

**INDIA RESEARCH**
**REAL ESTATE**
**RESULT NOTE: Q4FY11**
**BSE SENSEX: 18609**
**JUNE 01, 2011**

# Ansal Properties

**Strong operational performance**
**OUTPERFORMER**
**Rs43**
**Mkt Cap: Rs6.7bn; US\$147m**

## Key financials

Year to March 31 (Rs m)	Net Sales	yoy chg %	Net profit	EPS (Rs)	yoy chg %	EV/ E (x)	PER (x)
FY09	7,410		326	3.0		14.4	14.4
FY10	8,532	15	647	4.1	38	12.0	10.4
FY11	12,571	47	1,015	6.4	56	9.3	6.7
FY12E	14,133	12	1,634	10.4	61	6.1	4.1
FY13E	19,952	41	2,375	15.1	45	3.4	2.9

*Source: Company, IDFC Securities Research*

## Key result highlights

- Ansal Properties & Infrastructure (APIL) Q4FY11 revenues grew 34% yoy to Rs3.3bn, 8% ahead of our estimate of Rs3bn. Higher revenue recognition was mainly due to increased construction across projects.
- Consolidated EBITDA came in at Rs346m (up 132% yoy, but down 47% qoq) below our estimates of Rs719m. EBITDA margins came in lower at 11% (19% in Q3FY11, our estimate – 24%) as recognition from past projects with lower realisation came in during the quarter. Margins are expected to climb back to >20% levels once recognition from newer sales starts kicking in.
- Boosted by lower tax expense (17% vs. 30% in Q3FY11), PAT came in at Rs124m (vs. loss of Rs180m in Q4FY10) below estimates (Rs179m). PAT margins stood at 4% for the quarter.
- Overall, FY11 revenues grew by strong 47% yoy to Rs12.6bn, EBITDA grew 28% yoy to Rs2.4bn though margins fell 300bps yoy (19%), and PAT grew 100% yoy to Rs1bn.
- With ~Rs1.6bn of high cost debt reduction in FY11, APIL's gross debt now stands at Rs16.1bn and D/E ratio at 0.9x. With improved execution leading to higher cashflows, APIL aims to reduce debt by Rs3.5-4bn in FY12.
- During the year, APIL received approval for extension of Lucknow township by another 1,765 acres, signed JDA for 300-acre golf based development in Gurgaon and expanded Essencia township by another 108 acres (JV with Red Fort Capital).
- For FY12, APIL has guided for 16-18msf of sales volume with average realization increasing to Rs1,300-1,400psf. Also, APIL expects to deliver 7-8msf of area and collect ~Rs20bn in customer advances over the year.

**Nitin Agarwal**

 nitin.agarwal@idfc.com  
 91-22-6622 2568

**Vineet Chandak**

 vineet.chandak@idfc.com  
 91-22-6622 2579

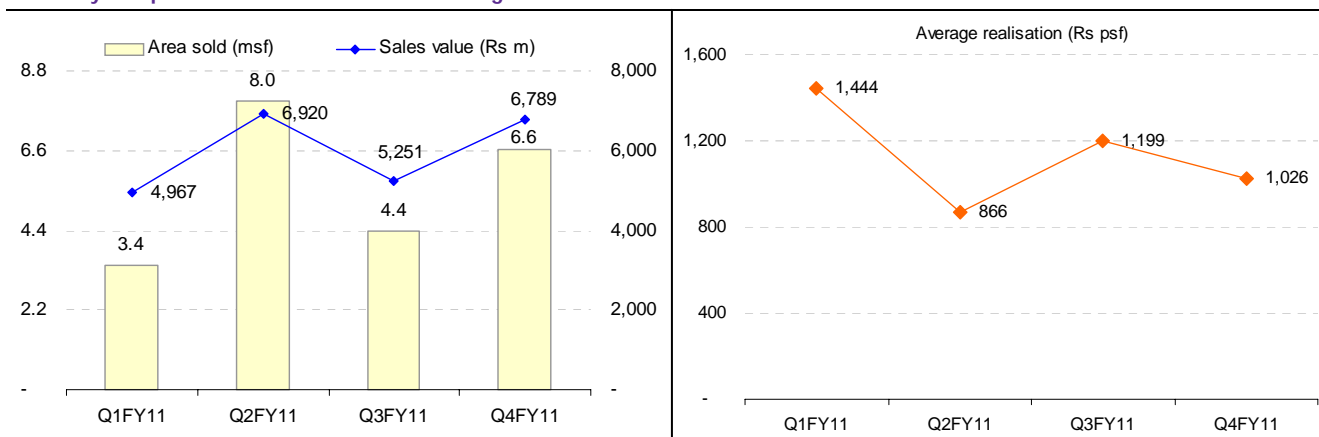
 For Private Circulation only.  
 Important disclosures appear at the back of this report\*

## Operational performance

### Sales volume continue to remain strong

During the quarter, APIL sold 6.6msf of area (Q3FY11 – 4.4msf) with sales value of ~Rs6.8bn and average realisation of ~Rs1,026psf. In FY11, the company has sold a record 22.4msf (highest in APIL's history) on the back of strong demand in the Lucknow Township (11.4msf sold; 4msf of plotted sales and 4.5msf of FSI sales). Going forward, we expect the volume momentum to remain strong (16-18msf in FY12/13) in view of buoyancy in the affordable housing segment and strong response to APIL's townships.

### Quarterly comparison of sales volume and average realisations

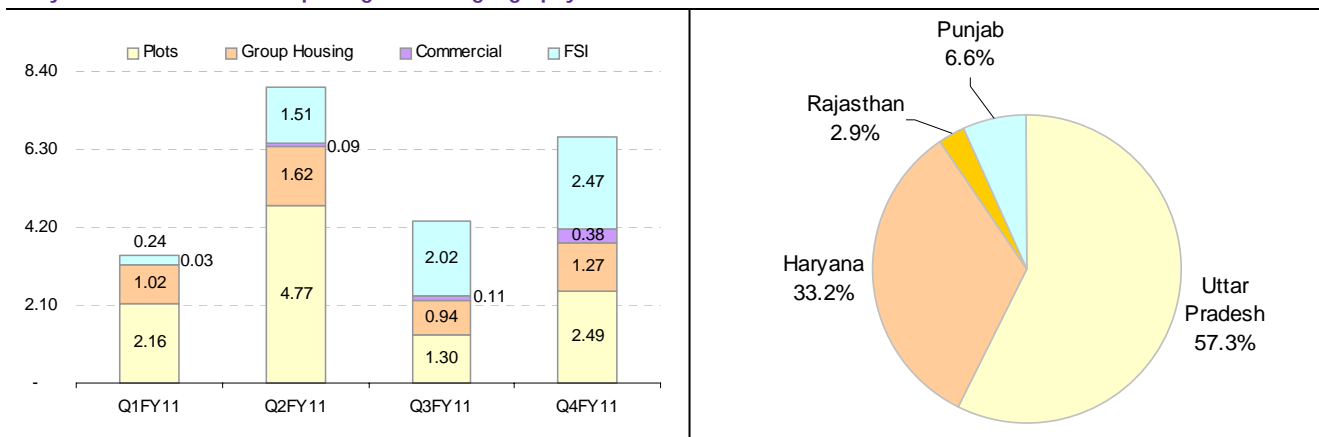


Source: Company reports, IDFC Securities Research

### Majority sales from horizontal developments and UP township

APIL's sales in Q4FY11 have largely come from horizontal developments including plots and FSI sales (5msf; >75% of total). For FY11, horizontal sales contributed 76% of total sales. In terms of geography, Lucknow township saw maximum volumes with 11.5msf of sales (>50% of total) while Essencia (Gurgaon) contributed ~3msf to total sales.

### Q4FY11 sales volume break-up – segment and geography wise

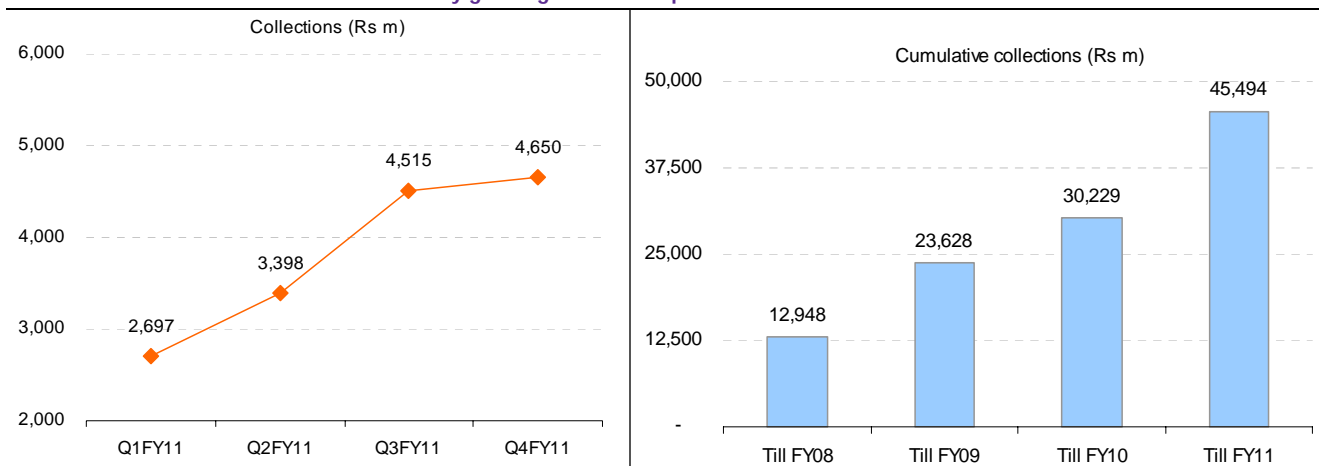


Source: Company reports, IDFC Securities Research

## Collections on an upward trend

APIL collected Rs4.65bn during the quarter (up 163% yoy), taking the total collections for FY11 to Rs15.26bn (vs. Rs6.6bn in FY10). Till date, APIL has sold ~90msf of area with sales value of >Rs76bn and collected Rs45.5bn in customer advances.

### Customer collections have been continuously growing over last 8 quarters



Source: Company reports, IDFC Securities Research

## Valuation and view

FY11 has been a turnaround year for APIL. Solid operating performance (>24msf of sales), >Rs15bn customer advances, Rs1.8bn cash generation (before interest payout) and Rs3.8bn capital-raising have enabled APIL to repay its high-cost debt and put the wheels back on the business. Going forward, we expect the volume momentum to remain strong (16-18msf of annual sales over FY12/13) on the back of buoyancy in affordable housing segment and good response to APIL's townships. Significant growth visibility in three of its largest projects (Lucknow, Greater Noida and Gurgaon) and >Rs30bn of pending cashflows on sold projects enhances comfort on near-term profit growth and mitigates concerns on high debt (gearing at 0.86x as of FY11E). However, we reduce our earning estimates by 4%/2% in FY12/13 to account for lower EBITDA margins in few projects. Resultant, our FY12E NAV stands revised at Rs154/share (Rs160 earlier). At 25% discount to NAV, we revise our target price to Rs115/share. Maintain Outperformer.

## FY12E NAV Valuation summary

(Rs m)	FY12E		
	Rs m	% of total	NAV per share
Lucknow township	18,948	38	120
Megapolis, Dadri	7,825	16	50
Essencia Ph I, Gurgaon	1,428	3	9
Essencia Ph II, Gurgaon	5,410	11	34
Golden Greens, Gurgaon	4,463	9	28
Sushant Taj City, Agra	1,676	3	11
Other townships - area sold	2,075	4	13
Other townships - balance area	7,611	15	48
<b>Gross NAV</b>	<b>49,436</b>	<b>100</b>	<b>314</b>
Less: Net Debt	(12,203)		(78)
Less: NPV of Admin exp.	(11,654)		(74)
Less: IL&FS stake buyout in Essencia I	(1,400)		(9)
<b>Net NAV</b>	<b>24,179</b>		<b>154</b>
Outstanding shares (m)	157.4		
<b>NAV per share</b>	<b>154</b>		
Less: Discount @ 25%			38
<b>Target price</b>	<b>115</b>		

Source: IDFC Securities Research

## Quarterly result comparison

(Rs m)	Q4FY10	Q1FY11	Q2FY11	Q3FY11	Q4FY11	FY11A	FY12E
<b>Net Sales</b>	<b>2,436</b>	<b>2,567</b>	<b>3,275</b>	<b>3,471</b>	<b>3,258</b>	<b>12,571</b>	<b>14,133</b>
yoy chg (%)	45.9	79.4	75.8	23.9	33.8	47.3	12.4
<b>EBITDA</b>	<b>149</b>	<b>759</b>	<b>670</b>	<b>647</b>	<b>346</b>	<b>2,421</b>	<b>3,705</b>
yoy chg (%)	(17.3)	98.7	32.2	(23.8)	131.6	28.4	53.0
EBITDA Margin (%)	6.1	29.6	20.5	18.6	10.6	19.3	0.3
Other Income	25	178	25	60	44	307	140
Interest	266	274	233	216	200	923	1,184
Depreciation	24	22	24	25	26	96	109
PBT	(116)	641	438	467	164	1,709	2,552
Tax	60	253	211	138	28	629	817
Minority Interest	5	19	29	6	12	66	104
PAT before extra ordinary items	(181)	369	199	324	124	1,015	1,631
Extraordinary Items	132	-	-	-	-	-	-
<b>Reported PAT</b>	<b>(313)</b>	<b>369</b>	<b>199</b>	<b>324</b>	<b>124</b>	<b>1,015</b>	<b>1,631</b>
yoy chg (%)	(250.6)	257.3	(37.0)	16.9	(353.1)	56.9	60.7

Source: Company, IDFC Securities Research

Analyst	Sector/Industry/Coverage	E-mail	Tel. +91-22-6622 2600
Pathik Gandotra	Head of Research; Financials, Strategy	pathik.gandotra@idfc.com	91-22-662 22525
Shirish Rane	Construction, Power, Cement	shirish.rane@idfc.com	91-22-662 22575
Nikhil Vora	FMCG, Media, Mid Caps, Education, Exchanges	nikhil.vora@idfc.com	91-22-662 22567
Nitin Agarwal	Pharmaceuticals, Real Estate, Agri-inputs	nitin.agarwal@idfc.com	91-22-662 22568
Chirag Shah	Metals & Mining, Telecom, Pipes, Textiles	chirag.shah@idfc.com	91-22-662 22564
Bhoomika Nair	Logistics, Engineering	bhoomika.nair@idfc.com	91-22-662 22561
Hitesh Shah, CFA	IT Services	hitesh.shah@idfc.com	91-22-662 22565
Bhushan Gajaria	Automobiles, Auto ancillaries, Retailing	bhushan.gajaria@idfc.com	91-22-662 22562
Salil Desai	Construction, Power, Cement	salil.desai@idfc.com	91-22-662 22573
Ashish Shah	Construction, Power, Cement	ashish.shah@idfc.com	91-22-662 22560
Probal Sen	Oil & Gas	probal.sen@idfc.com	91-22-662 22569
Chinmaya Garg	Financials	chinmaya.garg@idfc.com	91-22-662 22563
Abhishek Gupta	Telecom, Metals & Mining	abhishek.gupta@idfc.com	91-22-662 22661
Saamil Mehta	Metals, Pipes	saamil.mehta@idfc.com	91-22-662 22578
Vineet Chandak	Real Estate, Pharmaceuticals, Agri-inputs	vineet.chandak@idfc.com	91-22-662 22579
Kavita Kejriwal	Strategy, Financials	kavita.kejriwal@idfc.com	91-22-662 22558
Anamika Sharma	IT Services	anamika.sharma@idfc.com	91-22-662 22680
Varun Kejriwal	FMCG, Mid Caps	varun.kejriwal@idfc.com	91-22-662 22685
Swati Nangalia	Media, Education, Exchanges, Midcaps	swati.nangalia@idfc.com	91-22-662 22576
Nikhil Salvi	Construction, Power, Cement	nikhil.salvi@idfc.com	91-22-662 22566
Kavitha Rajan	Strategy, Midcaps	kavitha.rajan@idfc.com	91-22-662 22697
Dharmendra Sahu	Database Analyst	dharmendra.sahu@idfc.com	91-22-662 22580
Rupesh Sonawale	Database Analyst	rupesh.sonawale@idfc.com	91-22-662 22572
Dharmesh R Bhatt, CMT	Technical Analyst	dharmesh.bhatt@idfc.com	91-22-662 22534
Equity Sales/Dealing	Designation	E-mail	Tel. +91-22-6622 2500
Naishadh Paleja	MD, CEO	naishadh.paleja@idfc.com	91-22-6622 2522
Pareesh Shah	MD, Dealing	pareesh.shah@idfc.com	91-22-6622 2508
Vishal Purohit	MD, Sales	vishal.purohit@idfc.com	91-22-6622 2533
Nikhil Gholani	MD, Sales	nikhil.gholani@idfc.com	91-22-6622 2529
Sanjay Panicker	Director, Sales	sanjay.panicker@idfc.com	91-22-6622 2530
Rajesh Makharia	Director, Sales	rajesh.makharia@idfc.com	91-22-6622 2528
Nirbhay Singh	SVP, Sales	nirbhay.singh@idfc.com	91-22-6622 2595
Suchit Sehgal	AVP, Sales	suchit.sehgal@idfc.com	91-22-6622 2532
Pawan Sharma	MD, Derivatives	pawan.sharma@idfc.com	91-22-6622 2539
Dipesh Shah	Director, Derivatives	dipesh.shah@idfc.com	91-22-6622 2693
Jignesh Shah	AVP, Derivatives	jignesh.shah@idfc.com	91-22-6622 2536
Sunil Pandit	Director, Sales trading	sunil.pandit@idfc.com	91-22-6622 2524
Mukesh Chaturvedi	SVP, Sales trading	mukesh.chaturvedi@idfc.com	91-22-6622 2512
Viren Sompura	SVP, Sales trading	viren.sompura@idfc.com	91-22-6622 2527
Rajashekhar Hiremath	VP, Sales trading	rajashekhar.hiremath@idfc.com	91-22-6622 2516

#### Disclaimer

This document has been prepared by IDFC Securities Ltd (IDFC SEC). IDFC SEC and its subsidiaries and associated companies are a full-service, integrated investment banking, investment management and brokerage group. Our research analysts and sales persons provide important input into our investment banking activities.

This document does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction.

The information contained herein is from publicly available data or other sources believed to be reliable. While we would endeavor to update the information herein on reasonable basis, IDFC SEC, its subsidiaries and associated companies, their directors and employees ("IDFC SEC and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent IDFC SEC and affiliates from doing so. We do not represent that information contained herein is accurate or complete and it should not be relied upon as such. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved). The investment discussed or views expressed may not be suitable for all investors.

Affiliates of IDFC SEC may have issued other reports that are inconsistent with and reach different conclusions from, the information presented in this report.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject IDFC SEC and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this document may come are required to inform themselves of, and to observe, such applicable restrictions.

Reports based on technical analysis centers on studying charts of a stock's price movement and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamentals.

IDFC SEC and affiliates may have used the information set forth herein before publication and may have positions in, may from time to time purchase or sell, or may be materially interested in any of the securities mentioned or related securities. IDFC SEC and affiliates may from time to time solicit from, or perform investment banking, or other services for, any company mentioned herein. Without limiting any of the foregoing, in no event shall IDFC SEC, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. Any comments or statements made herein are those of the analyst and do not necessarily reflect those of IDFC SEC and affiliates.

This document is subject to changes without prior notice and is intended only for the person or entity to which it is addressed and may contain confidential and/or privileged material and is not for any type of circulation. Any review, retransmission, or any other use is prohibited.

Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. IDFC SEC will not treat recipients as customers by virtue of their receiving this report.

#### Explanation of Ratings:

1. Outperformer: More than 5% upside to Index
2. Neutral: Within 0-5% to Index (upside or downside)
3. Underperformer: More than 5% downside to Index

#### Disclosure of Interest:

1. IDFC SEC and affiliates may have received compensation from the company covered herein in the past twelve months for issue management, capital structure, mergers & acquisitions, buyback of shares and other corporate advisory services.
2. Affiliates of IDFC SEC may have received a mandate from the subject company.
3. IDFC SEC and affiliates may hold paid up capital of the subject company.
4. IDFC SEC and affiliates, their directors and employees may from time to time have positions or options in the company and buy or sell the securities of the company(ies) mentioned herein.

Naman Chambers, C-32,  
G- Block, Bandra-Kurla Complex,  
Bandra (East), Mumbai 400 051

Tel: 91-22-6622 2600  
Fax: 91-22-6622 2501