

Shree Ram Urban Infra

₹ 77

Not much Development but still Potent!**Buy**

May 29, 2015

Company Background

Shree Ram Urban Infrastructure Limited (Shreeram) is a Mumbai based company. The Company is engaged in the development of Real Estate properties & Textile trading activities in India. Few years back its main business was textiles. Since the textile era in Mumbai ended its textile business has eroded significantly. However, the company was left with huge land bank in the heart of Mumbai. Company changed its name from Shree Ram Mills Ltd. to Shree Ram Urban Infrastructure Ltd. On August, 24, 2009, the Company acquired its wholly owned subsidiary, SRM Sites Private Limited. Today, Real Estate is the main stream of the business for the company. Presently, the company is executing its first Residential project 'Palais Royale' in Worli, Mumbai which would be one of the prestigious and highly profitable project for Shreeram on completion.

Key Highlights

- ➔ Considering the project financials which is Shreeram's first venture into realty, the cost of the project is talked about to be INR 8 bn. The total built up area of the project runs out to be 2.5 mn sq.ft. If we consider the lower side of the rate prevailing in the area which accounts to be INR 40,000 per sq.ft. the whole project turns out to be INR 100 bn plus in value. We can easily deduce the amount of profit attached to the project by the figures, that to appropriated on a small capital of just 0.4 bn.
- ➔ There are a couple of such luxury residential projects being built in the area. However most are being built on the land purchased by the owners. Since Shreeram is developing project on its own land, the cost of land is negligible whereas its competitors have purchased the land itself for few billions. This would give an edge to the company as the rest have to charge the same rates but have cost of acquisition of land at the back end attached to the project.
- ➔ The Company aims to establish itself as a leading player in the real estate and construction industry. It has a pretty good landbank at Worli. The Worli estate which was originally ~68,000 sq.mts comprises of ~28,000 sq.mts. marked under development, ~28,400 sq.mts in dispute, ~6,000 sq. mts handed over to authorities and ~5,600 sq.mtrs. under reservation/cess building.

Key Financials

Year Ended 31 st	Dec 12	Dec 13	Dec 14
Revenue (INR mn)	3,812.4	2,373.2	1,782.6
Rev. growth (%)	937.1	(37.8)	(24.9)
EBITDA (INR mn)	1,171.3	1,480.6	1,955.0
Net profit (INR mn)	6.0	91.0	(127.1)
Shares outstanding (mn)	41.1	41.1	41.1
EPS (INR)	0.1	2.2	(3.1)
EPS growth (%)	(98.2)	1,416.7	(239.7)
P/E (x)	906.9	38.6	(32.4)
RONW (%)	0.7	2.9	(2.1)
ROCE (%)	0.2	0.9	(0.6)

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Info Codes

Reuters	: SRAM.BO
Bloomberg	: SRRM@IN
NSE	: N.A.
BSE	: 503205

Market Data

52 Wk Range (₹)	: 130 / 69
Shares in Issue (mn)	: 41.1
Mkt. Cap (₹ bn)	: 3.20
BSE 2 Wk Avg Vol	: 588

Share Holding Pattern (%)

Promoters	: 70.67
FII's	: 5.08
DII's	: 0.05
Others	: 24.20

Investment Theme

Shreeram is engaged in business of Real Estate development & Textiles. It is executing a luxury Residential project under its Real estate division, which is located at a prime location in Worli, Mumbai. The project is expected to fetch premium prices as it is India's tallest certified green building, due to rising real estate prices in Mumbai in comparison to other cities of India. The negligible cost of land at such prime location gives company significant advantage over its peers. Post budget home loans are becoming cheaper. Rising Income level, decline in interest & rising thrust of customers to own a house are likely to push up real estate prices in the coming days. Further a heavy price push is expected considering the profits to come & a very small capital on which the profits will appropriate.

Visit their sales office & enquire rates you may buy more shares !

Financial Statements

Income Statement

(₹ mn)

Year end	Dec 12	Dec 13	% Chg	Dec 14	% Chg
Total Sales + Excise	3789.7	2354.2	(37.88)	1767.6	(24.92)
Other Income	12.4	10.7	(13.71)	(51.0)	(576.64)
Change in Stocks	2321.7	2399.6	3.36	989.7	(58.76)
Raw Material Con.	1278.3	705.6	(44.80)	124.0	(82.43)
Employee Exp.	17.2	19.4	12.79	17.8	(8.25)
Indirect Taxes	9.1	7.1	(21.98)	14.3	101.41
Other Exp.	3647.9	2551.8	(30.05)	595.2	(76.68)
Operating Exp.	2630.8	884.3	(66.39)	(238.4)	(126.96)
Operating Profit	1158.9	1469.9	26.84	2006.0	36.47
Total Interest	1046.2	1259.4	20.38	1947.3	54.62
Gross Profit	125.1	221.2	76.82	7.7	(96.52)
Net Dep.	119.1	122.2	2.60	123.9	1.39
Total Taxation	0.0	8.0	-	10.9	36.25
Net Profit/Loss	6.0	91.0	1416.67	(127.1)	(239.67)

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Dec 11	Dec 12	Dec 13	Dec 14
SOURCES OF FUNDS	5,381.1	9,069.5	9,463.4	10,836.5
Equity Share capital	206.3	411.3	411.3	411.3
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	25.4	0.0	0.0	0.0
Reserves & Surplus	585.8	2,536.5	2,627.5	2,500.3
Long Term Loans	4,563.6	6,116.9	6,421.4	7,923.5
Short Term Loans	0.0	4.8	3.2	1.4
USES OF FUNDS	5,381.1	9,069.5	9,463.4	10,836.5
Gross Block	2,216.4	2,047.3	2,124.2	2,114.2
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	436.4	315.7	434.3	551.6
Net Block	1,780.0	1,731.6	1,689.9	1,562.6
Capital Work in Progress	0.7	33.8	0.0	0.0
Investments	10.2	536.4	1,181.5	1,182.4
Current Assets	9,401.7	14,159.8	15,673.5	16,935.1
Less : Current Liabilities	5,811.5	7,392.1	9,081.5	8,843.6
Total Net Current Assets	3,590.2	6,767.7	6,592.0	8,091.5
Misc. Expenses not writtenoff	0.0	0.0	0.0	0.0
NOTE				
Bk Val Unquoted Investments	10.0	536.2	1,181.3	1,182.2
Mkt Val. Quoted Investments	0.0	0.0	0.0	0.0
Contingent Liabilities	110.9	3,890.8	5,506.0	7,356.3
Dividend (%)	0	0	0	0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Jun 14	Sep 14	Dec 14	Mar 15
Net Sales	200.2	187.0	49.0	217.4
Cost Of Sales	222.5	188.5	333.7	224.6
Operating Profit	(22.3)	(1.5)	(284.7)	(7.2)
Recurring Income	0.3	0.8	0.5	0.0
Adjusted PBDIT	(22.0)	(0.7)	(284.2)	(7.2)
Financial Expenses	1.1	1.2	2.2	1.7
Depreciation	0.3	0.1	0.1	0.0
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	(23.4)	(2.0)	(286.5)	(8.9)
Tax Charges	0.0	0.0	0.0	0.0
Adjusted PAT	(23.4)	(2.0)	(286.5)	(8.9)
Non Recurring Items	0.0	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Net Profit	(23.4)	(2.0)	(286.5)	(8.9)

52 Week Index Relative Percentage Appreciation



Shreeram vs SENSEX

About the Project

Palais Royale'- India's tallest Green Residential Tower Palais Royale, being built in Worli (minutes away from the Mumbai Sealink), Mumbai at a cost of INR 8 bn by SRUI is India's first Pre certified Platinum Rated Green residential building. It would be India's tallest residential tower of 320m. It would also be amongst world's top three single user residential towers, as the 2.5- mn-sq-ft building would house 90 apartments & 12 luxury villas. It includes facilities like harvesting of rain water, 100% on-site sewage treatment, converting wet garbage into organic manure, recycling of remaining waste & heating of water through solar panels etc. to name a few, which would help to save 30-40% of energy & around 20-30% of water to the residents. The premises will have amenities like a cinema house, spa, cricket pitch, soccer field and three swimming pools. The villas also boast of an indoor swimming pool as well as dedicated elevator. This premium octagonal tower is designed by the well known architecture firm, Talathy & Panthaky, in association with foreign con-sultants such as Lehr Associates of New York & RWDI Canada. The tower would host the Tallest atrium in a residential building in the world with special precautions taken to absorb the radiation waves due to its proximity to TV Tower. It employs special architectural studies & procedures due to its proximity to sea and distinct Cladding Designs which is not affected by Acid rain, heat or sunlight. It is equipped with High End Technologies & Building Management Systems, Rain Water Harvesting to avoid\ water shortages, In built Waste Management which converts waste to manure, completely energy efficient, etc.



In a Nutshell

The luxury residential market is relatively new concept in Mumbai. However with the peers also joining with their luxury apartments in the nearby area we expect the Mumbai market would be flooded with the luxury apartments. Developers are now dreaming of making the former textile hub in Central Mumbai – Lower Parel into a super-luxury residential address for the country's super-rich. Though, HNIs tend to buy land and build their own houses this is near impossible in Mumbai, so there is a potential for luxury apartments in Mumbai. Going ahead the growth of luxury housing segment is expected to be propelled by the MNCs, which are back to hiring expat employees who are provided luxury housing benefits and high networth NRI's. Shreeram has tapped into this segment with easy availability of land with it. It was one of the largest mills during the textile era of the Mumbai city, the company has huge landbank in the prime location at Worli. News suggest that whatever has been marked as the land for development its initial venture the Palais Royale is just coming up on 1/8th area of the same. On completion it would be one of the prestigious projects for the firm & would be one of the India's tallest Green Residential tower. The estimated cost of the project is around INR 8 bn & would be amongst world's top three single user residential towers. Considering the property rates in Mumbai, the project could fetch company more than 100 bn + of rupees for the company which will be appropriated on a capital of just 411 mn. This may be the reason that over the last few years the promoters have officially raised their stake in the company by 12% with the help of preferential allotments. We have strongly believed in the potential of the stock since many years and we continue to do so.

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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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