

**November 11, 2011**

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Rating	Accumulate
Price	Rs52
Target Price	Rs66
Implied Upside	26.9%
Sensex	17,193

*(Prices as on November 11, 2011)*
**Trading data**

Market Cap. (Rs bn)	15.2
Shares o/s (m)	295.1
3M Avg. Daily value (Rs m)	35.1

**Major shareholders**

Promoters	61.74%
Foreign	23.36%
Domestic Inst.	2.91%
Public & Other	11.99%

**Stock Performance**

(%)	1M	6M	12M
Absolute	3.1	(34.7)	(62.9)
Relative	(0.7)	(27.6)	(45.2)

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



Source: Bloomberg

■ **Results in-line:** The company reported revenues of Rs883m, YoY decline of 33.5% and a sequential increase of 6.9%. Margins were steady at 58% as against 59% in 1Q FY12. PAT remained flat on a sequential basis at Rs346m while the decline on a YoY basis stood at 28%. In terms of revenue breakup, the Sector 91 Gurgaon project was the major contributor at 87% while the Kapashera and Manesar project contributed the remaining.

■ **Sales during the quarter:** Phase 1 of the 'Neem Rana project' in Rajasthan, which consisted of 758 units, was launched this quarter, where it sold about one-third of the area launched during the quarter and almost two-thirds till date. However, revenue recognition for this project is expected to commence from Q3 onwards. Sales at Sector-91, Gurgaon, remained stable with almost two-thirds of the project being sold out.

■ **Launches going forward:** The Company is looking at launched plots at its newly acquired Sector 63 project in Gurgaon. Besides, it also has approvals in place for its five villa project on Bhagwandas road in Delhi.

■ **Valuations:** As per our estimates, ARIL's NAV stands at Rs133. Our target price is based on a 50% discount to the NAV. We maintain '**Accumulate**', with a target price of Rs66.

Key financials (Y/e March)	2010	2011	2012E	2013E
Revenues (Rs m)	3,111	4,241	5,354	9,025
Growth (%)	23.5	36.3	26.2	68.6
EBITDA (Rs m)	2,585	2,355	2,704	4,467
PAT (Rs m)	2,384	1,676	1,460	2,589
EPS (Rs)	8.1	5.7	4.9	8.8
Growth (%)	14.8	(29.7)	(12.9)	77.3
Net DPS (Rs)	0.6	0.9	0.7	1.3

Source: Company Data; PL Research

Profitability & Valuation	2010	2011	2012E	2013E
EBITDA margin (%)	83.1	55.5	50.5	49.5
RoE (%)	6.9	4.6	3.9	6.6
RoCE (%)	6.5	4.2	3.8	5.9
EV / sales (x)	3.8	5.5	4.3	2.5
EV / EBITDA (x)	4.5	9.9	8.5	5.1
PE (x)	6.4	9.1	10.4	5.9
P / BV (x)	0.4	0.4	0.4	0.4
Net dividend yield (%)	1.2	1.7	1.4	2.6

Source: Company Data; PL Research

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**Exhibit 1: Q2FY12 Result Overview (Rs m)**

Y/e March	Q2FY12	Q2FY11	YoY gr. (%)	Q1FY12	H1FY12	H1FY11	YoY gr. (%)
<b>Net Sales</b>	<b>883</b>	<b>1,329</b>	<b>(33.5)</b>	<b>826</b>	<b>1,710</b>	<b>2,353</b>	<b>(27.4)</b>
EXPENDITURE	368	701	(47.5)	335	703	1,152	(39.0)
Consumption of raw material	299	632	(52.7)	281	580	1,033	(43.9)
<i>% of sales</i>	<i>33.8%</i>	<i>47.6%</i>		<i>34.0%</i>	<i>33.9%</i>	<i>43.9%</i>	
Staff cost	28	29	(3.0)	16	44	47	(5.7)
<i>% of sales</i>	<i>3.2%</i>	<i>2.2%</i>		<i>2.0%</i>	<i>2.6%</i>	<i>2.0%</i>	
Manufacturing and other exp	41	40	1.5	38	78	72	8.9
<i>% of sales</i>	<i>4.6%</i>	<i>3.0%</i>		<i>4.5%</i>	<i>4.6%</i>	<i>3.1%</i>	
<b>EBITDA</b>	<b>515</b>	<b>627</b>	<b>(17.8)</b>	<b>492</b>	<b>1,007</b>	<b>1,201</b>	<b>(16.2)</b>
<i>% of sales</i>	<i>58.4%</i>	<i>47.2%</i>		<i>59.5%</i>	<i>58.9%</i>	<i>51.0%</i>	
Depreciation	27	38	(28.8)	27	54	71	(23.9)
Other Income	49	64	(24.0)	41	90	154	(41.7)
<b>EBIT</b>	<b>537</b>	<b>653</b>	<b>(17.8)</b>	<b>506</b>	<b>1,043</b>	<b>1,284</b>	<b>(18.8)</b>
Financial Expenses	56	6.9	720.4	45	101	21	372.1
<b>Adjusted profit before tax</b>	<b>480</b>	<b>646</b>	<b>(25.7)</b>	<b>461</b>	<b>942</b>	<b>1,263</b>	<b>(25.4)</b>
Provision for taxation	134	166	(19.1)	115	249	319	(21.9)
<i>% of PBT</i>	<i>27.9%</i>	<i>25.7%</i>		<i>24.9%</i>	<i>26.4%</i>	<i>25.3%</i>	
<b>Adjusted profit after tax</b>	<b>346</b>	<b>480</b>	<b>(27.9)</b>	<b>346</b>	<b>693</b>	<b>944</b>	<b>(26.6)</b>
<i>% of sales</i>	<i>39.2%</i>	<i>36.2%</i>		<i>41.9%</i>	<i>40.5%</i>	<i>40.1%</i>	
Exceptional item	13.9	0.9	14.5	(0.0)	13.9	1.0	NA
<b>PAT after exceptional item</b>	<b>332</b>	<b>481</b>	<b>(30.8)</b>	<b>346</b>	<b>679</b>	<b>944</b>	<b>(28.1)</b>

Source: Company Data, PL Research



### Income Statement (Rs m)

Y/e March	2010	2011	2012E	2013E
<b>Net Revenue</b>	<b>3,111</b>	<b>4,241</b>	<b>5,354</b>	<b>9,025</b>
Raw Material Expenses	284	1,657	1,205	2,031
Gross Profit	2,827	2,583	4,149	6,994
Employee Cost	—	—	—	—
Other Expenses	242	228	1,446	2,527
<b>EBITDA</b>	<b>2,585</b>	<b>2,355</b>	<b>2,704</b>	<b>4,467</b>
Depr. & Amortization	107	135	183	217
Net Interest	49	210	635	702
Other Income	535	289	200	150
<b>Profit before Tax</b>	<b>2,964</b>	<b>2,299</b>	<b>2,086</b>	<b>3,698</b>
Total Tax	580	621	626	1,109
<b>Profit after Tax</b>	<b>2,384</b>	<b>1,678</b>	<b>1,460</b>	<b>2,589</b>
Ex-Od items / Min. Int.	(2)	3	—	—
<b>Adj. PAT</b>	<b>2,384</b>	<b>1,676</b>	<b>1,460</b>	<b>2,589</b>
<b>Avg. Shares O/S (m)</b>	<b>295.1</b>	<b>295.1</b>	<b>295.1</b>	<b>295.1</b>
<b>EPS (Rs.)</b>	<b>8.1</b>	<b>5.7</b>	<b>4.9</b>	<b>8.8</b>

### Cash Flow Abstract (Rs m)

Y/e March	2010	2011	2012E	2013E
C/F from Operations	4,959	(9,158)	(642)	17
C/F from Investing	(6,132)	(1,865)	1,928	1,300
C/F from Financing	(108)	7,617	948	(737)
Inc. / Dec. in Cash	(1,281)	(3,406)	2,234	580
Opening Cash	6,257	4,891	1,482	3,716
Closing Cash	4,891	1,482	3,716	4,296
FCFF	(1,106)	(10,034)	(3,376)	(1,886)
FCFE	(1,818)	(1,768)	(1,538)	(1,466)

### Key Financial Metrics

Y/e March	2010	2011	2012E	2013E
<b>Growth</b>				
Revenue (%)	23.5	36.3	26.2	68.6
EBITDA (%)	17.1	(8.9)	14.8	65.2
PAT (%)	15.0	(29.7)	(12.9)	77.3
EPS (%)	14.8	(29.7)	(12.9)	77.3
<b>Profitability</b>				
EBITDA Margin (%)	83.1	55.5	50.5	49.5
PAT Margin (%)	76.6	39.5	27.3	28.7
RoCE (%)	6.5	4.2	3.8	5.9
RoE (%)	6.9	4.6	3.9	6.6
<b>Balance Sheet</b>				
Net Debt : Equity	(0.1)	0.2	0.2	0.2
Net Wrkng Cap. (days)	(1,997)	1,428	2,589	1,831
<b>Valuation</b>				
PER (x)	6.4	9.1	10.4	5.9
P / B (x)	0.4	0.4	0.4	0.4
EV / EBITDA (x)	4.5	9.9	8.5	5.1
EV / Sales (x)	3.8	5.5	4.3	2.5
<b>Earnings Quality</b>				
Eff. Tax Rate	19.6	27.0	30.0	30.0
Other Inc / PBT	18.0	12.6	9.6	4.1
Eff. Depr. Rate (%)	0.5	0.6	0.8	0.9
FCFE / PAT	(76.3)	(105.5)	(105.3)	(56.6)

Source: Company Data, PL Research.

### Balance Sheet Abstract (Rs m)

Y/e March	2010	2011	2012E	2013E
Shareholder's Funds	35,951	37,242	38,446	40,580
Total Debt	1,390	9,656	11,495	11,914
Other Liabilities	866	807	807	807
<b>Total Liabilities</b>	<b>38,206</b>	<b>47,706</b>	<b>50,748</b>	<b>53,302</b>
Net Fixed Assets	26,970	29,076	26,965	25,448
Goodwill	—	—	—	—
Investments	2,949	2,579	2,579	2,579
Net Current Assets	8,260	16,031	21,185	25,256
<i>Cash &amp; Equivalents</i>	<i>4,891</i>	<i>1,482</i>	<i>3,716</i>	<i>4,296</i>
<i>Other Current Assets</i>	<i>5,259</i>	<i>16,126</i>	<i>19,592</i>	<i>23,824</i>
<i>Current Liabilities</i>	<i>1,890</i>	<i>1,576</i>	<i>2,123</i>	<i>2,864</i>
Other Assets	27	19	19	19
<b>Total Assets</b>	<b>38,206</b>	<b>47,706</b>	<b>50,748</b>	<b>53,302</b>

### Quarterly Financials (Rs m)

Y/e March	Q3FY11	Q4FY11	Q1FY12	Q2FY12
<b>Net Revenue</b>	<b>1,215</b>	<b>618</b>	<b>826</b>	<b>883</b>
<b>EBITDA</b>	<b>728</b>	<b>438</b>	<b>492</b>	<b>515</b>
<i>% of revenue</i>	<i>60.0</i>	<i>70.9</i>	<i>59.5</i>	<i>58.4</i>
Depr. & Amortization	36	20	27	27
Net Interest	89	97	45	56
Other Income	42	89	41	49
<b>Profit before Tax</b>	<b>644</b>	<b>410</b>	<b>461</b>	<b>480</b>
Total Tax	177	111	115	134
<b>Profit after Tax</b>	<b>468</b>	<b>299</b>	<b>346</b>	<b>332</b>
<b>Adj. PAT</b>	<b>468</b>	<b>299</b>	<b>346</b>	<b>346</b>

### Key Operating Metrics

Y/e March	2010	2011	2012E	2013E
Ceramic tiles	90	27	29	29
Sale of assets/ Investments	2,542	—	—	—
Rental received (Rs m)	490	761	934	1,365
Residential Sales	—	3,397	4,391	7,631

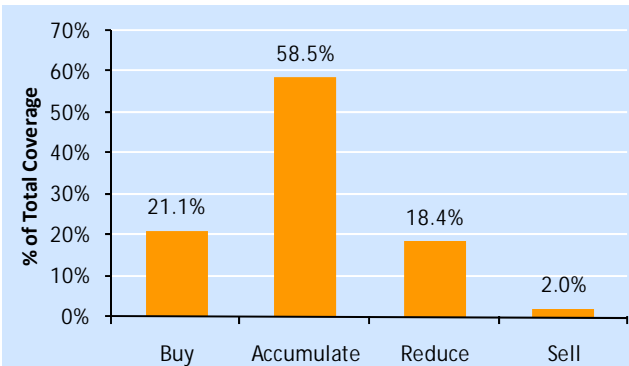
Source: Company Data, PL Research.

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<b>Reduce</b>	: Underperformance to Sensex over 12-months	<b>Sell</b>	: Over 15% underperformance to Sensex over 12-months
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<b>Not Rated (NR)</b>	: No specific call on the stock	<b>Under Review (UR)</b>	: Rating likely to change shortly

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