

January 31, 2014

Anant Raj Ltd (ANARAJ)

₹ 51

Shifting focus to residential....

We met the management of Anant Raj Industries, an NCR based real estate developer. Anant Raj, which was originally into commercial development and has built 5 million square feet of commercial space in prime locations of Delhi & NCR (40% leased out), is now foraying into residential space. With total land bank of 1100 acres (40% residential, remaining commercial, hospitality & retail), the company claims to be the largest land bank owner in Delhi with ~500 acres land in Delhi alone & balance within 50 km radius of Delhi. The management indicated given the slowdown in the economy, it would first concentrate on getting the full occupancy at completed projects before foraying further in the commercial segment. Meanwhile, it would focus on residential launches (two projects lined up for launch at Hauz Khas and Bhagwan Das Road in Delhi) and residential township in Haryana (spread across 160 acres with villas, plots and apartments).

Commercial project

The company was originally known as a commercial land developer. It has already built 5 mn sq ft of commercial space in prime locations of Delhi and NCR (40% leased out). The present commercial portfolio includes two IT parks, one IT SEZ, three commercial complexes, two shopping malls and six hotel projects with rental income of ₹ 80 crore/annum. The company expects rental yield of ₹ 250-300 crore at full capacity of the completed project. It also indicated it would first concentrate on getting full occupancy at completed projects before new capex in the commercial segment.

Residential portfolio

The company has so far got three projects under development across Manesar (100% sold), Gurgaon (60% sold) and Neemrana (100% sold) aggregating to 4.5 mn sq ft. Additionally, it has also launched plots and villas at its Gurgaon Township. Furthermore, it has two projects lined up for launch at Hauz Khas and Bhagwan Das Road in Delhi. We believe the ramp up in Gurgaon and new launches should be drivers for sales volumes, going ahead.

Ramp up in sales volume & leasing key for re-rating...

While valuations look attractive at 0.4x FY13 P/BV, we highlight that a pick-up in leasing portfolio, ramp up in sales volume and improvement in cash collection will hold key for re-rating.

Exhibit 1: Financial Performance

	FY09	FY10	FY11	FY12	FY13
Net Sales (₹ crore)	252.4	286.3	424.2	312.1	558.6
EBITDA (₹ crore)	223.4	259.9	237.5	171.2	161.5
Net Profit (₹ crore)	206.3	238.2	168.1	113.5	106.0
EPS (₹)	7.0	7.9	5.7	3.8	3.6
EV / EBITDA (x)	4.2	4.3	9.4	15.6	18.0
P/BV (x)	0.4	0.4	0.4	0.4	0.4
P/E (x)	7.1	6.3	8.8	13.0	13.9
RoCE (%)	6.3	6.5	4.3	2.6	2.2
RoNW (%)	6.6	6.9	4.6	3.0	2.7

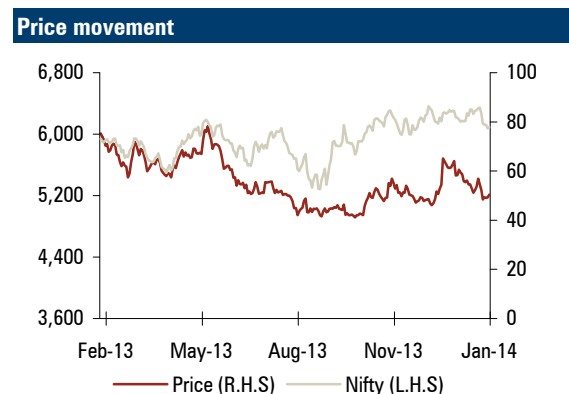
Source: Company, ICICIdirect.com Research

Rating Matrix	
Rating	: Unrated
Target	: NA
Target Period	: NA
Potential Upside	: NA

Key Financials				
₹ Crore	FY10	FY11	FY12	FY13
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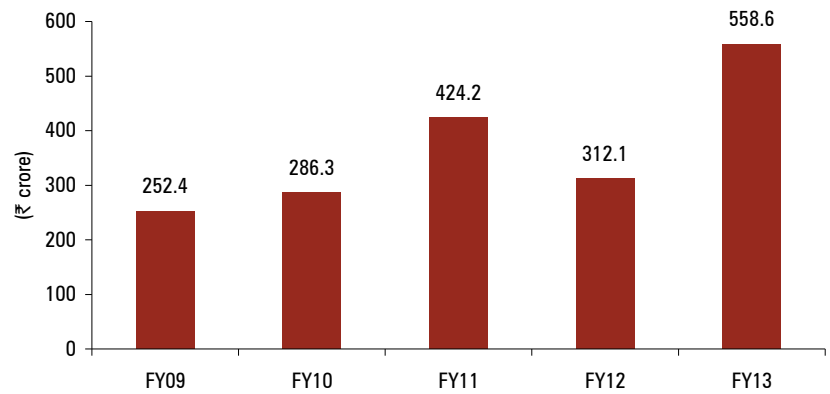
Valuation Summary				
(x)	FY10	FY11	FY12	FY13
P/E	6.3	8.8	13.0	13.9
EV / EBITDA	4.3	9.4	15.6	18.0
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RoCE (%)	6.3	6.5	4.3	2.6

Stock Data	
Bloomberg/Reuters Code	ARCP IN / ANRA.NS
Sensex	20,508
Average volumes	722,503
Market Cap (₹ crore)	1,475.5
52 week H/L	83/ 41
Equity Capital (₹ crore)	59.0
Promoter's Stake (%)	63.4
FII Holding (%)	15.1
DII Holding (%)	2.3



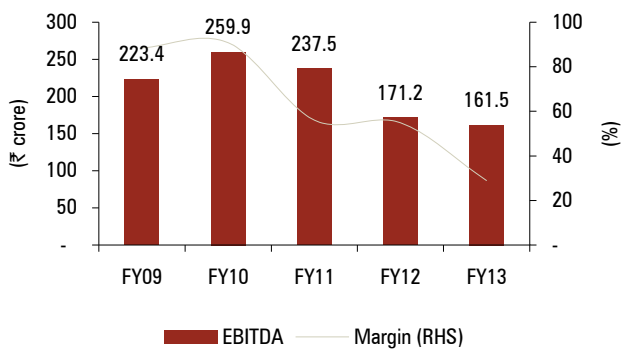
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Exhibit 2: Revenue trend



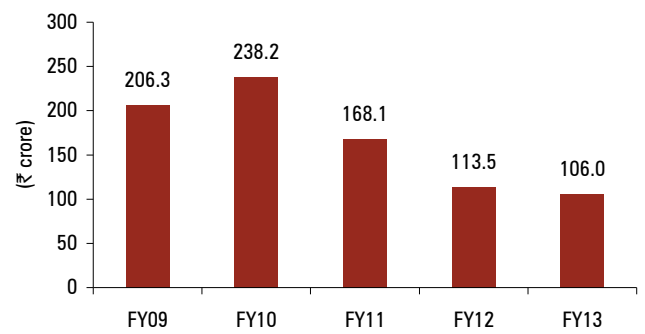
Source: Company, ICICIdirect.com Research

Exhibit 3: EBITDA and EBITDA margin trend



Source: Company, ICICIdirect.com Research

Exhibit 4: PAT growth trend



Source: Company, ICICIdirect.com Research

Exhibit 5: Commercial Portfolio

IT PARK, MANESAR

Land area – 10 acres
 Location – IMT Manesar, Haryana
 Total constructed area – 1.80 mn. sq.ft.
 Leaseable area – 1.20 mn. sq.ft. (which includes 40,000 sq.ft. of Retail Space).
 Present status – 30% leased out @ ₹ 40 per sq.ft.
 11 km from Gurgaon – a hub of IT/ITES and BPO companies.
 Estimated rental yield after fully leaseout - ₹ 45 crore

IT PARK, PANCHKULA

Land area – 10 acres
 Location – Panchkula, Haryana
 Total developable area – 1.80 mn. sq.ft.
 Leaseable area – 1.20 mn. Sq. ft.
 Leaseable area phase I – 0.45 mn. sq.ft.
 Estimated rental yield after 100% leased (Phase I) – ₹ 13 crore
 49.90% stake in project held by Monsoon Capital.
 Modern city developed by Haryana government adjoining Chandigarh
 10 km from Baddi (largest industrial area developed by Himachal Pradesh government and offered various incentives/tax benefits)
 Good connectivity by road, rail and air
 Completion date – September 2013

IT SEZ, RAI

Land area – 25 acres.
 Location - Situated on National Highway (NH-1). 5 km from Delhi border
 Total Developable area – 5.10 mn sq ft
 Total leaseable area – 3.4 mn sq ft
 Phase I – 2.10 mn sq ft
 Leaseable area (Phase I) – 1.4 mn sq ft
 Estimated rental yield after fully leaseout (Phase I) - ₹ 40 crore
 Sound infrastructure in place.
 Proposed to be connected by Delhi Metro
 Also being connected to airport, Gurgaon and Manesar by upcoming KMP expressway
 Ready to move position, marketing start for leasing
 Completion of phase-I by December, 2012

Source: Company, ICICIdirect.com Research

Exhibit 6: Residential Portfolio

MADELIA SECTOR – M1A, MANESAR

Total No. of Flats – 670
 Status – 100% Sold
 Projected Realisation – ₹ 500 crore
 Completion date – March 2015
 Constructed area – 1.20 mn. sq.ft.
 Land Area – 12.45 acres

MACEO SECTOR – 91, GURGAON

Total No. of Flats – 743
 Status – 60% Sold
 Projected Realisation – ₹ 600 crore
 Completion date – March 2015
 Constructed area – 1.50 mn. sq.ft.
 Land Area – 15.575 acres

ANANT RAJ AASHRAY NEEMRANA,

Total No. of Flats – 2489
 Status – 100% sold
 Projected Realisation – ₹ 250 crore
 Completion date – September 2014
 Constructed area – 1.80 mn. sq.ft.
 Land Area – 18 acres

RESIDENTIAL TOWNSHIP GURGAON

Located in the heart of Gurgaon over an expansive 160 acres
 Comprising of plots in various sizes and built-up home options such as villas, & high-rise group housing.
 Company received license for 26 acres of Group Housing to develop 2.8 msf & 7 acres of commercial development
 Target completion of Township is 3 to 5 years, generating an expected revenue of ~₹ 5900 crore

HAUZ KHAS, NEW DELHI

Status – yet to launch
 Project Realisation - ₹ 800 crore
 Constructed area – 0.26 mn. sq.ft.
 Land Area – 2.40 acres

BHAGWAN DAS ROAD, NEW DELHI

Status – yet to launch
 Project Realisation – ₹ 1000 crore
 5 Bungalows to be constructed.
 Land Area – 3 acres
 Near India Gate, New Delhi

Source: Company, ICICIdirect.com Research

Exhibit 7: Hospitality Project Portfolio

REGENTA

Completed & leased out to Royal Orchid
Land area – 8.3 acres
Total Constructed area (Phase I) – 0.10 mn. sq.ft.
(Phase - I – 52 rooms Located Near to the Delhi Airport, on main NH-8, the Delhi Jaipur expressway. 3 kms from Gurgaon.
Hotel chains like Radisson, Trident, Uppal Orchid located in this region.
To be connected by Delhi Metro.
Current Rental Phase I – higher of ₹ 9 crore p.a. or 0.28% of turnover
*(Present FAR has recently increased from 0.15 to 1.75)

HOTEL MAPPLE EMERALD

Completed & leased out to Mapples Group
Land area – 7.61 acres. Total constructed area (Phase I) – 0.10 mn. sq.ft.
(Phase - I – 53 rooms located near Delhi airport, on main NH-8, Delhi Jaipur expressway. 3 km from Gurgaon
Hotel chains like Radisson, Trident, Uppal Orchid located in this region
To be connected by Delhi Metro.
Current rental phase I – higher of ₹ 7.2 crore p.a. or 0.28% of turnover
*(Present FAR has recently increased from 0.15 to 1.75)

HOTEL OCEAN PEARL

Completed & leased out to Sagar Ratna Group
Land area – 7.37 acres
Total Constructed area (Phase I) – 0.06 mn. sq.ft.
(Phase - I – 49 rooms Located near South Delhi.
10 kms from IGI Airport.
Adjoining Chattarpur Temple, Qutub Minar and other tourist Spots.
Congenial and peaceful environment for hospitality projects
Current Rental Phase I – higher of Rs54mn p.a. or 0.28% of turnover
To be connected by Delhi Metro.
*(Present FAR has recently increased from 0.15 to 1.75)

HOTEL MAPPLE EXOTICA

Completed & leased out to Mapple Group
Land area – 5.75 acres
Total Constructed area (Phase I) – 0.1 mn. sq.ft.

(Phase - I – 43 rooms Located near South Delhi. 10 kms from IGI Airport.
Adjoining Chattarpur Temple, Qutub Minar and other tourist Spots.
Congenial and peaceful environment for hospitality projects.
To be connected by Delhi Metro.
Current Rental Phase I – higher of Rs72 mn p.a. or 0.28% of turnover
*(Present FAR has recently increased from 0.15 to 1.75)

SERVICE APARTMENTS MANESAR

Completed & leased out to M/s Four Seasons from July 2013.

No. of Rooms - 120
Located in IMT Manesar. 11 km from Gurgaon – a hub of IT/ITES and BPO companies.
Constructed Area – 0.1 mn. Sq. ft.
Land Area – 1 Acre
Terms 1st year 21% of the total turnover. After 1st yr 23% of turnover.
MMG after one year 2.1 mn per month. After two year 3 mn. Per month.
After three year 3.3 mn. Per month.
12% Increase after every three years

DHUMASPUR RESORT, GURGAON

Land Area – 10 acres
Completion date – March 2015
Constructed area – 0.65 mn. sq. ft.
No. of Rooms (Projected) – 400

Source: Company, ICICIdirect.com Research

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Sell: -10% or more;



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