

BSEL INFRASTRUCTURE REALITY LTD.**CMP - Rs.50.50****DATE - 5th September, 2006****NSE SYMBOL - BSELINFRA****SECTOR- Construction**

COMPANY PROFILE

Incorporated in 1995 as “Bell South Enterprises Ltd”, now known as BSEL Infrastructure Realty Ltd. (BSEL) has included various infrastructure development activities in its primary business focus.

The Company started as an IT company, marketing hardware, software and peripherals, which finds a wide application in personal & official use in the business circles. It has been ranked among the Top 500 Companies in India, earning the prestigious ISO 9001-2000 Certification, as well as making a place for itself as a member of The Indus Entrepreneurs (Tie), The Indian Merchants Chamber, and Builder's Association of Navi Mumbai (BANM). In FY02 the company initiated infrastructure development for commercial and residential purposes, exiting from the software business.

FINANCIAL ANALYSIS**Q1 FY07 Results**

BSEL Infrastructure has posted a net profit of Rs 10.99 crore for the quarter ended June 30, 2006 as compared to Rs 3.43 crore for the quarter ended June 30, 2005. Total income has increased to Rs 17.97 crores from Rs 6.18 crore for the corresponding period last year. The topline has gone up by 125% at Rs.13.61 crores. In Q1FY07, the Dubai project has contributed around Rs.40 crores, mainly in the form of bookings.

Performance during FY06

The company has shown tremendous growth for the financial year 2006 as a whole. Topline witnessed a jump of 135.6% as compared to last year. Despite a sharp rise of 211.7% in the expenditure incurred during the year, the net profit doubled. During the year, a major portion of revenues were generated from sales of BSEL tech park which brought in revenues of Rs.43.65 crores. The other

income includes sale proceeds of Rs.2.24 crores from sale of the Hilton centre property at Belapur.

Income Statement

(Rs.crores)

	Q1 FY07	Q1 FY06	VAR [%]	FY 06	FY 05	VAR [%]
Net Sales	13.61	6.03	125.7	45.96	19.51	135.6
Other Income	4.36	0.15	2806.7	4.62	0.48	862.5
Total Income	17.97	6.18	190.8	50.58	19.99	153
Total Expenditure	4.9	2.13	130	24.87	7.98	211.7
PBIDT	13.07	4.05	222.7	25.71	12.01	114.1
Interest	0.5	0.19	163.2	0.95	0.8	18.7
PBDT	12.57	3.86	225.6	24.76	11.21	120.9
Depreciation	0.07	0.11	-36.4	0.47	0.33	42.4
Tax	1.5	0.32	368.7	2.05	0.8	156.2
RPAT	10.99	3.43	220.4	22	10.08	118.3

INVESTMENT POSITIVES

✓ Successful implementation of first two projects

BSEL Tech Park, the maiden venture of the company is complete with 80% of the premises already occupied. This project is a 12-storied commercial structure, housing shops and offices. The total saleable area for this project was 2,71,000sq.ft., out of which the company is left for sale with an area of around 70,000sq.ft. expected to realize around Rs.50 crores. The land for this project was purchased at very low price in 2002. Moreover, the strategic location of the structure has added to its competitive advantage.

BSEL owns an area of 80,000sq.ft., which it has currently given out on lease. This project, known as **International Infotech Park (IIP)** is currently fetching rentals of Rs.2.65crs/annum. This property has a high saleable value of about Rs.30-35 crores, hence can be sold at a good price going forward. It houses a host of IT and other companies thus making it a popular location for offices.

✓ Presence abroad

BSEL has expanded its horizons abroad with a new residential cum commercial project in Dubai. The company has already been able to book 25% of salable property at the start of the pre-marketing phase. Expected investment in this project is 100 crores and expected revenue stream from the project expected to be 120 crores. The margins on this project are around 50%.

✓ Domestic ongoing projects

The company has two domestic projects in the pipeline. The **Narmada Nihar at Kevadia** project is situated on a piece of land measuring 56,121sq.mt with constructed area of 6,00,000sq.ft. BSEL has planned to set up a residence service apartments, prime budget hotel facility, retail, food court with recreational facilities. It will also include landscaping, community dining hall, indoor games, outdoor sports, swimming pool, gymnasium, children's play area, craft bazaar, ethnic shops, car parks dish antenna and so on. The project has commenced in June 2006 and is likely to be completed by June 2007. The projected cost is Rs.25crores and expected realizations of Rs.50crores spread over two fiscals.

The Company has entered into an agreement with Gigeo Construction Company Pvt Ltd., for joint development of a **Shopping Mall at Nagpur**. The mall will be constructed to an area of 3,52,880sq.ft. out of which around 70,000sq.ft. area (on the ground and first floor) will belong to the Company. The mall will have the facilities for shopping and entertainment, including a restaurant. Construction Work on the mall has already been started and the plan is to have it operational in less than one year. Cost of the Project for the Company will be Rs.20 crores to be incurred in the current fiscal and expected realization of Rs.40 crores spread over two fiscals.

✓ Projects in pipeline

Apart from the above projects, the company has many projects in the planning stage. The company is planning to develop a **Golf Course and Country Club** in Navi Mumbai spread over 250 acres of land. It has participated in the tender process for allotment of BMC five storied building for running a **municipal retails market** in Mumbai to private persons/organizations on lease basis for 60 years. The company has

contended for the infrastructure paradise spread over 2,500 acres in Kevadia Gujarat. Development of this **tourism facility** will include activities ranging from agriculture to temple to Health Centre to Restaurant to Disco etc. apart from residential and commercial complexes. BSEL has also acquired a 30 acres piece of land at village Vindhane, Mumbai, where it is planning to develop a **Mega City Township**.

CONCERNS

Though the company has been able to generate high revenues in the recent past as a result of large number of good projects in hand, the future earnings are largely dependent on the its future order book. Though the construction and real estate sector is on its upswing, BSEL may face competition from the larger players within the industry.

PEER COMPARISON

Company	Price	TTM P/E	P/B	TTM EV/EBIDTA	TTM Mcap/Sales	PEG
BSEL Infrastructure	50.50	10.14	3.30	7.92	5.00	0.08
DS Kulkarni Developers	229.70	20.94	2.58	18.48	49.38	0.08
Mahindra Gesco	735.95	188.71	17.86	78.93	14.33	5.22

BSEL is trading at a P/E of 10.14 trailing twelve months at a CMP of Rs.50.50.

RECOMMENDATION

BSEL has made its foray into construction sector only a few years back. Though, it is a small player, it has shown a fast track performance over the years. The company has already invested in three projects and four more projects are coming up. The total investment is estimated at Rs 450 crore, and revenue stream is expected the next two financial years. We recommend BUY for this stock. It is however relatively small cap play in the sector and more suitable for aggressive investors.

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