

Company Flash

11 March 2008 | 6 pages

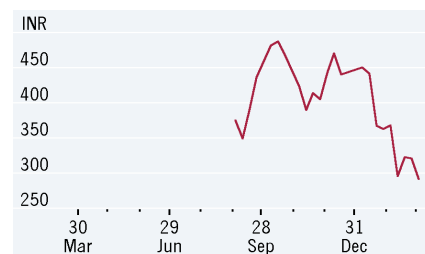
Puravankara Projects (PPRO.BO)

Citi India Conference 2008: Day 1 Takeaways

- Conference takeaways** — Puravankara spoke with investors at the Citi India Investor Conference 2008. Here are some of the highlights of that presentation.
- Landbank** — Saleable area is 115.9m sq ft after recent land acquisitions in Hyderabad (5.9m sq ft) and Sriperumbudur near Chennai (4.5m sq ft). Ongoing projects constitute 15.45m sq ft of saleable area comprising 16 residential (14.72m sq ft) and 3 commercial projects (0.73m sq ft), and is expected to increase to 25m sq ft in a few months. The company intends to acquire land in suburban areas of Tier I cities, particularly Chennai, and Tier II cities.
- Increasing mix of commercial projects** — Currently residential projects account for 94% of the landbank, with commercial projects comprising the balance 6%. However, in the medium term the company intends to increase the proportion of its commercial and hospitality projects to 20-25%.
- Recent project launches** — Projects launched recently include Purva Widemere (2.9m sq ft) in Chennai, Elita Garden Vista (2.26m sq ft) in Kolkata, Hall Mark (0.02m sq ft) in Bangalore and Oceana (0.2m sq ft) in Cochin.
- Strengths** — 1) Quality landbank in key cities in South India – Bangalore, Chennai, Hyderabad, Kochi, Coimbatore and Mysore, 2) established brand, 3) in-house construction capability, 4) value-added services through in-house modification and interior decoration facilities.

Buy/Medium Risk	1M
Price (11 Mar 08)	Rs259.45
Target price	Rs536.00
Expected share price return	106.6%
Expected dividend yield	0.4%
Expected total return	107.0%
Market Cap	Rs55,373M
	US\$1,371M

Price Performance (RIC: PPRO.BO, BB: PVKP IN)



Statistical Abstract

Year to	Net Profit	Diluted EPS	EPS growth	P/E	P/B	ROE	Yield
31 Mar	(RsM)	(Rs)	(%)	(x)	(x)	(%)	(%)
2006A	735	3.83	93.3	67.8	44.7	90.2	0.0
2007A	1,304	6.79	77.4	38.2	22.5	78.3	0.3
2008E	2,527	11.83	74.3	21.9	4.2	32.9	0.4
2009E	4,868	22.80	92.7	11.4	3.1	31.6	0.6
2010E	6,477	30.34	33.0	8.6	2.3	31.3	0.8

Source: Powered by dataCentral

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See Appendix A-1 for Analyst Certification and important disclosures.

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Puravankara Projects

Company description

Puravankara Projects is one of the leading developers in Bangalore. Its founder, Mr. Ravi Puravankara, has over three decades of experience in the construction and development business, with Puravankara being incorporated in 1986. The company has self-constructed most of its properties developed in Bangalore. Though Puravankara remains focused on Bangalore, it is also expanding to other regions in South India. These expansions are spread over locations such as Chennai, Coimbatore, Mysore, Cochin and Hyderabad, and to Colombo in Sri Lanka.

Investment strategy

We rate Puravankara Buy (1M) with a target price of Rs536. Growth for Puravankara's residential-heavy model stems from its quality landbank of ~107m sq ft. Its clear development titles, acquired at a low cost of ~Rs100/sq ft and a large part already paid, differentiates it from other developers. We believe its competitive strength lies in some of its operating virtues: it runs primarily a direct marketing model, supports its development activity with its own construction capabilities, has relatively high levels of in-house execution, and enjoys a strong execution and post-delivery record. Puravankara's focus on S. India, in the larger markets of Bangalore (73% of gross NAV) and Chennai (8%), is in our view an advantage over developers with a National Capital Region (NCR) bias.

Valuation

Our target price of Rs536 is based on a 5% discount to an estimated core NAV of Rs564. We believe an NAV-based valuation methodology is most appropriate for developers, as it factors the varied development projects and spread out time frame. Our NAV estimate of Rs564 is based on the following assumptions: 1) current market prices will persist, without any price inflation; 2) development volume will be 105.3m sq ft (as ~1.5m is already recognized as revenue in FY07); 3) a cap rate of 9% for commercial/IT Park, IT SEZs in Bangalore and Chennai and 10% for other locations; 4) all projects undertaken by Puravankara will be completed largely on schedule; 5) an average cost of capital of 14%; and 6) a tax rate of 25%. We expect Puravankara, a quality mid-scale developer, to trade at a 5% discount to NAV. We ascribe the discount to the following factors: 1) Puravankara's concentration risk in Bangalore (73% of total development), where the potential supply could be large; 2) the company's residential-heavy business model, exposing its business to demand/price risks; 3) possible execution delays, given the large development; and 4) risk of slower than expected sales, given its direct sales model could push back cash flows.

Risks

We rate Puravankara Medium Risk, as opposed to the Speculative Risk rating assigned by our quantitative risk-rating system to stocks that have less than 260-day trading history. The key reasons for assigning a Medium Risk rating include: 1) the company's integrated model with in-house construction

expertise and direct marketing channel; 2) relatively healthy cash flows, at a time when most developers are facing fund constraints; and 3) the company's large exposure to South India, which we believe is a relatively less speculative market and has strong demand potential. The main downside risks to our target price include: 1) Concentration in the Bangalore region (73% of development), where excess supply over the next 2-3 years could adversely impact our price realization assumptions; 2) Delays in the execution of projects and planned developments would impact the company's reputation and our NAV assumptions; and 3) A rapidly changing property market environment could lead to property price-demand risks, regulatory risks and potential supply risks.

Appendix A-1

Analyst Certification

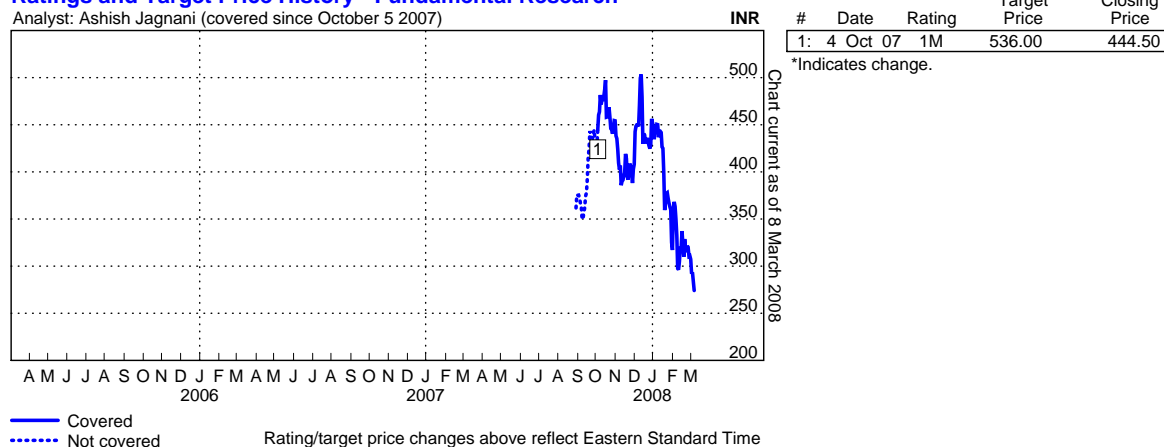
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Puravankara Projects (PPRO.BO)

Ratings and Target Price History - Fundamental Research

Analyst: Ashish Jagnani (covered since October 5 2007)



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