

## BHARAT AGRI FERT & REALTY LIMITED

Result Update: Q4 FY13

**BUY**

CMP	88.00
Target Price	97.00

**JUNE 29<sup>th</sup>, 2013**

ISIN: INE842D01011

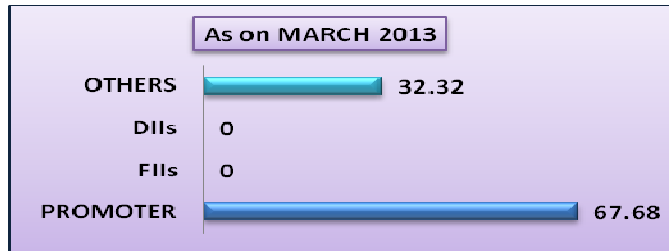
### Index Details

Stock Data	
Sector	Real Estate
BSE Code	531862
Face Value	10.00
52wk. High / Low (Rs.)	150.50/45.20
Volume (2wk. Avg.)	1441
Market Cap (Rs. in mn.)	465.17

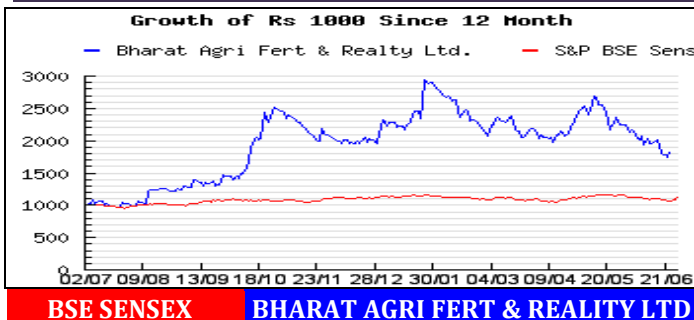
### Annual Estimated Results (A\*: Actual / E\*: Estimated)

Years	FY13A	FY14E	FY15E
Net Sales	572.68	744.48	841.27
EBITDA	280.35	347.89	392.53
Net Profit	208.54	254.07	286.28
EPS	39.45	48.06	54.16
P/E	2.23	1.83	1.62

### Shareholding Pattern (%)



### 1 Year Comparative Graph



## SYNOPSIS

- We initiated coverage of Bharat Agri Fert & Realty Ltd and set a target price of Rs. 97.00 for Medium term Investment.
- Bharat Agri Fert & Realty Ltd is engaged in the production of chemicals & fertilizers has diversified into the challenging and financially rewarding sphere of Real Estate Development.
- The company's net sales registered a 160.26% increase and stood at a record Rs. 221.40 million from Rs. 85.07 million over the corresponding quarter last year.
- The Realty Division of the company phase II residential project at Majiwada, Thane has received approval from MOEF and work will start soon during FY 2013-14.
- The company's net profit registered a 282.72% increase and stood at a record Rs. 52.28 million from Rs. 13.66 million over the corresponding quarter last year.
- Bharat Agri Fert & Realty Ltd is a completely Debt Free Company.
- Company Management has decided to enlist its Equity on National Stock Exchange of India Ltd. (NSE).
- Net Sales and PAT of the company are expected to grow at a CAGR of 41% and 45% over 2012 to 2015E respectively.

Peer Groups	CMP	Market Cap	EPS	P/E (x)	P/BV(x)	Dividend
Company Name	(Rs.)	Rs. in mn.	(Rs.)	Ratio	Ratio	(%)
Bharat Agri Fert & Realty Ltd	88.00	465.17	39.45	2.23	0.98	15.00
National Bldg Const. Ltd	135.95	16314.00	17.29	7.86	1.63	35.00
Indiabulls Real Estate Ltd	63.10	26755.10	6.33	9.97	0.44	0.00
Sunteck Realty Ltd	387.25	24383.70	1.09	355.28	6.54	12.00

## Investment Highlights **STANDALONE**

### Results updates- Q4 FY13,

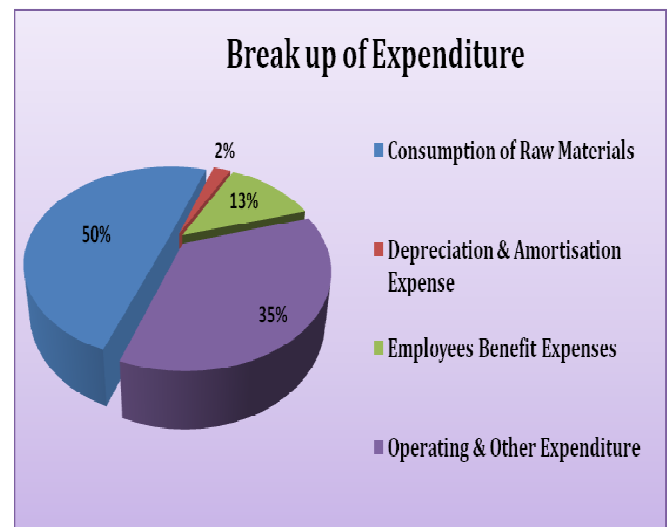
Bharat Agri Fert & Realty Ltd is engaged in the production of chemicals & fertilizers has diversified into the challenging & financially rewarding sphere of “Real Estate Development”, reported its financial results for the quarter ended 31 March, 2013.

Months	MAR-13	MAR-12	% Change
Net Sales	221.40	85.07	160.26%
PAT	52.28	13.66	282.72%
EPS	9.89	2.58	282.72%
EBITDA	74.66	22.02	239.06%

Bharat Agri Fert & Realty Ltd achieved a turnover of Rs. 221.40 million for the 4<sup>th</sup> quarter of the current year 2012-13 as against Rs. 85.07 millions in the corresponding quarter of the previous year. The company has reported an EBITDA of Rs. 74.66 millions and a net profit of Rs. 52.28 million against Rs. 13.66 million reported respectively in the corresponding quarter of the previous year. The company has reported an EPS of Rs. 9.89 for the 4<sup>th</sup> quarter as against an EPS of Rs. 2.58 in the corresponding quarter of the previous year.

### Expenditure :

Break up of Expenditure	Rs. Millions	
	Q4 FY13	Q4 FY12
Consumption of Raw Materials	60.80	45.00
Depreciation & Amortisation Expense	3.03	1.33
Employees Benefit Expenses	15.51	13.50
Operating & Other Expenditure	43.19	26.04



### Latest Updates

- ✓ Bharat Agri Fert & Realty Ltd has recommended a dividend of Rs. 2.50 per fully paid up equity shares of Rs. 10/- each aggregating to Rs. 132.14 Lacs, including interim dividend of Rs. 1.00 per fully paid up equity share.
- ✓ The Realty Division of the company phase II residential project at Majiwada, Thane has received approval from MOEF and work will start soon during FY 2013-14.

## **Company Profile:**

Bharat Agri Fert & Realty Ltd a 64 year old company works in the fertilizer segment with two major products like Single Super Phosphate (SSP) & Granulated Single Super Phosphate (GSSP). Now, this company is diversifying into the challenging and financially rewarding sphere of "Real Estate Development" in order to cash in on the growing global demand for quality housing.

In real estate the company is developing the Residential and Commercial properties. And already completed its phase I at Thane and construction is going on for the phase II.

## **Business Area:**

The company which is engaged in the production of chemicals and fertilizers has diversified into the challenging and financially rewarding sphere of "Real Estate Development". The real estate business of the company attracts people from all communities and classes, including a wide spectrum of professionals like Doctors, Engineers, Consultants and Lawyers.

## **Chemicals and Fertilizers**

Bharat Agri manufactures Sulphuric acid, Single Super Phosphate (SSP), Sodium silico fluoride and Ferric Alum Solid at its plant in Wada, Thane district.

The company has a marketing arrangement with M/s Chambal Fertilizers & Chemicals Ltd and Asia's largest fertilizer trading company M/s Indian Potash Ltd, wherein these companies will market the SSP produced by the company. Also Bharat is free to market its own brand of SSP.

## **Real Estate**

The company owns 6.25 acres of surplus land at Majiwada, Thane, which is being utilized for the construction activities. Already the phase I of 3.2 lac sq.ft. has been completed and sold. The second phase of 2.8 lac sq.ft. will be completed in the next 3-4 years.

## Financial Highlight **STANDALONE**

### Balance sheet as at March31, 2012

(A\* - Actual, E\* -Estimations & Rs. In Millions)

	FY12	FY13	FY14E	FY15E
<b>EQUITY AND LIABILITIES:</b>				
<b>Shareholders' Funds:</b>				
Share Capital	52.86	52.85	52.85	52.85
Reserves and Surplus	247.33	438.73	676.73	963.01
<b>Net worth (a)</b>	<b>300.19</b>	<b>491.58</b>	<b>729.58</b>	<b>1015.86</b>
<b>Non-Current Liabilities:</b>				
Long-term borrowings	15.99	17.85	19.64	21.28
Deferred Tax Liabilities [Net]	6.51	7.66	8.73	9.61
Other Long Term Liabilities	2.84	1.22	1.29	1.35
<b>Long term liabilities (b)</b>	<b>25.34</b>	<b>26.73</b>	<b>29.65</b>	<b>32.24</b>
<b>Current Liabilities:</b>				
Short-term borrowings	25.00	52.18	76.18	95.99
Trade Payables	29.67	134.33	158.51	177.53
Other Current Liabilities	151.98	123.85	105.27	88.43
Short Term Provisions	21.79	24.37	26.80	29.08
<b>Current Liabilities ©</b>	<b>228.44</b>	<b>334.73</b>	<b>366.77</b>	<b>391.03</b>
<b>Total (a+b+c)</b>	<b>553.97</b>	<b>853.04</b>	<b>1126.00</b>	<b>1439.13</b>
<b>ASSETS:</b>				
<b>Non-Current Assets:</b>				
Tangible Assets	94.15	175.78	253.12	331.59
Intangible Assets	0.05	0.03	0.05	0.07
<b>(d)</b>	<b>94.20</b>	<b>175.81</b>	<b>253.17</b>	<b>331.66</b>
Non Current Investments	0.17	0.17	0.17	0.17
Long Term Loans and Advances	3.23	4.11	5.14	6.22
<b>(e)</b>	<b>3.40</b>	<b>4.28</b>	<b>5.31</b>	<b>6.39</b>
<b>Current Assets:</b>				
Inventories & TDR Receivable	349.27	412.18	474.01	541.79
Trade Receivables	49.73	76.53	102.55	132.29
Cash and Bank Balances	51.70	125.06	185.09	261.97
Short Term Loans and Advances	0.91	2.98	3.73	4.66
Other Current Assets	4.76	56.20	102.15	160.38
<b>(f)</b>	<b>456.37</b>	<b>672.95</b>	<b>867.52</b>	<b>1101.08</b>
<b>Total (d+e+f)</b>	<b>553.97</b>	<b>853.04</b>	<b>1126.00</b>	<b>1439.13</b>

## Annual Profit & Loss Statement for the period of 2012 to 2015E

Value(Rs.in.mn)	FY12	FY13	FY14E	FY15E
Description	12m	12m	12m	12m
Net Sales	<b>302.11</b>	<b>572.68</b>	<b>744.48</b>	<b>841.27</b>
Other Income	3.62	18.47	20.32	21.54
Total Income	305.73	591.15	764.80	862.80
Expenditure	-177.62	-310.80	-416.91	-470.27
Operating Profit	<b>128.11</b>	<b>280.35</b>	<b>347.89</b>	<b>392.53</b>
Interest	-4.38	-3.61	-3.79	-3.98
Gross profit	123.73	276.74	344.10	388.55
Depreciation	-5.23	-8.52	-9.80	-10.88
Profit Before Tax	118.50	268.22	334.30	377.68
Tax	-24.71	-59.68	-80.23	-91.40
Net Profit	<b>93.79</b>	<b>208.54</b>	<b>254.07</b>	<b>286.28</b>
Equity capital	52.86	52.86	52.86	52.86
Reserves	247.33	422.66	676.73	963.01
Face value	10.00	10.00	10.00	10.00
EPS	<b>17.74</b>	<b>39.45</b>	<b>48.06</b>	<b>54.16</b>

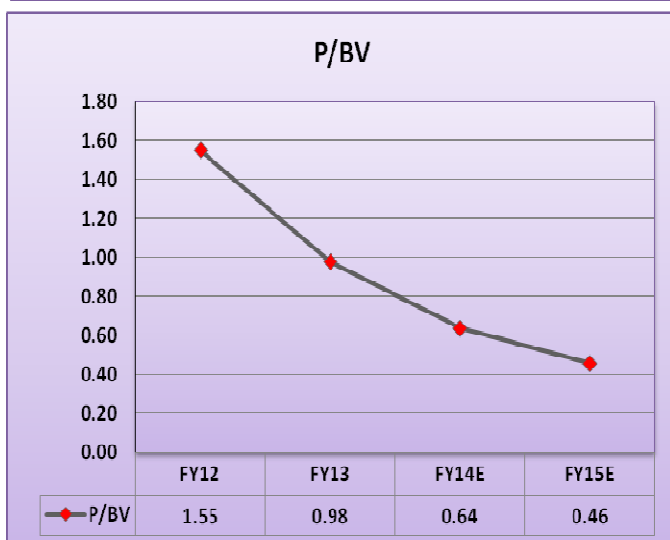
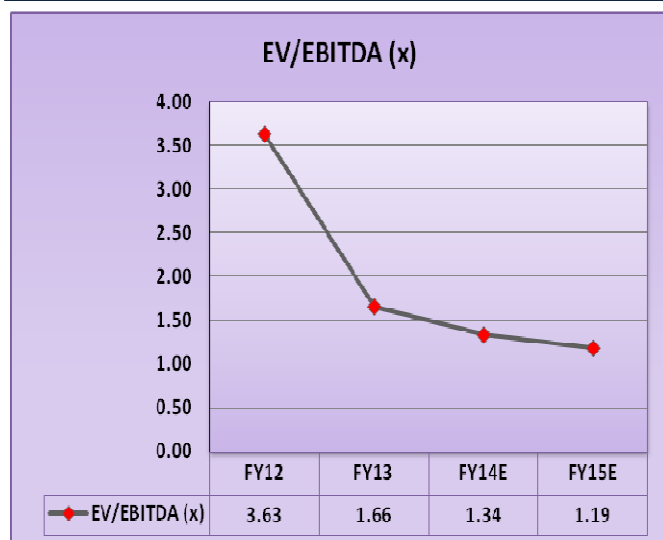
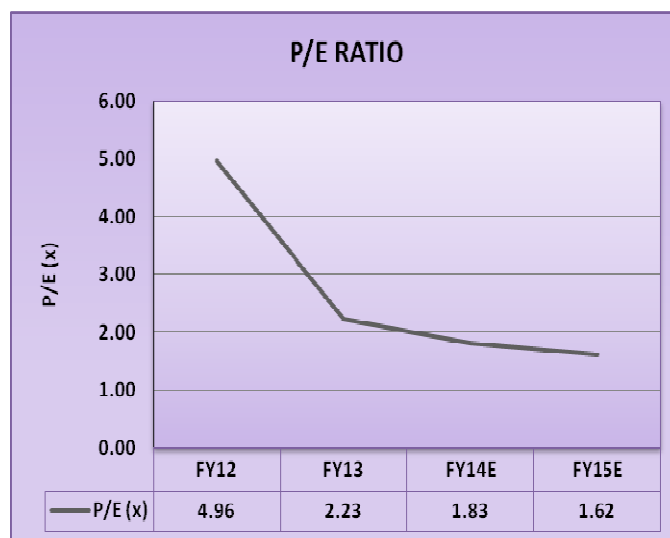
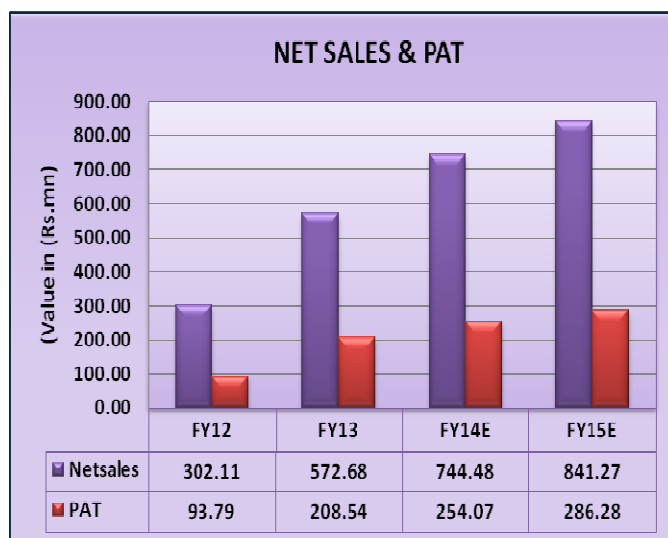
## Quarterly Profit & Loss Statement for the period of 30 SEP, 2012 to 30 JUNE, 2013E

Value(Rs.in.mn)	30-Sep-12	31-Dec-12	31-Mar-13	30-June-13E
Description	3m	3m	3m	3m
Net sales	<b>143.55</b>	<b>114.93</b>	<b>221.40</b>	<b>232.47</b>
Other income	8.35	4.00	8.34	4.17
Total Income	151.90	118.93	229.74	236.64
Expenditure	-53.31	-65.69	-155.08	-129.02
Operating profit	<b>98.59</b>	<b>53.24</b>	<b>74.66</b>	<b>107.62</b>
Interest	-1.04	-0.36	-0.83	-0.87
Gross profit	97.55	52.88	73.83	106.75
Depreciation	-1.84	-1.92	-3.03	-3.79
Profit Before Tax	95.71	50.96	70.80	102.96
Tax	-20.99	-9.97	-18.52	-26.77
Net Profit	<b>74.72</b>	<b>52.68</b>	<b>52.28</b>	<b>76.19</b>
Equity capital	52.86	52.86	52.86	52.86
Face value	10.00	10.00	10.00	10.00
EPS	<b>14.14</b>	<b>9.97</b>	<b>9.89</b>	<b>14.41</b>

## Ratio Analysis

Particulars	FY12	FY13	FY14E	FY15E
EPS (Rs.)	17.74	39.45	48.06	54.16
EBITDA Margin (%)	42.41%	48.95%	46.73%	46.66%
PBT Margin (%)	39.22%	46.84%	44.90%	44.89%
PAT Margin (%)	31.04%	36.41%	34.13%	34.03%
P/E Ratio (x)	4.96	2.23	1.83	1.62
ROE (%)	31.24%	43.86%	34.82%	28.18%
ROCE (%)	39.08%	52.95%	44.54%	36.91%
Debt Equity Ratio	0.14	0.15	0.10	0.08
EV/EBITDA (x)	3.63	1.66	1.34	1.19
Book Value (Rs.)	56.79	89.96	138.02	192.18
P/BV	1.55	0.98	0.64	0.46

## Charts



## Outlook and Conclusion

- At the current market price of **Rs.88.00**, the stock P/E ratio is at 1.83 x FY14E and 1.62 x FY15E respectively.
- Earning per share (EPS) of the company for the earnings for FY14E and FY15E is seen at Rs.48.06 and Rs.54.16 respectively.
- Net Sales and PAT of the company are expected to grow at a CAGR of 41% and 45% over 2012 to 2015E respectively.
- On the basis of EV/EBITDA, the stock trades at 1.34 x for FY14E and 1.19 x for FY15E.
- Price to Book Value of the stock is expected to be at 0.64 x and 0.46 x respectively for FY14E and FY15E.
- We expect that the company surplus scenario is likely to continue for the next three years, will keep its growth story in the coming quarters also. We recommend '**BUY**' in this particular scrip with a target price of **Rs.97.00** for Medium to Long term investment.

## Industry Overview

The real estate sector in India has come a long way by becoming one of the fastest growing markets in the world. It is not only successfully attracting domestic real estate developers, but foreign investors as well. The growth of the industry is attributed mainly to a large population base, rising income level, and rapid urbanisation.

The sector comprises of four sub-sectors- housing, retail, hospitality, and commercial. While housing contributes to five-six percent of the country's gross domestic product (GDP), the remaining three sub-sectors are also growing at a rapid pace, meeting the increasing infrastructural needs.

The real estate sector has transformed from being unorganised to a dynamic and organised sector over the past decade. Government policies have been instrumental in providing support after recognising the need for infrastructure development in order to ensure better standard of living for its citizens. In addition to this, adequate infrastructure forms a prerequisite for sustaining the long-term growth momentum of the economy.

## Market Size/ Growth Prospects

The total revenue of the real estate sector was US\$ 66.8 billion during 2010-11. By 2020, the sector is expected to earn revenue of US\$ 180 billion. In fact, the demand is expected to grow at a compound annual growth rate (CAGR) of 19 per cent between 2010 and 2014, with tier I metropolitan cities projected to account for about 40 per cent of this.

Growing infrastructure requirements from sectors such as education, healthcare and tourism are providing numerous opportunities in the sector. Further, India is going to produce an estimated two million new graduates from various Indian universities during this year, creating demand for 100 million square feet of office and industrial space. In addition, presence of a large number of Fortune 500 and other reputed companies will attract more companies to initiate their operational bases in India thus, creating more demand for corporate space.

## **Investments**

India is ranked 20<sup>th</sup> in the list of world's top real estate investment markets with investment volume of US\$ 3.4 billion in 2012, according to the latest report titled 'International Investment Atlas' by Cushman & Wakefield. The sector is set for robust inflows of US\$ 4-5 billion from overseas investors in the next couple of years, with Bangalore, Delhi and Mumbai emerging as the favourites, according to Jones Lang LaSalle, a global real estate consultancy giant.

Construction development sector (including townships, housing, built-up infrastructure & construction-development projects) has attracted a cumulative foreign direct investment (FDI) worth US\$ 22,007.67 million from April 2000 to February 2013. FDI flows into the construction sector for the period April-February 2012-13 stood at US\$ 1,260 million, according to the department of industrial policy and promotion (DIPP).

Bengaluru witnessed the highest number and value of private equity investments at Rs 32.5 billion (US\$ 585.57 million) in 2012, recording more than double of investment over last year, followed by Mumbai with Rs 13 billion (US\$ 234.17 million) and National Capital Region (NCR) with Rs 7 billion (US\$ 126.09 million) of investments.

India needs to invest US\$ 1.2 trillion over the next 20 years to modernise urban infrastructure and keep pace with the growing urbanisation, as per a report released by McKinsey Global Institute (MGI)-India's urban awakening.

Some of the major investments in the Indian real estate sector are:

- Ashiana Housing Ltd plans to foray into Gujarat's real estate with its first project worth Rs 100 crore (US\$ 18.01 million) at Halol
- Mr Akhilesh Yadav, Chief Minister of Uttar Pradesh (UP) has inaugurated and laid the foundation of development projects worth Rs 3,337 crore (US\$ 601.21 million) pertaining to Noida, Greater Noida and Yamuna Expressway
- Wave Infratech plans to invest Rs 500 crore (US\$ 90.08 million) to set up its first affordable housing venture in the Delhi national capital region (NCR) area
- Mahindra Lifespace Developers has bought the stake of private equity Arch Capital in its joint venture residential project at Chennai. The buyout of the stake was estimated to be around Rs 70 crore



- Godrej Properties Ltd (GPL) has signed a development management agreement with United Oxygen Company Pvt Ltd to develop residential housing project in Bengaluru. The project will offer approximately 1,000,000 sq. ft. of saleable area and will be developed as a residential housing project

### **Government Initiatives**

- According to the latest reforms, FDI up to 100 per cent is allowed under the automatic route in townships, housing, built-up infrastructure and construction development projects to increase investment, generate economic activity, create new employment opportunities and add to the available housing stock and built-up infrastructure
- The Ministry of Housing & Urban Poverty Alleviation has planned to introduce a single-window system for clearance of all real estate projects across the country. The system could bring down the average approval time from the current 196 days to 45-60 days
- The Government of India has sanctioned projects worth Rs 41,723 crores (US\$ 7.51 billion) for building of 1,569,000 houses/dwelling units for economically weaker/lower income group sections under the Ministry's flagship Jawaharlal Nehru National Urban Renewal Mission (JNNURM) programmes
- Housing finances are becoming feasible with the housing loan limit being raised to US\$ 52080 for priority sector lending

Some of the initiatives taken in the union budget 2013-14 include:

- For homes and flats with a carpet area of 2,000 square feet or more or of a value of Rs 1 crore (US\$ 180,213) or more, which are high-end constructions, where the component of services is greater, rate of abatement reduced from 75 to 70 percent
- Rs 6,000 crore (US\$ 1.08 billion) were given to Rural Housing Fund
- National Housing Bank plans to set up Urban Housing Fund. Rs 2,000 crore (US\$ 360.47 million) will be provided to the fund in the current financial year

### **Road Ahead**

The real estate industry in India is yet in a promising stage. The sector happens to be the second largest employer after agriculture and is expected to grow at the rate of 30 per cent over the next decade. A growing migrant population due to increasing job opportunities, together with healthy infrastructure development, is underpinning demand in the region's residential real estate market

The Kalpataru spokesperson feels that the Finance Ministry's motivation through softening of interest rates and lending more to the real estate sector will have a positive impact on both developers and consumers. The real estate market could start to perform better as the easing of FDI norms will begin to show results during the

second half of the year, according to Lalit Kumar Jain, Chairman & Managing Director, Kumar Urban Development Ltd and President National – CREDAI. "The economy will also recover in 2013 which in turn will perk up the real estate sector in India. With the government trying to introduce developer and buyer friendly policies, the outlook for real estate in 2013 does look promising," said Mr Jain.

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