

March 7, 2011

BUY

HIGH RISK

PRICE Rs.158

TARGET Rs.289

## REAL ESTATE

### EARLIER RECO

BUY	
Price	Rs.222
Target	Rs.289
Date	19 <sup>th</sup> Nov 2010

### SHARE HOLDING (%)

Promoters	56.3
FII	19.2
FI	5.4
Body Corporates	5.7
Public & Others	13.4

### STOCK DATA

Reuters Code	GHFC.BO	
Bloomberg Code	GHFC.IN	
BSE Code	526367	
NSE Symbol	GANESHHOUC	
Market Capitalization*	Rs.5166.1 mn	US\$ 114.8 Mn
Shares Outstanding*	32.6 mn	
52 Weeks (H/L)	Rs.290.7/135.3	
Avg. Daily Volume (6m)	31,864 Shares	
Price Performance (%)	1M	3M
	(2)	(24)
	6M	(21)

200 Days EMA: Rs. 185

\*On fully diluted equity shares

Part of  Classic



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Ganesh Housing has come out with dismaying set of numbers for Q3FY11. Key points pertaining to results are summarized below:

### Key Highlights of Q3FY11

- During the quarter ended Q3FY11, Ganesh housing's revenue is up by 7.8% YoY to Rs.324.9Mn.
- The company has booked an area of ~2LSF during the quarter. Majority of the booking has come from the company's residential project Maple County II project.
- It currently has ~662 Acres (24.4MSF) of land under development which is likely to provide immense growth to the company. This area under development includes – Integrated township- Smile City, IT/ITES SEZ, Residential, Commercial, Retail and Hotel. Million Minds accounts for 56.6% of the saleable area followed by Smile City accounting for 37% of it.
- Ganesh housing has launched the GCP Business Centre in Q3FY11 at vijay cross roads of 1.13LSF. This building is 95% ready and the company has seen a booking of 28,000 SF for the project. The company would start accounting for its revenue from Q4FY11.
- It would be launching two residential project located at Satellite, Ahmedabad of 300,000SF in Q4FY11. The company is likely to fetch in revenue of ~Rs.159 Cr from this project at a cost of Rs.97 Crs. The project is likely to be completed by March 2013.
- Its Operating Profit is down by 20% at Rs.177.5 Mn with an Operating Profit Margin of 54.6% which is down by 1894bps YoY. De-growth in the Operating profit was mainly because of higher project cost. Its project cost has increased by 97.2% mainly because of faster progress in construction activity of all ongoing projects.
- PIL's Net Profit is down by 69% YoY to Rs.60.3 Mn in Q3FY11. It's Net Profit Margin decreased by 4606 bps YoY to 18.6%. De-growth in Net Profit was mainly because of higher interest, financial charges and tax expense.
- The company has seen a 100% increase in its interest and financial charges to Rs.76.3Mn. It has accounted for a one-time forex loss of Rs.2.5 Cr in the current quarter. Its tax expense has also increased significantly to Rs.38.5Mn for the quarter. Going ahead it is likely to see a tax expense as percentage of PBT as ~25% for FY11 and ~30% for FY12.
- For the 9MFY11, the company's revenue is up by 58.3% YoY to Rs.1049.1 Mn. The operating profit is up by 26.7% YoY to Rs.623.4 Mn with an operating profit margin of 59.4% down by 1480 bps. Its Net Profit is up by just 3.4% YoY to Rs.320.7 Mn with a Net Profit Margin of 30.6% down by 1621 bps.

### OUTLOOK & VALUATION

Ganesh Housing has come out with dismaying set of numbers for the quarter ended Q3FY11. It has so far developed 16.7 MSF in the past, and is likely to further develop 24.46 MSF of area in the next 8-10 years. Even with such a huge chunk of land in hand its gross debt/equity ratio has never crossed 0.2x. GHCL has off lately successfully launched 4 residential projects, one in every quarter, seeing a very good response and is likely to launch two more projects in the current quarter. However taking into account higher interest and tax expense along with delay in revenue recognition we have reduced our FY11 and FY12 EPS by 34% and 29.8% to Rs.14 and Rs.26.3 respectively. However, considering the robust cashflows likely to be accrued from the ongoing projects we maintain our BUY recommendation on the stock with a NPV based target of Rs.289.

### KEY FINANCIALS

Y/E Mar.	Revenue (Rsmn)	RPAT (Rsmn)	EPS (Rs)	EPS (% Ch.)	P/E (x)	ROCE (%)	ROE (%)	P/BV (x)
FY09	896.2	494.3	15.1	-53.2	10.5	13.5	11.3	1.1
FY10	1005.8	473.8	14.5	-4.2	10.9	9.6	9.3	0.9
FY11E	1405.7	458.4	14.0	-3.2	11.3	8.1	7.9	0.9
FY12E	2404.5	858.9	26.3	87.4	6.0	12.5	13.4	0.8

### QUARTERLY STATEMENT

Rs.mn

Y/E March	Q3FY10	Q2FY11	Q3FY11
<b>Net Sales</b>	<b>301.5</b>	<b>374.1</b>	<b>324.9</b>
% Ch. YoY	48.4	50.3	7.8
Raw Material Cost	64.7	208.5	209.5
Staff Cost	6.7	11.0	10.8
Other Expenditure	13.8	19.3	19.7
Total Expenditure	79.7	116.3	147.4
<b>PBIDT</b>	<b>221.8</b>	<b>257.8</b>	<b>177.5</b>
% Ch. YoY	28.9	34.8	-20.0
% Margin	73.6	68.9	54.6
Interest	28.3	33.1	76.3
Depreciation	3.7	2.5	2.5
Other Income	0.0	0.4	0.1
PBT incl OI	189.8	222.6	98.7
Tax	-4.9	80.6	38.5
% of PBT	-2.6	36.2	39.0
<b>RPAT</b>	<b>194.5</b>	<b>142.0</b>	<b>60.3</b>
% Ch. YoY	153.5	42.0	-69.0
% Margin	64.5	37.9	18.6

### PROFIT & LOSS STATEMENT

Rs.mn

Y/E March	FY09	FY10	FY11E	FY12E
<b>Net Sales</b>	<b>896.2</b>	<b>1005.8</b>	<b>1405.7</b>	<b>2404.5</b>
Raw material	-110.1	-439.8	-168.7	-240.4
Project cost	177.4	660.5	619.5	913.5
Staff Cost	30.5	35.1	42.2	72.1
Marketing Exp	10.8	20.3	22.5	48.1
<b>Total Expenditure</b>	<b>164.6</b>	<b>320.7</b>	<b>573.1</b>	<b>901.5</b>
<b>PBIDT</b>	<b>731.6</b>	<b>685.1</b>	<b>832.6</b>	<b>1503.0</b>
Interest	231.0	140.2	188.4	192.4
Depreciation	15.1	14.4	14.1	16.8
Other Income	36.3	11.6	1.4	2.4
PBT incl OI	521.7	542.1	631.6	1296.2
Tax	27.4	69.3	183.2	427.7
<b>RPAT</b>	<b>494.3</b>	<b>472.8</b>	<b>448.4</b>	<b>868.5</b>
Minority Interest	0.0	-0.9	-10.0	9.6
<b>RPAT aftr Minority Int</b>	<b>494.3</b>	<b>473.8</b>	<b>458.4</b>	<b>858.9</b>

### BALANCE SHEET STATEMENT

Rs.mn

As on 31 <sup>st</sup> March	FY09	FY10	FY11E	FY12E
Share Capital	326.6	326.6	326.6	326.6
Reserves & Surplus	4277.2	4718.2	5670.3	6471.8
<b>Net Worth</b>	<b>4603.7</b>	<b>5595.7</b>	<b>5996.8</b>	<b>6798.4</b>
Secured Loans	871.0	906.5	1106.5	1306.5
Unsecured Loans	73.3	136.8	136.8	136.8
<b>Total Loan funds</b>	<b>944.3</b>	<b>1043.3</b>	<b>1243.3</b>	<b>1443.3</b>
<b>Capital Employed</b>	<b>5548.1</b>	<b>6877.4</b>	<b>7468.5</b>	<b>8479.7</b>
<b>Net Block</b>	<b>452.0</b>	<b>444.7</b>	<b>470.6</b>	<b>493.8</b>
Cap. WIP	63.8	82.5	61.4	76.2
Investments	0.1	0.1	0.1	0.1
Sundry Debtors	1655.6	1758.2	2156.7	3162.1
Cash & Bank Bal	15.7	75.3	157.8	140.3
Loans & Advances	3321.1	4232.2	4429.0	4545.5
Inventory	792.5	1232.3	1386.5	2108.0
<b>CurrLiab&amp;Prov</b>	<b>784.1</b>	<b>955.0</b>	<b>1201.6</b>	<b>2055.3</b>
<b>Net Current Assets</b>	<b>5001.0</b>	<b>6342.9</b>	<b>6928.3</b>	<b>7900.5</b>
Deferred Tax Assets	6.3	7.2	8.1	9.0
<b>Total Assets</b>	<b>5548.1</b>	<b>6877.4</b>	<b>7468.5</b>	<b>8479.7</b>

### FINANCIAL RATIO STATEMENT

Y/E March	FY09	FY10	FY11E	FY12E
<b>Growth (%)</b>				
Net Sales	-29.7	12.2	39.8	71.1
EBITDA	-30.8	-6.4	21.5	80.5
Adjusted Net Profit	-53.2	-4.2	-3.2	87.4
<b>Profitability (%)</b>				
EBITDA Margin (%)	81.6	68.1	59.2	62.5
Net Profit Margin (%)	55.2	47.1	32.6	35.7
ROCE (%)	13.5	9.6	8.1	12.5
ROE (%)	11.3	9.3	7.9	13.4
<b>Per Share Data (Rs.)</b>				
EPS (Rs.)	15.1	14.5	14.0	26.3
CEPS (Rs.)	3.1	3.0	2.9	5.4
BVPS (Rs)	141.0	171.4	183.6	208.2
<b>Valuation</b>				
PER (x)	10.5	10.9	11.3	6.0
PEG (x)	-	-	-	0.1
P/BV (x)	1.1	0.9	0.9	0.8
EV/EBITDA (x)	8.3	9.0	7.5	4.3
EV/Net Sales (x)	6.8	6.1	4.4	2.7
<b>Turnover</b>				
Debtor Days	715	619	560	480
Creditor Days	207	189	180	180
<b>Gearing Ratio</b>				
D/E	0.2	0.2	0.2	0.2

Source : Company, Sushil Finance Research Estimates

## Rating Scale

This is a guide to the rating system used by our Equity Research Team. Our rating system comprises of six rating categories, with a corresponding risk rating.

### Risk Rating

Risk Description	Predictability of Earnings / Dividends; Price Volatility
Low Risk	High predictability / Low volatility
Medium Risk	Moderate predictability / volatility
High Risk	Low predictability / High volatility

### Total Expected Return Matrix

Rating	Low Risk	Medium Risk	High Risk
Buy	Over 15 %	Over 20%	Over 25%
Accumulate	10 % to 15 %	15% to 20%	20% to 25%
Hold	0% to 10 %	0% to 15%	0% to 20%
Sell	Negative Returns	Negative Returns	Negative Returns
Neutral	Not Applicable	Not Applicable	Not Applicable
Not Rated	Not Applicable	Not Applicable	Not Applicable

#### Please Note

- Recommendations with "Neutral" Rating imply reversal of our earlier opinion (i.e. Book Profits / Losses).
- \*\* Indicates that the stock is illiquid With a view to combat the higher acquisition cost for illiquid stocks, we have enhanced our return criteria for such stocks by five percentage points.

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