

Emami Infra's revenue to flow over long term

Current valuations at a stiff premium

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The shares of Emami Infrastructure, the newly spun off realty arm of FMCG player Emami, swung wildly after listing on Wednesday, perhaps suggesting that market players are unable to place a value to the stock.

While the stock opened at Rs 250 on the BSE, it rocketed to a high of Rs 293 before crashing 70 per cent to Rs 86. The share closed at Rs 101.7.

SCHEME OF ARRANGEMENT

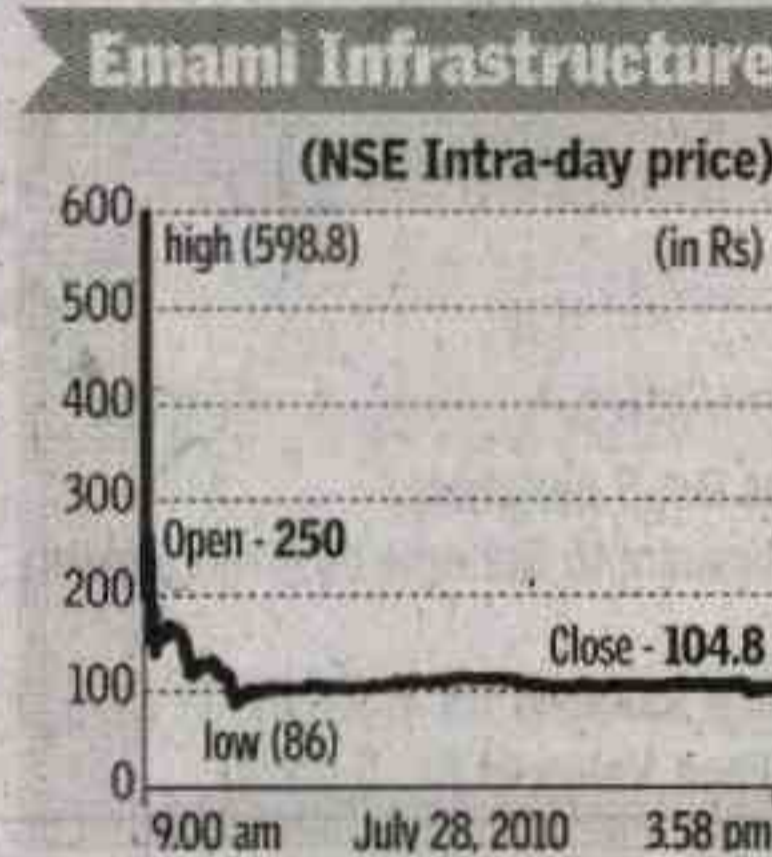
Following a scheme of arrangement, Emami has demerged its realty arm Emami Realty and transferred its investment in Zandu Realty (formerly called Zandu Pharmaceutical Works) to Emami Infrastructure.

In other words, Emami Infrastructure is a holding company with majority stakes in the other two realty companies.

The FMCG business of Zandu has been retained with Emami. Shareholders of Emami would have received one share of Emami Infrastructure for every three shares they held in Emami.

Promoters hold 76 per cent in Zandu Infrastructure.

At the closing price on Wednesday, the company's



market capitalisation was Rs 250 crore.

Emami Infrastructure, through its realty arms, is said to hold 150-200 acres and has 11-12 projects planned in places such as Kolkata, Hyderabad and Ahmedabad.

According to the management, the company has a couple of projects under execution, with a developable area of five million sq.ft in Hyderabad (residential) and Kolkata (IT Park).

As the projects are in the early stages of execution, any significant revenue flow can be expected only from 2012. Besides these projects, the company has other joint venture agreements as well.

Given that none of the above mentioned cities are top-tier real estate markets, it remains to be seen if Emami Infrastructure would have

lucrative margins aside of sufficient demand in the above projects.

The key land holding though, could come from Zandu Realty's 2.5 acres in Dadar, Mumbai.

Any value unlocked from the land or projects planned here could provide a one-time boost to the holding company.

FINANCIALS

Emami Infrastructure did not have any revenue from its operations in FY10. It had other income, which resulted in the company earning 10 crore of net profits, translating in to earnings of Rs 4.3 a share. However, as this income (from sale of investments) is not operational in nature, the same would not be representative of future earnings.

With a net worth of close to Rs 38 crore, the company's price to book value ratio stands at over six times; far higher than the one to three times industry average.

On the debt front, though, Emami Infrastructure has paid a significant portion of unsecured loans in FY10 and has a comfortable debt equity ratio of less than one.

However, this figure could once again go up as more projects come under execution.