

1 June 2011

Ansal Properties and Infrastructure

Back on the playing field; initiate with Buy

APIL has proven land aggregation and execution skills, and is endeavoring to turn the tide in its favor via better execution, after a 3-4 year hiatus. Its continuing strong sales volume verifies market acceptance; the renewed execution focus is likely to boost cash flow. A de-leveraged balance sheet and better governance are key. We initiate coverage on APIL with a Buy recommendation and Mar '12e target price of ₹70/share.

- Flavored offering.** APIL's forté is horizontal development on its strategic land acquisitions. Plots, floors, villas and FSI comprised 68% of the ₹57.3bn sales (over FY08-11). Price appreciation on these sales was higher than on its group housing projects; focus on horizontal development would continue to drive volumes ahead.
- Hi-tech growth; township developer.** Sushant Golf City project at Lucknow, contributing +25% to NAV, is a cash cow for APIL and displays the company's acquisition & development skills. Re-entry into the high-value Gurgaon market would boost cash flow.
- Repairing balance sheet the key.** APIL raised ₹3.8bn in FY11 to repay debt and improve execution. However de-leveraging its high-cost funds might take longer than guided. Better operating cash flow (given renewed construction focus) should be used for debt repayment and stake buys vs. land acquisition.
- Valuation and risks.** Our Mar '12e target price is based on 30% discount to Mar'12e NAV of ₹100. The stock trades at 0.4x its Mar '12e BV. Key risks: Slowdown in sales; audit/legal issues.

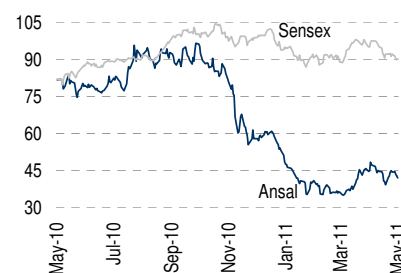
Key financials

Year end 31 Mar	FY09	FY10	FY11 e	FY12 e	FY13e
Sales (₹m)	7,235	8,424	12,571	14,396	20,752
Net Profit (₹m)	325	643	1,015	1,248	2,979
EPS (₹)	2.0	4.5	6.9	9.0	19.9
Growth (%)	(82.3)	131.4	52.1	30.6	122.3
PE (x)	21.8	9.4	6.2	4.7	2.1
P BV (x)	0.6	0.5	0.4	0.4	0.3
RoE (%)	2.6	5.7	7.3	8.3	16.6
RoCE (%)	3.5	5.7	7.4	7.9	15.6
Dividend Yield (%)	1.2	1.2	-	1.8	2.9
Net Gearing (%)	108.3	124.0	89.7	84.2	65.8

Source: Company, Anand Rathi Research

Key data	APIL IN / APIL.BO
52-week high / low	₹100 / ₹33
Sensex / Nifty	18503 / 5560
3-m average volume	US\$0.5m
Market cap	₹7bn / US\$155m
Shares outstanding	157.4m
Free float	53.6%
Promoters	46.4%
Foreign Institutions	21.9%
Domestic Institutions	3.2%
Public	28.5%

Relative price performance



Source: Bloomberg

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Quick Glance – Financials and Valuations

Fig 1 – Income statement (₹m)

Year end 31 Mar	FY09	FY10	FY11e	FY12 e	FY13e
Net sales	7,235	8,424	12,571	14,396	20,752
Sales growth (%)	(22.5)	16.4	49.2	14.5	44.1
- Op. expenses	4,696	5,106	8,252	9,627	12,848
EBITDA	968	1,666	2,421	2,682	5,413
EBITDA margin (%)	13.4	19.8	19.3	18.6	26.1
- Interest	972	1,061	923	983	1,099
- Depreciation	113	98	96	96	106
+ Other income	550	517	307	535	544
- Tax	119	337	629	727	1,616
PAT	307	710	1,081	1,411	3,137
PAT growth (%)	(82.3)	131.4	52.1	30.6	122.3
Consolidated PAT	325	643	1,015	1,248	2,979
FDEPS (₹/share)	2.0	4.5	6.9	9.0	19.9
CEPS (₹/share)	2.8	4.7	7.1	8.5	19.6
DPS (₹/share)	0.5	0.5	-	0.8	1.3

Source: Company, Anand Rathi Research

Fig 2 – Balance sheet (₹m)

Year end 31 Mar	FY09	FY10	FY11e	FY12 e	FY13e
Share capital	568	616	787	787	787
Reserves & surplus	11,464	12,375	15,780	16,721	19,470
Shareholders' fund	12,032	12,991	16,567	17,508	20,257
Debt	14,040	17,183	16,099	15,620	14,691
Def Tax Liab (net)	-	41	21	21	21
Minority interests	1,913	1,330	814	814	814
Capital employed	27,984	31,545	33,501	33,963	35,783
Fixed assets	1,537	1,244	1,246	1,270	1,291
Investments	281	122	13	13	13
Working capital	25,102	29,098	31,000	31,798	33,118
Cash	1,013	1,081	1,242	882	1,361
Capital deployed	27,984	31,545	33,501	33,963	35,783
No. of shares (m)	113.5	123.1	157.4	157.4	157.4
Net Debt/Equity (%)	108.3	124.0	89.7	84.2	65.8

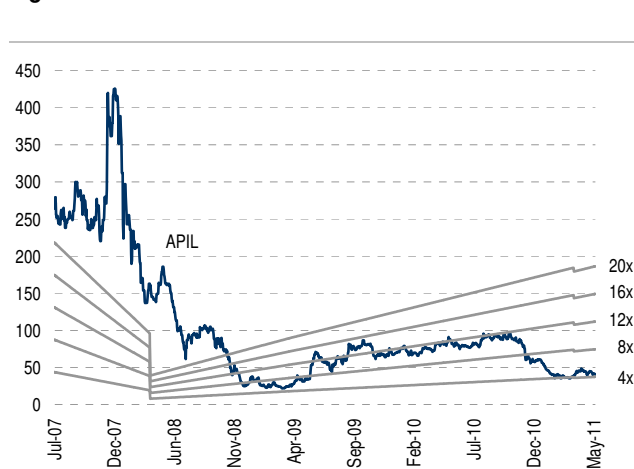
Source: Company, Anand Rathi Research

Fig 3 – Cash flow statement (₹m)

Year end 31 Mar	FY09	FY10	FY11e	FY12e	FY13e
Consolidated PAT	325	643	1,015	1,248	2,979
+ Non Cash Items	104	185	76	96	106
Cash profit	429	828	1,090	1,344	3,084
- Incr/(Decr) in WC	5,988	3,996	1,902	798	1,319
Operating cash flow	(5,559)	(3,168)	(812)	546	1,765
- Capex	102	(196)	97	121	127
Free cash flow	(5,661)	(2,973)	(909)	425	1,638
- Dividend	66	77	-	138	229
+ Equity raised	(105)	393	2,562	(170)	-
+ Debt raised	3,167	3,143	(1,084)	(479)	(929)
- Investments	(17)	(159)	(109)	-	-
- Misc. items	(4)	(6)	0	(0)	-
Net cash flow	(776)	68	162	(360)	479
+ Opening cash	1,789	1,013	1,081	1,242	882
Closing cash	1,013	1,081	1,242	882	1,361

Source: Company, Anand Rathi Research

Fig 4 – PE Band



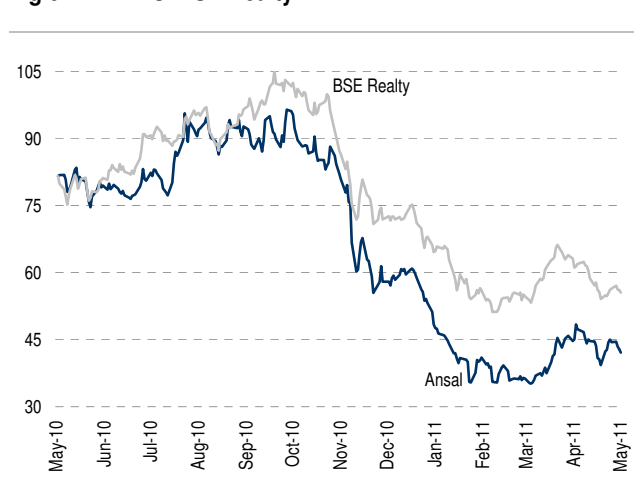
Source: Bloomberg, Anand Rathi Research

Fig 5 – Price-to-Book Band



Source: Bloomberg, Anand Rathi Research

Fig 6 – APIL vs. BSE Realty



Source: Bloomberg

Investment Argument and Valuation

APIL, one of India's earliest property developers with exceptional land aggregation skills, is endeavoring to turn the tide in its favor after a 3-4 year hiatus. Its continued healthy sales volume establishes its market acceptance and its renewed execution focus is likely to drive cash flow. De-leveraging the balance sheet will be the key stock trigger. We initiate coverage on APIL with a Buy recommendation and Mar '12e target price of ₹70/share.

Array of offerings in various markets

Focus on horizontal development

Over FY08-11, horizontal development contributed 68% to value and 85% to sales

Horizontal development is a key vertical for APIL. Over 65% of its offerings are in horizontal and low-rise development. This has helped it clock in sales of ~60m sqft in the past four years, 85% of it arising from sales of plots, FSI, villas and floors. We believe APIL's strategy of focusing on horizontal development is a strong positive for the company's volume-led business.

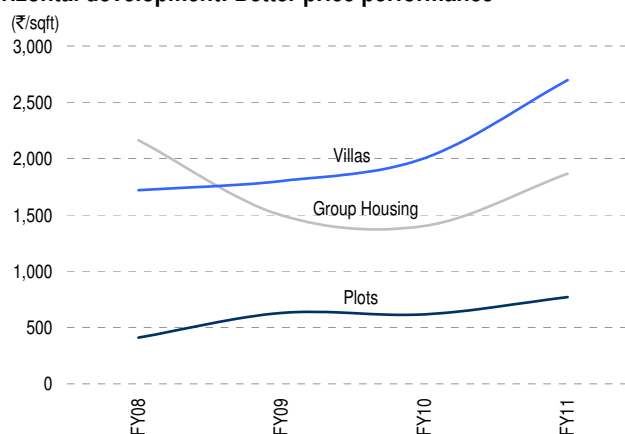
Fig 7 – Strength in horizontal development

	Total: for current land bank		FY08-11	
	Sales (m sqft)	Sales value (₹bn)	Sales (m sqft)	Sales value (₹bn)
Plots	57.1	32.1	32.5	20.3
Villas/Floors	7.1	14.2	6.0	13.1
FSI (Residential & Commercial)	14.1	7.5	6.4	4.6
Total (as of Mar '10)	89.6	76.1	59.6	57.4
(%) of total	87.3	70.7	85.0	68.0

Source: Company

Further, realizations for plotted development have improved, considerably more than that for built-up verticals, thereby resulting in better margins. At current average pricing and locations, APIL will continue to witness low margins in verticals such as group housing (GH) projects.

Fig 8 – Horizontal development: Better price performance



Source: Company

Horizontal development guarantees higher margins in markets where APIL has presence

Proven land aggregation and execution skills; needs to re-invest in execution

APIL is active in development in 19 cities

The joint development agreement (JDA) expansion strategy in North Indian cities has helped APIL purchase larger land parcels at low prices. The company's strategy to first develop the JDA area of a township and then its owned area would help it realize higher value going forward as the value of previous acquisitions has now substantially increased. Excluding Greater Noida, payments for land acquisition of most townships have already been made. Both factors – JDAs and value from land acquisition – entail lower land-cost outgo, higher cash inflows and better sales.

Fig 9 – Project profile: APIL vs. peers (m sqft)

Company	Land bank	Plots and FSI	Plots	Floors and Villas	GH	Others	No. of cities where work is ongoing
DLF	422.0	31.6	31.6	74.7	187.0	128.8	15.0
Unitech	495.0	14.0	14.0	44.3	115.1	321.0	11.0
APIL	312.0	139.0	96.0	20.0	61.7	91.0	19.0
Omaxe	167.6	61.1	48.7	33.4	39.3	33.6	22.0
Parsvnath	211.6	31.7	31.7	13.0	48.1	118.6	15.0

Source: Company

*As on Mar '11

Since inception, APIL has a proven execution record – 21m sqft of vertical development and 171m sqft of horizontal development completed till Mar '03. Since then the company has also delivered 29.7m sqft of horizontal and 9.9m sqft of vertical development. The company focused on land accumulation over FY06-09; APIL having shifting focus on execution thereafter is likely to drive cash flows in coming years, given the company's high sales performance.

Fig 10 – Construction and delivery: to improve ahead

	m sqft
Inception: Mar '03	21m sqft of vertical + 171m sqft of horizontal
Apr '03-Mar '11	9.9m sqft of vertical + 29.7m sqft of horizontal
FY12e	8
FY13e	11

Source: Company, Anand Rathi Research

We estimate construction capex at APIL's major projects to rise 30% over FY12-14e, entailing a cost of ₹34bn.

Hi-Tech growth

Lucknow – Cash cow

APIL is developing its largest townships so far, one each at Lucknow and Greater Noida, given that most activity is in the form of large-scale township development. The Lucknow township is spread over two phases (1,765 acres each), with ₹6.9bn already invested in land and construction and sales value of ₹17.2bn achieved from the ~24.2m sqft sold (as of 31 Dec '10). The project – Sushant Golf City (SGC) – is the largest value contributor to APIL's NAV and is proof of the company's land aggregation and development abilities.

We believe that SGC would remain APIL's most valuable project going forward too. We estimate sales of 17.1m sqft in the next three years (vs. 22.6m sqft over FY08-11) at ₹16.4bn and a gross cash flow of ₹4.8bn from past and future sales.

Fig 11 – Fact file: Sushant Golf City (Lucknow)

	Phase 1	Phase 2.A	Phase 2.B
Total Area (acres)	1,765	800	800
APIL stake (%)	100	100	100
Project launched	Oct'07	Jul'10	NA
Total saleable area (m sqft)	60.5	22.6	22.6
Estimated land cost (₹bn)	2.8	1.1	2.8
Land acquired (acres)	1,590	481	-
Area launched (m sqft)	39.9	10.1	-
Area sold (m sqft)	20.7	3.5	-
Value of sale (₹bn)	15.2	2.1	-
Value received (₹bn)	6.3	0.8	-

Source: Company

* as on Dec'10

Sushant Megapolis project – Still in a nascent stage

APIL's second hi-tech township – Sushant Megapolis – at Greater Noida was launched in FY08, but is still in the nascent development stage.

We believe Sushant Megapolis would require external funding till it becomes self sustaining

Development planned for the 2,504 acres would be spread over four phases; ~580 acres have already been acquired. The company has launched 10.3m sqft and sold 4.8m sqft of plots and built-up development.

We believe the Greater Noida project would take longer to complete (than the Lucknow township), given the land acquisition woes in the region, excess supply in Noida and Greater Noida, and the huge amount yet to be invested in land and related infrastructure development.

Fig 12 – Fact file: Sushant Megapolis (Greater Noida)

	Phase 1	Remaining phases
Total area (acres)	500	2,004
APIL stake (%)	54.9	54.9
Project launched	July'08	NA
Total saleable area (m sqft)	13.8	63.5
Estimated land cost (₹bn)	2.7	12.1
Land acquired (acres)	578	
Land acquisition ongoing (acres)	1,926	
Area launched (m sqft)	10.3	-
Area sold (m sqft)	4.8	-
Value of sale (₹bn)	5.0	-
Value received (₹bn)	2.2	-

Source: Company

* as of Dec '10

Gurgaon – Back on the playing field

With the launch of its 111-acre township – Esencia – in 1QFY11, APIL re-entered Gurgaon township development. The APIL brand and the location advantage have seen sales of +1.9m sqft of the launched area. APIL, which initially planned an IT SEZ, has re-worked its strategy and now launched a residential township. It is planning a second township of +108 acres on Sohna Road (Gurgaon) for which it has secured an investment commitment of ₹2bn (₹0.55bn already invested) from the private equity firm, Red Fort Capital. APIL has acquired most of the required land and is in the process of acquiring the remaining 33 acres and converting them into land for residential use (from SEZ earlier).

Fig 13 – Fact file: Esencia

	Phase 1	Phase 2
Area (acres)	111.0	108.0
APIL's stake (%)	100.0	74.0
Project launched in:	1QFY11	NA
Saleable area (m sqft)	3.0	5.9
Estimated land cost (₹ bn)	2.6	2.7
Stake Acquisition Cost (₹ bn)	1.1	1.6
Land acquired (acres)	111.0	75.0
Land acquisition ongoing (acres)	-	33.0
Area launched (m sqft)	3.0	-
Area sold (m sqft)	1.9	-
Value of sale (₹ bn)	6.0	-
Value received (₹ bn)	2.7	-

Source: Company *As on Dec '10

Gurgaon is one of the fastest-growing cities, and considered one of the best for corporate establishments. Land values (circle rates) have increased rapidly in the last decade. Also, APIL signed two additional JDAs in the extended suburbs of Gurgaon in FY11. The larger of the two, Golden Greens, would be a golf-view development. APIL has acquired development rights for the project and paid a deposit of ₹300m.

Fig 14 – JDA projects to be launched

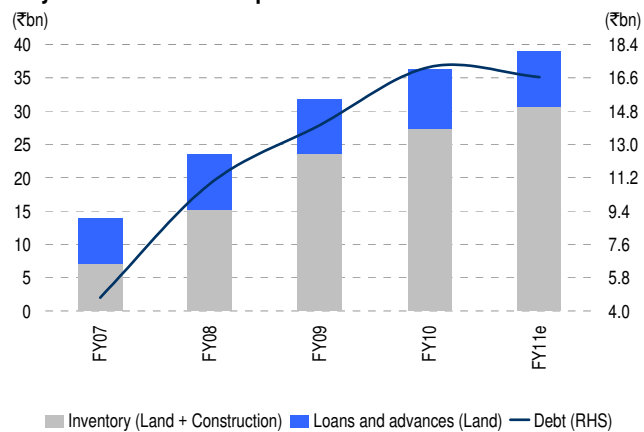
Project Name	Area (m sqft)	Stake (%)	Remarks
Golden Greens - GH	1.3	76.0	
Golden Greens - Villas	2.6	76.0	Surrounding the existing golf course; planning and approval
Golden Greens - Commercial FSI	2.3	76.0	
The Fernhill	1.4	75.5	Launched for sale

Source: Company

Along with its Esencia township, we believe the Golden Greens development would add value, post-launch.

Debt – Still a concern

APIL is like a host of other developers who acquired excess land and were plagued by slower construction between FY06 and FY09. This led to a highly-levered, high-cost balance sheet. With debt of ~₹16.1bn (as of Mar '11) and repayments (interest and debt) of ~₹8.8bn and ₹5.8bn in FY12 and FY13 respectively, we believe APIL would take longer to de-leverage its balance sheet. This does not take into consideration the repayment due to project-specific investors over FY12-13 and land payments over & above construction and sanctions costs.

Fig 15 – Four years to debt build-up

Source: Company

High sales order-book to aid cash flows; construction the way

To supplement its high sales volumes, we believe a construction pick-up would be key in generating high cash flows for APIL. In addition to the regular construction-linked inflows, this would also bring down debtors (usually low in horizontal development).

Fig 16 – APIL to capitalize on sales going forward

	FY08	FY09	FY10	FY11e	FY12e	FY13e
Sales volume (m sqft)	10.3	13.3	13.6	22.4	16.3	16.1
Sales value (₹bn)	8.7	14.1	10.6	23.9	19.0	21.7

Source: Company, Anand Rathi Research

Valuation

We estimate Mar '12e target price at ₹70/share, which is at 30% discount to the NAV of ₹100. For the NAV approach, we have considered the development schedule for the company's JDA and under-construction townships acquired and licensed. On the basis of the PBV multiple, we believe the stock should trade at 0.6x Mar '12e BV.

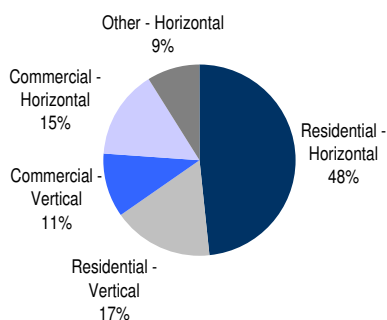
Fig 17 – Valuation

Vertical	₹m	₹/share	Share of NAV
Residential	20,495	130	67%
Commercial	5,167	33	17%
Retail	1,306	8	4%
Others	3,524	22	12%
Cash	882	6	
Debt	(15,620)	(99)	
NAV	15,754	100	

Source: Company, Anand Rathi Research

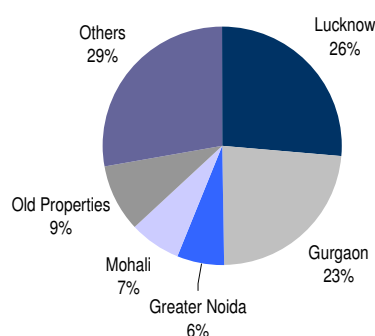
For townships, we have assumed a development schedule where: i) a project has already been launched and is licensed; and ii) land forms part of the second phase and a substantial amount has been paid towards land & sanction costs.

Fig 18 – NAV breakdown (Mar '12e): by vertical



Source: Anand Rathi Research

Fig 19 – NAV breakdown (Mar '12e): by location



Source: Anand Rathi Research

We have accounted for book value paid for residual land (not yet launched/low development clarity), as related projects are in tier-2 & 3 towns.

We have excluded/taken book value for projects that are facing litigation or where government action is pending owing to an unclear development schedule e.g., Murthal and the ETA 2 (Greater Noida) projects.

From our valuation we have excluded regular developments and JDA projects where the amount paid is low/insignificant vs. development costs, and where development clarity is low e.g., Golden Greens (Gurgaon), Sawara township (at Mohali), future Greater Noida phases etc.

We have taken actual costs incurred (including those related to sales and advertising till FY10) for projects already under development.

We have not considered in our calculations development schedule for projects where land acquisition is still in process (Greater Noida phases 2, 3 & 4; Lucknow phase-2 DA-2).

We have used WACC of 15% derived from cost of equity of 19.4% and cost of debt of 16%.

Risks

- Slowdown in sales and construction. Our estimates would be hit by lower-than-estimated sales and construction.
- High-than-estimated costs. We have built in sufficient cushion for the escalating construction costs. Given limited clarity regarding costs incurred, any expenditure beyond guidance could have a negative impact on our estimates.
- Auditor qualifications (FY10 Annual Report). Among others, auditors have drawn attention to ₹3.6bn of advances for land and ₹1.92bn of creditors.
- Timely interest and debt repayments. In the past, there has been delay in the payment of principle and interest to banks and financial institutions. 98% of the promoter holding is pledged. This could affect/make costly further lines of credit.
- Negative outcome of the 'Uphaar Cinema' case against APIL's promoter would have an adverse impact.

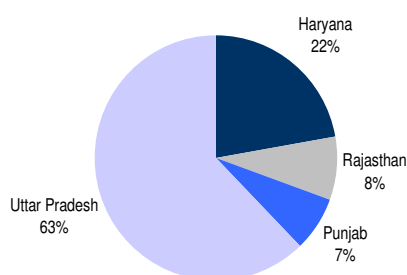
Flavored offering

Horizontal development (plots, villas, floors and GH FSI), favored in North India, comprises +65% of APIL's offerings. This has resulted in FY08-11 sales of ₹57.4bn and collections of ₹32.5bn. Such asset classes have been fast churners (85% sales contribution) over FY08-11 and are likely to command better margins. APIL's continuing focus on such development would continue driving up volumes going forward, in our view. Its land acquisition skills (relatively better than most) and business model (largely JDA township development) provide ample opportunity for such sales.

Horizontal developments: flavor of the North

APIL focuses on tier 1 & 2 towns in North India. Expanding from its development in the CBD (central business district) of Delhi, APIL was one of the first realtors to enter the Gurgaon market. APIL commenced development at Gurgaon with sale of plots in its Sushant Lok project, which is now a prime residential zone (similar to the Golf Course Road and Sector V of DLF City).

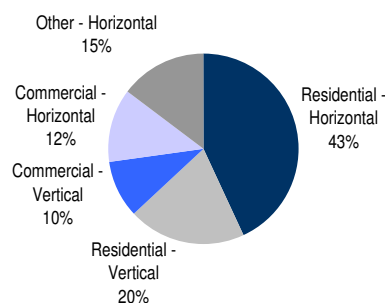
Fig 20 – Saleable area breakdown (by location)



Source: Company

as of Mar '11

Fig 21 – Saleable area breakdown (by asset class)



Source: Company

Note: total area of 312m sqft; as of Mar '11

APIL is one of the few developers that still have plotted offerings in Gurgaon

North India is known for its affinity for plot and low-rise development; even the lower floors in high-rise developments command a premium

In 1QFY11, the company re-entered Gurgaon residential and township development with its project Esencia. Brand recall and location advantage has seen over 91% of plotted offerings sold and 100% launched area of floors released for sale for its first phase across 111 acres. In 4QFY11, the company also launched the second phase of the township. Other large developers, following suit, have been launching plots in Gurgaon's extended suburbs and North India towns.

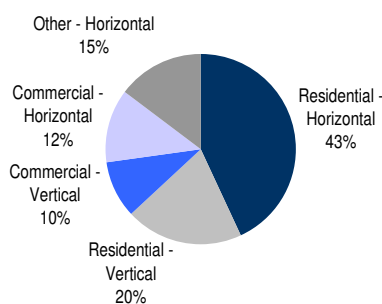
Fig 22 – Launches in recent past

Project	Saleable area (m sqft)	Area sold (m sqft)	Sale value (₹m)
SGC - Felix Square	0.2	0.1	320
SGC - Santushti Enclave	0.4	0.3	498
SGC Ph-2 Plots and Villas	10.1	3.6	2,146
Esencia, Gurgaon	3.1	2.3	5,150
Green Escape	2.4	1.0	1,530
Orchard County	0.9	0.0	39
Iris Garden, Meerut	0.2	0.1	130
Corporate Park, Noida	0.2	0.1	388
Plotted (as of Mar '11)	128.2	78.2	53,907

Source: Company

North India (including the NCR), unlike developments in other metropolitans such as Mumbai and Central Bangalore, is still known for its affinity for plot development and low-rise built-up developments. This is seen from the fact that most of the older developments of developers including those of DLF and Unitech are in the form of plotted schemes; even for group housing development, a higher premium is charged for lower floors. Such developments along with higher volume offer better margins.

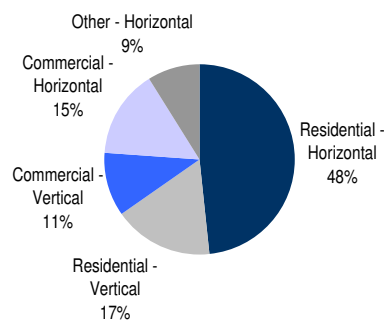
Fig 23 – Breakdown of asset classes



Source: Company

as of Mar '11

Fig 24 – Breakdown of Mar '12e NAV



Source: Anand Rathi Research

Of APIL's present offering, 43% is in the form of residential plots, villas and floors and 27% of FSI; this contributes ~89% to the NAV (Fig 24).

Horizontal development entails a faster cash cycle

Usually, horizontal development is faster than vertical development. It includes land conversion, plotting and development of infrastructure (roads, sewage lines, lights, demarcation etc.) for forming a gated community. Additionally, with town-houses and villas, development can be faster once a property has been sold. On the other hand, in a vertical development after the conversion and infrastructure development stage, the construction timeline would depend on the height of the structure and type of offering. This also depends on sales in such verticals, as costs and the interest burden are higher in such developments.

Fig 25 – Development of horizontal vs. vertical assets: development costs (₹/sqft)

Horizontal development		Vertical development	
General development costs	148.6	P + 11	1,428.6
Plot development	3.0	Horizontal development	148.6
Temporary structures	15.0	RCC + Brick + Plaster + Masonry	615.0
Compound wall	25.0	Fit-outs	515.0
Landscaping	15.0	Architects, Supervision	65.0
Society office	2.0	Interest cost	75.0
Sub-station and electrical network	35.0	Incremental - miscellaneous	10.0
Water supply & gas bank	20.0		
Sanitation & vermiculture	13.6		
Road	13.0		
Miscellaneous	7.0		
Avg selling price	450.0		2,100.0
Gross margin (%)	67.0		32.0

Source: Industry

Historically, APIL's sales have been much better for horizontal than for vertical development. In certain instances, horizontal development helps in land acquisition (money received from such development sales is utilized to acquire land). As such, horizontal developments sell more easily; involve more investors, and initial payments could help complete the land acquisition procedure.

Plot development has been the key contributor to APIL's volume in the past

Fig 26 – Performance of sales: asset class breakdown

	FY08	FY09	FY10	FY11
Plots	8.4	7.4	4.0	10.7
Villas	0.9	1.6	1.0	2.6
GH	0.6	1.1	2.8	2.3
GH FSI	-	1.9	1.5	0.6
Commercial	0.3	0.8	0.3	0.6
Commercial FSI	-	-	0.2	2.3
Industrial Plot	0.0	-	0.7	1.6
Public Amenities	-	0.5	3.0	1.6
Farms	-	-	0.3	0.2
Sales (m sqft)	10.3	13.3	13.6	22.4

Source: Company

Township development: Leading the way

Township development typically passes through 2-3 economic cycles

Most of APIL's projects are townships. The company has developed +2,000 acres of township projects in the past and is developing 23 townships in 16 cities at present. A large township development usually passes through two or three economic cycles. The right product supports a continual selling proposition for a particular development offered.

Fig 27 – Townships under development by APIL

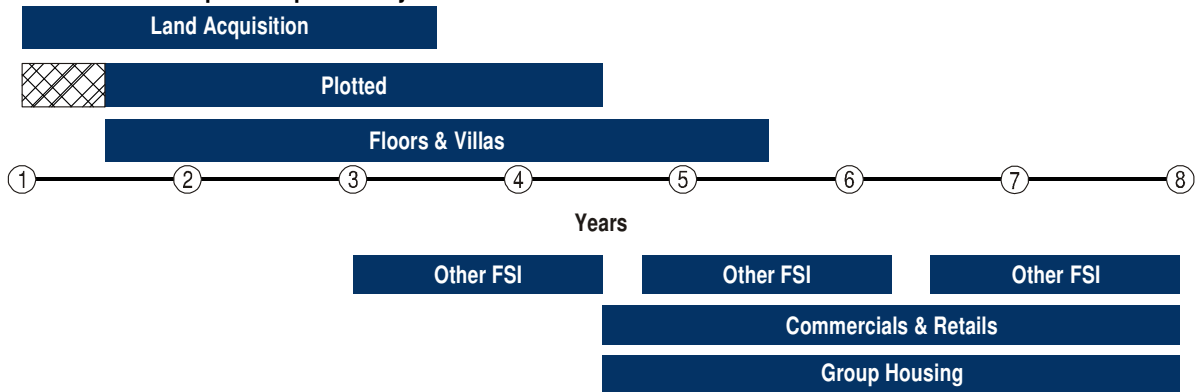
Township	Location	Land (acres)	Saleable area (m sqft)	Area aoid (m sqft)	Sale value (₹m)	Value received (₹m)
Sushant City Ph-1	Karnal	128.7	3.3	1.8	1,514	461
Sushant City Ph-2	Yamuna Nagar	92.7	1.2	0.2	760	88
Green Escape	Sonepat	30.0	2.5	1.0	1,802	442
Sushant City Ph-3	Sonepat	42.0	0.9	0.3	214	153
Sushant City Ph-1	Panipat	82.2	3.0	0.6	1,205	694
Sushant City Ph-1	Kurukshetra	123.0	3.2	2.1	951	561
Essencia Ph-1	Gurgaon	111.0	3.0	1.9	5,953	2,684
Sushant City 2 - Ph-1	Jaipur	58.6	1.4	0.6	228	176
Anand lok	Jaipur	36.8	1.1	0.9	361	303
Sushant City Ph-1	Ajmer	69.2	1.9	1.3	686	485
Sushant Lok	Jodhpur	111.5	3.6	0.8	438	268
Sushant City Ph-2	Jodhpur	67.1	1.7	0.7	359	194
Golf Links Ph-1	Mohali	168.1	4.3	3.7	3,392	2,189
Golf Links Ph-2	Mohali	43.8	1.4	1.0	1,120	534
Sushant City	Bhatinda	88.6	2.4	1.7	667	494
Sushant City	Bhatinda	121.1	3.0	0.6	253	154
Megapolis Ph-1	Greater Noida	500.2	13.8	4.8	4,989	2,158
Sushant City Ph-1	Meerut	270.0	7.1	5.9	4,240	3,422
Sushant Golf City Ph-1	Lucknow	1,765.0	60.0	20.7	15,210	6,283
Sushant Golf City Ph-2	Lucknow	800.0	22.6	3.5	2,064	750
Sushant Taj City	Agra	441.7	9.7	2.1	938	439
Aquapolis	Ghaziabad	127.5	5.0	1.4	2,063	1,136
Celebrity Greens	Greater Noida	46.7	3.4	0.2	667	166

Source: Company

* As of Dec '10

Identifying a location for a township is also key to marketing it. Such townships usually start on the outskirts of a city. As development progresses, the city expands towards it. The launch of the right product in the early stages of developing a township is key to such development. APIL’s strategy of selling plots (a form of investment in land for the majority) with good infrastructure facilities (gated communities, roads, water and security) augurs well as a brand-building exercise for a township.

Fig 28 – Phased township development: key milestones



Source: Company

Initial infrastructure and plot developments are usually supplemented by town-houses/villa developments with a supporting local community centre, retail and other social amenities. Group housing is usually the last along with organized commercial development.

Land aggregation: a notch above most

Although APIL’s land acquisition skills are excellent, its high leverage largely stems from its huge land bank

Although it over-expanded in land acquisition, leading to a deep debt, an independent evaluation of APIL’s projects places it among the better land aggregators. Land bank, as of Dec ’10, for its ongoing and planned projects is at 10,091 acres at ₹38.6bn, of which the company has already made payment of ₹23.5bn. APIL has licensed land of 87% from its acquired land bank of 7,468 acres (more than larger peers’).

Fig 29 – Land bank: APIL vs. larger peers

Co Name	₹/sqft	Total saleable area	JDA	JV	Auctions/tenders	Balance payable* (₹bn)
DLF	490	422.0	-	22.0	40.0	15.5
Unitech	300	495.0	38.1	64.7	71.8	26.0
APIL	180	312.0	65.0	60.4	11.4	1.5

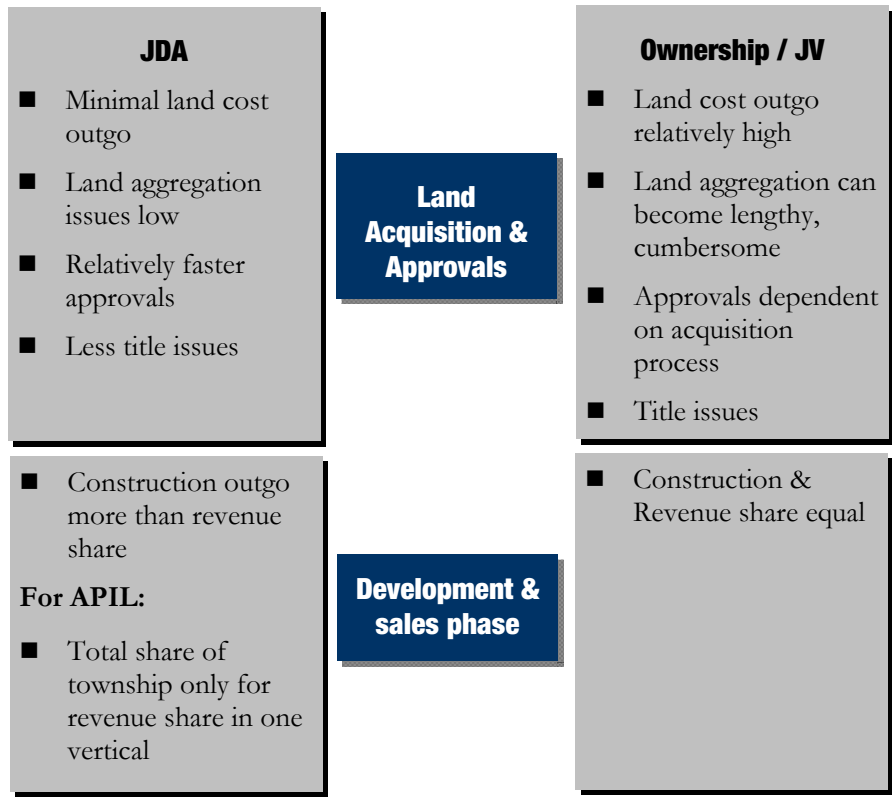
Source: Companies

* on land already in possession

More importantly, APIL was the first successful developer to expand to geographical areas (22 cities) beyond its original market. It is developing land and constructing in 19 cities, more than larger peers. This has taken place through its various JDAs, JVs and investment by financial partners.

65m sqft projects are through JDAs, contributing 18% to the NAV. In a JDA format, APIL usually offers a proportion of revenue/area of an asset class from the complete township in lieu of acquiring development rights for the entire project. This approach significantly lowers acquisition costs.

Fig 30 – JDA model: a touch ahead



JDA helps in lower cost outgo & hence improves IRR provided sales & execution

In 2HFY11, APIL acquired ~300 acres around the Golf Course in suburban Gurgaon for a deposit of ₹300m

Source: Anand Rathi Research

APIL has also been quick to monetize most of its projects by securing financial partners such as HDFC, ICICI Prudential and IL&FS for some key projects.

Presence across markets along with lower costs

APIL has presence in various cities in India. Its average land acquisition costs are much lower than larger peers’ (APIL’s ₹180/sqft vs. ₹490/sqft for DLF and ₹300/sqft for Unitech). Excluding Gurgaon, Lucknow and Mohali (where APIL’s land parcels are comparable or better than larger peers’), projects in most tier-2 cities should be compared on a discount (visible with the value of sales) basis.

Fig 31 – Area sold

State	Total area (m sqft)	Area sold (m sqft)	Remarks
Rajasthan	25	13.6	Development slow; market weak
UP - NCR	101	12.4	Volume-led development
UP - Lucknow	84	24.2	Cash cow for APIL
UP (ex Lucknow & the NCR)	9	2.1	Leadership in organized market
Haryana - NCR	44	12.1	Volumes + value
Haryana (ex NCR)	26	10.4	Staggered growth
Punjab	23	8.0	Staggered growth
Total	312	82.8	

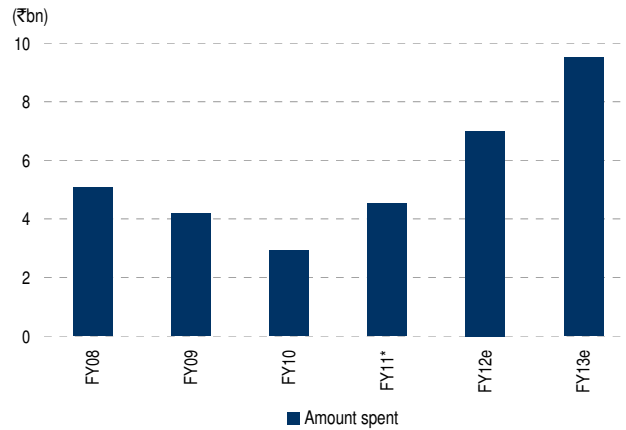
Source: Company, Anand Rathi Research

* As of Dec '10

APIL's township and other developments are located in 22 cities of four major states. Development and construction in 19 cities is in progress, though at varying stages. DLF and Unitech have developments in 15 and 11 cities respectively, but the value of their construction per fiscal is much higher than APIL's. We believe APIL should sharpen focus on certain high-value cities to expedite cash collection.

Bulk of construction expenditure to increase in Lucknow, Greater Noida and Mohali

Fig 32 – Construction amount rising, reflecting increase in execution



* Indicates figures are for the first 11 months of FY11
Source: Company, Anand Rathi Research

Older developments: Book value vs. market value

Older inventory (commercial and residential) stands as security for APIL's mortgages and contributes ₹2.9bn to the NAV

APIL has constructed most of the office buildings in the CBD, Delhi (35-36 completed buildings). Although most of these properties have been sold, APIL still holds some space in the buildings. Given current market prices, the value of such space is much higher than the costs of construction incurred. Along with the aforementioned commercial space, the company also holds some prime residential plots (in Sushant Lok and Palam Vihar) and residential units in the older townships that would be sold at a higher rate. Overall, APIL has +3.4m sqft from such older properties.

Fig 33 – Older properties: Value contribution

Project Type	Area (m sqft)	Value (₹m)	Location
Commercial	2.35	1,818.6	Connaught Place, Nehru Place, Palam Vihar, Gurgaon, Ghaziabad, South Extension
Plots	0.92	783.4	Palam Vihar, South Delhi, Sushant Lok, Gurgaon
Villas	0.01	95.7	Palam Vihar, Gurgaon
Economically weaker section	Negligible	21.3	
FSI	0.10	71.4	Palam Vihar

Source: Company

These older properties, kept on the books for a considerable while, act as mortgage for enhanced credit lines, given that their market value today is much higher than their book value.

Hi-Tech growth

With sales of over ₹17bn (more than 40% cash received), the share of Lucknow's Sushant Golf City is +25% of the NAV. It displays APIL's land acquisition and execution skills, and generates positive returns vs. the other hi-tech townships approved. The Greater Noida township is in a nascent stage at present and would start contributing only after FY13. Re-entry into the high-value Gurgaon market would boost cash flow

Mega Hi-Tech townships

Status of projects announced

Of the 11 hi-tech townships sanctioned by the Uttar Pradesh (UP) government since '04, work has begun on four (including the two sanctioned to APIL). Sushant Golf City in Lucknow is the only project where more than 1,500 acres of phase-1 and 480 acres of phase-2 have been acquired and launched. Also, it is the only project where +70% of infrastructure development has been completed and +24m sqft of stock sold.

Fig 34 – Hi-tech townships sanctioned: status

City	Developer	Area (acres)	Status
Ghaziabad	Uppal and Chhada Hi-Tech Development Pvt	1,500	Land acquisition not complete
Ghaziabad	Suncity Projects Pvt	1,500	Land acquisition not complete
Agra	Unitech and IVRCL Narsi	1,500	250 acres acquired; plan likely to be dropped
Lucknow	Ansal	1,765	Over 1,500 acres acquired and development on; Phase 2: 480 acres acquired and launched
Kanpur	Sahara India Commercial Corporation	1,500	Land acquisition not complete
Varanasi	Unitech	1,500	226 acres acquired; plan likely to be dropped
Vrindavan	Suncity Projects Pvt	1,500	Land acquisition not complete
Greater Noida	Ansal	2,500	Phase 1 land acquired; development and sale begun
Allahabad	Omaxe	1,535	50% land acquired; Phase 1 of 100 acres launched for sale; development started
Lucknow	Omaxe	2,700	Land acquisition in progress
Bulandsahar + G Noida	Omaxe	3,601	Progress slow

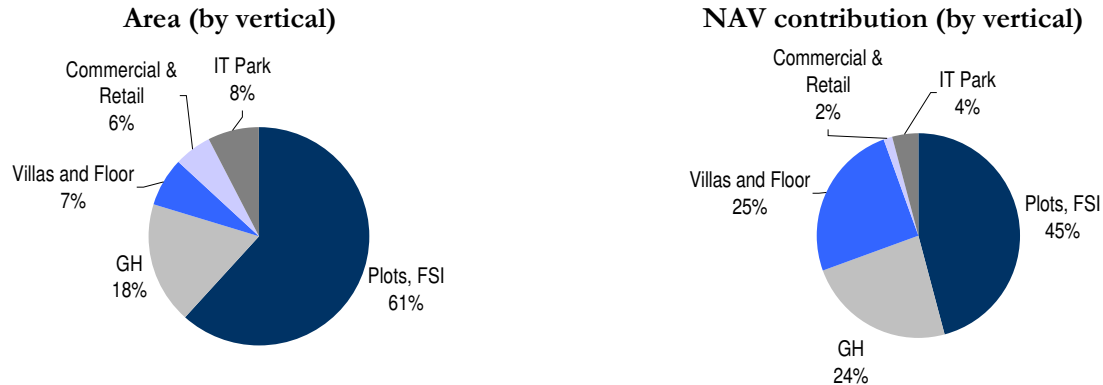
Source: Industry

Sushant Golf City, Lucknow

75% of the area for phase-1 has been acquired and stock worth ₹17.2bn sold

Sushant Golf City (SGC) is APIL's largest project under construction, in two phases of over 1,765 acres each. It is also the largest contributor to the NAV, contributing over 25%. Land acquisition began in 3QFY05; development started by 3QFY07. Phase -1 construction would happen in three stages, development of 639 acres, 685 acres and 441 acres. The company also acquired more than 480 acres in phase-2 and launched and sold plots and villas.

Of the 60.5m sqft of saleable area, over 65% comprises plots and FSI to be sold. Such verticals require only infrastructure development; hence conversion of total area to saleable area is low. Nevertheless, given requirement/demand in such verticals in North India, and the higher appreciation for them, demand is fairly strong. This is visible from recent sales (11.8m sqft sold during FY11) achieved by APIL.

Fig 35 – SGC: Area vs. value contribution

Source: Company

as of Mar '11

Cash received from completed sales is
+ ₹7bn

Of the 60.5m sqft of saleable area in phase-1, APIL sold 20.7m sqft for ₹15.2bn, as of Dec '10. Of this, ₹6.3bn has been received and construction is in the advanced stage. In the first phase, the company has started giving possession of plots and constructed floors.

Fig 36 – Fact file: Sushant Golf City, Lucknow

	Phase 1	Phase 2.A	Phase 2.B
Total area (acres)	1,765	800	800
APIL stake (%)	100	100	100
Project launched	Oct '07	Jul '10	NA
Total saleable area (m sqft)	60.5	22.6	22.6
Estimated land cost (₹bn)	2.8	1.1	2.8
Land acquired (acres)	1,590	481	-
Area launched (m sqft)	39.9	10.1	-
Area sold (m sqft)	20.7	3.5	-
Value of sale (₹bn)	15.2	2.0	-
Value received (₹bn)	6.3	0.8	-

Source: Company

* As on Dec'10

In phase-2 (development agreement for 800 acres) APIL has sold 3.5m sqft for ₹2.0bn, of which it has already received ₹0.8bn.

Location conducive to growth

SGC is located on Shaheed Bhagat Path at the Sultanpur-RaiBareilly junction, after Gomti Nagar a fast-developing location in the outer suburbs. Most other private townships are being developed further afield: the proposed Omaxe hi-tech township, DLF's Lucknow Garden City etc. Of the other national organized developers, Unitech has been the longest in Lucknow (since 1987) and developed more than 220 acres.

Sushant Megapolis, Greater Noida

Sushant Megapolis is the second hi-tech township being developed by APIL. Land acquisition started in FY07 and the project was launched in FY08. Given the slowdown and oversupply in near-by locations, and the size of the township, development work has been slow.

In our valuation, we have considered only phase-1 of the Megapolis project

Although the township falls in the highly valuable and growing NCR, given the oversupply in Greater Noida and Noida, we believe development here could be slow till economic activity turns buoyant. For our valuation, we have considered only phase-1 of the project. Further inclusion in our valuation would be only after significant land acquisition for the project is complete.

Fig 37 – Development plan: Sushant Megapolis

Type	Area (m sqft)
Plots	14.7
Villas	4.3
Commercial and Retail	12.0
GHS	24.8
Hotel	1.1
FSI	11.5
IT Park	4.6
School	1.3

Source: Company

*As on Dec '10

Divided into four phases, Megapolis covers 2,504 acres. By Jun '10, more than 800 acres had been acquired; of the 10.3m sqft launched, 4.8m sqft was sold for ₹5bn.

Fig 38 – Fact file: Megapolis (Greater Noida)

	Phase-1	Ex phase-1
Total area (acres)	500	2,004
APIL stake (%)	54.9	54.9
Project launched	July'08	NA
Total saleable area (m sqft)	13.8	63.5
Estimated land cost (₹bn)	2.7	12.1
Land acquired (acres)	578	
Land acquisition ongoing (acres)	1,926	
Area launched (m sqft)	10.3	-
Area sold (m sqft)	4.8	-
Value of sale (₹bn)	5.0	-
Value received (₹ bn)	2.2	-

Source: Company

*As on Dec '10

Gurgaon – Back on the playing field

APIL was one of the first entrants in the Gurgaon market, in the early 1980s. Its early developments today form part of the core Gurgaon city called Sushant Lok, across 800 acres. The company also developed properties at Palam Vihar on 600 acres, on the outskirts of Delhi.

In the past few years, the company has been developing group housing, industrial plots and commercial complexes in Gurgaon, though on a smaller scale. Its larger peers (DLF, Unitech, Emaar, Vatika) have made Gurgaon their native market for growth.

From FY11, APIL re-entered township development in Gurgaon with its township Esencia. Initially planned to be an SEZ, the company de-notified the property and converted it into a township. The first township is spread over 111 acres, in which plots and floors have already been launched. The second township of 108 acres (of which 33 acres have yet to be acquired) and de-notification of part of the land is in process. These 108 acres have already attracted investment from a private equity investor (Red Fort Capital) for a 26% stake. This puts the value of the township at over ₹8bn.

Fig 39 – Fact File: Esencia

	Phase-1	Phase-2
Area (acres)	111.0	108.0
APIL's stake (%)	100.0	74.0
Project launched	1QFY11	NA
Sellable area (m sqft)	3.0	5.9
Estimated land cost (₹ bn)	2.6	2.7
Land acquired (acres)	111.0	75.0
Land acquisition ongoing (acres)	-	33.0
Area launched (m sqft)	3.0	-
Area sold (m sqft)	2.2	-
Value of sale (₹ bn)	5.1	-
Value received (₹ bn)	2.1	-

Source: Company *As on Dec '10

JDA developments for the future

In line with its township development at the Sohna Road area, APIL has also entered into two JDAs in the extended suburbs. One, a 15-acre group housing project called The Fernhill has already been launched. The other is a 300-acre golf-view development – Golden Greens in Sector 73; APIL has already paid ₹300m as deposit in lieu of 76% revenue for over 6m sqft of development. Sector 73 is a natural extension of Gurgaon, as healthy sales seen from plot-development of DLF's Alameda, which is in proximity to APIL's Golden Greens.

We have excluded these projects from our valuation due to lack of clarity regarding development plans, land conversion and sanctioned cost payments.

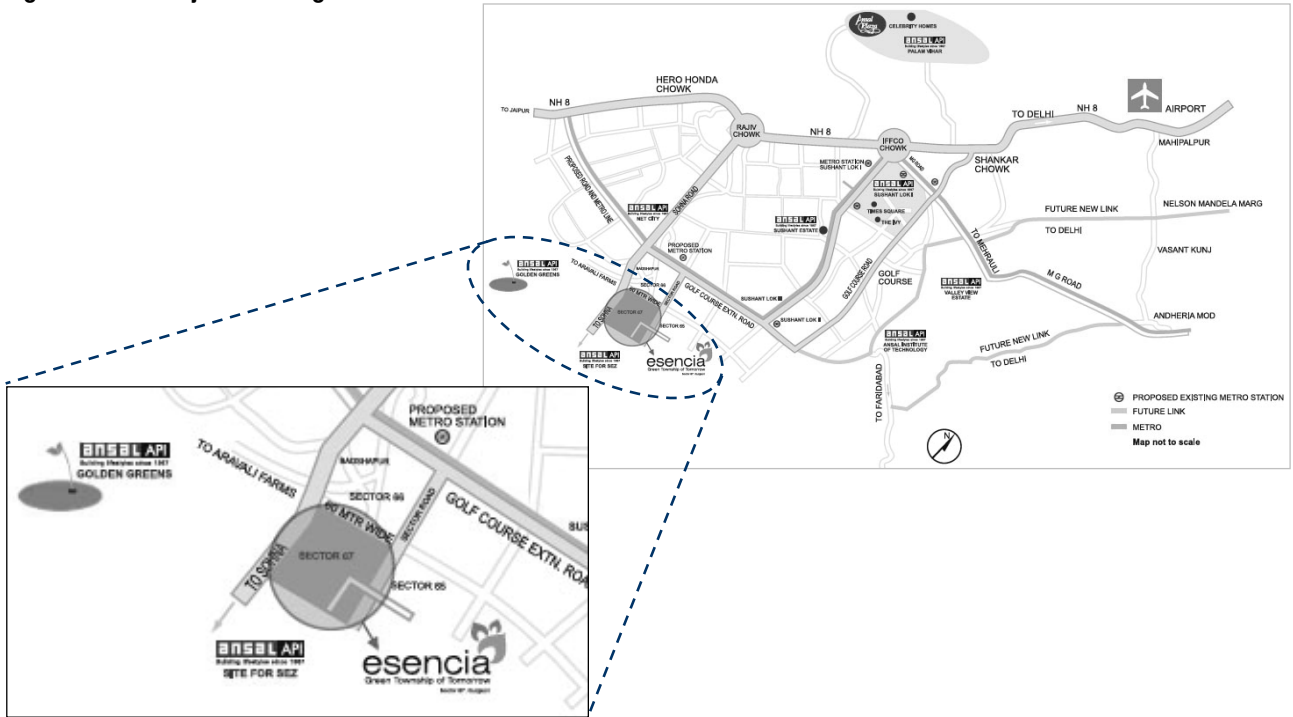
Fig 40 – New JDAs in Gurgaon

	Area (m sqft)	Stake (%)	Remarks
Golden Greens - GH	1.3	76.0	
Golden Greens - Villas	2.6	76.0	Surrounding existing Golf Course, Planning and approval
Golden Greens - Commercial FSI	2.3	76.0	
The Fernhill	1.4	75.5	Launched for sale

Source: Company *As on Dec '10

We believe that APIL, given its development history and brand recall in the NCR, would continue acquiring properties through JDAs in Gurgaon.

Fig 41 – APIL: Projects in Gurgaon



Source: Company

Balance sheet healing – Lengthy process

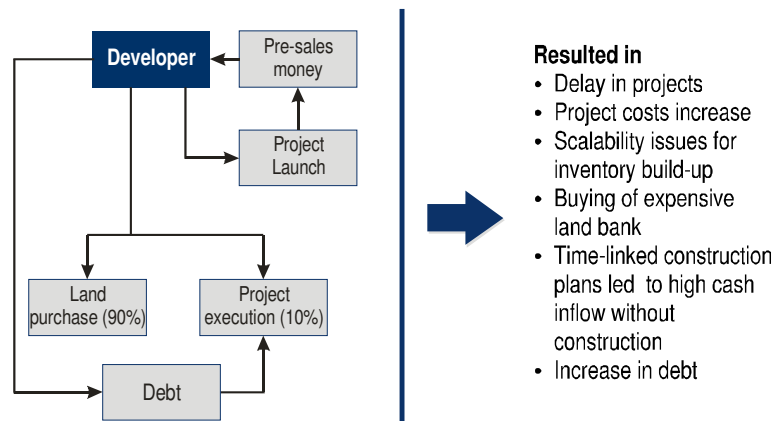
Although execution has improved in recent quarters, continuing performance would be key to reducing the high-cost, ₹16.1bn debt (as of Mar '11). APIL raised ₹3.5bn in FY11 (company and project levels) to partly refinance debt. Private equity deals entered into in FY08-09 entail an outgo of ~₹2.8bn till Mar '13. (It is likely to utilize cash flows from operations). More focused execution, we believe, would be the way to accelerate cash receivables and de-leverage the balance sheet.

Debt – a concern

In India, most property developers contract to sell residential property much before construction is complete, especially when demand is high. Developers in North India usually start construction 6-12 months after a project is launched (i.e., offered for sale). During the demand slump in FY08 and FY09, the start of construction even lengthened to more than a year (from launch).

NCR-based property developers, who usually follow a time-linked construction plan, had huge amounts of cash from such projects, without the need to immediately begin construction. When the market corrected and land values/pre-sales fell, most property developers ended up with highly-leveraged balance sheets, making it even more difficult for them to service debt due to little or no cash flows from new projects. Further, most projects launched then were in the mid-to-high-end categories, in which prices had fallen the most.

Fig 42 – Excess land acquisitions led to a debt trap

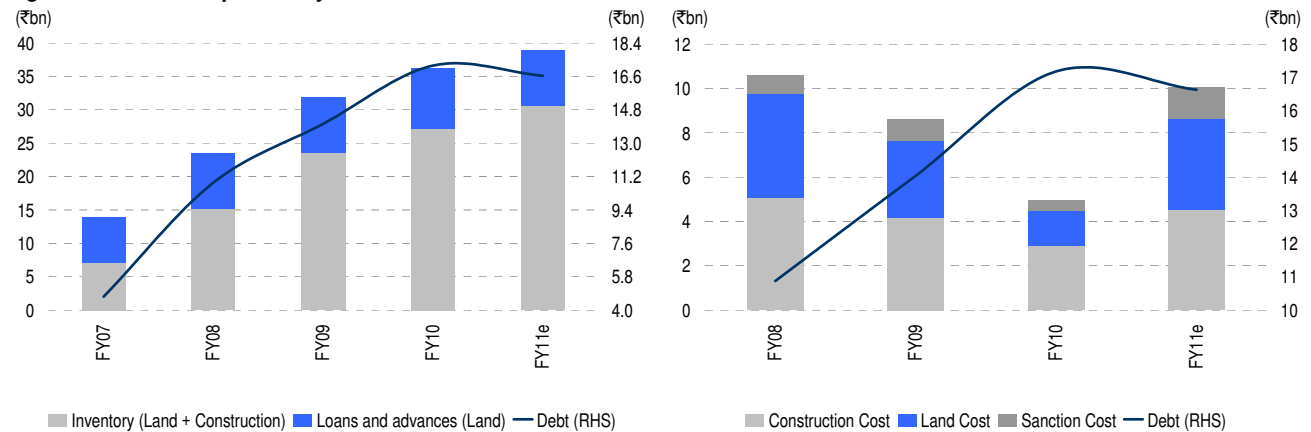


Source: Anand Rathi Research

Note: all numbers mentioned are assumed

Between FY06 and FY09, APIL too built up a huge land bank, focusing on it more than on execution and development of sales made. It too followed a time-linked construction plan for project sales made. This money was utilized for acquiring land and for debt taken to fund projects where land had been acquired and sales launched. Eventually, after the downturn, sales and credit slipped, and construction slowed further. This led to a debt-servicing problem, leading to the high-cost highly-levered balance sheet.

Fig 43 – Debt build-up in four years



Source: Company

Now, given its shift in the payment mode, from time- to construction-linked, APIL strongly focuses on construction. This promises healthy cash flows, both from the sold projects nearing delivery and pre-sales done in recent past.

Structured private equity investments to watch

APIL has successfully obtained private equity and HNI investment for its projects. In the past three years, it has attracted project-specific investments of ₹5.24bn from institutions. Such investments usually work out as joint ventures, entailing lower contribution from the developer. However, when these investments (structured deals) are sought by developers in trying times, they entail that developers pay higher returns to investors.

Any further dilution, we believe, would not be good for minority shareholders.

Fig 44 – Project-specific institutional investment

Investor	Project Name	Location	Acres	Amount to be invested (₹m)	Stake bought (%)	Amt Invested till date (₹m)
ICICI Prudential AMC	Acquapolis GH	Ghaziabad	25.0	720.0	49.0	250.0
Red Fort Capital	Esencia	Gurgaon	108.0	2,000.0	26.0	550.0
HDFC AMC	Megapolis	Greater Noida	2,504.0	750.0	14.5	750.0
IL&FS	SEZ (i.e., Esencia)	Gurgaon	111.0	1,630.0	49.0	1,630.0
HDFC AMC	Campus	Greater Noida	75.0	140.0	34.0	140.0

Source: Company

*As of Mar '11

Time to cash in on completed sales

Sales afford a safe cushion, provided execution continues

Receivables from sold property, at ₹30bn, are 53% of sales

During FY08-11, APIL sold property worth ₹59.6bn. Of this, 61% came from plots and low-rise built-ups. It has yet to receive ₹30bn from the developments sold. The investment in certain GH projects (which saw construction slowdown or halted) could release a good amount of cash, though without much profit.

Fig 45 – Sales per asset class, sales value and value received

Vertical	Type	Area launched for sale (m sqft)	Area sold (m sqft)	Sale value (₹M)	Value received (₹M)
Residential	Plotted	93.1	61.4	43,806.0	27,282.0
Residential	GH	22.7	9.6	17,339	7,358
Commercial	Commercial / Retail	5.1	1.4	4,434	2,824
FSI	GH + Commercial	18.4	7.6	5,979.0	3,693.0
Others	Others	17.2	9.4	4,128.0	1,920.0
	Grand total	156.4	89.3	75,686.0	43,077.0

Source: Company

* As of Mar '11

Low-rise and plot developments are also quicker to sell, given that on average 40% of APIL's plots were sold within months of launch. This is because plot development offers the best returns in an asset class in residential real estate for a given time period.

Land acquisitions (ex Greater Noida) in place

APIL got into massive land acquisition between FY06 and FY09, and most of the land for its projects has been acquired, except for Greater Noida. By Dec '10, of the 10,091 acres required for its projects, it had already acquired 7,468, at ₹23.5bn. Of the remaining, its Greater Noida township, Sushant Megapolis is the largest (over 1,900 acres), at an estimated ₹12.3bn, yet to be acquired. Excluding a project at Greater Noida, the company has avoided auctions and has focused on joint developments and joint ventures.

Fig 46 – APIL: Land-bank status (as of Dec '10)

City	Acres		(₹m)		
	Required	Acquired	Total	Paid	Payable
Lucknow	2,565	2,072	5,127	3,626	1,502
Agra	441	303	1,441	816	624
Meerut	298	298	2,566	2,566	-
Greater Noida	2,504	578	15,097	2,729	12,368
Ghaziabad	128	106	1,013	708	304
Noida & G Noida	130	130	1,633	1,633	-
Karnal	250	250	1,251	1,251	-
Yamuna Nagar	142	142	424	424	-
Gurgaon	688	655	6,149	5,274	875
Murthal	270	270	728	728	-
Sonepat	350	350	1,848	1,848	-
Panipat	377	377	854	854	-
Kurukshetra	166	166	467	467	-
Punjab (Ex Mohali)	261	252	236	236	-
Sector-114 Mohali	221	207	877	740	136
Mohali	295	274	698	609	89
Rajasthan	1,005	1,005	349	349	-
Total	10,091	7,435	40,758	24,859	15,899

Source: Company

APIL's strategy and ability to go ahead with JDAs and JVs are likely to reduce the risk of too huge land banks in future. Thus, debt reduction from present levels depends largely on cash flows from properties sold and the manner in which execution is carried out.

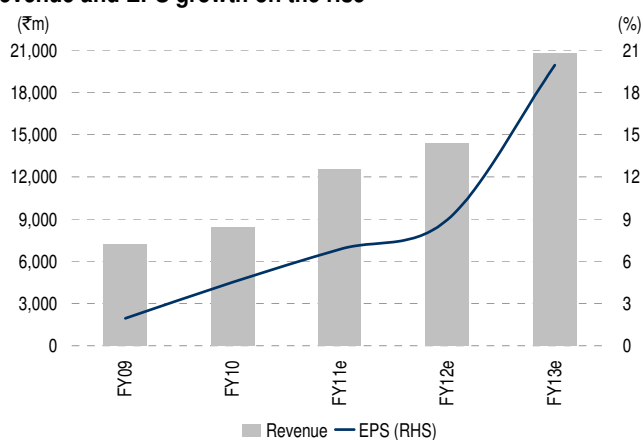
Financials

Given the pick-up in execution, we expect 64% PAT CAGR over FY10-13e. Margin, though, would depend on the share of various verticals in revenue recognition.

Revenue growth

APIL follows the percentage-of-completion method of accounting, with the threshold being 30% of estimated costs incurred and construction started. Given the healthy sales and construction pick-up, we estimate 35.1% revenue CAGR over FY10-13e. Post FY12, margin would improve as the increase in construction costs on horizontal and low-rise products would be less than that on vertical structures (group housing).

Fig 47 – Revenue and EPS growth on the rise



Source: Company, Anand Rathi Research

Clearing up other balance-sheet issues

APIL altered its accounting policy in FY10, to exclude administration and selling costs from project costs, and is now expensing them. But it has not re-stated accounts for earlier years, citing practical issues. This could affect our construction-cost estimates and the amount booked in the next 2-3 years from such projects.

Fig 48 – Income statement (₹m)

Y/E 31 Mar	FY09	FY10	FY11e	FY12e	FY13e
Revenue	7,235	8,424	12,571	14,396	20,752
- Op. expenses	4,696	5,106	8,252	9,627	12,848
- Employee Costs	483	413	513	648	830
- Other Administrative	1,089	1,239	1,385	1,440	1,660
EBIDTA	968	1,666	2,421	2,682	5,413
- Interest	972	1,061	923	983	1,099
- Depreciation	113	98	96	96	106
+ Other income	550	517	307	535	544
- Tax	119	337	629	727	1,616
PAT	307	710	1,081	1,411	3,137
+ Minority Interests	(19)	63	66	163	158
+ Share of profit from Associates	-	-	-	-	-
Consolidated PAT	325	643	1,015	1,248	2,979
Dividend	66	77	-	138	229
FDEPS (₹/share)	2.0	4.5	6.9	9.0	19.9
CEPS (₹/share)	2.8	4.7	7.1	8.5	19.6
DPS (₹/share)	0.5	0.5	-	0.8	1.3
BV (₹/share)	76.4	82.5	105.3	111.2	128.7
Shares outstanding	113.5	123.1	157.4	157.4	157.4

Growth Rates

Revenue (%)	(22.5)	16.4	49.2	14.5	44.1
EBIDTA (%)	(50.7)	72.2	45.3	10.8	101.8
Net PAT (%)	(82.3)	131.4	52.1	30.6	122.3
Diluted EPS (%)	(82.3)	131.4	52.1	30.6	122.3
FY10-13e Revenue CAGR (%)					35.1
FY10-13e EBITDA CAGR (%)					48.1
FY10-13e EPS CAGR (%)					64.1

Margins

EBIDTA (%)	13.4	19.8	19.3	18.6	26.1
EBIT (%)	11.8	18.6	18.5	18.0	25.6
Net Profit (%)	4.5	7.6	8.1	8.7	14.4

Source: Company, Anand Rathi Research

Fig 49 – Balance sheet (₹m)

Y/E 31 Mar	FY09	FY10	FY11e	FY12e	FY13e
Sources of Funds					
Share capital	568	616	787	787	787
Reserves & surplus	11,464	12,375	15,780	16,721	19,470
Shareholders' fund	12,032	12,991	16,567	17,508	20,257
Debt	14,040	17,183	16,099	15,620	14,691
Deferred Tax Liab (net)	-	41	21	21	21
Minority interests	1,913	1,330	814	814	814
Capital employed	27,984	31,545	33,501	33,963	35,783
Application of Funds					
Gross Fixed Assets	1,865	1,660	1,246	1,930	2,056
Less: Depreciation	372	418	-	660	765
Net Fixed Assets	1,493	1,242	1,246	1,270	1,291
Capital Work in Progress	43	0	-	-	-
Investments	281	122	13	13	13
Goodwill	1	1	-	-	-
Current Assets					
Inventories	25,565	29,343	33,179	33,536	34,071
Debtors	4,679	5,794	7,932	7,918	8,676
Loans and Advances	10,693	12,704	12,766	11,070	11,754
Current Liab and Provisions	15,835	18,743	23,033	20,725	21,384
Net Current Assets	26,114	30,179	32,242	32,680	34,479
Working Capital	25,102	29,098	31,000	31,798	33,118
Cash	1,013	1,081	1,242	882	1,361
Capital deployed	27,984	31,545	33,501	33,963	35,783

Source: Company, Anand Rathi Research

Fig 50 – Cash flow statement (₹m)

Y/E 31 Mar	FY09	FY10	FY11e	FY12e	FY13e
Consolidated PAT	325	643	1,015	1,248	2,979
+Depreciation	113	98	96	96	106
+Deferred Tax	(10)	87	(20)	-	-
+Other non cash	(0)	0	0	0	(0)
Cash profit	429	828	1,090	1,344	3,084
- Incr/(Decr) in WC	5,988	3,996	1,902	798	1,319
Operating cash flow	(5,559)	(3,168)	(812)	546	1,765
-Capex	102	(196)	97	121	127
Free cash flow	(5,661)	(2,973)	(909)	425	1,638
-Dividend	66	77	-	138	229
+ Equity raised	(105)	393	2,562	(170)	-
+ Debt raised	3,167	3,143	(1,084)	(479)	(929)
-Investments	(17)	(159)	(109)	-	-
-Misc. items	(4)	(6)	0	(0)	-
Net cash flow	(776)	68	162	(360)	479
+Opening cash	1,789	1,013	1,081	1,242	882
Closing cash	1,013	1,081	1,242	882	1,361

Source: Company, Anand Rathi Research

Fig 51 – Ratio analysis @ ₹43

Y/E 31 Mar	FY09	FY10	FY11e	FY12e	FY13e
Valuations					
P / E	21.8	9.4	6.2	4.7	2.1
P / BV	0.6	0.5	0.4	0.4	0.3
M Cap / Sales	0.7	0.6	0.5	0.5	0.3
EV / Sales	2.4	2.5	1.7	1.5	1.0
EV / EBIDTA	18.2	12.7	8.9	8.0	3.7
Dividend					
Dividend yield (%)	1.2	1.2	-	1.8	2.9
Dividend payout (%)	17.4	10.2	-	9.5	6.6
Leverage					
Net Debt / Equity	108	124	90	84	66
Int Coverage	NA	1	3	3	5
Return Ratios					
ROE (%)	2.6	5.7	7.3	8.3	16.6
ROCE (%)	3.5	5.7	7.4	7.9	15.6

Source: Company, Anand Rathi Research

Company Background & Management

APIL is a prominent real-estate developer in northern India, concentrating on the NCR and tier-2 and tier-3 cities in Uttar Pradesh, Haryana, Rajasthan and the Punjab.

Background

APIL is one of the leading real-estate-developers in housing and real estate in India. For the past 42 years, it has developed townships and residential/commercial premises, including high-rises (commercial and office buildings, shopping malls, integrated residential towns, colonies etc).

It has also been involved in developing IT parks, SEZs, industrial estates etc. It operates on its own as well as via various JVs and collaborations, and has developed a brand image over the decades through reliable, cost-effective and innovative buildings, which have created a niche in the market.

Ansal has developed 31m sqft of built-up and 200m sqft of horizontal development

Fig 52 – Select landmark projects of APIL

Project Name	Type	Location
Akash Deep	Commercial	Delhi
Surya Kiran	Commercial	Delhi
Amba Deep	Commercial	Delhi
Ansal Plaza	Retail	Delhi
Sushant Lok	Residential	Gurgaon
Sushant Lok	Residential	Palam Vihar
Ansal Plaza	Retail	G Noida
Statesman House	Commercial	Delhi
Marriott Hotel	Hospitality	Delhi
Antriksh Bhavan	Commercial	Delhi

Source: Company

Ansal has projects in almost all major cities of northern India, including Gurgaon, Sonapat, Panipat, Karnal, Yamuna Nagar, Kurukshetra, Ghaziabad, Lucknow, Meerut, Agra, Jaipur, Jodhpur, Ajmer, Amritsar, Mohali, Jalandhar, Ludhiana and Bhatinda. It plans to launch more projects in tier-2 cities of northern India. It is also one of the few to have successfully developed mega residential-cum-commercial projects of over 1,000 acres.

Management

Chairman Sushil Ansal, associated with the company since inception, has over four decades of real-estate experience across verticals. In the past he was also chairman of the Overseas Construction Council of India and the Chamber of Commerce of India.

Vice-Chairman and Managing Director Pranav Ansal, with a B.Com (Honors), has work experience of over 16 years. He has been vice-chairman for the past three years.

CEO and Joint Managing Director Anil Kumar, a B.Com. from the University of Delhi, holds a diploma in commercial law from the Indian Law Institute; he has over two decades of experience in Finance and Accounting as well as in Real Estate. He has been associated with the company since 1999.

Appendix 1

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report.

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	Buy	Hold	Sell
Large Caps (>US\$1bn)	>20%	5-20%	<5%
Mid/Small Caps (<US\$1bn)	>30%	10-30%	<10%

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	Buy	Hold	Sell
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