

**DB Realty Ltd.**

₹ 57

*Out of its Cuccoon***Buy**

Mar 21, 2014

**Company Background**

DB Realty Limited is a real estate industry leader that has built a strong reputation of excellence through its quality residential, commercial and gated community developments. The company's expanding portfolio consists of 25 projects mostly focussed in and around Mumbai, under various stages of planning and construction. The company has a notable and consistent track record of growth, customer satisfaction and innovation. The last declaration by the company mentions their total project holding in Mumbai and around to the tune of 90 mn sq ft with 15.2 mn sq ft of projects under construction and a landbank worth 65.5 mn sq ft of construction in planning stages. Given the current tight economic scenario the company has held some projects which are bound to bounce back once the credit policies are eased.

**Key Highlights**

- ➔ According to the Management the company has used the past two years for substantial progress in approvals and construction which will help a lot for sales realization in the coming quarters.
- ➔ An interesting point to be noted is that the company has not realised any revenue from sale since the last 3 quarters, which probably would add up in the last quarter of the year thus supporting some good profit figures.
- ➔ Projects like DB Turf View (at Mahalaxmi Race Course), DB Heights (at Mahalaxmi), DB Paradise (at BKC) and DB Garden View (at International Airport), which aggregate to around 5 million sq.ft., and raise the value of DB Realty's inventory by over Rs. 20,000 Cr are already in advance levels.
- ➔ The scrip has been an all time favourite of investment biggies and most of them have considerable stake at various cost points. The recent spurts may signal renewed activity and renewed interests of these people which would be positive for prices in the short run.
- ➔ Recent spurts in volumes, destagnating prices and frequent rumors about the company which as of date the company has been denying may be a preparation part of some key business consolidation which may be planned or just about to take place.

**Key Financials**

Year Ended 31 <sup>st</sup>	Mar 11	Mar 12	Mar 13
Revenue (INR mn)	3,611.5	1,419.7	630.5
Rev. growth (%)	26.81	(60.69)	(55.59)
EBITDA (INR mn)	3,224.2	1,181.8	295.6
Net profit (INR mn)	2,557.0	631.9	3.0
Shares outstanding (mn)	243.3	243.3	243.3
EPS (INR)	10.5	2.6	0.0
EPS growth (%)	12.45	(75.29)	(99.53)
P/E (x)	11.3	32.8	4820.6
RONW (%)	7.9	1.4	(0.1)
ROCE (%)	7.4	1.4	(0.1)

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**Info Codes**

Reuters	: DBRL.BO
Bloomberg	: DBRL@IN
NSE	: DBREALTY
BSE	: 533160

**Market Data**

52 Wk Range (₹)	: 81 / 48
Shares in Issue (mn)	: 243.3
Mkt. Cap (₹ bn)	: 13.84
BSE 2 Wk Avg Vol	: 218000

**Share Holding Pattern (%)**

Promoters	: 61.43
DII's	: 1.26
FII's	: 6.99
Others	: 30.32

**Investment Theme**

After staying near 50 levels for a considerable period of time in the past year, DB Realty has seen some spurt in volumes and prices, this is also accompanied by some sufficiently positive rumors including the sale of its Hospitality Arm to ITC for Rs. 1300 Cr. Fundamentally the company is the same with the same landbank and 90 mn sq ft of constructable space in Mumbai and around. The share is trading at a considerable low price compared to the premium at which it was issued some years back. The management reports that it has utilised the past two years where sales had dwindled due to tight credit policies in planning and approval of many projects which would change the face of Mumbai. Looking at the current price of the share and its proximity with the 52 week low the scrip has been testing we feel the risk of a buy is worth the take.

**Watch out for the next spurt.**

## Financial Statements

### Income Statement

(₹ mn)

Year end	Mar 11	Mar 12	% Chg	Mar 13	% Chg
Total Sales + Excise	0.0	0.0	-	430.0	-
Other Income	3611.5	1419.0	(60.71)	200.5	(85.87)
Change in Stocks	1092.0	153.1	(85.98)	(62.4)	(140.76)
Raw Material Con.	0.0	0.0	-	0.0	-
Employee Exp.	179.4	204.8	14.16	83.2	(59.38)
Indirect Taxes	0.0	0.0	-	0.0	-
Other Exp.	1299.9	185.5	(85.73)	189.3	2.05
Operating Exp.	387.3	237.2	(38.76)	334.9	41.19
Operating Profit	(387.3)	(237.2)	(38.76)	95.1	(140.09)
Total Interest	411.7	72.1	(82.49)	274.0	280.03
Gross Profit	2812.5	1109.7	(60.54)	21.6	(98.05)
Net Dep.	255.5	516.6	102.19	47.2	(90.86)
Total Taxation	0.0	(38.8)	-	(28.6)	(26.29)
Net Profit/Loss	2557.0	631.9	(75.29)	3.0	(99.53)

### 4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 <sup>st</sup>	Mar 10	Mar 11	Mar 12	Mar 13
<b>SOURCES OF FUNDS</b>	<b>34,161.0</b>	<b>35,275.5</b>	<b>34,916.7</b>	<b>36,528.8</b>
Equity Share capital	2,432.6	2,432.6	2,432.6	2,432.6
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	28,537.6	31,094.5	31,726.4	31,729.5
Long Term Loans	3,190.8	1,098.4	757.7	2,366.7
Short Term Loans	0.0	650.0	0.0	0.0
<b>USES OF FUNDS</b>	<b>34,161.0</b>	<b>35,275.5</b>	<b>34,916.7</b>	<b>36,528.8</b>
Gross Block	242.4	321.6	339.4	377.4
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	84.2	148.6	219.9	255.2
Net Block	158.2	173.0	119.5	122.2
Capital Work in Progress	7.3	85.8	236.5	225.1
Investments	17,754.9	15,837.1	22,587.1	23,268.5
Current Assets	17,121.3	19,685.3	12,583.9	13,527.1
Less : Current Liabilities	880.7	505.7	610.3	614.1
Total Net Current Assets	16,240.6	19,179.6	11,973.6	12,913.0
Misc. Expenses not written	0.0	0.0	0.0	0.0
<b>NOTE</b>				
Bk Val Unquoted Investments	8,816.5	14,769.8	22,587.1	23,268.5
Mkt Val. Quoted Investments	8,945.8	1,067.3	0.0	0.0
Contingent Liabilities	20,236.0	18,006.4	26,439.3	30,935.4
Dividend (%)	0	0	0	0

## Quarterly Income Sheets

(₹ mn)

Quarter Ended	Mar 13	Jun 13	Sep 13	Dec 13
Net Sales	430.00	0.00	0.00	0.00
Cost Of Sales	277.20	74.00	35.60	35.20
Operating Profit	152.80	(74.00)	(35.60)	(35.20)
Recurring Income	41.00	42.10	63.90	63.20
Adjusted PBDIT	193.80	(31.90)	28.30	28.00
Financial Expenses	89.20	111.30	93.60	91.60
Depreciation	10.30	10.50	10.60	10.10
Other Write Offs	0.00	0.00	0.00	0.00
Adjusted PBT	94.30	(153.70)	(75.90)	(73.70)
Tax Charges	(1.10)	1.10	31.00	3.00
Adjusted PAT	95.40	(154.80)	(106.90)	(76.70)
Non Recurring Items	3.20	(1.70)	0.00	0.00
Other Non Cash Adjust	0.00	0.00	0.00	0.00
Net Profit	98.60	(156.50)	(106.90)	(76.70)

## 52 Week Index Relative Percentage Appreciation



DB Realty vs SENSEX

## Risks Associated

The past year has witnessed slowdown in Indian Real Estate in residential market, commercial and retail space, facing approval challenges, rising price of steel, cement and labour. The Mumbai real estate market was no different and showed stagnant growth during 2013 due to the high interest rates and slow economic growth and income levels. Slow project approvals, high construction cost and funding cost were the major bottleneck problems and concern for the developers in Mumbai. It is likely that the demand will remain subdued due to the prevailing uncertainty in the economy. The lack of infrastructure development in line with the overall pace of development of real estate is also the big concern. The political instability also adds up to the whole scenario with chances of legal changes in the applicable laws. Most of the companies in the sector continued to be in a slow growth mode and hopes for upcoming year. Entire developer fraternity is expecting this year an industry status to Real Estate segment, single window clearance for obtaining permissions to begin a project and creation of a housing regulator. Despite being challenges, India still remains as one of the fastest growing economies of the world. All the eyes are hopeful for 2014 election out come and new policies supporting the economy boost.

**In a Nutshell**

DB Realty Limited was founded in 2007 and has in a short span of time covered enormous ground, establishing its place as a leading real estate developer in India. Well rooted in facts and figures DB Realty has built up this legacy in a short while. Hammered by being entangled in all sorts of news since the last 3 years and crushed by the credit crunch in lending policies the firm was unable to perform in the market and a share which was issued at a heavy premium stagnated to below 50 levels for a long time, though there was no change in the land bank holding in the meanwhile. It has been only recently that the consistent spurts in volumes and prices backed by rumors have set in. This may be an indication that now again DB Realty is going strong on its projects DB nearly has a total landbank worth constructing 90 mn sq ft in Mumbai and around which are under various stages of planning and construction. DB Realty has already set benchmarks in aesthetically designed residences, responding to changing needs and evolving lifestyles. Catering to every need DB Realty's residential projects include a wide range of premium condominiums and duplexes across North and South Mumbai, built in partnership with best-in-class contractors and master architects. Backed by a team of 15,000 experts and managed by over 500 internationally and nationally acclaimed executives its plan of 36 exclusive projects would change the landscape of Mumbai with growth and sustainability. Having done this DB Realty further still endeavours to execute more projects that would redefine urban living across all cities in India. We believe the company would free itself from the long stagnated prices on the exchanges soon.

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**Rating Interpretation**

<b>Buy</b>	: Expected to appreciate 20% or more over 12-months	<b>Reduce</b>	: Expected to depreciate up to 10% over 12-months
<b>Accumulate</b>	: Expected to appreciate 10% to 20% over 12-months	<b>Sell</b>	: Expected to depreciate 10% or more over 12-months
<b>Trade Buy</b>	: Expected to appreciate more than 10% over 45-days	<b>Trade Sell</b>	: Expected to depreciate more than 10% over 45-days

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