FY12/13F earnings by 12% and 10%, respectively

We cut our FY12F and FY13F earnings by 12% and 10%, respectively, because we: 1) reduce our TDR sales assumption from Rs2,000/sq ft to Rs1,800/sq ft; and 2) factor in a delay in TDR/FSI generation and sales in the MIAL project.

Table 7 : HDIL – changes to forecasts

	FY12F			FY13F		
Rs m	Old	New	% chg	Old	New	% chg
Revenue	22,228	21,735	-2%	26,274	27,219	4%
EBITDA	12,905	12,818	-1%	15,120	15,407	2%
PAT	10,021	8,807	-12%	12,016	10,827	-10%

Source: RBS forecasts

Stalemate in MIAL results in increase in execution discount on MIAL to 70% (from 50%)

On its 1Q12 analysts' call, management stated that execution of MIAL Phase I was back on track. Management expects the shifting of families to pick up speed post the monsoons. However, uncertainty about Phases II and III continues – the state government has reached a stalemate on policies about identifying slum dwellers eligible for rehabilitation.

We value HDIL's new redevelopment projects at 1x

Given the uncertainty surrounding MIAL, HDIL invested most of its qualified institutional placement (QIP) proceeds of Rs11.6bn into three other large redevelopment projects in suburban Mumbai and its outskirts. In our view, these projects could be value-accretive only in the medium to long term because they are long-gestation projects requiring upfront investment, which we believe could be challenging in this tight liquidity environment. Management maintains it would be comfortable funding the projects via internal accruals. We value these redevelopment projects conservatively at 1x investment cost given the lack of clarity on their approval, development and funding plans.

We cut our TP by 29% to Rs160; maintain Buy

We roll forward our valuation to FY13F. We raise our execution discount on MIAL to 70% (from 50%) due to persistent uncertainties and on non-MIAL projects to 25% (from 20% earlier) due to sector headwinds. We factor in the revised net debt and value its new redevelopment projects at 1x investment cost, which culminates in a revised TP of Rs160 (down from Rs225).

Our SOTP-based target price is based on an end-FY13F DCF value of Rs47/share for MIAL, Rs176/share for non-MIAL projects and Rs31/share for its new redevelopment projects, reduced by Rs94/share for debt.

Thus, while we maintain our Buy rating, we cut our forecasts and TP due to approval delays in Mumbai, where HDIL is a key player (60% and 87% of its Gross Asset Value is from Mumbai and MMR, respectively).

Table 8 : We reduce our TP by 29% to Rs160

Values in Rs/share	New values (FY13F)	Old values (FY12F)	% change
GAV of MIAL – (a)	157	183	-14%
Execution risk discount	70%	50%	40%
Discounted GAV of MIAL – (b)	47	92	-49%
GAV of non-MIAL projects – (c)	235	250	-6%
Execution risk discount	25%	20%	25%
Discounted GAV of non-MIAL – (d)	176	200	-12%
Value of new redevelopment projects – (e)	31	31	1%
Total discounted GAV (f=b+d+e)	254	323	-21%
Less: net debt – (g)	94	98	-4%
TP (f-g)	**160**	**225**	-29%
NAV (a+c+e-g)	328	366	-10%

Source: RBS forecasts

Downside risks to our target price

- Any further negative change in the SRS projects or Mumbai redevelopment
- Slower-than-expected execution in the MIAL project (we have already factored two to three years' delay into our model given the complexity and uncertainty surrounding the redevelopment of slum units)
- Further softening in demand for, and prices of, TDRs, and overdependence upon Mumbai

Income statement

Rsm	FY10A	FY11A	FY12F	FY13F	FY14F
Net rental income	0.00	0.00	0.00	0.00	0.00
Prop development income	15021	18500	21735	27219	28278
Other revenue	0.00	0.00	0.00	0.00	0.00
Total property income	**15021**	**18500**	**21735**	**27219**	**28278**
Other costs	-7129	-7464	-8917	-11812	-14515
EBITDA	7893	11036	12818	15407	13763
DDA & Impairment (ex gw)	-723.1	-837.6	-1089	-1415	-1840
EBITA	7169	10198	11730	13991	11923
Goodwill (amort/impaired)	n/a	n/a	n/a	n/a	n/a
EBIT	**7169**	**10198**	**11730**	**13991**	**11923**
Associates (pre-tax)	n/a	n/a	n/a	n/a	n/a
Net interest	-461.8	-836.3	-1037	-829.4	-663.5
Other pre-tax items	344.3	497.8	598.7	718.4	862.1
Reported PTP	**7052**	**9860**	**11291**	**13880**	**12121**
Taxation	-1330	-1591	-2484	-3054	-2667
Minority interests	-0.13	-5.88	0.00	0.00	0.00
Other post-tax items	-56.4	-10.4	0.00	0.00	0.00
Reported net profit	**5666**	**8252**	**8807**	**10827**	**9455**
Dividends declared	0.00	0.00	-1214	-1457	-1457
Tot normalised items	-56.4	-10.4	0.00	0.00	0.00
Normalised EBITDA	7893	11036	12818	15407	13763
Normalised PTP	7052	9860	11291	13880	12121
Normalised net profit	5722	8263	8807	10827	9455

Source: Company data, RBS forecasts — year to Mar

Balance sheet

Rsm	FY10A	FY11A	FY12F	FY13F	FY14F
Cash & market secs (1)	7918	2297	9773	8388	-14622
Props under dev	n/a	n/a	n/a	n/a	n/a
Other current assets	105274	153286	139841	143892	158808
Investment prop	2429	520.1	598.1	687.8	790.9
Other non-current assets	4649	5411	6033	6799	7719
Total assets	**120270**	**161513**	**156245**	**159767**	**152696**
Short term debt (2)	n/a	n/a	n/a	n/a	n/a
Long term debt (3)	41017	43198	34558	27647	22117
Other liabilities	8824	23399	19177	20240	10700
Total liabilities	**49841**	**66597**	**53735**	**47887**	**32818**
Total equity (incl min)	70429	94917	102510	111880	119878
Total liab & sh equity	**120270**	**161513**	**156245**	**159767**	**152696**
Net debt	33099	40901	24785	19259	36740

Source: Company data, RBS forecasts — year ended Mar

Cash flow statement

Rsm	FY10A	FY11A	FY12F	FY13F	FY14F
EBITDA	7893	11036	12818	15407	13763
Change in working capital	-16873	-14670	20033	1346	-19183
Net interest (pd) / rec	-461.8	-836.3	-1037	-829.4	-663.5
Taxes paid	-1330	-1591	-2484	-3054	-2667
Other oper cash items	456.6	1555	460.8	1003	668.6
Cash flow from ops (1)	**-10315**	**-4506**	**29792**	**13873**	**-8082**
Capex (2)	-1348	-1181	-666.9	-800.3	-960.3
Disposals/(acquisitions)	61.8	1909	-78.0	-89.7	-103.2
Other investing cash flow	-1364	-20259	-11717	-5999	-6879
Cash flow from invest (3)	**-2651**	**-19531**	**-12462**	**-6889**	**-7942**
Incr / (decr) in equity	20545	16190	0.00	0.00	0.00
Incr / (decr) in debt	-416.0	2181	-8640	-6912	-5529
Ordinary dividend paid	0.00	0.00	-1214	-1457	-1457
Preferred dividends (4)	n/a	n/a	n/a	n/a	n/a
Other financing cash flow	0.00	46.3	0.00	0.00	0.00
Cash flow from fin (5)	**20129**	**18417**	**-9853**	**-8368**	**-6986**
Forex & disc ops (6)	n/a	n/a	n/a	n/a	n/a
Inc/(decr) cash (1+3+5+6)	**7163**	**-5621**	**7476**	**-1385**	**-23010**
Equity FCF (1+2+4)	-11663	-5687	29125	13072	-9042

Lines in bold can be derived from the immediately preceding lines. — year to Mar
Source: Company data, RBS forecasts

Standard ratios

Performance	HDIL FY10A	HDIL FY11A	HDIL FY12F	HDIL FY13F	HDIL FY14F	DLF Ltd FY12F	DLF Ltd FY13F	DLF Ltd FY14F	Unitech FY12F	Unitech FY13F	Unitech FY14F
Normalised EPS growth (%)	-39.7	16.6	6.59	22.9	-12.7	-0.34	9.02	11.0	-7.82	16.2	9.39
EBIT margin (%)	47.7	55.1	54.0	51.4	42.2	34.3	31.8	30.1	30.9	32.0	31.0
Net profit margin (%)	38.1	44.7	40.5	39.8	33.4	15.9	15.8	15.6	18.8	19.1	18.4
Return on avg assets (%)	5.66	6.25	5.97	7.19	6.33	4.30	4.28	4.41	2.01	2.31	2.47
Return on avg equity (%)	9.98	10.00	8.93	10.1	8.16	6.06	6.30	6.65	4.41	4.90	5.11
Return on cap empl (%)	7.61	8.52	8.91	10.8	8.28	7.16	7.30	7.60	5.08	5.91	6.21
ROIC (%)	5.49	6.40	5.61	7.14	5.91	4.61	4.80	4.98	3.27	3.93	4.14
					year to Mar			year to Mar			year to Mar

Valuation	HDIL FY10A	HDIL FY11A	HDIL FY12F	HDIL FY13F	HDIL FY14F	DLF Ltd FY12F	DLF Ltd FY13F	DLF Ltd FY14F	Unitech FY12F	Unitech FY13F	Unitech FY14F
Normalised PE (x)	5.85	5.02	4.71	3.83	4.39	23.27	21.34	19.22	13.56	11.67	10.67
Dividend yield (%)	0.00	0.00	2.50	3.00	3.00	0.89	0.89	0.89	0.37	0.37	0.37
Disc/(prem) to BV (%)	52.4	56.3	59.5	62.9	65.4	-37.9	-31.3	-24.5	41.5	44.2	46.8
Disc/(prm) to adj NAV (%)	52.4	56.3	59.5	62.9	65.4	-37.9	-31.3	-24.5	41.5	44.2	46.8
PEG 3yr (%)	n/a	n/a	1.02	n/a	n/a	3.60	n/a	n/a	2.58	n/a	n/a
EV/EBITDA (x)	9.45	7.47	5.17	3.94	5.68	13.6	13.1	12.2	13.1	11.3	10.2
					year to Mar			year to Mar			year to Mar

Per share data	FY10A	FY11A	FY12F	FY13F	FY14F
Tot adj dil sh, ave (m)	335.0	415.0	415.0	415.0	415.0
Reported EPS (INR)	16.9	19.9	21.2	26.1	22.8
Normalised EPS (INR)	17.08	19.91	21.22	26.09	22.78
Dividend per share (INR)	0.00	0.00	2.50	3.00	3.00
Equity FCF per share (INR)	-34.8	-13.7	70.2	31.5	-21.8
Book value per sh (INR)	210.2	228.6	246.9	269.5	288.7
					year to Mar

Solvency	FY10A	FY11A	FY12F	FY13F	FY14F
Net debt to equity (%)	47.0	43.1	24.2	17.2	30.6
Net debt to tot ass (%)	27.5	25.3	15.9	12.1	24.1
Net debt to EBITDA	4.19	3.71	1.93	1.25	2.67
Current ratio (x)	13.4	7.09	8.37	8.17	15.5
Operating CF int cov (x)	-18.5	-2.49	32.1	21.4	-7.16
Dividend cover (x)	0.00	0.00	7.26	7.43	6.49
					year to Mar

Priced as follows: HDIL.BO - Rs100.00; DLF.BO - Rs224.00; UNTE.BO - Rs27.00
Source: Company data, RBS forecasts

Valuation methodology

	Values in Rs/sh
GAV of MIAL – (a)	157
Execution risk discount	70%
Discounted GAV of MIAL – (b)	47
GAV of non-MIAL projects – (c)	235
Execution risk discount	25%
Discounted GAV of non-MIAL – (d)	176
Value of new redevelopment projects – (e)	31
Total discounted GAV (f=b+d+e)	**254**
Less: net debt – (g)	94
Target Price (f-g)	**160**
NAV (a+c+e-g)	328

Source: Company data, RBS forecasts

Company description

Buy

HDIL is the largest listed play on the attractive Mumbai redevelopment market. It has significant expertise in this field and has redeveloped in excess of 14m sq ft in the past five years. The company is part of the Wadhawan group and its land bank is concentrated in the Mumbai-MMR market (80%+). Currently, the Mumbai airport rehab project (MIAL) is the company's most important ongoing project and expected to generate about 47m sq ft through TDRs and FSIs.

Price relative to country

Strategic analysis

Average SWOT company score: 3

Strengths 4

HDIL's key strength lies in it being the country's largest slum rehabilitation developer. Over the years, the company has acquired the ability and the skillset to execute slum-rehabilitation schemes, a niche segment with less competition.

Weaknesses 2

A large portion of the company's land bank is concentrated in the MMR region, making it vulnerable to any demand/price slowdown.

Opportunities 3

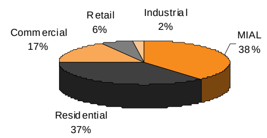
The Indian government plans to rehabilitate Dharavi, Asia's largest slum, located in Mumbai. Given HDIL's experience in executing SRS projects, we believe it could be a serious contender to be a part of this project.

Threats 3

Rehabilitation schemes usually attract a lot of protest, which can hinder easy and quick execution of these projects. Uncertainty over changes in regulatory policies regarding rehabilitation also creates a big risk.

Scoring range is 1-5 (high score is good)

GAV breakdown, FY12F



Source: RBS forecasts

Market data

Headquarters
Dheeraj Arma, 9th Floor, Anant kanekar marg, Station Road, Bandra

Website
www.hdil.in

Shares in issue
415.0m

Freefloat
61%

Majority shareholders
Promoter group (42%), Platinum Investment Management Ltd (5%), Fidelity Management and Research Ltd (3%)

Country view: India

The compression of multiples typically characteristic of a market undergoing the transition from growth to value continued to pressure Indian equities in the 2Q. While the economic deceleration is well under way, we continue to view the country as a major potential loser from higher costs of capital in quarters and perhaps even years ahead. Still, given the significant short-term relative underperformance and the expected decline in commodities prices, clearly a bounce is possible. Yet, as valuations are broadly unattractive and returns declining, we continue to consider the risk-reward trade-off as unattractive.

The country view is set in consultation with the relevant company analyst but is the ultimate responsibility of the Strategy Team.

Country rel to Asia Pacific

Competitive position

Average competitive score: 3+

Supplier power 4+

Supplier power has weakened to some extent in recent times. However, operating mainly in the MMR region puts HDIL in a relatively safe spot.

Barriers to entry 3+

The capital-intensive nature of the industry ensures that deep pockets are a must for entering the sector.

Customer power 2-

High, especially in commercial and retail segments due to oversupply and low demand. Also high in residential, as seen by the good volumes in attractively priced affordable housing.

Substitute products 4+

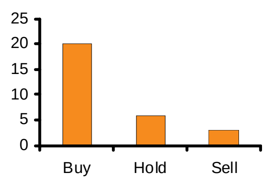
Substitutes such as renting or building a home are common, but are not considered threats to home purchases. Almost no substitutes for commercial and retail properties.

Rivalry 3+

Rivalry among developers is benign during property upcycles, but during downturns there could be severe price cuts, and therefore margin pressure.

Scoring range 1-5 (high score is good) Plus = getting better Minus = getting worse

Broker recommendations



Source: Bloomberg

28 September 2011

Produced by: The Royal Bank of Scotland N.V., (India) Office

Indiabulls Real Estate

Headwinds remain; Buy on valuations

Buy

Target price
Rs120.00 (from Rs145.00)

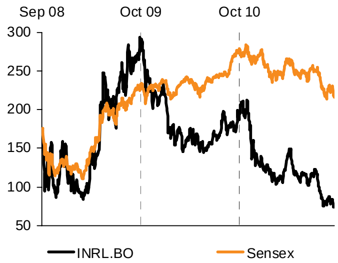
Price
Rs75.00

Short term (0-60 days)
n/a

Market view
Underweight

Price performance

	(1M)	(3M)	(12M)
Price (Rs)	76.95	106.8	175.4
Absolute (%)	-2.5	-29.8	-57.2
Rel market (%)	-6.5	-21.7	-47.9
Rel sector (%)	12.7	-12.8	-45.1



Market capitalisation
Rs30.17bn (US$618.35m)

Average (12M) daily turnover
Rs691.95m (US$15.58m)

Sector: BBG AP Real Estate
RIC: INRL.BO, IBREL IN
Priced Rs75.00 at close 28 Sep 2011.
Source: Bloomberg

We expect IBREL's sales momentum to remain muted in the near to medium term given weak sentiment and headwinds in Mumbai. However, we see shareholders gaining value from IBREL's power business demerger – likely to be effective by October-December 2011. We cut our TP to Rs120, but maintain Buy.

Key forecasts

	FY09A	FY10A	FY11F	FY12F	FY13F
Total property income (Rsm)	2,186	1,294	14,325	11,138 ▼	14,462 ▼
Reported net profit (Rsm)	133.8	-240	1,598	2,151 ▼	2,531 ▼
Reported EPS (Rs)	0.52	-0.60	3.97	5.35 ▼	6.29 ▼
Reported PE (x)	144.3	-125	18.90	14.00	11.90
Dividend per share (Rs)	0.00	0.00	0.30	1.00	1.50
Dividend yield (%)	0.00	0.00	0.40	1.33	2.00
Book value per share (Rs)	214.7	233.0	235.6	239.8	244.3
Disc/(prm) to adj NAV (%)	65.10	67.80	68.20	68.70	69.30

Use of ▲ ▼ indicates that the line item has changed by at least 5%.
Accounting standard: Local GAAP
Source: Company data, RBS forecasts

year to Mar, fully diluted

Sales volumes to remain muted due to weak sentiment and headwinds

IBREL's sales momentum in its mid-income projects in Panvel, Gurgaon and Chennai has softened, while that of its luxury projects in central Mumbai (like Sky and Bleu) has become very slow. Further, July 2011 data released by Prop Equity, a primary and secondary market database, indicates that the Mumbai market (IBREL's major market) continues to face weak sales volumes as high property prices and mortgage rates cripple demand. The market continues to have a low absorption rate (5%) due to the spike in residential property prices. We note that IBREL's promoters increased their stake to 28% as of 30 June 2011, increasing it by 5ppt qoq.

Power demerger, likely to be effective by October-December 2011, to unlock value

IBREL's proposed hiving off power and infrastructure businesses into a holding company, Indiabulls Infrastructure and Power Ltd (IIPL), has been approved by the board of directors, shareholders and creditors (secured and unsecured). According to the demerger plan, IBREL's infrastructure business and the company's 58.6% holding in Indiabulls Power (IBPOW) will be moved to IIPL. If the plan is approved by the High Court of Delhi (expected October-December 2011), shareholders of IBREL will get 2.95 equity shares of IIPL for each IBREL share. We value IBREL's stake in IBPOW at Rs32/share, implying a 20% holding company discount to IBPOW's current stock price and resulting in a Rs42 value for the real estate business, based on current market prices (see Table 6).

We factor in sector headwinds and cut our TP by 17%; maintain Buy

We factor in the headwinds we see and cut our earnings forecasts by 6% in FY12 and 18% in FY13. As a result, we cut our TP by 17% to Rs120, which consists of: 1) Rs88/share for real estate (applying a 20% discount on GAV); and 2) Rs32/share for the 58.6% stake in IBPOW (at a 20% holding company discount to IBPOW's current market price). We maintain Buy on what we see as an attractive valuation.

Analyst

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This note should be read along with our sector report (*Price cuts to rekindle demand?*, 28 September 2011) for a better understanding of the investment argument.
Important disclosures can be found in the Disclosures Appendix.

Headwinds remain; Buy on valuations

Due to weak sentiment and headwinds in Mumbai, we expect IBREL's sales to remain muted in the near to medium term. That said, we see shareholders gaining value from the demerger of the power business – likely to be effective by October-December 2011. Buy.

Table 1 : Mumbai residential sales volume continues to decline on high property prices

	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	July-11	% yoy	% qoq
Avg quarterly sales volume (units)*^	2,595	2,468	2,196	2,568	2,993	3,462	3,628	4,212	3,917	3,221	2,497	-31	-22
Average sales price (Rs/sq ft)	4,634	6,552	7,024	7,573	7,071	7,940	7,699	8,006	7,930	8,003	8,045	4	1
Absorption (%)	9	4	6	6	7	9	8	9	7	6	5		
Avg quarterly new launches (units)^	5,033	1,469	1,042	3,132	3,747	4,378	4,004	4,600	3,649	3,289	1,157		
Available supply (units)	42,713	39,716	36,252	37,941	40,203	42,953	44,082	45,246	44,442	44,646	43,306		

*%yoy = July 2011/2QCY10 and % qoq = July 2011/1QCY11. ^ The sales volume/new launches is an average quarterly data for a month.
Source: Prop Equity

Table 2 : IBREL's execution impacted by headwinds in Mumbai

	1QFY11		2QFY11		3QFY11		4QFY11		1QFY12	
	Value (Rsm)	Area (msf)	Value (Rsm)	Area (msf)	Value (Rsm)	Area (msf)	Value (Rsm)	Area (msf)	Value (Rsm)	Area (msf)
Sales status										
Add: sales booked in qtr	3,100	0.65	30,990	1.84	8,680	2.27	5,430	1.12^	3,790	0.78
Closing balance	17,150	3.65	48,000	5.41	56,680	7.12	62,110	8.3	65,900	9.08
Under construction										
New launches/additions		1.78		0.32		2.5		(0.15)^		0.98
Closing balance		14.46		14.69		17.19		16.19		17.17

^ excludes demerged portion of IBWSL
Source: Company data,

Table 3 : 1Q was muted on slower sales momentum and launch delays

Values in Rsm	1Q11	2Q11	3Q11	4Q11	1Q12	% qoq	%yoy
Revenues	1,717	3,000	3,997	5,611	2,419	-57	41
COGS	1,323	1,874	2,523	4,172	1,616	-61	22
Staff	122	136	87	143	198	39	63
SGA	56	178	158	324	304	-6	447
EBITDA	217	812	1,229	972	301	-69	39
EBITDA margin (%)	12.6	27.1	30.7	17.3	12.4		
Other Income	206	244	182	0	1,415		
Interest expense	10	116	18	465	334		
Depreciation	33	42	73	35	53		
PBT	378	897	1,320	472	1,329	182	251
Tax rate %	33.5	43.8	40.6	50.4	23.0		
PAT	206	509	766	117	660	462	221

Source: Company data

Table 4 : IBREL's promoters have steadily been increasing stake since December '09

	Jun 11	Mar 11	Dec 10	Sep 10	Jun 10	Mar 10	Dec 09
Promoter ownership (%)	28.0	23.0	23.0	23.0	22.1	18.3	16.7
qoq change (ppt)	5.0	0.0	0.0	0.0	3.8	1.6	

Source: BSE

Table 5 : Trends in net cash for IBREL

	IBREL (consolidated)	Indiabulls Power	IBREL (ex-Power)
Cash at end-FY10	10,454	7,515	2,939
Add: liquid investments	28,040	11,960	16,079
Less: debt (incl pref capital)	16,756	2,006	14,750
Net cash at end-FY10	21,738	17,469	4,269
Cash at end-1H11	6,679	2,917	3,762
Add: liquid investments	24,643	12,876	11,767
Less: debt (incl pref capital)	19,593	818	18,775
Net cash at end-1HFY11	11,729	14,975	-3,246
Cash at end-FY11	6,058	3,481	2,577
Add: liquid investments	19,326	13,261	6,066
Less: debt (incl pref capital)	40,446	10,343	30,103
Net cash at end-FY11	(15,062)	6,399	-21,461
Cash at end-1QFY12	4,188	2,108	2,080
Add: liquid investments	5,428	4,978	450
Less: debt (incl pref capital)	35,699	10,344	25,355
Net cash at end-1QFY12	(26,083)	(3,258)	-22,825

Source: Company data

Table 6 : Proposed demerger should make IBREL's valuation attractive

Stake by IBREL in Indiabulls Power (IBPOW)	58.60%
Number of IBPOW shares to be issued for each share of IBREL –(a)	2.95
Current market price of IBPOW (Rs/sh) – (b)^	13.5
Implied value of IBPOW (Rs/sh) -- (c=a*b)	39.8
Less: holding company discount	20%
Derived value of IBPOW (Rs/sh) –(d)	31.9
Current market price of IBREL (Rs/sh) – (e)^	73.7
Implied value of real estate business (Rs/sh) – (f=e-d)	41.8

^ Prices as of 26 September, 2011

Source: Company data, RBS.

We cut our TP by 17% to Rs120ps; reiterate Buy

We factor in the headwinds we see and cut earnings estimates by 6%/18% in FY12/ FY13.

Table 7 : Summary of changes to our estimates

Rs m	FY12F			FY13F		
	old	new	% chg	old	new	% chg
Revenue	12,133	11,138	-8%	17,717	14,462	-18%
EBITDA	3,155	2,930	-7%	5,402	4,545	-16%
PAT	2,295	2,151	-6%	3,086	2,531	-18%

Source: RBS forecasts

We increase our discount on gross asset value (GAV) by 5ppt on increasing headwinds, resulting in a 17% cut in our earlier TP to Rs120ps, which we derive from: 1) Rs88/sh for real estate (applying a 20% discount on GAV); and 2) Rs32/sh for the 58.6% stake in IBPOW (at a 20% holding company discount to IBPOW's CMP). We maintain Buy on what we see as an attractive valuation.

Table 8 : We cut our target price by 17% to Rs120ps

Valuation (Rs/share)	New values (FY13F)	Old values (FY12F)	% change
DCF of IBREL's real estate portfolio	106	103	3%
DCF of NTC mill projects	20	26	
DCF based GAV of IBREL's real estate unit (including Worli projects)	127	129	
DCF of IBREL's 45% stake in IPIT	54	57	-5%
Total GAV of real estate business (a)	181	186	-3%
Less: 20% discount to GAV (b)	36	28	
Less: Payable for land bank (c)	0	0	
Discounted GAV of real estate business (d= a-b-c)	145	158	-9%
Net cash of IBREL (ex-power) (e)	-57	-57	
Net asset value (NAV) for real estate (f = d+e)	88	102	-13%
Market value of IBREL's 58.6% stake in IBPOW (g)^	40	54	-26%
Less: 20% Holding company discount (h)	8	11	
Value of IBREL's stake in Indiabulls Power (i = g-h)	32	43	-26%
Target price of IBREL (f+i)	120	145	-17%
Total NAV (real estate + power)	164	183	-11%

^market value is based on IBPOW's CMP (26 September, 2011) of Rs 13.5ps

Source: RBS forecasts.

Downside risks to TP

- Weaker response to IBREL's ongoing/upcoming residential projects in Mumbai and other cities than we expected.
- Slower execution of projects than we expected, and poor performance of IBERL's listed power entity.

Income statement

Rsm	FY09A	FY10A	FY11F	FY12F	FY13F
Net rental income	0.00	0.00	0.00	0.00	0.00
Prop development income	2186	1294	14325	11138	14462
Other revenue	0.00	0.00	0.00	0.00	0.00
Total property income	**2186**	**1294**	**14325**	**11138**	**14462**
Other costs	-2656	-2365	-11095	-8208	-9918
EBITDA	-470.5	-1072	3230	2930	4545
DDA & Impairment (ex gw)	-108.3	-125.7	-183.9	-214.8	-272.2
EBITA	-578.8	-1197	3046	2716	4272
Goodwill (amort/impaired)	n/a	n/a	n/a	n/a	n/a
EBIT	**-578.8**	**-1197**	**3046**	**2716**	**4272**
Associates (pre-tax)	n/a	n/a	n/a	n/a	n/a
Net interest	-244.2	-96.8	-609.4	-1317	-866.3
Other pre-tax items	2214	1699	630.9	1939	501.1
Reported PTP	**1390**	**404.5**	**3067**	**3338**	**3907**
Taxation	-698.2	-337.0	-1293	-1001	-1172
Minority interests	-397.5	-227.7	-176.5	-185.3	-203.8
Other post-tax items	-160.9	-80.2	0.00	0.00	0.00
Reported net profit	**133.8**	**-240.5**	**1598**	**2151**	**2531**
Dividends declared	0.00	0.00	-141.2	-470.6	-705.9
Tot normalised items	0.00	0.00	0.00	0.00	0.00
Normalised EBITDA	-470.5	-1072	3230	2930	4545
Normalised PTP	1390	404.5	3067	3338	3907
Normalised net profit	133.8	-240.5	1598	2151	2531

Source: Company data, RBS forecasts — year to Mar

Balance sheet

Rsm	FY09A	FY10A	FY11F	FY12F	FY13F
Cash & market secs (1)	15897	10454	6058	18125	25541
Props under dev	n/a	n/a	n/a	n/a	n/a
Other current assets	50979	43218	71865	78576	90674
Investment prop	12347	72474	66698	60028	54025
Other non-current assets	4184	8429	37193	39786	42462
Total assets	**83407**	**134576**	**181813**	**196516**	**212703**
Short term debt (2)	n/a	n/a	n/a	n/a	n/a
Long term debt (3)	11956	13632	37322	43416	49110
Other liabilities	4835	7445	29247	35989	44453
Total liabilities	**16791**	**21076**	**66569**	**79405**	**93563**
Total equity (incl min)	66616	113499	115245	117110	119139
Total liab & sh equity	**83407**	**134576**	**181813**	**196516**	**212703**
Net debt	-816.3	6302	34388	28416	26694

Source: Company data, RBS forecasts — year ended Mar

Cash flow statement

Rsm	FY09A	FY10A	FY11F	FY12F	FY13F
EBITDA	-470.5	-1072	3230	2930	4545
Change in working capital	-8412	10368	-6850	39.2	-3635
Net interest (pd) / rec	1969	1602	21.5	621.9	-365.2
Taxes paid	-698.2	-337.0	-1293	-1001	-1172
Other oper cash items	n/a	n/a	n/a	n/a	n/a
Cash flow from ops (1)	**-7611**	**10561**	**-4892**	**2590**	**-627.4**
Capex (2)	-2047	-4368	-28942	-2817	-2948
Disposals/(acquisitions)	-11672	-60127	5776	6670	6003
Other investing cash flow	212.9	0.00	0.00	0.00	0.00
Cash flow from invest (3)	**-13506**	**-64495**	**-23166**	**3853**	**3055**
Incr / (decr) in equity	12819	38274	-401.8	-185.3	-203.8
Incr / (decr) in debt	8567	1676	23690	6094	5694
Ordinary dividend paid	0.00	0.00	-141.2	-470.6	-705.9
Preferred dividends (4)	-252.8	-80.2	0.00	0.00	0.00
Other financing cash flow	-338.0	8623	514.1	185.3	203.8
Cash flow from fin (5)	**20795**	**48492**	**23661**	**5624**	**4988**
Forex & disc ops (6)	n/a	n/a	n/a	n/a	n/a
Inc/(decr) cash (1+3+5+6)	**-321.9**	**-5443**	**-4396**	**12067**	**7416**
Equity FCF (1+2+4)	-9911	6112	-33834	-226.3	-3576

Lines in bold can be derived from the immediately preceding lines. — year to Mar
Source: Company data, RBS forecasts

Standard ratios

Performance	Indiabulls FY09A	FY10A	FY11F	FY12F	FY13F	DLF Ltd FY12F	FY13F	FY14F	Unitech FY12F	FY13F	FY14F
Normalised EPS growth (%)	-96.6	n/a	n/a	34.6	17.7	-0.34	9.02	11.0	-7.82	16.2	9.39
EBIT margin (%)	-26.5	-92.6	21.3	24.4	29.5	34.3	31.8	30.1	30.9	32.0	31.0
Net profit margin (%)	6.12	-18.6	11.2	19.3	17.5	15.9	15.8	15.6	18.8	19.1	18.4
Return on avg assets (%)	1.03	0.12	1.37	1.69	1.61	4.30	4.28	4.41	2.01	2.31	2.47
Return on avg equity (%)	0.28	-0.33	1.70	2.25	2.60	6.06	6.30	6.65	4.41	4.90	5.11
Return on cap empl (%)	-1.05	-1.29	2.26	1.84	2.93	7.16	7.30	7.60	5.08	5.91	6.21
ROIC (%)	-0.86	-1.18	1.65	1.18	1.91	4.61	4.80	4.98	3.27	3.93	4.14
					year to Mar			year to Mar			year to Mar
Valuation											
Normalised PE (x)	144.3	-125.2	18.88	14.02	11.92	23.27	21.34	19.22	13.56	11.67	10.67
Dividend yield (%)	0.00	0.00	0.40	1.33	2.00	0.89	0.89	0.89	0.37	0.37	0.37
Disc/(prem) to BV (%)	65.1	67.8	68.2	68.7	69.3	-37.9	-31.3	-24.5	41.5	44.2	46.8
Disc/(prm) to adj NAV (%)	65.1	67.8	68.2	68.7	69.3	-37.9	-31.3	-24.5	41.5	44.2	46.8
PEG 3yr (%)	n/a	n/a	-0.19	n/a	n/a	3.60	n/a	n/a	2.58	n/a	n/a
EV/EBITDA (x)	-62.4	-34.0	20.0	20.0	12.5	13.6	13.1	12.2	13.1	11.3	10.2
					year to Mar			year to Mar			year to Mar

Per share data	FY09A	FY10A	FY11F	FY12F	FY13F
Tot adj dil sh, ave (m)	257.5	401.5	402.2	402.2	402.2
Reported EPS (INR)	0.52	-0.60	3.97	5.35	6.29
Normalised EPS (INR)	0.52	-0.60	3.97	5.35	6.29
Dividend per share (INR)	0.00	0.00	0.30	1.00	1.50
Equity FCF per share (INR)	-38.5	15.2	-84.1	-0.56	-8.89
Book value per sh (INR)	214.7	233.0	235.6	239.8	244.3
					year to Mar

Solvency	FY09A	FY10A	FY11F	FY12F	FY13F
Net debt to equity (%)	-1.23	5.55	29.8	24.3	22.4
Net debt to tot ass (%)	-0.98	4.68	18.9	14.5	12.6
Net debt to EBITDA	1.73	-5.88	10.6	9.70	5.87
Current ratio (x)	39.3	12.4	2.98	2.94	2.81
Operating CF int cov (x)	4.51	-5.80	168.2	-4.77	2.49
Dividend cover (x)	0.00	0.00	11.3	4.57	3.59
					year to Mar

Priced as follows: INRL.BO - Rs75.00; DLF.BO - Rs224.00; UNTE.BO - Rs27.00
Source: Company data, RBS forecasts

Valuation methodology

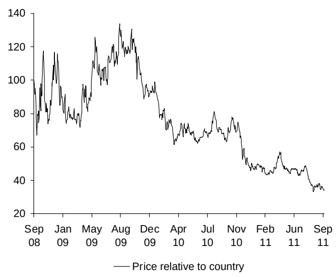
Valuation	Revised (Rs/sh)
DCF of IBREL's Real estate portfolio	103
DCF of NTC mill projects	20
DCF based GAV of IBREL's real estate unit (including Worli projects)	124
DCF of IBREL's 45% stake in IPIT	54
DCF of Mumbai Mantralaya redevelopment project	0
Total GAV of Real estate business (a)	177
Less: 20% Discount to GAV (b)	35
Less: Payable for land bank (c)	0
Discounted GAV of Real estate business (d= a-b-c)	**142**
Net cash of IBREL (ex-power) (e)	**-57**
Net Asset Value (NAV) for real estate (f = d+e)	**85**
Market value of IBREL's 58.6% stake in Indiabulls Power (g)	44
Less: 20% Holding company discount (h)	9
Value of IBREL's stake in Indiabulls Power (i = g-h)	**35**
TP of IBREL (f+i)	**120**
Total NAV (Real estate + Power)	164

Source: RBS forecasts

Company description — Buy

Indiabulls Group began with Indiabulls Financial (IFSL) in 2000 and demerged its real estate business as Indiabulls Real Estate in August 2006. Through acquisitions and government allotments, the company has established a sizeable land bank (exceeding 150m sq ft), which is largely paid up and focuses on Maharashtra, Chennai and the National Capital Region. After achieving reasonable success in real estate, IBREL entered the power segment through its subsidiary in 2007, and is developing coal-based thermal and hydro power projects with a total generation capacity of around 5,400MW.

Price relative to country



Strategic analysis — Average SWOT company score: 3

Strengths — 4

IBREL's expertise lies in raising equity through complex structures, and securing and executing capital-intensive mega projects that have significant regulatory hurdles.

Weaknesses — 3

Limited execution track record and exposure to tier-1 and tier-2 cities.

Opportunities — 4

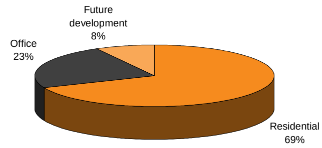
Unlike its peers, IBREL is a net-cash-positive company, which enables it to leverage its balance sheet and bid for large-scale opportunities and other high-margin redevelopment or mill-land projects in Mumbai.

Threats — 2

Weak response to its near-term launches. The company does not have adequate experience of operating in the power sector and could face execution risks.

Scoring range is 1-5 (high score is good)

GAV breakdown, FY12F



Source: RBS forecasts

Market data

Headquarters
Malhotra Building, Connaught Place, New Delhi 110 001

Website
http://indiabulls.com/

Shares in issue
402.2m

Freefloat
72%

Majority shareholders
HSBC Global Investment Fund (4%), Deutsche Securities (3%)

Country view: India

The compression of multiples typically characteristic of a market undergoing the transition from growth to value continued to pressure Indian equities in the 2Q. While the economic deceleration is well under way, we continue to view the country as a major potential loser from higher costs of capital in quarters and perhaps even years ahead. Still, given the significant short-term relative underperformance and the expected decline in commodities prices, clearly a bounce is possible. Yet, as valuations are broadly unattractive and returns declining, we continue to consider the risk-reward trade-off as unattractive.

The country view is set in consultation with the relevant company analyst but is the ultimate responsibility of the Strategy Team.

Country rel to Asia Pacific

Competitive position — Average competitive score: 3+

Supplier power — 4+

Supplier power has weakened in recent times, as most developers have already built large land banks and are not looking at acquiring new parcels unless available at very attractive prices.

Barriers to entry — 3+

Real estate development is capital-intensive in nature and therefore deep pockets are a must for entering the sector.

Customer power — 3-

High, especially in commercial and retail segments, due to oversupply and low demand. Also high in residential as volumes sales are seen in attractively priced affordable housing.

Substitute products — 4+

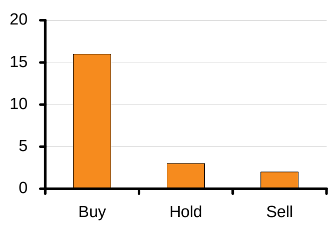
Substitutes such as renting or building a home are common, but are not considered threats to home purchases. Almost no substitutes for commercial and retail properties.

Rivalry — 3+

Rivalry among developers is benign during property upcycles, but during downturns there could be severe price cuts and therefore margin pressure.

Scoring range 1-5 (high score is good) Plus = getting better Minus = getting worse

Broker recommendations



Source: Bloomberg

Recommendation structure

Absolute performance, short term (trading) recommendation: A Trading Buy recommendation implies upside of 5% or more and a Trading Sell indicates downside of 5% or more. The trading recommendation time horizon is 0-60 days. For Australian coverage, a Trading Buy recommendation implies upside of 5% or more from the suggested entry price range, and a Trading Sell recommendation implies downside of 5% or more from the suggested entry price range. The trading recommendation time horizon is 0-60 days.

Absolute performance, long term (fundamental) recommendation: The recommendation is based on implied upside/downside for the stock from the target price and, except as follows, only reflects capital appreciation. A Buy/Sell implies upside/downside of 10% or more and a Hold less than 10%. For UK-based Investment Funds research, the recommendation structure is not based on upside/downside to the target price. Rather it is the subjective view of the analyst based on an assessment of the resources and track record of the fund management company. For research on Australian listed property trusts (LPT) or real estate investment trusts (REIT), the recommendation is based upon total return, ie, the estimated total return of capital gain, dividends and distributions received for any particular stock over the investment horizon.

Performance parameters and horizon: Given the volatility of share prices and our pre-disposition not to change recommendations frequently, these performance parameters should be interpreted flexibly. Performance in this context only reflects capital appreciation and the horizon is 12 months.

Market or sector view: This view is the responsibility of the strategy team and a relative call on the performance of the market/sector relative to the region. Overweight/Underweight implies upside/downside of 10% or more and Neutral implies less than 10% upside/downside.

Target price: The target price is the level the stock should currently trade at if the market were to accept the analyst's view of the stock and if the necessary catalysts were in place to effect this change in perception within the performance horizon. In this way, therefore, the target price abstracts from the need to take a view on the market or sector. If it is felt that the catalysts are not fully in place to effect a re-rating of the stock to its warranted value, the target price will differ from 'fair' value.

Distribution of recommendations

The tables below show the distribution of recommendations (both long term and trading). The first column displays the distribution of recommendations globally and the second column shows the distribution for the region. Numbers in brackets show the percentage for each category where there is an investment banking relationship. These numbers include recommendations produced by third parties with which RBS has joint ventures or strategic alliances.

Long term recommendations (as at 27 Sep 2011)

	Global total (IB%)	Asia Pacific total (IB%)
Buy	855 (11)	556 (3)
Hold	408 (7)	222 (4)
Sell	86 (5)	49 (0)
Total (IB%)	1349 (9)	827 (3)

Source: RBS

Trading recommendations (as at 27 Sep 2011)

	Global total (IB%)	Asia Pacific total (IB%)
Trading Buy	1 (100)	1 (100)
Trading Sell	1 (0)	1 (0)
Total (IB%)	2 (50)	2 (50)

Source: RBS

Valuation and risks to target price

DLF Ltd (RIC: DLF.BO, Rec: Buy, CP: Rs224.00, TP: Rs260.00): Our target price is based on SOTP, where we value DLF's land bank on a March 2013F DCF-based approach, to which we add the value of the company's completed leased assets portfolio. Downside risks are a lower-than-expected ramp-up in sales due to sector headwinds; lower-than-expected margins due to cost escalations and higher interest costs; and slower monetisation of non-core assets. An unfavourable resolution of the issue of the penalty CCI imposed on DLF over the abuse of its dominant position.

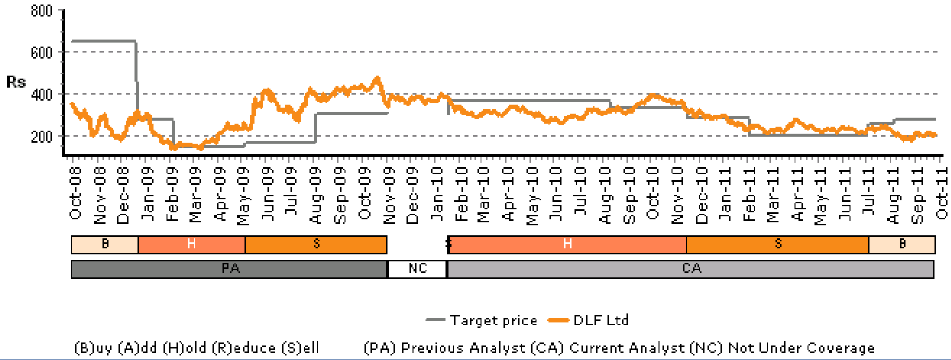
Unitech (RIC: UNTE.BO, Rec: Hold, CP: Rs27.00, TP: Rs28.00): Our target price is derived by valuing the real estate business on a March 2013F DCF-based approach (post a 40% discount). Upside risks to our target price are 1) faster-than-expected sales pick-up and 2) favourable resolution to the Unitech Wireless issue. Downside risks to are target price are 1) further deterioration in balance sheet and 2) slower-than-expected sales momentum.

HDIL (RIC: HDIL.BO, Rec: Buy, CP: Rs100.00, TP: Rs160.00): Our target price is based on SOTP, where we value the MIAL project at a 70% discount and HDIL's regular projects at a 25% discount to their March 2013F DCF-based NAV to account for execution risk. Downside risks include volume, pricing or execution of the MIAL project being poorer than we expect, HDIL's vulnerability to a demand slowdown in Mumbai-MMR, and any significant deterioration in the macroeconomic environment affecting demand.

Indiabulls Real Estate (RIC: INRL.BO, Rec: Buy, CP: Rs75.00, TP: Rs120.00): We value IBREL using a sum-of-the-parts model. Key risks to our target price are weaker response to IBERL's ongoing/upcoming residential projects in Mumbai and other cities than we expected; and slower execution of projects than we expected, and poor performance of IBERL's listed power entity.

DLF Ltd coverage data

Stock performance, recommendations and coverage (as at 27 Sep 2011)



Prakash Agarwal started covering this stock on 18 Jan 10. Moved to new recommendation structure between 1 November 2005 and 31 January 2006. Source: RBS

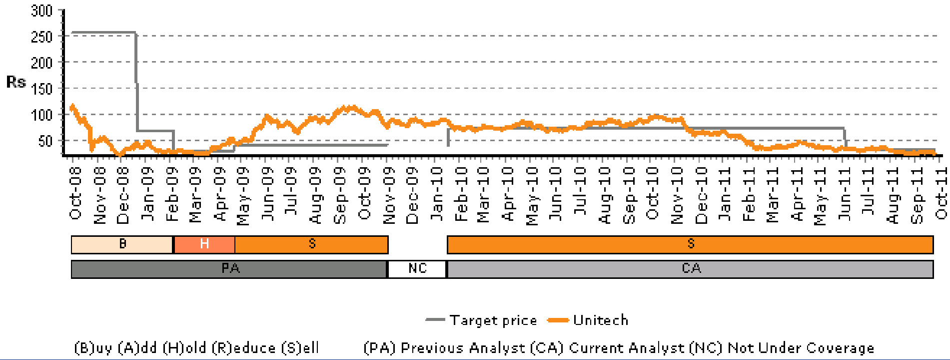
Trading recommendation history (as at 27 Sep 2011)

Date	Rec	Analyst
	n/a	

Source: RBS

Unitech coverage data

Stock performance, recommendations and coverage (as at 27 Sep 2011)



Prakash Agarwal started covering this stock on 18 Jan 10. Moved to new recommendation structure between 1 November 2005 and 31 January 2006. Source: RBS

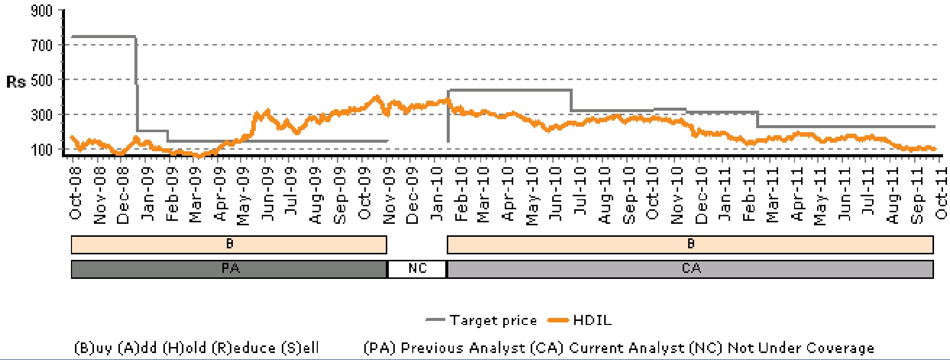
Trading recommendation history (as at 27 Sep 2011)

Date	Rec	Analyst
	n/a	

Source: RBS

HDIL coverage data

Stock performance, recommendations and coverage (as at 27 Sep 2011)



Prakash Agarwal started covering this stock on 18 Jan 10. Moved to new recommendation structure between 1 November 2005 and 31 January 2006. Source: RBS

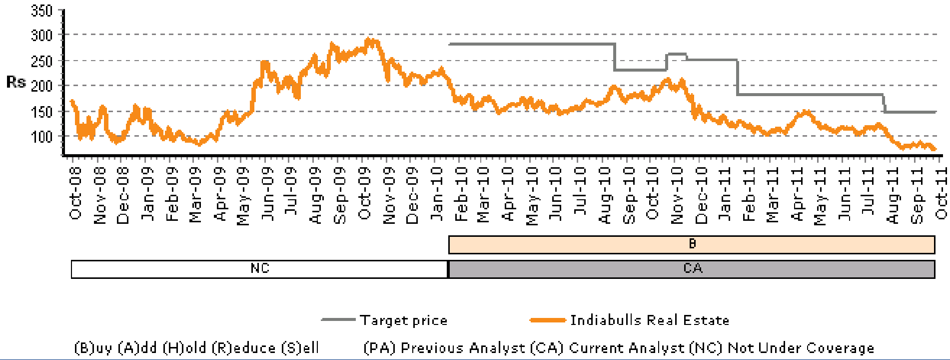
Trading recommendation history (as at 27 Sep 2011)

Date	Rec	Analyst
	n/a	

Source: RBS

Indiabulls Real Estate coverage data

Stock performance, recommendations and coverage (as at 27 Sep 2011)



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Trading recommendation history (as at 27 Sep 2011)

Date	Rec	Analyst
	n/a	

Source: RBS

Regulatory disclosures

None

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