

XRBIA DEVELOPERS PVT LTD

Xrbia is the front runner in the Indian affordable housing sector.

It builds affordable housing projects on the transport networks connecting India's major cities. Xrbia uses ground breaking technology to deliver efficiencies across construction, operations and maintenance.

Their technology enables it to deliver social and environmental impact and its systems are built to report impact on a real time basis.

Over the next 5 years, Xrbia is forecasted to deliver more than **22.6 million sq ft of Residential development**, comprising approximately **50,000 houses** respectively in **16 projects**. Xrbia's typical units are between 250 and 500 sq ft and are targeted at low income households.

The company is projected to generate revenues and gross profits over the next 5 years of more than £1 billion and over £332 million respectively.

In the first 3 quarters of the financial year from April 2016 to March 2017, Xrbia has sold 3,525 units at a value of £59.1 million.

Xrbia also has substantial land to be developed out. This comprises of **895 acres** across **12 sites** with a projected total area of more than **35 million sq ft**. There is considerable unrealised value already inherent in this land bank. Acquired for a total cost of approximately £20.6 million, the company estimates that the current gross market value of these sites is more than £170 million.

FINANCIAL SUMMARY, FY17E

XRBIA Financials	Q1FY17A	Q2FY17A	Q3FY17A	Q4FY17E	Total
	£ MM	£ MM	£ MM	£ MM	£ MM
Net Revenues	4.1	1.4	0.7	26.2	32.5
Costs	-1.1	-0.9	-0.5	-19.5	-22.0
EBITDA	3.0	0.5	0.3	6.7	10.5
Depreciation	-	-	-	-	-
Other Income	-	-	-	-	-
EBIT	3.0	0.5	0.3	6.7	10.5
Interest Cost	-	-	-	-0.8	-0.8
PBT	3.0	0.5	0.3	5.9	9.7
Income Tax	-0.0	-0.0	-0.0	-2.5	-2.5
Profit After Tax	3.0	0.5	0.3	3.4	7.2
Units Sold	1,342	948	868	3,047	6,205

XRBIA VALUATION

Gross Residential NAV based on DCF at a 17.5% discount rate = £138.4 million

Land Bank at a 50% Discount to Market Value = £86.2 million

Total Gross NAV = £224.6 million

Less Corporate (non project) Debt = -£10.7 million

Less Unpaid Land Cost = -£22.0 million

NAV of Xrbia = £191.9 million

Real Estate

03/02/2017

SHARE PRICE 52 WEEK LOW

▲ Private ▲ Private

MARKET CAP 52 WEEK HIGH

▲ Private ▲ Private

NAV NET DEBT

▲ Private ▲ Private

MAJOR SHAREHOLDERS

- 1) Private
- 2) Private
- 3) Private

Shares in Issue Private

Avg Volume Private

Primary index Private

EPIC Private

Next Announcement Private

Sector Private

CHART (Private)

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Company Information

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INVESTMENT RATIONALE

PROFILE

Xrbia is a major developer of Affordable Housing projects in India, building large scale sustainable projects in areas which are becoming rapidly urbanised and where housing demand significantly exceeds supply.

Xrbia's developments are noted for their scale and innovative approach to design and technology, providing sustainable, low cost housing, incorporating functionality and the latest technology in energy conservation, sewage & water management, telecommunications, and security. The company has completed 3 developments in Mumbai and Pune, has 7 projects under construction, and has a pipeline of 9 major projects due for launch in the next two quarters.

PROMOTERS

Established in 2011, Xrbia is promoted by brothers **Mr. Rahul Nahar and Mr. Vishal Nahar**, first generation real estate entrepreneurs, who have demonstrated expertise in land and construction for the last 15 years.

TECHNOLOGY

The crux of the Xrbia offering is technology. Xrbia uses steel framework to construct buildings in as little as 90 days. A closed loop utility system uses renewable energy to produce electricity, purify water and recycle waste. Internet of things technology controls equipment, generates data and integrates into the billing system.

AFFORDABLE HOUSING DEMAND AND MARKET OPPORTUNITY

The number of substandard homes in India is 28 million currently. Additionally, the current housing shortage in India is an additional 59 million units, and this figure is projected to increase to 100 million units by 2030. The market value of the shortfall in India is £1.3 trillion.

CURRENT AND FUTURE PROJECTS

Xrbia is currently involved in 16 projects at various stages of development in the Mumbai and Pune regions. Construction is well under way at 7 sites, with construction activity due to commence at the other 9 sites in the next 2 quarters.

	Project	Location	Launch Date	Sale Area MM sq ft	Sales Value to date £ MM	Units Sold to date	% Residential Area Sold to date
1	Jhambul	Pune		0.51	£11.4	796	57.8%
2	Ambi	Pune		0.59	£12.4	803	45.0%
3	Eiffel City	Pune		1.13	£25.5	1,323	55.3%
4	Express City	Mumbai		1.63	£18.2	287	26.0%
5	Vangani	Pune		2.47	£28.7	2,486	33.1%
6	Hinjewadi Road	Pune		0.50	£13.7	549	70.4%
7	Warai	Mumbai		1.44	£27.9	1,433	54.5%
7	On Going Projects			8.28	£137.8	7,677	43.2%
1	Halivali Gaothan	Karjat	2018, Q1	0.42			
2	Balewadi	Pune	2017, Q4	1.29			
3	Hinjewadi II	Pune	2017, Q4	3.16			
4	Panvel	Mumbai	2018, Q1	1.65			
5	Market Yard	Pune	2017, Q4	0.52			
6	Dhanori	Pune	2017, Q4	1.54			
7	Awsare	Mumbai	2018, Q1	2.16			
8	Balewadi	Pune	2017, Q4	1.85			
9	Nangurle, Karjat	Mumbai	2018, Q1	1.75			
9	To be launched			14.34			
16	Total			22.62	£137.8	7,677	

The scale of these projects is very impressive. Xrbia is expected to deliver an area of 22.6 million sq ft comprising 50,000 units in the next 5 years. The largest development, Xrbia Hinjewadi City II in Pune, is 3.16 million sq ft on 181 acres, and on planned completion in October 2022, will deliver 9,000 residential units.

There is significant inherent future profitability to be realised over the next 5 years from these developments. The aggregate cost of the 16 sites amounts to approximately £715.0 million. The company estimates that total construction and project costs will equate to approximately £34.2 psf, the estimated average sales prices will amount to approximately £49.0 psf, and this generates a gross margin of approximately £14.8 psf, or 30%.

The company has built into its projections yearly sales price increases of 5% which may prove conservative in light of the fact that India is currently the world's fastest growing economy with GDP growth in excess of 7%.

Therefore, based on an area of 22.6 million sq ft., Xrbia has the potential to generate revenues and gross profits over the next 5 years of more than £1.0 billion and over £332 million respectively, with a gross profit margin of 30%.

COMPETITIVE POSITION

Xrbia is well positioned compared to other competitors and is believed to be the largest provider of Affordable Housing in India, with the production of residential units exceeding that of its closest competitors: Tata Housing, Value Budget Homes, Poddar and Provident. It has a stronghold in the State of Maharashtra which is characterised by growing urbanisation, while the scale of its projects and the projected delivery of residential units over the next few years exceeds that of its competitors.

Xrbia is targeting major cities throughout India, including Delhi, Bangalore, Hyderabad, and Chennai. The company believes its business model can be replicated in international markets including Africa and the Middle East, hence it is looking at opportunities in these regions, possibly JV's or acquisitions.

ENVIRONMENTAL IMPACT

Sustainability and minimized Environmental footprint:

Xrbia utilizes a high efficiency, closed loop utility system using renewable energy (solar and biogas) to produce electricity, purify water and recycle waste.

Xrbia's construction technology enables a G+7 building to be built in 90 days.

This technology reduces the usage of bricks and wood thereby reducing the over carbon footprint of Xrbia's projects.

Clean water, sanitation and waste management:

Xrbia's projects provide clean and affordable drinking water and also provide to good quality sanitation and hygiene.

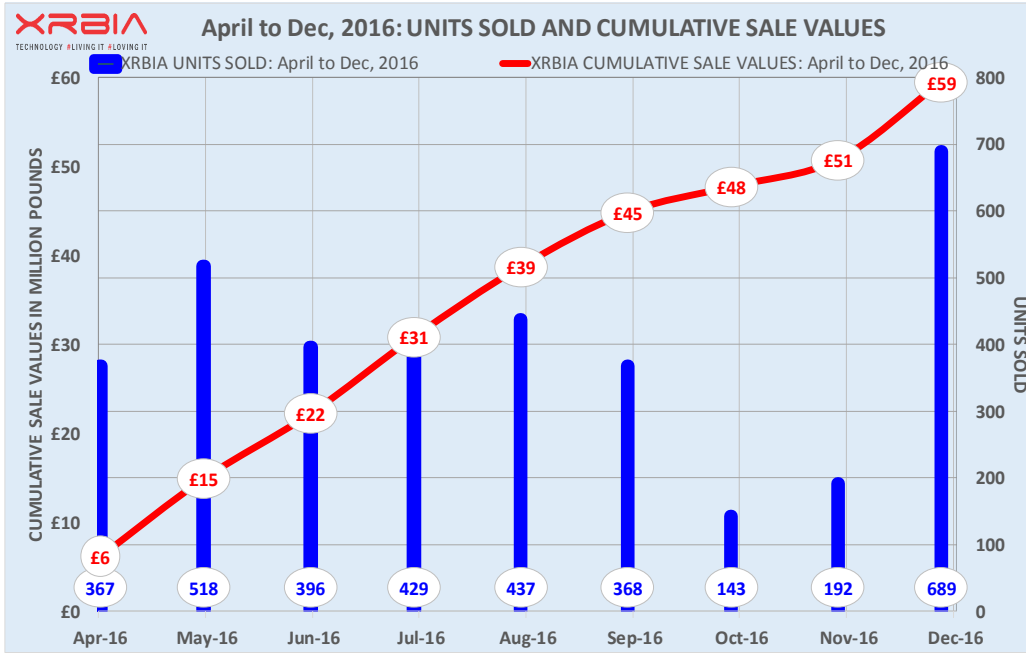
Waste is treated at the project sites. Organic waste is used for the creation of electricity.

XRBIA'S PERFORMANCE: ACTUALS AND PROJECTIONS

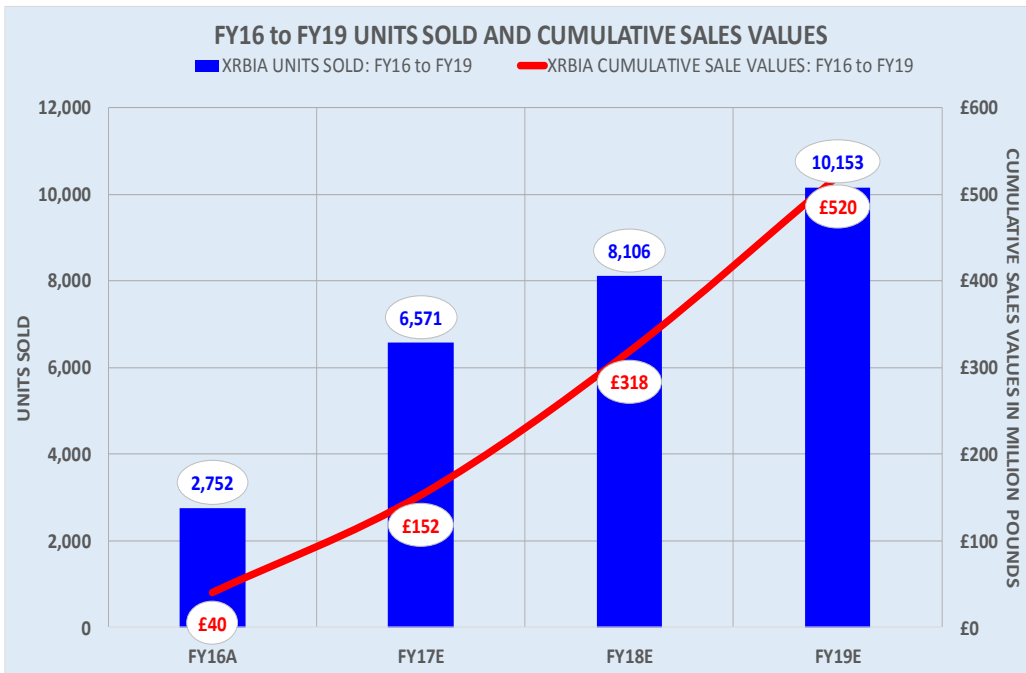
Xrbia's Financials, FY16 to FY19: Xrbia is projected to generate Profits after Tax of approximately £69.1 million over the next two years.

XRBIA Financials	FY16A	FY17E	FY18E	FY19E	Total
	£ MM	£ MM	£ MM	£ MM	£ MM
Net Revenues	16.8	32.5	128.3	192.4	370.0
Costs	-14.7	-22.0	-93.0	-122.5	-252.3
EBITDA	2.1	10.5	35.3	69.9	117.7
Depreciation	-0.1	-	-	-	-0.1
Other Income	0.6	-	-	-	0.6
EBIT	2.5	10.5	35.3	69.9	118.2
Interest Cost	-1.4	-0.8	-2.6	-5.8	-10.5
PBT	1.2	9.7	32.7	64.1	107.6
Income Tax	-0.2	-2.5	-12.1	-15.6	-30.4
Profit After Tax	0.9	7.2	20.6	48.5	77.2

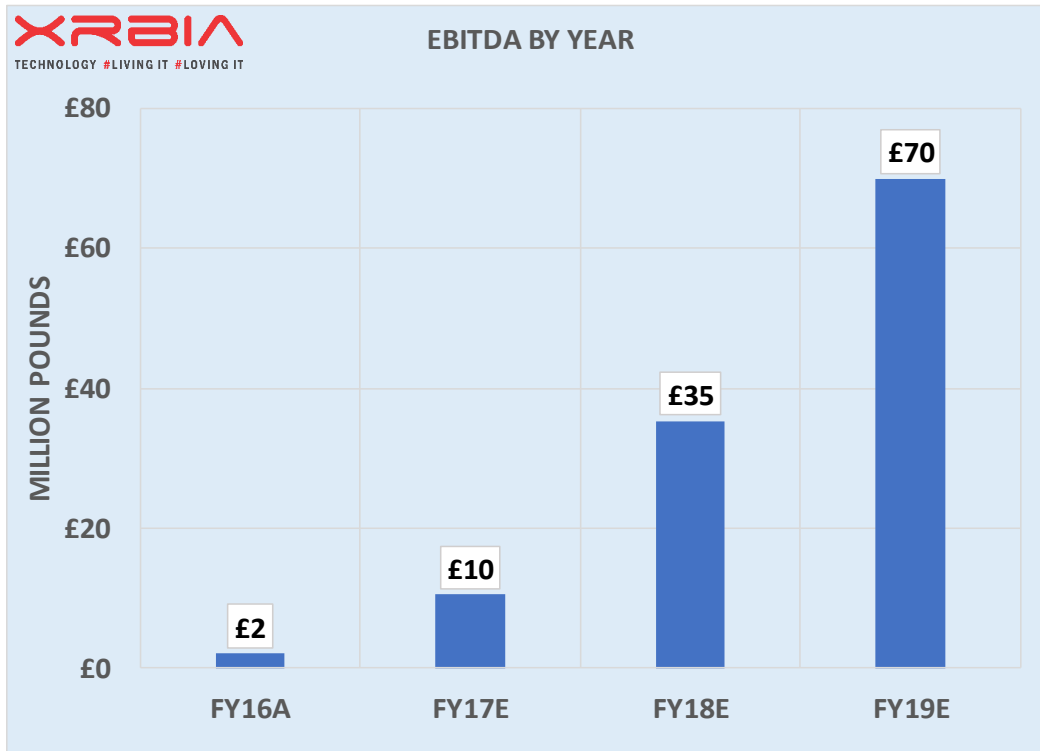
Sale Values and Units Sold, April to Dec, 2016: Over the last 3 quarters, Xrbia has sold 3,525 units for a value of £59.3 million as seen in the graph below.



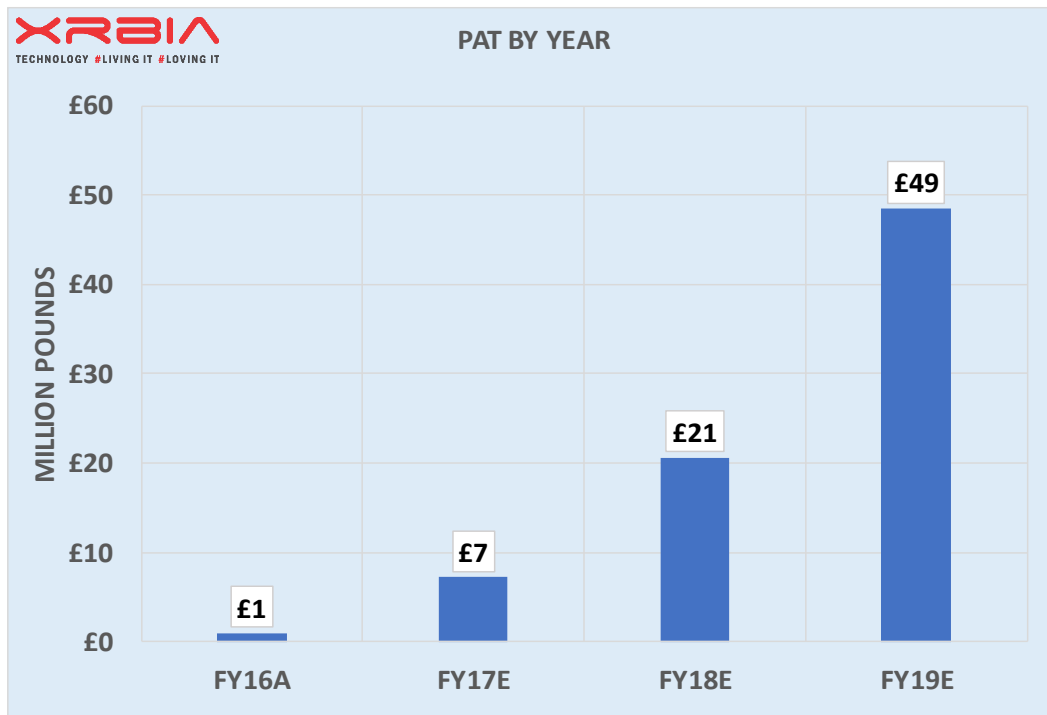
Sale Values and Units Sold, FY16 to FY19:



EBITDA, FY16 to FY19:



Profit after Tax (PAT), FY16 to FY19:



Debt to Equity Ratio, FY16 to FY19:

XRBIA: Debt to Equity Ratio	FY16A	FY17E	FY18E	FY19E
	£ MM	£ MM	£ MM	£ MM
Debt (CL and CCDs)	38.1	31.9	61.9	103.2
Equity and Reserves	14.6	21.9	49.6	97.6
Debt to Equity Ratio	2.6x	1.5x	1.2x	1.1x
Cost of CL Debt %	13.0%	13.0%	13.0%	13.0%
Interest on CCDs %	18.0%	18.0%	18.0%	18.0%

CL = Construction Loan

CCD = Convertible Debenture

LAND BANK

In addition to its Project Pipeline, Xrbia also has a substantial land bank. It comprises of 895 acres across 12 sites in in the Pune and Mumbai Metro Region, with the majority of these projects designated for Affordable Housing. The projected total area is more than 35 million sq ft., compared with the company's current pipeline of 16 development projects which will deliver a total area of 21.0 million sq ft on completion in 2022. There is considerable unrealised value already inherent in this land bank. Acquired for a total cost of approximately £20.6 million, the company estimates that the current gross market value of these sites, which are at various stages of the planning process, is more than £170 million.

	Project	Location	Land Area acres	Area MM sq ft	Land Cost £ MM	Gross Market Value of land bank £ MM
1	Karandi Kheba	Pune	61.6	1.7	£0.2	£14.7
2	KBW - Kesnand, Bakori & Wadebolhai	Pune	156.7	8.4	£11.3	£74.8
3	Tadwadi	Mumbai	137.0	4.8	£3.2	£16.3
4	Poshir	Mumbai	24.4	1.3	£0.0	£2.9
5	Karjat Golf	Mumbai	203.1	6.1	£1.6	£24.2
6	Halivali Golf	Mumbai	45.5	1.1	£0.9	£8.1
7	Kirvali	Mumbai	28.0	1.9	£0.6	£4.0
8	Sawargaon	Mumbai	15.2	0.3	£1.0	£3.6
9	Mankivali	Mumbai	31.0	0.9	£0.3	£2.6
10	Atmosphere	Mumbai	30.6	0.6	£0.1	£1.8
11	Olympia, Mugawade	Pune	50.0	3.0	£1.3	£6.0
12	Kharpudi Khurd	Pune	111.8	8.6	£0.3	£13.3
12	Land Bank		894.9	38.8	£20.6	£172.5

SUM OF THE PARTS (SOTP) VALUATION OF XRBIA

NAV

Gross Residential NAV based on DCF at a 17.5% discount rate = £138.4 million

Land Bank at a 50% Discount to Market Value = £86.2 million

Total Gross NAV = £224.6 million

Less Corporate (non project) Debt = -£10.7 million

Less Unpaid Land Cost = -£22.0 million

NAV of Xrbia = £191.9 million

NAV CALCULATION METHODOLOGY

All projects were subdivided into 3 parts: ongoing projects, projects to be launched in the next 12 months and projects that are a part of the land bank.

The net project level cash flows after all project level costs, including project level interest expenses, taxes and return of project level debt of ongoing and to be launched projects, were discounted at a WACC of 17.5%.

WACC was computed as follows: Cost of Equity assumed to be 20.0% based on beta of 2, Gross Cost of Debt assumed to be 13.0% and the 'D/E ratio for computing WACC' = 0.49x.

The land bank was discounted by 50% of its market value and no development upside assumed.

NAV CALCULATION ASSUMPTIONS

The sales prices and costs of construction used for the NAV are stated below:

	Project	Location	Resi Sale Area MM sq ft	Retail Sale Area MM sq ft	Sale Area MM sq ft	Starting Resil Sales Price £ / sq ft	Starting Retail Sales Price £ / sq ft	% Resi Area Sold to date	% Construction complete to date
1	Jhambul	Pune	0.47	0.05	0.51	£39.1	£65.2	57.8%	13.1%
2	Ambi	Pune	0.54	0.05	0.59	£45.6	£65.2	45.0%	1.5%
3	Eiffel City	Pune	1.03	0.10	1.13	£45.6	£65.2	55.3%	15.6%
4	Express City	Mumbai	1.51	0.11	1.63	£45.6	£65.2	27.0%	11.3%
5	Vangani	Pune	2.25	0.22	2.47	£39.1	£65.2	33.1%	2.7%
6	Hinjewadi Road	Pune	0.46	0.05	0.50	£45.6	£65.2	70.4%	61.3%
7	Warai	Mumbai	1.31	0.13	1.44	£39.1	£65.2	54.5%	18.9%
7	On Going Projects		7.56	0.72	8.28	£42.1	£65.2	43.3%	13.1%
1	Halivali Gaothan	Karjat	0.38	0.04	0.42	£45.6	£65.2		
2	Balewadi	Pune	1.09	0.20	1.29	£71.6	£59.7		
3	Hinjewadi II	Pune	2.88	0.29	3.16	£52.1	£65.2		
4	Panvel	Mumbai	1.50	0.15	1.65	£59.7	£59.7		
5	Market Yard	Pune	0.52	0.00	0.52	£59.7	£0.0		
6	Dhanori	Pune	1.49	0.05	1.54	£59.7	£95.5		
7	Awsare	Mumbai	2.09	0.07	2.16	£32.6	£65.2		
8	Balewadi	Pune	1.65	0.20	1.85	£71.6	£59.7		
9	Nangurle, Karjat	Mumbai	1.59	0.16	1.75	£45.6	£65.2		
9	To be launched		13.19	1.15	14.34	£54.1	£63.8		
16	Total		20.75	1.87	22.62	£49.7	£64.3		

Approximately 9.4% of Revenues on average in total are shared with various landlords for various projects.

Yearly Sales Price Growth Rate = 5.0%

Yearly Cost cost inflation upto start of construction = 5.0%

Discount Rate (WACC) = 17.5%

Income Tax = 34.61%, Dividend Tax = 20.0% and With holding Tax = 15.0%

Exchange rate: £1 = Rs.83.8

NAV SENSITIVITY ANALYSIS

NAV Sensitivity to % change in Average Sales Price:

Sales Price % change	-7.5%	-5.1%	0.0%	5.0%	7.5%
Avg Sales Price £ / sf	£52.2	£53.5	£56.4	£59.2	£60.6
NAV (£ MM)	£158.4	£169.0	£191.9	£214.5	£225.8
% Change in NAV	-17.4%	-11.9%	0.0%	11.8%	17.7%

NAV Sensitivity to % change in Discount Rate:

Discount Rate	19.5%	18.5%	17.5%	16.5%	15.5%
NAV (£ MM)	£182.5	£187.1	£191.9	£196.9	£202.1
% Change in NAV	-4.9%	-2.5%	0.0%	2.6%	5.3%

CASH FLOWS, FY17 TO FY19

Xrbia is projected to generated free cash flows of approximately £44.1 million over the next two years.

XRBIA Cash Flows		FY17E	FY18E	FY19E	FY20E
		£ MM	£ MM	£ MM	£ MM
INFLOWS					
A	Total Revenue	72.5	118.4	176.1	367.0
	<u>Equity & Debt Inflow</u>				
	Xrbia Equity	6.9	2.5	2.8	12.2
	Xrbia CCDs	0.4	13.0	1.5	14.9
	Investor's Equity	-	4.6	0.5	5.1
	Investor's CCDs	-	12.7	-	12.7
	Construction Loan	33.3	18.1	50.3	101.7
B	Total Equity & Debt Inflow	40.6	50.9	55.0	146.6
C	Total Transfers (Inflows)	12.4	-	20.8	33.2
D	Total Inflows (A+B+C)	125.5	169.3	252.0	546.8
OUTFLOWS					
E	Total Costs	74.6	140.8	194.7	410.1
F	Total Income Tax	2.5	12.1	15.6	30.2
	<u>Equity & Debt Repayment</u>				
	Return Of Construction Loan	12.6	13.7	12.1	38.4
	Return Of Investor's CCDs	-	-	-	-
	Return Of Investor'S Equity	-	-	-	-
	Return Of Xrbia CCDs	-	-	-	-
	Return Of Xrbia Equity	-	-	3.7	3.7
G	Total Equity & Loan Repayment	12.6	13.7	15.8	42.2
H	Total Transfers (Outflows)	35.9	2.4	1.4	39.7
	Total Outflows (E+F+G+H)	125.5	169.0	227.5	522.1
	Opening Cash Balance	-	-0.0	0.0	0.0
	Net Cash Flow By Quarter	0.0	0.3	24.5	24.7
	Dividends	-	-0.2	-20.4	-20.6
	Dividend Tax	-	-0.0	-4.1	-4.1

BALANCE SHEET, FY16 TO FY19

Balance sheet		FY16A	FY17E	FY18E	FY19E
Sr No.	Liabilities	£ MM	£ MM	£ MM	£ MM
1	Shareholders Funds	14.6	21.9	49.6	97.6
1.a	Share Capital	2.4	2.5	9.6	9.1
1.b	Reseves & Surplus	12.2	19.4	40.0	88.5
2	Non-Current Liabilities	21.0	22.9	35.8	82.3
2.a	Long-Term Borrowings	20.9	22.8	35.7	82.3
2.b	Deferred Tax liabilities	0.1	0.1	0.1	0.1
3	Current Liabilities	101.8	112.8	135.3	133.6
3.a	Short Term Borrowings	17.2	9.0	26.3	20.9
3.b	Trade Payables	9.3	10.3	12.3	13.0
3.c	Other Current Liabilities	73.9	92.1	95.0	98.0
3.d	Short Term Provisions	1.3	1.4	1.6	1.7
	Total Liabilities	137.3	157.6	220.7	313.5
Sr No.	Assets	FY16A	FY17E	FY18E	FY19E
1	Non-Current Assets	37.9	50.2	61.4	76.3
1.a.	Fixed Assets	-	-	-	-
1.a.i	Tangible Assets	4.7	5.7	6.8	8.2
1.b	Non-current Investments	12.5	12.6	15.2	14.2
1.c.	Long term loans & Advances	9.4	20.6	28.1	42.5
1.d.	Capital WIP	3.2	3.2	3.2	3.2
1.e	Other Non-current asset	0.2	0.2	0.3	0.4
1.f	Other Non-current Investment	0.0	-	-	-
1.g	Deferred Tax Assets	0.0	-	-	-
1.h	Goodwill	7.9	7.9	7.9	7.9
2	Current Assets	99.5	107.5	159.2	237.2
2.a	Inventories	79.5	89.0	134.2	200.6
2.b	Trade Receivables	1.9	3.2	12.8	19.2
2.c	Cash & cash Equivalents	8.6	7.7	6.1	10.1
2.d	Other Current Assets	9.5	7.6	6.1	7.3
	Total Assets	137.3	157.6	220.7	313.5

KEY RATIOS, FY16 TO FY19

XRBIA: Key Ratios	FY16A	FY17E	FY18E	FY19E
Profit Margin	6.9%	29.8%	25.5%	33.3%
EBITDA Margin	12.2%	32.2%	27.5%	36.3%
PAT Margin	5.5%	22.1%	16.1%	25.2%
RoE	6.3%	32.8%	41.5%	49.7%
Debt to Equity Ratio	2.6x	1.5x	1.2x	1.1x
Debt to EBITDA	18.6	3.0	1.8	1.5

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