

Parsvnath Developers

Rs 250-300

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3rd Nov 2006

Issue Details	
Offer Price	Rs 250-300
Face Value	Rs 10
Shares Offered (in lakhs)	332.38
Type	Fresh Issue
Promoter	Mr Pradeep jain
Listing (Stock Exchange)	NSE & BSE
Offer Open Date	Nov 06, 2006
Offer Close Date	Nov 10, 2006
Website: www.parsvnath.com	

Scrip Estimates (at Rs 300)	
Market Cap (Rs crores)	5,540.9
EPS - FY07 (E)	8.0
P/E(x) - FY07(E) (fully diluted)	37.4
Market Cap/Sales (x) FY07(E)	5.5

(Assuming Green Shoe Option is fully exercised)

Share Holding Pattern	Pre Offer	Post Offer
Promoters	100.0	80.3
Employees	-	0.1
Public	-	19.6

Financials (Rs Crores)	FY05	FY06	Q1FY07
Sales	303.2	643.8	246.9
EBITDA	72.4	144.0	55.8
EBIT	70.4	139.8	53.3
Other Income	3.6	9.9	2.1
PBT	73.0	147.0	54.2
PAT	65.7	107.0	36.5
Equity	8.2	98.9	98.9
EPS (Rs)	6.6	10.8	3.7

Investors should read the risk factors and more detailed information in the Prospectus and the Application form before investing in the issue.

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Parsvnath Developers is one of the leading real estate development companies in India, with a pan-India presence. It has completed 17 projects and is currently working on 90 projects; in addition to this, it has the regulatory approval to develop 9 SEZs. The total saleable area is 108.7 million sq.ft (excluding SEZs).

Diversified business model: The Company has a number of diverse projects in 41 cities and 14 states of India, and is not restricted to any one segment or geographical region. It's commercial buildings, malls and multiplexes are customised to cater to the demographics of the specific locality. Further, its residential complexes are directed at both, the high income and the economy segments, which enable access to customers across a range of income groups.

Strong marketing network: The Company's marketing is structured in consideration of the nature of the project and the customer-base at which the project is targeted. Parsvnath has a reputed clientele list for its shopping malls and retail outlets, like Big Bazaar, Raymonds, Archies, Spencers, Pizza Hut, McDonald's and Khana Unlimited.

Certifications: The Company has obtained ISO 9001(1994 series) certification in the real estate and construction industry, and also ISO 9001 (2000 series). It was the first real estate company to be awarded the DR 2-ICRA-NAREDCO rating from ICRA Limited. It has also received an integrated management system certification comprising of ISO 9001:2000, ISO 14001:2004 and an OHSAS 18001:1999 certification from RINA, in relation to the design, development, construction and marketing of infrastructure projects.

Robust industry scenario: The real estate market in India is currently estimated at US\$ 12 billion by revenues and is expected to reach US\$ 50 billion by 2010, largely driven by rapid expansion of the IT and ITES industry, retail boom and rise in the Indian middle class income. Based on the 2001 census, housing shortage is estimated at 12.7 million units. It is estimated that about 20 million housing units would come up in the next 5 years. Over the next 3-5 years, office space is expected to expand by five times, organised retail to cover 200 million sq.ft and there would arise a shortfall of over 50,000 rooms in the hotel industry.

Strong Financials: The Company's scale of operations has expanded and its net sales have increased, from Rs 27.2 crores in FY02 to Rs 643.8 crores in FY06, at a CAGR of 120.5%. During the same period, the PAT has increased from Rs 3.3 crores to Rs 107 crores, at a CAGR of 138.7%. For FY06, net sales have doubled to Rs 653.8 crores and PAT has grown by 63%, to Rs 107 crores. For Q1FY07, net sales were Rs 246.9 crores and PAT recorded was Rs 36.5 crores.

Valuations: The Company has diversified its project portfolio by entering construction and developments of hotels and information technology parks, in order to capitalise on the growing real estate development opportunities offered by sectors such as tourism and information technology. The real estate development sector has shown an increase in demand since the past few years, which augurs well for the Company. At the upper end of the price band of Rs 300, the issue is available at PE of 37.5x its FY07 (E) EPS of Rs 8 and 31.2x at the lower end of Rs 250, on fully diluted equity capital of Rs 184.7 crores. We feel positive about the prospects of the Company and advise investors to SUBSCRIBE.

Company Background

Parsvnath Developers is one of the leading real estate development companies in India with operation in 41 cities in 14 states. They were the first one to spot the real estate opportunity in India and acquire a land bank. It has a diversified business model with presence in Residential projects, Commercial, Delhi Metro Rail, Hotels, IT Parks and SEZs.

The Company has completed 17 projects, including nine housing projects and eight commercial complexes. As of October 15, 2006, the Company directly owns and has development rights for an estimated 108.64 million sq.ft of saleable area. It has 90 ongoing projects, and has acquired of 20 integrated townships, 27 commercial complexes including shopping malls, multiplexes, office space and a complete metro station, and 25 residential projects. The Company also intends to construct 14 hotels and four information technology parks on commercial land acquired by it, or in respect of which the Company have development rights. Further, the Company has obtained, in principle, approvals from the Government of India, for the development of nine SEZ projects.

Objects of the Issue

The Company intends to deploy the proceeds of the issue on development and construction of projects, for general corporate purpose and to meet the issue expenses. The estimated cost of developing the projects is Rs 1,428.5 crores.

Year-wise break-up of fund requirement

Name of project (Rs crores)	Estimated Amount	Utilisation of proceeds as on				
		Till 31st Aug06	Seven months ending Mar07	FY08	FY09	FY10
Project Parsvnath Panorama	75.2	40.3	14.2	20.7	-	-
Project Parsvnath Planet	109.8	36.9	34.8	38.1	-	-
Parsvnath Premium	54.9	3.8	20.2	30.9	-	-
Project Parsvnath Panchvati I	54.3	36.4	16.4	1.5	-	-
Project Parsvnath Exotica	508.3	228.7	185.3	94.3	-	-
Parsvnath Pleasant	134.0	1.0	49.6	52.2	31.2	-
Project Parsvnath Green Ville	118.1	88.3	29.8	-	-	-
Parsvnath City Centre	17.5	6.8	3.6	5.3	1.8	-
Hotel at Shirdi	6.0	0.7	2.5	2.8	-	-
Project Parsvnath Exotica (extension)	59.9	10.0	18.6	13.7	17.6	-
Parsvnath Privilege	290.1	2.0	15.2	59.7	110.7	102.5
Total	1428.5	455.0	390.3	319.4	161.3	102.5

Business Details

Current Projects

Currently, the Company is developing residential projects, commercial complexes such as shopping malls and multiplex cinemas, including projects that are built on a build, operate and transfer basis (BOOT), integrated townships and hotels.

- **Residential projects:** The Company is in the process of developing 25 residential projects in India. One of its most significant and advanced residential projects is Parsvnath Exotica at Gurgaon, Haryana. The estimated project cost is Rs 508.4 crores, out of which Rs 228.7 crores has been spent as of August 31, 2006. It has a total saleable area of approximately 2,178,530 sq.ft. 663 residential units are proposed in this project, which is aimed at the premium segment of customers and is expected to be complete by FY09. The total revenue generated by sale of residential units as of Q1FY07, FY06 and FY05 was Rs 121.9 crores, Rs. 495.0 crores and Rs 280.5 crores, respectively.

- **Commercial complexes:** The Company is in the process of developing a number of commercial complexes such as shopping malls, multiplexes and office premises. Currently, it is developing 27 commercial complexes in India. The Company is involved in development ventures with DMRC, for the development of properties in connection with their metro stations, since September 2004.

The total revenue generated by sale of commercial complexes as of Q1FY07, FY06 and FY05 was Rs 4.3 crores, Rs 54.2 crores and Rs 12.7 crores, respectively. Total revenue generated from leases to commercial tenants with respect to its commercial projects, which are predominantly from DMRC projects, as of Q1FY07, FY06 and FY05 was Rs 1 crores, Rs 2.5 crores and Rs 0.1 crore, respectively.

- **Integrated townships:** The Company is currently developing 20 integrated townships in India, all of which are in various stages of development. One of its most significant township projects is the one being developed at the Rajiv Gandhi Technology Park in Chandigarh. The Company is in the process of executing a development agreement with the Chandigarh Housing Board, in connection to this project. The total cost of this project is estimated at Rs 1484.0 crores and the total saleable area is 4,064,075 sq.ft. The Company also intends to develop a hotel at this location, which would have a saleable area of 6,81,668 sq.ft. The project is expected to be completed by 2009. The total revenue generated in relation to integrated townships in Q1FY07 and FY06 was Rs 118 crores and Rs 82.2 crores, respectively.

➤ **Special Economic Zones (SEZs)**

The Company has obtained in-principle approvals of the Government of India (GoI) for the development, operation and maintenance of nine SEZ projects, for the information technology, multi product, food processing, auto, leather, gem & jewellery and the handicraft sectors. It has further applied for in-principle approval from the GoI for six additional SEZ projects.

Competition

The competition is from large developers such as DLF Universal Limited, Unitech Limited, Ansal Properties and Infrastructure Limited in northern India, and Hiranandani, Raheja Group and Lokhandwala Group in western India.

Financials

<i>YE March 31 (in Rs Crores)</i>	<i>FY04</i>	<i>FY05</i>	<i>FY06</i>	<i>Q1FY07</i>	<i>CAGR (%) (2002-06)</i>
Net Sales	112.1	303.2	643.8	246.9	120.5
EBIDTA	20.8	72.4	144.0	55.8	146.2
PBT	20.1	73.0	147.0	54.2	152.7
PAT	18.4	65.7	107.0	36.5	138.7
Equity Paid Up	8.2	8.2	98.9	98.9	
Net Worth	37.8	101.6	201.1	237.7	
Capital Employed	86.3	222.3	437.0	548.9	
Gross Block	7.2	20.5	44.6	53.9	
EPS (Rs)	1.9	6.6	10.8	3.7	
CEPS (Rs)	2.0	6.9	11.2	3.9	
Dividend (%)	15.0	20.0	20.0	-	
Payout (%)	3.8	2.5	6.1	-	
Debt: Equity (times)	1.3	1.2	1.2	1.3	
ROCE (%)	33.4	47.9	45.4	45.2	
RONW (%)	48.7	64.7	53.2	61.4	
EBIDTM (%)	18.6	23.9	22.4	22.6	

Revenue break-up

% Of Total sales	Q1FY07	FY06	FY05	FY04
Residential Projects	49.3	76.9	92.5	80.9
Malls, Multiplexes, commercial properties	1.7	8.4	4.2	7.5
Integrated townships	47.8	12.8	Nil	Nil
Lease Rentals	0.4	0.3	Nil	Nil
Contract Revenues	0.8	1.6	3.3	11.6

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Investment Argument

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