

Indiabulls RealEstate Ltd

[CMP – 92] [Market Cap – 4980cr]

Industry Overview :

- The real estate industry did very well in 2022. The year can be easily termed as the “turn-around year” for segments such as residential and retail, with all segments recovering from COVID lows and recording strong year-on-year growth. While growth in India has slowed for multinational corporations, domestic demand has remained steady, India’s real estate market is expected to exhibit a growth rate (CAGR) of 9.2% during 2023-2028. Therefore, FY’23-24 will see a strong foundation as there will be more buyers, and home loan rates will be lower. Multiple rating agencies have calculated that the Indian economy is estimated to grow by 8–9%, which will ultimately drive the growth in the real estate market. This growth can be attributed to increasing business activity, improved job markets, and higher income levels, all of which will inevitably lead to a rise in real estate demand.

Indian housing market persists with a bullish trend, defying economic headwinds :

- The relative stability in sales was sustained across all markets with the YoY percentage change in sales levels not exceeding single digits for any. Sales grew the most in the Hyderabad market at 5% YoY while slipping in the larger markets of Mumbai and Bengaluru at -8% and -2% YoY.
- While sales volumes have been stable in H1 2023, prices have grown in the range of 2% to 10% across all markets with Mumbai, Bengaluru and NCR growing by 6%, 5% and 5% YoY respectively.
- Conversely, during the same reference period, the share of annual sales in the INR 5-10 mn and >10 mn ticket-size categories grew from 36% to 38% and 21% to 30% respectively.

MMR Market Overview :

- Mumbai continues to maintain its position as the largest market in terms of real estate sales with sale of 40,798 units in the first half of 2023. While the growth in sales remained steady compared to the second half of 2022, the city has witnessed an 8% YoY decline in the total sales during the first half of 2023. In H1 2023, a substantial supply of 50,546 units was added, marking the highest number since the first half of 2014. The unsold inventory has risen by 7% YoY in H1 2023 on account of the massive supply added in the market. However, the Quarters-to-Sell has reduced from 12 quarters in 2021 to 8.4 quarters in H1 2023. This reduction indicates a faster pace of property sales and suggests that the market is absorbing the available inventory more efficiently.

Gurugram Market Overview :

- In line with past trends, Gurugram remains a key hub for primary residential sales in NCR. Since H2 2019, Gurugram's share in NCR's total sales volume has only expanded with each half-yearly period. From a 12% share in H2 2019, Gurugram's share has grown to 52% in H1 2023. A high residential demand has also revitalized the new launches activity in Gurugram. In H1 2023, new launches in Gurugram comprised 82% of NCR's total launch pie. From a mere 19% share in H1 2021, Gurugram's share has swelled to 82% in the current review period as many new projects have been launched in the developing peripherals.

Opportunities :

- The Indian residential sector has been on a roll in the first half of 2023 with both housing sales and new launches scaling new heights. Housing sales across the top 7 cities in H1 2023 have already reached over 63% of the total sales in entire 2022 despite rise in both interest rates and housing prices.
- In fact, the unfettered demand for housing across the country has also enabled the top 8 listed developers to reduce their debt from INR 405 Bn in FY20 to over INR 230 bn in FY23 – recording a decline of 43 in the period. This decline in net debt is essentially because of the boosted sales and revenues collected by these listed developers. These developers' sales volumes have surpassed pre-pandemic levels and are headed for a new peak. With improved cash flows over the last few years, their debt has thus reduced significantly.
- Other parameters including the stock market etc. also reflect positive trends which in a way are likely to positively impact the residential market.

Challenges :

- Unanticipated delays in project approvals
- Increased cost of manpower
- Rising cost of construction lead by increase in commodity prices
- Growth in auxiliary infrastructure facilities

Company Overview :

- Indiabulls Real Estate Limited, one of the leading real estate developers in the Mumbai Metropolitan Region (“MMR”) and the National Capital Region (“NCR”) of India, was incorporated in 2006 with its focus on construction and development of residential, commercial and SEZ projects across major Indian metros.
- The Group has successfully delivered 19 projects across India, spanning a developable area of ~30 million sq. ft and has ~12 million sq.ft of unsold inventory across 6 cities & 15 projects and holds a land bank of over 3,000+ acres near to major metropolitans; one of the largest land banks among listed Indian real estate developers.
- It has delivered iconic commercial developments of over 3.3 million sq. ft. in Mumbai namely – One International Centre & One World Center and in the

residential segment our flagship projects in Mumbai include Blu Estate & Club & Sky Forest, apart from delivering projects in Gurugram, Chennai, Madurai, Ahmedabad and Thane.

Key Projects :

- The Company has 12 residential projects and 4 commercial projects in MMR, NCR, Jodhpur, Vadodara, Vizag in various stages of completion.
- **Under-Development :**
The Co has **5 projects under development**. The total net surplus of these projects amounted to ₹6226 cr.

Particulars (₹ Cr)	Category	Area (msf)			Price ⁽¹⁾ (₹/psf)	Unsold Inventory	Sold Receivables	Pending Costs	Net Surplus
		Saleable	Sold	Unsold					
Ongoing / Upcoming Projects									
Blu Estate & Club, Worli ⁽²⁾	Residential	0.9	-	0.9	35,000	3,140	-	1,332	1,808
Indiabulls Park, Panvel	Residential	4.8	3.7	1.1	6,000	698	995	1,388	305
One Indiabulls, Thane	Residential	1.0	0.5	0.5	15,000	787	145	591	341
Gurugram 103 – SCO	Commercial	0.0	-	0.0	33,300	113	-	21	92
Silverlake Villas, Alibaug	Residential	0.2	-	0.2	20,000	400	-	150	250
Sub-Total (D)		7.0	4.2	2.8		5,139	1,140	3,482	2,797
Planned Projects									
Arivali, Panvel	Commercial	0.8	-	0.8	8,000	606	-	238	368
One Indiabulls, Thane	Residential	0.7	-	0.7	15,000	1,052	-	521	531
Indiabulls Golf City, Savroli	Residential	3.8	-	3.8	4,000	1,500	-	950	550
Indiabulls One 09, Gurugram	Commercial	0.6	-	0.6	8,500	473	-	283	190
Gurugram 103 – SCO	Commercial	0.0	-	0.0	33,300	113	-	22	91
Centrum, Indore	Residential	2.1	-	2.1	6,500	1,349	-	457	892
Sub-Total (E)		7.9	-	7.9		5,094	-	2,470	2,623
Grand Total (C + D + E)		31.5	19.3	12.2		10,864	1,767	6,405	6,226

Screenshot from Investors Presentation

- Completed & Near Completion Projects: [Net Surplus - 806cr]

Particulars (₹ Cr)	Category	Area (msf)			Price ⁽¹⁾ (₹/psf)	Unsold Inventory	Sold Receivables	Pending Costs	Net Surplus
		Saleable	Sold	Unsold					
OC Received									
Blu Estate & Club, Worli	Residential	1.4	1.4	0.0	27,000	34	21	31	23
Indiabulls Greens, Panvel	Residential	4.2	4.2	0.0	5,600	1	25	1	25
Indiabulls Golf City, Savroli	Residential	0.9	0.7	0.2	4,000	95	46	2	139
Enigma, Gurugram	Residential	1.8	1.8	0.0	4,800	2	2	14	-13
Centrum Park, Gurugram	Residential	2.1	2.1	-	-	-	-	11	-11
Mega Mall, Jodhpur	Commercial	0.6	0.4	0.3	4,000	100	27	3	125
Indiabulls City, Sonapat	Residential	1.7	1.6	0.2	1,000	17	1	14	5
One Indiabulls Park, Vadodara	Commercial	0.2	0.1	0.1	3,300	47	12	-	59
Near Completion Projects									
Indiabulls Golf City, Savroli	Residential	0.7	0.2	0.6	4,000	234	26	111	150
Indiabulls Sierra Vizag	Residential	0.8	0.8	0.1	4,800	42	39	47	34
Indiabulls One 09, Gurugram	Commercial	0.5	0.5	0.0	6,000	2	198	108	92
Sub-Total (A)		15.1	13.6	1.5		574	395	341	628
Sky Forest⁽²⁾									
Sky Forest, Lower Parel	Residential	1.6	1.6	0.0	16,900	58	232	111	178
Sub-Total (B)		1.6	1.6	0.1		58	232	111	178
Sub Total (C = A+B)		16.7	15.2	1.5		632	627	453	806

Screenshot from Investors Presentation

Projects Visuals :

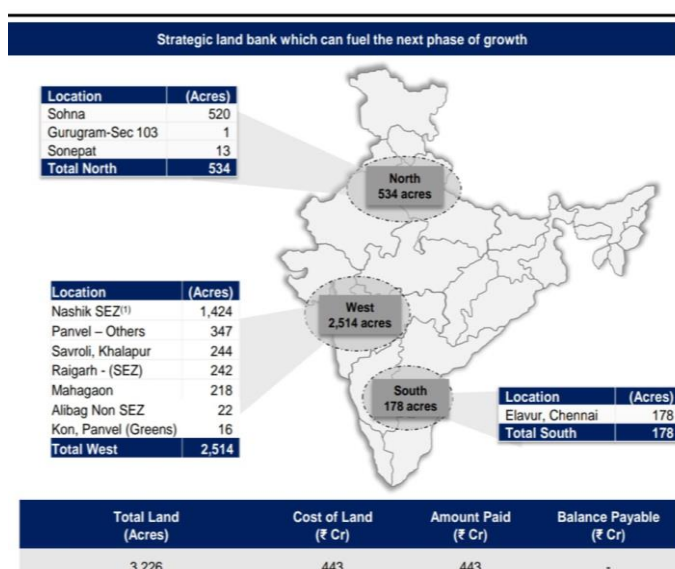


Indiabulls Golf City, Savroli

Indiabulls Greens, Panvel


Significant Land Reserves :

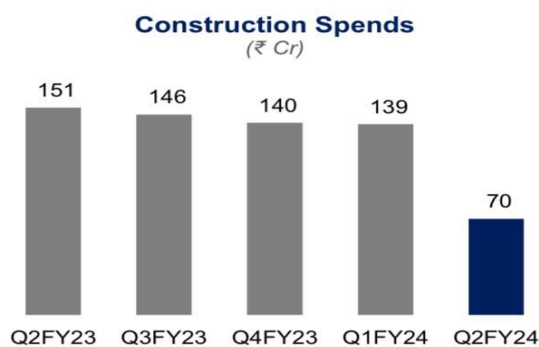
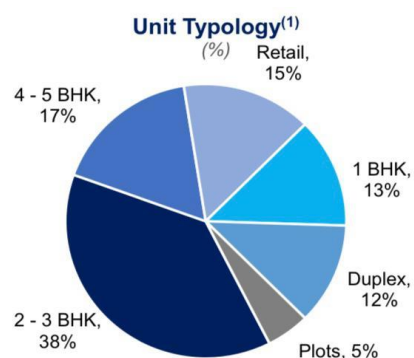
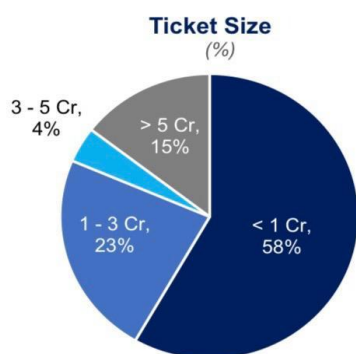
- Total of 3,226 acres, near major metropolitans, the largest among all listed players.
- This allows us to develop projects to take advantage of potential opportunities, without the need to spend time locating and acquiring the land first.
- Provides an option to monetize certain land banks in non-core areas with limited potential and enhance our presence in strategic locations.



Sales & Collections :

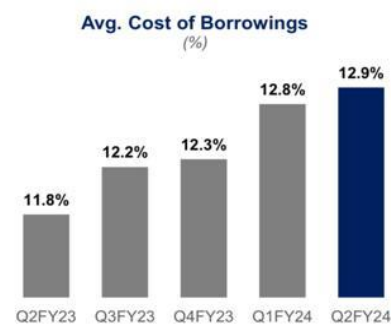
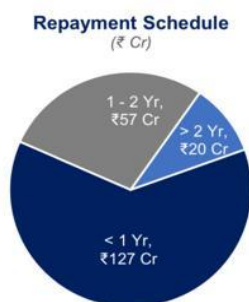
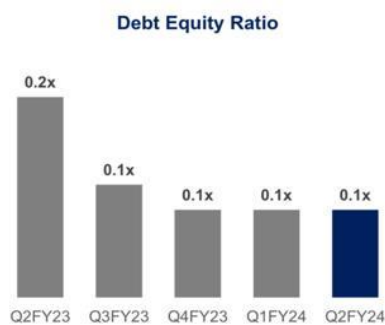


Operations :



Debt Profile :

Particulars (₹ Cr)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Gross Debt	680	370	256	224	204
Less: Cash & Cash Equivalents	816	690	608	534	637
Net Debt	(136)	(320)	(352)	(310)	(433)
Total Equity	4,276	4,041	3,667	3,026	3,057



Major Changes & Updates :

Update on Merger with Embassy Group :

- The Board of Directors of the Company in its meeting held on August 18, 2020, have approved the Scheme of Arrangement ('Scheme') amongst the Company, NAM Estates Private Limited ("NAM Estates") and Embassy One Commercial Property Development Private Limited ("NAM Opco"), both Embassy group entities.
- Upon effectiveness of the Scheme, the Company will issue its equity shares, in accordance with the approved share swap ratios, pursuant to which Company is being valued at ` 92.50 per share. The Scheme had been granted approval by Competition Commission of India ("CCI") and SEBI/Stock exchanges. The Equity shareholders of the Company, at their meeting held on February 12, 2022, has also approved the Scheme with 99.9987% majority. Further, the NCLT Bengaluru Bench has also approved the Scheme on April 22, 2022.

Nashik SEZ :

- M/s Indiabulls Industrial Infrastructure Limited ("IIIL") a subsidiary of the Company, had in August 2007 entered into a Share Purchase Agreement ("SPA") with Maharashtra Industrial Development Corporation ("MIDC") which allowed IIIL to enter into lease deeds with MIDC on approximately 2,500 acres of land ("Land") situated in Sinnar, Nashik district, Maharashtra. The Land was to be developed as industrial plots within the Special Economic Zone ("SEZ") framework. IIIL has paid a premium of ₹67.7 Crores to MIDC for the Land.
- Development on the Land has been carried out with respect to a 1350 MW power plant, along with basic infrastructure (such as roads, water, power, administrative blocks, etc), a 38 km SEZ boundary wall, 8MLD freshwater pipeline, customs office inside SEZ, solar streetlights, telecom and broadband connectivity. Further, to rehabilitate the Project Affected Persons ("PAPs") the Company has paid the plot fee towards the PAPs, along with basic infrastructure (such as bitumen roads, RCC water tank, water pipeline, electric pole network, solar streetlight, WBM road (14 km), culverts etc).

London Receivables :

- A resolution was purportedly passed by the Operations Committee of the Board (comprising the erstwhile management) on February 07, 2023, authorizing execution of amendments of the Share Purchase Agreement executed on November 01, 2019 ("SPA") by the Company's subsidiary Brenformexa Limited ("Brenformexa") with Clivedale Overseas Limited ("Clivedale"), an entity controlled by the erstwhile promoters of the Company. Under the terms of this SPA, out of a total consideration of GBP 200 million, an amount equal to GBP 61.85 million (~₹629 Crores) remains due and payable from Clivedale to Brenformexa ("Balance Amounts").
- As a prudent measure, the Board, in consultation with the statutory auditors, has decided to create a provision of ~₹629 Crores in its books of accounts for the quarter ended June 30, 2023, against the potential inability to recover the Balance Amounts.

Financials :

Profit & Loss Statement

Particulars	Q2FY24	Q1FY24 ⁽¹⁾	Q2FY23	H1FY24 ⁽¹⁾	H1FY23
	(₹ Cr)	(₹ Cr)	(₹ Cr)	(₹ Cr)	(₹ Cr)
Revenue	108	209	203	317	367
EBITDA	(11)	(44)	100	(55)	76
Finance Costs	3	1	6	3	23
Depreciation	3	3	3	6	6
Exceptional items ⁽¹⁾	-	(629)	-	(629)	-
Profit Before Tax (PBT)	(16)	(677)	90	(693)	46
Tax Charge / (Credit)	2	2	34	4	41
Profit After Tax (PAT)	(18)	(679)	57	(698)	5
Adjusted Profit After Tax (PAT) ⁽¹⁾	(18)	(50)	57	(68)	5

Notes: Figures adjusted for following one off items (1) Exceptional item for H1FY24 and Q1FY24, includes provisioning of ₹629 Cr on account of London receivables

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Balance Sheet

Assets	As at Sep 30, 2023	As at Mar 31, 2023	As at Sep 30, 2022	Equity & Liabilities	As at Sep 30, 2023	As at Mar 31, 2023	As at Sep 30, 2022
	(₹ Cr)	(₹ Cr)	(₹ Cr)		(₹ Cr)	(₹ Cr)	(₹ Cr)
Tangible Assets	78	82	90	Equity Share Capital	108	108	108
Intangible Assets	0	0	0	Instruments (Equity Nature)	425	425	425
Investments	174	157	688	Other Equity	2,511	3,122	3,732
Loans	327	266	3	Non-Controlling Interest	12	12	11
Inventories	4,748	4,822	5,250	Total Equity	3,057	3,667	4,277
Trade Receivables	85	76	148	Borrowings	265	256	680
Cash and Bank Balances	31	37	22	Trade Payables	303	422	267
Other Financial Assets	28	661	991	Other Financial Liabilities	86	53	55
Non-Current Tax Assets	42	48	89	Provisions	41	24	18
Deferred Tax Assets	72	72	75	Current Tax Liabilities (Net)	13	10	12
Other Assets	273	285	370	Other Liabilities	2,095	2,075	2,420
Total Assets	5,859	6,507	7,728	Total Liabilities	2,802	2,840	3,451
				Total Equity and Liabilities	5,859	6,507	7,728

Financial Comparisons:

Particulars	Industry	Indiabulls RealEstate Ltd
PBV	2.31	1.69
Stock EV/EBITDA		-8.62
Stock Market Cap/Sales		9.68
10 years PE		13.7
Industry PE		32.5
ROCE		-7.17%
ROE		-11.4%
Debt/Equity		0.09

The following report is for educational purpose and the report has been made by a NISM certified research analyst. Do your own research before investing.

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