

Ansal Properties (APIL IN)

Execution remains key monitorable!

OUTPERFORMER

Rs31

Mkt Cap: Rs4.9bn; US\$107m

Q1FY12 result highlights

Quarterly performance: APIL's Q1FY12 consolidated revenues grew 16% yoy to Rs3bn marginally ahead of estimates at Rs2.9bn. Higher revenues were led by recognition from Lucknow, Gurgaon and Mohali projects. Operationally, APIL sold record 8.5msf of area with sales value of ~Rs10bn (our FY12 est. of 16msf worth Rs21m). Consolidated EBITDA came at Rs545m below estimates of Rs637m. EBITDA margins declined to 18.3% vs. est. of 22% as employee cost rose sharply (up 33% yoy). Lower other income and higher tax expense (36% vs. est. of 32%; tax on inter-company revenues) led to PAT declining 41% yoy to Rs218m below estimates of Rs273m.

Key positives: Pick-up in revenue recognition led by improved construction across projects

Key negatives: Sharply higher employee cost (6% of revenues) and higher tax expense (36%)

Impact on financials

Despite strong sales volume, we are maintaining our sales estimates for FY12 at 16msf given the recent unrest in the NCR (especially Greater Noida region) and await another quarter before revisiting our assumptions. However, we have increased the SG&A cost to factor in higher employee cost going forward. Also, we have increased tax rate assumptions to account for higher tax outgo in the current quarter. Resultant, our PAT estimates have declined by 10%/7% in FY12/FY13.

Valuations & view

APIL's Q1FY12 operational performance has been significantly ahead of estimates on most parameters. While customer advances have remained constant, we expect them to pick-up from H2FY12 as construction activity on new launches (>15msf in last two quarters) gain pace. Significant growth visibility in three of its largest projects (Lucknow, Greater Noida and Gurgaon) and >Rs35bn of pending receivables from sold projects enhances comfort on the near-term profit growth and APIL's ability to reduce debt. To account for higher SG&A and tax expense, our FY12E NAV stands revised at Rs139/share (Rs154 earlier). At 25% discount to NAV, we revise our target price to Rs104/share. Maintain Outperformer.

Key financials (quarterly)

(Rs m)	Q1FY11	Q4FY11	Q1FY12	% ch qoq	% ch yoy	% var from est
Revenues	2,970	2,567	3,258	15.7	(8.8)	3.3
EBITDA	545	759	346	(28.2)	57.7	(14.5)
OPM (%)	18.3	29.6	10.6	(11.2)	7.7	(3.8)
Other Income	29	178	44	(83.9)	(34.4)	(42.8)
Interest expense	205	274	200	(25.2)	2.8	(14.5)
Depreciation	26	22	26	22.2	1.5	(2.2)
PBT	342	641	164	(46.6)	109.1	(18.6)
PAT	218	369	124	(40.9)	76.4	(20.2)
Reported PAT	218	369	124	(40.9)	76.4	(20.2)
EPS	1.4	2.8	0.8	(50.6)	76.4	(20.2)

Key valuation metrics

	YE 31 March	FY11	FY12E	FY13E
Net sales (Rs m)		12,571	14,133	19,952
Adj. net profit (Rs m)		1,015	1,472	2,210
Shares in issue (m)		157	157	157
Adj. EPS (Rs)		6.4	9.4	14.0
% growth		56.1	45.1	50.1
PER (x)		4.8	3.3	2.2
Price/Book (x)		0.3	0.2	0.2
EV/EBITDA (x)		8.5	5.9	3.3
RoE (%)		6.4	7.6	9.5
RoCE (%)		7.0	9.8	16.5

Quarterly results

(Rs m)	Q1FY11	Q2FY11	Q3FY11	Q4FY11	Q1FY12	FY11A	FY12E
Net Sales	2,567	3,275	3,471	3,258	2,970	12,571	14,133
yoy chg	79.4	75.8	23.9	33.8	15.7	47.3	12.4
EBITDA	759	670	647	346	545	2,421	3,537
yoy chg	98.7	32.2	(23.8)	131.6	(28.2)	28.4	46.1
EBITDA Margin (%)	29.6	20.5	18.6	10.6	18.3	19.3	0.3
Other Income	178	25	60	44	29	307	140
Interest	274	233	216	200	205	923	1,180
Depreciation	22	24	25	26	26	96	109
PBT	641	438	467	164	342	1,709	2,389
Tax	253	211	138	28	125	629	812
Minority Interest	19	29	6	12	(0)	66	104
PAT before extra ordinary items	369	199	324	124	218	1,015	1,472
Extraordinary Items	-	-	-	-	-	-	-
Reported PAT	369	199	324	124	218	1,015	1,472
yoy chg	257.3	(37.0)	16.9	(353.1)	(40.9)	56.9	45.1

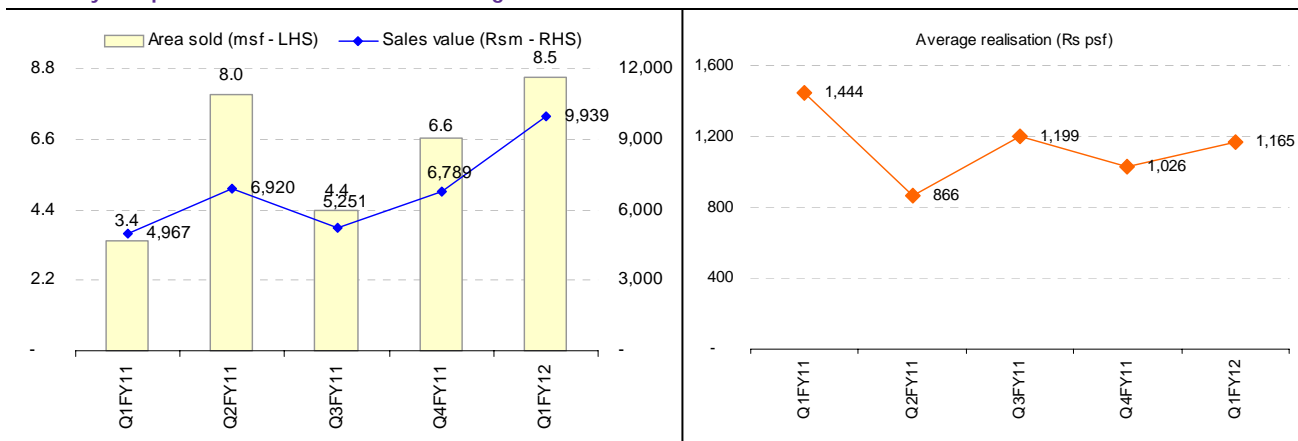
Source: Company, IDFC Securities Research

Operational performance

Stellar sales volumes – sold 8.5msf of area during the quarter

During the quarter, APIL sold record volumes of 8.5msf (Q1FY11 – 3.44msf) with sales value of ~Rs10bn and average realisation of ~Rs1,165psf. This is more than half of our FY12 estimated sales volume (16msf) and >40% of estimated sales value (Rs24bn). The management indicated that while Q2FY12 might remain a relatively muted quarter (monsoon quarter), APIL should witness strong demand in H2FY12 (festive season).

Quarterly comparison of sales volume and average realisations

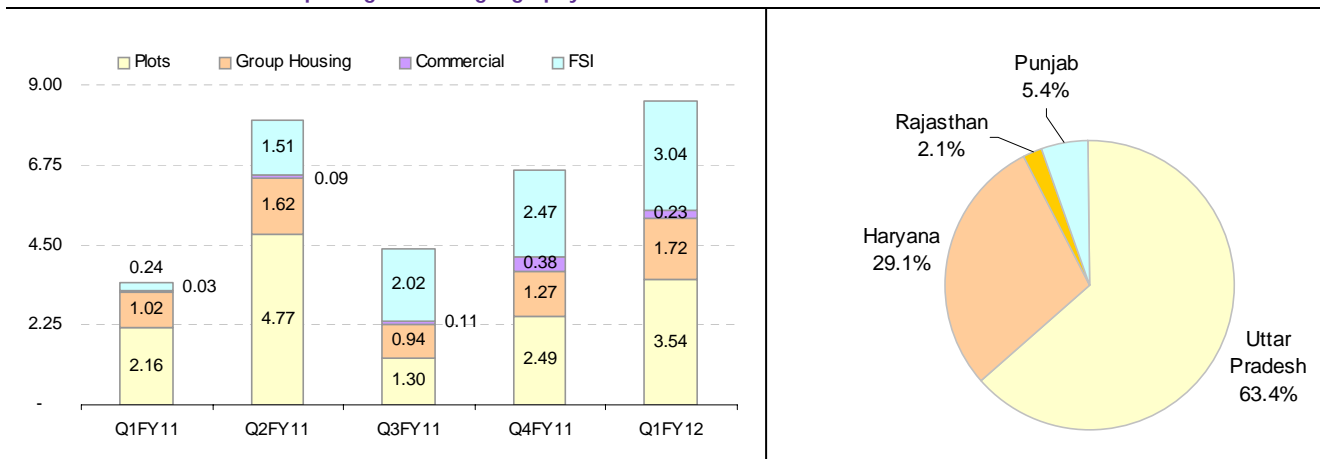


Source: Company reports, IDFC Securities Research

Majority sales from horizontal developments and Uttar Pradesh township

APIL's sales in Q1FY12 have largely come from horizontal developments including plots and FSI sales (6.6msf; >76% of total). In terms of sales value, new launches in Phase II of Sushant Golf City, Lucknow and The Fernhill Sector 91, Gurgaon contributed significantly during the quarter. In terms of geography, Lucknow township saw maximum volumes with 5.4msf of sales (>63% of total) while Gurgaon contributed ~0.83msf to total sales. Share of vertical developments increased to 54% of total sales value vs. 47% in Q1FY11.

Q1FY12 sales volume break-up – segment and geography wise

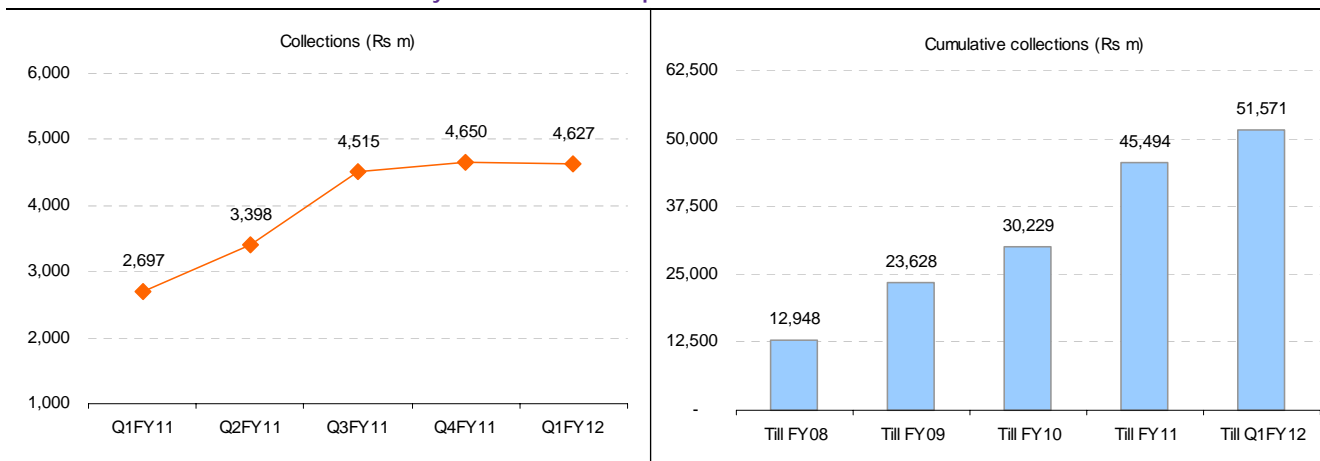


Source: Company reports, IDFC Securities Research

Collections to witness an uptrend from H2FY12

APIL collected Rs4.63bn during the quarter (up 72% yoy) against Rs15.26bn collected in FY11. Till date, APIL has sold 99msf of area with sales value of >Rs87bn and collected Rs51.6bn in customer advances. While the collection trend has remained constant over the last three quarters (avg. run-rate of ~Rs4.5bn/quarter), the share of advances from existing sales has been improving with increased pace of construction (~62% of total vs. 46% in Q1FY11). Also, APIL expects an uptrend in overall collections from H2FY2 as construction work on new projects also pick-up pace and construction-linked payments start to flow in.

Customer collections have remained steady over the last three quarters



Source: Company reports, IDFC Securities Research

Other key details

- APIL launched 9msf of new projects during the quarter including 4.63msf of plots in Lucknow Ph II and ~1.2msf in Gurgaon. Of the total new launches, APIL sold 3.24msf of area with sales value of Rs5.5bn.
- In Q1FY12, APIL signed and launched Development Agreement V of >900acres in Sushant Golf City Lucknow (Phase II) aggregating to saleable area of ~37msf. APIL also signed JDA for another project in Sector 91 Gurgaon (The Fernhill) - a 14.5acres group housing project aggregating to saleable area of ~1.4msf. Both these projects were launched during the quarter and contributed substantially to the total sales bookings.

- o Post these additions, APIL's land bank has increased to ~351msf with >98msf of area already sold.
- During the quarter, APIL transferred part of the trunk infrastructure facilities/assets in Lucknow Township to a wholly owned Infra Subsidiary called Ansal API Infrastructure Ltd. (AAPIL).
- o In this regard, all costs incurred on the infrastructure of the township have been transferred to the subsidiary at the fair valuation of the facility/assets.
- o This has resulted in a surplus of Rs417.2m (fair value higher as Rs417.2m of infrastructure cost was charged to the P&L as proportionate share of projects on which revenue was recognized) during the quarter.
- o Also, while tax has been charged on the surplus, revenue was setoff in the consolidated books due to elimination of inter-company transactions. This has also resulted in a higher taxation of 36% for the quarter.
- Employee cost increased sharply by ~33% yoy to Rs164m during the quarter (from Rs120m in Q4FY11). This was mainly due to annual revisions in salary of existing employees and addition of new employees (project level) so as to manage the ramp-up in new launches as well as sales momentum.
- APIL also indicated that the company is in various stages of negotiation for monetization of some of its projects so as to release cash from these projects and utilise the same towards debt reduction.
- o The company is working towards surrendering its rights in the Bhatinda township with the other partner taking over the entire township. APIL expects to close the deal in the next 1-2 months.
- o APIL is looking to exit two more projects and is in advanced stages of negotiation. The company expects to close the deals and receive cash in the next 6-9 mths. APIL is targeting to use the proceeds to further reduce debt.
- o Also, windmills in Gujarat have been put on the block and interest has also come from various parties. APIL is also looking to hive off the asset worth ~Rs400m.
- In terms of cashflows, APIL has reduced Gross Debt by Rs570m during the quarter. In 4MFY12, the company has reduced ~Rs900m of debt. Gross Debt as of Jun-11 stood at Rs15.26bn with 14.5% average interest cost. APIL Continues to focus on deleveraging the balance sheet by reducing existing debt and raising funds at the project level as and when required.
- Also, APIL paid ~Rs1.65bn towards construction costs and Rs760m towards land payment during the quarter.

FY12E NAV Valuation Summary

(Rs m)	FY12E		
	Rs m	% of total	NAV per share
Residential	43,113	87%	274
Commercial	6,322	13%	40
Commercial (Lease)	(0)	0%	(0)
Retail (Lease)	(0)	0%	(0)
NAV - land bank (0msf)	-	0%	-
Gross NAV	49,436	100%	314
Add: Cash	1,229		8
Less: Gross Debt	(13,582)		(86)
Less: NPV of Admin exp.	(13,793)		(88)
Less: IL&FS stake buyout in Essencia I	(1,400)		
Net NAV	21,889		139
Outstanding shares (m)	157.4		
NAV per share	139		
Less: Discount @ 25%	35		
Target price	104		

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