

February 02, 2012

Kejal Mehta  
kejalmehta@plindia.com  
+91-22-66322246

Dhrushil Jhaveri  
dhrushiljhaveri@plindia.com  
+91-22-66322232

Rating	Accumulate
Price	Rs86
Target Price	Rs103
Implied Upside	19.8%
Sensex	17,432
Nifty	5,270

(Prices as on February 02, 2012)

### Trading data

Market Cap. (Rs bn)	28.1
Shares o/s (m)	328.2
3M Avg. Daily value (Rs m)	35.8

### Major shareholders

Promoters	80.01%
Foreign	13.94%
Domestic Inst.	4.63%
Public & Other	1.42%

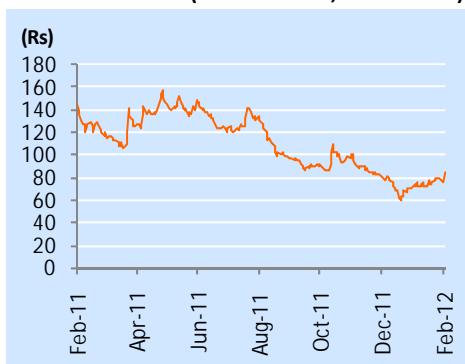
### Stock Performance

(%)	1M	6M	12M
Absolute	18.5	(34.9)	(38.7)
Relative	6.2	(31.1)	(35.1)

### How we differ from Consensus

EPS (Rs)	PL	Cons.	% Diff.
2013	7.0	9.3	-24.1
2014	10.9	12.5	-12.5

### Price Performance (RIC: PREG.BO, BB: PEPL IN)



Source: Bloomberg

■ **Results in line:** Revenues were in line, with estimates at Rs1.67bn, up 30% QoQ, but down 54% YoY. Subdued performance on the revenue front is on account of lack of new projects hitting the recognition threshold during the quarter. However, Q4 is expected to lookup, as *White Meadows* enters P&L and *Neptune Courtyard* expected to be completely recognized. EBITDA margins came in at 30%, a sequential decline of 840 bps, as lower proportion of high-margin projects got recognized during the quarter. Management expects 30-35% as a sustainable range for margins, going forward. PAT stood at Rs280m, a decline of 48% YoY; however, up 6.8% QoQ.

■ **Strong response to new launches continues, large pipeline lined up:** Prestige Estates' new launch in Q3FY12, *Sunnyside*, has managed to sell >40% of the projects within three months of launch; another strong sales performance after the success of *Tranquility* and *Park View* last quarter. Thus, superior sales performance is reflected in the numbers for 9MFY12, wherein the company has achieved sales of ~Rs1.46bn surpassing the full year sales performance of ~Rs13.85bn in FY11. Also, the company has launched the large ~4 msf *Bella Vista* project in Chennai in January 2012. Here too, the response has been pretty strong, with the company having sold ~20% of the project within the first 15 days of launch. The hectic pace of launches is expected to continue with *Prestige Mayberry* (0.48 msf), *Summerfield* (0.93 msf) and *SilverCrest* lined up for Q4FY12.

■ **Rental update:** Although, Prestige's portfolio of office space saw no new leasing during the quarter, *Shantiniketan Commercial* witnessed leasing of ~0.56 msf, which has aided better debtor realization from this project for the company. Prestige continues to remain upbeat on commercial demand, citing a number of deals for their properties currently under negotiation. Rental income has not scaled up to the extent expected; however, Q4 is expected to be better as B5 and B6 start contributing to rental revenue stream. Notwithstanding delays, we expect the rental income to scale up to ~Rs2.5bn in FY14 from ~Rs1.6bn expected in FY12.

### Key financials (Y/e March)

	2011	2012E	2013E	2014E
Revenues (Rs m)	15,431	11,141	17,819	25,580
Growth (%)	50.6	(27.8)	59.9	43.6
EBITDA (Rs m)	3,738	3,344	5,303	7,607
PAT (Rs m)	1,709	1,598	2,307	3,579
EPS (Rs)	5.2	4.9	7.0	10.9
Growth (%)	(5.8)	(6.5)	44.3	55.1
Net DPS (Rs)	1.0	1.0	1.5	2.3

### Profitability & Valuation

	2011	2012E	2013E	2014E
EBITDA margin (%)	24.2	30.0	29.8	29.7
RoE (%)	11.9	7.4	9.9	14.1
RoCE (%)	7.8	6.2	8.1	10.3
EV / sales (x)	2.6	3.9	2.6	1.8
EV / EBITDA (x)	10.6	12.9	8.7	6.1
PE (x)	16.4	17.6	12.2	7.9
P / BV (x)	1.3	1.3	1.2	1.1
Net dividend yield (%)	1.2	1.2	1.7	2.7

Source: Company Data; PL Research

- Net Debt goes up on land acquisition:** Healthy sales of Rs4.7bn during the quarter, coupled with realization of ~Rs1.7bn of debtors from completed projects, shored up customer inflows to ~Rs3bn during the quarter. However, in addition to capex on rental assets of ~Rs0.5bn, land acquisition to the tune of ~Rs1.7bn (reflected in increase in loans & advances) resulted in consolidated net debt increasing by ~Rs1.1bn QoQ. Management has guided for a targeted net debt equity level of 0.55-0.6 compared to current levels of ~0.42. Thus, going forward, net debt is expected to continue to inch up as company invests in construction of rental assets as well as scout for new joint development deals.
- Valuations:** A continuing healthy sales performance, along with an expected scale-up in rental income stream, leads us to retain our positive stance on the stock. As per our estimates, the company's NAV stands at Rs147. Applying a 30% discount to the NAV, we arrive at our target price of Rs103 per share. We maintain **Accumulate** on the stock.

**Exhibit 1: Q3FY12 Result Overview (Rs m)**

Y/e March	Q3FY12	Q3FY11	YoY gr. (%)	Q2FY12	9MFY12	9MFY11	YoY gr. (%)
<b>Sales</b>	<b>1,669</b>	<b>3,636</b>	<b>(54.1)</b>	<b>1,281</b>	<b>5,434</b>	—	—
<b>Expenditure</b>							
Cost of Construction	915	2,443	(62.5)	560	3,034	—	—
<i>% of Net Sales</i>	<i>54.8</i>	<i>67.2</i>	<i>-</i>	<i>43.7</i>	<i>55.8</i>		
Staff Costs	105	152	(30.9)	121	329	—	—
<i>% of Net Sales</i>	<i>6.3</i>	<i>4.2</i>		<i>9.4</i>	<i>6.1</i>		
Other expenditure	147	106	39.0	108	388	—	—
<i>% of Net Sales</i>	<i>8.8</i>	<i>2.9</i>		<i>8.4</i>	<i>7.1</i>		
Total Expenses	1,167	2,701	(56.8)	788	3,751	—	—
<b>EBITDA</b>	<b>501</b>	<b>935</b>	<b>(46.4)</b>	<b>493</b>	<b>1,683</b>	—	—
<i>EBITDA Margin (%)</i>	<i>30.0</i>	<i>25.7</i>		<i>38</i>	<i>31.0</i>		
Depreciation	82	84	(1.6)	80	242	—	—
Other Income	129	183	(29.6)	127	382	—	—
<b>EBIT</b>	<b>419</b>	<b>851</b>	<b>(50.8)</b>	<b>413</b>	<b>1,441</b>	—	—
Less: Interest	159	223		193	585		
<b>PBT</b>	<b>389</b>	<b>812</b>	<b>(52.1)</b>	<b>347</b>	<b>1,238</b>	—	—
Tax	108	268	(59.7)	84	331	—	—
<i>Effective Tax Rate (%)</i>	<i>28</i>	<i>33</i>		<i>24</i>	<i>27</i>		
<b>PAT</b>	<b>281</b>	<b>544</b>	<b>(48.4)</b>	<b>263</b>	<b>908</b>	—	—

Source: Company Data, PL Research

**Income Statement (Rs m)**

Y/e March	2011	2012E	2013E	2014E
<b>Net Revenue</b>	<b>15,431</b>	<b>11,141</b>	<b>17,819</b>	<b>25,580</b>
Raw Material Expenses	8,970	5,411	9,130	13,909
Gross Profit	6,461	5,730	8,689	11,671
Employee Cost	548	411	695	869
Other Expenses	2,174	1,974	2,691	3,195
<b>EBITDA</b>	<b>3,738</b>	<b>3,344</b>	<b>5,303</b>	<b>7,607</b>
Depr. & Amortization	606	622	773	970
Net Interest	1,234	1,323	1,839	1,979
Other Income	682	751	675	608
<b>Profit before Tax</b>	<b>2,580</b>	<b>2,149</b>	<b>3,367</b>	<b>5,266</b>
Total Tax	914	602	1,111	1,738
<b>Profit after Tax</b>	<b>1,667</b>	<b>1,547</b>	<b>2,256</b>	<b>3,528</b>
Ex-Od items / Min. Int.	59	51	51	51
<b>Adj. PAT</b>	<b>1,709</b>	<b>1,598</b>	<b>2,307</b>	<b>3,579</b>
<b>Avg. Shares O/S (m)</b>	<b>328.1</b>	<b>328.1</b>	<b>328.1</b>	<b>328.1</b>
<b>EPS (Rs.)</b>	<b>5.2</b>	<b>4.9</b>	<b>7.0</b>	<b>10.9</b>

**Cash Flow Abstract (Rs m)**

Y/e March	2011	2012E	2013E	2014E
C/F from Operations	(4,073)	(500)	1,710	6,227
C/F from Investing	(4,532)	(2,556)	(4,283)	(5,404)
C/F from Financing	10,556	1,139	2,776	(1,444)
Inc. / Dec. in Cash	1,950	(1,916)	203	(622)
Opening Cash	1,729	3,679	1,763	1,967
Closing Cash	3,679	1,763	1,967	1,345
FCFF	(5,929)	(1,830)	(215)	278
FCFE	(6,769)	(291)	3,138	(272)

**Key Financial Metrics**

Y/e March	2011	2012E	2013E	2014E
<b>Growth</b>				
Revenue (%)	50.6	(27.8)	59.9	43.6
EBITDA (%)	67.2	(10.5)	58.6	43.4
PAT (%)	17.7	(6.5)	44.3	55.1
EPS (%)	(5.8)	(6.5)	44.3	55.1
<b>Profitability</b>				
EBITDA Margin (%)	24.2	30.0	29.8	29.7
PAT Margin (%)	11.1	14.3	12.9	14.0
RoCE (%)	7.8	6.2	8.1	10.3
RoE (%)	11.9	7.4	9.9	14.1
<b>Balance Sheet</b>				
Net Debt : Equity	0.5	0.7	0.8	0.7
Net Wrkng Cap. (days)	—	—	—	—
<b>Valuation</b>				
PER (x)	16.4	17.6	12.2	7.9
P / B (x)	1.3	1.3	1.2	1.1
EV / EBITDA (x)	10.6	12.9	8.7	6.1
EV / Sales (x)	2.6	3.9	2.6	1.8
<b>Earnings Quality</b>				
Eff. Tax Rate	35.4	28.0	33.0	33.0
Other Inc / PBT	26.4	34.9	20.1	11.5
Eff. Depr. Rate (%)	4.6	4.3	4.7	4.3
FCFE / PAT	(396.0)	(18.2)	136.0	(7.6)

Source: Company Data, PL Research.

**Balance Sheet Abstract (Rs m)**

Y/e March	2011	2012E	2013E	2014E
Shareholder's Funds	21,142	22,341	24,071	26,756
Total Debt	15,175	16,714	20,068	19,518
Other Liabilities	2,321	2,321	2,321	2,321
<b>Total Liabilities</b>	<b>38,639</b>	<b>41,377</b>	<b>46,460</b>	<b>48,595</b>
Net Fixed Assets	14,167	16,100	19,611	24,045
Goodwill	1,078	1,078	1,078	1,078
Investments	2,679	2,679	2,679	2,679
Net Current Assets	20,712	21,517	23,090	20,790
<i>Cash &amp; Equivalents</i>	<i>3,679</i>	<i>1,763</i>	<i>1,967</i>	<i>1,345</i>
<i>Other Current Assets</i>	<i>29,984</i>	<i>35,597</i>	<i>39,147</i>	<i>39,958</i>
<i>Current Liabilities</i>	<i>12,951</i>	<i>15,843</i>	<i>18,024</i>	<i>20,513</i>
Other Assets	3	3	3	3
<b>Total Assets</b>	<b>38,639</b>	<b>41,377</b>	<b>46,460</b>	<b>48,595</b>

**Quarterly Financials (Rs m)**

Y/e March	Q4FY11	Q1FY12	Q2FY12	Q3FY12
<b>Net Revenue</b>	<b>4,655</b>	<b>2,484</b>	<b>1,281</b>	<b>1,669</b>
<b>EBITDA</b>	<b>866</b>	<b>689</b>	<b>493</b>	<b>501</b>
<i>% of revenue</i>	<i>18.6</i>	<i>27.7</i>	<i>38.4</i>	<i>30.0</i>
Depr. & Amortization	83	80	80	82
Net Interest	192	232	193	159
Other Income	370	126	127	129
<b>Profit before Tax</b>	<b>960</b>	<b>503</b>	<b>347</b>	<b>389</b>
Total Tax	259	139	84	108
<b>Profit after Tax</b>	<b>702</b>	<b>364</b>	<b>263</b>	<b>281</b>
<b>Adj. PAT</b>	<b>702</b>	<b>364</b>	<b>263</b>	<b>281</b>

**Key Operating Metrics**

Y/e March	2011	2012E	2013E	2014E
Sales (m sqft)	2	4	4	4
Avg Realization (Rs/sqft)	7,694	4,273	5,570	5,448

Source: Company Data, PL Research.

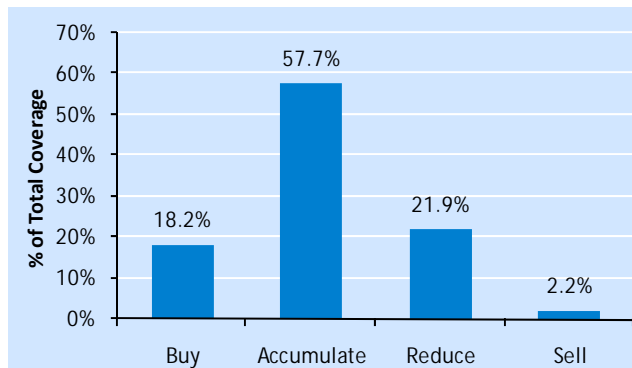


Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India

Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

#### Rating Distribution of Research Coverage



#### PL's Recommendation Nomenclature

<b>BUY</b>	: Over 15% Outperformance to Sensex over 12-months	<b>Accumulate</b>	: Outperformance to Sensex over 12-months
<b>Reduce</b>	: Underperformance to Sensex over 12-months	<b>Sell</b>	: Over 15% underperformance to Sensex over 12-months
<b>Trading Buy</b>	: Over 10% absolute upside in 1-month	<b>Trading Sell</b>	: Over 10% absolute decline in 1-month
<b>Not Rated (NR)</b>	: No specific call on the stock	<b>Under Review (UR)</b>	: Rating likely to change shortly

This document has been prepared by the Research Division of Prabhudas Lilladher Pvt. Ltd. Mumbai, India (PL) and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accept any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

We may from time to time solicit or perform investment banking or other services for any company mentioned in this document.