



ARIHANT SUPERSTRUCTURES LIMITED

Realty

August 28, 2014

Modest Fundamentals, Moderate Upside Potential

CMP: Rs 41.7/ CIV: Rs 47.3

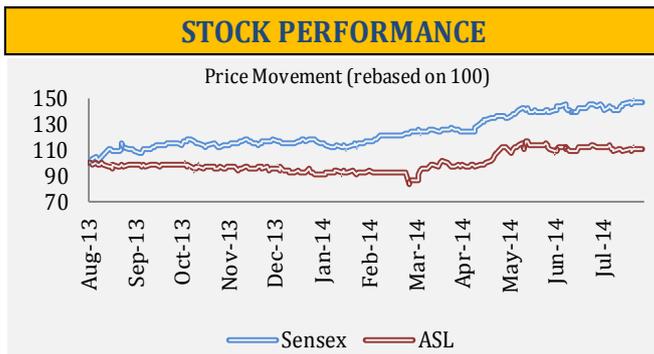
Sensex: 26,560

CARE EQUIGRADE GRID (CEG)					
	1	2	3	4	5
Fundamentals	→				
Valuation	→				

CEG is explained on page 20

KEY EQUISTATS		
Market Capitalisation	Rs. Crore	172
Enterprise Value	Rs. Crore	313
52 Week High / Low	Rs.	52.5/30
Diluted EPS (FY14)	Rs.	0.1
P/E (FY14)	times	572.1
Regression Beta	times	0.2
Average Daily Volumes*	Lakhs	0.1

* BSE for last 52 weeks



Returns	1M	3M	6M	1Yr
Absolute	-2%	-1%	19%	11%
Rel. to Sensex	-4%	-9%	-6%	-25%



ANALYTICAL CONTACTS

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¹ CMP: Current Market Price; CIV; Current Intrinsic Value

CARE Equity Research assigns a fundamental grade of 2/5 to Arihant Superstructures Ltd (ASL)

CARE Equity Research assigns a fundamental grade of 2/5 to Arihant Superstructures Ltd. This indicates 'Modest Fundamentals'. The grading factors in the company's niche presence in residential projects, which are currently under construction/ early stage, located in Navi Mumbai, Panvel & Thane in Maharashtra and Jodhpur in Rajasthan. The Company has saleable area of ~11 mn sq. ft. spread across 12 projects expected to be completed by FY21. Currently, the company has 9 ongoing projects aggregating ~10 mn. sq. ft. of area under construction. Arihant Group has a good delivery track record – delivered ~3 mn sq. ft. to date. The company is now gearing to ramp up its delivery capabilities significantly which provides a healthy revenue visibility going forward. ASL, since inception, largely concentrated in Mumbai markets however the company is now expanding to other cities and currently has three ongoing projects in Jodhpur in Rajasthan. The strategy of expanding presence in other cities would reduce the concentration risk for the company to a certain extent. However, the grading is constrained due to execution risk with significant scale of operations, high dependence on customer advances and cyclical nature of industry.

Valuation

We have valued the equity shares of ASL at Rs.47.3 per share. The valuation has been arrived at by using Sum of the parts (SOTP) valuation methodology. The CIV of Rs.47.3 per share is around 13.4% above the Current Market Price (CMP) of Rs.41.7 per share; hence we assign a valuation grade of 4/5 to the equity shares of ASL, indicating that equity shares have 'Moderate

Consolidated Financial Information Snapshot

(Rs. Crore)	FY12	FY13	FY14	FY15E	FY16E
Net revenues	64.6	70.7	100.1	152.1	200.4
EBITDA	12.7	8.9	20.1	29.7	40.1
PAT (after minority interest)	5.4	-2.9	0.3	4.0	8.1
Fully Diluted EPS* (Rs.)	1.9	-0.7	0.1	1.0	2.0
Dividend Per Share (Rs.)	0.2	0.2	0.3	0.3	0.3
P/E (times)	21.4	NM	572.1	42.5	21.1
EV/EBITDA (times)	13.7	32.8	15.6	11.2	9.1

* Calculated on Current Face Value of Rs. 10/- per share

FUNDAMENTAL GRADE

Modest Fundamentals

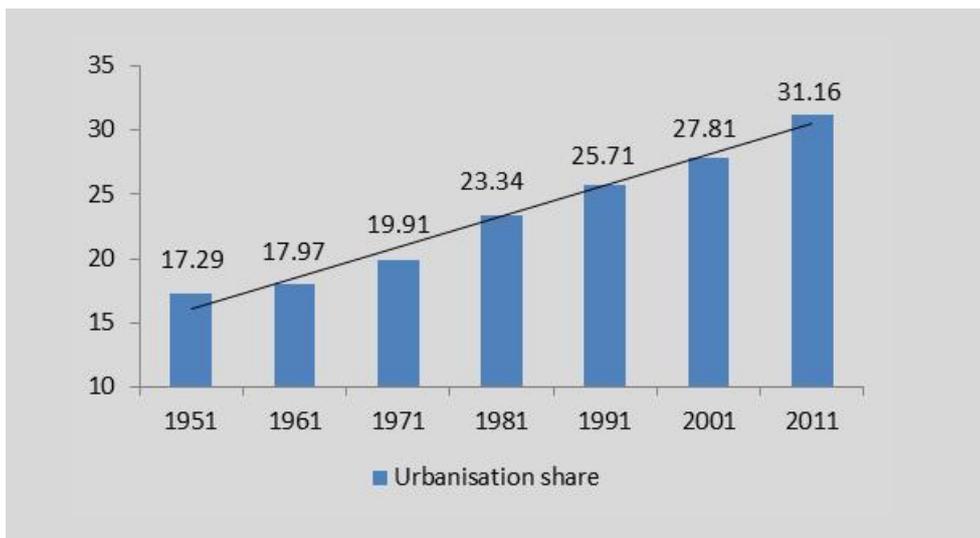
2/5

Mid-size real estate player with focus on Mumbai region; to benefit from growth in urbanization

Real estate sector in India is considered as a one of the important drivers of the economic growth as it contributes 5-6 per cent to the India’s GDP. The market size of the industry is estimated to be worth USD 180 bn by 2020. The increase in business opportunities and the subsequent migration of labor has resulted in increased demand for commercial and residential space. India is rapidly urbanizing with its urban population constituting one third of the total population and contributing over 60% to the country’s GDP. According to the latest census, 31.2% of the total population lives in urban areas compared with 27.8% in 2001 and 25.5% in 1991.

We believe urbanization to be the key driver for the growth of Arihant Superstructures Ltd as it is one of leading real estate player in Navi Mumbai focused on residential projects. ASL has presence mainly in two cities namely Mumbai and Jodhpur. The company is currently developing integrated townships and group housing. In the residential segment, the company provides a mix of affordable housing and premium projects.

Chart 1: Increasing urban footprint



Source: Census India

ASL plans to capitalize on the growth opportunity in the real estate sector; ~ 11 mn sqft development over the next 7 years provides strong revenue visibility

ASL has 12 projects across Navi Mumbai & Mumbai-Thane region in Maharashtra and Jodhpur in Rajasthan. The Company has project development of ~11 mnsq.ft. - spread across 12 projects till FY21. Currently, the company has 9 ongoing projects aggregating ~10 mn sq. ft. of area under construction. A pick-up in construction activities supported by incremental bookings in these projects will enable the company to recognize revenues from these projects in the coming years.

Table 1: List of on-going projects

Project	Location	Saleable area (sqft)
Arihant Amodini	Taloja, Panvel	135,200
Arihant Amisha	Modhar, Panvel	425,000
Arihant Anmol	Juvelli, Badalapur	566,000
Arihant Aarohi	Padle, MMR	192,875
Arihant Arshiya	Khopoli, MMR	1,050,000
Arihant Akanksha	Panvel	2,746,545
Arihant Adita	Jodhpur	1,200,000
Arihant Ayati	Jodhpur	210,769
Arihant Agrima	Jodhpur	3,500,000
Total		10,026,389

Source: Company and CARE Equity Research

Upcoming projects

ASL has also launched three more projects having a total saleable area of ~0.72mn sq.ft. across Navi Mumbai. Moreover, the management believes a gradual recovery in the sector post general elections on expectations of improvement in buyer sentiment and a reversal in interest rate.

Table 2: List of up-coming projects

Project	Location	Saleable area(sqft)
Arihant Aloki	Karjat, MMR	172,000
Arihant Anshula	Ghot, MMR	407,601
Arihant Anaika	Karjat, MMR	140,000
Total		719,601

Source: Company and CARE Equity Research

Decent delivery and good project pipeline

Arihant Group has a good delivery track record – delivered ~3 mn sqft till FY14. These deliveries have been primarily into residential real estate. The company is now gearing to ramp up its delivery capabilities significantly.

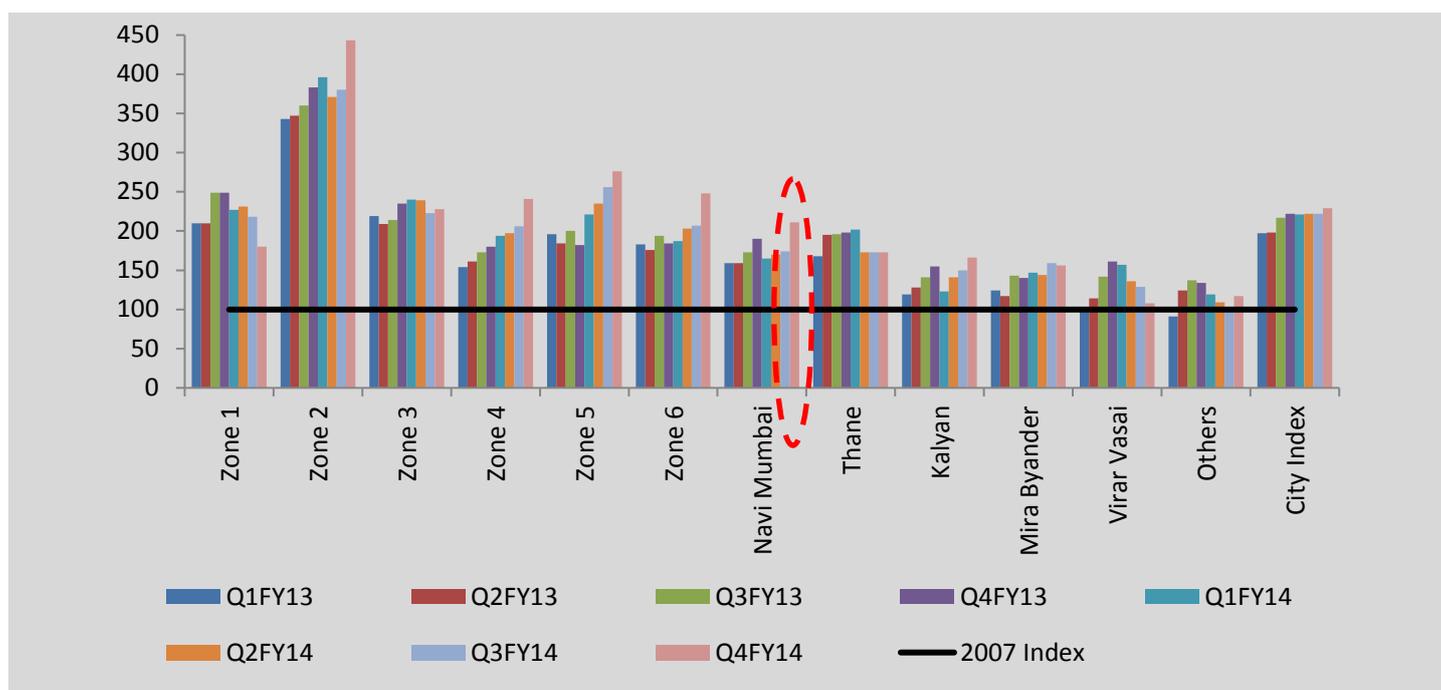
Table 3: List of completed projects since 2010

Project	Location	Saleable area(sqft)	Completion year
ArihantKrupa	Kharghar	169,864	2010
Arihant Anaya	Kharghar	155,000	2010
ArihantAnsh	Vashi	24,600	2010
ArihantAradhana	Kharghar	179,000	2010
ArihantSharan	Kharghar	119,000	2012
ArihantSparsh	Vashi	58,900	2012
ArihantArham	Panvel	406,950	2012
ArihantAbhilasha	Kharghar	250,980	2013
ArihantAksh	Badlapur	238,000	2013
Total		1,602,294	

Source: Company and CARE Equity Research

MMR region to witness gradual recovery

During FY14, demand in MMR region continued to be affected by oversupply and slow execution which impacted sales volumes. However, post the general election, we expect gradual recovery on the back of improved buyer sentiment and expectations of reversal in interest rate cycle. During the last year, MMR players witnessed a subdued period owing to sluggish property markets and delayed approvals. At the same time, the property prices in these markets also remained stagnant for a large part of the year and increased in the last quarter. Going forward, we expect steady price rise in the Navi Mumbai region on the back of the execution of certain key infrastructure projects.

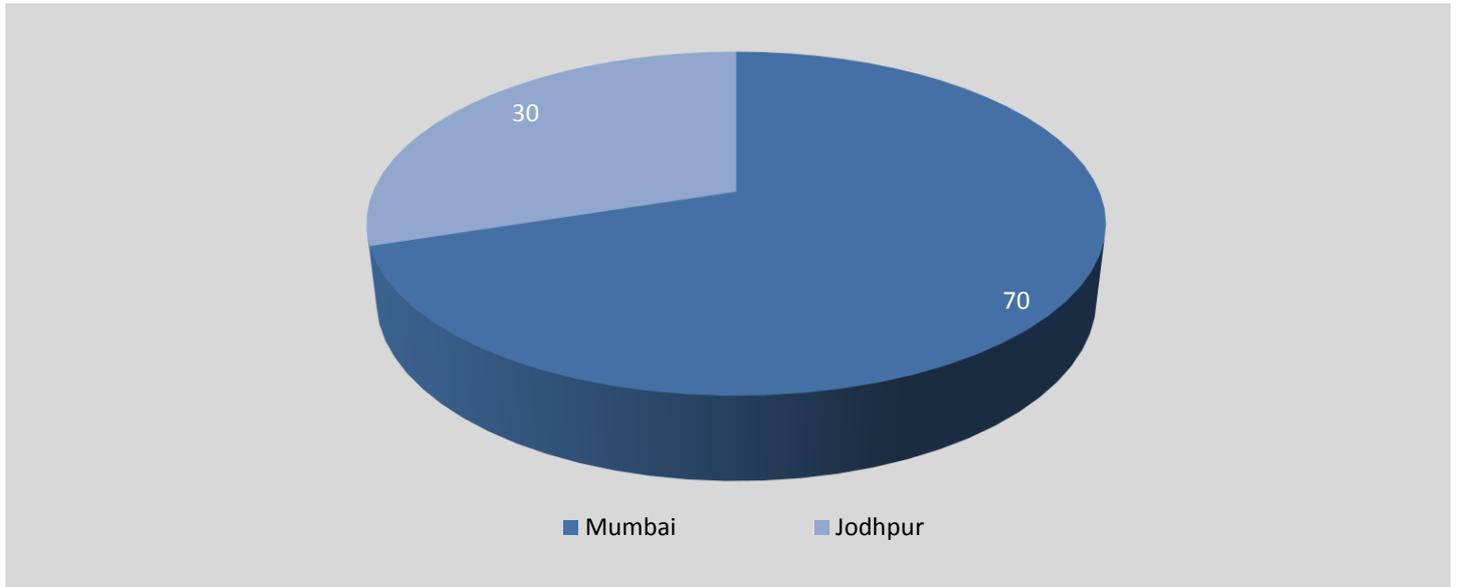
Chart 2: Increase in Q4FY14 realization


Source: NHB residex

Reduction in concentration risk with diversification in geographical presence

ASL, since inception, largely concentrated in Mumbai markets however the company is expanding its reach to other cities. Currently, ASL has presence in two cities i.e. Mumbai and Jodhpur, with a total land bank of 15mn sq. ft. However, Mumbai still constitutes the largest portion of the total land bank and projects with 70% and 53%, respectively. The strategy of expanding presence in other cities would reduce the concentration risk for the company as any sustained slowdown in volume off-take in Mumbai region could pose a threat to both the revenue and profitability.

Chart 3: Land bank distribution



Source: Company and CARE Equity Research

Jodhpur projects – A new beginning with strong potential

ASL has ventured into the North Indian region starting with Jodhpur in Rajasthan. The company had acquired two land parcels in Jodhpur and is currently developing 1.4mn sqft comprising of residential projects in luxury (Arihant Ayati) and medium housing segment (Arihant Adita). ASL has also got an affordable housing project in Jodhpur named Arihant Agrima (3.5mn sqft) where it enjoys a first mover advantage. This project is on Public Private Partnership with Jodhpur Development Authority. The main objective of the project is providing affordable housing to Economic Weaker Sections (EWS) and Low Income Group (LIG). The company is in the process of availing ECB amounting to USD 8 mn for low cost housing project through National Housing Bank. Furthermore, ASL estimates to deliver ~ 4.9mnsqft of area by FY21. The strategy of entering a new market and making it a destination puts the company in a sweet spot due to lower land cost. Going forward, we expect steady increase in Jodhpur real estate market on account of growing demand for quality lifestyle and the arrival of various educational institutions and increasing industrial activities.

Execution risks inherent to the nature of the business; may lead to delays/cost overruns

Execution risk shall remain the biggest challenge to construction projects which may lead to delays and/or cost overruns. The risk becomes more relevant incase of big projects, where land acquisition, utility removal and environmental clearances consumes major portion of time and effort. Furthermore, in a typical construction project,

inflow of funds from customer bookings depends upon the stage of completion of the project and thus any delay in execution may affect future revenue and profitability. The company has received all the necessary approvals for the ongoing projects except CC for Arihant Akansha. Out of the top five projects (accounts for ~85% of the total saleable area), two key projects “Arihant Akanksha” and “Arihant Agrima” are likely to be completed by FY21.

Weak operating cash flows; albeit expected to improve from FY17

The operating cash flows have remained weak over the years. To fund the shortfall in the operating cash flow, the company raised funds through equity and debt (primarily funded by promoters). Going forward, we expect cash flows to remain under pressure as ASL will be executing two large projects namely Arihant Agrima and Arihant Akansha which are on PPP model. The company is in the process of availing ECB amounting to USD 8 mn for low cost housing project through National Housing Bank.

High dependency on customer advances for project execution

Considering top 5 projects, the company has proposed ~80% funding of its total project cost through customer advances. ASL has incurred project cost of Rs.256 crore till June2014 out of the total estimated cost of Rs.2,906 crore towards these projects. Further, it envisages the balance cost of Rs.2,649 crore to be incurred between FY15-FY21. Around 75%-80% of this would be funded through customer advances and the balance through promoter’s funds, debt and retained earnings. Of the total sales achieved of Rs.402 crore, there is balance receivable of Rs206 crore which would be received in stage payments depending on project progress. Timely execution of all these projects, high dependence on customer advances and cyclical nature of industry remains key monitorables.

Cyclic nature of working capital requirements

ASL’s working capital cycle depends on the timely execution of its projects. Delay in execution would lead to opportunity loss and/or increase in the working capital cycle for the company, thereby leading to pressure on return on capital employed. This becomes much more crucial when the execution cycle is high at 24 – 30 months. Going ahead, CARE Equity Research envisages the company’s working capital requirement to remain at elevated levels on account of the increased momentum in execution of projects.

In compliance with listing agreement 49

As on March 31, 2014, the Board of Directors (BoD) for ASL consisted of six directors of which one is Whole-time Director, one are Whole-time Executive Director and three are Non-Executive and Independent Directors, i.e. half of the board comprises of Non-Executive and Independent Directors. The board is chaired by Mr. Ashok B. Chhajer, Promoter, Chairman and a Managing Director. The board has formed six sub-committees namely audit, remuneration shareholder’s/ investor’s grievance, Executive Committee, Share Transfer Committee and Business Planning & Development Committee. As per the annual report the same is in compliance with the listing agreement of the stock exchanges.

Table 4: Board of Directors



Name	Designation held
Mr. Ashok B. Chhajer	Chairman and Managing Director
Mr. Nimish Shah	Whole-time Director
Mr. DinkarSamant	Whole-time Executive Director
Mr. Virendra Kumar Mital	Non - Executive Director
Mr. Dinesh Chandra Babel	Non - Executive Director
Mr. VinayakNalavde	Non - Executive Director

Source: Company

Details of projects

PROJECT 'ARIHANT AMODINI'

This is a residential project located at Taloja (Navi Mumbai). Amodini consists of approximately 126 flats, having approximately 1.36 lacs sq. ft. developable / saleable area. Arihant Amodini consists a stilt+22 Storied Tower comprising elegant 2BHK. The land has been conveyed in the name of Arihant Superstructures Limited by way of Tripartite Agreement. 90% construction activities are completed. The project has internal & external amenities such as intercom facility, UPVC sound resistance French windows, velvet touch paint with POP in all rooms, children play area, health club, gymnasium, landscape garden, power backups for lifts, indoor game room & library.

PROJECT 'ARIHANT AAROHI'

This is a residential project located at KalyanShil Road, Navi Mumbai. ArihantAarohi consists of approximately 180 flats, having approximately 3.5 acres land area. Arihant Aarohi consists a stilt + 15 storeyed tower comprising elegant 1BHK & 2BHK. Construction is in full swing. The project has internal & external amenities such as Intercom facility, UPVC sound resistant french windows, granite top kitchen platform, swimming pool, library, children play area, health club, gymnasium, landscape garden, indoor game room, power backups for lifts.

PROJECT 'ARIHANT ADITA'

The residential project is situated at Pal Road, Gangana, Jodhpur (Rajasthan) and is just 1 km from the National Highway. This is first of its type high rise Residential project in Jodhpur. The project will provide the people of Jodhpur all state of the art facilities and amenities, forming part of the similar projects in Mumbai and other Metro cities only, which is till now only a dream to the people of Jodhpur. The project has amenities such as Swimming Pool, Badminton Court, Basket Ball Court, Kids Play Room, Amphitheatre, Garden Lawn, Steam Room, Gymnasium, etc. to name a few.

PROJECT 'ARIHANT AYATI'

The residential project named as 'ArihantAyati' is situated at Devnagar, Jodhpur (Rajasthan). This Project is stilt + 16 storied Towers consisting 3 BHK Super Luxurious Flats having the Internal and External Amenities like swimming pool, Health Club with Gymnasium & stem room, Green concept at Top Terrace for cool temperature and External Texture with pure Acrylic Paint etc.

PROJECT 'ARIHANT AGRIMA'

The Company has got an Affordable Housing Project at Jodhpur named 'Arihant Agrima'. This project is on a Public Private Partnership with the 'Jodhpur Development Authority (JDA)' Jodhpur, Rajasthan, won through Tender process. The main objective of the project is providing affordable housing to Economic Weaker Sections (EWS) and Low Income Group (LIG). Furthermore, ASL estimates to deliver ~ 4.9 mnsqft of area by FY21. The strategy of entering a new market and making it a destination puts the company in a sweet spot due to lower land cost.

PROJECT 'ARIHANT AKANKSHA'

This is a residential project located at Panvel, Navi Mumbai. The project consists of 8 Buildings having 2200 flats approx. Arihant Akanksha a stilt + podium + 27 storey tower comprising elegant 2BHK & 3BHK & 4BHK apartments. The project having internal & external amenities such as intercom facility, Velvet touch paint with POP in all rooms granite top kitchen platform, elegant entrance lobby, 4 high speed lifts in each building, business lounge, landscapes garden with water fountains, swimming pool, gymnasium with club house, children play area, amphitheatre with party lawn, Jogging Track, Meditation Center, ample car parking, basket ball court, external camera for security checks, temple.

PROJECT 'ARIHANT ARSHIYA'

This residential project named as 'ArihantArshiya' is situated at Khalapur, Khopoli. This project consists of 1600 flats approx. having 23 acres land area. The construction of project is in full swing. ArihantArshiya is a part stilt +3 storey tower comprising elegant 1RK, 1BHK, 2BHK flats. The project is having internal & external amenities such as swimming pool, library, children play area, health club, gymnasium, landscape garden, indoor game room, power backups for lifts, Ganesh temple, complex owned shuttle bus service.

PROJECT 'ARIHANT ANMOL'

This is a residential project located at JouveliBadlapur (E). Anmol project consist of 650 flats having 7 acres land area. The land has been conveyed in the name of Arihant Superstructures Limited. The construction is in full swing. The project has internal & external amenities such as intercom facility, granite top kitchen platform swimming pool, library, children play area, health club, gymnasium, landscape garden, indoor game room, power backups for lifts.

PROJECT 'ARIHANT AMISHA'

This residential project named as 'ArihantAmisha' situated at WawanjeTaloja, Panvel. This project consists of 700 flats having 20 acres land area. The construction of the project is started in full swing. The project has various amenities such as intercom facility, air conditioner in each flat, Ganesh Temple, Swimming Pool, Health Club with Gymnasium & Steam Room, Community hall, cum social activity center & library, external camera for security check, air conditioner in each flat, beautiful landscaped garden etc.

Key project progress

Arihant Amodini



Arihant Aarohi

A.AAROHI B WING 1 ST FLOOR COLUMNS CASTING WORK IS PROG.



Arihant Adita



Arihant Ayati



Arihant Amisha



Arihant Anmol

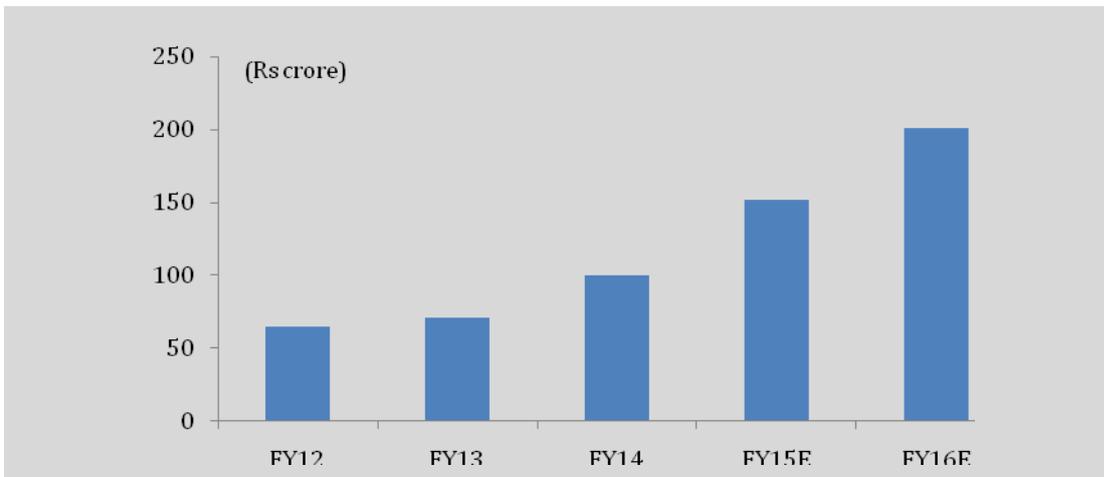


Financial Analysis

New project launches expected to spur growth in revenue

CARE Equity Research expects ASL revenue to grow from Rs100.1 crore in FY14 to Rs200.4 crore in FY16E, implying a CAGR of 41.5 % over FY14-16E. This growth would be primarily driven by faster execution of pre-booked projects and incremental bookings. We expect high contribution from Amisha, Ayati, and Arohi projects as they have achieved healthy booking and the construction would cross the 25% revenue recognition limit. We have not factored in any land sales in our estimates as the company is not looking to sell any land given its expansion plans.

Chart 4: Revenue growth to increase significantly over FY14 - 16E

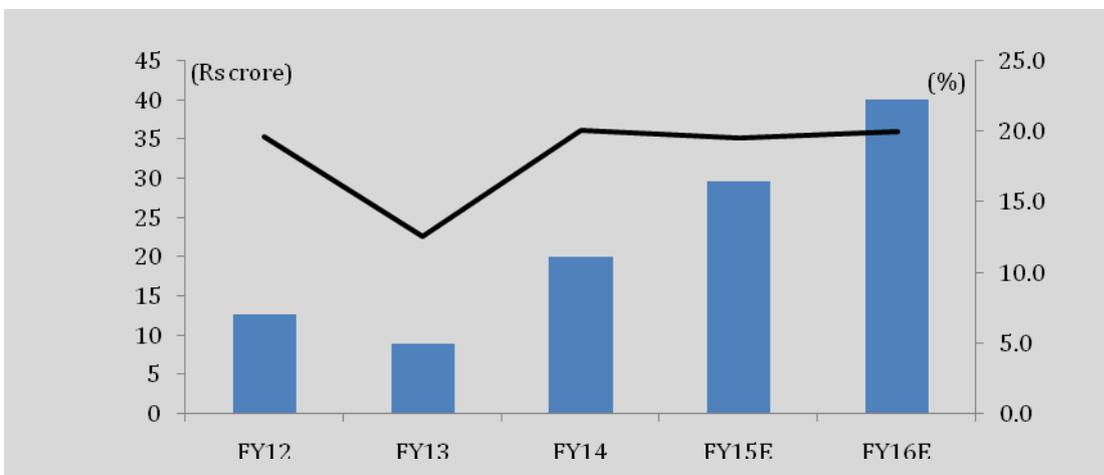


Source: Company and CARE Equity Research

EBITDA to grow in line with revenue

We expect ASL's EBITDA to post 41.2% CAGR over FY14-16E. The company's EBITDA margins are expected to be steady at ~20% over FY14-16E. Thus, increase in revenue would see a corresponding rise EBITDA through the period.

Chart 5: EBITDA margin to remain stable



Source: Company and CARE Equity Research

Earnings to increase substantially over FY14-16E

We expect the net profit to grow from Rs 0.3 crore in FY14 to Rs 8.1 crore in FY16E, led by higher revenue growth and stable operating performance. Consequently, the net profit margin is expected to expand from 0.3% in FY14 to 4.1% in FY16E.

VALUATION GRADE
Moderate Upside Potential
4/5

CARE Equity Research values ASL at Rs.47.3 per share; assigns a valuation grade of 4/5

CARE Equity Research values equity shares of Arihant Superstructures Ltd. at a Current Intrinsic Value (CIV) of Rs.47.3 per share. The valuation has been arrived using sum-of-the-parts(SOTP) valuation methodology with a combination of DCF based cash flow for real estate projects and price to book value multiple for AAC blocks business.

Table5: Valuation snapshot

	(Rs. Crores)
Real Estate GAV	317.7
(+) AAC blocks business	20.0
NAV	337.7
(-) Debt	146.8
(+) Cash & cash equivalents	5.5
(-) Minority interest	1.5
Total market cap	194.9
No. of shares (crore)	4.1
Price per share (Rs.)	47.3

Source: CARE Equity Research

At the current market price (CMP) of Rs.41.7 per share, the CIV of Rs.47.3 per share results in a valuation grade of 4/5, indicating equity shares of ASL have 'Moderate Upside Potential'. For last 15 trading days, the average closing price of ASL's equity shares has been around Rs.41.4 per share, with average daily volumes of 12,447 shares. The market price of ASL's equity shares had reached a high of Rs.41.8 per share and a low of Rs.40.9 per share during the same period.

COMPANY BACKGROUND

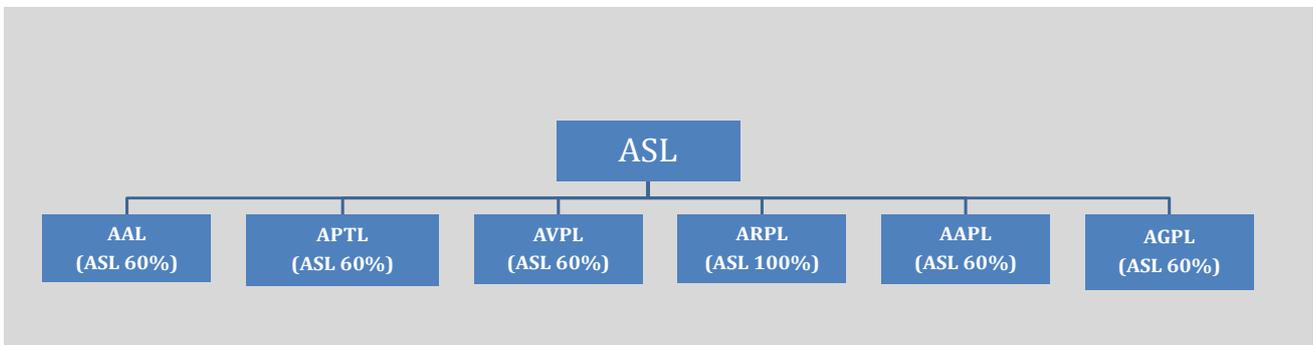
Company Overview

Arihant Superstructures Ltd is a real estate player predominantly focusing on residential projects. Company's residential projects include residential apartments, mostly in affordable housing segment and premium segment. Most of the residential projects are currently under construction/ early stage, are located in Navi Mumbai, New Panvel & Thane in Maharashtra and Jodhpur in Rajasthan. ASL was incorporated in 1984, however, in FY09 the existing promoters had taken over the controlling interest in the company and subsequently altered the objects clause of the company with view to undertake real estate development and allied activities.

The Arihant group is one of Navi Mumbai's leading real estate developers. The Group is headed by Mr Ashok Chhajjer, Chairman and Managing Director of ASL. Since inception in the year 1988, the group has constructed residential units across Navi Mumbai. The group is also a registered member of Maharashtra Chamber of Housing Industry (MCHI) and Builder Association of Navi Mumbai (BANM). The group has multiple projects spanning to total development of over 100 lsf across prime locations.

Since inception, the group has completed 37 real estate development projects in Navi Mumbai and Thane region. The group has completed a wide range of projects ranging from 5,500 sqft to over 4.1lsf. The group has also ventured into Jodhpur real estate market for the first time with three projects – Arihant Adita, Arihant Ayati and Arihant Agrima.

Chart6: ASL group companies and holding structure



Source: Company and CARE Equity Research

AAL - Arihant Abode Limited

ARPL - Adeshwar Realty Private Limited

ATPL - ArihantTechnoinfra Private Limited

AAPL - ArihantAashiyana Private Limited

AVPL - ArihantVatika Private Limited

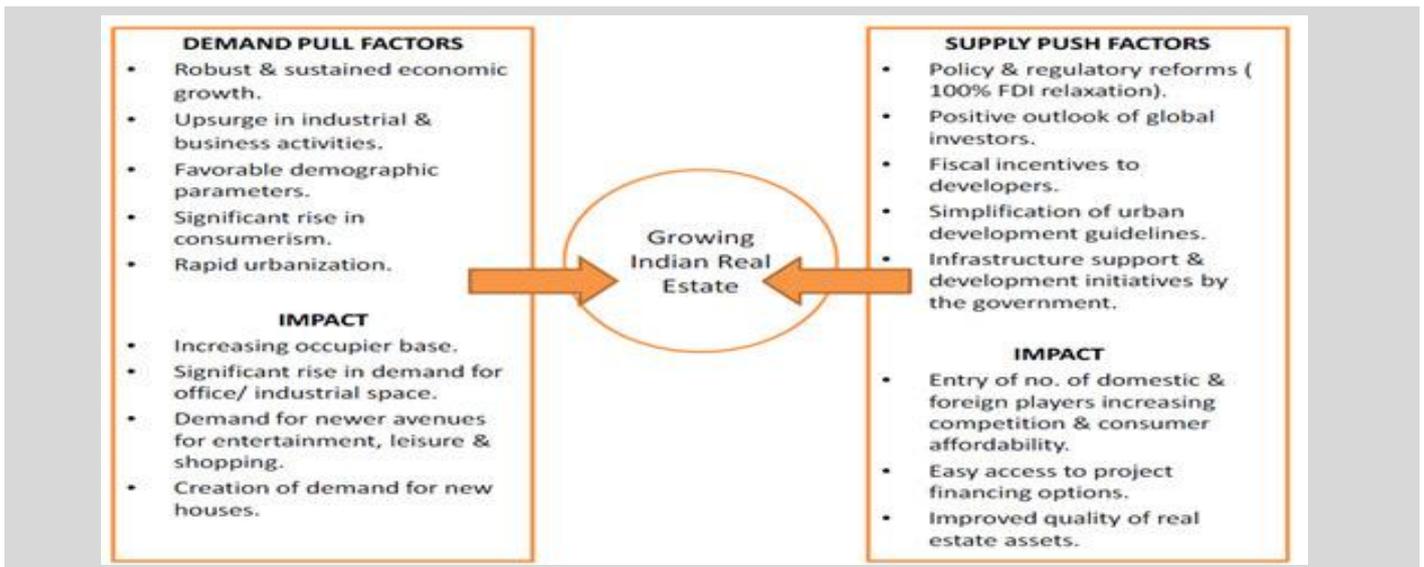
AGPL - ArihantGruhnirman Private Limited

Year	Event
1983	Shaktiman Mercantile Company Limited was incorporated by Mr. Harshad Patel, Mr. Ashok Agarwal and Mr. Suresh Chandra Agarwal
1984	Company is listed since July 5, 1984 on Bombay Stock Exchange.
1986	Acquisition of controlling interest in the Company by Mr. Suresh Tapuria and others.
2005	Acquisition of controlling interest of the Company by Rajesh Kakani and Rachana Kakani by acquisition of shares through Share Purchase Agreement (SPA) and making open offer in terms of SEBI Takeover Code.
2007	<ul style="list-style-type: none"> ➤ Alteration to the main object clause of MOA relating to construction activity ➤ Name of the Company changed from Shaktiman Mercantile Company Limited to Shaktiman Constructions Limited
2008	Acquisition of controlling interest of our company by Mr. Ashok Chhajer and Ms. Sangeeta Chhajer by acquiring majority shareholding of our company through Share Purchase Agreement (SPA) and by making an open offer to acquire 49800 shares of Rs.10/- each by Mr. Ashok B. Chhajer and Mrs. Sangeeta A. Chhajer at a price of Rs.12/-
2009-2010	<ul style="list-style-type: none"> ➤ Reconstitution of Board with New promoters and Mr. Ashok Chhajer was appointed as Chairman & Managing Director of the Company. Authorised Capital of the Company increased to Rs. 3 Crore. ➤ Name of the Company changed to Arihant Superstructures Limited with effect from 26th August, 2009 by ROC ➤ New policies of the business and plans were drafted in September 2009 ➤ Launch of our first real estate development project "ArihantArham" at Koproli, New Panvel. ➤ Authorised Capital increased from Rs. 3 Crore to Rs.15 Crore. ➤ Company had issued 1,46,91,000 equity shares on rights basis in the ratio of 59:1 on a face value of Rs.10/- ➤ Company Acquired 60% stake in Arihant Abode Limited & Arihant Vatika Realty Private Limited and making them as our Subsidiary Companies. ➤ Company obtained connectivity with CDSL & NSDL & had received ISIN - INE643K01018 for trading its Equity Shares ➤ Company had received Listing and Trading approval from Bombay Stock exchange vide scrip no. 506194 ➤ The company's paid up capital was Rs.14.94 Crore and no. of equity shares were 1,49,40,000 after the allotment of Rights issue
2010-2011	<ul style="list-style-type: none"> ➤ Reconstitution of Board by appointing new Independent Directors ➤ The company had issued 12499994 equity shares of Rs. 10/- each at a price of Rs. 12/- each to promoters and non-promoters (incl. of Rs.2/- premium) in April and subsequently approved by shareholders in June 2010. After the allotment of these shares total no. of issued Equity shares are 2,74,39,994 and the Paid up capital of the company is Rs. 27.4 crore and reserves are Rs.3.5 crore. ➤ Adeshwar Realty Private Limited became our wholly owned subsidiary company. ➤ Launched residential projects in Jodhpur City, Rajasthan. ➤ JDA has awarded Real Estate Project on Built Up Area Sharing Basis by JDA at Jodhpur
2011-2012	<ul style="list-style-type: none"> ➤ Our Company acquired 60% stake in Arihant Gruhnirman Private Limited making it our subsidiary.
2012-2013	<ul style="list-style-type: none"> ➤ Company had issued 13719997 equity shares on rights basis in the ratio of 1:2 on a face value of Rs.10/- for cash at a price of Rs. 12/- including share premium of Rs. 2/- per equity share. ➤ Acquired 60% stake in Arihant Technoinfra Private Limited & Arihant Aashiyana Private Limited making both the Companies as our Subsidiary.

SNAPSHOT OF THE INDUSTRY

The Indian real estate sector plays a significant role in the country's economy. The real estate sector in India is second only to agriculture in terms of employment generation and contributes significantly towards the GDP. Moreover, the real estate sector is also responsible for the development of over 250 ancillary industries such as cement, steel, paints, etc. The Indian real estate industry is expected to be valued at US\$ 180 billion by 2020.

Chart 7: Demand pull and Supply push factors



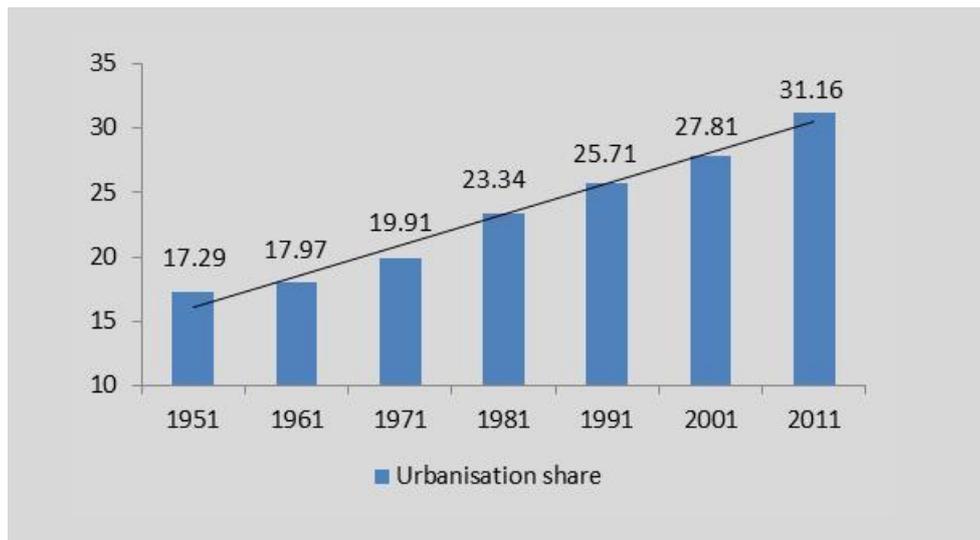
Source: CARE Research

Change in demographics and urbanization - a window of opportunity...

We would like to highlight the fact that demographics play a crucial role for real estate demand. The increase in population places greater demand for housing. Increase in nuclear families has reduced the average size of Indian household which resulted into the number of household growing at a faster pace than the growth in population. Further, increase in employment and disposable incomes, rising middle class and fiscal incentives has caused rise in demand.

India is rapidly urbanizing with its urban population constituting one third of the total population and contributing over 60% to the country's GDP. According to the latest census, 31.2% of the total population lives in urban areas compared with 27.8% in 2001 and 25.5% in 1991. Some of the Southern states have seen urbanization at a faster rate than rest of India. According to 2011 census, more than 35% were already living in urban areas in Tamil Nadu while the latest census has added Karnataka and Kerala to the list.

Chart 8: Increasing urban footprint



Source: Census India

Commercial Real Estate demand growth led by IT/ITES

In India, commercial real estate demand is mainly driven by IT/ITES (Information Technology Enabled Services), BSFI, FMCG and telecom sectors with former comprising ~70% of the total commercial demand. According to NASSCOM, Indian IT-BPO revenue is expected to grow to USD 225 bn in 2020 from USD 64 bn in 2010. After 2008, the Commercial Real Estate has been facing an oversupplied situation over the last few years as the companies which occupied office spaces either laid-off their operations or retreated from the market. A gradual phase of revival in 2010 was seen with the reinforcement of expansion plans by major corporate. Additionally, strong absorption of office space was observed in 2011 leading to a rise in the rental and capital values of commercial buildings in major cities across the country during the year. Thus, going forward, we expect demand to increase from domestic IT/ITES companies and captives of large global companies. Consequently, this growth will translate into higher demand for commercial space.

Retail Real Estate

The growth in organized retail segment in Indian is largely attributed to increasing disposable incomes, demographics, changes in shopping habit, entry of global brands and growing number of retail malls.

With the mall culture fast catching-up in tier-II & tier-III Indian cities and the organized retailers planning to capture a greater share of the growing organized retail pie through increased store presence, the growth of organized retailing in India is expected to outpace the Indian retail growth. CARE Research expects the long term demand outlook for the Indian retail industry to remain positive; owing to growing urbanization, favorable demographics, increasing nuclear families along with more no. of working women and rising per capita income level. The demand for retail industry in India is expected to grow at a CAGR of 11% during FY13-17 to Rs. 4,551,956 crore.

With the changing lifestyle patterns, mall culture fast catching-up in Tier-II & Tier-III cities, increasing popularity of online shopping; the growth in organized retailing is expected to outpace the Indian retailing growth. In the backdrop of steady revival being witnessed by the organized retail segment since the economic recession particularly, with respect to spend on discretionary goods; CARE Research expects the organized retail to grow at a CAGR of 20.3% during FY13-17 to Rs. 509,960 crore.

FINANCIAL ANALYSIS
Consolidated Income Statement

(Rs. Crore)	FY11	FY12	FY13	FY14	FY15E	FY16E
Net Revenues	101.7	64.6	70.7	100.1	152.1	200.4
EBITDA	10.3	12.7	8.9	20.1	29.7	40.1
Depreciation and amortisation	0.2	0.3	0.4	0.6	2.4	2.4
EBIT	10.1	12.4	8.5	19.5	27.3	37.7
Interest	1.9	4.8	10.0	14.2	18.9	22.7
PBT	10.8	9.2	-0.5	5.7	8.4	15.0
Ordinary PAT (Before minority interest)	7.3	5.3	-2.9	0.3	4.0	8.1
PAT (After minority interest)	7.3	5.4	-2.9	0.3	4.0	8.1
Fully Diluted Earnings Per Share* (Rs.)	2.6	1.9	-0.7	0.1	1.0	2.0
Dividend, including tax	1.0	1.0	1.0	1.0	1.2	1.2

* Calculated based on ordinary PAT on Current Face Value of Rs. 10/- per share

Consolidated Balance Sheet

(Rs. Crore)	FY11	FY12	FY13	FY14	FY15E	FY16E
Tangible Net worth (including Minority Interest)	36.7	39.7	52.3	52.8	57.1	65.8
Debt (incl. Preference Shares)	46.7	80.5	125.2	146.8	171.8	206.8
Deferred Liabilities	0.1	0.1	0.1	0.3	0.3	0.3
Capital Employed	83.6	120.2	177.6	199.9	229.2	272.9
Net Fixed Assets(Incl. Capital WIP, net of reval reserve)	2.6	2.6	8.8	27.8	26.5	27.2
Investments	2.1	2.0	0.1	5.6	5.6	5.6
Loans and Advances	72.6	83.4	157.1	152.8	133.7	112.5
Inventory	21.8	44.6	84.1	129.6	177.4	263.6
Receivables	5.2	7.0	7.9	3.2	10.4	13.7
Cash and Cash Equivalents	17.0	21.2	5.5	5.5	10.0	15.0
Current Assets, Loans and Advances	116.6	156.2	254.5	291.1	331.5	404.9
Less: Current Liabilities and Provisions	37.7	40.6	85.7	124.6	134.4	164.7
Total Assets	83.6	120.2	177.6	199.9	229.2	272.9

Consolidated Ratios based on Financials

	FY12	FY13	FY14	FY15E	FY16E
Growth in net revenues	-36.5%	9.4%	41.6%	52.0%	31.8%
Growth in EBITDA	23.6%	-29.9%	126.0%	47.6%	35.1%
Growth in PAT	-26.3%	NM	NM	1244.9%	101.7%
Growth in EPS	-26.3%	NM	NM	1244.9%	101.7%
EBITDA Margin	19.6	12.6	20.1	19.5	20.0
PAT Margin	8.3	-4.1	0.3	2.7	4.1
RoCE	12.2%	5.7%	10.3%	12.7%	15.0%
RoE	14.0%	NM	0.6%	7.3%	13.2%
Gross Debt-Equity (times)	2.0	2.4	2.8	3.0	3.1
Net Debt-Equity (times)	1.5	2.3	2.7	2.8	2.9
Interest Coverage (times)	2.6	0.9	1.4	1.4	1.7
Current Ratio (times)	3.8	3.0	2.3	2.5	2.5
Inventory Days	277.0	469.3	584.6	562.4	501.9
Receivable Days	34.7	38.5	20.2	25.0	25.0
Price / Earnings (P/E) Ratio	21.4	NM	572.1	42.5	21.1
Price / Book Value(P/BV) Ratio	2.9	3.3	3.3	3.2	2.8
Enterprise Value (EV)/EBITDA	13.7	32.8	15.6	11.2	9.1

Source: Company, CARE Equity Research

EXPLANATION OF GRADES

CARE EquiGrade Grid (CEG)

Through CEG, CARE Equity Research addresses two critical factors considered by an investor while investing in a particular company's equity shares:

1. **Fundamentals:** Whether the company is fundamentally sound with respect to its business, its financial position, its management and its prospects.
2. **Valuation:** What is the Current Intrinsic Value (CIV) of the stock and how it compares vis-a-vis its Current Market Price (CMP).

These factors are answered assigning quantitative grades to both these parameters. CEG is the snapshot of 'Fundamental Grade' and 'Valuation Grade' assigned by CARE Equity Research.

Fundamental Grade

This grade represents how sound the company is fundamentally, vis-à-vis other listed companies in India. This grade captures:

1. Business Fundamentals and Prospects
2. Financial Soundness
3. Management Quality
4. Corporate Governance Practices

The grade is assigned on a five-point scale as under:

CARE Fundamental Grade	Evaluation
5/5	Strong Fundamentals
4/5	Very Good Fundamentals
3/5	Good Fundamentals
2/5	Modest Fundamentals
1/5	Weak Fundamentals

Valuation Grade

This grade represents the potential value in the company's equity share for the investor over a 1-year period. The Current Intrinsic Value (CIV) or the price arrived by CARE Equity Research on fundamental basis is compared with the Current Market Price (CMP) of the stock and the grade is assigned based on the gap between CIV and CMP of the stock.

The grade is assigned on a five-point scale as under:

CARE Valuation Grade	Evaluation
5/5	Considerable Upside Potential (>25% upside from CMP)
4/5	Moderate Upside Potential (10-25% upside from CMP)
3/5	Fairly Priced (+/-10% from CMP)
2/5	Moderate Downside Potential (10-25% downside from CMP)
1/5	Considerable Downside Potential (>25% downside from CMP)

Grading determination is a matter of experienced and holistic judgment, based on relevant quantitative and qualitative factors of the company in relation to other listed companies

DISCLOSURES

- Each member of the team involved in the preparation of this grading report, hereby affirms that there exists no conflict of interest that can bias the grading recommendation of the company.
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