

Q2FY2012 Review  
Sector: Real Estate  
BSE Sensex : 17,025

## PENINSULA LAND

Upgrade HOLD  
CMP Rs42  
TP Rs46

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Peninsula Land's (PENL) Q2FY12 results were well below our estimates. Topline stood at Rs496mn (PINCe Rs1.1bn) and fell by 59.6% YoY. Reported PAT stood at Rs137mn (PINCe Rs448mn) and decreased by 78.6% YoY. EBITDA margin at 30.9% was substantially below usual margins of 39%/43.1% (FY11/10). We believe the stock has corrected significantly due to the following concerns: (i) Competition for PENL in selling/leasing the phase-II of Peninsula Business Park (PBP)(0.6msf) due to stiff competition from Alok Infra, causing delays in cash inflow and recognition of revenue.(ii) Weak project launches leading to poor revenue & cash flow visibility (iii) PENL has acquired land for residential projects both in and outside Mumbai. These acquisitions have increased the debt levels and could be a concern as near term cash flow visibility seems bleak with projects still under approval process. Post the recent correction in stock price we upgrade our recommendation from 'SELL' to 'HOLD' with a target price of Rs46.

### Revenue substantially below estimates

PENL's Q2FY12 revenues fell by 59.6% YoY to Rs496mn from Rs1.2bn in Q2FY11. Revenue was below our estimate of Rs1.1bn. Revenue in this quarter was recognized from sale at PBP (15,000 sq ft@ Rs17,000psf - Rs260mn), Swan Techno park(Rs170mn) and balance from Ashok garden. However, owing to poor launches in the past 12 months, future revenue visibility remains weak. Also, for leasing/sale of PBP-II, we expect PENL to face stiff competition from Alok Infra to which it sold PBP Phase-I. In our FY12-13 estimates we account for revenues from sale of PBP, followed by Goa and Nashik projects (already launched and will be reflected in yearly consolidated revenue) where construction has commenced.

### EBITDA and PAT fall

EBITDA margin in this quarter decreased to 30.9% on account of rise in other expenditure (18% of sales as against 6.59% in Q2FY11). Reported PAT decreased by 78.6% YoY to Rs137mn on account of lower revenue recognition from projects and one time forex translation loss. The company converted a rupee loan into US dollar denominated loan during the quarter. Due to exchange rate movement during the quarter it provided for Rs147mn notional forex loss due to translation of the unhedged portion of the forex loan. Adjusting for the one-time forex loss PAT fell by 55.5 YoY%.

### VALUATIONS AND RECOMMENDATION

We upgrade our rating from 'SELL' to 'HOLD' since the stock has corrected significantly and we see limited down side from current levels. We have a Target Price of Rs46 after assigning a discount of 30% (previously 20%) to gross NAV & a WACC of 14%.

KEY FINANCIALS		(Rs mn)				
	FY09	FY10	FY11	FY12E	FY13E	
Net Sales	5,656	7,786	5,010	5,493	8,154	
YoY Gr (%)	58.3	37.7	(35.7)	9.7	48.4	
Op. Profits	1,478	3,359	1,945	2,500	3,688	
OPM (%)	26.1	43.1	38.8	45.5	45.2	
Adj. Net Profit	1,471	2,495	1,945	1,993	2,314	
YoY Gr (%)	11.4	69.6	(22.1)	2.5	16.1	
KEY RATIOS						
Dil.EPS (Rs)	5.3	8.9	7.0	7.1	8.3	
ROCE (%)	12.5	17.1	10.5	9.4	10.3	
RoE (%)	14.8	21.6	14.7	13.5	14.0	
PER (x)	8.0	4.7	6.0	5.9	5.1	
EV/ Net Sales (x)	2.8	2.0	3.2	2.9	2.0	
EV/ EBITDA (x)	10.8	4.7	8.2	6.4	4.3	

### QUARTERLY SNAPSHOT (Rs mn)

	Quarter Ended		
	Mar-11	Jun-11	Sep-11
Net Revenues	900	1,059	496
YoY Gr. (%)	(60.0)	(28.6)	(59.6)
EBITDA	576	538	153
EBITDA Marg. (%)	64.0	50.8	30.9
Adj. Net Profit	699	500	284
YoY Gr. (%)	(34.1)	0.0	(55.5)

### STOCK DATA

Market Cap	Rs11.7bn
Book Value per share	Rs47
Shares O/S (F.V. Rs2)	279.2mn
Free Float	32.7%
Avg Trade Value (6 months)	Rs8mn
52 week High/Low	Rs70/41
Bloomberg Code	PENLIN
Reuters Code	PENLBO

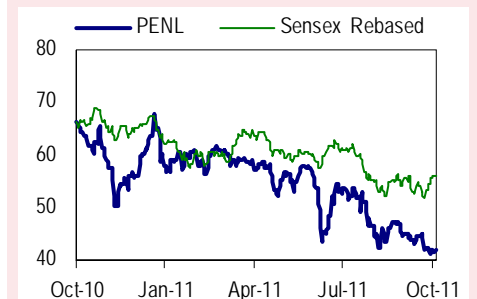
### ACTUAL VS ESTIMATE (Rs mn)

	Actual	PINCe	% Variance
Net Rev.	496	1,100	(54.9)
EBITDA	153	540	(71.7)
Adj net inc.	284	448	(36.8)
Adj EPS (Rs)	1.0	1.6	(36.8)

### PERFORMANCE (%)

	1M	3M	12M
Absolute	(6.8)	(21.5)	(36.3)
Relative	(7.3)	(13.5)	(21.5)

### RELATIVE PERFORMANCE



### Delayed Launches affecting cash flow generation

Launch of few projects have been delayed. The Net D/E level (not excluding liquid investment) has increased from 0.3x (Mar'11) to 0.47x (Q2FY12) on account of new land acquisition and pending land payment. The company recently acquired a land in Bishop Gate (South Mumbai) for Rs2.7bn which is likely to put further pressure on D/E. level. We believe that a faster cash generation from sale of PBP and new launches may keep company's D/E under check.

#### Exhibit 1 - Launch and absorption

	FY12E	FY13E
<b>Residential</b>		
Launches (msf)	1.5	2.8
Absorption (msf)	1.6	2.3
Average SP (Rs/sq.ft.)	3,325	3,325

Source: Company, PINC Research

#### Exhibit 2 - PENL's One year forward NAV

Segments	NPV/share (Rs)
Goa Project	2.6
Nashik Project	10.8
Pune Project	8.5
Pune Project1	24.0
Techno Park	0.0
Business Park-Phase II	34.0
Business Park-Sale(Alok Realty)	0.0
Land Bank*	18.4
(less) Net debt	20.7
<b>NAV</b>	<b>77.7</b>
Discount to NAV (30%)	31.7
<b>Target Price</b>	<b>46.0</b>

Source: Company, PINC Research

\* Includes land bank of Carmichael Road, Hinjewadi, Alibaug, Tathevade, Ram Mansion, JP Nagar, Lonavala, Bettin, Mhendipatnam

#### Exhibit 3 - Financial Table

(Rs mn)	Q2FY12	Q1FY12	QoQ (%)	Q2FY11	YoY (%)	FY11	FY10	YoY (%)
Revenue	496	1,059	(53.2)	1,227	(59.6)	5,010	7,786	(35.7)
Expenditure	343	521	(34.2)	730	(53.0)	3,065	4,427	(30.8)
EBITDA	153	538	(71.6)	497	(69.2)	1,945	3,359	(42.1)
Other income	483	361	33.7	280	72.5	836	287	191.0
Interest	323	295	9.4	13	2,327.8	243	214	13.3
Depreciation	10	10	3.0	8	33.3	49	44	11.5
PBT	303	594	(49.1)	756	(59.9)	2,489	3,388	(26.5)
Tax	19	95	(79.7)	118	(83.7)	577	514	12.3
PAT	137	500	(72.6)	638	(78.6)	1,945	2,495	(22.1)
EBITDA margin (%)	30.9	50.8	(1993)bps	40.5	(960)bps	38.8	43.1	(432)bps
EPS (Rs)	0.5	1.8	(72.6)	2.3	(78.5)	7.0	8.9	(22.1)

Source: Company, PINC Research \* Quarterly numbers on standalone basis; Full year on consolidated basis

**Exhibit 4 - Quarterly Balance sheet**

	Q2FY12	FY11	Change	Remarks
<b>Shareholders funds</b>				
Capital	559	559		
Reserves & Surplus	14,978	14,342		
Loan Funds	10,085	9,441		
Deferred Tax Liability (Net)	74	78		
	<b>25,695</b>	<b>24,420</b>		
Fixed Assets	426	440		
Investments	2,543	2,199		
<b>Current Assets, Loans &amp; Advances</b>				
Inventories	3,567	2,949	▶ 618	
Sundry Debtors	2,464	1,896	569	Increase in debtors as amount of Rs1.4bn from Alok realty outstanding
Cash & Bank Balances	2,720	5,025	(2,305)	Used for new land acquisition
Other Current assets	369	249	▼	
Loans and Advances	14,965	13,355	1,610	On account of new land acquisition, funding from internal cash
	<b>24,085</b>	<b>23,474</b>		
Less: Current Liabilities and Provisions				
Current Liabilities	1,317	1,104		
Provisions	42	588		
	1,359	1,692		
Net Current Assets	22,726	21,782		
	<b>25,695</b>	<b>24,420</b>		

Source: Company, PINC Research

Income Statement	FY09	FY10	FY11	FY12E	FY13E
<b>Revenues</b>	<b>5,656</b>	<b>7,786</b>	<b>5,010</b>	<b>5,493</b>	<b>8,154</b>
<i>Growth (%)</i>	<i>58.3</i>	<i>37.7</i>	<i>(35.7)</i>	<i>9.7</i>	<i>48.4</i>
<b>EBITDA</b>	<b>1,478</b>	<b>3,359</b>	<b>1,945</b>	<b>2,500</b>	<b>3,688</b>
<i>Growth (%)</i>	<i>(2.0)</i>	<i>127.2</i>	<i>(42.1)</i>	<i>28.6</i>	<i>47.5</i>
Depreciation & amortisation	40	44	49	40	50
<b>EBIT</b>	<b>1,438</b>	<b>3,315</b>	<b>1,896</b>	<b>2,460</b>	<b>3,638</b>
Interest	177	214	243	392	550
Other income	695	287	836	595	366
<b>PBT</b>	<b>1,956</b>	<b>3,388</b>	<b>2,489</b>	<b>2,663</b>	<b>3,454</b>
Income taxes	324	514	577	666	1,140
Extra-ordinary items	(160)	(394)	(5)	-	-
Min int / inc from assoc	1	19	43	8	-
<b>Reported net income</b>	<b>1,471</b>	<b>2,495</b>	<b>1,945</b>	<b>1,993</b>	<b>2,314</b>
Adjustments	-	-	-	-	-
<b>Adjusted net income</b>	<b>1,471</b>	<b>2,495</b>	<b>1,945</b>	<b>1,993</b>	<b>2,314</b>
<i>Growth (%)</i>	<i>11.4</i>	<i>69.6</i>	<i>(22.1)</i>	<i>2.5</i>	<i>16.1</i>
<b>Dil. EPS (Rs)</b>	<b>5.3</b>	<b>8.9</b>	<b>7.0</b>	<b>7.1</b>	<b>8.3</b>
<i>Growth (%)</i>	<i>11.4</i>	<i>69.6</i>	<i>(22.1)</i>	<i>2.5</i>	<i>16.1</i>

Cash Flow Statement	FY09	FY10	FY11	FY12E	FY13E
Pre-tax profit	1,956	3,388	2,487	2,663	3,454
Depreciation & Amortisation	40	89	49	40	50
Total Tax Paid	(361)	(237)	(621)	(104)	(755)
Chg in working capital	(2,521)	1,234	(1,219)	(1,442)	(2,826)
Other operating activities	(511)	(47)	(592)	(199)	184
<b>Cash flow from oper (a)</b>	<b>(1,397)</b>	<b>4,428</b>	<b>103</b>	<b>958</b>	<b>107</b>
Capital Expenditure	(309)	(34)	(101)	(1,855)	(1,860)
Chg in investments	1,173	198	(3,040)	(200)	(162)
Other investing activities	681	493	(2,342)	539	316
<b>Cash flow from inv.(b)</b>	<b>1,545</b>	<b>657</b>	<b>(5,484)</b>	<b>(1,516)</b>	<b>(1,706)</b>
<b>Free cash flow (a+b)</b>	<b>148</b>	<b>5,085</b>	<b>(5,381)</b>	<b>(558)</b>	<b>(1,598)</b>
Equity raised/(repaid)	-	-	-	-	-
Debt raised/(repaid)	723	1,239	4,776	100	500
Change in MI	-	-	-	-	-
Dividend (incl. Tax)	(259)	(292)	(484)	(556)	(387)
Other financing activities	(157)	(1,008)	(206)	(429)	(558)
<b>Cash flow from fin (c)</b>	<b>306</b>	<b>(60)</b>	<b>4,086</b>	<b>(885)</b>	<b>(445)</b>
<b>Net chg in cash (a+b+c)</b>	<b>454</b>	<b>5,025</b>	<b>(1,295)</b>	<b>(1,444)</b>	<b>(2,043)</b>

Balance Sheet	FY09	FY10	FY11	FY12E	FY13E
<i>Equity Share Capital</i>	559	559	559	559	559
<i>Reserves &amp; surplus</i>	9,986	11,993	13,420	15,086	16,741
<b>Shareholders' funds</b>	<b>10,545</b>	<b>12,552</b>	<b>13,979</b>	<b>15,645</b>	<b>17,300</b>
Min. Interest & Other	30	32	45	8	-
Total Debt	3,432	4,671	9,442	9,541	10,041
<b>Capital Employed</b>	<b>14,007</b>	<b>17,255</b>	<b>23,465</b>	<b>25,194</b>	<b>27,341</b>
Net fixed assets	758	646	787	2,602	4,412
Cash & Cash Eq.	1,478	6,502	5,207	3,760	1,716
Net Other current assets	9,253	8,703	12,855	13,861	16,044
Investments	1,424	705	3,930	4,130	4,292
Other Assets	1,286	781	775	827	877
Net Deferred tax Assets	(192)	(83)	(90)	15	-
<b>Total Assets</b>	<b>14,007</b>	<b>17,255</b>	<b>23,465</b>	<b>25,194</b>	<b>27,341</b>

Key Ratios	FY09	FY10	FY11	FY12E	FY13E
OPM (%)	26.1	43.1	38.8	45.5	45.2
Net Margin (%)	26.0	32.0	38.8	36.3	28.4
Dividend Yield (%)	2.1	1.8	4.1	2.4	4.8
Gross asset turnover (x)	8.7	10.2	6.0	3.0	2.2
Total asset turnover (x)	0.4	0.5	0.2	0.2	0.3
Adjusted debt/equity (x)	0.3	0.4	0.7	0.6	0.6
Interest coverage ratio (x)	8.1	15.5	7.8	6.3	6.6
RoCE (%)	12.5	17.1	10.5	9.4	10.3
RoE (%)	14.8	21.6	14.7	13.5	14.0
EV/Net Sales (x)	2.8	2.0	3.2	2.9	2.0
EV/EBITDA (x)	10.8	4.7	8.2	6.4	4.3
P/E (x)	8.0	4.7	6.0	5.9	5.1
P/BV (x)	1.1	0.9	0.8	0.7	0.7

### Economic Value Added (EVA) Analysis

	FY09	FY10	FY11	FY12E	FY13E
WACC (%)	15.0	14.8	15.6	15.6	15.6
ROIC (%)	11.9	25.0	12.0	11.1	11.8
Invested capital (Rs mn)	11,447	10,595	14,958	18,369	23,002
EVA (Rs mn)	(357)	1,078	(542)	(839)	(888)
EVA spread (%)	(3.1)	10.2	(3.6)	(4.6)	(3.9)

### Du Pont Analysis

(%)	FY09	FY10	FY11	FY12E	FY13E
Tax burden (Net inc./PBT)	75.2	73.7	78.1	74.8	67.0
Interest burden (PBT/EBIT)	136.0	102.2	131.3	108.2	94.9
EBIT margin (EBIT/Rev.)	25.4	42.6	37.8	44.8	44.6
Asset Turnover (Rev./Avg TA)	38.8	45.6	22.5	20.6	28.2
Leverage (Avg TA/Avg equity)	146.5	147.8	168.2	180.3	175.5
Return on equity	14.8	21.6	14.7	13.5	14.0

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