Vijay Shanthi Builders

Business: Construction – residential property development primarily in Chennai. Recent Udaipur project is its first foray in other region. About 10% revenues come from mineral water business.

Business trend: Chennai residential market is high demand – low supply (gap) 60% of 5500 projects pre-sold from Jan-July'06. Situation unlikely to change in next 4-5 years despite many other projects coming up. Attractive to developer as fast absorption and quick exit on completion. Highly fragmented market where about 25 builders control 70-75% market (as opposed to 5-6 builders in other cities). Mineral water – high demand in Chennai.

Low entry and exit barriers – but no threat as very high demand exists to absorb all that is built.

Company: '92 onwards. Started as budget apartment builders are shifting to premium segment. However, lower number of apartment units in each projects (max.40 units) as opposed to major players having 100 units average in one project.

Financials: secured loan 8.06cr, unsec 0.42cr, related party transactions negligible, reserves 8.29cr, eps Rs.2.14, BV Rs.17.23, net profit margins 10.32%. net asset block 3cr rest 25cr in current assests. (bal.sheet of 28.23 cr). No equipment / asset investment planned. On completion, projects expected to add Rs.50-65 crores this year and Rs. 175 crores next year. Advance tax payer – collecting tax refunds. Excise duty disputes of rs.19.72lacs pending (contingent liab.)

Management: Chandan Parmar, Chairman, V.C Jain – Chief executive. (Top mgt.salaries low - rs.22.5lacs for 3 ppl)

Growth: industry norm of 10-15% average across cycles. Land – has acquired 25acres in Chennai, in process of acquiring 15 more, total 40acres.Market value estimated at Rs.250crores, will start a project here soon. Contracting – for BHEL housing – Rs.4.48cr project.If all its planned projects go through, total contribution is about rs.300-400crores topline in next two years.

Competition & interesting developments: Arihant (has good political connections), Jains housing, Mahindra (1000 acre commercial+300 acres residential), Shriram projects(sez close to Mahindra project), Ozone (43 acre township of 2000units), activity very high on suburbs, it/ites corridor. Many other peers / players.

Risks: Being acquired – unlikely as no value add. Acquiring – too small itself. Winning municipality approved land for projects. Trades in Z group of shares.