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Stock:	PS TB
Name:	Pruksa Real Estate
Price:	Bt17.00
Market Cap (m):	Bt37,516
Market Cap (m):	US\$1,212
Current valuation (DCF):	Bt25.50
12mth price target:	Bt25.00
Recommendation:	Outperform

Event

- The Department of Public Works and Town & Country Planning has announced a setback area of 800 sqm around the planned new Government House in the Kiat Kai area, where PS recently launched its new condo, The Tree Kiat Kai, worth Bt1.6bn, in 2Q10. This will likely result in PS redesigning its building structure from 32-34 floors to just 8 floors to fit the new city planning.

Impact

- **No high-rise building allowed around the new Government House.** On 28 January, the Department of Public Works and Town & Country Planning announced a setback area around the new Government House in the Kiat Kai area. The setback rule will not allow any high-rise buildings of higher than 23 metres (or 8 floors) within the 800 sqm area around the new government houses for security reasons. This will be effective on 29 January.
- **Impact on PS's The Tree Kiat Kai condo.** The new setback rule of 800 sqm will negatively impact on PS as the company launched its new condo, The Tree Kiat Kai Station worth Bt1.6bn and 1,047 total units in 2Q10. The project comprises two high-rise buildings, 32 floors and 34 floors. This project is scheduled to be transferred in 2012. At end-2010, this project achieved good presales of over 80%.
- **PS's solution is to downsize its project to fit the new rule.** At present, PS is waiting for the Environment Impact Assessment (EIA) approval to be eligible to start the construction. With the new setback rule, PS will have to redesign its building structure to be allowed to proceed with the sales and construction. Thus, PS management advised that it would likely redesign the buildings' structure and downsize them to just 8 floors from 32-34 floors currently.
- **Limited financial impact.** With the new building redesign, PS expects the total value of The Tree Kiat Kai condo to reduce by Bt800m from Bt1.6bn currently. The company may consider raising the selling price of its total units. Existing clients who have already bought the units can get a refund of their down payment if they do not want to proceed with the transaction. This will affect only Bt100-200m as PS collected only 7-8% down payment from this project.
- **Limited earnings projection impact.** We adjust the total project value of the Tree condo from Bt1.6bn to Bt800m and maintain its transfer schedule to start in 3Q12. This will lower our EPS estimates by 1-2% for 2012 and 0.5-1.0% for 2013.

Action and recommendation

- We do not think the incident of the Tree Condo project being downsized due to the new setback rule will have a significant impact on its business potential. We believe PS is the strongest player in the low-end townhouse segment, which we think it will outshine this year. PS is trading at 8.9x 2011E PER, which is below its historical mean of 10.6x. Our TP of Bt25 implies 13.1x 2011E PER. Maintain Outperform.

December		2009A	2010E	2011E	2012E
Total revenue	m	19,033.4	23,379.3	32,502.0	37,983.3
EBITDA	m	5,061.7	4,889.2	6,158.4	7,011.8
EBIT	m	4,846.1	4,656.7	5,894.3	6,699.3
EBIT growth	%	58.3	-3.9	26.6	13.7
Recurring profit	m	4,799.0	4,582.8	5,706.2	6,527.4
Adjusted profit	m	3,621.8	3,509.5	4,222.6	4,765.0
EPS rep		1.64	1.59	1.91	2.16
EPS rep growth	%	51.7	-3.3	20.3	12.8
EPS adj		1.64	1.59	1.91	2.16
EPS adj growth	%	51.6	-3.2	20.3	12.8
PE rep	x	10.3	10.7	8.9	7.9
PE adj	x	10.3	10.7	8.9	7.9
Total DPS		0.49	0.48	0.57	0.65
Total div yield	%	2.9	2.8	3.4	3.8
EV/EBITDA	x	7.4	7.7	6.1	5.4
GCFPS		2.35	-5.24	0.78	2.23
PGCFPS	x	7.2	nmf	21.7	7.6
Net debt/equity	%	-5.4	89.9	83.3	65.1
Price/book	x	2.9	2.4	2.0	1.7

*All values are in THB unless otherwise stated.

Source: Company data, Macquarie Research, Feb 2011.

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