

PRESTIGE ESTATES PROJECTS LIMITED: Weak Issue, Avoid IPO Note: Expensive as P/E at 33 & High Debt of Rs.1370 Crore Rating*

Valuations & Recommendation

The company intends to raise Rs.1200cr through the IPO. **On the price band of Rs 172-183, the company is demanding a PE multiple of 33 on its FY 10 earnings, which is expensive, compared to the peers in the industry.** Family run, debt ridden enterprise. More than 25% of the issue proceeds will go towards loan repayment. The PAT margin, which was around 7% until 2009, has gone up to 14%, in 2010, because of the IPO envisaged. **Other listed players like Sobha Developers and Purvankara Projects are available at a P/E of 24 and 18 respectively. Recently listed Nitesh Estates and DB Realty are quoting below the issue price. We recommend to avoid the Issue.**

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

PRESTIGE ESTATES PROJECTS LIMITED

Recommendation : **Avoid**

- The Land registered in the name of the Company has less than 25% of the total Land Reserve. The balance is held by subsidiaries / associates.
- The business enjoys various tax benefits under the Income Tax Act, and is also expected to benefit from SEZ related tax benefits. Any policy change in this regard will affect the profitability.
- The company has debt around Rs1370 cr as of Sept 2010. Heavy indebtedness is a strain on the liquidity and margins.
- CARE IPO grade 3/5, indicating average fundamentals.
- The company faces intense competition from both domestic and foreign players, based on the availability and cost of land.
- The company has not declared and paid any dividend so far.
- The average cost of acquisition of the Company's Equity Shares by the Promoters is Rs. 0.36 Per share. Family run enterprise.

DISCLAIMER

The information provided by or in this newsletter is generally from the press reports, electronic media, research websites and other media. The information also includes information from interviews conducted, analysis, views expressed by our research team. Investors should not rely solely on the information contained in this publication and must make their own investment decisions based on their specific investment objectives and financial position and using such independent advisors as they believe necessary. The material and the information provided by this newsletter are not, and should not be construed as an advice to buy or sell any of the securities named in this newsletter. SIHL may or may not hold positions in any of the securities named in this newsletter as a part of its business. Past performance is not necessarily an indication of future performance. SIHL does not assure for accuracy or correctness of information of reports in the newsletter.