

**Tirupati Sarjan Limited****Stock Performance Details**

<b>Current Price</b>	: ₹ 27.50 <sup>^</sup>
Face Value	: ₹ 5 per share
52 wk High / Low	: ₹ 29.7 / 10.6
Total Traded Volume	: 7,079 shares <sup>^</sup>
Market Cap	: ₹ 72.5 crore <sup>^</sup>
Sector	: Realty
EPS (H1 FY16)	: ₹ 0.88 per share
Equity Share Capital	: ₹ 13.2 crore
P/E (TTM)	: 9.08 (x) <sup>^</sup>
P/BV (TTM)	: 1.71 (x) <sup>^</sup>
Financial Year End	: 1 <sup>st</sup> April - 31 <sup>st</sup> March
BSE Scrip Name	: TIRSARJ
BSE Scrip Code	: 531814

<sup>^</sup> As on 1<sup>st</sup> January, 2016**Shareholding Details - September 2015**

Particulars	Shareholding	
	Nos.	(%)
Promoter & Promoter Group Holding	1,44,22,502	54.68
Total Institutional Holdings (FIIs & DIIs)	0	0.00
Public Holdings	1,19,55,688	45.32
<b>Total</b>	<b>2,63,78,190</b>	<b>100.00</b>

**Background**

- Tirupati Sarjan Limited formerly known as Tirupati Housing and Finance Limited was incorporated on 4<sup>th</sup> January, 1995. The Company undertakes civil construction and real estate development business which includes developing residential, commercial and government projects in Sabarkantha Mehsana, Patan, Visnagar, Palanpur, Sidhpur, Vijapur and Himmatnagar.
- The Company completed over 2,000 projects in India comprising residential estates, commercial shopping complexes, recreational parks and educational facilities. It has also undertaken construction of engineering colleges, hospitals and infrastructural development work like road development and canal bridges.
- The subsidiary company, Ugandan based Tirupati Development (U) Limited, focuses on land and property development like construction of housing estates and shopping malls within the country. The subsidiary company focuses on 'Build and Transfer' Ownership rather than 'Build and Rent'. It has signed a MOU with the Government of Uganda to build business and industrial park in 6 cities of Uganda.
- The Company has been granted a Certificate of ISO 9001:2008 in May, 2015 for operating a Quality Management System. The scope of the ISO 9001:2008 includes design development and Maintenance of the Civil Construction & Infrastructure Activities and Utilities for Residential, Commercial, Government, PSU & International Projects.

## Financial Snapshot

Particulars	Standalone( Million)	
	H1FY16	H1FY15
<b>Income Statement</b>		
<b>Income from Operations</b>	<b>392.0</b>	<b>597.0</b>
Y-o-Y Growth (%)	(34.3)	(0.8)
<b>EBITDA</b>	<b>59.4</b>	<b>54.0</b>
Y-o-Y Growth (%)	10.0	29.8
EBITDA Margin (%)	15.2	9.0
<b>Net Profit</b>	<b>23.2</b>	<b>27.6</b>
Y-o-Y Growth (%)	(15.9)	62.4
NPM (%)	5.9	4.6
<b>Balance Sheet</b>		
Fixed Assets	60.6	64.5
Cash and Bank Balances	249.8	144.1
Inventories	1,042.4	899.1
Net Working Capital	820.8	535.6
Net Worth	495.0	369.1
<b>Balance Sheet Ratios</b>		
ROCE (%)	8.2	4.8
RONW (%)	4.7	7.5

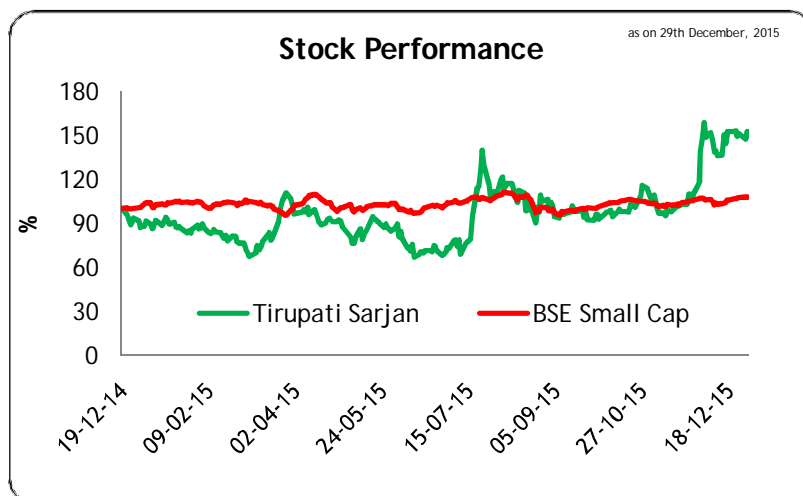
Source: Capitaline

## From the Research Desk of LKW's GuruKshetra

- During H1 FY16, the Standalone Income from Operations stood at Rs. 392 million which is a decline of 34.3% y-o-y from Rs. 597 million reported in H1 FY15. Material Cost comprising cement and steel stood at Rs. 514.4 million in H1 FY16 as compared to Rs. 497.8 million in H1 FY15. Employee Cost fell from Rs. 99.8 million in H1 FY15 to Rs. 11.3 million in H1 FY16. Other Expenses increased stood at Rs. 11.3 million in H1 FY16 as compared to Rs. 4.7 million in H1 FY15.
- Despite the lower Topline, EBIDTA grew from Rs. 54 million in H1 FY15 to Rs. 59.3 million in H1 FY16 on account of an overall drop in the Operating Expenses during the period under review.
- Interest Cost for H1 FY16 increased to Rs. 22.4 million from Rs. 17 million reported in H1 FY15. PAT declined on a y-o-y basis on account of higher Depreciation and Interest Cost and lower Other Income and stood at Rs. 23.2 million in H1 FY16 as compared to Rs. 27.6 million in H1 FY15. EBIDTA and PAT Margins for H1 FY16 stood at 15.2% and 5.9% respectively.
- Total Debt stood higher in H1 FY16 by 38.7% on a y-o-y basis. The same increased from Rs. 394.9 million in H1 FY15 to Rs. 547.8 million in H1 FY16.
- Inventories rose to Rs. 1,042.4 million in H1 FY16, increasing from Rs. 899.1 million reported in H1 FY15.

- The Company received in principal approval letter from the Exchange for the issue of 91,00,000 convertible warrants on 30<sup>th</sup> March, 2015. Also, the Board of Directors of the Company passed a resolution for conversion of 23,74,190 warrants into Equity Shares on 31<sup>st</sup> March, 2015 and for the same it has filed an application to the Exchange for listing of these shares.

### Performance on the Bourses



### Peer Comparison

The following table gives a snapshot view of the company's performance vis-à-vis its peers for H1 FY16 operating in the realty sector undertaking all types of projects ranging from housing, commercial, hospitality.

(₹ In millions)

Particulars	Tirupati Sarjan	Prajay Engineers Syndicate	Ansal Properties and Infrastructure <sup>#</sup>
Income from Operations	392.0	355.1	3,150.6
EBIDTA	59.4	(39.1)	(136.3)
Net Profit	23.2	(86.2)	70.2
EBIDTA Margins (%)	15.2	(11.0)	(4.3)
PAT Margins (%)	5.9	(24.3)	2.2
Book Value Per Share	16.1	91.0	102.9
P/E (x)	5.83 <sup>^</sup>	0.00 <sup>^</sup>	13.91 <sup>@</sup>
P/BV (x)	1.10 <sup>^</sup>	0.08 <sup>^</sup>	0.16 <sup>@</sup>
RONW (%)	4.7	(1.4)	0.4

Source: Financials on Standalone Basis ; <sup>^</sup> On a Standalone Basis as on September, 2015 (TTM Basis); <sup>#</sup> Financials on Consolidated basis ; <sup>@</sup> On a Consolidated Basis as on September, 2015 (TTM Basis)

## About the Industry

In India, real estate is the second largest employer after agriculture where the top five real estate players employ more than 2,00,000 employees at different locations being the highest employer to the below poverty line families and is slated to grow at 30% over the next decade. The real estate sector comprises four sub sectors - housing, retail, hospitality, and commercial. The growth of this sector is well complemented by the growth of the corporate environment and the demand for office space as well as urban and semi-urban accommodations. The construction industry ranks third among the 14 major sectors in terms of direct, indirect and induced effects in all sectors of the economy.

Real estate has emerged as the second most active sector, raising US\$ 1.2 billion from private equity (PE) investors in the last 10 months. Foreign investors have bought tenanted office space worth over US\$ 2 billion in India in 2014, a four-fold rise compared to the previous year, in order to increase their rent-yielding commercial assets in Asia's third largest economy.

The Indian real estate sector has witnessed high growth in recent times with the rise in demand for office as well as residential spaces. According to data released by Department of Industrial Policy and Promotion (DIPP), the construction development sector in India has received Foreign Direct Investment (FDI) equity inflows to the tune of US\$ 24.1 billion in the period April 2000-June 2015.

The Indian real estate market is expected to touch US\$ 180 billion by 2020. The housing sector alone contributes 5-6% to the country's GDP. In the period FY 08-20, the market size of this sector is expected to increase at a CAGR of 11.2%.

It is also expected that this sector will incur more non-resident Indian (NRI) investments in both the short term and the long term. Bengaluru is expected to be the most favoured property investment destination for NRIs, followed by Ahmedabad, Pune, Chennai, Goa, Delhi and Dehradun.

SEBI notified final regulations that will govern real estate investment trusts (REITs) and infrastructure investment trusts (InvITs). This move will enable easier access to funds for cash-strapped developers and create a new investment avenue for institutions and high net worth individuals, and eventually ordinary investors.

## Management Outlook

The Government of India along with the Governments of the respective states have taken several initiatives to encourage the development which includes the Smart City Project, where there is a plan to build 100 smart cities, is a prime opportunity for the real estate companies.

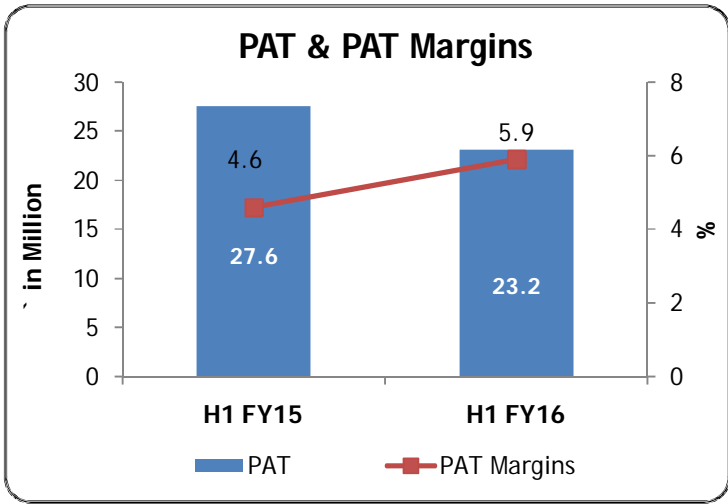
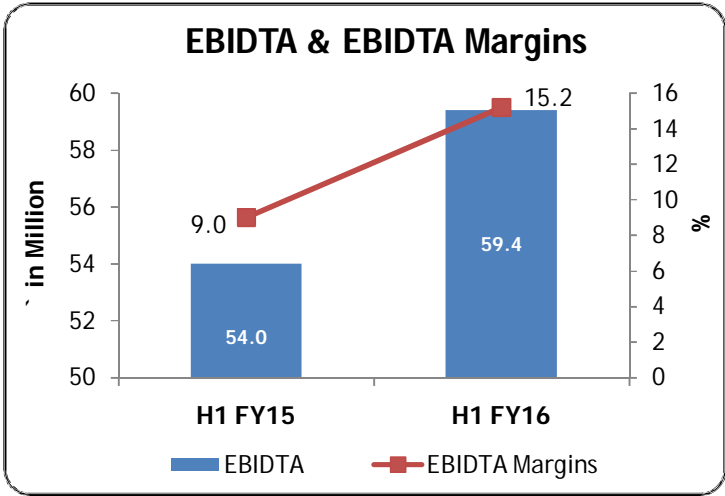
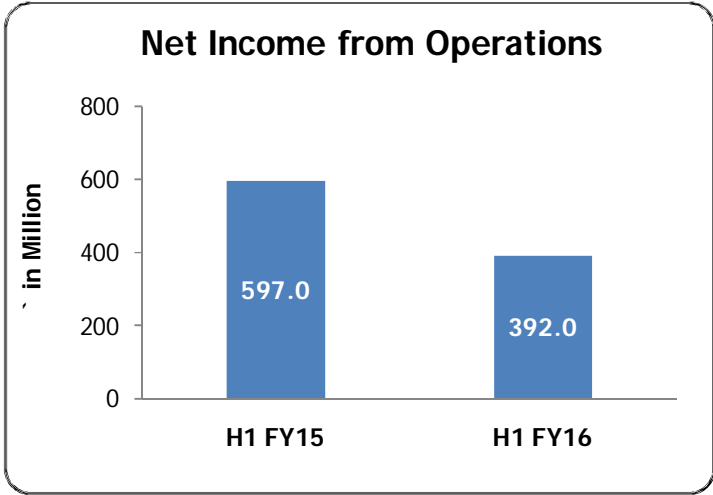
Under the Sardar Patel Urban Housing Mission, 30 million houses will be built in India by 2022, mostly for the economically weaker sections and low-income groups, through public-private-partnership (PPP) and interest subsidy. The relaxation of norms by Government of India to allow Foreign Direct Investment (FDI) in the construction development sector should boost affordable housing projects and smart cities across the country.

With real estate reaching a point of saturation in developed countries and the demand and prices falling, global real estate players are looking at emerging economies such as India for tapping opportunities in real estate. Indian real estate will stay attractive due to its strong economic fundamentals and demographic factors. While developed economies are still struggling to regain their growth momentum, developing countries including India and China are expected to grow at a reasonably high rate. Investments in Indian real estate will fetch higher returns for investors as compared to other global markets. In the coming years, the opportunities in the real estate sector will attract more global players to India and hence will help the industry to mature, become more transparent, improve management and adopt advanced construction techniques.

The Government announced some key reductions in the direct tax structure in the interim budget such as an increase in exemption limit from Rs. 2 lakh to Rs. 2.5 lakh to help household savings. Additionally, the limit on home loan interest has been raised from Rs. 1.5 lakh to Rs. 2 lakh. Increased savings coupled with increased tax benefit shall go a long way in motivating home buyers who have been reeling under the pressure of high inflation and high interest rates.

However, on the flip side an increase in supply, not commensurate with demand levels, has hampered the property rates all over the country. Continuing huge debt on the books of all the real estate companies including Tirupati Sarjan coupled with rising manpower and material costs and approvals and procedural difficulties still remains a weak point for the growth of the sector and the companies operating within the sector.

**Financial Graphs**



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## Disclosure

**Each member of the team involved in the preparation of this report, hereby affirms that there exists no conflict of interest.**



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## About Us

**LOTUS KNOWLWEALTH (LKW)** commenced business in 1991 and is currently engaged in providing **CAPITAL MARKET RESEARCH, INVESTMENT ADVISORY and STRATEGY services.**

**GURUKSHETRA** is the Research and Training arm of LKW.

**LKW Investment Advisers** is the SEBI registered Investment Advisory arm of LKW.

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