

# BHARAT AGRI FERT & REALTY LTD

BSE : 531862 ISIN : INE842D01011 FACE VALUE : RS 10

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52 WEEK HIGH / LOW : 150.50 (28 JAN 13) / 47.55 (24 JUL 12)

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**TTM EPS : RS 41.67**

**P/E : 2.01 (INDUSTRY P/E 6.38)**

**MARKET CAP : 42.00 CRORE**

**BOOK VALUE : 92.75**

**DIVIDEND : RS 2.5 (YIELD 3.14%)**

**ROE/ROCE : 59.31 / 48.43**

**DEBT FREE AND CASH RICH, ASSET BASED COMPANY WITH EARNING VISIBILITY  
OVER NEXT 4 YEARS**

**CMP : 80**

**TARGET : 275**

**EQUITY : 5.29 CR**

**PROMOTER HOLDING : 67.57%**

**HOLDING PERIOD : 12 MONTHS**

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## **The Company :-**

Bharat Agri Fert & Realty Ltd (BFRL), a company came with a public issue in 1962, and is listed on BSE ever since. Main business of the company is to manufacture NPK Fertilizer, mainly SSP fertilizer in powder and granulated form.

Company closed down one of its manufacturing plant at Majiwade, Thane and is developing 6.5 acre of land for residential project in 2 phase, out of which phase 1 is completed.

## **Assets :-**

**Plant & Machinery** (Fully depreciated in the books) located at Wada, Maharashtra for Manufacturing Fertilizer : **Replacement cost for the same could be 15 crore** minimum, considering the cost of land (**18.36 acres**), plant and machinery and license issued for manufacturing.

<b>Product</b>	<b>Installed Capacity in M.Tons per annum</b>
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Single Super Phosphate Powder form	1,32,000
Single Super Phosphate Granule form	99,000
Sulphuric Acid	33,000 (Against licensed capacity of 1,00,000)
Sodium Silico Fluoride	660
Ferric Alum solid	26,400

**Surplus Land to the tune of 120 Acres at Wada, Maharashtra** (To be used in Organic Farming and Aromatic plant cultivation, **Approx value of land Rs 100 Crore**)

**70,000 Square Feet of inventory in the form of ready to move in flats at Majiwade, Thane** (Current rate is approx Rs 9000 per Square Feet, **that comes to around 63 crores**, for which construction expenses already booked)

**Earning potential from Phase 2 of Majiwade project** of 280000 saleable sq ft (Rs 4000 profit per sq ft x 280000 = **112 Crores** in next 3 / 4 years

**Bharat House at Fort, Mumbai where company plans to develop 15000** square feet of commercial premise, which will earn Rs 5.4 crore as lease rental per annum from FY 2015 onwards. (The rate per square feet in Fort area is close to Rs 20000, which brings **valuation close to Rs 30 crore**)

BAFR recently purchased **Commercial Space for office** use at distressed **price of Rs 10 Crore** at Hubtown Solaris, andheri

SSP stock as on 31.03.2013 as 16,000 M.Tons, Rs **9.93 Crores & Rs 23 Crore** stock in trade in real estate division

## **Business : -**

### **Fertilizer :**

BAFR is confident of selling **70,000 M.Tons** of Powder SSP / Granular SSP in the year 2013-14, in the state of Maharashtra, against state requirement of 9 Lakh M.Tons, mainly through supply agreement with M/s. Indian Potash Ltd (Asia's largest fertilizer trading co) of **30,000 MT**, Maharashtra Agro Industries Development Corp Ltd of **10,000 MT** and under company's own brand Bharat of **30,000 MT**. In addition to these, **company is negotiating to sell additional quantity to M/s. Chambal Fertilizers & Chemicals Ltd and M/s. Jubilant Industries.**

According to the company, Raw material could be planned in advance and since the company's plant is in upto date condition to run at minimum 50% capacity utilization (70,000 MT target

sales against installed capacity of 1,32,000 MT, thereby **no additional Capital Investment required to catch ready market for GSSP for additional 70,000 MT per annum**) in 2013-14 and there will be excellent performance in company operation from fertilizer business during 2013-14 with reasonable profit margin.

#### **Real Estate :**

BAFR will start Phase 2 of its **residential project of 2,80,000 Square Feet saleable area from October 2013** which will be completed by 2017/18, which will bring in the revenue of Rs 250 crore and **pre tax profit of close to 110/120 crores, spread over next 3 years**. (Only construction expense and TDR expense will be incurred to the tune of Rs 2000 & 2500 PSF against selling price of above Rs 9000 PSF), the **balance stock of ready flats for 70,000 Sq Ft** as on 31.03.2013 of Phase 1 would be sold during 2013-14 and 2014-15, to **enable company to have funds arrangement from its own resource for Phase 2**.

The company has already received MoEF permission Letter No SEAC 2012/CR-288tc-2 dated 17<sup>th</sup> May 2013 for Phase 2 project and will be shortly apply to Thane Municipal Corporation for necessary approval of plans.

The company was in the final stage of starting **redevelopment of Mumbai office at Nanabhai Lane, Fort, Mumbai 400 023 and the area of 15,000 Sq Ft** would be given on lease and this project would be completed in 2014-15. The company would earn income of Rs 45.00 Lacs per month on its completion.

**The company is only liable to pay MAT at the rate of 22.66% on the profit earned.**

#### **Conclusion :-**

**Thus BAFR, the Debt Free, and Cash Rich company with huge assets and earning visibility over next 4 years along with excellent ROE and ROCE plus tax benefit as company is only paying MAT (Minimum Alternative Tax) at the rate of 22.66% only, can earn an EPS of Rs 15 from Fertilizer division and EPS of close to Rs 60 from its real estate division (70,000 Sq Ft unsold ready flats to be sold in FY 14 & FY 15 @ of Rs 9000 Per Square feet) in FY 14, which could jump to Rs 100/120 once booking and revenue starts from Phase 2 of Majiwade, Thane residential project, October 2013 onwards.**

**Hence the stock is available at P/E multiple of 0.80 for FY 14 and 0.6 for FY15 earning per share of Rs 100 and Rs 120. If dividend increase taken into consideration than tax free**

**dividend yield comes close to 7.5% per annum for expected dividend of Rs 6 per share for FY 14 and 10% per annum i.e. Rs 8 per share for FY 15.**

**Considering above all listed asset of close to Rs 250 crores, that comes to Rs 500 per Share, plus earning potential from Phase 2 of Majiwade project of 280000 saleable sq ft (Rs 4000 profit per sq ft x 280000 = 112 Crores in next 3 / 4 years, adding yet 200 rs per share, that comes to asset value per share of close to Rs 700, while this under researched stock is available at Rs 80, i.e. more than 85% discount to its Assets Value.**

**Hence the stock at CMP of Rs 80 is grossly undervalued and is a screaming buy with a target of Rs 275 in the next 12 months.**

**Link to download latest Annual Report :-**

<http://www.mediafire.com/?7v12p1mmxbsfolx>

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