

Purvankara Projects (Rs115)

Buy
Target Price: Rs171

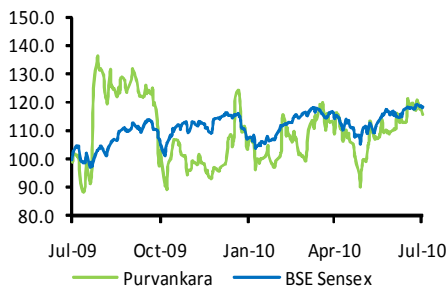
Institutional Equities

India Research

Stock Data

Bloomberg Code	PVKP.IN
Market Cap. (Rs bn / US\$ bn)	22/0.52
52-week High/Low (Rs)	136/75
Shares Outstanding (mn)	213
Avg. daily volume ('000)	566
Avg. daily value (Rs mn)	58
Promoter holding (%)	90
Free float (%)	10
FII holding (%)	6.3

Relative Performance


 BSE Sensex **18,081**

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Riding the IT industry revival

- Net Profit and Margins better than expected:** Purvankara's Q1FY11 net profits came in at Rs. 367 mn up 258% (YoY) and down 6% (QoQ) against our expectation of Rs. 267 mn. EBITDA margins came in 34.4% against our expectations of 27.8%. Revenues came in at Rs. 1163 mn up 108% (YoY) and down 5%(QoQ) against our estimates of Rs.1123 mn. The results were broadly driven by a higher than expected selling prices by 6%.
- Pricing stability and Provident volumes to kick in:** The pricing of end products in key markets of Purvanakara is on a faster than expected upswing driven by the stability in the IT industry. Purvankara has added 0.88 mn sqft of launched projects in the quarter taking the total projects launched to 11.73 mn sqft. We believe that moving forward pricing will be stable and the company will be able to push forward its launched volumes. The company has guided that affordable housing subsidiary will be launching 6 mn sqft (6000 flats) in FY11, taking area under launch to 18 mn sqft. We estimate the moving forward provident will drive the company volumes.
- Upgrade Estimates and our price target:** We have upgraded our FY11E Revenue and Net profit estimates by 4.6% & 4.4% to Rs. 4873 mn and Rs. 1464 mn. We estimate robust revenue and net profit growth in FY12 over FY11 at 69.9% & 32.2% to Rs. 8277 mn and Rs. 1933 mn driven by robust volume and stable pricing. We upgrade the stock to **buy** from under performer with price target of Rs. 171 (Previous target Rs.105) a 30% discount to its FY11NPV of Rs. 244 a share or 12.7x its FY12 earnings.

Quarterly Performance

Rs mn (Consolidated)	Q1 FY10	Q4 FY10	Q1 FY11	YoY %	QoQ %
Net Sales	559.7	1,228.1	1,162.9	108	(5)
Cost	449.7	820.3	762.9	70	(7)
EBITDA	110.0	407.8	400.0	264	(2)
EBITDA Margin (%)	19.7	33.2	34.4		
Net finance income/(expense)	3.0	2.8	3.0	2	8
Depreciation	13.8	69.3	9.5	(31)	(86)
Profit Before Tax	99.2	341.3	393.5	297	15
Tax	1.3	(39.3)	34.4	2546	(188)
Tax Rate (%)	1.3	(11.5)	8.7		
Net Profit	97.9	380.6	359.1	267	(6)
Share of Associates	4.5	56.7	7.8	73	(86)
Consolidated Net Profit	102.4	437.3	366.9	258	(16)

Purvankara Projects

Rs mn	FY2008	FY2009	FY2010	FY2011E	FY2012E
Net Sales	5,658	4,449	4,784	4,873	8,277
EBITDA	2,133	1,367	1,693	1,617	2,412
Net Profit	2,400	1,444	1,453	1,464	1,933
EPS (Rs)	11.25	6.77	6.81	6.86	9.06
EPS Growth (%)	85.94	(39.84)	0.62	0.73	32.03
EBITDA margin (%)	37.70	30.73	35.40	33.17	0.00
PER (x)	10.22	16.99	16.89	16.77	12.70
P/BV (x)	2.02	1.80	1.64	1.51	1.37
Price/sales (x)	4.34	5.52	5.13	5.04	2.97
EV/EBITDA (x)	14.40	23.71	19.70	21.14	14.11
Dividend Yield (%)	1.74	0.00	0.87	0.87	0.87
ROCE (%)	15.01	6.48	7.07	6.55	8.79
ROE (%)	33.47	11.21	10.16	9.33	11.21

Source: Company and Karvy Institutional Research

Key highlights

- The company has fully completed 0.25 mn sqft of projects in this quarter. The projects launched stand at 11.73 mn sqft an increase of 0.88 mn sqft over the previous quarter. Moving forward in this year the company will launch 6mn sqft in its affordable housing subsidiary Provident while Puravankara will focus on completing existing projects.
- Prices have risen by 10% in Q1 and we expect that moving forward prices will remain stable. The ability to deliver will be the key in driving volumes.
- The potential developable area of land bank has been increased by 17.8 mn sqft to 143.25 million square feet of developable area in the quarter through some land acquisition in Bangalore via Joint development contacts. The company is seeing better developable area share vis a vis land owners in these agreements and also in prospective parcels.
- The Provident Housing will be looking at expansion possibilities in Tier II cities in South India and Tier I cities in rest of India. It will follow asset light model and be outsourcing construction to third party players to keep costs fixed. We remain positive on the prospects of Provident Housing based on its business model.
- We now value the stock at Rs.171 a 30% discount to our FY12 NPV of Rs. 244 or 12.7x its FY12 EPS against our previous target of Rs 105. We rate the stock a **buy** against our previous recommendation of under performer.

Stock Ratings	Absolute Returns
Buy	: > 25%
Out Performer	: 16 - 25%
Market Performer	: 0 - 15%
Under Performer	: < 0%
Sell	: <(25%)

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Disclosures Appendix

Analyst certification

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