CRISIL RESEARCH

INDEPENDENT EQUITY RESEARCH

Vipul Ltd

Q4FY11 Result Update

Enhancing investment decisions

Explanation of CRISIL Fundamental and Valuation (CFV) matrix

The CFV Matrix (CRISIL Fundamental and Valuation Matrix) addresses the two important analysis of an investment making process – Analysis of Fundamentals (addressed through Fundamental Grade) and Analysis of Returns (Valuation Grade) The fundamental grade is assigned on a five-point scale from grade 5 (indicating Excellent fundamentals) to grade 1 (Poor fundamentals) The valuation grade is assigned on a five-point scale from grade 5 (indicating strong upside from the current market price (CMP)) to grade 1 (strong downside from the CMP).

CRISIL Fundamental Grade	Assessment	CRISIL Valuation Grade	Assessment
5/5	Excellent fundamentals	5/5	Strong upside (>25% from CMP)
4/5	Superior fundamentals	4/5	Upside (10-25% from CMP)
3/5	Good fundamentals	3/5	Align (+-10% from CMP)
2/5	Moderate fundamentals	2/5	Downside (- 10-25% from CMP)
1/5	Poor fundamentals	1/5	Strong downside (<-25% from CMP)

Analyst Disclosure

Each member of the team involved in the preparation of the grading report, hereby affirms that there exists no conflict of interest that can bias the grading recommendation of the company.

Disclaimer:

Vipul Ltd

Results in line with expectations

Fundamental Grade	**2/5 (Moderate fundamentals)**
Valuation Grade	**5/5 (CMP has strong upside)**
Industry	**Real Estate Management & Development**

June 24, 2011

Fair Value	**Rs 31**
CMP	**Rs 11**

Vipul Ltd's (Vipul's) standalone Q4FY11 results were broadly in line with CRISIL Equities' expectations. Revenues grew by 5.6% y-o-y and EBIDTA margins turned positive to 11.9% from negative 5.6% in Q4FY10 due to contribution from higher-margin projects. We continue to be upbeat on long-term housing demand in India, but considering the recent rise in housing financing rates and large supplies in North India we maintain our fundamental grade of **2/5**.

Q4FY11 result analysis (standalone)

- Vipul's Q4FY11 revenues rose by 5.6% y-o-y to Rs 820 mn. As expected, it declined by 9.8% on a sequential basis due to slower bookings given the upcoming large supplies and increasing competition in Gurgaon market. For the full year, Vipul's revenues grew by 22.7% y-o-y to Rs 3.4 bn.
- Although EBITDA margins were 11.9% compared to negative 5.6% in the corresponding quarter of FY10, it declined 392 bps q-o-q due to higher cost of construction.
- PAT rose to Rs 47 mn compared to a loss of Rs 13 mn in the corresponding quarter of FY10. PAT margin rose by 749 bps y-o-y to 5.8% but declined by 286 bps sequentially following the decline in EBITDA margins.

Key developments

- During Q4FY11, the company delivered 0.18 mn sq.ft. compared to 0.75 mn sq.ft. in the previous quarter and 0.44 mn sq.ft. in Q4FY10.
- In Q4FY11, Vipul received bookings for 0.11 mn sq.ft., ~50% lower than the bookings made in Q3FY11 and Q4FY10. These bookings were made at an average realisation of Rs 4,250 per sq.ft., lower by 4.3% q-o-q and higher by 28.8% y-o-y.
- It also sold 4,500 sq. yards of plots during the quarter, registering a growth of 55.2% q-o-q and 95.7% y-o-y. The plots were sold at an average realisation of Rs 14,500 per sq. yard, lower by 44.2% q-o-q and higher by 11.5% y-o-y.
- The company reduced its gearing to 0.60 in Q4FY11 compared to 0.62 in Q3FY11. As on March 31, 2011 the net debt was Rs 1.9 bn.

Valuations: Current market price has strong upside

We continue to use the net asset value (NAV) method to value Vipul. We maintain our earnings estimates and the NAV per share at Rs 31. Based on the current market price, we retain our valuation grade of **5/5.**

KEY FORECAST (CONSOLIDATED)

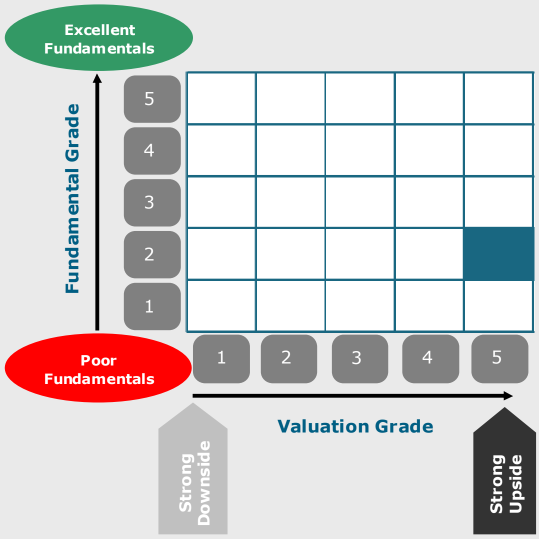
(Rs mn)	FY09	FY10	FY11#	FY12E	FY13E
Operating income	4,198	2,856	3,652	4,298	4,727
EBITDA	361	253	461	778	883
Adj PAT	191	89	221	512	652
Adj EPS-Rs	1.6	0.7	1.8	4.3	5.4
EPS growth (%)	(55.9)	(53.0)	147.2	131.4	27.5
Dividend Yield	1.3	1.3	1.9	4.4	5.6
RoCE (%)	6.8	4.3	7.4	14.0	17.2
RoE (%)	5.6	2.6	6.1	13.0	14.7
P/E (x)	6.9	14.8	6.7	2.9	2.3
P/BV (x)	0.4	0.4	0.4	0.4	0.3
EV/EBITDA (x)	7.5	13.8	7.7	2.5	NM

NM : Not meaningful; CMP: Current Market Price

The company does not report consolidated results

Source: Company, CRISIL Equities estimate

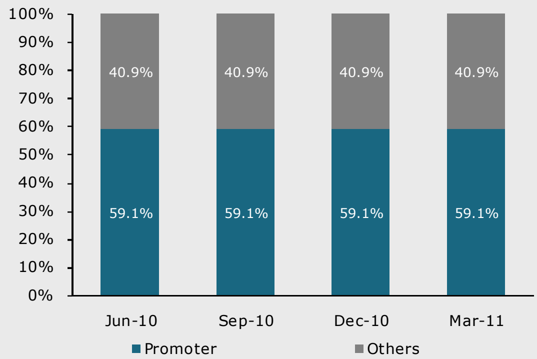
CFV MATRIX



KEY STOCK STATISTICS

NIFTY / SENSEX	5471/18241
NSE/BSE ticker	VIPUL
Face value (Rs per share)	1
Shares outstanding (mn)	120.0
Market cap (Rs mn)/(US$ mn)	1,320/29
Enterprise value (Rs mn) /(US$ mn)	3,494/78
52-week range (Rs) (H/L)	23/10
Beta	1.0
Free float (%)	40.9%
Avg daily volumes (30-days)	12,233
Avg daily value (30-days) (Rs mn)	0.2

SHAREHOLDING PATTERN



PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	3-m	6-m	12-m
VIPUL	-11%	-15%	-40%	-47%
NIFTY	-1%	-3%	-11%	0%

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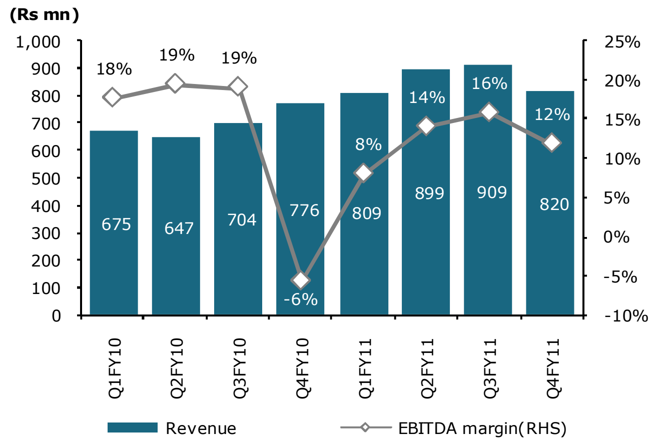
Q4FY11 Result Summary (Standalone)

(Rs mn)	Q4FY11	Q3FY11	Q4FY10	q-o-q (%)	y-o-y (%)	FY11	FY10	y-o-y (%)
Net sales	**820**	**909**	**776**	**(9.8)**	**5.6**	**3,437**	**2,802**	**22.7**
Consumption of Raw Materials	659	701	760	(6.1)	(13.3)	2,787	2,297	21.3
Raw material as a % of sales	80%	77%	98%	320bps	-1758bps	81%	82%	-90bps
Employees Cost	37	36	27	4.8	36.9	132	96	37.6
Other expenses	26	28	32	(7.4)	(19.6)	85	73	17.1
EBITDA	**97**	**144**	**(44)**	**(32.1)**	**nm**	**432**	**336**	**28.8**
EBITDA margin	**11.9%**	**15.8%**	**-5.6%**	**-392bps**	**1753bps**	**12.6%**	**12.0%**	**60bps**
Depreciation	4	3	4	7.4	(3.1)	13	15	(8.9)
EBIT	**94**	**140**	**(47)**	**(33.1)**	**nm**	**419**	**321**	**30.6**
Interest and finance charges	28	30	44	(7.4)	(37.6)	120	194	(38.2)
Operating PBT	**66**	**110**	**(92)**	**(40.0)**	**nm**	**299**	**127**	**136.2**
Other Income	3	6	124	(40.5)	(97.3)	17	138	(87.5)
Extraordinary Income/(expense)	-	-	-	-	-	-	-	-
PBT	70	116	32	(40.1)	115.1	316	265	19.3
Tax	23	38	46	(40.7)	(50.9)	104	92	12.5
PAT	**47**	**78**	**(13)**	**(39.7)**	**nm**	**212**	**173**	**22.9**
Adj PAT	47	78	(13)	(39.7)	nm	212	173	22.9
Adj PAT margin	5.8%	8.6%	-1.7%	-286bps	749bps	6.2%	6.2%	1bps
No of equity shares (mn)	120.0	120.0	120.0	-	-	120.0	120.0	-
Adj EPS (Rs)	**0.4**	**0.7**	**(0.2)**	**(39.7)**	**nm**	**1.8**	**1.4**	**(38.5)**

NM: Not meaningful

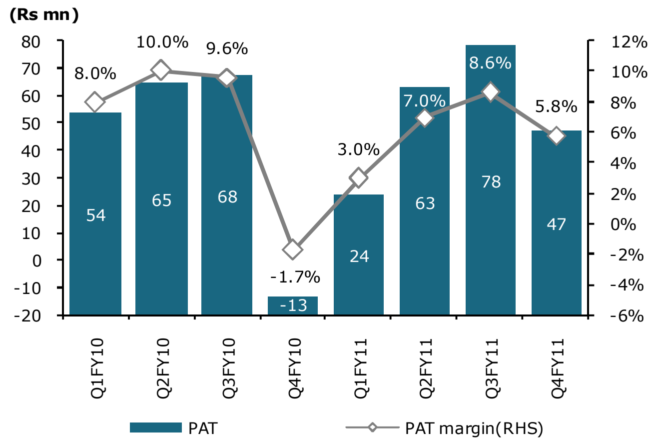
Source: Company, CRISIL Equities

Quarterly revenue and EBIDTA margins



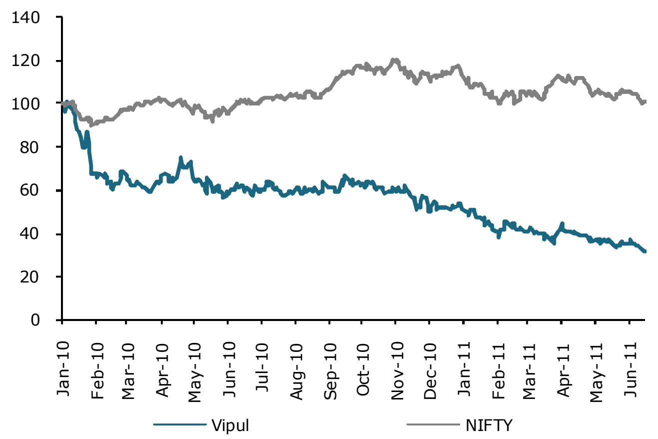
Source: Company, CRISIL Equities

Quarterly PAT and PAT margins



Source: Company, CRISIL Equities

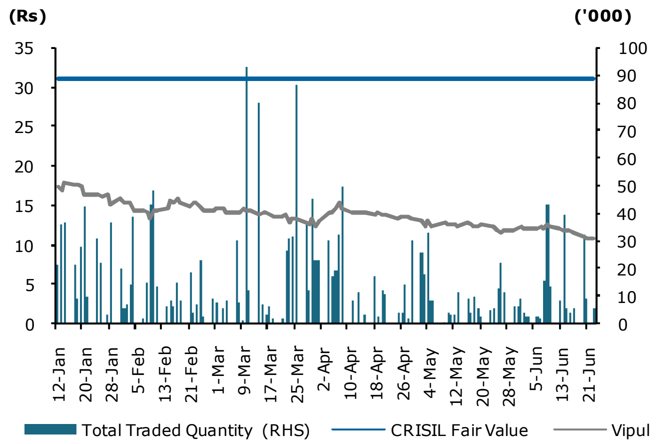
Share price movement



-indexed to 100

Source: NSE, CRISIL Equities

Fair value movement since initiation

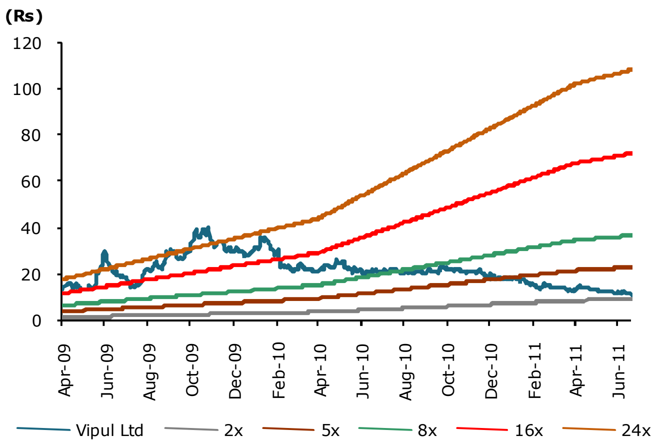


Source: BSE, NSE, CRISIL Equities

VALUATION

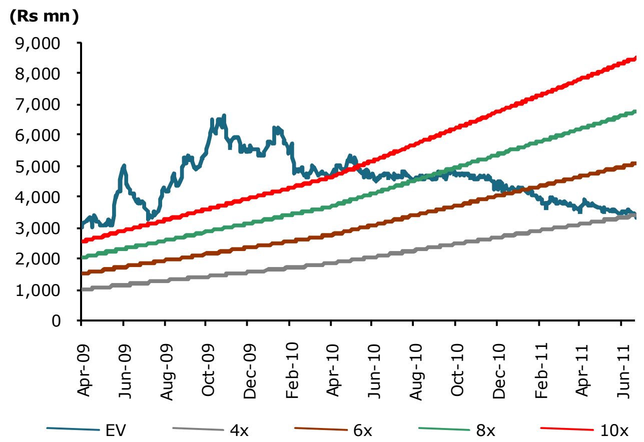
We continue to use the NAV method to value Vipul. We maintain our earnings estimates and the NAV per share at Rs 31. Based on the current market price, we retain our valuation grade of **5/5.**

One-year forward P/E band



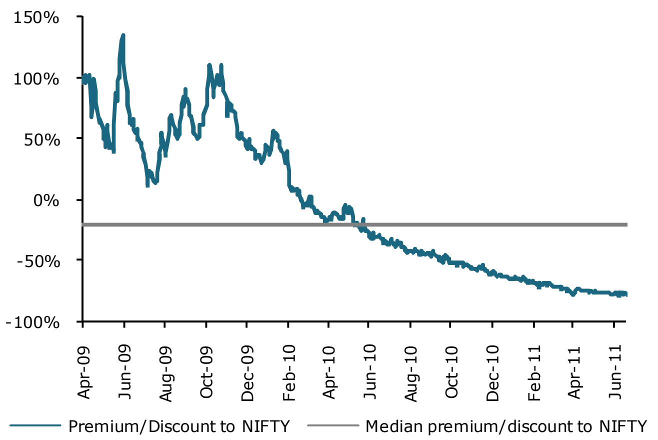
Source: NSE, CRISIL Equities

One-year forward EV/EBITDA band



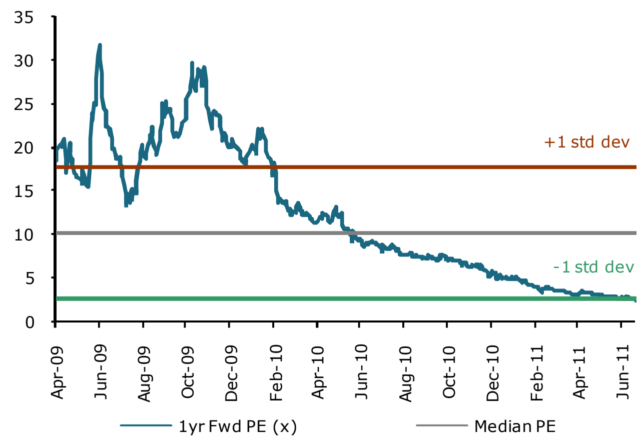
Source: NSE, CRISIL Equities

P/E – premium/discount to NIFTY



Source: NSE, CRISIL Equities

P/E movement



Source: NSE, CRISIL Equities

CRISIL IER reports released on Vipul Ltd

Date	Nature of report	Fundamental grade	Fair value	Valuation grade	CMP (on the date of report)
12-Jan-11	Initiating coverage*	2/5	Rs 31	5/5	Rs 18
23-Feb-11	Q3FY11 result update	2/5	Rs 31	5/5	Rs 15
24-June-11	Q4FY11 result update	2/5	Rs 31	5/5	Rs 11

* For detailed initiating coverage report please visit: **www.ier.co.in**

CRISIL Independent Equity Research reports are also available on Bloomberg (CRI <go>) and Thomson Reuters.

Vipul Ltd

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FINANCIALS

Income statement

(Rs mn)	FY09	FY10	FY11E	FY12E	FY13E
Operating income	**4,198**	**2,856**	**3,652**	**4,298**	**4,727**
EBITDA	**361**	**253**	**461**	**778**	**883**
EBITDA margin	**8.6%**	**8.9%**	**12.6%**	**18.1%**	**18.7%**
Depreciation	15	15	17	17	19
EBIT	**346**	**238**	**444**	**761**	**864**
Interest	94	195	180	60	36
Operating PBT	**252**	**43**	**265**	**701**	**828**
Other income	15	140	20	18	88
Exceptional inc/(exp)	(12)	(1)	-	-	-
PBT	**255**	**183**	**285**	**719**	**917**
Tax provision	76	94	96	247	318
Profit from associates	-	-	33	40	54
PAT (Reported)	**178**	**89**	**221**	**512**	**652**
Less: Exceptionals	(12)	(1)	-	-	-
Adjusted PAT	**191**	**89**	**221**	**512**	**652**

Ratios

	FY09	FY10	FY11E	FY12E	FY13E
Growth					
Operating income (%)	45.5	(32.0)	27.9	17.7	10.0
EBITDA (%)	(47.3)	(29.9)	82.1	68.7	13.5
Adj PAT (%)	(55.9)	(53.0)	147.2	131.4	27.5
Adj EPS (%)	(55.9)	(53.0)	147.2	131.4	27.5
Profitability					
EBITDA margin (%)	8.6	8.9	12.6	18.1	18.7
Adj PAT Margin (%)	4.5	3.1	6.1	11.9	13.8
RoE (%)	5.6	2.6	6.1	13.0	14.7
RoCE (%)	6.8	4.3	7.4	14.0	17.2
RoIC (%)	6.3	8.2	6.8	10.8	19.2
Valuations					
Price-earnings (x)	6.9	14.8	6.0	2.6	2.0
Price-book (x)	0.4	0.4	0.4	0.3	0.3
EV/EBITDA (x)	7.5	13.8	7.4	2.3	nm
EV/Sales (x)	0.6	1.2	0.9	0.4	nm
Dividend payout ratio (%)	9.9	19.7	12.8	12.8	12.8
Dividend yield (%)	1.3	1.3	2.1	5.0	6.3
B/S ratios					
Inventory days	661	998	770	614	474
Creditors days	541	788	533	484	466
Debtor days	46	101	50	50	50
Working capital days	392	697	552	368	222
Gross asset turnover (x)	33.8	17.0	21.3	24.4	25.1
Net asset turnover (x)	46.3	23.5	33.2	43.6	51.2
Sales/operating assets (x)	0.8	0.5	0.6	0.9	0.9
Current ratio (x)	1.8	2.0	2.2	1.9	1.9
Debt-equity (x)	0.5	0.7	0.6	0.2	0.1
Net debt/equity (x)	0.4	0.6	0.6	0.1	(0.3)
Interest coverage	3.7	1.2	2.5	12.7	24.1

Per share

	FY09	FY10	FY11E	FY12E	FY13E
Adj EPS (Rs)	1.6	0.7	1.8	4.3	5.4
CEPS	1.7	0.9	2.0	4.4	5.6
Book value	28.8	29.4	31.0	34.6	39.2
Dividend (Rs)	0.1	0.1	0.2	0.5	0.7
Actual o/s shares (mn)	120.0	120.0	120.0	120.0	120.0

Balance Sheet

(Rs mn)	FY09	FY10	FY11E	FY12E	FY13E
Liabilities					
Equity share capital	120	120	120	120	120
Reserves	3,339	3,410	3,598	4,033	4,588
Minorities	-	-	-	-	-
Net worth	**3,459**	**3,530**	**3,718**	**4,153**	**4,708**
Convertible debt	-	-	-	-	-
Other debt	1,611	2,499	2,249	749	449
Total debt	**1,611**	**2,499**	**2,249**	**749**	**449**
Deferred tax liability (net)	(22)	(3)	(0)	3	7
Total liabilities	**5,048**	**6,026**	**5,967**	**4,905**	**5,163**
Assets					
Net fixed assets	127	116	105	93	92
Capital WIP	49	64	64	64	64
Total fixed assets	**177**	**179**	**168**	**156**	**155**
Investments	**147**	**68**	**101**	**142**	**196**
Current assets					
Inventory	6,773	6,908	6,729	5,917	4,989
Sundry debtors	532	786	500	589	648
Loans and advances	2,915	3,393	3,054	2,749	2,474
Cash & bank balance	213	325	174	272	1,934
Marketable securities	-	-	-	-	-
Total current assets	**10,432**	**11,413**	**10,457**	**9,526**	**10,044**
Total current liabilities	**5,708**	**5,635**	**4,759**	**4,919**	**5,232**
Net current assets	**4,725**	**5,778**	**5,697**	**4,607**	**4,812**
Intangibles/Misc. expenditure	-	0	0	0	0
Total assets	**5,048**	**6,026**	**5,967**	**4,905**	**5,163**

Cash flow

(Rs mn)	FY09	FY10	FY11E	FY12E	FY13E
Pre-tax profit	267	184	285	719	917
Total tax paid	(98)	(75)	(93)	(244)	(315)
Depreciation	15	15	17	17	19
Working capital changes	(827)	(941)	(70)	1,189	1,457
Net cash from operations	**(642)**	**(818)**	**138**	**1,680**	**2,077**
Cash from investments					
Capital expenditure	901	(18)	(5)	(5)	(18)
Investments and others	1	79	-	(0)	-
Net cash from investments	**903**	**61**	**(5)**	**(5)**	**(18)**
Cash from financing					
Equity raised/(repaid)	-	-	-	-	-
Debt raised/(repaid)	(231)	888	(250)	(1,500)	(300)
Dividend (incl. tax)	(18)	(17)	(33)	(77)	(98)
Others (incl extraordinaries)	(7)	(1)	-	-	-
Net cash from financing	**(255)**	**869**	**(283)**	**(1,577)**	**(398)**
Change in cash position	6	112	(151)	98	1,662
Closing cash	213	325	174	272	1,934

Quarterly financials (Standalone)

(Rs mn)	Q4FY10	Q1FY11	Q2FY11	Q3FY11	Q4FY11
Net Sales	**776**	**809**	**899**	**909**	**820**
Change (q-o-q)	10%	4%	11%	1%	-10%
EBITDA	**(44)**	**65**	**126**	**144**	**97**
Change (q-o-q)	-133%	nm	94%	14%	-32%
EBITDA margin	**-5.6%**	**8.0%**	**14.0%**	**15.8%**	**11.9%**
PAT	(13)	24	63	78	47
Adj PAT	**(13)**	**24**	**63**	**78**	**47**
Change (q-o-q)	nm	nm	164%	24%	-40%
Adj PAT margin	**-1.7%**	**3.0%**	**7.0%**	**8.6%**	**5.8%**
Adj EPS	**(0.1)**	**0.2**	**0.5**	**0.7**	**0.4**

NM: Not meaningful

Note: The Company does not report consolidated numbers

Source: Company, CRISIL Equities estimate

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