

May 29, 2012

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

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

Rating	Accumulate
Price	Rs110
Target Price	Rs120
Implied Upside	9.1%
Sensex	16,439
Nifty	4,990

(Prices as on May 29, 2012)

Trading data

Market Cap. (Rs bn)	36.2
Shares o/s (m)	328.2
3M Avg. Daily value (Rs m)	56.2

Major shareholders

Promoters	80.01%
Foreign	12.72%
Domestic Inst.	5.64%
Public & Other	1.63%

Stock Performance

(%)	1M	6M	12M
Absolute	0.0	33.9	(22.8)
Relative	4.1	31.2	(12.8)

How we differ from Consensus

EPS (Rs)	PL	Cons.	% Diff.
2013	3.6	8.6	-57.7
2014	8.6	11.7	-26.4

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



Source: Bloomberg

- Revenue recognition behind schedule, full year consolidated numbers subdued:** Prestige Estate Projects (PEPL) reported revenues of Rs2bn for Q4FY12, sequential growth of 21%. However, the revenues were slightly below estimates on account of certain projects like *White Meadows* and *Prestige Tech Park 3* not achieving the recognition threshold. Margins for the quarter stood at 33.9% as against 30% in Q3FY12, while PAT stood at Rs3.82bn as against Rs2.8bn in Q3FY12.

The company's FY12 consolidated revenues witnessed a decline of 32% to Rs10.5bn as compared to FY11 which had the robust income from *Shantiniketan* as the project was completed. Further, on account of an extremely high tax rate of 41.5% for consolidated numbers on account of capitalization of certain charges by the subsidiaries which is treated at revenue in the standalone books, PAT witnessed a decline of 52% to Rs0.8bn.

- Volumes robust:** Although financials were slightly below expectations, volumes stood strong at 1.33m sq.ft backed heavily by the Chennai launch '*Bella Vista*' which is a 3m sq.ft project where the company sold 32%. (PEPL's share 60%). As compared to Q3FY12, volumes grew 33% valued at Rs6.4bn. For FY12, the company clocked in sales of 4.9m sq.ft valued at Rs21bn. The management is guiding for sales of Rs25bn for FY13. The company has lined up 19 projects totalling to 9.75m sq.ft for launch in FY13 of which nine projects have already been soft-launched and have received a pretty decent response.

Contd...2

Key financials (Y/e March)

	2011	2012	2013E	2014E
Revenues (Rs m)	15,431	10,523	15,457	25,166
Growth (%)	50.6	(31.8)	46.9	62.8
EBITDA (Rs m)	3,738	2,966	4,348	7,155
PAT (Rs m)	1,709	826	1,192	2,824
EPS (Rs)	5.2	2.5	3.6	8.6
Growth (%)	(5.8)	(51.7)	44.3	136.9
Net DPS (Rs)	1.0	0.5	0.8	1.8

Profitability & Valuation

	2011	2012	2013E	2014E
EBITDA margin (%)	24.2	28.2	28.1	28.4
RoE (%)	11.9	3.9	5.4	11.9
RoCE (%)	7.8	4.0	5.7	9.0
EV / sales (x)	3.1	4.8	3.7	2.3
EV / EBITDA (x)	12.8	17.1	13.3	8.2
PE (x)	21.2	43.8	30.4	12.8
P / BV (x)	1.7	1.7	1.6	1.5
Net dividend yield (%)	0.9	0.5	0.7	1.6

Source: Company Data; PL Research

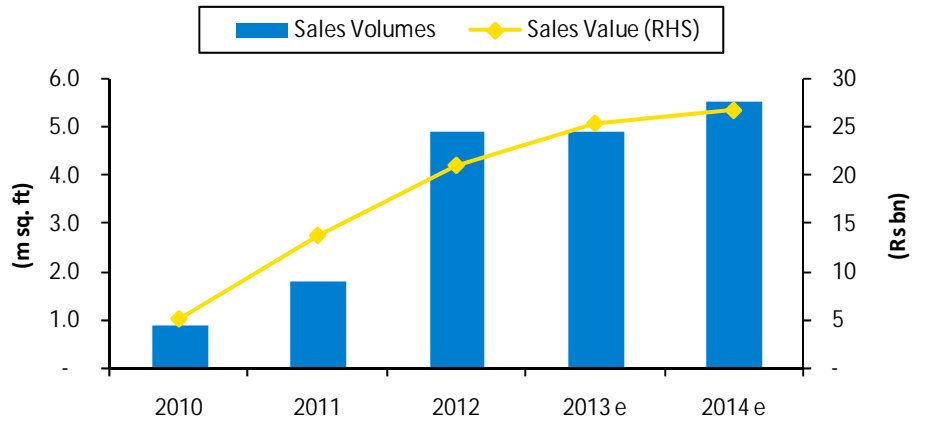
- Scale-up in lease volumes:** The total area leased during the quarter stood at 0.58m sq.ft of which 0.23m sq.ft is PEPL's share vis-à-vis no leasing towards PEPL's share in Q3. The cumulative area leased stands at 7.98m sq.ft of which 5.03m sq.ft is the company's share and 3.52m sq.ft is for generating rentals. The company clocked in rental revenues of Rs1.6bn during FY12 and is expecting to end FY13 with an exit run-rate of Rs2.25bn.
- 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 Rs133. Applying a 10% discount to the NAV, we arrive at our target price of Rs120 per share. We maintain '**Accumulate**' on the stock.

Exhibit 1: Q4 FY12 Result Overview (Rs m)

Y/e March	Q4FY12	Q4FY11	YoY gr. (%)	Q3FY12	FY12	FY11	YoY gr. (%)
Sales	2,021	4,655	(56.6)	1,669	10,523	15,431	(31.8)
Expenditure							
Cost of Construction	1,020	3,602	(71.7)	915	5,965	9,945	(40.0)
<i>% of Net Sales</i>	<i>50.5</i>	<i>77.4</i>		<i>54.8</i>	<i>56.7</i>	<i>64.4</i>	
Staff Costs	127	75	71.0	105	844	548	54.1
<i>% of Net Sales</i>	<i>6.3</i>	<i>1.6</i>		<i>6.3</i>	<i>8.0</i>	<i>3.6</i>	
Other expenditure	187	112	67.0	147	747	1,200	(37.8)
<i>% of Net Sales</i>	<i>9.3</i>	<i>2.4</i>		<i>8.8</i>	<i>7.1</i>	<i>7.8</i>	
Total Expenses	1,335	3,789	(64.8)	1,167	7,556	11,693	(35.4)
EBITDA	686	866	(20.7)	501	2,966	3,738	(20.7)
<i>EBITDA Margin (%)</i>	<i>33.9</i>	<i>18.6</i>		<i>30.0</i>	<i>28.2</i>	<i>24.2</i>	
Depreciation	83	83	(0.5)	82	605	606	(0.1)
Other Income	156	370	(58.0)	129	342	682	(49.9)
EBIT	603	783	(22.9)	419	2,703	3,815	(29.1)
Less: Interest	181	192	(6.2)	159	1,193	1,234	(3.4)
PBT	578	960	(39.8)	389	1,510	2,580	(41.5)
Tax	196	259	(24.4)	108	626	914	(31.5)
<i>Effective Tax Rate (%)</i>	<i>33.8</i>	<i>26.9</i>		<i>27.8</i>	<i>41.5</i>	<i>35.4</i>	
PAT	383	702	(45.4)	281	884	1,667	(47.0)

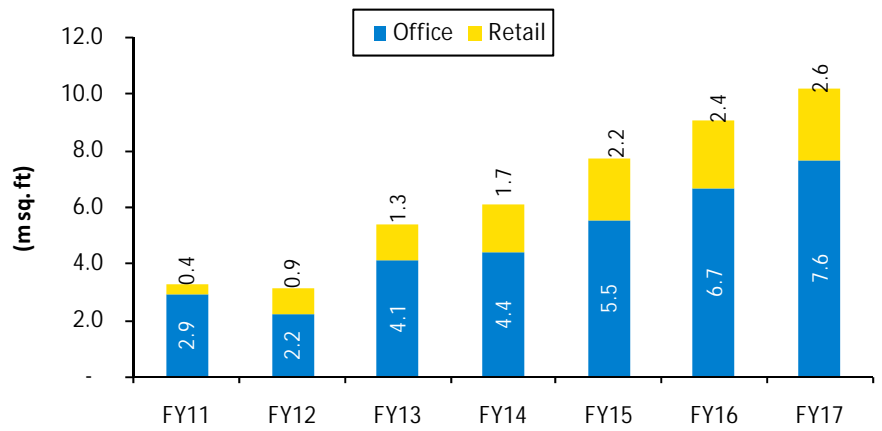
Source: Company Data, PL Research

Exhibit 2: Strong sales growth



Source: Company Data, PL Research

Exhibit 3: Lease volumes



Source: Company Data, PL Research

Income Statement (Rs m)

Y/e March	2011	2012	2013E	2014E
Net Revenue	15,431	10,523	15,457	25,166
Raw Material Expenses	8,970	5,965	8,087	14,426
Gross Profit	6,461	4,558	7,370	10,739
Employee Cost	548	844	603	754
Other Expenses	2,174	747	2,419	2,831
EBITDA	3,738	2,966	4,348	7,155
Depr. & Amortization	606	605	773	970
Net Interest	1,234	1,193	2,007	2,151
Other Income	682	342	308	277
Profit before Tax	2,580	1,510	1,876	4,312
Total Tax	914	626	619	1,423
Profit after Tax	1,667	884	1,257	2,889
Ex-Od items / Min. Int.	59	(72)	(65)	(65)
Adj. PAT	1,709	826	1,192	2,824
Avg. Shares O/S (m)	328.1	328.1	328.1	328.1
EPS (Rs.)	5.2	2.5	3.6	8.6

Cash Flow Abstract (Rs m)

Y/e March	2011	2012	2013E	2014E
C/F from Operations	(4,073)	(282)	(2,362)	5,049
C/F from Investing	(4,532)	(2,556)	(4,283)	(5,404)
C/F from Financing	10,556	2,998	3,088	(1,219)
Inc. / Dec. in Cash	1,950	160	(3,558)	(1,574)
Opening Cash	1,729	3,679	3,839	282
Closing Cash	3,679	3,839	282	(1,292)
FCFF	(5,929)	(1,612)	(4,288)	(900)
FCFE	(6,769)	1,592	(902)	(1,413)

Key Financial Metrics

Y/e March	2011	2012	2013E	2014E
Growth				
Revenue (%)	50.6	(31.8)	46.9	62.8
EBITDA (%)	67.2	(20.7)	46.6	64.6
PAT (%)	17.7	(51.7)	44.3	136.9
EPS (%)	(5.8)	(51.7)	44.3	136.9
Profitability				
EBITDA Margin (%)	24.2	28.2	28.1	28.4
PAT Margin (%)	11.1	7.8	7.7	11.2
RoCE (%)	7.8	4.0	5.7	9.0
RoE (%)	11.9	3.9	5.4	11.9
Balance Sheet				
Net Debt : Equity	0.5	0.7	0.9	0.9
Net Wrkng Cap. (days)	—	—	—	—
Valuation				
PER (x)	21.2	43.8	30.4	12.8
P / B (x)	1.7	1.7	1.6	1.5
EV / EBITDA (x)	12.8	17.1	13.3	8.2
EV / Sales (x)	3.1	4.8	3.7	2.3
Earnings Quality				
Eff. Tax Rate	35.4	41.5	33.0	33.0
Other Inc / PBT	26.4	22.7	16.4	6.4
Eff. Depr. Rate (%)	4.6	4.2	4.7	4.3
FCFE / PAT	(396.0)	192.8	(75.7)	(50.0)

Source: Company Data, PL Research.

Balance Sheet Abstract (Rs m)

Y/e March	2011	2012	2013E	2014E
Shareholder's Funds	21,142	21,762	22,656	24,774
Total Debt	15,175	18,380	21,766	21,252
Other Liabilities	2,321	2,321	2,321	2,321
Total Liabilities	38,639	42,463	46,743	48,347
Net Fixed Assets	14,167	16,117	19,627	24,062
Goodwill	1,078	1,078	1,078	1,078
Investments	2,679	2,679	2,679	2,679
Net Current Assets	20,712	22,586	23,355	20,525
Cash & Equivalents	3,679	3,839	282	(1,292)
Other Current Assets	29,984	34,590	41,098	42,330
Current Liabilities	12,951	15,843	18,024	20,513
Other Assets	3	3	3	3
Total Assets	38,639	42,463	46,743	48,347

Quarterly Financials (Rs m)

Y/e March	Q1FY12	Q2FY12	Q3FY12	Q4FY12
Net Revenue	2,484	1,281	1,669	2,021
EBITDA	689	493	501	686
% of revenue	27.7	38.4	30.0	33.9
Depr. & Amortization	80	80	82	83
Net Interest	232	193	159	181
Other Income	126	127	129	156
Profit before Tax	503	347	389	578
Total Tax	139	84	108	196
Profit after Tax	364	263	281	383
Adj. PAT	364	263	281	383

Key Operating Metrics

Y/e March	2011	2012	2013E	2014E
Sales (m sqft)	1.8	4.9	4.9	5.6
Avg Realization (Rs/sqft)	7,694	4,303	5,176	4,832

Source: Company Data, PL Research.

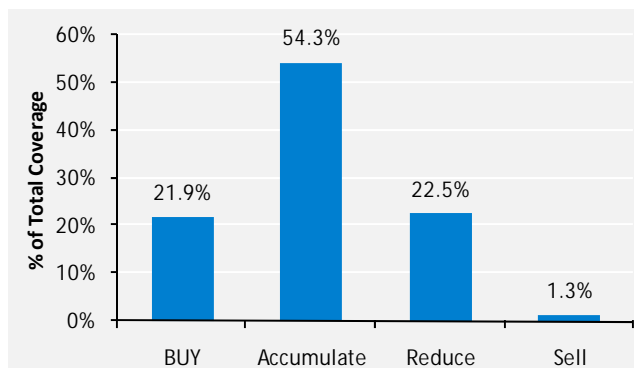


Prabhudas Lilladher Pvt. Ltd.

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

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