

## MANAGEMENT

## VISIT NOTE

## BSEL Infrastructure Realty Ltd.

Rs. 44

## Analyst

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Nifty: 3366; Sensex: 11512

## Key Stock Data

Sector	Construction – Housing
Bloomberg/Reuters	BELL@IN/BISL.BO
Shares o/s (m)	59.3
Market cap (Rs m)	2,630
Market cap (US\$ m)	57
3-m daily average vol.	198,410

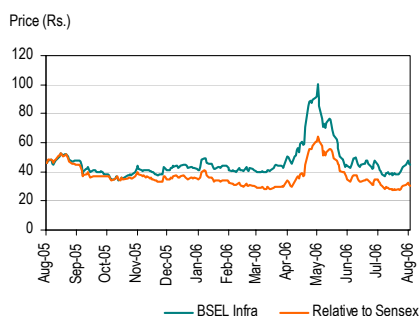
## Price Performance

52-week high/low	Rs103/33		
	-1m	-3m	-12m
Absolute (%)	2.4	(50.7)	(3.5)
Rel to Sensex (%)	(9.7)	(51.4)	(50.3)

## Shareholding Pattern (%)

Promoters	34.66
FII/NRI/OCBs/GDR	39.47
MFs/Banks/FIs	0.03
Non Promoter Corporate	5.78
Public & Others	20.07

## Sensex and Stock Movement



Source: Capitaline

Price as on August 21, 2006

## Summary

BSEL Infrastructure Realty Ltd., a medium sized player in the real estate and construction space has successfully implemented its first two projects in the infrastructure space – Bsel Tech Park and Vashi Infotech Centre – over the last three years. Spreading its wings abroad now, a new residential cum commercial project has been kicked off in Dubai. The company has already been able to book 25% of salable property at the start of the pre marketing phase. The success of its Dubai venture will open newer opportunities for other projects abroad and in the country. On the domestic front the company is working at a feverish pace. It has already acquired sizeable projects in Nagpur and Kevadia, which have the potential to boost revenues and profits. The stock is currently trading at 7x its FY06 EPS of Rs.6 and 4x FY07E EPS of Rs.10.

## Investment highlights

- Projects accomplished

BSEL has to its credit 2 projects, which it has accomplished. The flagship project of BSEL Tech Park has aroused a lot of acclaim due to the one of its kind structure in Navi Mumbai and the strategic location just outside Vashi station. The success of the project has also established the company as a serious contender in the booming real estate and construction space. In addition to this project it has developed office space of around 88,000sq.ft. that is currently leased at Vashi Infotech center.

- Ongoing projects

The company has a handful of projects which have the potential to drive growth. The biggest is the Dubai project with saleable area of 320,000sq.ft. The other ones are the Narmada Nihar at Kevadia and the Nagpur Shopping mall project. These projects will start contributing to revenue from end of FY07. The major contribution will be seen in FY08.

- Project pipeline

The company has quite a few projects at different stages of negotiation. These projects will fuel future growth. Some of the larger and promising projects the company has in its pipeline are the Nerul Golf Course spread over 250acres, Borkar Mega Township, and the Thane project.

- Valuation

The company has plans to develop an area of almost 4msqft over the next 5 years, which is expected to bring in revenues of around Rs.10bn. At CMP of Rs.44, the stock is trading at 4x FY07E EPS of Rs.10. The growth targeted by the company is high but we believe the execution risks and the stability of property prices are a major concern.

Table 1: Financial snapshot

(Rs.m)

Year-end: March	FY04	FY05	FY06	FY07E
Sales	298	195	460	1,411
OP	40	117	212	750
OPM (%)	14	60	46	53
PAT	34	101	220	609
NPM (%)	11	52	48	43
EPS (Rs.)	1.7	2.8	6.0	10.3
ROE (%)	8.0	20.9	32.3	38.4
ROCE (%)	8.4	21.3	22.5	38.5
CMP (Rs.)			44.4	44.4
PE (x)	0.0	0.0	7.4	4.3

Source: Capitaline

## Company profile

The Company started of as an IT company marketing hardware/software under the leadership of Kirit Kanakia. 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.

## Project details

### ■ Completed Projects

#### ● BSEL Tech Park

BSEL Tech Park, the signature venture of the company is complete and 80% of the premises have been occupied. This maiden venture is a 12-storied commercial structure housing shops and offices. It is located opposite Vashi station in Navi Mumbai. The total saleable area for this project stands at 2,71,000sq.ft. of which the company has left for sale an area of around 70,000sq.ft., which is expected to realize around Rs.500m. The biggest positive for the company from this venture has been the strategic location of the structure and the fact that the company acquired the land in the prime location opposite Vashi railway station in Navi Mumbai at a throw away price of Rs.60m long back in 2002.

#### ● Vashi IIP

An area of 80,000sq.ft. owned by the BSEL is currently being given out on lease. The company is currently earning rentals of Rs.26.5m/annum from the property, which can also be sold for a good price going forward. A rough estimate of the saleable value would be Rs.300-350m. This property International Infotech Park (IIP) is a prime property above Vashi Railway Station. It houses a host of IT and other companies thus making it a coveted location for offices.

### ■ Ongoing Projects

#### ● BSEL Infrastructure Realty FZE – Dubai Project

Dubai is fast emerging the realtor's bonanza and the scope for new sophisticated apartment blocks, with exotic locations and state of the art facilities is an alluring business proposition. It is developing a mixed-use property from commercial and residential premises to community centers, sports areas, parks, and scenic trails project in Dubai.

The company through its wholly owned subsidiary of the company is developing residential, commercial and retail properties and Townships in and around Dubai in the name of Business Bay, Jumeira and Internet City. In this move 1,00,000sq.ft. area has already been acquired by the company at Business Bay and Internet City in Jumeira.

Expected investment in this project is 1,000m and expected revenue stream from the project expected to be 1,200m. The bookings have started and 25% already booked. The margins on this project are around 50%.

#### ● Funding of Dubai project

The total cost estimated for the Dubai project is around Rs.1,200m. The company has raised \$20.5m i.e.Rs.850m through a GDR. Total Number of shares underlying GDR is 22,780,000 where 1 GDR stands for 10 shares.

#### ● BSEL – Narmada Nihar at Kevadia Project

The property is situated on a piece of land measuring 56,121sq.mt with constructed area of 6,00,000sq.ft. The company has planned to set up a residence service apartments, prime budget hotel facility, retail, food court with recreational facilities. The facility 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 get over by June 2007. The projected cost is Rs.250m and expected realizations of Rs.500m spread over two fiscals.

- **BSEL – Buty Palace at Nagpur**

The Company has entered into an agreement with Gigeo Construction Company Pvt Ltd., for joint development of a Shopping Mall at Nagpur. The said shopping mall is situated in the prime commercial and market area of Sitabuldi, 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. Aesthetically designed, the mall will have the facilities for shopping and entertainment, including a restaurant. Construction Work on the mall has already commenced and the plan is to have it operational in less than one year. Cost of the Project for the Company will be Rs.200m to be incurred in the current fiscal and expected realization of Rs.400m spread over two fiscals.

**Table 2: Projects and revenue expected**

(Rs. m)

Projects	Completion date	Total revenue expected
BSEL	2005	1,300
Dubai	2008	1,200
Nagpur	2008	400
Kevadia	2008	500
Vashi IIP	2005	350

Source: Company reports; IDBI Capital Market Services

## Project pipeline

- **Golf Course and Country Club**

The company is planning to develop a Golf Course and Country Club in Nerul near PalmBeach Road, Navi Mumbai. Designed by Hafeez Contractor and the world's leading golf architects-Pacific Coast Design. The project will be spread over 250acres.

- **Tardeo BMC markets**

The company has participated in the tender process for allotment of BMC five storied building for running a municipal retails market to private persons/organizations on lease basis for 60 years.

The location of the property is at Grant Road – West, Mumbai admeasuring a saleable area of around 40,000sq.ft. The Company, being Highest Bidder awaits final allotment by Brihanmumbai Municipal Corporation (BMC).

- **Kevadia Tourism Facility Project**

The company has contended for the infrastructure paradise spread over 2,500acres in Kevadia Gujarat. The project will be a tourism facility and will provide everything tourism could want. Development will include activities ranging from agriculture to temple to Health Centre to Restaurant to Disco etc. apart from residential and commercial complexes. The project will be developed in phases. The preliminary plan includes hotels and cottages, camping sites, lake development, golf course, convention center, water sports, adventure sports, food courts, and restaurants.

- **Borkhar Township Project**

The Company has located the land at village Vindhane – Borkhar, near Panvel and Navi Mumbai SEZ where the company is planning to develop a Mega City Township. The Company has acquired around 30acres of land; Project is expected to be completed by January 2012. The company is in the process of making preliminary surveys and layout for the planned township expected cost of the project is around Rs.2,000m.

## Peer Valuation

Table 3: Peer valuation

(Rs. m)

	BSEL Infrastructure	D S Kulkarni Dev	Mahindra Gesco
Sales*	460	1,329	1,211
Operating profit	257	215	211
OPM (%)	56	16	17
PAT	220	176	110
NPM (%)	48	13	9
EPS	6	16	3.5
ROCE (%)	23	9	8
RONW (%)	22	18	2.13
P/E	7.4	15.3	246
P/BV	2.3	6.8	20.9
CMP (Rs.)	44	245	861
No. of shares (m)	59	11	96
D/E	0.4	2.4	0.5
BV	19	36	41
Debt	300	650	1,273

\* Sales for DSK adjusted for stock

Balance Sheet numbers for DSK as of FY05

Source: Company reports; IDBI Capital Market Services

## Financials

### FY06

In FY06 a major chunk of revenues has been generated from sales of BSEL tech park which brought in revenues of Rs.436.5m. The total lease revenue for the company in the year stood at Rs.23m. The other income includes sales proceeds from sale of the Hilton centre property at Belapur. The amount from this sale stands at Rs.22.4m.

Table 4: Revenue break up

(Rs. m)

Sales	FY06	% of total	FY05	% of total
BSEL premises	437	95	186	95
Lease revenues	23	5	6	3
Exchnage fluctuations	0	0	3	2
<b>Total sales</b>	<b>460</b>		<b>195</b>	

Source: Company reports; IDBI Capital Market Services

The debt for the year stands at Rs.264m and the interest charge at Rs.9m. The net profit is Rs.220m, giving an EPS of Rs.6/share. The growth has been driven by the sales from BSEL tech park.

### Q1FY07

In FY07, the Dubai project and the bookings from the Nagpur property will drive revenues. Till date the company has invested Rs.200m in the Nagpur project. In Q1FY07, the Dubai project has contributed around Rs.400m mainly in the form of bookings. The revenues at Rs.136m are more than double that of the corresponding quarter. But the nature of the business is such that the revenues depend on the schedule of undertaking projects. The net profit at Rs.110m is two times the net profit of the corresponding quarter. Current equity stands at 59.3m shares post issue of GDR. The debt at the end of the year stood at Rs.300m.

Table 5: Quarterly results

(Rs. m)

	Q1FY07	Q1FY06	VAR (%)
Net sales	136	60	126
Total expenditure	49	21	130
Operating profit	87	39	123
OPM (%)	64	65	
Other income	44	2	2,807
PBIDT	131	41	223
Interest	5	2	163
Depreciation	1	1	(36)
Tax	15	3	369
PAT	110	34	220
NPM (%)	81	57	
Annualized EPS (Rs.)	7	4	
No. of shares (m)	59	37	
CMP (Rs.)	45	45	
PE (x)	6	12	

Source: Company reports; IDBI Capital Market Services

## Financial summary

### Income statement

(Rs m)

Year-end: March	FY04	FY05	FY06	FY07E
Net sales	298	195	460	1,411
Other income	1	5	46	28
Stock adj	(135)	57	(65)	242
Interbranch transfer	130	0	0	0
Total income	294	257	440	1,681
<b>Expenditure</b>				
Direct expenses	237	121	127	790
Indirect expenses	15	14	56	113
Total expenditure	252	135	182	903
Operating profit	40	117	212	750
OPM (%)	14	60	46	53
PBDIT	41	122	258	778
Interest	3	8	9	41
Depreciation	1	3	5	16
PBT	37	111	244	722
Tax	3	8	23	113
PAT	34	101	220	609
NPM (%)	11	52	48	43
EPS (Rs.)	1.7	2.8	6.0	10.3
No. of shares (m)	20	37	37	59
BV per share (Rs.)	21	13	19	27

Source: Company reports; IDBI Capital Market Services

IDBI Capital Market Services Ltd. (A wholly owned subsidiary of IDBI Ltd.)

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