Batlivala & Karani

B&K Securities

INITIATING COVERAGE

Share Data

Market Cap.	Rs. 45.4 bn (US$ 1 bn)
Price	Rs. 1,323
Target Price	Rs. 1,516
BSE Sensex	13,708
Reuters	ANRA.BO
Bloomberg	ARCP IN
6m avg. daily turnover (US$ mn)	0.4
52-week High/Low	Rs. 1,475/324
Issued Shares	34.3 mn

Valuation Ratios

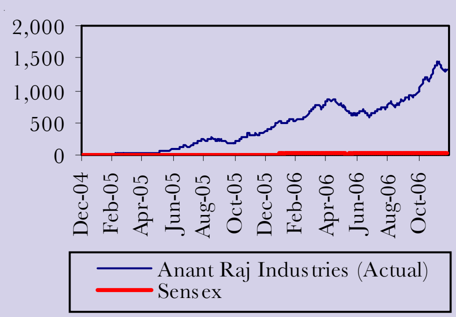
Year to 31 Mar.	2008E	2009E
EPS (Rs.)	45.9	90.8
+/- (%)	123.3	97.7
PER (x)	28.8	14.6
PBV (x)	4.8	3.6
EV/Sales (x)	7.1	3.5
EV/EBITDA (x)	10.4	5.4

Shareholding Pattern (%)

Promoters	59
MFs	1
Institutions	8
FIIs	23
Public & Others	9

As on 30th Sep. 2006

Relative Performance



Anant Raj Industries

(Market Performer)

27th December 2006

Buying Right, Holding Tight

Anant Raj Group is a leading real estate player in NCR with over 3 decades of experience in real estate industry. Due to the real estate boom and consolidation of group's real estate companies with ARIL, we expect augmented growth and earnings.

- The group has remained focused on the NCR and has accumulated around 900 acres of land bank in the region over the years estimated to be Rs. 65 bn currently.
- More than 20.945 million square feet (msf) area currently under development would lead to exploitation of 20% of the entire land bank and is expected to be complete in next four years.
- The group believes in the strategy of retaining ownership of its commercial property to earn lease rentals and benefit from capital appreciation. Expected annual income from lease rent would be Rs. 5 billion by FY11E.

Year to March	FY06	FY07E*	FY08E	FY09E	CAGR (%)
P&L Data (Rs. mn)					**FY06-09E**
Revenues	568	1,590	4,489	9,089	151.9
EBITDA	401	1,298	3,083	5,826	144.0
Net Profit	281	849	1,965	3,886	140.0
Margins (%)					
EBITDA	70	82	69	64	-
Net Profit	49	53	44	43	-
Balance Sheet (Rs. mn)					
Total Assets	1,377	11,959	18,034	22,837	155.0
Shareholder's Funds	894	9,105	11,880	15,741	160.1
Per Share Data (Rs.)					
EPS	12.9	20.6	45.9	90.8	91.7
CEPS	14.2	22.1	49.2	94.8	88.2
Dividend	2.5	2.5	2.5	3.0	6.3
Returns (%)					
ROCE	47.9	20.2	21.8	31.1	-
ROE	50.4	17.0	18.7	28.1	-

- Key drivers for company's growth are: (1) volumes - we estimate sales/lease of 13 msf over FY06-09E (2) better pricing - property prices are expected to remain firm due to demand supply mismatch.
- We have valued ARIL based on Sum of the Parts (SOTP) approach. Its main business is valued on DCF basis, ceramic tiles business on EV/EBITDA multiple and remaining land bank on 20% discount to fair market value (FMV). Based on above, we value ARIL at Rs.1,516 per share which offers 15% upside from the current market price of Rs.1,323. We initiate coverage with market performer rating.

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Analyst Declaration: We, Dolly Saxena and Prem Khurana, hereby certify that the views expressed in this report accurately reflect our personal views about the subject securities and issuers. We also certify that no part of our compensation was, is, or will be, directly or indirectly, related to the specific recommendation or view expressed in this report.

Investment arguments

Consolidation of group operations to augment shareholder's wealth

Augmented growth in shareholders wealth: Anant Raj group is in a consolidation mode, whereby its unlisted real estate entities are being merged into ARIL in a phased manner. The first phase of consolidation leading to merger of 5 companies with ARIL has been completed and is effective from 1st April 2005. The second phase of merging 4 more companies into ARIL is expected to be completed soon and would be effective from 1st April 2006. The third phase of consolidation has been recently announced and would lead to merger of 16 more entities with ARIL, including the main real estate company of the group, Anant Raj Agencies Private Limited (ARAPL). ARAPL holds assets worth Rs. 1.5 bn (book value) which earn annual rental income of about Rs. 115 mn currently. The resulting merged entity would augment shareholders wealth.

Mergers

Phase I	Phase II
o Sarvodaya Builders Pvt. Ltd.	o Grand Meadows Limited
o Kalinga Meadows Limited	o Papilon Estates Limited
o B T Estates Pvt Ltd.	o Roseview Estates Limited
o Carnation Buildcon Pvt. Ltd.	o Bhasin Resorts Pvt. Ltd.
o Elegant Buildtech Pvt. Ltd.	
Phase III	
o Anant Raj Agencies Pvt. Ltd.	o Hemkunt Promoters Pvt. Ltd.
o North Land Estates Pvt. Ltd.	o Jasmine Promoters Pvt. Ltd.
o Anant Raj Exports Pvt. Ltd.	o Parkland Promoters Pvt. Ltd.
o Victor Promoters Pvt. Ltd.	o Parkview Promoters Pvt. Ltd.
o Grand Park Estates Pvt. Ltd.	o Mayur Buildtech Pvt. Ltd.
o Greenwood Promoters Pvt. Ltd.	o Sunrise Buildtech Pvt. Ltd.
o Greenwood Properties Pvt. Ltd.	o Rockfield Buildtech Pvt. Ltd.
o Springdales Estates Pvt. Ltd.	o West Land Buildtech Pvt. Ltd.

National capital region (NCR)

Focus on NCR: As opposed to its competitors striving for pan-India presence, Anant Raj is focussed on real estate activity in periphery of NCR (Delhi, Haryana and UP). The NCR in itself does offer a sizeable opportunity and by focussing on it, the company will be able to cash on its extensive knowledge and experience of local land laws, developmental bye laws, regulations and practices. With Commonwealth games 2010 spurring unprecedented infrastructure development in NCR – construction of new highways linking Delhi with satellite towns in NCR, commissioning and rapid expansion of metro rail, privatisation of airports, etc. the potential of NCR is fairly good. The current investments by the company are being made in the light of the Delhi Master Plan 2021.

Strategy to hold on: Within the NCR region, the group has a distinctive focus on commercial projects that generally earn a 9-14% return per annum on market rate, in the form of lease rentals. Such projects are a source of sustained revenue and profit streams as well as they provide capital appreciation on the back of rising property prices. While the residential developments are sold out rightly, the hospitality ventures are outsourced to professional managements, thereby retaining the ownership of the property.

Reaping benefits of timely investment

Competitive edge: ARIL's early investments in low priced and underdeveloped areas of NCR are today realising their potential. Currently, the competition to acquire assets in these locations is intense and prices have appreciated significantly. This has not only led to appreciation of its long-acquired portfolio but also given it the first-mover advantage. The key being acquisition of the land in right locations when it is undervalued. ARIL is continuously acquiring land for development as well as long-term investment purposes.

11.5 msf developed in the past

Proven execution capabilities: The group has over three decades of experience in real estate activity and has developed more than 11.5 msf of cumulative area till date which includes residential houses, row houses, commercial complexes, shopping malls and related infrastructural facilities like roads, parks, drainage system, etc. The completed developments include:

Proven expertise

Particulars	Area (msf)
Residential	7.8
Commercial	1.0
Shopping Complex/Malls	0.4
Others (Parks, development of roads and drainage systems, etc.)	2.3
Total	**11.5**

Over the next three years, the company plans to develop about 20.95 msf of saleable area which seems quite realistic when compared to its peers. This includes residential space of around 4.68 msf, 7 msf of commercial space (including IT Parks), 3.92 msf of SEZs and 5.33 msf of hotels.

Investment risks/concerns

Property market prone to cyclicality

Slowdown in real estate demand: Since 2004, most real estate companies have reported strong growth in profitability on the back of rising property prices. Profitability of the industry being dependent on property prices, exposes the companies to vagaries and speculative forces of property market. The real estate market is prone to cyclicality and a downturn was last witnessed in the late 90s in major urban centres. Release of large supplies of land into a particular locality also has a bearing on realisations. Any such scenario of supply outpacing the demand in NCR may have significant impact on prices and margins for ARIL. Furthermore, the government policies and regulatory changes may also lead to slowdown in real estate demand. Regulations in terms of monetary policy and fiscal incentives also play a crucial role in the real estate market.

Concentration of business in NCR: Though, the NCR real estate market is currently experiencing high growth, concentration of assets and land bank in the NCR is an inherent risk for the company. Any downturn in the property prices in the region would impact the revenue and the margins of the company.

Input prices may impact margins in future

Cost push may impact margins: This relates directly to steel and cement used in construction and labour wage costs. In recent times, steel and cement prices are on an upturn. However, the structure cost works out to only Rs. 600-700 per sq.ft. in a total cost of development of Rs. 1,200-1,500 per sq.ft. for residential & office space and Rs. 2,000-3,000 per sq.ft. for retail spaces. Hence, even a strong 15% cost push for the structure results in 3-5% overall cost push.

Indicative construction cost for residential apartment

Particular	Cost/sq.ft. (Rs.)
Blockwork	600
Painting	70
Electrical Equipment	100
Flooring/Tiling	150
Plumbing/Doors	100
Lifts and DG sets	80
Landscaping & others	100
Total	**1,200**

Source: B&K Research

Project execution risk: Successful and timely execution is one of the major challenge faced by the developers today. The apparent risk could be in the form of inability of contractors to assemble all resources – labour, materials and machines – as per schedule due to tight supply-demand balance. Besides, the process for transfer of land as planned by local authorities may take longer than anticipated.

Rising interest rate may impact affordability

Rising interest rate scenario: Rising interest rates will be the most significant headwind for the real estate market. Mortgage rates have risen approximately 200 bps over the past 18-20 months. Declining rates on housing loans have been one of the key drivers for residential housing in the last four-six years. However, increasing interest rates coupled with higher property prices are likely to impact affordability.

Occupancy concerns for commercial/hospitality projects: An economic slowdown may impact the commercial leasing activities of the company leading to shrink in lease rental revenues on account of increased vacancy levels. Further, the occupancy levels in hospitality projects are directly dependent upon sustained growth in tourism industry.

Accounting policy: The company follows the policy of recording real estate revenues on sale/lease of property. Any change in the accounting policy of the company with regard to recording real estate revenue would impact the estimations, revenue and cost projections.

Further dilution expected

Equity dilution: As per company's announcement on stock exchanges, ARIL is further planning to raise close to Rs. 12.25 bn through equity. This may lead to further equity dilution. Any such equity dilution would impact the valuation and projections.

Valuations

Anant Raj Industries Limited is currently at a crucial stage, where it is in the midst of consolidation exercise and many of its hospitality projects under construction. The hospitality and commercial projects are expected to be the major source of lease rentals (revenues) for the company. In addition, the company will continue to earn revenues from its other properties such as IT Parks and SEZs. Given this profile of the company, we have valued the company using sum-of-the-parts (SOTP) valuation but it excludes value for SEZs, as the company is in the process of receiving formal approval for its SEZ projects.

a) Discounted Cash Flow (DCF) approach has been used to compute the net present value of the estimated future cash flows arising from the ongoing projects of the company. For constant cash flow projects (lease rentals), a terminal value has been computed on the basis of terminal growth rate of 5%.

b) Market value of the remaining existing land bank at 20 discount.

c) Comparative valuation – based on the multiples of comparable companies for ceramic tiles business.

Determination of cost of capital

The cost of equity as calculated below is 16.27%. Weighted average cost of capital for ARIL works out to be 12.34%. Terminal growth rate has been assumed at 5% per annum.

Assumptions for DCF valuations

WACC (%)	12.34
Target Debt / Equity Ratios	1:1
Cost of Debt (%)	12
Risk free Rate (%)	7.59
Risk Premium (%)	7.00
Beta (x)	1.24
Cost of Equity (%)	16.27
Terminal Growth Rate (%)	5.00

(A) DCF Valuation: For ongoing projects (Rs. mn)

Terminal Value cash flow (for projects on lease)	48,053
Total free cash flows	53,179
Discounted cash flows	34,913
Less: Value of Debt (as of FY07E)	(1,926)
Net Discounted Cash Flows	32,987
No. of shares (mn) (post second merger and conversion of warrants)	42.79
Value per share (Rs.)	771

(B) Land Bank Value: The currently ongoing projects would lead to exploitation of about 20% of the total land holdings. We have estimated the value of balance unexplored land bank (80%) on the basis of 20% discount to market value of remaining land parcels situated at different locations. As per these calculations, the land value per share for the remaining land works out as follows:

Land value per share

Estimated value of remaining land bank (Rs. mn)	31,844
No. of shares (mn.)	42.8
Value per share (Rs.)	744

(C) Value of Ceramic Tiles Business: We have valued ceramic tile business at target EV/ EBITDA multiple of 3.5x. Thus, value per share price for ceramic tile business works out to Re 0.54.

Value per share for ceramic tiles business

EBITDA FY08E (Rs. mn)	63.8
Target EV/EBITDA Multiple	3.5
Enterprise Value (Rs. mn)	223.3
Net debt for ceramic tile business (Rs. mn)	(200)
Market cap for ceramic tile business (Rs. mn)	23.3
No. of share (mn)	42.8
Price/Share (Rs.)	0.5

SOTP valuation

		Price/share
Real estate operations	(A)	771
Land bank	(B)	744
Ceramic tile	(C)	1
Target Price	**(A)+(B)+(C)**	**1,516**

Based on the SOTP valuation, we estimate the fair value per share of Rs. 1,516.

Sensitivity analysis

We have performed a sensitivity analysis for changes in terminal growth and discount rates in steps of 1% in our estimates. The resultant range of values for the same are shown as below:

Sensitivity analysis (w.r.t. Discount rate and Terminal growth rate)

Discount rate	Terminal value growth rate for projects on lease				
	3%	4%	5%	6%	7%
10.34%	1,603	1,735	1,916	2,181	2,605
11.34%	1,483	1,581	1,709	1,886	2,144
12.34%	1,390	1,464	**1,516**	1,684	1,856
13.34%	1,315	1,374	1,446	1,539	1,661
14.34%	1,254	1,301	1,358	1,429	1,519

Two prominent risks being faced by real estate companies include property prices and construction cost. While steel prices have stabilised, cement prices may remain firm. In case construction cost rises and property prices do not rise, then we may see margins of developers coming under pressure.

We have analyzed the impact of these two contingencies and a sensitivity analysis of variation in the cost of development and real estate prices beyond our assumptions for estimating NPV per share.

Sensitivity analysis (w.r.t. Cost of development and Real estate prices)

Cost of	Real Estate prices (%)				
Development (%)	**(10)**	**(5)**	**0**	**5**	**10**
(10)	1,437	1,490	1,543	1,595	1,648
(5)	1,424	1,476	1,529	1,582	1,634
0	1,410	1,462	**1,516**	1,568	1,620
5	1,396	1,449	1,501	1,554	1,606
10	1,382	1,435	1,487	1,540	1,593

Business overview

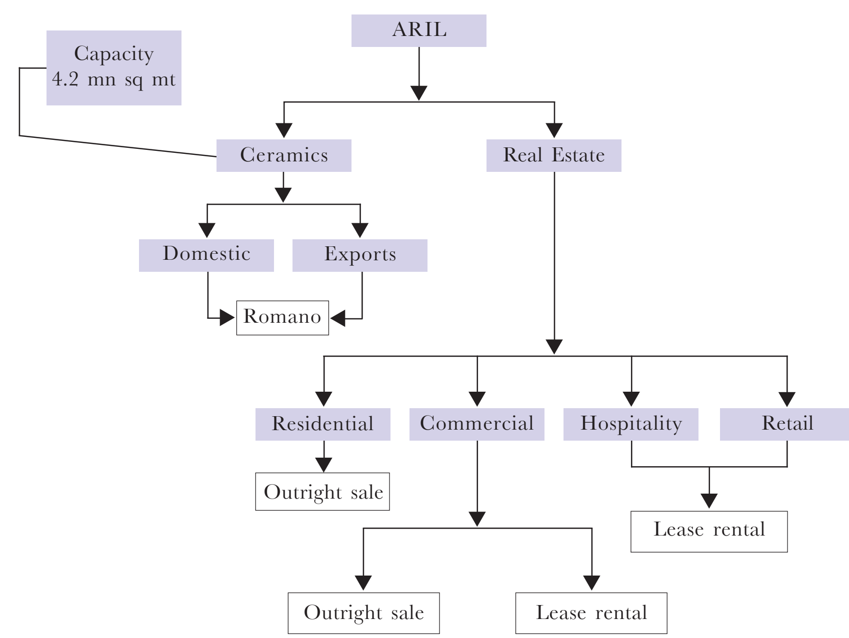
Real estate business coming to the fore with consolidation exercise

Anant Raj Industries Limited (ARIL), a part of the Anant Raj Group was incorporated in 1985. The group was established in 1969 and has been in the real estate business since then. It is amongst the top few real estate developers in North India and has developed more than 11.5 msf of space which includes residential, commercial and retail developments.

In 1989, ARIL set up ceramic tile manufacturing plant in Rewari, Haryana in technical collaboration with Henshall Bamford of UK. The current capacity of the plant is 4.2 mn sq. mts per annum. The products are sold in the domestic market as well as in Europe and Asia under the 'Romano' brand.

During the year 2005, Anant Raj group decided to consolidate its real estate business with its flagship company ARIL. The company diversified and forward integrated its ceramic tiles business with its group activity of investment and development of real estate assets. With the help of merging and acquiring group entities as well as acquisition of new land Anant Raj currently owns, constructs and develops a diversified portfolio.

Business model



Capacity expansion of ceramics from 2.4 msf to 4.2 msf

1/3rd of ceramic tile production to be used for captive consumption

The company undertook an expansion of its ceramic tiles manufacturing plant in 2006 and increased the installed capacity from 2.4 mn sq. mts to 4.2 mn sq. mts per annum.

The company serves as manufacturers, suppliers and exporters of ceramic tiles to the United Kingdom, Australia, Middle East, West Africa, South Africa, Russia, Sri Lanka, Bangladesh and Mauritius. At present, the company is exploring markets in North America, Europe and Far East Asia.

Despite, increasing revenues from ceramic tiles business, the company's main stay is real estate business as the company expects to achieve scale as well as higher margins from it.

Management team

Experienced management

ARIL has been promoted and is currently being headed by Chairman Mr. Ashok Sarin. He has more than 25 years of experience in real estate development and construction. Managing

Director of the company Mr. Anil Sarin has been with the company since its inception and has been instrumental in chalking out the development of ARIL from a 3,300 MT per day ceramic tile manufacturing company to a 12,000 MT per day tile manufacturing company and is also having experience of real estate business.

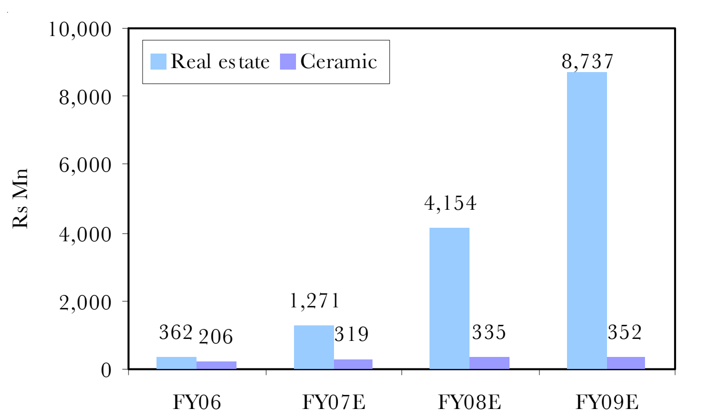
The two brothers are being actively supported by their sons and a team of professionals in the management with wide industry experience.

Revenue mix

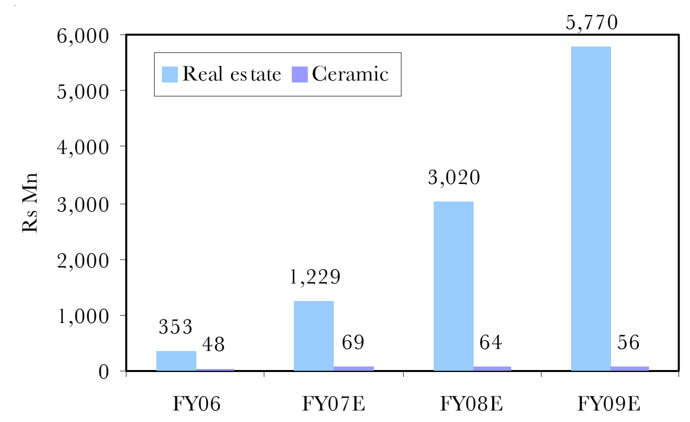
Real estate would be major contributor to revenues in future

ARIL generates major chunk of its revenues from real estate division. Nearly 64% of its FY06 revenues came from this division. Going forward, we see further improvement in this ratio. We expect ARIL to generate 96% of its revenues from real estate division in FY09E. Real estate division in FY06 contributed 88% to its EBITDA. In FY09E, we expect real estate division to account for 99% at EBITDA level.

Revenue mix



EBITDA mix



Source: Company, B&K Research

Capital raising and equity dilution

Equity history

As on	Equity shares (Rs. mn)	Reason	Premium per share (INR)
31 Mar 1990	6.51	As Per Annual Report	–
31 Mar 1995	7.49	Loan Conversion	–
31 Mar 1997	10.49	Rights Issue	–
10 Aug 2001	13.49	Issued to Bodies Corporate	–
31 Mar 2004	19.29	Preferential Issue of Shares	–
27 Sep 2005	21.79	Preferential Issue of Shares	165
03 May 2006	25.29	Preferential Issue of Shares	590
13 Nov. 2006	34.29	Scheme of Arrangement/Amalgamation	165

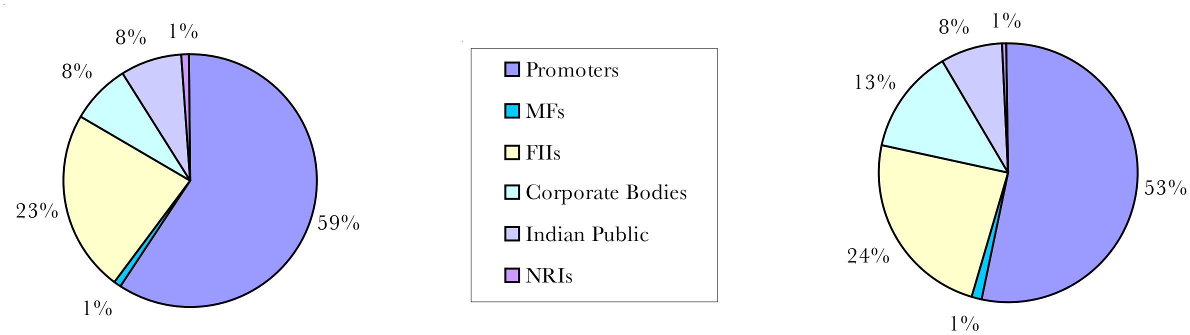
Anant Raj Industries Limited raised Rs. 3.7 bn from the markets through preferential allotment of equity shares and warrants to support its aggressive expansion plans. In FY06, ARIL allotted 2.5 million equity shares at a price of Rs. 175 per share, to raise Rs. 438 mn. The company also issued 1.5 million warrants at a price of Rs. 175 per warrant convertible within 18 months. Of this, the company received Rs. 18 per warrant at the time of issue and rest is to be realised at the time of conversion.

In FY07, the company so far, has allotted 3.5 mn equity shares and 1.5 mn equity warrants at a price of Rs. 600 per equity share and warrants convertible within 18 months from the date of issue.

Issue details (Second phase of placement)

Institutional subscribers	Equity shares (mn)	Warrants (mn)
Lehman Brothers	0.75	0.33
ABN-Amro	2.05	0.88
HSBC Investment	0.70	0.30
Total	**3.50**	**1.51**

Shareholding pattern (As on Sep. 30th, 2006 – 25.3 mn) (Post Warrants Conversion – 28.3 mn)

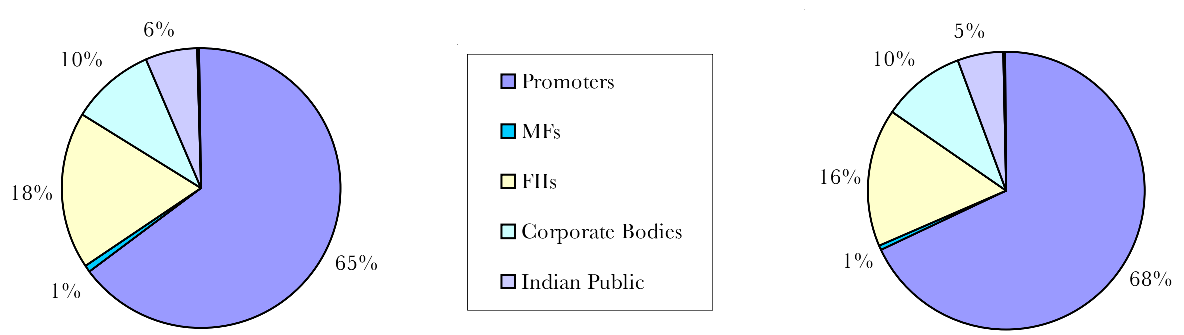


Source: B&K Research

Apart from equity dilution from warrants conversion, there will be further equity dilution due to consolidation process. Post mergers; we believe that promoter stake would increase from current 53% to 68%.

ARIL recently issued 9 million shares for the first phase of merger. These shares were issued at a premium of Rs. 165. In second phase of merger, we expect company to issue 5.5 million shares at a premium of Rs. 590. Post these two mergers, share capital of the company would stand at Rs. 428 mn.

Shareholding pattern (Post Phase I merger - 37.3 mn) (Post Phase II merger – 42.8 mn)



Source: B&K Research

Land bank

900 acres of land bank worth more than Rs. 65 bn

ARIL currently owns about 900 acres of land, valued at around Rs. 65 bn. The third merger, which has recently been announced, is expected to take the total land bank of the ARIL to more than 1,000 acres. The company over the next four years plans to develop 20.945 msf of saleable area, resulting in exploitation of 20% of existing land bank.

Categorisation of land bank

The group classifies its land bank into three categories namely Category A, Category B and Category C. The category A property is commercially exploitable in 1-2 years and a value appreciation is expected in it due to high demand and limited supply. Category B property is commercially exploitable in two-four years and for which infrastructure is planned for development. Finally, category C property is commercially exploitable in five years or more with a long-term view in prospect, along with planning the city development. Strategically, the development on category A land is readily saleable as it is well within the city and near the locations like metro station or a major market area. Currently, ARIL is focussing more on acquiring the category B & C land as it will be available at much cheaper rates and has the potential to grow exponentially.

Categorisation of land bank

Categories	Property commercially exploitable (years)	Comment
Category A	1-2	Significant value appreciation is expected.
Category B	2-4	If infrastructure is planned for development.
Category C	>5	Invest after study of city development.

Property under development

20.945 mn sq.ft. currently under development

The company has plans to develop 20% of its current land bank in the next 4 years. Unlike other players, Anant Raj is predominantly into development of commercial property (including hospitality, IT Parks, SEZs, office space) and not residential. Commercial real estate herein accounts for 67.6% of total area under development.

Property under development

Property	Nos.	Built-up area (msf)	As % of total Built-up area
Hospitality	11	5.327	25.4
IT Parks	2	6.300	30.1
SEZs	2	3.920	18.7
Commercial (office space)	3	0.712	3.4
Residential	10	4.686	22.4
Total		**20.945**	

Commercial 67.6%

Business strategy

Unlike other real estate players, the company's main stay is commercial real estate rather than residential. It is focussed on developing large IT Parks, big malls, SEZs and hotels. The company believes in rental based revenue model, rather than outright selling of developed projects. It mostly leases properties and earns stable revenue as well as capital appreciation on the assets. ARIL is focussed on large gestation projects that have huge scope of capital appreciation. For the next few years, it will develop land bought two-four years back. Post these projects, ARIL would look at projects with a time horizon of around five-seven years.

Lease rentals based revenue model

Revenue model: The company's revenue model is primarily lease rental based model. Going forward, the company plans to sell all of its residential projects as yield on residential projects is very low varying between 4-6% of market value (if leased out). This will help the company in raising funds for development of rest of the land bank. The company plans to hold bulk of commercial real estate and give it on lease, yielding somewhere between 9-14% per annum. The resultant lease revenue would be used for further land acquisition and property development.

Tie ups for operation: The company ties up with reputed chain for operations. In case of hospitality, Company has tied up with Sri Lanka based group Atkinspence for operations of some of its hospitality projects. By retaining ownership, the company not only secures lease rentals but also gets share in revenues. Similarly the company also plans to tie-up for operation of its multiplex coming up in Trilokpuri, Delhi.

Favourable lease contracts: ARIL has clauses wherein it gets an increment in every three years. Maintenance receipts and deposits are taken in advance from tenants. Normally six months of rent is taken as security deposit. This also helps in keeping debt levels low.

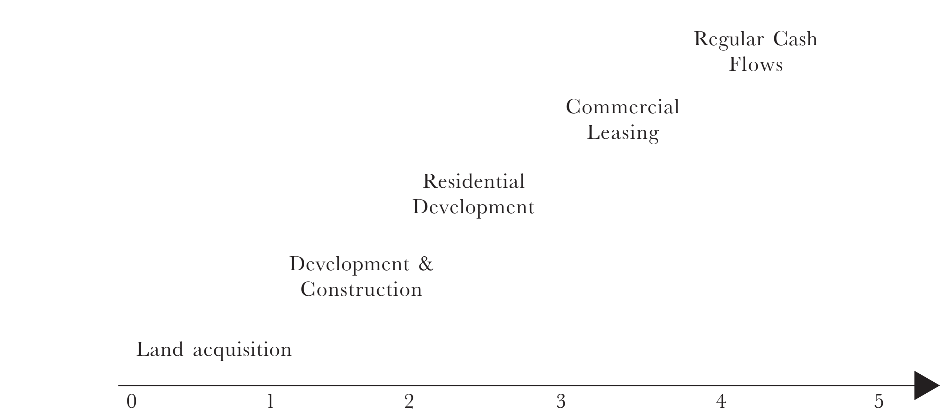
Investing in real estate

Knowledge of local land laws, development bye-laws and Delhi master plan help provide deeper understanding of market

The company being one of the oldest players in NCR region has very good knowledge about the region and therefore is focused on NCR region. The company has a deep understanding of local land laws, developmental bye-laws, regulations and practices, infrastructural changes/ augmentation, market trends and nature of demand.

Land acquisition & development: ARIL has a systematic process for land sourcing and selection.

Real estate development process



Source: B&K Research

Strategic land acquisition

Identify and buy land at the right time: ARIL's understanding of NCR market helps it to identify A, B & C category properties on an ongoing basis. The company tries to identify land in a manner that ensures land cost is lowest on per square feet of constructable area and optimal exploitation of potential to construct.

Exploitation of land bank: Exploitation of land bank is strategic in nature. ARIL segregates its investment in land bank viz.

- o Invest to trade.
- o Invest to develop and sell.
- o Invest to develop and lease and hold – earn rent (prime office locations).

Piecemeal development strategy: The company has a very unique strategy for land development. The company after acquiring land develops only a part and sells or leases it. Once a part of the land is developed and leased out, the value of rest of the land starts appreciating due to rub off effect. Thus, the company makes incremental gains due to rub off effect.

Business segments

Residential: Almost 80% of the US$ 12 bn real estate development in India is residential space. Addressing this opportunity, Anant Raj is presently constructing service apartments in areas like Kapashera, Hauz Khas and several other areas in NCR.

Residential projects

Property/Company	Location	Land bank (acres)	Area (msf)
Sarvodaya Builders	Kapashera	3.10	0.30
B T Estates	Bhati	6.28	0.46
Roseviews Estates	Hauz Khas	2.40	0.27
-	Bhagwandas Road	4.00	0.35
-	Tikri (North Delhi)	11.10	0.50
-	Tilak Marg	2.20	0.19
-	Nanglipuna (North Delhi)	5.00	0.13

Source: Company & B&K Research

Commercial: Anant Raj has also invested in properties that would accommodate the diverse needs of a broad range of commercial tenants. While it has already constructed and leased a building in South Delhi to a National Educational Institute, it is constructing a Shopping Complex in a prime area in Karol Bagh, Delhi.

Focus on commercial real estate

Commercial projects

Property/Company	Location	Land bank (acres)	Area (msf)
Carnation Buildcon	Badarpur	2.85	0.32
Elegant Buildtech	Badarpur	2.92	0.32
Dhruv Theatres	Trilokpuri	0.84	0.05
Oriental Buildtech	Karol Bagh	0.72	0.08

Source: Company & B&K Research

IT Parks: With sustained demand from the Information Technology (IT) sector and the IT/ ITES export booming, the need for IT Parks has rapidly increased. Anant Raj is constructing two Information Technology Parks in Manesar, Haryana, of which one will be developed on a 'Walk to Work' concept and is proposed to be a self-sufficient integrated mini-township.

IT parks

Property/Company	Location	Land bank (Acres)	Area (msf)
ARIL	Manesar	25.00	4.50
ARIL	Sonepat	10.00	1.80

Hospitality: As India continues to emerge as a leading tourist destination, quality and world-class accommodation has not kept pace with the growth. The demand for quality accommodation is further fuelled by the forthcoming 2010 Common Wealth Games, which are going to be held in Delhi.

Tapping the hospitality demand on the back of Common Wealth Games

Tapping successfully into these trends Anant Raj is already constructing two hotels in South Delhi and has further plans to develop 9 hotels in and around Delhi. The company is bullish about this segment and sees attractive opportunities and intends to penetrate further into the hospitality industry, maintaining it as one of the key area of focus.

Major ongoing hospitality projects

Property/Company	Location	Land bank (acres)	Areas (msf)
Kalinga Meadows	Mehrauli	7.37	0.13
Grand Meadows Papilon Estates	New Intl Airport	7.61	0.15
Bhasin Resorts	Mehrauli	5.75	0.10
-	Najhafgarh (North Delhi)	28.25	0.01
-	Ishapur (North Delhi)	4.75	0.08
-	NH – 8	8.00	0.14

Source: Company & B&K Research

SEZs an additional kicker: Anant Raj is also planning to foray into SEZs development. ARIL has a 108 acre SEZ approved (in-principle) in Manesar. The land for the same has already been acquired by the company. Another 600 acre SEZ is at the approval stage, of which 250 acres of land has been acquired. We see it as an additional avenue of growth for the company due to government's policy of providing various tax incentives to developers of SEZs.

Industry perspective

Real estate industry growing at CAGR of 30% to touch US$ 90 bn by 2015

The real estate sector has huge potential and caters to over 250 ancillary industries such as cement, steel, bricks, building material, etc., which are the drivers of India's economic growth. For every one rupee spent on construction, an estimated 75-80% is added to GDP. Buoyed by the overall economic growth, infrastructure development and enabling government policies, growth trajectory for the real estate sector is promising. Besides, 100% FDI being allowed in real estate since February 2005 is likely to give a major boost to high end constructions in both residential and commercial projects. The sector is estimated to have grown at 30% CAGR to US$ 12 bn currently by FICCI and could top US$ 90 bn in the next 10 years.

NCR real estate scenario

North Indian real estate market basically comprises of Delhi and NCR region comprising of Gurgaon, Noida, Greater Noida, Manesar, Sonepat and peripheral areas. The demand for built-up property in this region is mainly coming from considerable industrial and commercial development happening in Noida and Gurgaon. This type of commercial development is supported by availability of skilled and educated manpower. Backed by commercial development, residential demand is generated, which is further driving demand increase in property prices. Improved mobility between dispersed corners of NCR would make commuting easier, resulting in further improvement in process. The per capita NDP in NCR is amongst the highest as compared to other states. Also services contributes to around 90% of NDP. This reflects higher demand and better affordability in the region.

Overview of the Indian states

States		Largest city in the state		Per cap NDP* as share of Indian mean	Aggregate growth rate of per cap	Share of industry sector	Share of services in NDP
Name	Population m (2001)	Name	Population '000 (2001)	Index (2003-2004)	NDP % (1993-2001)	in NDP Latest available data	
Andhra Pradesh	76.2	Hyderabad	3637.5	96.1	4.58	14.9	56.7
Arunachal Pradesh	1.1	Itanagar	36	81.3	-0.11	2.6	60.5
Assam	26.7	Guwahati	809.9	55.3	0.75	17	49.4
Bihar	83.0	Patna	1366.4	31.4	1.98	4.1	61.1
Chhattisgarh	20.8	Raipur	605.7	63.9	1.39	28.1	50.1
Delhi (NCR)	**13.9**	**New Delhi**	**9879.2**	**253.3**	**4.86**	**9.9**	**88.9**
Goa	1.3	Panaji	96.9	254.9	6.6	34.4	57.1
Gujarat	50.7	Ahemdabad	3520.1	142.2	3.83	30.5	48.2
Haryana	21.1	Faridabad	1055.9	133.2	3.13	23.8	50.5
Himachal Pradesh	6.1	Shimla	142.6	107.4	4.74	17.5	55.2
Jammu & Kashmir	10.1	Srinagar	898.4	70.1	1.79	1.8	65.4
Jharkhand	26.9	Ranchi	847.1	70.9	3.05	29.8	50.5
Karnataka	52.9	Bangalore	4301.3	107.1	4.93	13.6	62.7
Kerala	31.8	Thiruvananthpuram	745	102.6	3.81	11.1	72.5
Madhya Pradesh	60.3	Damoh	112.2	70.2	1.97	16.4	49.9
Maharashtra	96.9	Greater Mumbai	11978.5	136	2.33	19.6	67.3
Manipur	2.2	Imphal	221.5	74.2	3.08	8.7	62.1
Maghalaya	2.3	Shillong	132.9	88.3	4.11	8.4	66.3
Mizoram	0.9	Aizwal	228.3	n.v.	n.v	0.4	73.3
Nagaland	2.0	Kohima	78.6	108.6	3.12	0.2	66.4
Orissa	36.8	Bhubaneswar	646	54.5	2.42	13.7	49.4
Punjab	24.4	Ludhiana	1398.5	133.9	2.26	15.7	43.9
Rajasthan	56.5	Jaipur	2322.6	72.6	4.17	18.1	53
Sikkim	0.5	Gangtok	29.2	104.4	5.09	7.3	71.2
Tamil Nadu	62.4	Chennai	4343.6	113.8	4.48	18.6	68.7
Tripura	3.2	Agartala	190	95.4	8.02	4.4	68.9
Uttar Pradesh	166.2	Kanpur	2551.3	50.9	1.46	13.5	52.7
Uttaranchal	8.5	Dehradun	527.9	73.8	2.04	9.1	56.3
West Bengal	80.2	Kolkata	4572.9	99.4	5.51	13.3	58.7
India (incl. 6 territories)	1068.2			100	4.28	21.8	59.6

* NDP=Net Domestic Product=Gross Domestic Product less depriciation

Source: Census India

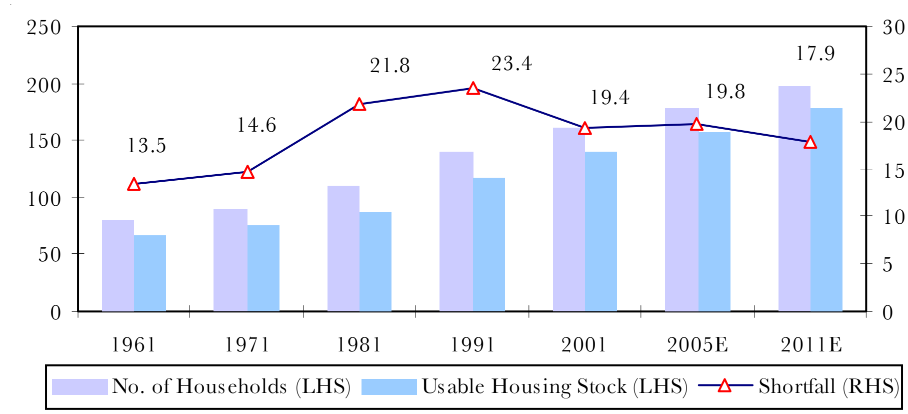
Residential demand

Residential segment constitutes 80% of real estate market

Residential property market constitutes almost 80% of the real estate market in India in terms of volumes and has been growing at 34% annually. The last census put India's households at 192 mn in 2001, up 39 mn from the 1991 census and 69 mn from 1981 census. This coupled with drop in the average household size from 5.7 mn in 1971 to 5.5 mn in 1991 and 5.3 mn in 2001 indicates that apart from population growth, nuclear family structure is slowly finding ground in India. This has resulted in a housing stock shortfall of 19.8 mn despite the strong inflow of supply over the past one decade.

Indian housing shortfall pegged at 19.8 mn units

Shortfall in housing units



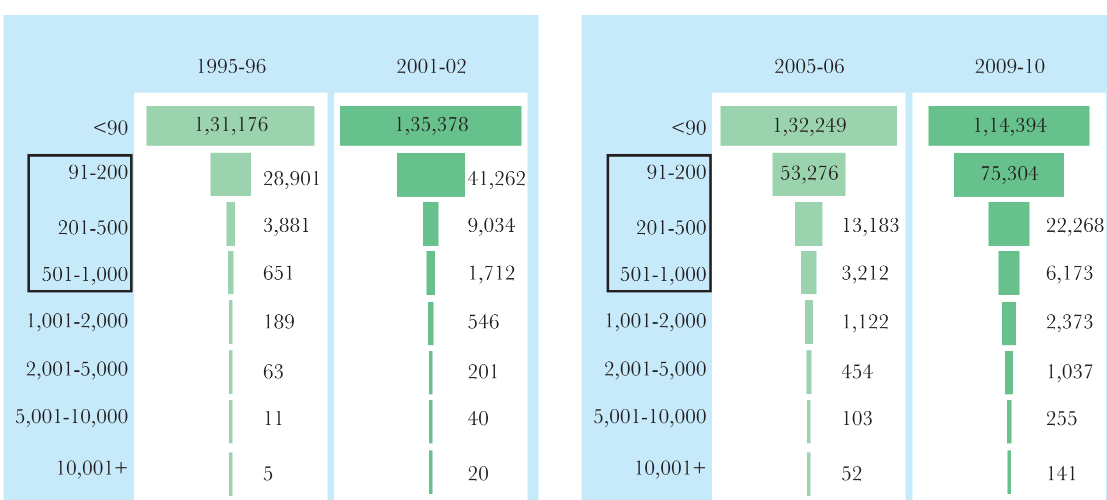
Source: JNNURM

Burgeoning middle class offers huge opportunity

- **Population growth and middle income group**

  In a country of population of above 1.1 bn with a 20 mn added every year, there is a strong demand for residential property. Of this over 250 mn population, translating into 60 mn households belong to the middle-income group, which is the key contributor to residential demand.

Growing middle class



Source: NCAER (Income figures in '000 per annum at 2001-02 prices, households in '000 numbers.

- **High disposable income:** The increasing affluence of growing middle class and more liberal bank lending has helped sustain the building boom in houses and apartments. The high disposable income has also driven people to demand for second homes for investment purposes.

- **Favourable demographic transition**

  According to Asian Demographics Report, the 20-54 years age bracket is growing faster than the rest of the population and will represent more than 50% of the population in 2013. This growing size of the working population has backed up the strong demand for residential/commercial properties.

- **Increase in urban population**

  With the growth of service sector and in perticuler IT Industry, employment opportunities in urban areas has increased drastically leading to significant move of the population towards the urban areas. This has paved way for construction of residential area for catering to the increasing housing needs of such population.

Increasing urban population

Year	Proportion of urban population to total population (%)
1961	17.97
1971	19.91
1981	23.34
1991	25.71
2001	27.78

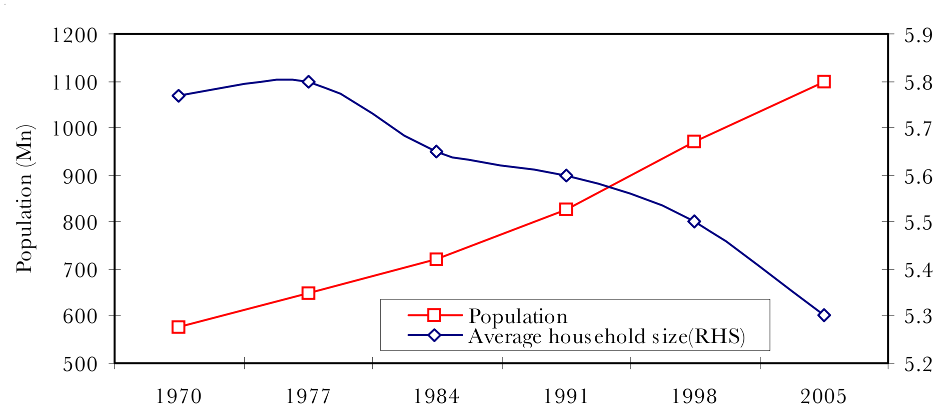
Source: Census India

- **Nuclear families**

Falling average household size

As the joint family system is breaking down, there is an increase in the number of nuclear families every year thus increasing the housing demand. The number of households in India is expected to increase at 2.58% per annum.

Declining average household size

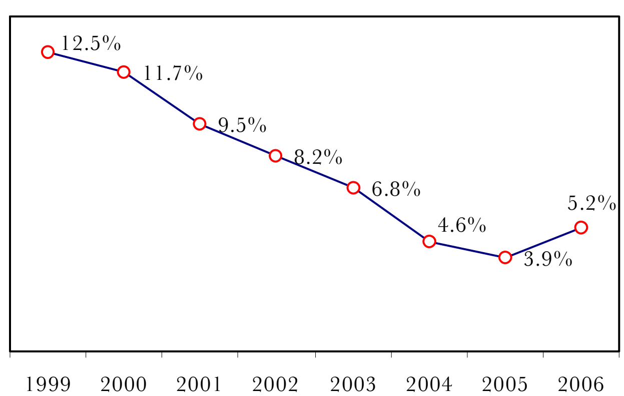


Source: Census India, UN Habitat

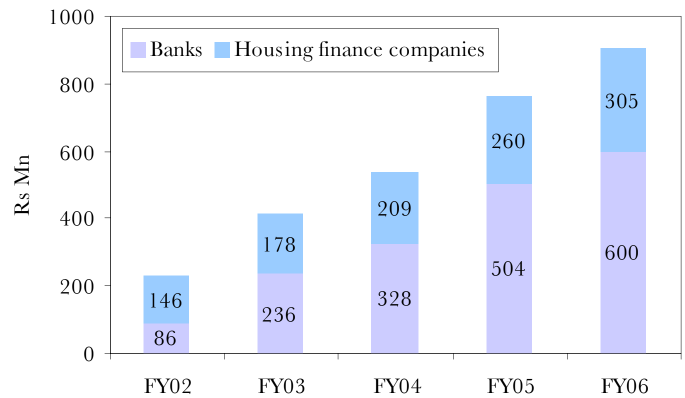
- **Easy access to finance**

  Easy availability of home loans and competitive interest rates have all led to increased housing affordability. Despite recent rise in home loan interest rates and qualitative sanctions being levied by the Reserve Bank of India on banks, buying interest has not waned because home loans are still cheaper than 10 years ago.

Softening interest rate (Effective home loan interest rates – Post tax)



Housing loan disbursals



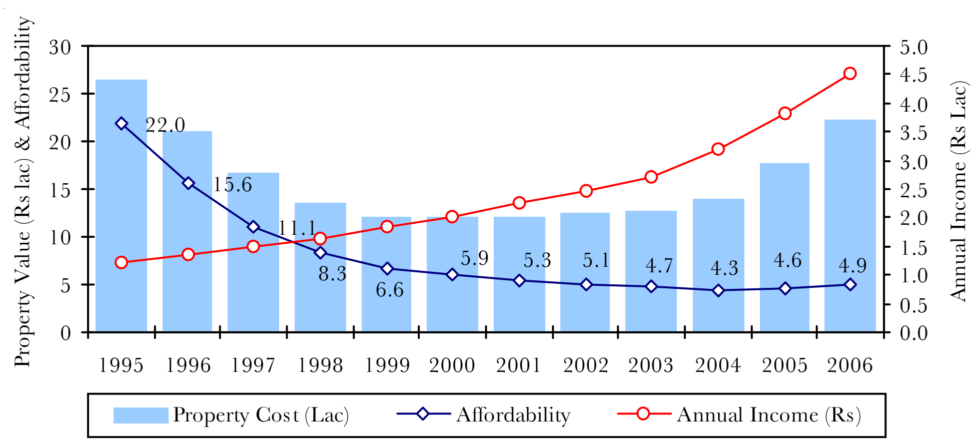
Source: NHB, RBI

High disposable income, fiscal incentive, tax sops – key to sustained affordability

- **Increased affordability**

  HDFC recently conducted a study with respect to a simple affordability index, calculating the average cost of financing a property in suburban Mumbai. Here affordability was calculated by dividing property prices by annual income. This affordability index signals that while homes are not as affordable as two years ago, there is still no exaggeration when compared to mid-1990s. For the most part, incomes and low mortgage rates justify the current price level. Moreover, tax incentives have been granted to finance property. Nowadays, higher interest and debt service can be claimed against taxes than in the 1990s. Tax savings have thus made owner occupied property more attractive.

Affordability index



Source: HDFC. (Note: 1 lac = 0.1 mn)

- **Unlocking of land banks**

  The government has recently unlocked large amount of land banks for real estate development. This has increased the supply thereby further surging the real estate activity.

- **Construction finance**

Increased financing avenues

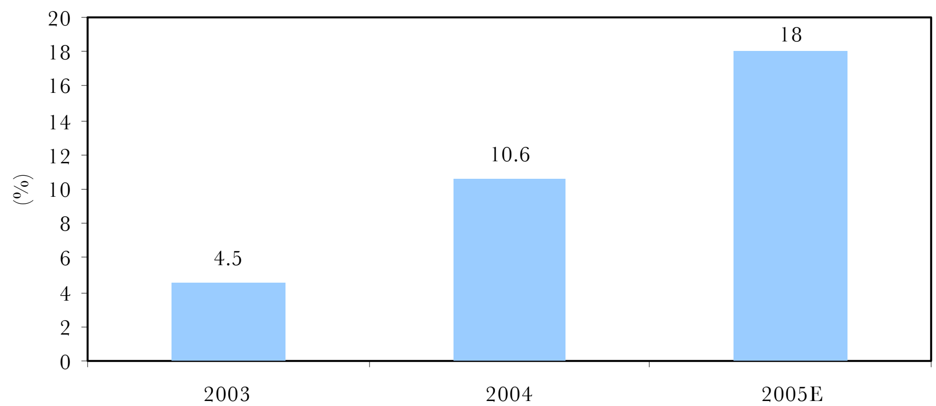
  Along with the age old plain vanilla 'Construction Finance', lots of new avenues are available for financing real estate sector. Receivable discounting, escrow account mechanism, REIT's, REMF's are set to be future avenues available to the developers for financing their projects.

- **Relaxation of FDI ceiling**

  The Government of India had lifted the restriction on FDI's by allowing their share to be 100% in the construction and real estate companies. Relaxation of FDI ceiling rate has made international real estate developers come to India in a big way. This is reflected in a sharp jump seen in the share of real estate in FDI in Knight Frank India's study.

Relaxation in FDI has led to increased capital inflow

Share of Real Estate in FDI



Source: Knight Frank India Research

Commercial real estate

The service sector, predominantly led by the IT/ITES, including Financial Services, Insurance, Telecom, etc. is the main driver of the demand for commercial real estate.

Commercial real estate estimated to post a CAGR of 20-25%

Led by IT/ITES sector: The office space in India has doubled over the past three years to 100 mn sq.ft. an implied CAGR of 26%. With the IT/ITES industry slated to grow from the current US$ 28 bn to US$ 148 bn by 2012 (NASSCOM), the requirement for office space from this segment is likely to be quite robust in the coming years. Demand for office space is estimated to grow at an annual rate of 20-25% over the next 10 years, which equates to 500-650 msf. Initially, approximately 30 msf of office space supply is expected to enter the market per annum for the next three years. (Source*: NASSCOM, Ministry of IT*)

75% of the office space demand expected to come from IT/ITES

Increasing rentals and capital appreciation: Increase in demand for commercial space has led to increase in rental rates across most of the country's office markets. Currently, the rental rates vary from Rs. 40 to Rs. 200 per month per sq.ft. depending upon the region and locality.

Growth in lease rentals (commercial space)

City	Growth in rentals September 2006, Y-o-Y (%)
Mumbai - CBD	73
Delhi/NCR - CBD	93
Chennai - CBD	16
Bangalore - CBD	22

Source: Cushman and Wakefield

Hospitality

Hospitality business growing on account of surge in foreign tourist arrivals

The hotel industry in India has grown as a result of a growing economy, increased business travel and tourism. CRIS INFAC expects that room demand will grow by approximately 4% in fiscal 2006 and 2007 and that this demand will result in an increase in occupancy rates from 72% in fiscal 2005 to 75% in fiscal 2006 and 2007 across India's larger cities. This is expected to be accompanied by increases in average room rates of 27% and 21% in fiscal 2006 and 2007. It is expected that the growth in occupancy rates will be assisted by factors such as the 10% CAGR in the number of incoming travellers (3.88 mn in FY06) into India over the next five years.

Dominated by regional players

Moreover, the NCR is faced with a soaring demand for rooms to accommodate tourists, particularly budget visitors during the Commonwealth Games scheduled to be held in Delhi in 2010. The growth will be supported by significantly improved road and transport infrastructure and privatisation of Delhi Airport.

Increasing occupancy levels for hotels

(%)	Room demand growth	
City	2005-06	2006-07
Hyderabad	8	15
Kolkata	10	6
Pune	7	5
Bangalore	5	3

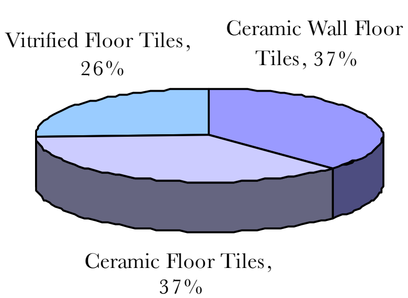
Source: HVS International

Concerns

The sector is largely unorganised and dominated by a large number of small players, with very few corporates or large players having national presence. The Indian real estate market, as compared to the other more developed Asian and Western markets is characterised by smaller size, lower availability of good quality space and higher prices. Supply of urban land is largely controlled by state-owned development bodies like the Delhi Development Authority (DDA) and Housing Boards leaving very limited developed space free, which is controlled by a few major players in each city. Restrictive legislations and lack of transparency in transactions are the main impediments to the growth of this sector. Besides, high stamp duty does not aid to the growth of organised industry.

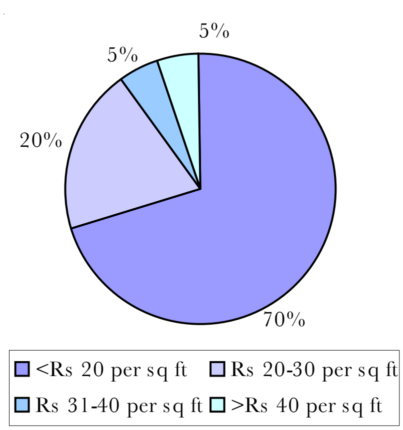
- **Land acquisition:** In India, high percentage of land holdings do not have clear titles and are typically held by individuals/families and thus are highly unorganised. Non-corporatisation restricts organised dealings and hinders transfer of title.
- **Rising input prices:** With the land prices soaring, input cost aggravated by service tax and other levies, increase in home loan lending rate, housing projects are becoming dearer now. The market also cites a bubble in the sector, as the developers highly elevate the land values.
- **Stamp duty:** Though, the stamp duty rates have been recently rationalised in a number of states, the rates in India (8-10%) still remain much higher in comparison to global levels (2-3%). This encourages the buyers to understate the sale proceeds in order to avoid the excessive stamp duty and deal in parallel market.
- **Archaic laws:** There exist some clauses in Acts (like ULCRA and Agricultural Land Ceiling Acts) which restricts the developers from acquiring land for residential projects which creates artificial scarcity thus resulting in higher land prices.
- **Lack of transparency:** Jones Lang LaSalle rates the Indian property market transparency as low in its international transparency survey from 2004. Transparency International ranks India 88 out of 150 countries with regard to the perceived corruption level.
- Although, transparency has improved over the past few years, it is still hard to get reliable and consistent information on the Indian property market. There are also more professional due diligence and valuation institutions needed.

Tile industry



Source: B&K Research

Ceramic tiles – Market segmentation by price



Source: Company

Ceramic

The tile industry is estimated at around Rs. 45 bn and has been growing at 15% per annum for the last five years. Around 55% of the market is dominated by the organised sector and the balance by the unorganised sector. There are 16 players in the organised segment and about 200 players in the unorganised segment. The tile industry has three main segments, vitrified floor tiles, ceramic floor tiles and ceramic wall tiles.

Ceramic tiles

Ceramic tiles are variously sized slabs of ceramic material used to cover floor and walls. The same are also referred as glazed tiles and are made of clay. The tiles are not polished and undergo a separate glazing process to have a finished look. In case of ceramic tiles, the body and surface of the tiles is different as against the vitrified tiles. Ceramic tiles has current production capacity of 39.6 msm per annum and the expansions in the industry would add 44.8 msm to the existing capacity. Most of the players of the industry are expanding their capacities.

Vitrified tiles

Vitrified tiles are made of superior clays like China clay, Ukraine clay and feldspar. Vitrified tiles have low moisture content as against ceramic tiles, which are porous in nature. To impart low water absorption, the tiles are fired at high temperature of about 1,200 cc. The tile is compressed under high pressure to make it very strong as well as scratch resistance. The tiles are highly glossy. This makes them highly preferable for floor tiles, basically by institutions and commercial premises, which takes heavy load.

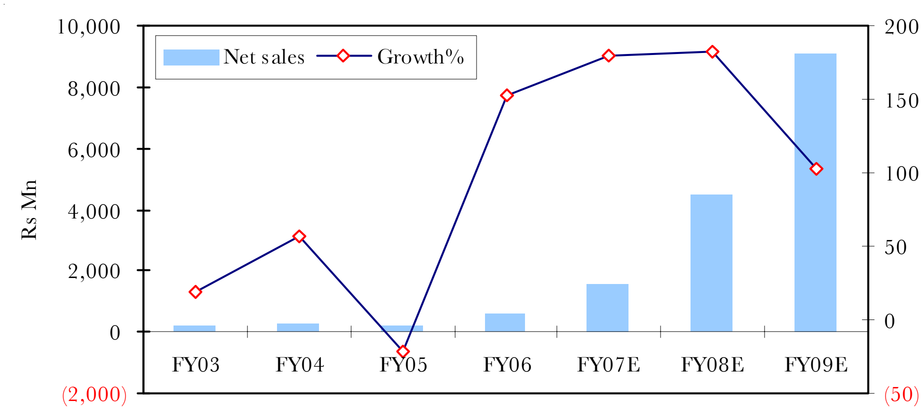
The current production capacity of the industry is about 28.35 msm per annum. To protect the industry from cheaper imports, the government has levied an import duty of 6.45%, CVD of 16% and anti-dumping duty of US$ 8.28 per sq. meters. The landed cost of imported tiles is higher than the domestic price due to the imposition of import duties. However, the policy also gives relief on anti- dumping duty in cases where the Chinese or UAE exporter has entered into an agreement with the domestic manufacturer and is sharing his books with the Government of India and has also proved that they are not dumping goods. Some of the domestic players are using the legal loophole to import at low cost and sell at higher domestic prices. This practice may lead to increase in competition and pricing pressure to the domestic manufacturers.

Financials

Revenues

ARIL's net revenues are expected to increase at a CAGR of 152% ver next three years. This growth in revenues is largely coming from the real estate division through outright selling of projects in progress and lease rentals. The company has shown a steep jump in revenues from Rs. 225 mn in FY05 to Rs.568 mn in FY06 mainly on account of real estate division coming into ARIL. More consolidation and projects in pipeline would lead to robust growth in coming next three years. Expansion in ceramic tile division by 1.8 msm by FY06 end is also expected to provide marginal growth in ceramic division revenues.

Net sales and growth



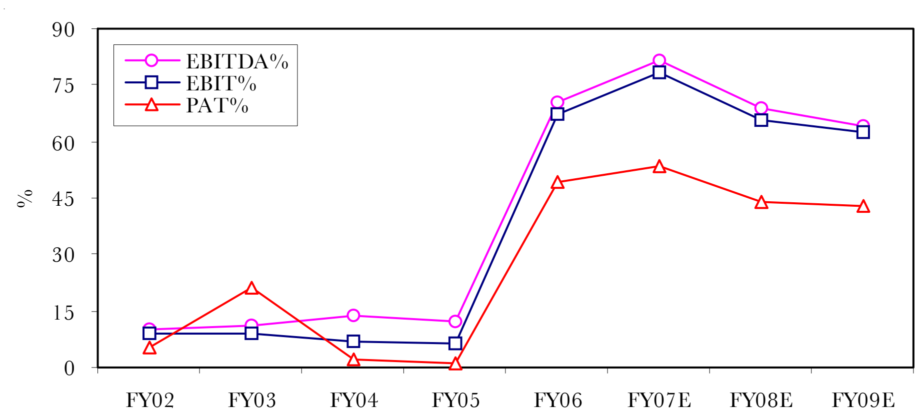
Source: Company, B&K Research

Financials from FY07E take into account the first 2 mergers

Margins

EBITDA margins improved from 12% in FY05 to 70% in FY06, primarily on account of real estate revenues. We expect the company to maintain these margin levels at about 64% and an increase in EBITDA earnings at a CAGR of 144% during FY06-09E. PAT margins have shown a 4,815 bps jump in FY06 to 49% with 9,486% increase in net profit levels at Rs. 281 mn. We expect the net profits to increase at a CAGR of 140% over the estimated period and PAT margins to stabilise at 44% in FY08E and about 43% in FY09E.

Margins

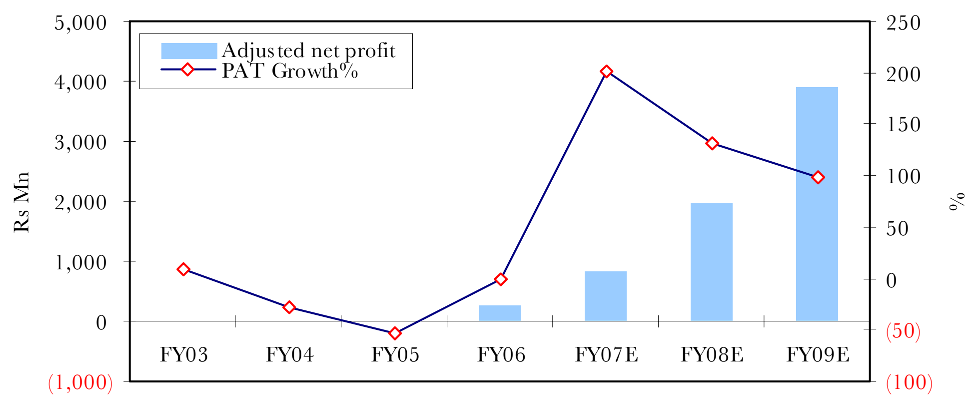


Source: Company, B&K Research

PAT and growth

We expect ARIL to report an increase of 140% CAGR in its adjusted PAT from FY06 to FY09E. Increase in profits will be driven by completion of real estate projects. The company has shown an improvement of 9,486% in its PAT for FY06 over previous year; however numbers are strictly not comparable as there has been a structural change in the company's business through consolidation of real estate business.

PAT and growth

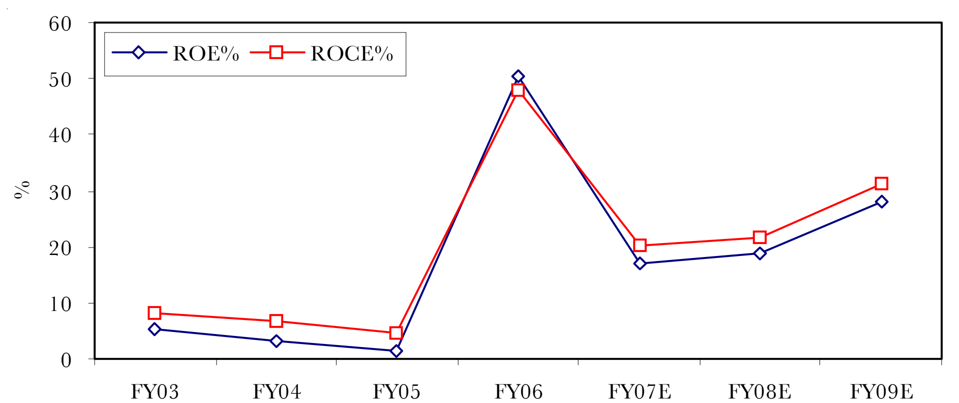


Source: Company, B&K Research

RoE/RoCE

The company's RoE and RoCE stood at 50% and 48%, respectively, in FY06, primarily on account of real estate income. Because of ongoing consolidation and fund raising, RoE and RoCE are likely to decrease to 28% and 31%, respectively.

RoE/RoCE

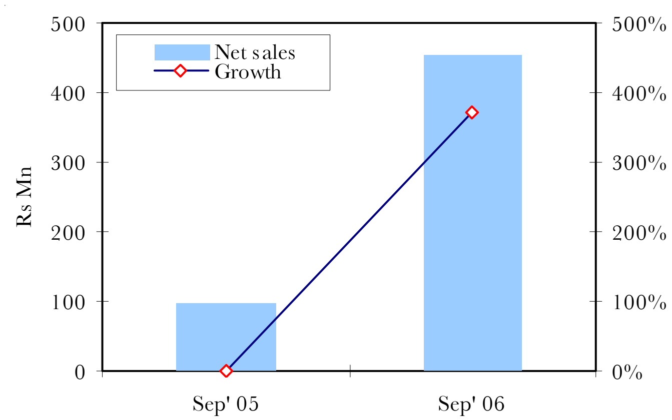


Source: Company, B&K Research

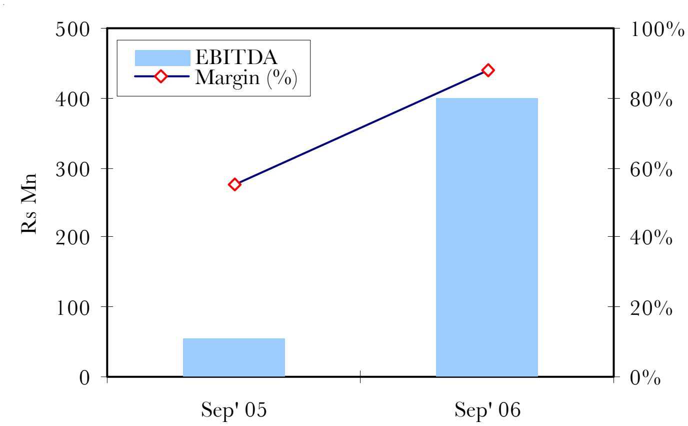
Quarterly results comparisons

The net sales of the company stood at Rs. 455 mn in 2QFY07, showing a 374% y-o-y growth over 2QFY06. EBITDA increased by approximately 655% i.e. a little less than 8 times the 2QFY06 earnings to Rs. 400 mn. With the cost increasing by only 26% and the tax rate declining to 31%, the net profit of the company increased by 953% y-o-y to Rs. 270 mn. As a result of these factors, the EBITDA margin increased from 55% in 2QFY06 to 88% in 2QFY07.

Net sales and Growth



EBITDA and EBITDA margin

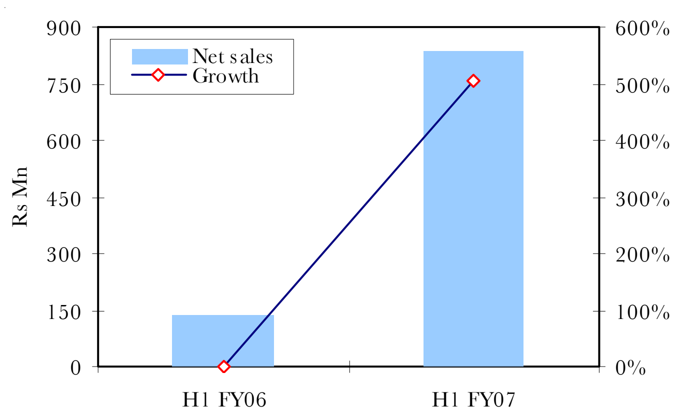


Source: Company, B&K Research

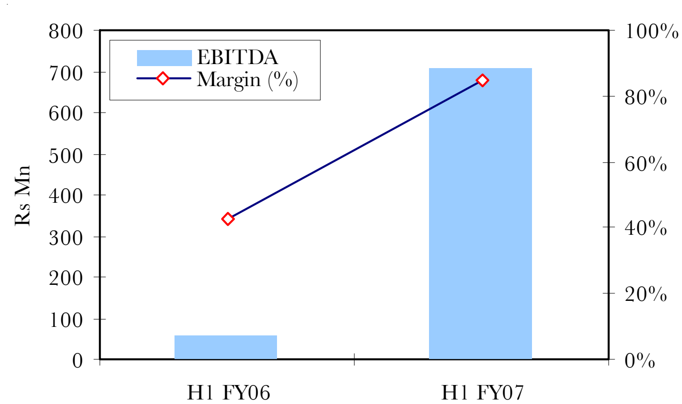
Half yearly results comparison

The first half of FY07 saw the company growing its net revenues by over 505% y-o-y to Rs. 836 mn. The EBITDA stood at Rs. 707 mn, growing by approximately 1,097% as a result of only 62% increase in cost. The net profit jumped over 17 times to Rs. 470 mn in 1HFY07 with the tax rate declining to 32% as compared to 38% in the same period last year. The EBITDA margins approximately doubled from 43% in 1HFY06 to 85% in 1HFY07.

Net sales and Growth



EBITDA and EBITDA margin



Source: Company, B&K Research

Detailed financials

Income Statement

Year ended 31 Mar. (Rs. mn)	FY04	FY05	FY06	FY07E	FY08E	FY09E
Net sales	287	225	568	1,590	4,489	9,089
Operating Expenses	(247)	(198)	(168)	(292)	(1,406)	(3,263)
Operating Profit	39	27	401	1,298	3,083	5,826
EBITDA	**39**	**27**	**401**	**1,298**	**3,083**	**5,826**
Depreciation	(24)	(20)	(29)	(61)	(141)	(171)
Other Income	3	7	9	10	10	10
EBIT	**19**	**15**	**381**	**1,247**	**2,952**	**5,664**
Interest Paid	(11)	(11)	(12)	(112)	(329)	(480)
PBT	8	3	369	1,135	2,624	5,184
Tax	(2)	-	(88)	(285)	(658)	(1,298)
Net Income	**6**	**3**	**281**	**849**	**1,965**	**3,886**

Balance Sheet

Year ended 31 Mar. (Rs. mn)	FY04	FY05	FY06	FY07E	FY08E	FY09E
Current Assets	**182**	**161**	**244**	**1,522**	**1,168**	**2,181**
Non-current assets	171	207	1,133	10,438	16,867	20,655
Fixed assets (Net block)	171	207	1,133	10,438	16,867	20,655
Gross Block	359	359	1,143	7,648	8,001	7,512
Land + buildings	72	72	588	6,659	7,006	6,510
Plant + equipment	10	11	11	11	12	14
Less: Depreciation	(219)	(238)	(254)	(313)	(453)	(622)
Total Assets	**352**	**368**	**1,377**	**11,959**	**18,034**	**22,837**
Current Liabilities	32	42	112	901	2,041	2,404
Non - Current Liabilities	104	106	370	1,953	4,113	4,692
Total Debt	93	96	344	1,926	4,086	4,665
Total Liabilities	**135**	**148**	**482**	**2,854**	**6,154**	**7,096**
Total Shareholders' Funds	**217**	**220**	**894**	**9,105**	**11,880**	**15,741**
Paid-up Capital	193	193	218	413	428	428
Reserves & Surplus	24	27	679	8,696	11,455	15,316
Share Premium	–	–	413	7,455	8,343	8,343
Retained Earnings	24	27	239	1,033	2,995	6,855
Other Reserves	–	–	27	208	117	117
Less: Misc. expenditure	–	–	(2)	(3)	(3)	(2)
Shareholders' Funds	217	220	894	9,105	11,880	15,741
Total Equity & Liabilities	**352**	**368**	**1,377**	**11,959**	**18,034**	**22,837**

Cash Flow Statement

Year ended 31 Mar. (Rs. mn)	FY04	FY05	FY06	FY07E	FY08E	FY09E
Pre-tax profit	**8**	**3**	**369**	**1,135**	**2,624**	**5,184**
Depreciation	23	19	16	59	139	169
Chg in debtors	(9)	9	(29)	(21)	1	(11)
Chg in inventory	(11)	(9)	(21)	(26)	(17)	(11)
Chg in loans & advances	(14)	2	(18)	(3)	(3)	(4)
Chg in current liabilities	(20)	12	8	732	1,134	336
Total tax paid	–	(2)	(73)	(284)	(658)	(1,298)
Cash flow from operations (a)	**(24)**	**35**	**254**	**1,593**	**3,221**	**4,368**
Capital expenditure	(35)	(55)	(942)	(9,364)	(6,568)	(3,958)
Cash flow from investing (b)	**(35)**	**(55)**	**(942)**	**(9,364)**	**(6,568)**	**(3,958)**
Free cash flow (a+b)	**(59)**	**(20)**	**(688)**	**(7,771)**	**(3,347)**	**410**
Equity raised/(repaid) [incl. chg in share premium]	58	–	435	7,237	903	1
Debt raised/(repaid)	20	2	248	1,582	2,161	578
Other financing activities	–	–	(104)	7	(216)	(172)
Cash flow from financing (c)	**78**	**2**	**704**	**8,999**	**2,974**	**578**
Net chg in cash (a+b+c)	**20**	**(18)**	**16**	**1,228**	**(373)**	**988**

Annexure: Some ongoing projects and land bank

Green Retreat Motel (Land: 7.5 acres)

Grand Meadows (Land: 4.73 acres)

Papillon Estates (Land: 2.89 acres)

Bhasin Resorts (Land: 5.75 acres)


Tricolor Motel (Land: approx. 8 acres)


IIPM Institute, Mehrauli (Land: 3.29 acres)


Roseview Estates Pvt. Ltd. (Land: 2.39 acres)

Kalinga Meadows Ltd. (Land: 7.37 acres)

Income Statement

Yr. ended 31 Mar. (Rs. m)	FY06	FY07E	FY08E	FY09E
Net sales	568	1,590	4,489	9,089
Growth (%)	152.4	179.8	182.4	102.5
Operating expenses	(168)	(292)	(1,406)	(3,263)
Operating profit	401	1,298	3,083	5,826
EBITDA	**401**	**1,298**	**3,083**	**5,826**
Growth (%)	1,365.1	224.1	137.5	88.9
Depreciation	(29)	(61)	(141)	(171)
Other income	9	10	10	10
EBIT	**381**	**1,247**	**2,952**	**5,664**
Interest paid	(12)	(112)	(329)	(480)
Pre-tax profit (before non-recurring items)	369	1,135	2,624	5,184
Pre-tax profit (after non-recurring items)	369	1,135	2,624	5,184
Tax (current + deferred)	(88)	(285)	(658)	(1,298)
Net profit	**281**	**849**	**1,965**	**3,886**
Adjusted net profit	**281**	**849**	**1,965**	**3,886**
Growth (%)	9,486.4	202.1	131.4	97.7
Net income	281	849	1,965	3,886

Balance Sheet

Yr. ended 31 Mar. (Rs. m)	FY06	FY07E	FY08E	FY09E
Current assets	244	1,522	1,168	2,181
Net fixed assets	1,133	10,438	16,867	20,655
Total assets	**1,377**	**11,959**	**18,034**	**22,837**
Current liabilities	112	901	2,041	2,404
Total Debt	344	1,926	4,086	4,665
Other non-current liabilities	26	27	27	27
Total liabilities	**482**	**2,854**	**6,154**	**7,096**
Share capital	218	413	428	428
Reserves & surplus	679	8,696	11,455	15,316
Less: Misc. expenditure	(2)	(3)	(3)	(2)
Shareholders' funds	894	9,105	11,880	15,741
Total equity & liabilities	**1,377**	**11,959**	**18,034**	**22,837**

Cash Flow Statement

Yr. ended 31 Mar. (Rs. m)	FY06	FY07E	FY08E	FY09E
Pre-tax profit	369	1,135	2,624	5,184
Depreciation	16	59	139	169
Chg in working capital	(59)	683	1,116	312
Total tax paid	(73)	(284)	(658)	(1,298)
Cash flow from oper.(a)	**254**	**1,593**	**3,221**	**4,368**
Capital expenditure	(942)	(9,364)	(6,568)	(3,958)
Cash flow from inv. (b)	**(942)**	**(9,364)**	**(6,568)**	**(3,958)**
Free cash flow (a+b)	**(688)**	**(7,771)**	**(3,347)**	**410**
Equity raised/(repaid)	435	7,237	903	1
Debt raised/(repaid)	248	1,582	2,161	578
Dividend (incl. tax)	-	(62)	(118)	(122)
Other financing activities	20	243	28	121
Cash flow from fin. (c)	**704**	**8,999**	**2,974**	**578**
Net chg in cash (a+b+c)	**16**	**1,228**	**(373)**	**988**

Key Ratios

Yr. ended 31 Mar. (%)	FY06	FY07E	FY08E	FY09E
EPS (Rs)	12.9	20.6	45.9	90.8
EPS growth	8,386.7	59.5	123.3	97.7
EBITDA margin	70.5	81.6	68.7	64.1
EBIT margin	67.0	78.4	65.8	62.3
ROCE	47.9	20.2	21.8	31.1
Net debt/Equity	35.2	7.3	26.9	17.7

Valuations

Yr. ended 31 Mar. (x)	FY06	FY07E	FY08E	FY09E
PER	102.6	64.3	28.8	14.6
PCE	93.0	60.0	26.9	14.0
Price/Book	32.2	6.0	4.8	3.6
Yield (%)	0.2	0.2	0.2	0.2
EV/Net sales	51.3	18.6	7.1	3.5
EV/EBITDA	72.8	22.7	10.4	5.4

Du Pont Analysis – ROE

Yr. ended 31 Mar. (x)	FY06	FY07E	FY08E	FY09E
Net margin (%)	49.5	53.4	43.8	42.8
Asset turnover	0.7	0.2	0.3	0.4
Leverage factor	1.6	1.3	1.4	1.5
Return on equity (%)	50.4	17.0	18.7	28.1