

July 22, 2008

Rating	Outperformer
Price	Rs61
Target Price	Rs84
Implied Upside	36.7%
Sensex	13,850

(Prices as on July 21, 2008)

Trading Data

Market Cap. (Rs bn)	17.2
Shares o/s (m)	279.5
Free Float	46.5%
3M Avg. Daily Vol ('000)	316.1
3M Avg. Daily Value (Rs m)	28.0

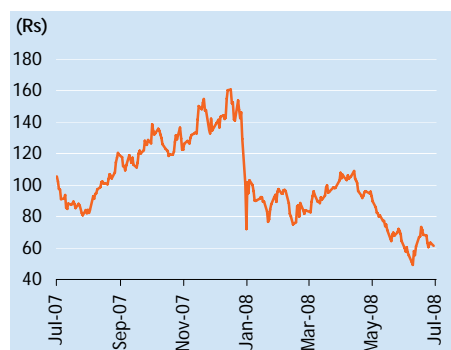
Major Shareholders

Promoters	53.5%
Foreign	19.1%
Domestic Inst.	5.7%
Public & Others	21.7%

Stock Performance

(%)	1M	6M	12M
Absolute	(7.3)	(16.9)	(42.0)
Relative	(4.0)	(1.1)	(32.5)

Price Performance (RIC: PENL.BO, BB: RCOM IN)



Source: Bloomberg

Peninsula Land

Results below expectations

- Revenue grew 31%; profits decline:** The company reported results below our expectations. Revenue grew 31% YoY, while profits witnessed a 7% decline, primarily on account of lower EBIDTA margin. The company commenced operations at its Mumbai mill land projects on April 2, 2008 after the stop work notice was withdrawn. However, operations took a while to resume, completely which resulted in delayed execution.
- Project mix affects margins:** Almost 52% of the revenue was booked from the Ashok Towers project, which is relatively a lower margin project for the company. This led to the company's operating margin declining to 33% as against 58% in Q1FY08. Other contributors to the company's revenue were the Peninsula Business Park, which recently commenced operation as well as rental income. The company didn't book any revenue from its Swan Mills project during the quarter, as revenue booking on this project takes place on the actual receipt of cash.
- Valuation:** We expect the company's PAT to grow at 108% CAGR over FY09 and FY10. As per our estimates, the company's NAV stands at Rs101 and the value arising from the realty fund stands at Rs13. Our target price on the stock is based on 30% discount to the NAV, which gives us a value of Rs71. To this we further add the value accruing from the fund, thereby giving us a target price of Rs84. We rate the stock Outperformer.

Key financials (Y/e March)	FY07	FY08	FY09E	FY10E
Revenues (Rs m)	3,272	3,574	10,858	16,842
Growth (%)	19.1	9.2	203.8	55.1
EBITDA (Rs m)	1,742	1,509	5,400	8,939
PAT (Rs m)	1,294	1,321	3,526	6,302
EPS (Rs)	6.1	4.7	12.6	22.5
Growth (%)	(15.7)	(23.1)	167.0	78.7
Net DPS (Rs)	0.6	0.5	0.5	0.5

Source: Company Data; PL Research

Profitability & valuation	FY07	FY08	FY09E	FY10E
EBITDA margin (%)	53.2	42.2	49.7	53.1
RoE (%)	57.6	18.9	29.2	36.9
RoCE (%)	26.0	17.2	38.2	43.8
EV / sales (x)	4.9	3.9	1.2	0.7
EV / EBITDA (x)	9.1	9.2	2.4	1.3
PE (x)	10.0	13.0	4.9	2.7
P / BV (x)	3.6	1.7	1.2	0.8
Net dividend yield (%)	0.01	0.01	0.01	0.01

Source: Company Data; PL Research

 Kejal Mehta
 KejalMehta@PLIndia.com
 +91-22-6632 2246

 Subramaniam Yadav
 SubramaniamYadav@PLIndia.com
 +91-22-6632 2241



Q1FY09 result overview

(Rs m)

Y/e March	Q1FY09	Q1FY08	YoY gr. (%)	Q4FY08	QoQ gr. (%)
Net Sales	1,239	944	31.3	1,112	11.4
Expenditure					
Cost of realty sales	721	329	119.2	652	10.6
<i>% of Net Sales</i>	<i>58.2</i>	<i>34.9</i>		<i>58.6</i>	
Personnel Cost	69	39	76.8	57	21.4
<i>% of Net Sales</i>	<i>5.5</i>	<i>4.1</i>		<i>5.1</i>	
Other exp	39	26		151	
<i>% of Net Sales</i>	<i>3.2</i>	<i>2.7</i>		<i>13.6</i>	
Total Expenditure	829	394	110.7	860	(3.6)
EBITDA	410	550	(25.5)	252	62.6
<i>Margin (%)</i>	<i>33.1</i>	<i>58.3</i>		<i>22.7</i>	
Other income	20	4	395.0	77	(74.4)
Depreciation	9	5	68.6	10	
EBIT	421	549	(23.3)	319	31.9
Interest	(79)	11	(837.4)	(90)	(12.1)
PBT	500	538	(7.2)	409	22.2
Total Tax	148	162		115	29.3
<i>% PBT</i>	<i>29.6</i>	<i>30.1</i>		<i>28.0</i>	
PAT	352	377	(6.6)	295	19.4
Extra-ordinary item	-	(42)		(47)	
PAT after EOI	352	335	5.0	247	42.3



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

PL's Recommendation Nomenclature

BUY	: > 15% Outperformance to BSE Sensex	Outperformer (OP)	: 5 to 15% Outperformance to Sensex
Market Performer (MP)	: -5 to 5% of Sensex Movement	Underperformer (UP)	: -5 to -15% of Underperformance to Sensex
Sell	: <-15% Relative to Sensex		
Not Rated (NR)	: No specific call on the stock	Under Review (UR)	: Rating likely to change shortly

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