

STOCK DATA

Market Cap	Rs66.6bn
Book Value per share	Rs57
Eq Shares O/S (F.V. Rs.10)	213mn
Median Vol (12 mths)	143,223 (BSE+NSE)
52 Week High/Low	Rs535/290
Bloomberg Code	PVKP IN
Reuters Code	PPRO.BO

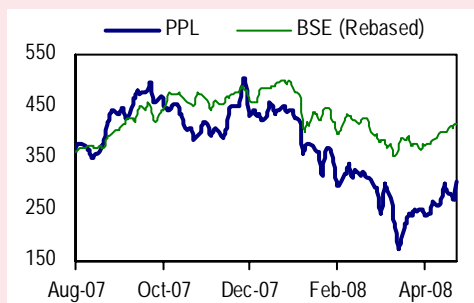
SHAREHOLDING PATTERN (%)

Qtr. Ended	Sep-07	Dec-07	Mar-08
Promoters	90.0	90.0	90.0
MFs/FIs	1.8	1.5	1.4
FIIIs	7.2	7.7	7.7
PCBs	0.2	0.2	0.2
Indian Public	0.8	0.6	0.7

STOCK PERFORMANCE (%)

	1M	3M	12M
Absolute	26.6	(6.2)	NA
Relative	14.6	(4.2)	NA

STOCK PRICE PERFORMANCE



KEY HIGHLIGHTS

Puravankara Projects Ltd. (PPL) posted sales of Rs1.5bn (up 9% YoY) in Q4FY08. OPM expanded 38bps to 35% on the back of savings in material and contract expenses. This, along with higher profit from associates at Rs81mn (up70%) led to a 55% rise in consolidated net profits to Rs727mn.

Area under development remains stable QoQ at ~19mn sqft as no new project launches were undertaken.

● **Plans to launch ~15mn sqft in FY09**

The management has indicated that PPL is set to launch ~15mn sqft in FY09. Around 2.5-3mn sqft will be in its key market of Bangalore. The remaining will be launched in other strategic markets like Chennai, Coimbatore, Mysore, Kochi etc.

● **No launches in Bangalore since Aug'06**

PPL has not launched any project in Bangalore since Aug'06 indicating a clear diversification strategy where it establishes its footprint in other promising Southern markets.

● **'Purva Windermere' at Chennai-400 flats booked**

PPL's 2.9mn sqft project at Pallikarnai in Chennai soft-launched in Jan'08 has received a strong response, with ~400 units (~300 additional booking since our last update on 12th Feb'08) out of 2,072 units getting booked.

● **KPDPL's Rajarhat project has witnessed booking of 200 flats**

Keppel Puravankara Development Private Ltd's (KPDPL's) 2.3mn sqft Kolkata project Elita Garden Vista has seen booking of ~200 flats so far. PPL's economic interest in the project stands at 36.3%.

VALUATIONS AND RECOMMENDATION

At the CMP of Rs300, PPL is trading at a 47% discount to NAV of Rs562. PPL's diversification into markets other than Bangalore, low cost high quality land bank and potential scale up in deliveries should see PPL exhibiting strong performance in FY09 and FY10. However, in light of expected slowdown in sales and execution delays, we have revised our NAV estimate downwards to Rs562 and expect valuation to veer towards a 25% discount to NAV over the next 18 months. We maintain a 'BUY' recommendation with a price target of Rs422.

KEY FINANCIALS (CONSOLIDATED)

Rs mn	Quarter Ended			Yr Ended (March)				
	Sep-07	Dec-07	Mar-08	2006	2007	2008	2009E	2010E
Net Sales	1,410	1,505	1,539	2,797	4,169	5,658	9,928	16,986
YoY Gr.(%)	44.9	78.5	9.2	85.2	49.0	35.7	75.5	71.1
Op. Profits	587	590	538	889	1,353	2,122	3,826	6,552
Op. Marg.(%)	42	39	35.0	31.8	32.5	37.5	38.5	38.6
Net Profits	602	631	727	766	1,291	2,400	3,507	5,129
Eq. Capital	1,067	1,067	1,067	80	960	1,067	1,067	1,067

KEY RATIOS

	Yr Ended (March)				
	2006	2007	2008	2009E	2010E
Dil. EPS (Rs)	3.6	6.0	11.2	16.4	24.0
ROCE (%)	42.7	25.2	17.1	20.7	28.0
RONW (%)	94.0	77.5	33.5	25.9	30.2
P/E (x)	83.7	49.7	26.7	18.3	12.5
EV/Sales (x)	1.3	8.5	6.8	3.8	2.3
EV/EBDIT (x)	3.9	23.6	15.8	9.0	5.4

PERFORMANCE OVERVIEW

PPL posted revenues of Rs1.5bn (up 9% YoY) in Q4FY08. While land costs more than tripled to Rs107mn, other direct costs rose to Rs123mn as compared with Rs10mn in Q4FY07. Addition to workforce and rising wage bill impacted staff costs, which increased 31% to Rs55mn. General and administrative expenses were higher by 22% to Rs67mn. However, saving in material and contract costs, which were lower by 19% to Rs584mn offset the rise in operating expenses. This led to a 38bps expansion in OPM to 35%. Operating profits consequently grew 10% to Rs538mn.

Share of profit in associate-Keppel Puravankara Development Private Ltd. (KPDPL) surged 70% to Rs81mn. With a larger gross block of Rs611mn (Rs443mn in Q4FY07), depreciation doubled to Rs10mn. Net profit jumped 55% to Rs727mn helped by a healthy rise in share of profit of KPDPL and MAT credit entitlement of Rs120mn.

For FY08, PPL's sales grew 35% to reach Rs5.7bn backed by steady increases in offered rates and project launches. OPM expanded 504bps to 37.5% owing to lower material costs (as a % of sales) at 38.6% (down 955bps). PAT nearly doubled to Rs2.4bn riding on higher share in profit of KPDPL at Rs 295mn (vs Rs140mn), net interest income of Rs 98mn (vs net interest expenses of Rs12mn) and MAT credit entitlement of Rs120mn.

Stable operating performance, higher profits of KPDPL led to rising profits for Q4FY08...

Revenue recognition for ~0.5mn sqft

PPL recognized revenues to the tune of ~0.5mn sqft in Q4FY08.

18.8mn sqft under execution

PPL's projects under execution stood at 18.8mn sqft at end-FY08. While residential projects account for a significant 94% share, commercial projects account for the balance (1.1mn sq.ft.). Post its launch of ~6mn sq.ft. developable area in new projects since Q2FY08, PPL has not launched any new projects. PPL plans to scale up the area under execution by ~15mn sq.ft, which will be launched in FY09.

Current land bank of 124.8mn sq.ft.

PPL's land bank currently stands at 124.8mn sq.ft. (developable area). Bulk of PPL's landbank (83.3mn sq.ft.) is located in Bangalore. Chennai with 14mn sq.ft. and Kochi with 13.2mn sq.ft remain other key markets for PPL. It has also entered the lucrative Hyderabad market by bagging land parcels at Hi-Tech City (Hyderabad) with saleable area of ~5.9mn sq.ft in Q2FY08. PPL has so far focused on Southern markets for its expansion.

OUTLOOK

Stagnant sales QoQ, but are expected to pick up in coming quarters

Sales remained stagnant in Q4FY08 at Rs1.5bn despite the fact that March quarter remains the best quarter in terms of sales. While this remains a concern, ~6.5mn sqft of current projects have not seen any revenue recognition so far. As these projects start contributing to revenues in the ensuing quarters, QoQ sales growth should pick up. The projects include new launches like the 2.3mn Elita Garden Vista (Rajarhat, Kolkota) and the 2.9mn sqft Windermere, Chennai, which have seen soft launches. The projects have seen good booking but no revenues have been recognised for these projects so far.

While sales remained steady QoQ, the same will pick up in coming quarters as ~6.5mn sqft of new launches start recognising revenues...

No price correction in any of the projects

The management has asserted that there have not been any price corrections in any of its projects. Also, some of its projects have seen gradual upward revisions. However, with recent reports of slowdown in offtake of commercial properties in Southern markets like Bangalore, Chennai, we believe that residential market may see weakening demand and moderate fall in prices.

Revising our NAV/share estimate downward by 9.3% to Rs562

The revision comes mainly from expected slowdown in sales in FY09 and spillover effect of the same in FY10.

With PPL expected to launch ~15mn sqft in FY09, we expect strong sales/profit growth over the next two years...

PPL should be able to maintain superior margins on the back of low cost quality landbank...

We expect PPL's net sales to enhance by ~60% CAGR over FY07-FY10E to Rs17bn in FY10E. This is lower than our earlier estimate of ~71% CAGR as PPL has scaled down new launches in Bangalore. We also expect slowdown in volumes resulting in lower growth in sales. We estimate net profit to surge by ~58% CAGR to Rs5.1bn during the same period with OPM in the range of 37-39%. With substantial scale up ahead, interest costs should rise in FY09 and FY10.

VALUATIONS

At the CMP of Rs300, PPL trades at a P/E of 12.5x and EV/EBIDT of 5.4x FY10 estimates. Our NAV valuation shows that PPL trades at a 47% discount to its NAV/share of Rs562 (key assumptions: 5% rise in construction costs, 3% rise in property prices, discount rate of 15%).

PPL's diversification in Cochin, Chennai and Mysore will lower its dependence on Bangalore. Its low cost high quality land bank and a strategic shift towards a mixed development model should see PPL weather any correction in the property market. Its partnership with Keppel under the 49:51 JV KPDPL is currently developing ~4.5mn sqft and is expected to scale up to ~7mn sqft in FY09. We expect significant scale up in execution in FY09 and FY10. However, in light of the expected slowdown in some of its key markets we revise our NAV estimate downwards to Rs562.

PPL, which has so far completed ~5.4mn sqft since inception, is gearing up for ~5mn sqft of deliveries in FY10. PPL relies on in-house construction expertise, which will be unique for such scale of deliveries. So far only select developers like DLF have crossed deliveries of ~5mn sqft p.a. and that too with outsourced construction activity.

We thus assign a 25% discount to NAV as PPL demonstrates its ability to deliver large volumes. Growing volumes should enable the gap between valuations and NAV to contract. We maintain a 'BUY' recommendation with an 18-month price target of Rs422. The risk to our assessment is in contraction of NAV in the event of a sustained and significant price correction in PPL's key markets.

Sensitivity of NAV (Rs/share)			
Prop. prices	Discounting Rate		
	14%	15%	16%
-10%	321	315	309
-5%	410	400	391
0%	512	498	484
5%	627	609	591
10%	760	735	712

*Note: Sensitivity analysis calculations assume a 5% escalation in construction costs.
Source: PINC Research*

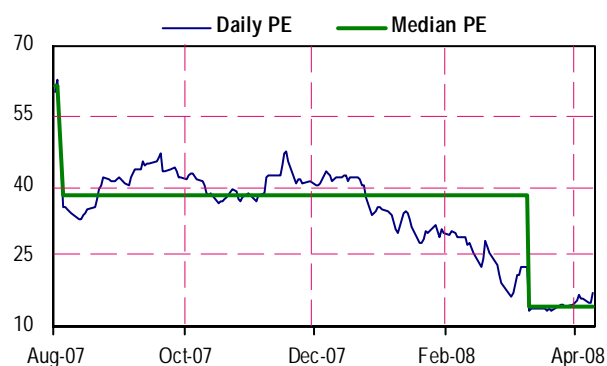
Company description

PPL, promoted by Mr. Ravi Puravankara, is primarily a residential realty major with a strong presence in Southern markets, especially Bangalore. Since commencement of its business in 1986, PPL has developed 19 projects covering ~5.4mn sq.ft. With developable landbank of ~125mn sq.ft. and another 39.1mn sq.ft. of land under MoU in Chennai, PPL ranks amongst the top 10 developers in India.

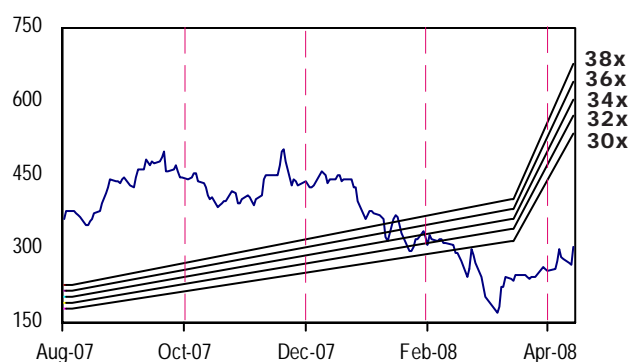
Financial Results for the quarter & year ended 31 March 2008 (Consolidated)

Particulars (Rs Mn)	Quarter Ended			Year Ended		
	31/03/08	31/03/07	Gr %	31/03/08	31/03/07	Gr %
Net Sales	1,539	1,410	9.2	5,658	4,169	35.7
Revenues from projects	1,526	1,403	8.8	5,607	4,143	35.3
Rental Income	8	6	26.0	31	21	48.0
Income from interiors	5	-	1,650.6	20	5	318.4
Total Expenditure	1,001	922	8.5	3,536	2,815	25.6
Land cost	107	32	237.0	316	182	73.6
Material & contract costs	584	725	(19.4)	2,183	2,006	8.8
Other direct cost	123	10	1,124.6	368	120	205.7
Selling cost	65	59	11.1	240	217	10.5
Gen. & Administrative Exp.	67	55	21.9	225	204	10.6
Staff Cost	55	42	30.9	205	87	136.1
Operating profit	538	487	10.4	2,122	1,353	56.8
Share of profits in associates	81	47	70.4	295	140	110.3
PBDIT	619	535	15.7	2,417	1,493	61.9
Interest	(2)	(1)		(98)	12	
Depreciation	10	5	102.8	48	18	170.8
PBT & extra-ordinary items	611	531	14.9	2,467	1,463	68.6
Provision for current tax	4	53		187	150	
Provision for deferred tax	(1)	11		(1)	9	
Prior period tax	(120)	-		(120)	13	
PAT before extra-ordinary items	727	468	55.4	2,400	1,291	85.9
Net Profit	727	468	55.4	2,400	1,291	85.9
Equity Capital (F.V. Rs 5)	1,067	960		1,067	960	
Reserves (excl. rev. res.)	-	-		11,060	1,258	
EPS for the period (Rs)	3.4	2.4		11.2	6.7	
Diluted EPS (Rs)	3.4	2.2		11.2	6.0	
Book Value (Rs)	-	-		57	12	
OPM (%)	35.0	34.6		37.5	32.5	
NPM (%)	47.3	33.2		42.4	31.0	
Expenditure (% of Net Sales)						
Land cost	6.9	2.3		5.6	4.4	
Material & contract costs	38.0	51.4		38.6	48.1	
Other direct cost	8.0	0.7		6.5	2.9	
Selling cost	4.2	4.2		4.2	5.2	
Gen. & Administrative Exp.	4.3	3.9		4.0	4.9	
Staff Cost	3.6	3.0		3.6	2.1	

Median PE v/s Daily PE



PE Band



Income Statement	2005	2006	2007	2008	2009E	2010E
Revenues	1,510	2,797	4,169	5,658	9,928	16,986
<i>Growth (%)</i>	97.7	85.2	49.0	35.7	75.5	71.1
Total Expenditure	1,037	1,908	2,815	3,536	6,101	10,434
Operating Profit	473	889	1,353	2,122	3,826	6,552
Interest & dividend income	-	7	-	-	-	-
Profit / (Loss) share of associates	-	11	140	295	397	679
EBIDT	473	908	1,493	2,417	4,223	7,232
(-) Interest	61	72	12	(98)	206	228
(-) Depreciation	8	-2	18	48	41	53
PBT & extraordinary items	404	837	1,463	2,467	3,976	6,950
(-) Tax provision	33	71	172	67	469	1,822
PAT before extraord. items	371	766	1,291	2,400	3,507	5,129
Net Profits	371	766	1,291	2,400	3,507	5,129
Fully diluted Eq. sh. O/s (mn no)	0.8	0.8	192.0	213.4	213.4	213.4
Book Value (Rs)	645	1,393	12	57	70	89
Basic EPS (Rs)	463.7	958.0	6.7	11.2	16.4	24.0
Diluted EPS (Rs)	1.7	3.6	6.0	11.2	16.4	24.0

Balance Sheet	2005	2006	2007	2008	2009E	2010E
<i>Equity Share Capital</i>	80	80	960	1,067	1,067	1,067
<i>Reserves & Surplus</i>	436	1,034	1,258	11,060	13,837	17,992
Net worth	516	1,114	2,218	12,127	14,904	19,059
Total Debt	1,007	1,622	6,761	6,524	6,862	10,455
Deferred Tax liability	1	1	11	10	10	10
Capital Employed	1,524	2,738	8,989	18,661	21,776	29,524
Fixed Assets	695	3,243	7,397	13,416	9,379	7,065
Net current assets	829	(737)	1,221	4,358	11,510	21,573
Investments	-	231	371	887	887	887
Total Assets	1,524	2,738	8,989	18,661	21,776	29,524

Cash Flow Statement	2005	2006	2007	2008	2009E	2010E
PBT & Extraord. items	414	819	1,463	2,467	3,976	6,950
Depreciation	9	16	25	59	41	53
(Loss) /Profit share in Associates	-	(11)	(140)	(295)	(397)	(679)
Interest & dividend inc.	(49)	(50)	(33)	(135)	-	-
Interest paid	110	122	424	36	206	228
Tax paid	(34)	(117)	(153)	(215)	(469)	(1,822)
Other Adjustments	-	-	-	-	-	-
(Inc)/Dec in working capital	175	1,025	(2,111)	(3,118)	(6,589)	(7,713)
Cash from operations	626	1806	(526)	(1,191)	(3,231)	(2983)
Net capital expenditure	(18)	(112)	(239)	(175)	(424)	(738)
Net investments	-	-	-	-	397	679
Interest recd	1	60	41	134	-	-
Properties held for development	(379)	(2,349)	(3,997)	(5,061)	4,420	3,000
Loans & repayment (net)	(10)	167	-	221	-	-
Cash from investing activities	(407)	(2,234)	(4,277)	(5,106)	4,393	2,941
Long term borrowings:Proceeds/(Repayts)	301	558	4,109	(522)	338	3,593
Short term borrowings:Proceeds/(Repayts)	2	57	1,030	(935)	-	-
Due to related parties	-	-	91	(224)	-	-
Dividends paid	(181)	-	(137)	(211)	(730)	(973)
Interest paid	(108)	(129)	(362)	(843)	(206)	(228)
Cash from financing activities	14	486	4,741	6,273	(598)	2,392
Inc/(Dec.) in cash	233	58	(62)	(24)	563	2,350

Key Ratios	2005	2006	2007	2008	2009E	2010E
EBIDT (%)	31.3	31.8	32.5	37.5	38.5	38.6
ROACE (%)	37.3	42.7	25.2	17.1	20.7	28.0
ROANW (%)	94.2	94.0	77.5	33.5	25.9	30.2
Sales/Total Assets (x)	1.0	1.0	0.5	0.3	0.5	0.6
Debt:Equity (x)	2.0	1.5	3.0	0.5	0.5	0.5
Current Ratio (x)	1.4	0.8	1.2	1.9	3.3	5.0
Debtors (days)	48	57	40	52	39	39
Inventory (days)	68	74	86	110	82	59
Net working capital (days)	198	(95)	105	277	417	457
EV/Sales (x)	2.0	1.3	8.5	6.8	3.8	2.3
EV/EBIDT (x)	6.3	3.9	23.6	15.8	9.0	5.4
P/E (x)	172.9	83.7	49.7	26.7	18.3	12.5
P/BV (x)	0.5	0.2	26.0	5.3	4.3	3.4

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