

**Samruddhi Realty Ltd.**

₹ 35

**Growth - Steady and Overtime !****Buy**

Feb 06, 2015

**Company Background**

Samruddhi Realty Ltd. (Samruddhi), is a Bangalore based real estate property developer, who had its ambitious beginnings in 2004 with a small, yet experienced group of qualified professionals with a common dream of delivering remarkable living spaces to customers. Since then, they have been crafting homes that have not just delighted and satisfied buyers but have also surpassed benchmarks in quality, design and planning. The company has till date completed 4 prestigious projects worth 125528 sq. ft. and has 7 ongoing projects out of which possession has commenced in one and one other is close to completion. The company has not only focussed on the upper class but is offering 4 new projects even for the mid income group. The goal of Samruddhi is to build a constellation of residential projects gives the customer an immense variety of choices.

**Key Highlights**

- ➔ In recent past the Company launched two projects comprising of 2,64,170 sq. ft. of area in the city of Bangalore. All the projects undertaken by the Company are progressing as per schedule. The company has also shown some impressive figures Y-o-Y with nearly double the topline and the bottomline in FY 2014 than FY 2013..
- ➔ The Company is Concentrated in Bangalore which again is a booming IT Hub where the disposable incomes are high and the social and physical infrastructure is nicely twined, making it an ideal location to buy property to live as well as to invest.
- ➔ Timely execution is the essence of any realty project which is the unique feature of the Company, resulting in an opportunity to take up diversified projects in shorter span. Further location of ongoing projects is a distinct advantage as most are in vicinity of Bangalore city where commutation is easy.
- ➔ The Company has already created a good amount of brand value with timely execution of its projects in the upper end like Grace, Royale, Regal & East Lynn. It has now started off with mid to upper segments projects out of which possession of one is started and another one is in pipeline.

**Key Financials**

Year Ended 31 <sup>st</sup>	Mar 12	Mar 13	Mar 14
Revenue (INR mn)	125.7	272.9	517.2
Rev. growth (%)	122.9	117.1	89.5
EBITDA (INR mn)	25.4	63.8	111.3
Net profit (INR mn)	4.1	18.3	32.2
Shares outstanding (mn)	2.3	4.8	8.4
EPS (INR)	1.8	3.8	3.8
EPS growth (%)	(77.2)	107.9	1.1
P/E (x)	0.0	2.9	8.7
RONW (%)	14.0	34.8	30.9
ROCE (%)	2.9	7.2	7.6

**Nishant Chopra**

nishantc@indiratrade.com

**Info Codes**

Reuters	: SAMU.BO
Bloomberg	: SARL@IN
NSE	: -
BSE	: 535466

**Market Data**

52 Wk Range (₹)	: 50 / 31
Shares in Issue (mn)	: 8.4
Mkt. Cap (₹ bn)	: 0.35
BSE 2 Wk Avg Vol	: 12000

**Share Holding Pattern (%)**

Promoters	: 68.90
FII's	: 0.00
DII's	: 0.00
Others	: 31.10

**Investment Theme**

Slow and steadily Bangalore is poised to become another major IT hub in India and like any other IT Hub properties are becoming more and more in demand, especially those in mid to high end. With increasing urbanization, favourable demographics, growth of the service sector particularly IT and rising incomes generating higher disposable incomes etc., the Real Estate sector in Bangalore has a very good potential for demand particularly in the housing segment. The sector is growing at satisfactory pace of almost 30% p.a. If the Government becomes more pragmatic & supportive in its approach in reducing interest rate on housing and providing finance through bank for property development projects, much of which is already visible in policies. We can hope of a good demand for residential property in the future, which will benefit the company.

**Even the name means growth !**

## Financial Statements

### Income Statement

(₹ mn)

Year end	Mar 12	Mar 13	% Chg	Mar 14	% Chg
Total Sales + Excise	124.0	269.1	117.02	508.4	88.93
Other Income	1.4	2.7	92.86	8.1	200.00
Change in Stocks	38.1	118.1	209.97	223.2	88.99
Raw Material Con.	59.4	135.7	128.45	255.8	88.50
Employee Exp.	15.8	25.2	59.49	36.7	45.63
Indirect Taxes	10.5	19.9	89.52	20.8	4.52
Other Exp.	52.4	145.3	177.29	315.1	116.86
Operating Exp.	100.0	208.0	108.00	405.2	94.81
Operating Profit	24.0	61.1	154.58	103.2	68.90
Total Interest	14.3	32.7	128.67	52.5	60.55
Gross Profit	11.1	31.1	180.18	58.8	89.07
Net Dep.	2.4	3.8	58.33	7.1	86.84
Total Taxation	4.6	9.0	95.65	19.5	116.67
Net Profit/Loss	4.1	18.3	346.34	32.2	75.96

### 4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 <sup>st</sup>	Mar 11	Mar 12	Mar 13	Mar 14
<b>SOURCES OF FUNDS</b>	<b>113.4</b>	<b>187.3</b>	<b>351.8</b>	<b>502.5</b>
Equity Share capital	22.5	22.5	48.3	84.1
Share Application Money	0.0	0.0	1.7	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	6.2	10.3	28.6	46.8
Long Term Loans	45.8	141.0	241.4	229.8
Short Term Loans	38.9	13.5	31.8	141.8
<b>USES OF FUNDS</b>	<b>113.4</b>	<b>187.3</b>	<b>351.8</b>	<b>502.5</b>
Gross Block	13.6	16.9	35.0	50.9
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	5.3	7.9	11.6	18.7
Net Block	8.3	9.0	23.4	32.2
Capital Work in Progress	0.0	0.0	0.0	0.0
Investments	0.4	0.4	0.3	0.0
Current Assets	164.9	263.6	570.9	1,011.5
Less : Current Liabilities	60.2	85.7	242.8	541.2
Total Net Current Assets	104.7	177.9	328.1	470.3
Misc. Expenses not writtenoff	0.0	0.0	0.0	0.0
<b>NOTE</b>				
Bk Val Unquoted Investments	0.3	0.4	0.3	0.0
Mkt Val. Quoted Investments	0.0	0.0	0.0	0.0
Contingent Liabilities	0.0	0.0	147.1	428.2
Dividend (%)	0	0	0	0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Dec 13	Mar 14	Jun 14	Sep 14
Net Sales	No Data	No Data	No Data	No Data
Cost Of Sales	No Data	No Data	No Data	No Data
Operating Profit	No Data	No Data	No Data	No Data
Recurring Income	No Data	No Data	No Data	No Data
Adjusted PBDIT	No Data	No Data	No Data	No Data
Financial Expenses	No Data	No Data	No Data	No Data
Depreciation	No Data	No Data	No Data	No Data
Other Write Offs	No Data	No Data	No Data	No Data
Adjusted PBT	No Data	No Data	No Data	No Data
Tax Charges	No Data	No Data	No Data	No Data
Adjusted PAT	No Data	No Data	No Data	No Data
Non Recurring Items	No Data	No Data	No Data	No Data
Other Non Cash Adjust	No Data	No Data	No Data	No Data
Net Profit	No Data	No Data	No Data	No Data

52 Week Index Relative Percentage Appreciation



Samruddhi vs SENSEX

Risks Associated

➔RBI matters

The strict position take by RBI of not taking any steps further to cut interest rates has dented the whole Realty market. This can damage the demand for a short to medium term.

➔Limitations due to Size

The company falls into the SME segment implying that it is taking a greater leverage of Loan to Equity. Rather much of the proceeds of the IPO were sent for settlement of a term loan. The current rosy scenario of the company can be tarnished at any moment the company is not able to service its debts due to fall of demand or lack of permissions which dampens the speed of work.

➔Slow permissions

Real estate business is subject to extensive Statutory or Governmental regulations. Any changes in Government policy or any delay in receiving approvals and regulatory clearances affect project execution. Further non availability of land could reduce revenues of the Company or negatively impact the results of its operations.



**In a Nutshell**

Bangalore has been the fastest growing city of India since past few years. Information Technology (IT) has been the major growth driver and is responsible for aggressive real estate development in the city. Being the IT hub of India, Bangalore has a multi cultural population with good social infrastructure, excellent educational institutions and constantly upgrading physical infrastructure. There has been increased demand for high end residential apartments in Bangalore and it is expected to be steady over the long term. Bangalore is also one of the most promising markets for villa projects and row houses. High end residential property buyers in Bangalore are very sensitive in terms of amenities, product quality and unit sizes. The mid income housing segment is mainly driven by individuals working in the IT and ITES industry. The main driving factors for this segment are social infrastructure, proximity to work place, good physical infrastructure and access to medical and educational facilities. Over the next decade demand for housing in Bangalore is expected to exceed the supply. Real estate remains an attractive investment considering that asset prices in India are expected to rise due to rising land costs and high inflation. Therefore real estate sector in Bangalore will have tremendous growth. Samruddhi has already started on the same trajectory.

**Indira Group Offices**

**Registered Office** : 5, Indira House, 3rd Floor, Topiwala Lane, Lamington Road, Mumbai – 400007

**Tel** : 022-66224202 **Fax** : 022-66224201 **Email** : [im@indiratrade.com](mailto:im@indiratrade.com)

**Administrative Office** : 204-205 “Amardarshan” 28/2 Old Palasia, Indore (MP) 452018

**Tel** : 0731-4097170 **Fax** : 0731-4215999 **Email** : [customercare@indiratrade.com](mailto:customercare@indiratrade.com)

**Institutional Dealing Unit** : 5, Indira House, 3rd Floor, Topiwala Lane, Lamington Road, Mumbai – 400007

**Tel** : 022-66224209 **Fax** : 022-66224201 **Email** : [ie@indiratrade.com](mailto:ie@indiratrade.com)

**Rating Interpretation**

**Buy** : Expected to appreciate 20% or more over 12-months

**Accumulate** : Expected to appreciate 10% to 20% over 12-months

**Trade Buy** : Expected to appreciate more than 10% over 45-days

**Reduce** : Expected to depreciate up to 10% over 12-months

**Sell** : Expected to depreciate 10% or more over 12-months

**Trade Sell** : Expected to depreciate more than 10% over 45-days

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