

June 2, 2008

Rating	Outperformer
Price	Rs202
Target Price	Rs282
Implied Upside	39.5%
Sensex	16,416

(Prices as on May 30, 2008)

Trading Data

Market Cap. (Rs bn)	59.9
Shares o/s (m)	296.4
Free Float	38.8%
3M Avg. Daily Vol ('000)	66.4
3M Avg. Daily Value (Rs m)	16.1

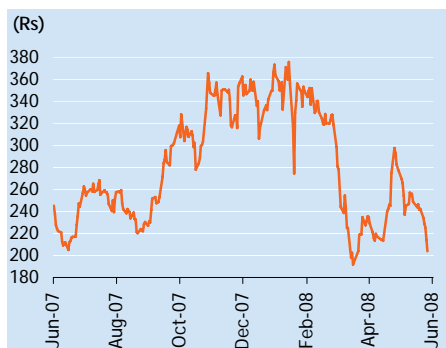
Major Shareholders

Promoters	61.2%
Foreign	23.5%
Domestic Inst.	6.9%
Public & Others	8.4%

Stock Performance

(%)	1M	6M	12M
Absolute	(25.7)	(42.2)	(17.3)
Relative	(19.5)	(27.4)	(30.6)

Price Performance (RIC: ANRA.BO, BB: ARCP IN)



Source: Bloomberg

■ **Results in line:** Anant Raj Industries' (ARIL) results were broadly in line with our estimates. However, the reported topline of Rs6.03bn was net of cost of investments. The company's topline grew 190%, with strong EBIDTA margin of 93.1%. Its PAT stood at Rs4.37bn, YoY growth of 248%.

■ **Sales model - revenue driver for FY08:** In FY08, the company's revenue was largely on account of sale of projects and investments. The largest contributor to revenue was ARIL's retail project located in Karol Bagh, Delhi, which contributed over Rs3bn. Sale of a couple of its investments resulted in revenue of over Rs2.7bn. Rental income during the year was miniscule at Rs105m, however, it is likely to increase manifold over the next two years.

■ **Land bank:** The company's land bank stands at 982 acres as on March 31, 2008, which translates into 70 million sq.ft. of developable area. Over 90% of this land bank is situated within 50kms of Delhi, while 525 acres is within Delhi. There has not been any significant accretion to land bank, as the company has been going slow on acquisitions as prices have moved up sharply.

■ **Valuation:** We expect strong topline growth of 102% and 112% to Rs122.2bn and Rs258.9bn in FY09 and FY10 respectively. For the corresponding period, EBIDTA margins are likely to be 69.4% and 65% respectively. The company is expected to report strong PAT growth of 44% and 101% in FY09 and FY10 respectively.

Our working of the company's NAV stands at Rs332. Our target price of Rs282 is based on 15% discount to NAV. We maintain Outperformer rating on the stock.

Key financials (Y/e March)	FY07	FY08	FY09E	FY10E
Revenue (Rs m)	2,082	6,038	12,222	25,895
Growth (%)	257.1	190.0	102.4	111.9
EBITDA (Rs m)	1,770	5,622	8,487	16,832
PAT (Rs m)	1,255	4,368	6,274	12,622
EPS (Rs)	5.2	14.7	21.2	42.6
Growth (%)	187.5	181.0	43.6	101.2
Net DPS (Rs)	1.1	1.5	3.2	6.4

Source: Company Data; PL Research

Profitability & valuation	FY07	FY08	FY09E	FY10E
EBITDA margin (%)	85.0	93.1	69.4	65.0
RoE (%)	17.7	26.0	25.6	39.1
RoCE (%)	19.3	31.1	31.0	41.8
EV / sales (x)	24.6	9.0	4.8	2.5
EV / EBITDA (x)	28.9	9.7	6.9	3.8
PE (x)	38.5	13.7	9.5	4.7
P / BV (x)	48.9	73.9	91.4	126.5
Net dividend yield (%)	0.5	0.7	1.6	3.2

Source: Company Data; PL Research

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Highlights

Strong earnings growth in FY08

The company reported strong earnings growth for FY08, with topline growth of 190% and EBIDTA margin of 93%, largely driven by sale of projects and investments. The company's PAT growth for the year was 248%.

Current projects

ARIL is currently working on two retail projects in Delhi, Karol Bagh and Kirtinagar. A large part of the Karol Bagh project was on outright sale model, revenue of which was booked in FY08. The company realised an average selling price of around Rs50,000 per sq.ft. Around 15-20% of this property will be leased out at an average rent of Rs350-375 per sq.ft.

The Kirtinagar project is a 700,000 sq.ft. project, which is almost complete. ARIL will lease out 90% of the project at an average price of Rs275/sq.ft.

The company's 10-acre IT Park at Manesar is also nearly complete and will be handed over for fit-outs shortly. About 70% of this project has been rented out at an average rate of Rs52/sq.ft. Rentals from this project will start accruing from August 2008.

The company is also working on an SEZ at Rai, which is 5kms away from Delhi. It is a 25-acre project with a saleable area of four million sq.ft. Of this 2.2 million sq.ft. will be ready by January 2008, while rest of the project will be completed by December 2009.

Besides these, the company is also working on two hotel projects. The first phase of one of the hotels (90 rooms) will be ready by July 2008. This hotel will be managed by Sri Lanka-based Atkein Spence. The other hotel will be ready by September 2008, which will again be managed by Atkein Spence.

Besides these project, the company plans to embark on two residential projects in FY09. One of this is a group housing project located at Kapashera in Delhi and the other is located at Haus Khas. The Kapashera project is a 300,000 sq.ft. project, while Haus Khas is a high-end 275,000 sq.ft. project. Both these projects are likely to be completed within the current fiscal year and will be on an outright sale model.



Q4FY08 result overview

(Rs m)

Y/e March	Q4FY08	Q4FY07	YoY gr. (%)	Q3FY08	FY07	FY08	YoY gr. (%)
Net sales	1,170	483	142.5	1,832	2,082	6,038	190.0
Expenditure							
Raw material consumed	29	27	5.7	7	94	88	(6.4)
<i>% of net sales</i>	<i>2.5</i>	<i>5.7</i>		<i>0.4</i>	<i>4.5</i>	<i>1.5</i>	
Manufacturing & others	117	38	204.9	87	217	327	50.3
<i>% of net sales</i>	<i>10.0</i>	<i>7.9</i>		<i>4.7</i>	<i>10.4</i>	<i>5.4</i>	
Total expenditure	146	66	122.0	94	312	415	33.2
EBITDA	1,025	417	145.7	1,738	1,770	5,622	217.6
<i>Margin (%)</i>	<i>87.6</i>	<i>86.4</i>		<i>94.9</i>	<i>85.0</i>	<i>93.1</i>	
Other income	120	-		73	43	293	575.9
Depreciation	42	18	141.2	15	78	82	4.8
EBIT	1,102	399	175.9	1,796	1,735	5,834	236.2
Interest	18	3	540.9	13	24	33	35.9
Extraordinary item	(2)	-		-	(0)	2	
PBT	1,083	397	173.0	1,783	1,711	5,802	239.1
Total tax	9	133	(93.3)	557	456	1,434	214.3
<i>% PBT</i>	<i>0.8</i>	<i>33.5</i>		<i>31.3</i>	<i>26.7</i>	<i>24.7</i>	
Recurring PAT	1,074	264	307.3	1,226	1,255	4,368	248.2



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PL's Recommendation Nomenclature

BUY	: > 15% Outperformance to BSE Sensex	Outperformer (OP)	: 5 to 15% Outperformance to Sensex
Market Performer (MP)	: -5 to 5% of Sensex Movement	Underperformer (UP)	: -5 to -15% of Underperformance to Sensex
Sell	: <-15% Relative to Sensex		
Not Rated (NR)	: No specific call on the stock	Under Review (UR)	: Rating likely to change shortly

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