

Parsvnath Developers

BSE code: 532780
 NSE code: PARSVNATH

CMP: 287

Target: Rs 512

BUY

Suman Memani

(91-22) 6612 4736

suman.memani@religare.in

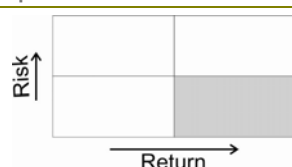
Company data

Particulars	
Market cap (Rs bn / US\$ bn)	54.2/1.3
Outstanding equity shares (mn)	184.6
52-week high/low (Rs)	579/221
2-month average daily volume	683,579

Financial snapshot

Particulars	FY07	FY08E	FY09E
Sales (Rs mn)	15,103.0	25,740.0	43,243.6
Growth (%)	134.6	70.4	68.0
Adj net profit (Rs mn)	2,922.5	5,552.7	9,702.8
Growth (%)	175.1	90.0	74.7
FDEPS (Rs)	15.9	30.2	52.7
Growth (%)	175.1	90.0	74.7
P/E (x)	18.1	9.5	5.4

Risk-return profile



Shareholding pattern

(%)	Jun-07	Mar-07
Promoters	80.3	80.3
FIs	4.2	3.2
Banks & FIs	5.7	5.3
Public	9.8	11.2

Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
Parsvnath Dev	287	(17.8)	(6.9)	(0.3)
Sensex	14,919	(2.1)	2.8	15.3

Company website

www.parsvnath.com

Strengthening business model and reach

Parsvnath Developers (PDL) has bagged a second contract from BEST, Mumbai to develop the Mahim bus station for commercial and residential use. This project will give the company 40,000sq ft of developable area with a realisable value of ~Rs 700mn. More importantly, it gives PDL an important toehold in the booming Mumbai realty market. In a separate development, PDL has become the first real estate company to enter the telecom business by applying for licences to operate a mobile network across the country. The management views this as a good opportunity for the company to diversify into a new, high-potential business area.

PDL currently trades at a significant discount to peers. We expect a re-rating of the stock on the basis of its large land bank (159.8mn sq ft), strong presence in the fast-growing tier II and tier III cities, and diversified business model. We maintain our Buy recommendation with an NAV-based target of Rs 512.

Bags second project in Mumbai

After winning the bid to remodel the Kurla bus depot in Mumbai, PDL has bagged a second project from the BEST to develop a plot of land at the Mahim bus station for commercial and residential use. This includes re-modelling of the existing bus depot and will give the company a developable area of 40,000sq ft with a realisable value of ~Rs 700mn. PDL placed a bid of Rs 330mn for this order. Although the project is small in scale, it lends PDL a valuable toehold in the booming Mumbai realty market.

With this contract, PDL's land bank now aggregates 159.8mn sq ft of saleable area. This land is spread over 48 cities in 17 states, with no one city accounting for more than 10% of the area. About 80% of the land is located in tier II and tier III cities, which are witnessing rapid growth and hence offer higher absorption rates. More importantly, PDL is currently developing 74mn sq ft of land which represents the highest ongoing construction area among peers.

Chandigarh technology park project being launched

The company is launching one of its most prestigious projects, Parsvnath PrideAsia, on September 2, 2007 in Chandigarh. This project is spread over 123 acres of land in a prime location and has a realisable value of around US\$ 1bn.

From realty to telecom

In a bid to broaden its business model, PDL has submitted an application to the Department of Telecom (DoT) for providing Unified Access Services in 22 telecom circles across the country. This would entail a 2G licence for GSM and various services like IPTV, Wi-Max, internet and broadband. The management views telecom as a good avenue for diversification into a new, high-potential business area. In our view, while the sector is very attractive, it would also require a high degree of expertise and technical know-how. PDL could therefore look at a technical tie-up to support its foray. Six players have applied for the Unified Access Services license so far. If the company is awarded licences, it will route this business through a special purpose vehicle (SPV) for which it is looking to tie up with international and domestic players.

Valuation

We have undertaken a comparative evaluation of PDL with peer companies DLF and Unitech. Our analysis reveals that PDL currently has the highest proportion of land under development, at 74mn sq ft, with the widest range of project capabilities.

Peer comparison

Particulars	Unitech	DLF	PDL
Land bank size & cost			
In acres	10,842	10,255	3,100
In mn sq ft	482	574	153.5
Average cost of land bank in books (Rs/sq ft)	165	235	233
Under construction projects (mn sq ft)	35	44	74
Land bank as per location (%)			
Tier I cities	*	*	20
Tier II cities	-	-	31
Tier III cities	-	-	49
Land bank as per segments (% of mn sq ft)			
Residential	66	67	21
Commercial	12	15	3
Retail	8	10	4
Plots	14	8	19
Townships – Housing	-	-	29
DMRC	-	-	1
Hotels	-	-	2
IT Parks and SEZs	-	-	21
Comparison on valuation parameters			
NPV	445	490	512
CMP/NAV	1.1	1.0	0.6
Promoters holding (%)	75	87.4	80.3
Operating margin – FY07 (%)	56.4	57.2	29.2
CMP(Rs)	502	587	287
FY07 EPS (diluted equity)	15.5	11.4	15.9
FY07 P/E (x)	32.3	51.5	18.1

Source: Religare Research *DLF has land in NCR and in Kolkata of over 70%; Unitech has a land bank in NCR, Kolkata and Chennai of over 72%

Highest proportion of land under development

Widest range of project capabilities

Trades at 0.6x one-year forward NPV, which is a discount to both Unitech and DLF

Trades at a discount on both NAV and P/E basis

A comparison of valuation parameters reveals that PDL currently trades at 0.6x one-year forward NPV, which is a discount to both Unitech and DLF who trade at multiples of 1.1x and 1.0x respectively. On a P/E-basis as well the stock is trading below peers, at 9.5x and 5.4x on FY08E and FY09E EPS of Rs 30.2 and Rs 52.7 respectively.

P/E comparison

Company	CMP (Rs)	M/Cap (Rs bn)	EPS (Rs)			P/E (x)		
			FY07	FY08E	FY09E	FY07	FY08E	FY09E
Sobha Developers	755	67.9	22.2	35.5	55.0	34.0	21.2	13.7
Peninsula Land	456	20.3	49.9	49.0	66.0	9.3	9.4	7.0
Parsvnath	287	66.4	15.9	30.2	52.7	18.1	9.5	5.4

Source: Religare Research

NAV approach yields a fair value of Rs 512; Buy

Maintain Buy with target price of Rs 512

PDL currently trades at a significant discount to peers. We expect a re-rating of the stock on the basis of the company's large land bank, presence in tier II and tier III cities, and well diversified business model. We maintain Buy with a target price of Rs 512.

NPV valuation

Particulars	Amount
Net cash flow (Rs mn)	122,531
Discount rate (%)	16
Gross NPV (Rs mn)	81,279
No of shares (mn)	184.7
Net asset value (one-year forward) (Rs)	512

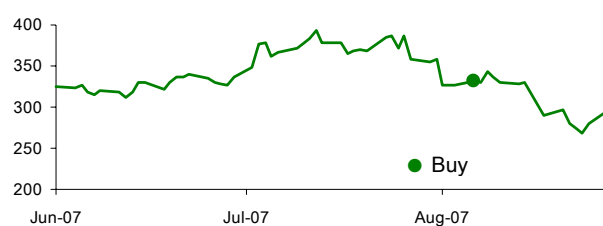
Source: Company, Religare Research

Recommendation history

Date	Event	Reco price	Tgt price	Reco
06-Aug-07	Initiating Coverage	326	512	Buy
29-Aug-07	Company Update	287	512	Buy

Source: Religare Research

Stock performance



Source: Religare Research

Financials

Profit and Loss statement

(Rs mn)	FY06	FY07	FY08E	FY09E
Revenues	6,438.3	15,103.0	25,740.0	43,243.6
Growth (%)	-	134.6	70.4	68.0
EBITDA	1,444.1	4,174.1	9,467.8	16,479.2
Growth (%)	-	189.0	126.8	74.1
Depreciation	58.8	143.3	190.0	270.0
EBIT	1,385.3	4,030.8	9,277.8	16,209.2
Growth (%)	-	187.8	117.1	74.7
Interest	26.9	193.2	1,160.0	2,030.0
Other income	99.3	66.0	-	-
EBT	1,457.8	3,903.6	8,117.8	14,179.2
Growth (%)	-	179.9	99.0	74.7
Tax	395.5	981.1	2,565.1	4,476.5
Effective tax rate	27.1	25.1	31.6	31.6
Adj net income	1,062.4	2,922.5	5,552.7	9,702.8
Growth (%)	-	175.1	90.0	74.7
Shares outstanding (mn)	98.9	184.7	184.7	184.7
FDEPS (Rs)	5.8	15.9	30.2	52.7
DPS (Rs)	0.7	2.5	2.5	3.0
CEPS (Rs)	11.3	16.6	31.1	54.0

Source: Company, Religare Research

Cash flow statement

(Rs mn)	FY06	FY07	FY08E	FY09E
Net income	1,457.8	4,080.1	8,117.8	14,179.2
Depreciation	58.8	143.3	190.0	270.0
Other adjustments	(131.0)	(939.2)	926.5	(537.1)
Changes in WC	(2,408.3)	(16,651.1)	(18,076.8)	(15,311.7)
Operating cash flow	(1,022.7)	(13,367.0)	(8,842.4)	(1,399.6)
Capital expenditure	(417.3)	(720.7)	(720.4)	(832.0)
Investments	-	(453.8)	-	-
Other investing inc/(exp)	8.8	-	-	-
Investing cash flow	(408.5)	(1,174.6)	(720.4)	(832.0)
Free cash flow	(1,431.2)	(14,541.5)	(9,562.8)	(2,231.6)
Issue of equity	-	10,517.7	-	-
Issue/repay debt	1,146.0	9,336.5	8,805.5	4,999.5
Dividends paid	(18.8)	(74.3)	(540.2)	(537.9)
Others	(124.6)	(193.2)	(1,160.0)	(2,030.0)
Financing cash flow	1,002.6	19,586.7	7,105.3	2,431.6
Beg. cash & cash eq	841.0	412.4	5,457.5	3,000.0
Chg in cash & cash eq	(428.6)	5,045.1	(2,457.5)	200.0
Closing cash & cash eq	412.4	5,457.5	3,000.0	3,200.0

Source: Company, Religare Research

Balance sheet

(Rs mn)	FY06	FY07	FY08E	FY09E
Cash and cash eq	412.4	5,457.5	3,000.0	3,200.0
Accounts receivable	637.7	5,578.8	9,100.0	13,324.3
Inventories	3,894.2	16,438.4	23,000.0	33,500.0
Others current assets	3,609.1	7,168.2	12,246.6	15,383.9
Current assets	8,553.4	34,642.9	47,346.6	65,408.2
LT investments	80.1	534.0	534.0	534.0
Net fixed assets	356.3	716.8	1,226.8	1,788.8
CWIP	172.7	389.6	410.0	410.0
Total assets	9,162.5	36,283.3	49,517.4	68,141.0
Payables	4,542.4	8,865.6	5,950.0	8,500.0
Others	250.1	804.5	3,133.9	5,148.3
Current liabilities	4,792.5	9,670.1	9,083.9	13,648.3
LT debt	2,358.5	11,695.0	20,500.5	25,500.0
Other liabilities	-	-	-	-
Equity capital	989.1	1,847.0	1,847.0	1,847.0
Reserves	1,022.4	13,071.2	18,086.0	27,145.7
Net Worth	2,011.5	14,918.1	19,932.9	28,992.6
Total liabilities	9,162.5	36,283.3	49,517.4	68,141.0
BVPS (Rs)	20.3	80.8	107.9	157.0

Source: Company, Religare Research

Financial ratios

	FY06	FY07	FY08E	FY09E
EBITDA margin (%)	24.0	29.2	36.8	38.1
EBIT margin (%)	23.1	28.3	36.0	37.5
Net profit margin (%)	16.5	19.4	21.6	22.4
FDEPS growth (%)	-	175.1	90.0	74.7
Receivables (days)	36.2	134.8	129.0	112.5
Tax/PBT	-	339.5	442.3	385.3
Payables (days)	-	235.9	177.4	108.1
Current ratio (x)	1.8	3.6	5.2	4.8
Interest coverage (x)	57.4	22.9	8.2	8.1
Debt/equity ratio (x)	1.2	0.8	1.0	0.9
ROE (%)	52.8	19.6	27.9	33.5
ROCE (%)	34.0	16.1	22.9	29.7
ROAE (%)	11.6	8.1	11.2	14.2
EV/Sales (x)	4.5	3.5	2.9	1.8
EV/EBITDA (x)	18.6	12.1	7.8	4.8
P/E (x)	49.7	18.1	9.5	5.4
P/BV (x)	14.1	3.6	2.7	1.8
P/CEPS (x)	25.3	17.3	9.2	5.3

Source: Company, Religare Research

RELIGARE RESEARCH

Fundamental Research

Amitabh Chakraborty, CFA, FRM	President - Equity	amitabh.chakraborty@religare.in	(91-22) 6612 4603
Piyush Parag	Auto, Auto Ancillaries, Shipping	piyush.parag@religare.in	(91-22) 6612 4730
Abhishek Agarwal	Agri-commodities, Banking	abhishek.a@religare.in	(91-22) 6612 4753
Dinesh Shukla	Agri-commodities, Banking	dinesh.shukla@religare.in	(91-22) 6612 4739
Ram Patnaik	Agri-commodities, Media, FMCG	ram.patnaik@religare.in	(91-22) 6612 4752
Reema Deshkar	Agri-commodities, Media, FMCG	reema.deshkar@religare.in	(91-22) 6612 4764
Vinod Nair	Capital Goods, Engineering, Metals, Media	nair.vinod@religare.in	(91-22) 6612 4731
Ashish Kila	Capital Goods, Engineering, Power	ashish.kila@religare.in	(91-22) 6612 4768
Ronald Siyoni	Capital Goods, Engineering, Power	ronald.siyoni@religare.in	(91-22) 6612 4615
Dalpat Mehta	Cement, Textiles	dalpat.mehta@religare.in	(91-22) 6612 4696
Anurag Purohit	Information Technology, Telecom	anurag.purohit@religare.in	(91-22) 6612 4795
Hitesh Punjabi	Information Technology, Telecom	hitesh.punjabi@religare.in	(91-22) 6612 4769
Suman Memani	Mid-caps, Construction, Realty	suman.memani@religare.in	(91-22) 6612 4736
Sudeep Anand	Oil & Gas, Chemicals	sudeep.anand@religare.in	(91-22) 6612 4670
Bhawana Verma	Oil & Gas, Chemicals	bhawana.verma@religare.in	(91-22) 6612 4713
Alok Dalal	Pharmaceuticals	alok.dalal@religare.in	(91-22) 6612 4750

Technical Research

Birendrakumar Singh	birendrakumar.singh@religare.in	(91-22) 6612 4657
Vasant Joshi	vasant.joshi@religare.in	(91-22) 6612 4614
Amit Shitut	amit.shitut@religare.in	(91-20) 3024 0376
Kalpana Kabra	kalpana.kabra@religare.in	(91-33) 3051 0947

Derivatives Research

Anil Gupta	anil.g@religare.in	(91-22) 6612 4661
Samir Badami	samir.badami@religare.in	(91-22) 6612 4637
Somendra Agarwal	somendra.agarwal@religare.in	(91-22) 6612 4767

Production

Anisha deSa	anisha.desa@religare.in	(91-22) 6612 4729
R Murali	r.murali@religare.in	(91-22) 6612 4674
Rajesh Mhatre	rajesh.mhatre@religare.in	(91-22) 6612 4728

Administration

Shraddha Hosalkar	shraddha.hosalkar@religare.in	(91-22) 6612 4680
-------------------	-------------------------------	-------------------

Recommendation parameters

			Returns	Absolute
	Large-caps*	Mid-caps**		
	> 10%	> 25%	< -5%	< 10%
	BUY		SELL	

*Market cap over US\$ 1bn **Market cap less than US\$ 1bn

Religare Securities

Mumbai: 3rd Floor, Dheeraj Arma, Anant Kanekar Marg, Bandra (East), Mumbai-400 051. Phone: +91 22 66124600 Fax- 66124781

New Delhi: 19, Nehru Place, New Delhi - 110019, Phone: +91 11 30815100.

Disclaimer

Religare Securities Limited (Religare) has two independent equity research groups: Institutional Equities (Institutional Equity Research) and Priority Client Group (Religare Research). Religare Institutional Equity Research is aimed to service the institutional clients of Religare Securities Limited including the Portfolio Management Services of Religare whereas Religare Research is published with a view to service all segments of clients including Retail, HNIs and Institutional clients and PMS.

This document has been prepared by Religare Securities Limited – Priority Client Group. Affiliates of Religare-PCG may have issued other reports that are contrary with and reach different conclusion from the information presented in this report. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating and target price of the Institutional Equities Research Group of Religare Securities Limited.

We are not soliciting any action based upon this material. This report is not to be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It is for the general information of clients of Religare-PCG. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Religare-PCG will not treat recipients as customers by virtue of their receiving this report. We have reviewed the report, and in so far as it includes current or historical information, it is believed to be reliable. It should be noted that the information contained herein is from publicly available data or other sources believed to be reliable. Neither Religare, nor any person connected with it, accepts any liability arising from the use of this document.

This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for any investment decision. The investment discussed or views expressed may not be suitable for all investors. The user assumes the entire risk of any use made of this information. The recipients of this material should rely on their own investigations and take their own professional advice. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. Price and value of the investments referred to in this material may go up or down. Past performance is not a guide for future performance. Certain transactions -including those involving futures, options and other derivatives as well as non investment grade securities - involve substantial risk and are not suitable for all investors. Reports based on technical analysis centers on studying charts of a stock's price movement and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals.

Opinions expressed are our current opinions as of the date appearing on this material only. We do not undertake to advise you as to any change of our views expressed in this document. While we would endeavor to update the information herein on a reasonable basis, Religare, its subsidiaries and associated companies, their directors and employees are under no obligation to update or keep the information current. Also there may be regulatory, compliance, or other reasons that may prevent Religare and affiliates from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Religare and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

Religare and its affiliates, officers, directors, and employees may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) or have other potential conflict of interest with respect to any recommendation and related information and opinions. Without limiting any of the foregoing, in no event shall Religare, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind.

Copy right in this document vests exclusively with Religare. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose, without prior written permission from Religare. We do not guarantee the integrity of any e-mails or attached files and are not responsible for any changes made to them by any other person.

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report. Analyst's holding in the stocks mentioned in the report: **NIL**.

Filename: Parsvnath Developers - Company Update 29Aug07
Directory: \\172.23.10.6\AnishaD\FINAL
Template: C:\Documents and Settings\Administrator\Local Settings\Temporary
Internet Files\OLK23\New Results Update template (3).dot
Title: Religare Securities Limited
Subject:
Author: a
Keywords:
Comments:
Creation Date: 8/29/2007 12:47:00 AM
Change Number: 24
Last Saved On: 8/29/2007 10:29:00 AM
Last Saved By: Religare
Total Editing Time: 82 Minutes
Last Printed On: 8/29/2007 2:11:00 PM
As of Last Complete Printing
Number of Pages: 6
Number of Words: 2,600 (approx.)
Number of Characters: 14,820 (approx.)