

Shreeram Urban Infra

₹ 62

*Appears Like Finally..... !***Buy**

Mar 31, 2017

Company Background

Shree Ram Urban Infrastructure Ltd. (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

- ➔ Shreerams first Realty project was megasize reports suggest the Rs 8 bn planned cost of project has faced cost over-runs by nearly 2.5x & currently expected around Rs 20 bn due to the delay and litigations it has been facing over the last 6 to 7 years. However considering the inflow of the money this project will generate which is about Rs. 80 to 100 bn It still is pretty profitable at a capital of just 0.4 bn on which the profit will be appropriated. Considering the land cost to be meagre as its an old estate further makes it attractive
- ➔ The long standing litigations which have been a trouble for the company have shown some relief with the court directing for meagre penalties, agreeing to some proposed changes in plans and asking the developer to go in for a fresh certificate of commencement and other permissions. This ensures that all the old issues will be cleared off and readjusted to fresh permissions.
- ➔ This is just the start of Shreerams business 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	Mar 14	Mar 15	Mar 16
Revenue (INR mn)	1,782.5	924.4	1,052.2
Rev. growth (%)	(24.82)	(48.14)	13.83
EBITDA (INR mn)	103.9	(84.4)	(320.4)
Net profit (INR mn)	(127.1)	(328.6)	(246.9)
Shares outstanding (mn)	41.1	41.1	41.1
EPS (INR)	0.0	0.0	0.0
EPS growth (%)	(100.00)	-	-
P/E (x)	-	-	-
RONW (%)	0.00	0.00	0.00
ROCE (%)	0.00	0.00	0.00

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Info Codes

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

Market Data

52 Wk Range (₹)	: 50 / 79
Shares in Issue (mn)	: 41.1
Mkt. Cap (₹ bn)	: 2.57
BSE 2 Wk Avg Vol	: 2601

Share Holding Pattern (%)

Promoters	: 70.13
Domestic Institutions	: 02.19
Foreign Institutions	: 02.94
Corporate Holding	: 00.00
Public Holding	: 24.74

Investment Theme

This is a story of patience by everyone, the builders who planned the most mega size project Green Leed Certified first of its kind at the most prime and happening location of the island city of Mumbai which is still nearing completion. The people who have booked luxury flats at whooping prices during the land bank boom back in 2011 and who are waiting to get possession of most prized luxury villas at a place in Mumbai, and finally the investors who have been honouring the ratings set by our calls from time to time expecting the figures of around Rs. 50 bn plus of profit to enter the Financials of Shreeram which will overnight turn the future of share prices of the company. Though the scrip has always honoured our call targets by the minimum target price we feel the time for this dark horse to leap into action has arrived with the recent developments.

Patience earns the best fruit !

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 13	Mar 14	% Chg	Mar 15	% Chg
Net Sales	1,767.4	921.3	(47.9)	1,042.4	13.1
Other Income	15.1	3.1	(79.5)	9.8	216.1
Change in Stocks	0.0	0.0	-	0.0	-
Raw Material Con.	0.0	0.0	-	0.0	-
Employee Exp.	17.9	35.1	96.1	15.7	(55.3)
Indirect Taxes	0.0	0.0	-	0.0	-
Other Exp.	1,849.1	1,209.8	(34.6)	1,271.1	5.1
Operating Exp.	1,867.0	1,244.9	(33.3)	1,286.8	3.4
Operating Profit	(84.5)	(320.5)	279.3	(234.6)	(26.8)
Total Interest	14.3	7.6	(46.9)	11.4	50.0
Gross Profit	(98.8)	(328.1)	232.1	(246.0)	(25.0)
Net Dep.	0.4	0.5	25.0	0.9	80.0
Total Taxation	27.9	0.0	(100.0)	0.0	-
Net Profit/Loss	(127.1)	(328.6)	158.5	(246.9)	(24.9)

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 13	Mar 14	Mar 15	Mar 16
SOURCES OF FUNDS	9,903.0	11,276.3	10,881.5	12,807.3
Equity Share capital	411.3	411.3	411.3	411.3
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	2,627.5	2,500.4	2,171.8	1,919.1
Secured Loans	6,351.2	5,224.9	7,857.5	10,035.9
Unsecured Loans	513.0	3,139.7	440.9	441.0
USES OF FUNDS	9,903.0	11,276.3	10,881.5	12,807.3
Gross Block	2,124.3	2,114.4	2,094.5	2,095.2
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	434.4	551.8	652.8	741.1
Net Block	1,689.9	1,562.6	1,441.7	1,354.1
Capital Work in Progress	0.0	0.0	0.0	0.0
Investments	787.1	1,182.4	1,182.4	1,182.4
Current Assets	15,588.6	16,883.2	20,169.6	23,042.2
Less : Current Liabilities	8,618.8	8,390.5	11,949.8	12,828.1
Total Net Current Assets	6,969.8	8,492.7	8,219.8	10,214.1
Misc. Expenses not writtenoff	456.2	38.6	37.6	56.7
NOTE				
Book Value of Unquoted Investments	0.0	0.0	0.0	0.0
Market Value of Quoted Investments	4.0	3.0	2.4	29.0
Contingent Liabilities	326.7	326.8	4,561.4	8,726.1
Dividend (%)	0.0	0.0	0.0	0.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Mar 16	Jun 16	Sep 16	Dec 16
Net Sales	229.6	249.9	276.2	213.6
Cost Of Sales	247.0	263.1	291.3	225.9
Operating Profit	(17.4)	(13.2)	(15.1)	(12.3)
Other Income	0.2	0.1	1.1	0.1
Adjusted PBDIT	(17.2)	(13.1)	(14.0)	(12.2)
Financial Expenses	1.8	2.8	3.0	2.1
Depreciation	0.2	0.3	0.1	0.1
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	(19.2)	(16.2)	(17.1)	(14.4)
Tax Charges	0.0	0.0	0.0	0.0
Reported Profit	(19.2)	(16.2)	(17.1)	(14.4)
Extra Ordinary Items	0.0	(0.2)	0.8	(0.1)
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Adjusted Net Profit	(19.2)	(16.0)	(17.9)	(14.3)

52 Week Index Relative Percentage Appreciation



Shreeram vs SENSEX

The story till date

The SS Kasliwal-promoted Shreeram's first proposed construction of the 294-metre tall residential skyscraper in 2005. The plans were finally sanctioned in 2011 and the BMC issued commencement certificate for a residential tower of 43 storeys and a public parking lot up to plinth level. The developer was to get the incentive FSI and permission to construct from 44th floor to 56th floor once they handed over the public parking lot to BMC. Ever since the construction of the tower started there has been a lot of litigations around the construction. The land where the construction is happening now holds a 15 floor parking tower which Shreeram had built to give to Municipal Corporation to gather more FSI. The Municipal Corporation mentioned that it was without permission. The 56-storeyed Palais Royale skyscraper, which too has been embroiled in a controversy over illegal constructions. Last year, the commissioner ordered the developer to seal or rupture four fire refuge floors and large refuge areas outside each apartment so that they cannot be misused. As much as 74% of the total built-up area (5.88 lakh sq ft) of the skyscraper has been shown as fire refuge area. This was sanctioned by the then chief fire officer when the building plans were approved about eight years ago. There was also a litigation about the top 13 floors being unsanctioned. In a recent judgement The Court has asked the developer, Shreeram to apply for fresh commencement and development permission from the BMC for the parking tower, as well as to regularise the 13 floors depending on permissible FSI. The court has also asked the municipal commissioner to reconsider the issue of a reasonable refuge area that is to be exempted from the calculation of FSI. The Court has also preliminarily asked for a Rs 1.82 bn penalty on violations. Thus paving the first step to wash out all the previous issues and start the paper work afresh. With 99 Apartment and Villas at stake at a Construction cost of over Rs. 8 bn & a sale cost of Rs 80 to 100 bn the penalty is very meagre. Once the paperwork & permissions are in place and regularisation occurs the dark horse which has been in the stable since the last many years will sprint to action.

In a Nutshell

The luxury residential market is relatively new concept in Mumbai. Developers are 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. The promoters has also increased their stake by 12% since the construction started. We have strongly believed in this Multibagger stock since many years and we continue to do so. Further since the court cases it was entangled in have been cleared though with a penalty, we feel the time has come. The scrip which was initially illiquid is also showing regular trades in moderate quantities. So we continue a Buy rating on the stock.

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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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