

Anant Raj Ltd.


CMP: 43
Not Rated

Nifty	8588
Sensex	28298
Nifty PE	22.6
Sensex PE	23.7

Stock Data

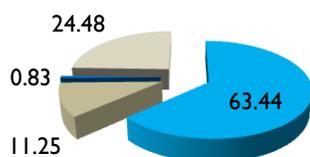
Sector	Real Estate
BSE Code	515055
NSE Code	ARCP IS
FV	2.0
Market Cap (INR cr)	1282
Market Cap (US\$ mn)	201
Equity Share Cap.	59

Stock Performance (%)

52-week high/low Rs. 65.4/31.7

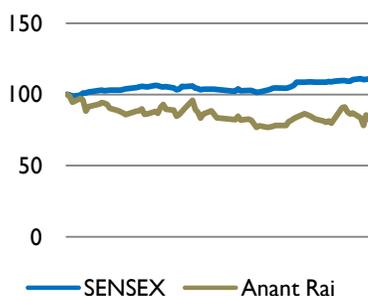
	1M	6M	12M
Absolute (%)	6.0	(11.8)	(32.3)

Shareholding Pattern (%)



■ Promoters ■ FIIL
■ DII ■ Others

Sensex & Stock Movement



Anant Raj Ltd (Anant Raj), promoted by Mr. Ashok Sarin (Chairman) and Mr. Anil Sarin (MD); is one of the leading construction and infrastructure developing company in Delhi and NCR for over 45 years. The company is engaged in the business of constructing and developing high quality residential, commercial, hospitality projects and IT parks and has developed over 20 mln sq. ft. of residential and commercial projects in Delhi and NCR region.

- **Anant Raj's total land bank comprises of fully paid up land of ~1,100 acres in Delhi and NCR region;** one of the largest land banks in the region, out of which 200 acres is ready for monetisation through both residential as well as hospitality projects in the next 2-3 years.
- **The company has a well diversified assets portfolio that include built-to-lease assets as well as built-to-sell assets,** thus giving it dual benefit of sustained cash flows from rental income, as well as capital value appreciation. The company's diversified portfolio incorporates 40% of residential projects, 30% of commercial projects, 15% of hospitality projects and the remaining contribution to the portfolio is made by IT/SEZ.
- **Anant Raj's revenues remained flat at Rs. 484.1 Crs in FY15, however it posted an excellent EBITDA, a whopping Rs. 250.9 Crs. vs Rs. 141.2 Crs, up 77.7% YoY with an EBITDA margin at 51.8% vs 29.2%, up 2,262 bps YoY.** PAT saw a jump of 41.8% YoY at Rs. 142.4 Crs vs Rs. 100.4 Crs.
- As on 31 Mar 2015, **the company brought down the debt to Rs. 1,250 Crs. by selling some more land parcels to divest its non-core assets and utilized a part of it towards debt repayment.** The company aims to reduce this debt further in the next couple of years and is considering the sale of one or two of its hotel properties or hospitality land parcels for the same.
- **Anant Raj's most ambitious township at Anant Raj Estate at South Gurgaon, having a total developable area ~6 mln sq. ft. is expected to generate revenues of approx Rs. 5,000 Crs in the next 3-5 years and has already collected ~Rs. 900 Crs towards bookings in FY15.** The company's residential projects at Haryana; Madelia in Manesar (1.2 mln sq. ft, 670 units) and at Maceo in Gurgaon (1.5 mln sq. ft, 743 units) are progressing on schedule for completion by March 2016.
- **Anant Raj's financial performance is expected to excel in FY16 aided by the generation of sturdy cash flows from rental earnings of commercial properties and income from sale of residential properties at Anant Raj Estate township, Madelia and Maceo in Haryana.** At a CMP of Rs. 43, the stock trades at 8.9x its FY15 EPS of Rs. 4.9.

Financials

INR crs	Q4FY15	Q4FY14	Q3FY15	YoY (%)	QoQ(%)	Standalone		
						FY15	FY14	YoY (%)
Revenue	145.3	147.7	73.0	(1.6)	99.0	484.1	483.4	0.1
EBITDA	34.5	38.1	29.2	(9.5)	18.4	250.9	141.2	77.7
PAT	17.1	27.8	11.9	(38.5)	43.5	142.4	100.2	41.8
EPS	0.6	1.0	0.4	(44.0)	36.6	4.9	3.6	36.6
Share Cap	59.0	59.0	59			59.0	59.0	
Reserves						4074.9	3943.6	

Source: Published Result, BSE

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The company is engaged in the business of constructing and developing high quality residential, commercial, hospitality projects and IT parks and has developed over 20 mln sq. ft. of residential and commercial projects in Delhi and NCR region.

Concall with Management

We had a concall with Mr. Navneet Singh, President of Anant Raj. With total land bank of 1100 acres, the company claims to be the largest land bank owner with ~430 acres of land in Delhi alone & balance within 50 km radius of Delhi. 200 acres of land in Delhi is ready for monetisation through both residential as well as hospitality projects in the next 2-3 years.

	Residential Land (acres)	Commercial Land (acres)
Delhi	150	280
Haryana	258	340
UP	-	25
Gujarat	-	25
Rajasthan	18	-
Total	426	670

The company has a well diversified assets portfolio that include built-to-lease assets as well as built-to-sell assets, thus giving it dual benefit of sustained cash flows from rental income, as well as capital value appreciation. The company's diversified portfolio incorporates 40% of residential projects, 30% of commercial projects, 15% of hospitality projects and the remaining contribution to the portfolio is made by IT/SEZ.

Built-to-Lease & Built-to-Sell Commercial Projects

The company has ~6 mln sq.ft. of ready to lease commercial assets in prime locations of Delhi and NCR with a portfolio of 2 IT parks, 1 IT SEZ, 2 shopping malls and 6 hotel projects. The commercial assets of the company provide steady cash flows in the form of rental earnings with an IRR of around 12%. The present rental income is approx Rs. 80 Crs. per annum. The company is confident that ~60-80% of the commercial projects will be leased out in the next 4-5 years with a potential of earning a rental income of Rs. 250 - 300 Crs. per annum at full occupancy. The company has also decided, that if there is a good realization, they can consider sale of commercial property.

On the hotels front, the government may also consider the proposal of the developers to develop a part of the area of hotels as service apartments that can be later sold as residential apartments. The company is not considering incurring additional capex until the current projects reach full occupancy.

Speedy Execution of Residential Projects

The company is developing two low rise projects at Madelia (100% sold) in Manesar and Maceo (60% sold) in Gurgaon which are on schedule for completion by March 2016. These two projects will add a further 2.7 mln sq.ft. to the total residential property.

The company has already completed its low-cost housing project at Neemrana, Rajasthan (in partnership with Gov of Rajasthan) having 2,580 units (1.8 mln sq. ft.) and the same is being handed over to the owners. These flats are priced at Rs. 8.2 lacs each.

The company has also launched its Anant Raj Estate at South Gurgaon, spread over 160 acres (total developable area ~6 mln sq. ft), the township consists of plots, floors and villas, the construction of which has already started. The company has received a group housing license for another 26 acres of land at Anant Raj Estate for residential group housing development, this has unlocked a further development potential of around 2.80 mln sq.ft. of residential space & 7 acres of commercial development. There the company is planning for development of ~160 villas starting from smallest 50 sq yards to as huge as 500 sq yards, out of which 36-60 villas are in the range of 250-300 sq yards priced in the range of Rs. 250 – 300 Crs. This project alone has a potential to generate revenues of approx Rs. 5,000 Crs. in the next 3-5 years. The construction and development work at Anant Raj Estate is in full swing and the bookings have crossed a whopping Rs. 900 Crs in FY15.

The company had acquired ~200 acres of residential land in and around Delhi about 5-6 years back and new master plan for the same is getting ready from the new NDA government. Once this plan is approved within 3-6 months, it will offer a good realization. FAR (Floor Area Ratio) which is currently at 1.75 - 2.25 is expected to be increased to 4. There is an oversupply of real estate in NCR and Noida region, but the company's projects which are located in Delhi and Gurgaon have stable prices.

Debt Reduction Strategy

In September 2014, the company sold its 3 acres of land at Bhagwan Das road by selling 100% of its equity stake in its wholly-owned subsidiary Greatway Estates Ltd for Rs 304.12 Crs to part repay debt and for project development.

As on 31 Mar 2015, the company brought down the debt to Rs. 1,250 Crs. by selling some more land parcels to divest its non-core assets and utilized a part of it towards debt repayment. The company aims to reduce this debt further in the next couple of years and is considering the sale of one or two of its hotel properties or hospitality land parcels for the same.

Financial Performance

Anant Raj's revenues remained flat at Rs. 484.1 Crs in FY15, however it posted an excellent EBITDA, a whopping Rs. 250.9 Crs. vs Rs. 141.2 Crs, up 77.7% YoY with an EBITDA margin at 51.8% vs 29.2%, up 2,262 bps YoY. PAT saw a jump of 41.8% YoY at Rs. 142.4 Crs vs Rs. 100.4 Crs.

Valuation

Anant Raj is making tremendous efforts to further reduce debt coupled with faster execution of realty projects which would help the company to expand its topline and improve its bottomline.

At a CMP of Rs. 43, the stock trades at 8.9x its FY15 EPS of Rs. 4.9.

Diversified Projects Portfolio

Residential

Name & Location	Land Area (acres)	Construction Area (mln sq ft)	Total Units	Status of development
Anant Raj AASHRAY, Neemrana Rajasthan	18	1.8	2580 flats	Completed in 2013-14, ongoing possessions
Revenue from Madelia, Manesar Haryana	12.4	1.2	670 flats	Development to be completed by March 2016
Revenue from Maceo, Gurgaon Haryana	15.5	1.5	743 flats	Development to be completed by March 2016
Revenue from Anant Raj Estate, South Gurgaon	160	6	160 villas	Development to be completed by March 2017
Hauz Khas, Delhi	2.95	0.26		Development not yet started

Hotels

Name	Location	Land Area (acres)	Rooms	
			Phase I	Phase II
Anant Raj Exotica	Near Mehrauli, New Delhi	5.75	43	57+ more rooms
Anant Raj Retreat	Near Mehrauli, New Delhi	7.37	55	95+ more rooms
Hotel Grand & Pappilion (0.06 & 0.04 mn sq ft constructed)	NH-8, 3 kms from Gurgaon	7.61	90	110+ more rooms
Tricolor	NH-8, 3 kms from Gurgaon	8.3	150	75+ more rooms
Green Retreat	NH-8, New Delhi	7.26	150	80+ more rooms

Malls

Name	Location	Constructed Area (mln sq ft)	Leasable Area (mln sq ft)	Monthly Rental Income
Shopping Mall, Kirti Nagar	Kirti Nagar, Delhi	0.75	0.6	Rs. 2.5 Crs.
Shopping Mall, Anant Raj Galleria, Karol Bagh	Karol Bagh, Delhi	0.082	0.6	Sold for ~Rs.500 Crs

IT Park

Name	Location	Land area (acres)	Constructed Area (mln sq ft)	Leasable Area (mln sq ft)	Estimated Rental Yield
IT Park, Manesar	IMT Manesar, Haryana. 11 km from Gurgaon – a hub of IT/ITES and BPO companies.	10	1.8	1.2 (includes 40,000 sq ft of retail space)	30% leased@ Rs. 40 per sq.ft. Total rental yield Rs. 45 Crs.
IT Park, Panchkula	Panchkula, Haryana	10	1.8	1.2 (Phase I - 0.45)	Phase I - Rs. 13 Crs. (49.90% stake in project held by Monsoon Capital)
IT SEZ, Rai	Situated on National Highway (NH-1). 5 km from Delhi border	25	5.1	3.4 (Phase I - 1.4)	Phase I - Rs. 40 crore

Revenue Estimates

Year	Estimated Revenue (Rs. Crs)
FY15-16	600
FY16-17	1200
FY17-18	1500
FY18-19	2500
FY19-20	6000-6500

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