

March 18, 2008

Rating	Outperformer
Price	Rs203
Target Price	Rs285
Implied Upside	40.4%
Sensex	14,833

(Prices as on March 18, 2008)

Trading Data

Market Cap. (Rs bn)	60.2
Shares o/s (m)	296.4
Free Float	34.2%
Avg. Daily Vol ('000)	72.3
Avg. Daily Value (Rs m)	25.0

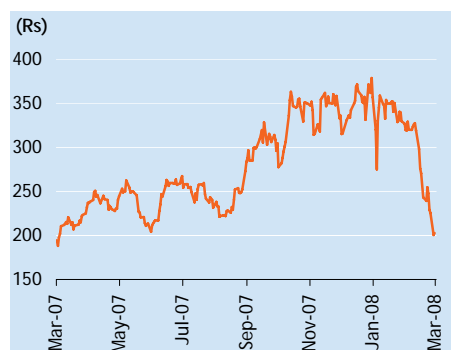
Major Shareholders

Promoters	65.7%
Foreign	25.4%
Domestic Inst.	5.7%
Public & Others	3.1%

Stock Performance

(%)	1M	6M	12M
Absolute	(37.9)	(28.5)	3.2
Relative	(20.1)	(23.2)	(16.1)

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



Source: Bloomberg

Anant Raj Industries

Rental model provides cushion

- 5-8% price correction in Delhi:** We recently spoke with the management of Anant Raj Industries. The company believes that the price correction in the Delhi market has largely been location specific. On the whole, the correction has been to the tune of 5-8%, while certain pockets have witnessed greater correction. Although the company has not seen a downward revision in prices, the off-take in locations like Rai and Manesar has been slightly slower.
- Rental model provides insulation:** A large part of the company's operations are based on a rental model, thereby giving it a certain amount of stability. The rental market is far more stable as it consists of genuine users of property. The company has therefore not witnessed a correction in rentals so far.
- Lowering rentals by 10%:** Based on the correction in the real estate market, we are proactively revising our rental estimates downwards by 10%. We expect the company to earn rental revenue of Rs1,573m in FY09 and Rs8,104m in FY10.
- CMP at 39% discount to NAV:** We have revised our NAV downwards by 13% based on lower real estate prices and an anticipated reduction in rentals. Our current NAV stands at Rs331. The stock currently trades at a 39% discount to the NAV. We believe the stock has strong potential for upside on account of its rental model which provides annuity as well as insulation in case of a downturn. Our reduced target price on the stock is Rs285, which is 15% discount to NAV. We maintain Outperformer rating on the stock.

Key financials (Y/e March)	FY07	FY08E	FY09E	FY10E
Revenue (Rs m)	2,082	7,904	12,089	25,576
Growth (%)	257.1	279.6	52.9	111.6
EBITDA (Rs m)	1,770	6,515	8,613	16,624
PAT (Rs m)	1,255	4,419	6,395	12,481
EPS (Rs)	6.1	14.9	21.6	42.1
Growth (%)	135.7	145.3	44.7	95.2
Net DPS (Rs)	1.2	2.2	3.2	6.3

Source: Company Data; PL Research

Profitability & valuation	FY07	FY08E	FY09E	FY10E
EBITDA margin (%)	85.0	82.4	71.2	65.0
RoE (%)	25.4	31.5	29.5	42.3
RoCE (%)	27.7	39.7	35.1	44.5
EV / sales (x)	21.0	7.8	5.4	2.9
EV / EBITDA (x)	24.6	9.5	7.6	4.4
PE (x)	33.4	13.6	9.4	4.8
P / BV (x)	43.4	64.4	82.1	116.9
Net dividend yield (%)	0.6	1.1	1.6	3.1

Source: Company Data; PL Research

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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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