

CMP as on 25th October 2010 88

Source: NSE

Company Data

BSE CODE	500013
NSE CODE	ANSALAPI-EQ
Equity Capital (Rs mn)	658.4
Face Value (Rs)	10
Market Cap (Rs mn)	12,500
Avg. Daily Volume (Qty)	1,392,964
52 week H/L (Rs)	97.7/60.2

Source: Company

Financial Snapshot (Rs mn)

Particulars	FY08	FY09	FY10
Revenue	10,114	7,786	8,941
EBITDA	2747	1518	2259
Margin (%)	27.2	19.5	25.3
PAT	1735	326	643
Margin (%)	16.9	4.2	7.2
Net Worth	11878	12032	12991
Net Debt	9085	13027	16102
RNOW (%)	14.6	2.7	4.5

Source: Annual Report

Shareholding (%)

Holders	30 June 2010
Promoters	55.4
FIIs	11.5
DIIs	2.7
Non Institutes	30.4

Source: NSE India

Analyst Details

Jignesh Shial

+91-22 39673820

jignesh.shial@hsbcinv.com

Ansal Properties and Infrastructure Limited (APIL)

We met Assistant Vice President (Investor Relation) of Ansal Properties and Infrastructure Limited and following are the key takeaways from the meeting.

Background

Established in 1967 as a family business, Ansal API is among the leading Realty and Infrastructure companies operating in a range of business verticals such as Integrated Townships, Condominiums, Group Housing, Malls, Shopping Complex, Hotels, SEZs, IT Parks and Infrastructure and Utility Services. Ansal API is focusing on ushering in new realty and other infrastructure ventures in cities like- Bhatinda, Mohali, Amritsar, Ludhiana, Jalandhar, Jaipur, Jodhpur, Ajmer, Sonapat, Panipat, Karnal, Kurukshetra, Faridabad, Gurgaon, Greater Noida, and Ghaziabad, Meerut, Agra, Lucknow, to name a few.

The company is committed to extend its technical and management expertise to smaller towns in order to obtain the dual advantage of lesser competition and mass reach. In keeping with the Government's new Housing Policy, the Company also endeavors to provide better dwelling units for the urban poor with special emphasis on improvement in environment and social forestry.

The company has wide presence across north Indian states and it deals in various segments like residential, commercial and social infrastructure. The company is planning to launch more projects across various segments and different geographies. The company proposes to drive its growth through focused concentration on developing integrated townships in tier II cities, establishing presence in IT parks and SEZ. The company also plans to establish malls in these townships with mixed hotel/ serviced apartment usage.

Real Estate Sector: Some Thoughts

Although the economic slow down of last year, India has remained as one of the fastest growing economy in the world. Real estate sector too had witnessed the edge of recession in the form of declining demand followed by crunch in prices which made the sentiments negative for the sector as a whole. However after witnessing an acute slowdown during 1H FY2009, residential real estate demand has started showing signs of a recovery from the last quarter of FY09.

As we see the market trends, the residential segment is witnessing a recovery in demand; however the office and retail segments are still sluggish and will take some time to recover as the economy gradually gets back on track. The ongoing recovery in the real estate vertical has been primarily strong in Tier I cities, such as Mumbai, Delhi and Bangalore. However we are also seeing a growth in real estate markets for Tier II and Tier III as well, as we see higher working class population existing in this cities followed by improving standard of living and ability to spend.

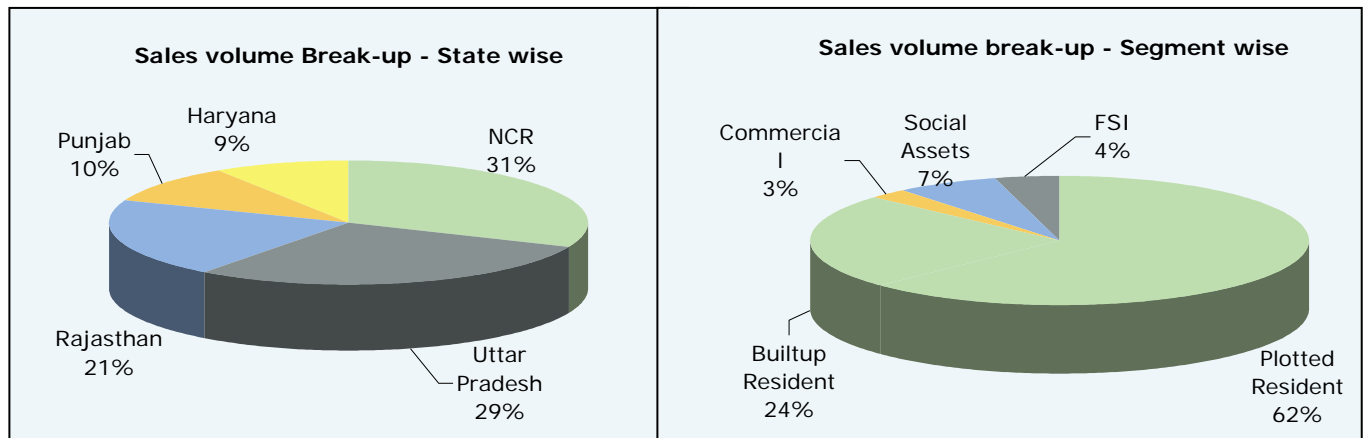
To highlight our concerns, we would be little conscious over rise in the interest rate environment as it would increase the cost for the home buyers which in turn will adversely impact the demand. It also implies increase in the borrowing cost for the developer company. Additionally another key risk could be a probability of excessive supply in the real estate market which makes us a little conscious over price corrections.

To conclude, we believe that Real Estate has already shown a great sign of recovery, however we feel we are still not out of the woods and hence one has to be very conscious in decision making for investment in real estate as it deals in to high risk high return region.

Key Take Away from the Meet

- Strong sales volume with presence across north India and wide range of product availability:**

Ansal group has started their venture primarily focusing in Delhi and NCR region however now the company has spread across their projects in various states of north India including Uttar Pradesh, Rajasthan, Punjab and Haryana. This allows them to take them a dual advantage of opportunity gains in each region with catering to various genres of people as well as diluting the risk of state specific slow down due to any natural or political risks. As an investor this provides an ideal opportunity for gathering advantage of multistate with safeguarding interests against risk in a particular state. Additionally, as we have highlighted in our industry view, the demand for residential properties has started peaking up, however performance of commercial real estate market is still to be seen further. Ansal API has product range from each segment ranging from plotted residential to Commercial as well as social infrastructure. This allows the company to hedge the fall in demand for particular segment.



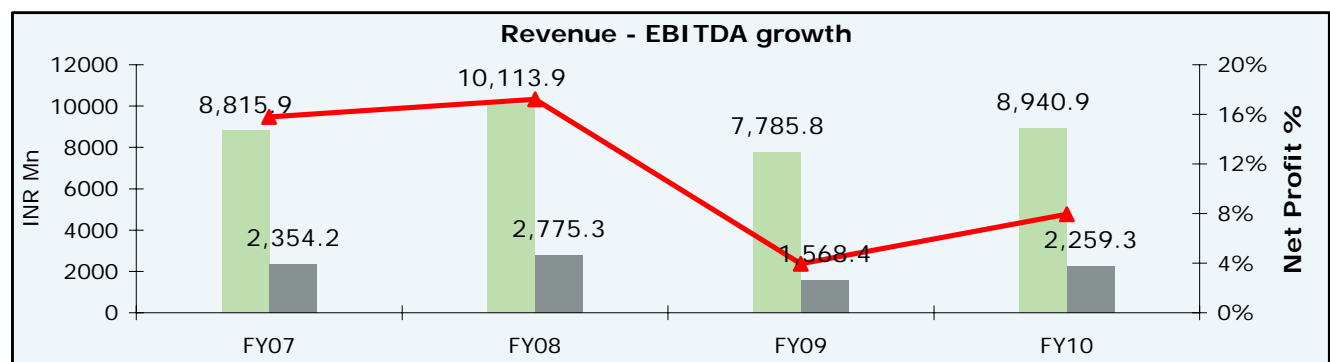
*Source: Management Data, HISL Advisory

- Major land bank in the form of township projects appealing to larger group of population :**

At present, major part of company's land bank is held in the form of large townships which are generally occupied by mid to upper income group households. As per the business model, APIL acts as a master developer for its integrated township projects, starting from project conceptualization, planning, designing and construction. The company has till date developed and delivered ~2,258 acres (98.4msf) of integrated townships. It is currently working on 19 townships with maximum saleable area being 'residential' including two mega hi-tech townships of Sushant Golf City, Lucknow (1,765 acres) and Megapolis Dadri, Greater Noida (2,504 acres).

- Revenue and EBITDA is growing in a stabilized manner :**

Ansal API has seen a stable growth in last few years. The company did felt a pressure last year due to global economy turmoil; however the company was able to maintain the profitability during that period as well. The total revenue of the company has grown up by CAGR of 33.8% during 2007-2010, whereas EBITDA has grown by 32% CAGR during the same period. During FY10, the company has sold 13.63mn sq fts of areas in various forms.



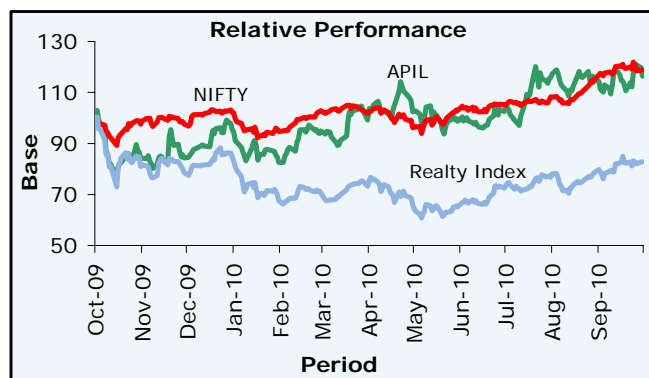
*Source: Management Data, HISL Advisory

• **Reducing debt and increasing balance sheet strength:**

Recently the company has raised Rs 2314mn through private placement of shares with institutional investors for reducing its debt and executes ongoing projects. The company issued 25.7mn equity shares (having a face value of Rs 5 each) at Rs 89.95 per. The company had initially planned to raise USD 35 million, but it increased the size of QIP to USD 52 million on good response from investors. The management is planning to reduce its high cost debt by Rs 3000mn this fiscal. This ensures an increase in bottom line resulting in rising returns on equity.

Outlook and Valuation

APIL has recently outperformed the market and on seeing the performance over 12 months, the stock has moved in line with the Nifty Index. However the stock has outperformed the Realty Index substantially over a period of 12 months.



Source: Bloomberg, HISL Advisory

On the valuation front, APIL is trading cheaper to its peers in terms of all valuation parameters,

	Price/Earnings		Price/Book		Price/Sales	
	FY11	FY12	FY11	FY12	FY11	FY12
APIL	10.3	7.6	0.8	0.7	1.2	0.9
DLF	27.1	19.9	2.2	2.0	6.9	5.5
Omaxe	15.3	8.9	1.5	1.3	1.7	1.4
Parsvanath	15.1	8.3	1.2	1.0	2.3	1.6

Source: Bloomberg Estimates, HISL Advisory

Key Risks

- Any rise in the interest rate would increase the cost for the home - buyers. This will adversely impact the demand.
- Legal disputes: Any legal disputes regarding the title of the land will cause delay in launching the projects.
- Appropriate execution leading to quick completion of projects and healthier cash flow
- A downturn in the global economy could impact growth in the Bank's NRI deposits and hurt net interest margins.

Advisory Group

Karun Mutha

SVP & Head - Equity & Derivatives Advisory

Tel +91-22-67897833

Email: karun.mutha@hsbcinv.com

Fundamental Team	Designation/Sectors covered		
Supriya Madye	AVP Analyst–Auto, Cement, Infra	022 39673815	supriya.madye@hsbcinv.com
Deepan Sankaranarayanan	Analyst–Media, Logistics	022 39673818	deepan.sankaranarayanan@hsbcinv.com
Jignesh Shial	Analyst–Banking, Real Estate	022 39673820	jignesh.shial@hsbcinv.com
Hitesh Punjabi	Analyst–IT, Pharma	022 39673823	hitesh.punjabi@hsbcinv.com
Prerna Jhunjhunwala	Analyst–Retail, FMCG, Capital Goods	022 39673822	prerana.jhunjhunwala@hsbcinv.com
Chetan Thacker	Associate Analyst–Metal, Mining, Agri	022 39673821	chetan.thacker@hsbcinv.com
Priyanka Rai	Assistant Manager (Production)	022 39673852	priyanka.rai@hsbcinv.com

Quantitative Team

Tina Khetan	Derivative Analyst	022 67897828	tina.khetan@hsbcinv.com
Akshay Bhagwat	Derivative Analyst	022 67897830	akshay.bhagwat@hsbcinv.com
Nikunj Shah	Derivative Analyst	022 67897827	nikunj.shah@hsbcinv.com

Technical Team

Mukesh Singh	Vice President - Technical Analyst	022 67897816	mukesh.singh@hsbcinv.com
Rahul Randeria	Technical Analyst	022 67897817	rahul.randeria@hsbcinv.com
A.SenthilRaj	Technical Analyst	022 39673998	a.senthilraj@hsbcinv.com

Advisory Support

Tony Nawani	Manager	022 67897825	tony.nawani@hsbcinv.com
Prakash Modi	Assistant Manager	022 67897826	prakash.modi@hsbcinv.com
Vinod Hassija	Assistant Manager	022 67897827	vinod.hassija@hsbcinv.com

Disclaimer:

Issuer of the Document:- HSBC InvestDirect Securities (India) Limited*

Registered Office: -

Dhana Singh Processor Premises
J B Nagar, Andheri - Kurla Road
Andheri (East)
Mumbai – 400 059
Telephone: +91 22 6789 7830
Fax: +91 22 6789 7700
Website: www.hsbcinvestdirect.co.in

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