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# Ritesh Properties & Industries Ltd.

Office No.2, Rajgriha, First Floor, Four Bungalow Junction, Andheri (west), Mumbai – 400 058.

5th Sept' 08 **Ritesh Properties & Industries Ltd.** CMP: Rs.82/-

## About the Company

It is one of the youngest growing North India based companies, having its head office at Ludhiana and registered office at New Delhi. The company has entered into an agreement with leading developers of India, Ansal Properties and Infrastructure (API) for developing a premium housing project and a business park at its own 40 acre land in Ludhiana. In order to find a prominent place in garment industry, the company has recently acquired a US based company Catalina Bay USA Inc, which is marketing company. This acquisition would help the company to have a strong presence in US market. The company has also made foray into another fast growing segment in India .i.e. is organized retail in women's wear. With in this segment the company has targeted a niche segment of Women Contemporary Wear. To realize the dream of becoming a formidable player in this segment, the company has formed a wholly owned subsidiary named "*Femella Fashions Pvt. Ltd.*"

## Existing Realty Business

Ritesh Properties and Industries (RPIL) was incorporated in the year 1987 in New Delhi. It is primarily in to real estate & has forayed in to world of retail. Ritesh is a public limited company listed in stock exchanges of Mumbai, Delhi, Kolkata and Ludhiana.

It has recently formed a joint venture with Ansal Properties and Infrastructure (API), leading infrastructure development company. Both of them will work together for the development of finest housing projects and Business Park in Ludhiana. Currently, Ritesh & Ansal are working on Hampton Court Project.

# HAMPTON COURT PROJECT

Hampton Court, located on the Ludhiana - Chandigarh state highway is one of the premium housing projects. It is deemed to be the one of the most high profile projects of Ludhiana.

*Project Cost is estimated to be about Rs.800 cr.*

## Details of Project – Hampton Court

- 40 acres Project and Industrial Project in Ludhiana - " Hampton Court "
- 16 acre Premium Residential Complex – with 580 apartments.
- 24 acre Business Park – targeting leading companies in Textiles, IT, etc.
- Tie with up Ansal Properties and Infrastructure. (API).
- Ritesh has contributed Land; and Ansal is responsible for the construction and marketing.
- Ritesh will earn 22.5 %, net of all expenses and Ansal 77.5% of the revenues from the project. All expense would be initially borne by Ansal. All statutory permits are in place.
- All permissions have been received. Sample apartment is ready.
- Construction to commence from Sept./Oct 2008.
- First Phase to be completed by Dec 2009.
- Complete construction by March 2012.
- Booking has commenced & response has been encouraging.
- Estimated Sales Total Revenue from 2008-2011 is expected to be around Rs.670 crore

# HOUSING PROJECT

The project will consists of 580 apartments, including penthouses, sprawling across the estate and only 4 apartments to each floor with 2 elevators. The apartments rise to a height of 9 floors excluding the Ground floor with the Penthouse on the top.

Over 80% of the 16 acre area is covered with landscaped gardens, water bodies and fountains.

Project boasts of the following amenities:

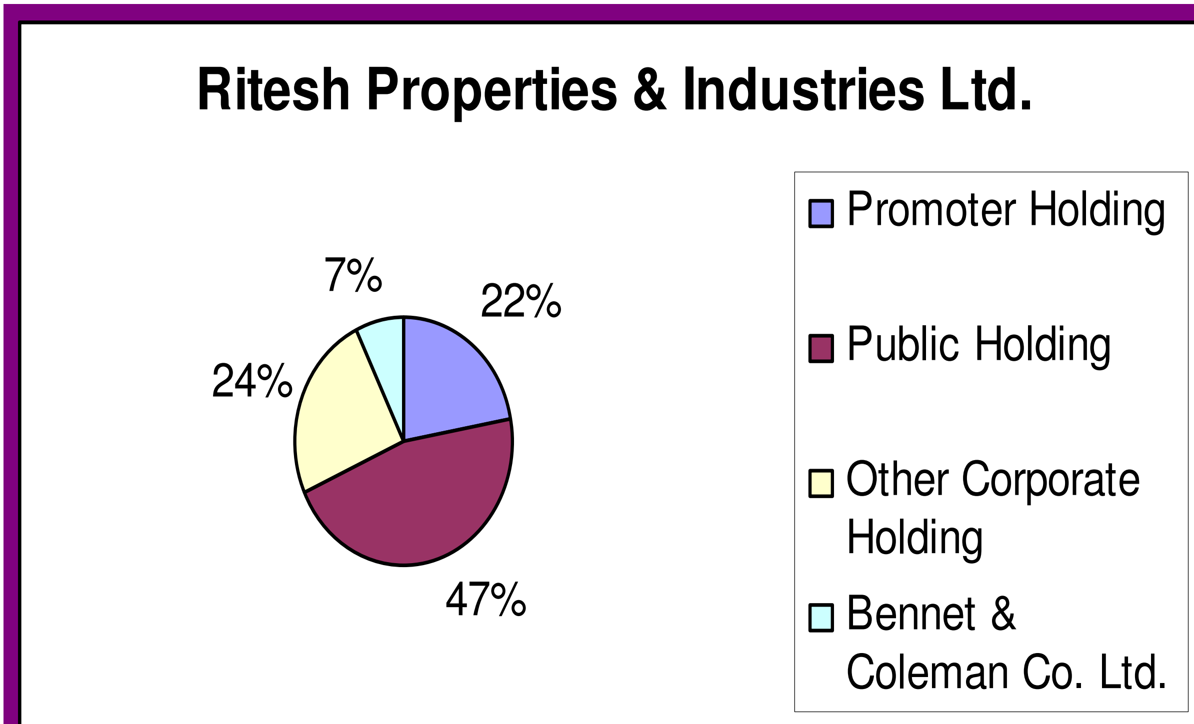
- Easy & Fast Connectivity
- 80% Open Area
- Neighborhood Shopping Arcade
- Play School
- Exclusive Club House
- Luxurious Specifications
- Modular Kitchen
- Medical Facility

The project spreads across 40 acres on the Ludhiana-Chandigarh road, within the municipal limits of Ludhiana city. Initial work on the project has already started and the project will be launched in a month's time.

# BUSINESS PARK

Out of the 40 acre land, 16 acres has been allocated to the Housing Project. The remaining 24 acres has been allocated to the business park. This business park is currently under Construction. Once the construction is completed, company will be targeting leading companies in Textiles, IT, etc.

# SHAREHOLDING PATTERN



# BRIEF ON ANSAL PROPERTIES AND INFRASTRUCTURE

ansal API
Building lifestyles since 1967

Ansal API - Ansal Properties and Infrastructure was founded by Mr. Sushil Ansal (the present Chairman) with Late Lala Chiranjiv Lal Ansal in 1967. Their family business developed into a major organization in the real estate industry and changed the whole definition of lifestyle of the people. It has 4 decades of successful track record of real estate promotion & development, both in residential and commercial segment & its strength lies in its inherent ability to identify new growth opportunities. Ansal Constructions has diversified its scope to building not only homes and offices but also places of entertainment, hotels, shopping malls and various educational institutions.

The first major achievement of Ansal API - Ansal Properties and Infrastructure was witnessed with the establishment of the popular Ansal Plaza in Delhi. This brought a new concept of mall culture in India and changed the whole scenario of shopping trend. It brought about a huge revolution in the lifestyle of the people. After that, there was no looking back for the Ansal Real Estate ambitions and many malls were constructed in the northern region of India. Not just Ansal Highway Plaza and Ansal Royal Plaza were also added, but even the hospitality industry has been included. For instance, The Palms in Gurgaon has remarkably altered the hotel industry scenario.

Most recently, the Ansal Infrastructure has put its foot on the SEZ's, Industrial parks and IT hubs. In step with its expansion plans, the Ansal API has forayed into the development of integrated townships, IT cities and properties in joint ventures in tier-II cities and towns. The focus on smaller cities has been necessitated by the burgeoning din of real estate development in the NCR region and the desire to offer an improved life style to the bulk of the Indian population living in smaller towns. The success of township projects of Ansal Indore and Agra has led to development of similar townships in other cities of Jammu, Rewari, Karnal, Meerut, and Amritsar.

Ansal Properties and Infrastructure has undertaken successful Housing Projects in various cities.

- Chandigarh (Orchard County)
- Ludhiana (Hampton Court)
- Sonepat (Green escape)
- Kundli (Sunshine County).

Ansal API has successfully undertaken fantastic constructions in Indore and Lucknow. In fact, cities like Jaipur, Jodhpur, Lucknow, Gaziabad, Meerut, Panipat, Ajmer, Karnal, Bhatinda, Mohali, Kundli have been benefited by the upcoming property development by Ansal API.

The Infrastructure domain has many feathers to its cap in cities like Gurgaon (Times Square, Spanish Court & Palam Triangle) and one each in Panipat (Galaxy Court), Kundli (Roman Court) and Jaipur (Sushant Plaza).

## ABOUT RITESH'S PROPOSED REALTY PROJECT

### Rs.1000 cr. Knowledge IT Park

The company has tied up with Beekman Helix India Consulting Pvt. Ltd. ( wholly owned subsidiary of Beekman Helix India Partners, LLC - US based Merchant Bankers) to set up a Rs.1000 cr. Knowledge Industrial Township at Ludhiana - Jallandhar in Punjab. The project is at a very advanced stage of discussion and the sponsors are evaluating various options of acquiring sizeable chunks of land bank. We have provided for partial investment to be made in acquiring land bank in the consolidated projections of Ritesh but do not feel it appropriate to include any revenues from this project in our projections until further clarity emerges from it. However if things materialize as planned by the sponsors then it would tremendously transform the financials of the company.

# OVERVIEW ON REAL ESTATE :

Real estate sector in India is witnessing tremendous boom. Real estate industry in India is presently worth $12 billion and is growing at the rate of 30 per cent per annum. The importance of real estate sector in India can be gauged from the fact that it is the second largest employer next only to agriculture. The real estate industry has significant linkages with several other sectors of the economy and over 250 associated industries. According to a study One Rupee invested in real estate sector results in 78 paise being added to the GDP of the country.

Eighty percent share of the real estate market is garnered by residential sector and the rest is comprised of offices, shopping malls, hotels and hospitals. The sustained demand from the Information Technology (IT) sector has fuelled the growth of real estate sector. It has been estimated that the demand for IT space would be 66 million square feet over the next five years. Several multinational companies are shifting their operations to India to take advantage of the relatively low costs. With human resources being the key element in this industry, hiring people and housing them assume great importance. The need to create space for people to work and live triggers the development of other related infrastructure.

The boom in retail industry has also spurred the growth in real estate sector. India at the moment is witnessing a spurt in extremely large retail spaces. Shopping malls with over 1 million sq ft of space have become the order of the day. As the competition in the market intensifies, builders are going out of their way to be different. Specialized malls, designer brands and multi-movie options are the order of the day. With the big players like Reliance, Big Bazaar, and Bharti entering retail market, real estate sector would be big beneficiary.

The prospects for real estate industry in India looks buoyant. All the factors which contributed to the growth of real estate sector-high disposable incomes, sharp increase in global liquidity, selective capital account liberalization, looser credit policies, a greater availability of leverage due to financial liberalization and a consequent increase in mortgage lending and price increases-look set to continue.

As per CMIE Capex survey, total outstanding investments in the real estate sector touched Rs.8, 30, 307 crore as at the end of March 2008. These investments spread over 2,001 projects were higher by 75 per cent as compared to outlay envisaged in the corresponding year–ago period. These investments would sustain the growth of the real estate industry in the long run.

Flying high on the wings of booming real estate, property in India has become a dream for every potential investor looking forward to dig profits. All are eyeing Indian property market for a wide variety of reasons:

- It's ever growing economy which is on a continuous rise with 8.1 percent increase witnessed in the last financial year. The boom in economy increases purchasing power of its people and creates demand for real estate sector.

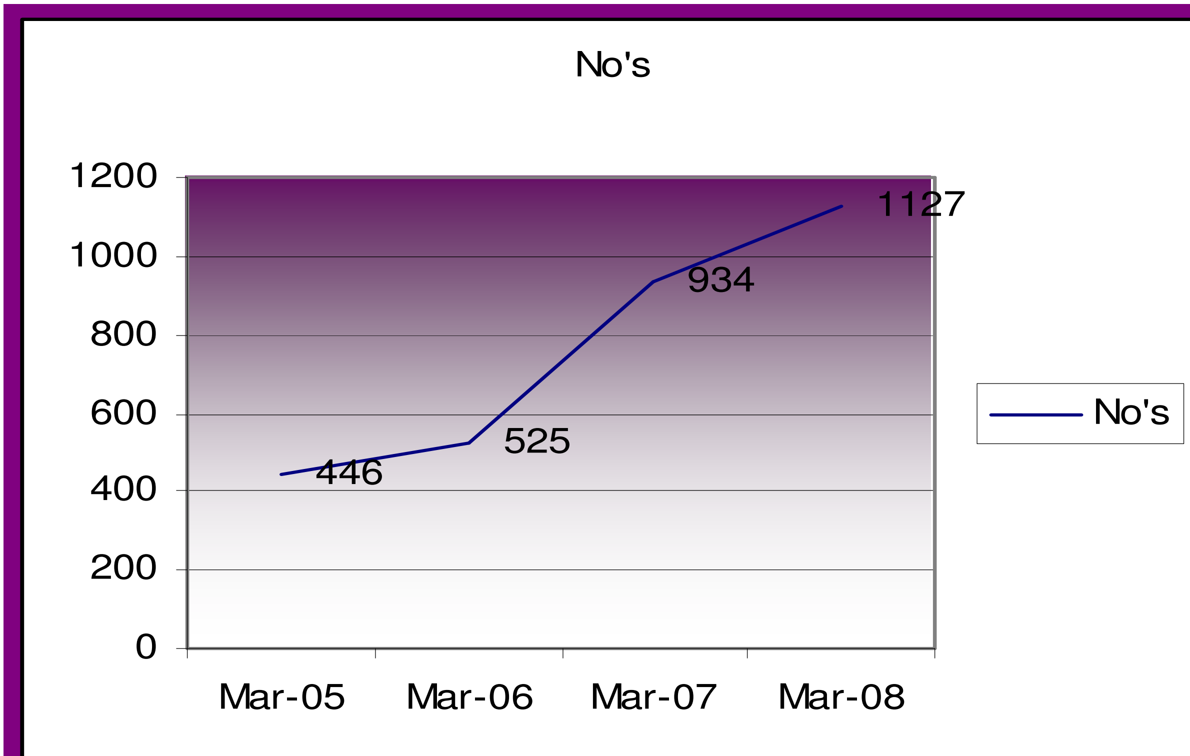
- India is going to produce an estimated 2 million new graduates from various Indian universities during this year, creating demand for 100 million square feet of office and industrial space.
- Presence of a large number of Fortune 500 and other reputed companies will attract more companies to initiate their operational bases in India thus creating more demand for corporate space.
- Real estate investments in India yield huge dividends. 70 percent of foreign investors in India are making profits and another 12 percent are breaking even.
- Apart from IT, ITES and Business Process Outsourcing (BPO) India has shown its expertise in sectors like auto-components, chemicals, apparels, pharmaceuticals and jewellery where it can match the best in the world. These positive attributes of India is definitely going to attract more foreign investors in the near future.

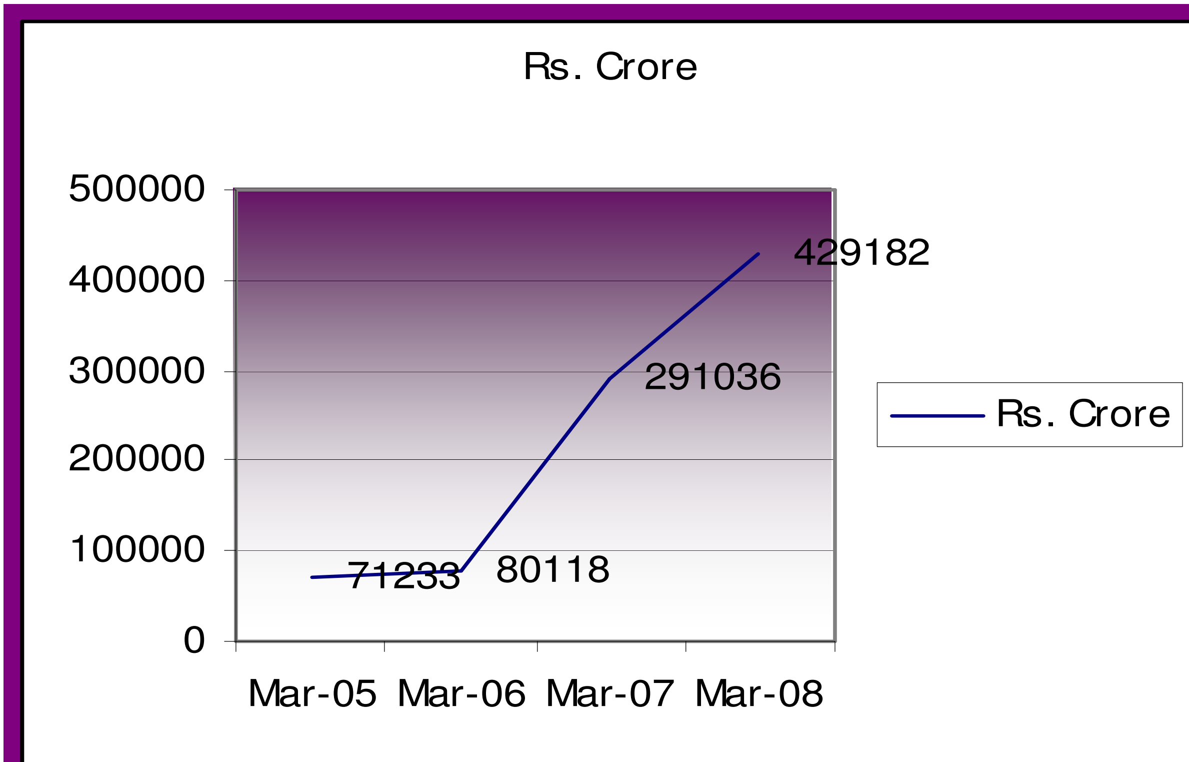
The current investments are being fueled by high demand for office space from the growing IT, ITES and BPO industry (however this demand has dropped in the past couple of months), shortage of houses in residential sector, spread of mall culture and the popularity of SEZs. Investment activity in the industry has also gathered momentum as funds are easily available to the developers on the back of entry of private equity investors, 100 per cent FDI in the sector being allowed, and floatation of real estate funds by financial institutions like investment banks and housing finance companies.

Another factor expected to drive real estate demand is the development of SEZs which has caught the fancy of not only realty developers but also private manufacturing companies. Based on the information captured by our survey, total outstanding investments in setting up these duty–free and tax–free enclaves stood at Rs.3,65,508 crore as at the end of March 2008. India's biggest private sector company, the Mukesh  Ambani led Reliance group is investing a whopping Rs.76, 000 crore in three SEZ projects spread over Haryana, Raigad and Navi Mumbai. The other group which is investing heavily in SEZ projects is realty developer, DLF Ltd. The company has initiated six SEZ projects entailing an investment of Rs.31, 250 crore.

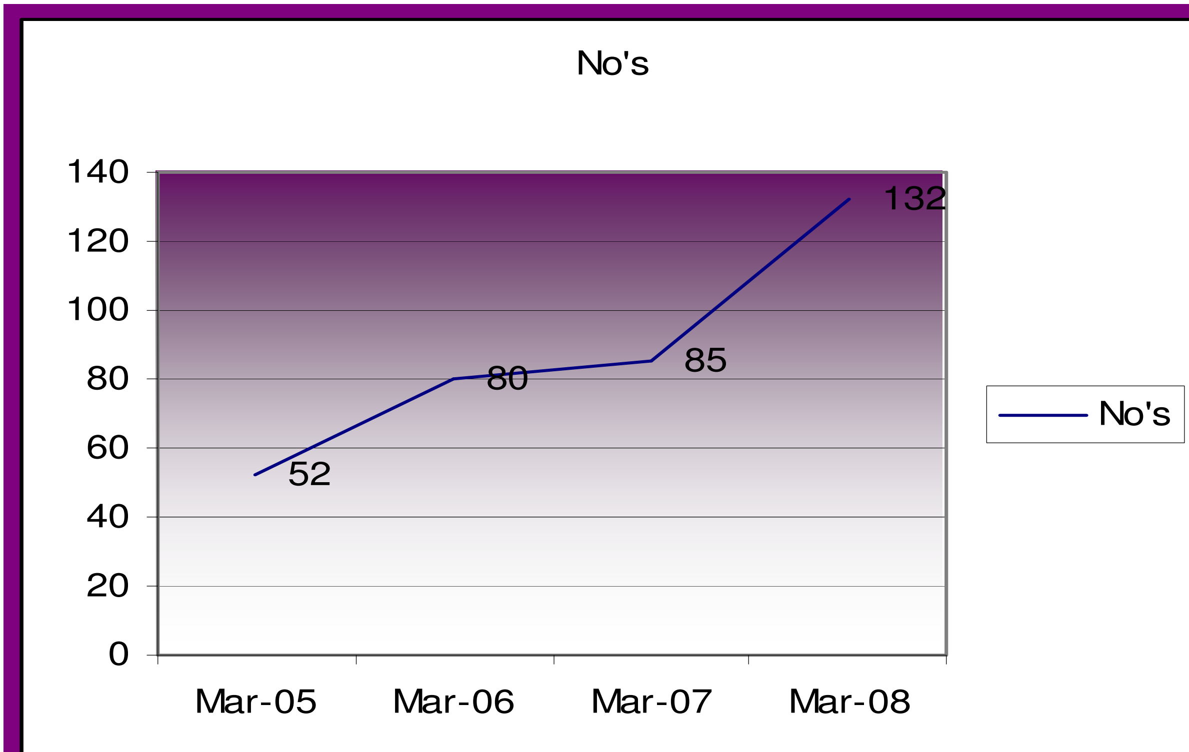
Real estate has been one of the fastest growing sectors in India in the last couple of years. Since December 2005, the sector has clocked revenue growth of 70 per cent on an average in every quarter. This was helped by a burgeoning BPO and IT industry, housing shortage, mushrooming of malls across cities and growing investment in hospitality and healthcare sector, which created huge demand for real estate. On the other hand, there has been short supply of land available for development. Due to the tight demand–supply fundamentals, property prices have skyrocketed in the last couple of years. This is aptly reflected in the huge expansion in margins of real estate companies. Aggregate PBDIT margin of the sector, which hovered around 15–27 per cent during 2005–06, was reported in the range of 32–46 per cent in 2006–07. For the first three quarters of 2007–08, average PBDIT margin of the sector was recorded at 41 per cent.

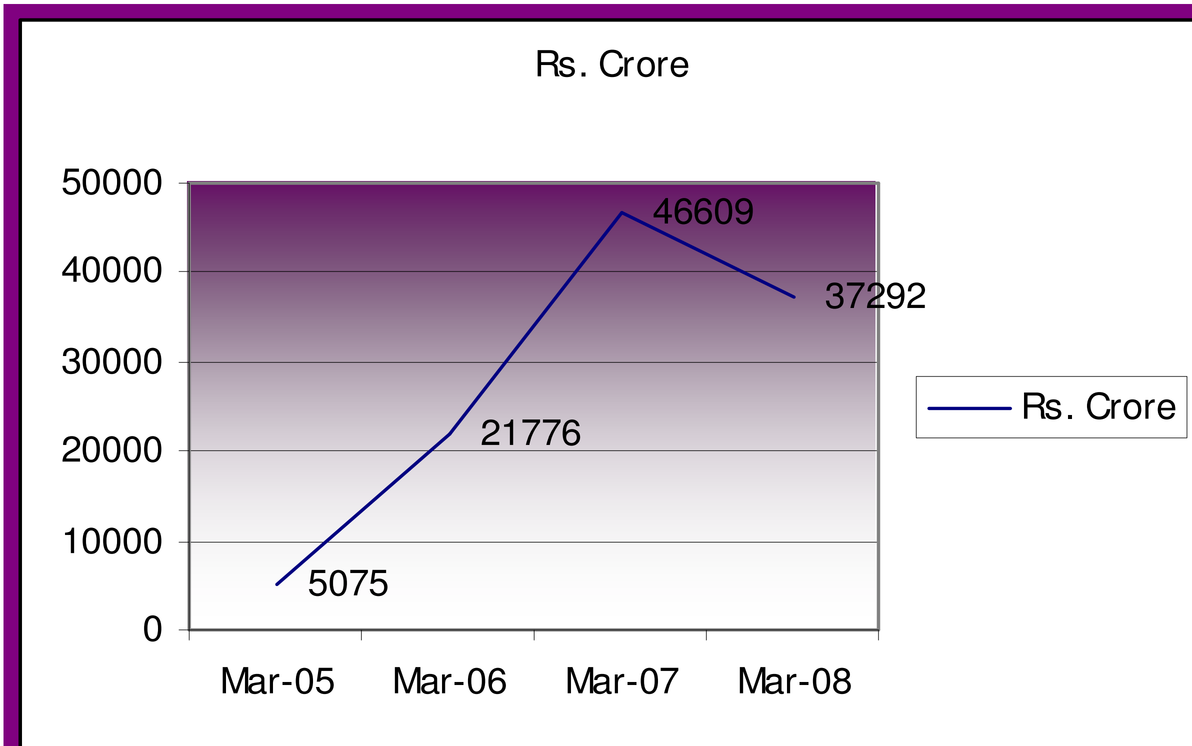
## PROJECTS UNDER IMPLEMENTATION



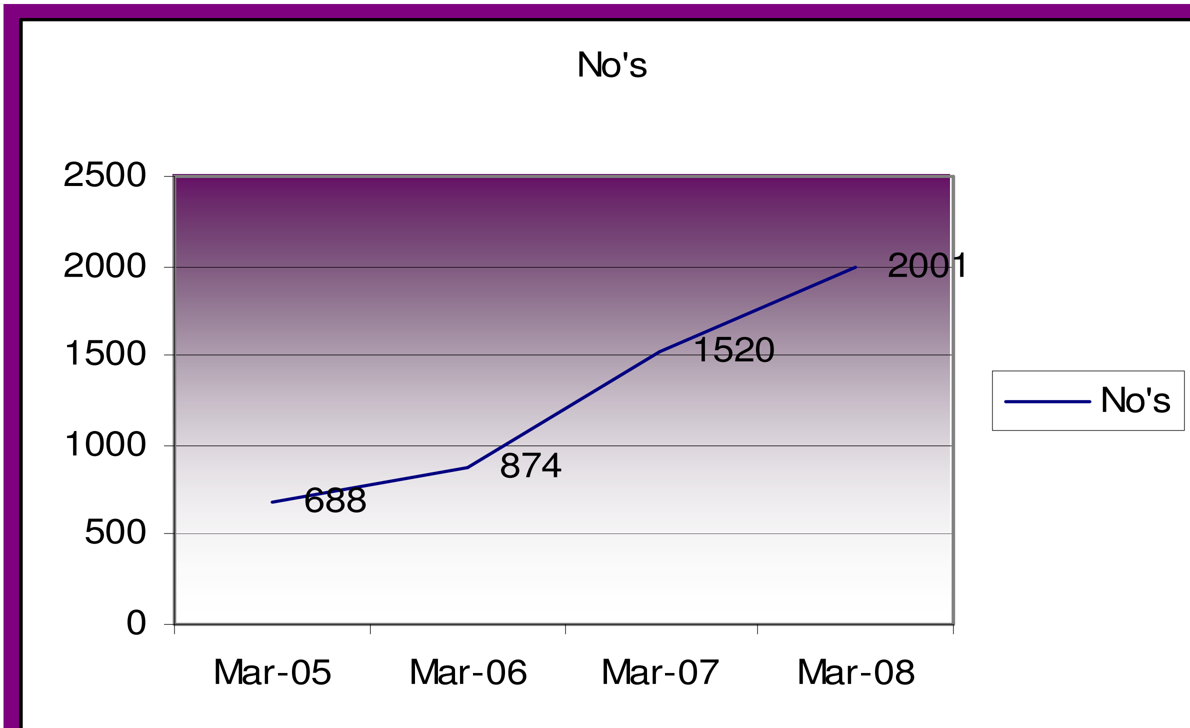


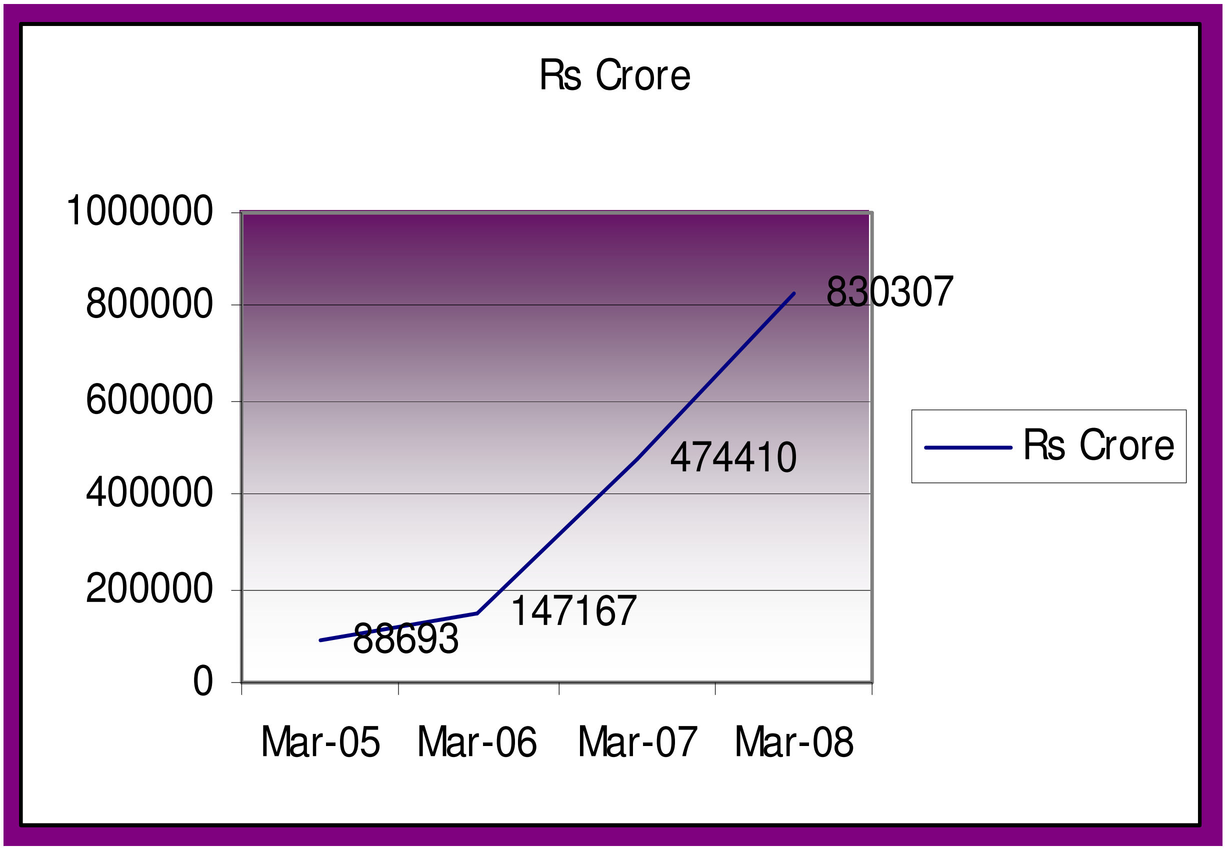

## NEW PROJECTS






## TOTAL INVESTMENT






The Real Estate Industry has significant linkages with several other sectors of the economy and over 250 associated industries. One Rupee invested in this sector results in 78 paise being added to the GDP of the State. A unit increase in expenditure in this sector has a multiplier effect and the capacity to generate income as high as five times. If the economy grows at the rate of 10% the housing sector has the capacity to grow at 14% and generate 3.2 million new jobs over a decade.

## FEMELLA FASHIONS PVT LTD….CREATE ON AURA

Apart from Real estate sector, company has also ventured in to most progressive sector of Indian economy i.e. retail. In this sector, company has forayed in to the Woman ethnic wear segment.

For this business, they have established a dedicated subsidiary called *Femella Fashions Pvt. Ltd.*

## SPECIFICS OF THE PROJECT

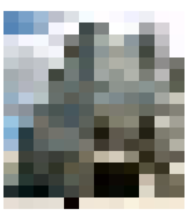
*Femella Fashions Pvt. Ltd.* is 100% subsidiary of Ritesh Properties & Industries ltd.

In the beginning, *Femella* set up new store in North NCR of Delhi and Punjab. Than later on, it will diversify across different states in India. The subsidiary has already acquired leases for setting up couple of outlets.

**Project Cost estimated**- INR 1974 Million

Out of 1974 Million,


*INR 777 Million to be contributed by Equity*



*Balance amount of the project i.e. INR 1,197 to be funded by Debt.*

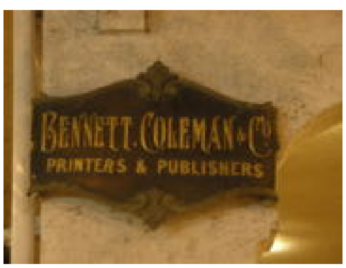
Architects & Interior Designers for the project would be **Delhi Studio9491.**

*Femella*, in order to maintain stringent quality standards will **procure the merchandise** on their own and will deliver them to the production houses in & around Delhi.

*Femella* will have its own in-house designing team. The team would constitute of those people who have already worked with prominent Indian designers in the past.

Catalina Bay

In order to brace up its overseas retail operations, RPIL has acquired a U S based company called ***Catalina Bay***. This acquisition will enable the company to market its apparel seamlessly in US market.




Company has also tied up with **Bennett & Coleman** group, the largest media group for marketing of its products for 3 Years.

The target customers for the *Femella* would be **students & youngsters**.

## PRESENT STATUS OF PROJECT

- Sponsors have already taken few stores on lease for setting up retail apparel outlets in North India, for which operation have already started .

| Projections on opening of new stores | FY 09 | FY10 | FY11 |
|---|---|---|---|
| | | | |
| **No of stores proposed during the year** | 25 | 35 | 45 |
| **Total no of stores** | 25 | 60 | 105 |

- Sponsors have identified team who are engaged in the process of identifying probable locations for establishing a pan India presence.

- Identified and appointed Delhi Studio 9491 headed by Raman Shukla and Anjali Shukla as the Design Architect

- Identified and Appointed excellent staff for designing the apparels including some well-known names who were working with likes of JJ Vallaya.

- FFPL would set up the above retail stores across India. Initially, the company proposes to set-up the stores in North India and later proposes to cater across different locations of India. The first retail stores have been set-up in Delhi and Gurgaon. The average retail store size would be around 1,200 sq. ft. with around Rs.175/- per square ft. pm which is in tune with other competitors store size.

## OVERSEAS RETAIL OPERATION

Also, to strengthen its overseas retails operations, RPIL has acquired a US company namely Catalina Bay USA, Inc. RPIL will get the apparels ready in India and will send it to its US Company for marketing in the U.S. market. This will help RPIL to make its presence felt in the U.S. market.

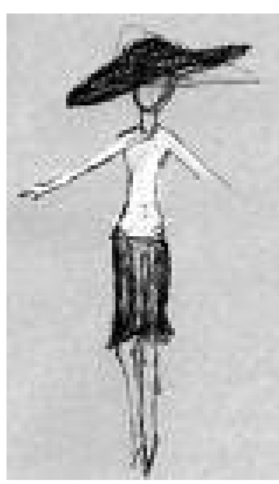
## MANUFACTURING PROCESS.

Femella has its own Fashion Designing time having people who have worked for renowned designers of country, Merchandising for procuring of material & Quality Control. Whole of the merchandise required to produce the garments will be procured by Femella and delivered to production houses, in and around Delhi. Merchandise produced by these production houses will be sent to stores.

## RENTAL & LEASING COST.

For setting any retail outlet, FFPL is projected to pay 6 months advance lease rentals to retail owners. This cost is in addition of store structural fit-out costs. These costs have been considered based on total number of outlets being opened in India by FFPL over 5 years. Advance rentals would form a major cost for setting up any retail outlet. Lease rental deposit has been considered at 4 month lease rentals.

## SWOT ANALYSIS for Femella



# STRENGTH

- The management has plans to open retail outlets at key locations within the periphery of the mass consumer base.

- An increase in levels of education and employment amongst women has led to higher disposable incomes and a desire of improved standard of living. Women are known to be dress conscious and prefer to spend on apparels with latest fashion designing.

- The promoters have already identified potential locations for setting their retail stores and are in advanced stage of negotiations with developers. The mushroom growth in construction of malls in the last two years has resulted in over supply of space and developers are no longer in a position to dictate their terms on squeezing high rentals from retailers. In fact many developers are inviting proposals from retailers to ensure to speedy sale of their leased space.

- It already has an advertisement tie up with M/s. Bennett & Colman for advertisement space for 3 years. Further this agency has acquired 847,458 shares at Rs.59/- each in Ritesh Properties & Industries Ltd. Needless to state the level of confidence such reputed advertisement agencies have in the capabilities of promoters.

- The entire retail store chain will be set up under the expertise of leading consulting firm “Technopak”. This consulting firm needs no introduction as they have served in textiles and apparel segment for major corporates with established brands viz: Arvind, Aditya Birla Group, Bombay Dyeing, Gokuldas, Himatsingka, Madura, Raymonds, Vardhaman, Welspun, etc.

- It has already completed the recruitment of professional apparel designing staff.

## WEAKNESS

- The announced its ambitious plans to open 500 stores in a span of five years. However the sites locations outside NCR are yet to be identified.
- The company is more familiar within the geographies of North India and therefore its success at pan India level remains to be tested.
- Competition from unorganized retail growth may affect the company's volume growth.

## OPPORTUNITIES

- With the ongoing liberalization process, India will get more and more globalize and this will lead to increase in footfalls of people in retail outlets.
- A paradigm shift of consumer towards retail coupled with higher disposable income is going to create substantial demand for branded fashion garments.
- FDI norms now permit foreign direct investment in single brand retail operation. This relaxation can in later stage prove immensely beneficial to Femella
- It can have brand tie ups with various global brands in the apparel segment which can enhance its own brand value and generate substantial growth in its apparel segment.

## THREATS

- Any political instability in India or excessive dominance of left forces within the future ruling coalition may be detrimental to the growth of retail.
- Any rise in store rental may not restrict the setting up of new stores in future but would also affect the margins of Femella Fashion.

# RETAIL INDUSTRY OVERVIEW

## Indian Retail Sector

***"No power on earth can stop an idea whose time has come"*** Dr Manmohan Singh, then Finance Minister of India, quoted Victor Hugo, while presenting the Union Budget for 1994-95, making a reference to the Indian economy's unlimited potential. If, Dr Singh were to use the quote again today, he would probably apply it in the context of the promise contained in the Indian retail industry and, in particular, organized retail in India in the days to come. Today, India is standing on the threshold of a retail revolution and is witnessing a fast changing retail landscape. Retail in India is seen as mirror of IT industry.

India tops the annual list of most attractive countries for international retail expansion, according to A.T. Kearney's Global Retail Development Index 2006.

***(Source: - India Retail Report, by Images F&R Research 2007).***

# INDIAN ADVANTAGE

India would be among the top 3 economies of the world by year 2015 – Quoted a Prime Minster of a developed country.

India – age 50 years, with a population of more than 100 bn people, is a young nation, who is about to take off. A nation, who was having foreign exchange reserves, which were adequate only for three months of import in 1990-1991, to a nation, who boast $272 bn worth of foreign exchange reserve in 2007, speaks a lot about the paradigm shift, which has taken place in Indian economy since the historical decision taken by the then finance minister Dr. Manmohan Singh to globalize the Indian economy by opening the trade barriers.

India has undergone a paradigm shift owing to its competitive stand in the world. The Indian economy is on a robust growth trajectory and boasts of a stable 8% plus annual growth rate of GDP, rising foreign exchange reserves and booming capital markets among others. Looking at the statistics, the macroeconomic situation of the country seems strong and positive - India's economy in the April-June 07 quarter grew faster-than-expected at 9.3 per cent from a year earlier. The GDP growth was driven by many industries such as, manufacturing, construction and services sector and even agriculture sector, which is a key area of concern for the Government, rose by nearly four per cent.

In addition to the above-mentioned macroeconomic indicators, higher disposable incomes, emerging middle class, low cost competitive workforce, investment friendly policies and progressive reform process all contribute towards India being an appropriate choice for investors among the others countries in the world.

***Source: www.indianinbusiness.nic.in***

One of the key factors in creating a self-fulfilling growth cycle is the development in the economy that has seen sustained high rates of growth for the past 15 years. This has created a virtuous loop of increasing salaries and increase in disposable income deeper into the population, and this is spreading beyond just the big cities high standard of living. Secondly, billions of dollars of investment are being pumped into real estate, removing the bottleneck of good sites for new fashion designing stores, and creating a bay for brands to roll out their chains. Thirdly, companies that began growing the larger formats of retail, such as department stores, in the early years, have begun to reach critical mass. Retailers such as Shoppers' Stop and Pantaloon today provide multiple points of launch for new brands.

Fourthly, and possibly the most important among these factors, is the growth of the young consumers. They were born after the advent of colour television, have known more choice than the earlier generation, and are just entering the workforce amidst soaring salaries, with a free attitude towards spending than their parents. These factors are providing an unprecedented bay for retail growth in general very much like the India, United States and Europe – and for the fashion retail market, it is a tremendous opportunity to tap. Given the overall economic growth rate and development of the consumer base, high purchasing power, a retailer has a strong brand and distinctive product offer, so individual companies are able to gain annual growth rates that outstrip the overall market.

The opportunity has attracted the attention of both Indian and international companies towards fashion designing in India. Among the players like Raymond (through their chain of around 300 stores and clutch of brands as well new players like Madura Garments (an Aditya Birla Group brand). Arvind Mills (formerly a license and joint venture of part of US- based VF Corporation).

Madura Garments contributes about 0.7 percent of the market and Arvind Mills about 0.5 percent of market share. The market is wide open – more open than it has ever been – and the opportunity is ripe for new companies to enter.

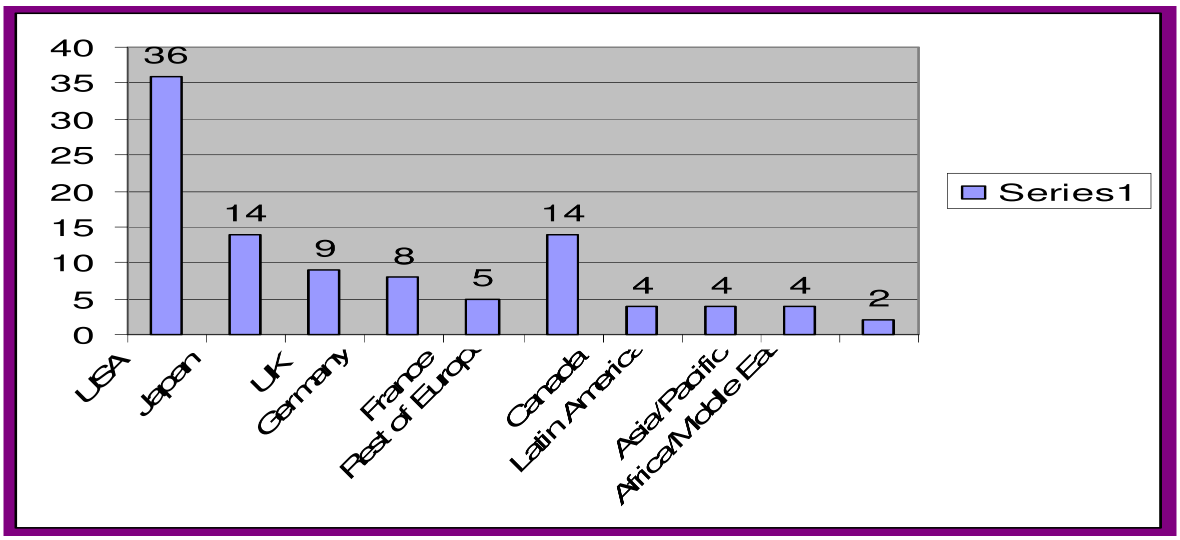
# INTERNATIONAL RETAIL SECTOR

The retail industry worldwide has seen a paradigm shift over the years. From the developed countries to the emerging markets, the retail sector has undergone tremendous change. The trend of globalization of organized retail or modern retail continues to accelerate. Since 2001, more than 49 retailers have entered in about 90 new markets that include supermarkets and hypermarkets.

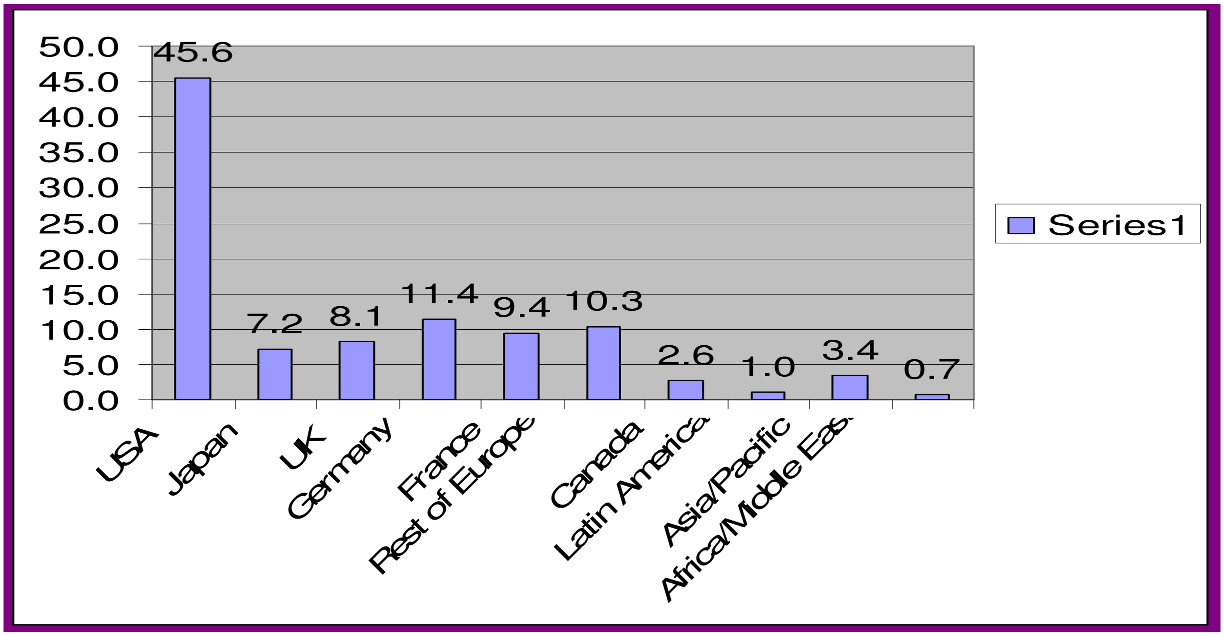
The most developed European markets and the rise of consumerism in Asia and the Middle East have led to the emergence of a retail revolution in the Asian countries. Emerging economies like China and India continue to be the favorite retail destinations worldwide. Asia has always been the largest region of "Emerging Markets". It represents 26% of global GDP and 32% of global retail sales.

*Source: FICCI Retail Report 2007*

A sneak preview below on the (%) of top 250 retailers of world shows, US is the largest 36% contributors of the retail behemoths, followed by Japan at 14%, where as Asia contributes just 4%.




If we look below at percentage contribution in the sales world wide US has contribute 45.6%,where as Asia contributes just 3.4%.Which in ways makes the Asia one of the most attractive markets in the business of world retail.




## VARIOUS RETAIL FORMATS

There are various formats have been adopted by the retailer world wide. The most famous among them are as follows:

***Hyper Markets:*** These are large (Approx. 20,000 Sq. ft) self servicing stores offering several product ranges, including fresh food besides many non food items.

***Supermarkets:*** Departmentalized self-service store offering wide variety household merchandise, apparels, etc keeping quality and ambience in mind.

***Specialty Chains:*** These outlets focus mainly on particular brand or category usually non-food item

***Discount Stores:*** These stores provide food and non-food items at a discounted rate which is generally market lesser (8%-10%) of the MRP.

***Convenience Stores:*** Located at petrol pumps, these stores provide one stop convenience to motorists to shop

***Mom-and-pop stores:*** These are generally family-owned businesses catering to small sections of society. They are small, individually run and handled retail outlets.

***Category killers:*** Small specialty stores have expanded to offer a range of categories. They have widened their vision in terms of the number of categories. They are called category killers as they specialize in their fields, such as electronics (Best Buy) and sporting goods (Sport Authority).

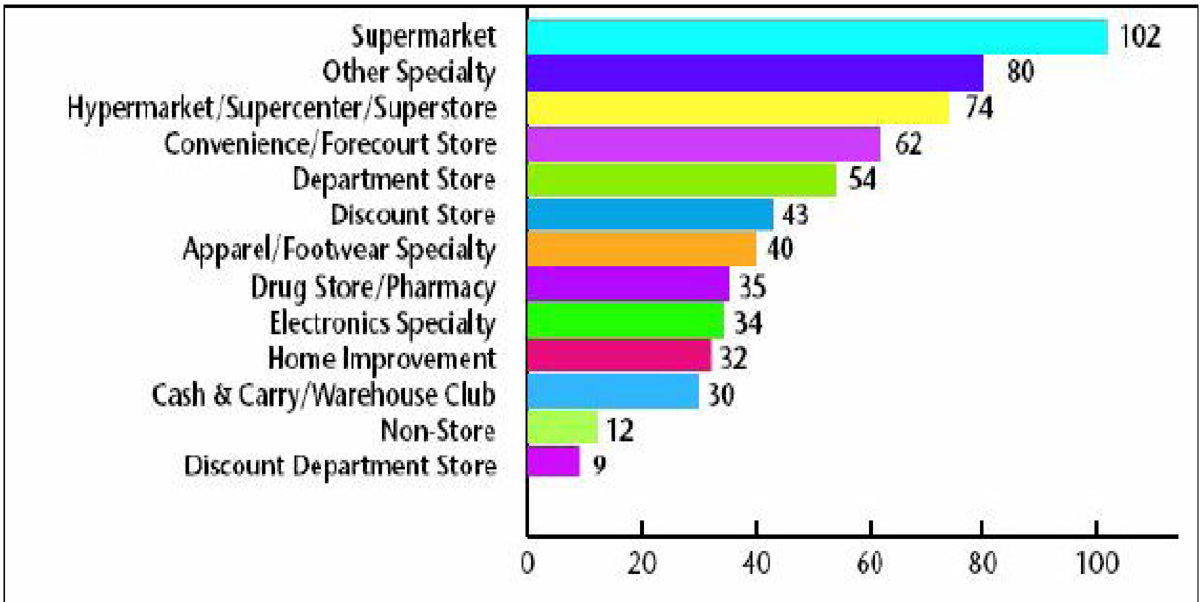
***Department stores:*** These are the general merchandise retailers offering various kinds of quality products and services.

***Malls:*** These are the largest form of retail formats. They provide an ideal shopping experience by providing a mix of all kinds of products and services, food and entertainment under one roof. Examples are Sahara Mall, TDI Mall in Delhi.

***E-retailers***: These are retailers that provide online facility of buying and selling products and services via Internet. They provide a picture and description of the product. A lot of such retailers are booming in the industry, as this method provides convenience and a wide variety for customer. But it does not provide a feel of the product and is sometimes not authentic. ***Examples are Amazon.com, Ebay.com, etc.***

***Vending:*** This kind of retailing is making incursions into the industry. Smaller products such as beverages, snacks are some the items that can be bought through vending machines. At present, it is not very common in India.

## A look at the retails formats used by Retailers Internationally:




Source: Deloitte 2006 Global Powers of Retailing

# APPAREL AND FASHION WEAR

The shops and retailers of apparel and fashion wear in Hyderabad have provided a tremendous boost to the fashion industry in Hyderabad.

These shops and retailers of apparel and fashion wear in Hyderabad help the people of Hyderabad to keep with the latest trends and fashion that is prevalent in the fashion industry of India, as well as the world. These shops and retailers of apparel and fashion wear in Hyderabad provide a wide range of things under one roof. The recent trend says that one roofed malls are in vogue in Hyderabad. Therefore, throughout the city one find shops and retailers in apparel and fashion wear emerging from every nook and corner of the city like mushroom.

Some of the famous shops and retailers in apparel and fashion wear in Hyderabad are bananar beauty, bommana saree mandir, color plus, corals etc.

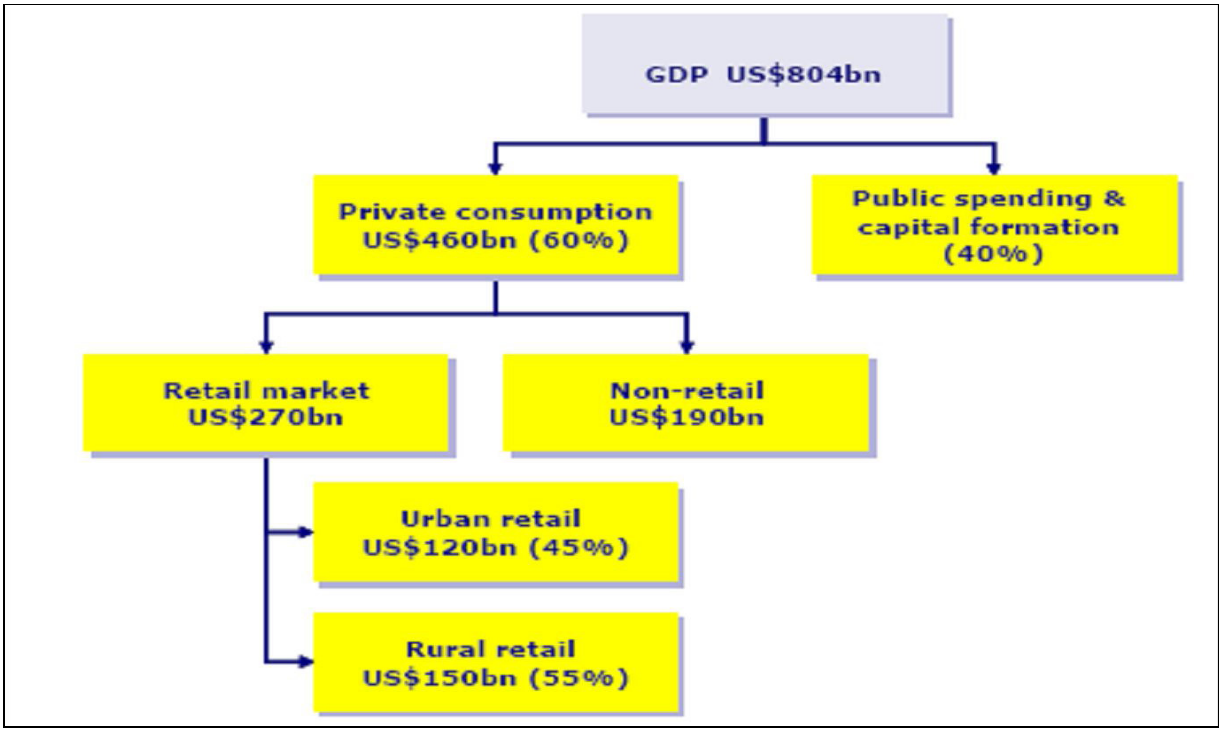
***Source: - Maps of India.***

Apparel and fashion in Kolkata is making an incredible mark on the industries of Kolkata. Since a long time, fashion has been a source of delight for the inhabitants of Kolkata, but today kolkatans are found crazy in case of retail. Apparel and fashion industry has the reputation of being instrumental in increasing the economy of a country. Therefore India being a developing nation, the government of India has also taken adequate measures in reimbursing the status of the apparel and fashion industry.

Kolkata, being one of the metropolitan cities, is also working towards this goal; as seen that as economy is growing, there is change in the standard of living, specially among female and kids in society, who always in hunt of new fashion to enter the market.

***Source: - Maps of India***

# COMPOSITION OF INDIAN GDP




*Source: India Retail report by Images & F & R 2007*

**While rural-market potential is just as great as urban-market potential, the urban segment is more attractive to retailers since about 35% of the urban population accounts for about 45% of the total consumption basket.**

India's central bank and most other forecasts have pegged growth in Indian economy around 8% in 2008-09 finanical year.India economy, the third largest economy in the world,in terms of purchasing power, is going to touch new heights in coming years.As predicted by analyst, by 2035 India would be the thirst largest economy of the world just after US and China. It will grow to 60% of the US economy. Economy has to pass through many stages before it can achieve the current milestone of 9% GDP.

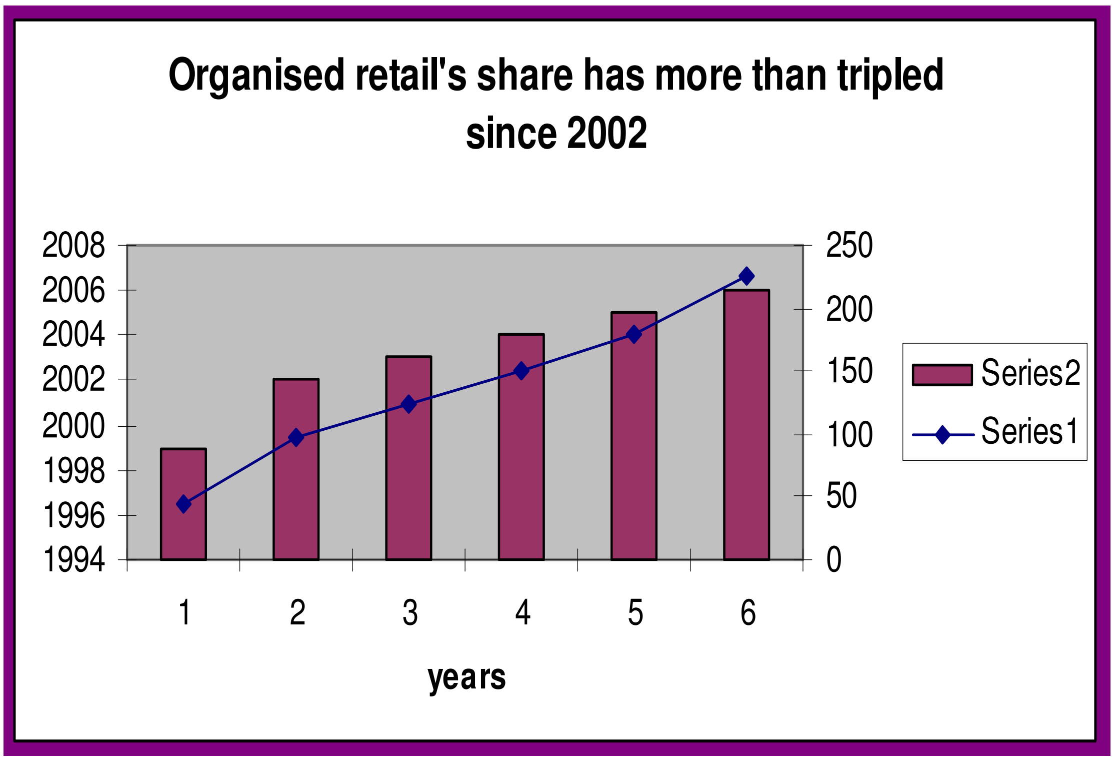
Out of the total world population, 50 percent of the global population will live in cities by the end of this year. This is first time in human history, while the percentage of urbanised in India will be 29 per cent, a latest projections by the United Nations show. India is increasingly becoming urbanised. Currently only 28% of Indian population is urban. The urban population is expected to grow by 85 Million over the next 10 years.

# CHANGING THE FACE OF INDIAN ECONOMY

Though, the total market size of Indian Retail was US$270bn in FY 2006-2007, but out of this the share of organized retail (modern retail) constitutes meager 3% or US$7.5bn. But the good news is this share is growing at a healthy pace of 25% to 30% compounding annually.

As per industry estimates, by the year 2010, the total market size of the organized retail would be around US$23bn.

This has been shown clearly by the rising trend the following picture.




*Source: Industry*

It makes good sense for the investors to tap this growing sector, as even after the strong growth of the last few years, the penetration of organized retail sector in the country is very low, compared to large countries like China and Brazil seeing penetration of over 20%. But even with nearly 3% penetration, the size of the organized retailing market already rivals the well penetrated, but smaller markets of Malaysia and Singapore. This shows just how attractive India's retail market is for global retailers and aspiring Indian retail giants.

# TRENDS

| Before | After |
|---|---|
| India - the country having the most Unorganized retail market. | The organised retail market in India will more than double in the next three years to touch 30 billion dollars from 14 billion dollars at present, as per a FICCI-Ernst and Young report |
| Traditionally the retail business was run by Mom & Pop having Shop in the front & house at the back. More than 99% retailers used to function in less than 500Sq.Ft of area. | India's mom-and-pop stores are slowly perishing with the arrival of modern supermarkets & Hyper markets.Now a days area for large supermarkets range from a size of 3,500 sq ft to 5,000 sq ft, whereas hypermarkets are typically large, starting from 40,000sq. ft plus |
| Branding was not an issue for majority of customers. | Consumers are increasingly becoming brand consious. According to the latest Nielsen Global Luxury Brands Study India is 3rd most brand conscious country globally |
| Retailer to consumer ratio was very low,for all the categories without exception | With various biggies like, Walmart, Reliance, Bharati venturing in the retail sector, Retailer to consumer ratio is likely to improve further in the coming years |
| Almost all the purchases / (buying) by Mass population was need oriented | As per the report by the Financial Express, International luxury goods makers are planning to foray into India in a big way, perceiving the country as a major "retail destination" of top- end products |
| No FDI in retail sector | Easing of Foreign Direct Investment (FDI) norms in sectors like single brand retail operation |
| Rural retail market was huge, but not fully tapped by Indian INC. | India's largely rural population has also caught the eye of retailers looking for new areas of growth. ITC launched the country's first rural mall ' **Chaupal Sagar' &** DCM Sriram Group launched ' **Hariyali Bazaar' in rural markets.** |
| | |

Some of the largest companies among fashion retailers and brand distributors includes companies like Raymond, which has invested cash from divestment of unrelated businesses into launching or acquiring new brands, as well as upstarts such as ITC, who launched their first Wills store just about five years ago. Among the companies that are of a respectable size, most have spent between 10 and 15 years nurturing the brand – these include Mohan Clothing (Blackberry's) and Color Plus among brand owners, and Shoppers' Stop and Pantaloon, who have molded themselves into constantly evolving retail models.

# EMERGENCE OF MALL CULTURE


Mall culture is slowly and steadily growing in India. Many brands and private labels are launched in the Indian market. The first such retail outlet was Shopper's Stop which launched India's first multi-brand store in the year 1993. The specialty of such malls is that they offer a wide range of varied branded stuff, all under single roof. Some of the famous malls of India are Pantaloons, Westside, Lifestyle, Globes, etc. These retail outlets have also launched clothing line under private labels, manufactured and sold by them. For example- Pantaloons has many private labels under its brand like All, Fashion station and Meal. Some of the major private labels even operate as exclusive stores. The buyer gets an international shopping experience in such retail outlets. There are no nagging sales persons pressurizing the customers to buy.

Family stores are becoming hot favorite shopping hub for the middle-class and upper middle class shoppers. These stores sell garments of nearly all age groups and sexes. Apparels of various brands can be found in family stores. They are being considered as one-stop shopping destination. Roopam, Paneeri, Fashion street, Hira Pana.

***Source: - ezenarticles.***

Since the spread-out of malls is increasing, the major issue will be how to organize fashion retails industry, has potential of making Rs 50,000cr business by the year 2007. Indian retail would cover-up 50mn sq ft by 2007 of sales space countrywide, and nearly 50 % of the total space would be assigned for fashion retailing. It is anticipated that about Rs 20,000cr retail sales would be coming-in from the fashion retailing. A population of over one billion, a massive consumer class, India is considered as the most preferred destinations for investments.

***Source: - ezenarticles***

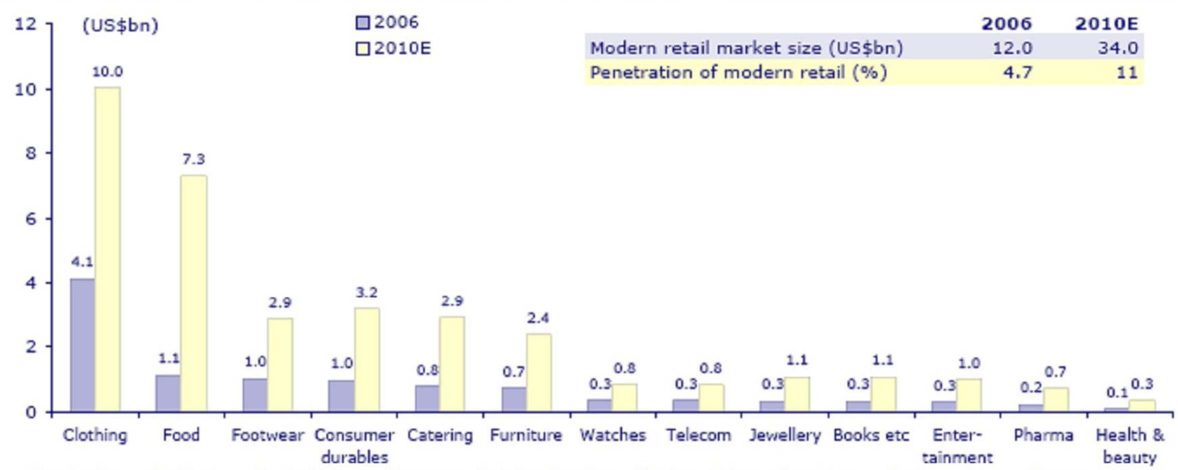
# GROWTH DRIVERS

There are number of favorable factors will lead organized retailing to continue its rapid growth. Such as 35% CAGR for organized retailing over 2006-2010, its penetration will grow to about 11% of retail spend, worth an aggregated US$34bn.

Industries viz: Food & Grocery and apparel & clothing will be more than benefited from the growth in retail segment. However, if the aggressive plans of retailers like reliance, which has a revenue target of US$20bn by FY11, are successful then the organized retail penetration will have to be significantly higher and organized retail will have to reach out to a far larger cross section of the population rather than just the middle class and the affluent sections of the society.

**Penetration of organised retail to rise from 5% in 2005 to 11% by 2010**

| | 2006 | 2010E |
|---|---|---|
| Modern retail market size (US$bn) | 12.0 | 34.0 |
| Penetration of modern retail (%) | 4.7 | 11 |

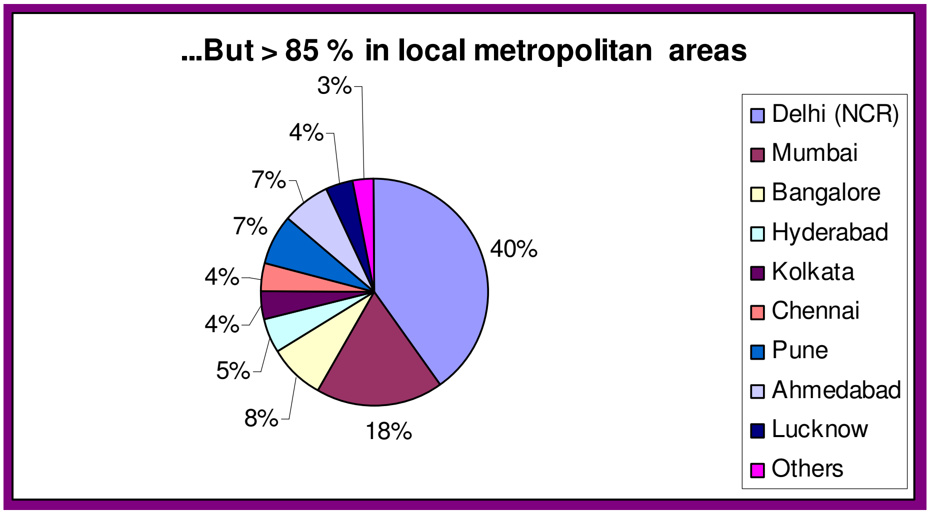



| Penetration (%) | Clothing | Food | Footwear | Consumer durables | Catering | Furniture | Watches | Telecom | Jewellery | Books etc | Enter-tainment | Pharma | Health & beauty |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2006 | 18.9 | 0.8 | 37.8 | 10.4 | 6.9 | 9.1 | 45.6 | 8.0 | 2.8 | 12.6 | 4.1 | 2.6 | 10.6 |
| 2010E | 24.1 | 4.0 | 46.6 | 16.4 | 11.2 | 19.6 | 44.3 | 8.4 | 5.6 | 17.2 | 6.9 | 5.1 | 22.3 |

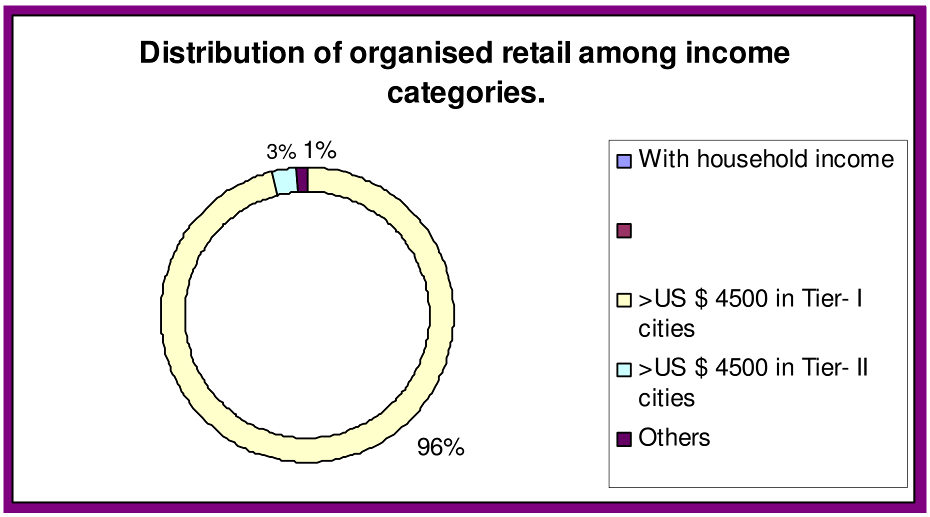
Source: Images Retail, CLSA Asia-Pacific Markets

The first target for organized retailers would be the major cities and towns. So far retailers have targeted the top-tier cities, primarily the four metros and another 15 cities, but now things have changed "youngster will use 12 pairs of clothes for 12 months, while his elder use the same for 24 months".

According to the 2001 census data there are 69 cities in India with populations of over one million (an aggregate of 83m people), and the top 100 cities account for 17% of the total population of over one billion people (aggregating 191m people).



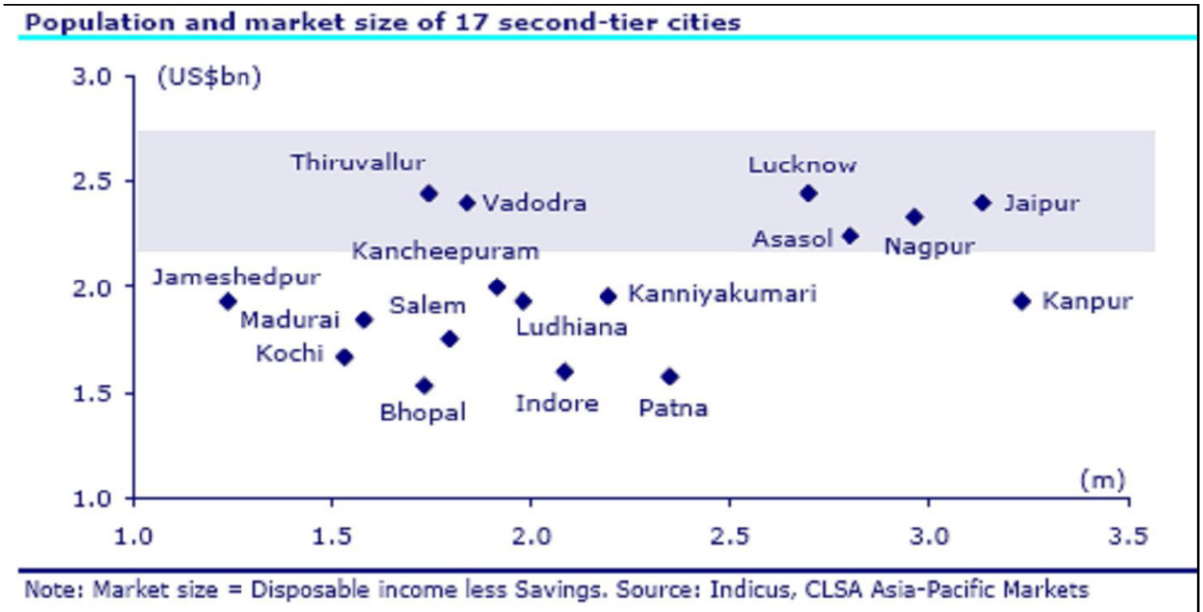

*Source – CLSA*



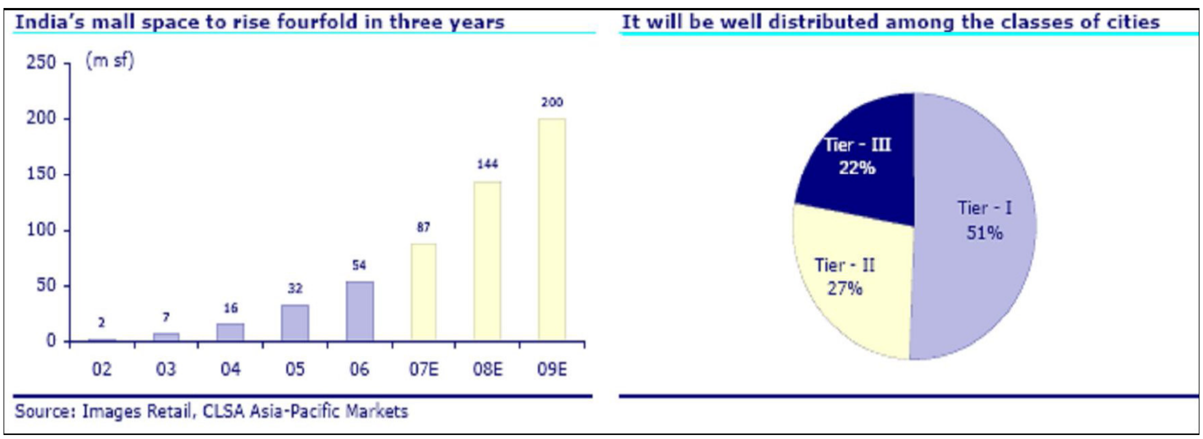

*Source – Asia Pacific Markets.*

Over the next 3-5 years, retailers will increasingly target the next rung of cities and towns. The movement into the next tier of cities will be driven by the need to achieve scale and a drive to gain market share.

The total consumer spend in the 17 second-tier cities is an estimated US$34bn, while that of the next 90 cities (after the top 10) is about US$90bn. Apart from the size and attractiveness of the market itself, ongoing real-estate development will also aid the penetration of organized retailing into cities beyond the top 10.




As per industry estimates, by 2009 first-tier cities share of in mall space will come down from 85% to 51%. On the other hand, second-tier cities will have 27% and the third tier 22% of mall space




Funds from foreign investors have started flowing into real estate after foreign direct investment has been allowed since March-05 into commercial real estate development with a minimum built up area of 50,000 square meters.

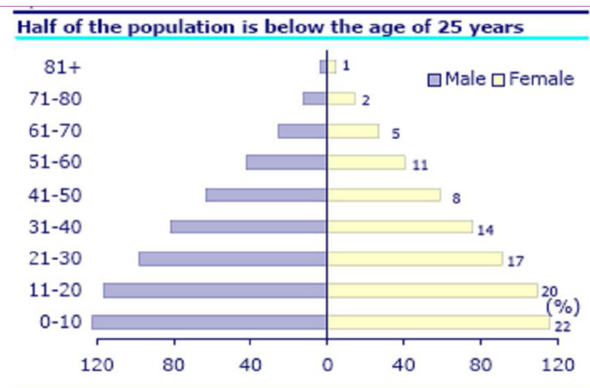
The domestic investors and corporate sector have also begun to look upon real estate as a favorable asset class. This has led to corporatization of real-estate companies, and has helped to promote some better and more professional property-development practices.

# THE DEMOGRAPHIC FACTOR

Favorable demographics are at the core of booming consumerism in India, while strong economic growth is a key catalyst.

Here, we would examine why India's new generation of consumers is different and what drives this group. The changing attitudes and an increasing propensity towards consumption and consumerism mean that fundamental changes are taking root in a society that was traditionally seen as debt-averse and where conspicuous consumption was frowned upon, now believes in spending more of its increased disposable incomes. India's economy has grown at a CAGR of 7% for the last five years. Strong economic growth and more importantly a confidence in future prosperity have resulted in strong consumption growth. At the core of this is the often cited phenomenon of favorable demographics.

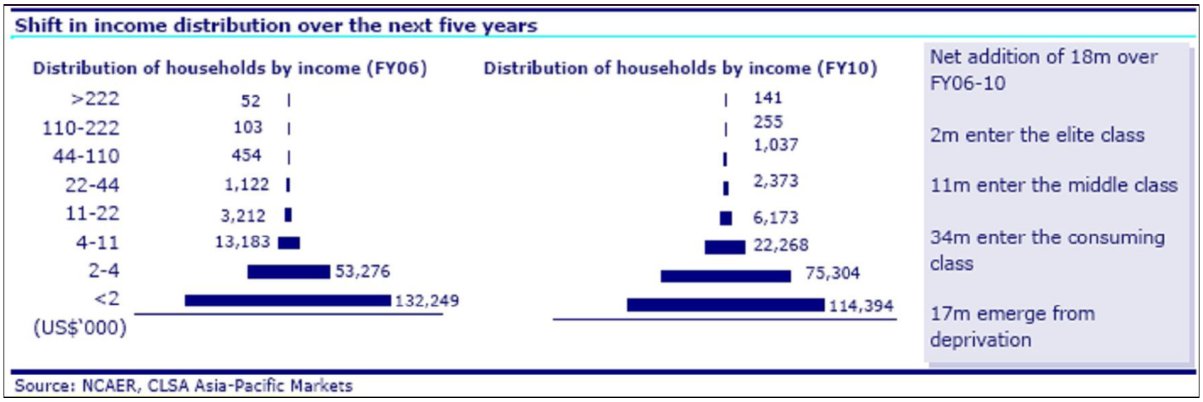
Fifty percent of India's population is under 25 years old; they will form the mass of consumers going forward.


If we look at the consumption pyramid, the proportion of low-income households is declining and the fastest-growing segments are high income and middle-class households.

A recent study by National Council of Applied Economics and Research (NCAER) on the emergence of the middle class, estimates that there are ten million households in the consuming class (with a household income of US$4,500-22,000 per annum) and nearly 40mn households in the aspiring class (household income of US$2,200-4,500 per annum). These two segments together are larger than the present population of the United States.

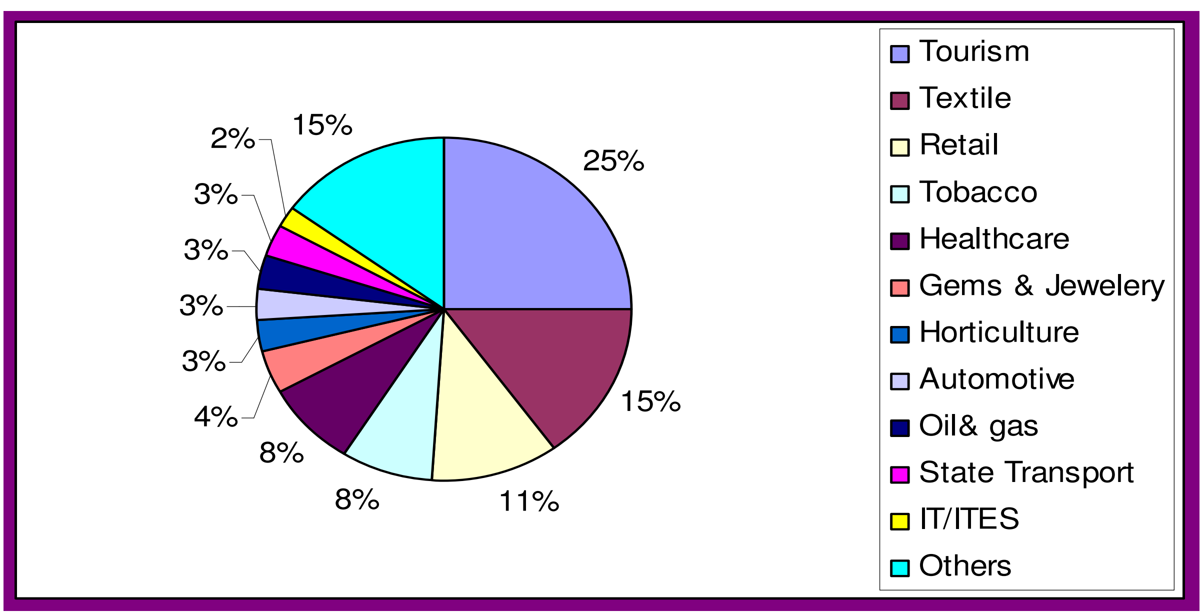
NCAER estimates that by FY10 this segment will double to 100m households or about 500m people. And with rising prosperity, disposable incomes are increasing as is discretionary spending.




The acceleration in economic growth from a 5.8% CAGR in the 1980s and 1990s to a 6.5% CAGR over 2000-2006 has resulted in increased job creation.

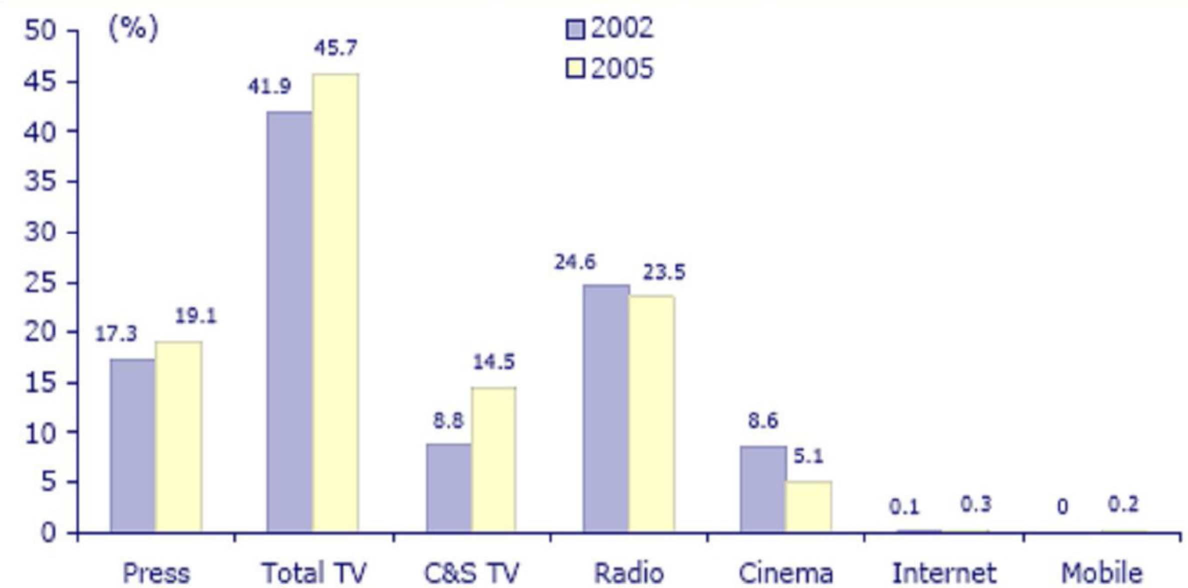
In a recent report, the Confederation of Indian Industries (CII), states that 36 sectors have the potential to create around 80m new jobs during the period of the eleventh five-year plan (FY07-FY12). Other sectors with high employment potential include tourism (20m), textiles (12m), Retail (8.8mn), construction (9m), healthcare (6m) and media (1m). India is the World's fourth largest and second fastest growing (8 %+) economy.

Income pyramid – top getting heavier (9.5m households expected to earn in excess of Rs.1m by 2025).



Mass media and television in particular, has helped to bridge a knowledge and information gap that hitherto existed between metropolitan and semi-urban /rural Indians

Access to TV, internet and mobile phones is improving in rural India




Source: NRS2005, AC Nielsen

# FINANCIAL PROJECTIONS:

## Ritesh Properties & Industries Ltd

### Profit & Loss A/c –Standalone

| (RS. In lacs) | FY08 | FY09E | FY10E | FY11E |
|---|---|---|---|---|
| Particulars | | | | |
| Sales | 8708.68 | 13,907.14 | 19,704.45 | 24,912.84 |
| Other Income | 46.68 | 17.00 | 20.00 | 32.00 |
| | 8755.36 | 13,924.14 | 19,724.45 | 24,944.84 |
| Less: | | | | |
| Consumption of Raw Material | 6805.56 | 10,778.03 | 15,270.95 | 19,307.45 |
| Employees Cost | 27.6 | 75.00 | 90.00 | 100.00 |
| Interest | 111.00 | 104.00 | 58.00 | 0.00 |
| Depreciation | 32.29 | 34.14 | 35.53 | 36.64 |
| Other Expenditure | 303.19 | 323.00 | 335.00 | 348.78 |
| Total | 7,279.64 | 11,314.17 | 15,789.48 | 19,792.86 |
| PBT | 1,475.72 | 2,609.97 | 3,934.97 | 5,151.97 |
| TAXES | 210.6 | 887.39 | 1,337.89 | 1,751.67 |
| PAT | 1,265.12 | 1,722.58 | 2,597.08 | 3,400.30 |
| Equity | 1,159.09 | 1,159.09 | 1,406.50 | 1,406.50 |
| EPS | 12.96 | 14.86 | 18.46 | 24.18 |
| DEPS | 11.37 | 12.25 | 18.46 | 24.18 |
| PBT Margin | 16.86 | 18.74 | 19.95 | 20.65 |
| PAT Margin | 14.45 | 12.37 | 13.17 | 13.63 |

# BALANCE SHEET–STANDALONE

## Ritesh Properties & Industries Limited

| | | | | | |
|---|---|---|---|---|---|
| **Balance Sheet** | | | | | |
| (Rs. in lacs) | | **FY08** | **FY09E** | **FY10E** | **FY11E** |
| **Sources of Fund** | | | | | |
| Share Capital | | 1,159.09 | 1,159.09 | 1,406.50 | 1,406.50 |
| Warrants | | 136.07 | 136.07 | 0.00 | 0.00 |
| Reserve & Surplus | | 2,925.00 | 4,647.68 | 8,357.95 | 11,758.25 |
| | | 4,220.16 | 5,942.73 | 9,764.45 | 13,164.75 |
| **Loan Fund** | | | | | |
| Secured Loan | | 100.92 | 45.00 | 0.00 | 0.00 |
| Unsecured Loan | | 1,231.56 | 363.93 | 0.00 | 0.00 |
| | | 1,332.48 | 408.93 | 0.00 | 0.00 |
| | | | | | |
| | **G.Total** | **5,552.64** | **6,351.66** | **9,764.45** | **13,164.75** |
| **Application of Funds** | | | | | |
| Fixed Assets | | 564.19 | 584.19 | 599.19 | 611.19 |
| Less: Depreciation | | 299.39 | 333.53 | 369.06 | 405.70 |
| | | 264.80 | 250.66 | 230.13 | 205.50 |
| Investments | | 211.87 | 1,710.23 | 2,370.23 | 4,530.23 |
| **Current Assets** | | | | | |
| Inventories | | 113.72 | 139.07 | 98.52 | 99.65 |
| Sundry Debtors | | 2,705.42 | 2,781.43 | 3,940.89 | 5,729.95 |
| Cash & Bank Balances | | 242.07 | 410.67 | 1,605.42 | 115.91 |
| Loans & Advances | | 2,536.21 | 2,503.29 | 3,743.85 | 5,480.82 |
| | | 5,597.42 | 5,834.45 | 9,388.68 | 11,426.34 |
| **Current Liabilities** | | | | | |
| Current Liabilities | | 310.85 | 556.29 | 886.70 | 1,245.64 |
| Provisions | | 210.60 | 887.39 | 1,337.89 | 1,751.67 |
| | | 521.45 | 1,443.67 | 2,224.59 | 2,997.31 |
| Net Current Assets | | 5,075.97 | 4,390.78 | 7,164.09 | 8,429.03 |
| | | | | | |
| | **G.Total** | **5,552.64** | **6,351.66** | **9,764.45** | **13,164.75** |

# Cash Flow Statement–Standalone

| YEARS | FY08 | FY09E | FY10E | FY11E |
|---|---|---|---|---|
| **(Rs. in Lacs)** | | | | |
| **SOURCES OF FUNDS** | | | | |
| Increase on warrants | 136.07 | 0.00 | 0.00 | 0.00 |
| Increase on equity placement | 237.34 | 0.00 | 247.40 | 0.00 |
| Increase on equity placement-Premium | 1101.95 | 0.00 | 1113.30 | 0.00 |
| Net Cash Accruals | 1296.07 | 1756.72 | 2632.61 | 3436.94 |
| Increase in Current liability | 152.41 | 922.22 | 780.92 | 772.72 |
| Increase in WC Loan | 0.00 | 0.00 | 0.00 | 0.00 |
| Unsecured Loans | 0.00 | 0.00 | 0.00 | 0.00 |
| Decrease in Current assets | 0.00 | 0.00 | 0.00 | 0.00 |
| Decrease in Fixed assets | 39.52 | 0.00 | 0.00 | 0.00 |
| **Sub Total (A)** | **2963.36** | **2678.94** | **4774.23** | **4209.66** |
| | | | | |
| **USES OF FUNDS** | | | | |
| Increase in Fixed Assets | 0.00 | 20.00 | 15.00 | 12.00 |
| Payment of unsecured loan | 986.95 | 867.63 | 363.93 | 0.00 |
| Repayment of secured loan | 0.00 | 55.92 | 45.00 | 0.00 |
| Increase in investments | 151.64 | 1498.36 | 660.00 | 2160.00 |
| Increase in Current Assets | 2766.92 | 68.43 | 2359.47 | 3527.17 |
| Decrease in Current liabilties | 0.00 | 0.00 | 0.00 | 0.00 |
| Decrease on warrants | 0.00 | 0.00 | 136.07 | 0.00 |
| **Sub Total (B)** | **3905.51** | **2510.34** | **3579.47** | **5699.17** |
| Opening Balance | 1184.22 | 242.07 | 410.67 | 1605.42 |
| Surplus/Deficit (A-B) | -942.15 | 168.60 | 1194.75 | -1489.51 |
| Closing Balance | 242.07 | 410.67 | 1605.42 | 115.91 |

# FEMELLA FASHIONS-PROJECTIONS

## *Profit & Loss A/c*

| Particulars | FY09E | FY10E | FY11E |
|---|---|---|---|
| (Rs.in lacs) | | | |
| | | | |
| Sales | 1101.05 | 5382.50 | 12851.35 |
| Increase/( Decrease) in stock | 154.15 | 807.38 | 2056.22 |
| Total | 1255.20 | 6189.88 | 14907.57 |
| Less: | | | |
| Cost of Sales | 499.00 | 2459.80 | 5921.90 |
| Operating Expenses | 692.62 | 2485.51 | 5940.73 |
| Preliminary Expenses w/off | 109.46 | 259.56 | 436.89 |
| EBIDTA | -45.88 | 985.00 | 2608.04 |
| Depreciation | 40.63 | 136.63 | 259.50 |
| Interest | 63.60 | 119.38 | 182.00 |
| PBT | -150.11 | 728.99 | 2166.54 |
| Tax | 0.05 | 251.50 | 747.46 |
| PAT | -150.16 | 477.49 | 1419.08 |
| equity | 250.00 | 460.00 | 730.00 |
| EPS | 0.00 | 10.38 | 19.44 |
| PBT Margin | 0.00 | 11.78 | 14.53 |
| PAT Margin | 0.00 | 7.71 | 9.52 |

# BALANCE SHEET- FEMELLA FASHIONS PVT LTD

| Particulars | FY09E | FY10E | FY11E |
|---|---|---|---|
| *(Rs.in lacs)* | | | |
| **Liabilities** | | | |
| Equity Share Capital | 350.00 | 460.00 | 730.00 |
| Reserves | 800.00 | 1677.33 | 4986.41 |
| **Net Worth** | 1150.00 | 2137.33 | 5716.41 |
| Secured Loans | 700.00 | 2000.00 | 1569.00 |
| Unsecured Loans | 0.00 | 0.00 | 0.00 |
| Loan Funds | 700.00 | 2000.00 | 1569.00 |
| Grand Total | 1850.00 | 4137.33 | 7285.41 |
| | | | |
| | | | |
| **Assets** | | | |
| **Fixed Assets** | 693.75 | 1662.50 | 2981.25 |
| Less: Depreciation | 40.63 | 177.25 | 436.75 |
| Net Fixed Assets | 653.13 | 1485.25 | 2544.50 |
| Investment | 0.00 | 0.00 | 0.00 |
| **Current Assets** | | | |
| Inventory | 154.15 | 961.52 | 3017.74 |
| Sundry Debtors | 99.09 | 376.78 | 1285.14 |
| Cash & Bank Balance | 153.22 | 311.59 | 50.02 |
| Loans & Advances | 302.24 | 732.00 | 1315.60 |
| Total Current Assets | 708.71 | 2381.88 | 5668.49 |
| Less:Current Liabilities | | | |
| Current Liabilities | 99.80 | 516.56 | 1927.70 |
| Provisions | 0.05 | 251.50 | 747.46 |
| Total Current Liabilities | 99.85 | 768.06 | 2675.16 |
| Net Current Assets | 608.86 | 1613.82 | 2993.34 |
| Preliminary Expenses | 547.32 | 1297.82 | 2184.47 |
| Less: Written off | 109.46 | 259.56 | 436.89 |
| Net Preliminary Expenses | 437.86 | 1038.26 | 1747.58 |
| P & L A/c | 150.16 | 0.00 | 0.00 |
| Grand Total | 1850.00 | 4137.33 | 7285.41 |

# Cash Flow Statement - Femella Fashions Pvt. Ltd.

| *(Rs. in lacs)* | FY09 E | FY10 E | FY11 E |
|---|---|---|---|
| **Sources Of Funds** | | | |
| Increase in Equity Placements | 1150.00 | 660.00 | 2160.00 |
| Internal Accruals | -0.07 | 614.12 | 1678.58 |
| Increase in Secured Loans | 700.00 | 1300.00 | 0.00 |
| Increase in Unsecured Loans | 0.00 | 0.00 | 0.00 |
| Decrease in Current Assets | 0.00 | 0.00 | 0.00 |
| Increase in Current Liabilities | 99.85 | 668.21 | 1907.10 |
| Total | 1949.78 | 3242.33 | 5745.68 |
| **Application of Funds** | | | |
| Increase in Fixed Assets | 693.75 | 968.75 | 1318.75 |
| Decrease in Secured Loans | 0.00 | 0.00 | 431.00 |
| Decrease in Unsecured Loans | 0.00 | 0.00 | 0.00 |
| Increase in Current Assets | 555.48 | 1514.82 | 3548.18 |
| Decrease in Current Liabilities | 0.00 | 0.00 | 0.00 |
| Increase in Preliminary expenses | 547.32 | 600.40 | 709.32 |
| Total | 1796.55 | 3083.97 | 6007.25 |
| Op. Balance | 0.00 | 153.22 | 311.59 |
| Surplus/Deficit | 153.22 | 158.36 | -261.56 |
| Closing Balance | 153.22 | 311.59 | 50.02 |

# FINANCIAL PROJECTIONS - CONSOLIDATED

## *Consolidated Profit and Loss A/c*

| (RS. In lacs) | | | | |
|---|---|---|---|---|
| **Particulars** | **FY08** | **FY09E** | **FY10E** | **FY11E** |
| Sales | 8708.68 | 15,162.34 | 25,894.33 | 39,820.40 |
| Other Income | 46.68 | 17.00 | 20.00 | 32.00 |
| Total Income | 8755.36 | 15179.33 | 25914.32 | 39852.40 |
| **Less: Expenses** | | | | |
| Operating Expenses | 7,136.35 | 12367.65 | 20,641.26 | 31,618.86 |
| Interest | 111.00 | 167.60 | 177.38 | 182.00 |
| Depreciation | 32.29 | 74.77 | 172.15 | 296.14 |
| Preliminary exp. w/off | 0.00 | 109.46 | 259.56 | 436.89 |
| PBT | 1,475.72 | 2,569.32 | 4,663.97 | 7,318.51 |
| Tax | 210.6 | 887.44 | 1,589.39 | 2,499.13 |
| PAT | 1,265.12 | 1,681.88 | 3,074.57 | 4,819.38 |
| Equity | 1,159.09 | 1,159.09 | 1,406.50 | 1,406.50 |
| EPS | 12.96 | 14.51 | 21.86 | 34.27 |
| DEPS | 11.37 | 11.96 | 21.86 | 34.27 |

# CONSOLIDATED BALANCE SHEET

| (Rs. In lacs) | | | | |
|---|---|---|---|---|
| **Sources of Funds** | **FY08** | **FY09E** | **FY10E** | **FY11E** |
| Equity Share Capital | 1,159.09 | 1,159.09 | 1,406.50 | 1,406.50 |
| Warrants | 136.07 | 136.07 | 0.00 | 0.00 |
| Reserves | 2,925.00 | 4,497.50 | 8,685.28 | 13,504.66 |
| Net Worth | 4,220.16 | 5,792.66 | 10,091.78 | 14,911.16 |
| Secured Foans | 100.92 | 745.00 | 2,000.00 | 1,569.00 |
| Unsecured Loans | 1,231.56 | 363.93 | 0.00 | 0.00 |
| Loan Funds | 1,332.48 | 1,108.93 | 2,000.00 | 1,569.00 |
| Grand Total | 5,552.64 | 6,901.59 | 12,091.78 | 16,480.16 |
| **Application of Funds** | | | | |
| Fixed Assets | 564.19 | 1,277.94 | 2,261.69 | 3,592.44 |
| Less: Depreciation | 299.39 | 374.16 | 546.31 | 842.45 |
| | 264.80 | 903.79 | 1,715.38 | 2,750.00 |
| Investments | 211.87 | 560.23 | 560.23 | 560.23 |
| **Current Assets** | | | | |
| Inventories | 113.72 | 293.22 | 1,060.04 | 3,117.39 |
| Sundry Debtors | 2,705.42 | 2,880.52 | 4,317.67 | 7,015.09 |
| Cash & Bank Balances | 242.07 | 563.97 | 1,917.01 | 165.93 |
| Loans & Advances | 2,536.21 | 2,805.53 | 4,475.85 | 6,796.42 |
| | 5,597.42 | 6,543.24 | 11,770.56 | 17,094.83 |
| **Current Liabilities** | | | | |
| Current Liabilities | 310.85 | 656.08 | 1,403.26 | 3,173.34 |
| Provisions | 210.60 | 887.44 | 1,589.39 | 2,499.13 |
| | 521.45 | 1,543.52 | 2,992.65 | 5,672.47 |
| Net Current Assets | 5,075.97 | 4,999.71 | 8,777.91 | 11,422.36 |
| Preliminary Expenses | 0.00 | 547.32 | 1297.82 | 2184.47 |
| Less: Written off | 0.00 | 109.46 | 259.56 | 436.89 |
| Net Preliminary Expenses | 0.00 | 437.86 | 1038.26 | 1747.58 |
| | 5,552.64 | 6,901.59 | 12,091.78 | 16,480.16 |

# CONSOLIDATED CASH FLOW STATEMENT

| YEARS | FY09E | FY10E | FY11E |
|---|---|---|---|
| ( Rs. In lacs) | | | |
| SOURCES OF FUNDS | | | |
| Increase in Equity Placements | 0.00 | 1360.7 | 0.00 |
| Net Cash Accruals | 1,647.26 | 3,246.65 | 5,115.52 |
| Increase in Current liability | 1,022.07 | 1,449.13 | 2,679.82 |
| Increase in Secured loan | 644.08 | 1,255.00 | 0.00 |
| Decrease in fixed assets | | | |
| Decrease in investments | | | |
| **Sub Total (A)** | 3,313.41 | 7,311.48 | 7,795.34 |
| | | | |
| USES OF FUNDS | | | |
| | | | |
| Preliminary Expenses | 437.86 | 600.40 | 709.32 |
| Increase in Fixed assets | 713.75 | 983.75 | 1,330.75 |
| Decrease in unsecured loans | 867.63 | 363.93 | 0.00 |
| Decrease in secured loans | 0.00 | 0.00 | 431.00 |
| Increase in investments | 348.36 | 0.00 | 0.00 |
| Increase in Current Assets | 623.92 | 3,874.29 | 7,075.34 |
| Decrease in Current liabilties | 0.00 | 0.00 | 0.00 |
| Decrease in Warrants | 0.00 | 136.07 | 0.00 |
| **Sub Total (B)** | 2991.51 | 5958.44 | 9546.41 |
| Opening Balance | 242.07 | 563.97 | 1,917.01 |
| Surplus/Deficit (A-B) | 321.90 | 1,353.04 | (1,751.07) |
| Closing Balance | 563.97 | 1,917.01 | 165.93 |

# RATIOS - CONSOLIDATED

| | FY09 E | FY10E | FY11E |
|---|---|---|---|
| ROE | 24.33 | 28.73 | 27.47 |
| ROCE (%) | 14.94 | 17.33 | 17.85 |
| EBIDTA MARGIN (%) | 18.43 | 19.28 | 19.50 |
| PAT MARGIN (%) | 11.08 | 11.86 | 12.09 |
| TAX/PBT (%) | 34.54 | 34.08 | 34.15 |
| CURRENT RATIO | 3.43 | 3.93 | 3.01 |
| INTEREST COVERAGE | 16.33 | 27.29 | 41.21 |
| EPS | 14.51 | 21.86 | 34.27 |
| DEPS | 11.96 | 21.86 | 34.27 |

# INVESTMENT RATIONALE

The company has tied up with Ansal Properties for development of 40 acres of its own land in Ludhiana under the project "Hampton Court" for developing a premium residential housing and Business Park in Ludhiana. Out of the 40 acre land bank given to Ansal for development about 16 and 24 acres are earmarked for Housing and Industrial Park projects respectively.

# HOUSING PROJECT

Considering the prevailing FAR @ 2x an admeasuring area of 1393920 square feet would be available to the developer for sale. As the project is scheduled to be completed in middle of FY 12 we expect progressively higher cash flow earnings from FY09 – FY11, we expect this project to fetch an average sale price of ~ Rs.2860/- per sq. ft. during its five year life span.

The company has already clocked in revenues of Rs.3657 lac for FY 08 and an EBIDTA of ~ Rs.660 lacs In the first year of the project it has registered an EBIDTA and PBT margin of 18% and 17% respectively. As per guidance from management the revenues from this project is expected to cross Rs.6000 lac (Fy09E), Rs.8700 lac (FY10E) and Rs.10900 lac (FY11E).

## INDUSTRIAL PARK PROJECT

Considering the prevailing FAR @ 2x an admeasuring area of 2090880 square feet would be available to the developer for sale. As the project is scheduled to be completed in middle of FY 12 we expect progressively higher cash flow earnings from FY09 – FY11. We expect this project to fetch an average sale price of ~ Rs.2410/- per sq. ft. during its five year life span.

The company has already clocked in revenues of Rs.5050 lacs for FY 08 and an EBIDTA of ~ Rs.912 lacs. In the first year of the project it has registered an EBIDTA and PBT margin of 18% and 17% respectively. As per guidance from management the revenues from this project is expected to cross Rs.7800 lacs (Fy09E), Rs.10900 lacs (FY10E) and Rs.13900 lacs (FY11E).

## FINANCIALS OF PROJECT HAMPTON COURT

*( Rs. in lacs)*

| Particulars | Fy08E | FY09E | FY10E | FY11E |
|---|---|---|---|---|
| Sales | 8708 | 13907 | 19704 | 24912 |
| Growth | | 60 % | 41 % | 26.5% |
| Net Worth | 4224 | 5942 | 9764 | 13164 |
| Growth | | 41 % | 64 % | 34 % |
| PAT | 1265 | 1723 | 2597 | 3400 |
| Growth | | 36% | 51 % | 31 % |

The company intends to partly channel its cash flows in their fashion designing biz and remaining for acquiring land for their proposed Rs.1000 crore, Knowledge Industrial Township Project near Amritsar – Jallandhar in Punjab. Returns on investments in these projects have not been factored in the above table.

As observed above, from the phenomenal growth in sales and margins in its realty biz the company is likely to register, this stock would be a deserving candidate for re-rating in the near future. Its 14% plus PAT margins are definitely above industry standard but considering its past project experience and size of business we conservatively attach a P/E 3x FY10E earnings Rs.18/- per share.

# FEMELLA FASHIONS

This project of setting up ~500 retail outlets catering to exclusive women fashion designing is to be setup over a period of 5 years commencing FY 09 with a total capital outlay of Rs.19740 lac (Rs.7770 lac equity + Rs.11970 lac from debt). In a span of five years the company intends to spend at least Rs.3000 lac on advertisement and promos for brand building.

# FINANCIALS OF FEMELLA FASHIONS

*(Rs. in lacs)*

| Particulars | FY09E | FY10E | FY11E |
|---|---|---|---|
| Sales | 1101 | 5382 | 12851 |
| Growth | | 388% | 139% |
| Net Worth | 1150 | 2137 | 5716 |
| Growth | | 86% | 167% |
| PAT | -150 | 477 | 1419 |
| Growth | | | 197% |

We do understand that the phenomenally higher growth rates are due to the low base effects in the initial years of business and are likely to moderate once their business matures after about five to seven years. Considering the nuances of retail business we have restricted our calculations based on FY10 estimates and would review our calculations after monitoring the QoQ FY 09 performance of the company.

## Valuations:

| Segment | EPS – FY 10 E | P/E (x) | Valuation |
|---|---|---|---|
| Realty | Rs.18 | 3 | Rs.54/-- |
| Retail | Rs.10 | 7 | Rs. 70/- |
| Consolidated | | | Rs.124/- |

## Justification:

Ritesh on a consolidated basis are expected to register a combined two years (FY09E & FY10E) revenues of over Rs.41000 lacs against the existing market capitalization of Rs.9504 lacs. We believe that in coming quarters as the company registers improvement in its earnings it will attract investor's attention and unlock its potential value in times ahead.

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## Disclaimer :