

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.

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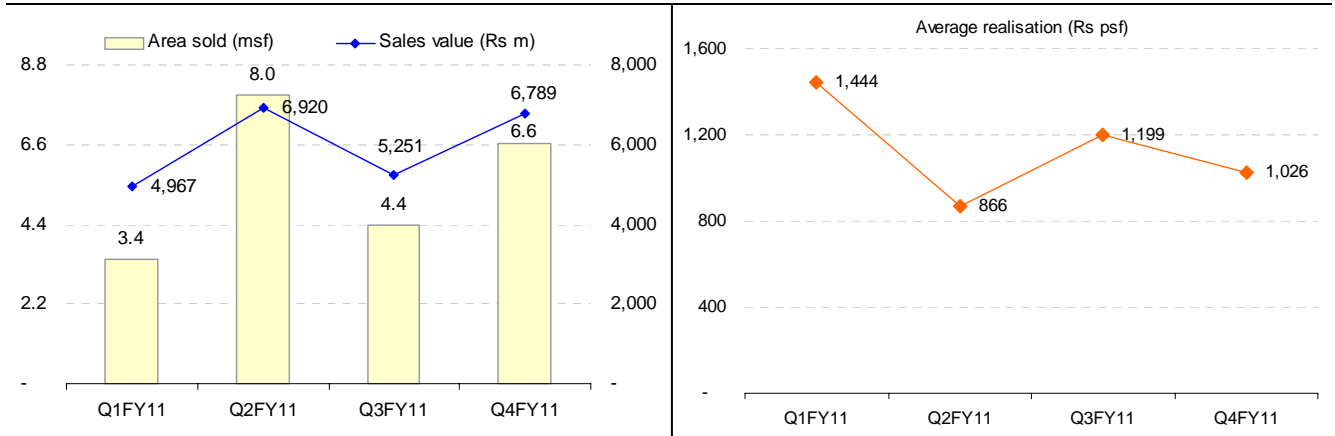
Important disclosures appear at the back of this report*

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

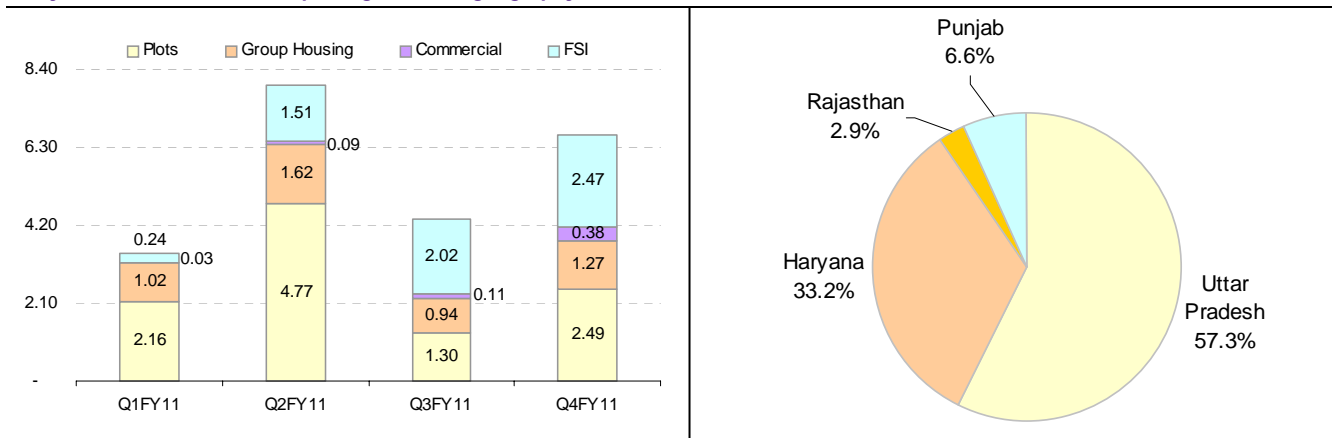


Source: Company reports, IDFC Securities Research

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

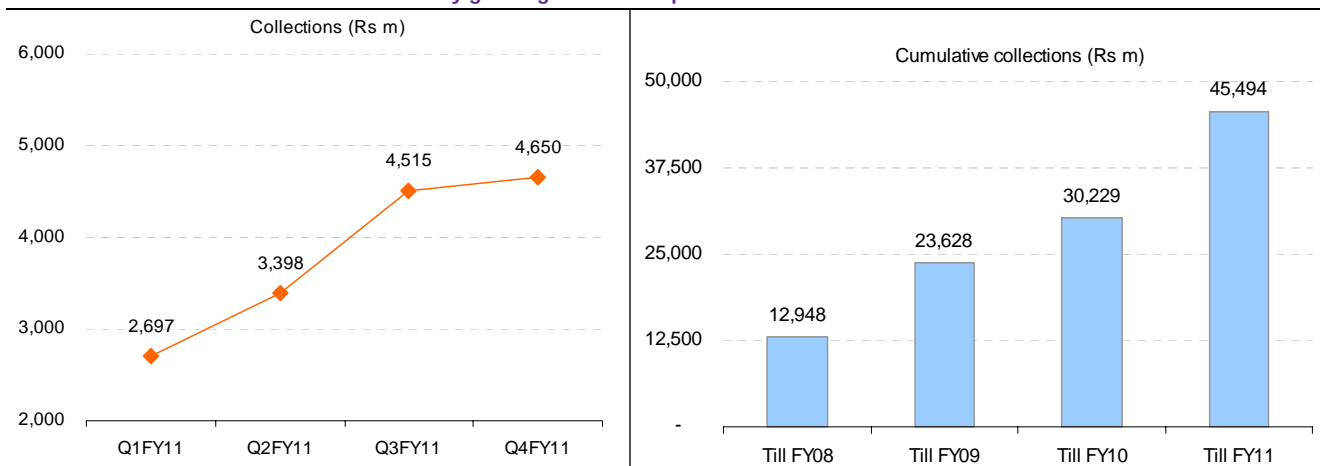


Source: Company reports, IDFC Securities Research

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
Gross NAV	49,436	100	314
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)
Net NAV	24,179		154
Outstanding shares (m)	157.4		
NAV per share	154		
Less: Discount @ 25%			38
Target price	115		

Source: IDFC Securities Research

Quarterly result comparison

(Rs m)	Q4FY10	Q1FY11	Q2FY11	Q3FY11	Q4FY11	FY11A	FY12E
Net Sales	2,436	2,567	3,275	3,471	3,258	12,571	14,133
yoy chg (%)	45.9	79.4	75.8	23.9	33.8	47.3	12.4
EBITDA	149	759	670	647	346	2,421	3,705
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	-	-	-	-	-	-
Reported PAT	(313)	369	199	324	124	1,015	1,631
yoy chg (%)	(250.6)	257.3	(37.0)	16.9	(353.1)	56.9	60.7

Source: Company, IDFC Securities Research

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