

Kolte Patil Developers

Valuation affordable

KPDL reported operationally weak 1QFY21 with pre-sales of 0.31mn sqft (0.67/0.51msf QoQ/YoY), for a presales value of Rs 1.64bn. Life Republic project in Pune continued to garner strong response (45% of pre-sales). Loss of Rs 312mn was driven by fixed cost absorption on lower revenue and low margin projects in mix. COVID-19 shutdown for the most part of April & May-20 also impacted revenue recognition. 1QFY21 collections dipped as expected, and stood at Rs 1.05bn (vs Rs 3.8b/3.6bn QoQ/YoY). We maintain BUY on KPDL as it has a) comfortable liquidity position (Net D/E 0.37x, ready inventory of Rs 2.6bn,) b) strong affordable residential project mix (at average <Rs 5,500/sqft realization) & c) robust launch pipeline (~8-10mn sqft). Proceeds of Rs 450mn (of Rs 910mn total) from strategic land monetisation has kept liquidity from deteriorating. Delay in demand recovery due to Covid-19 is a key risk to our estimates. No change in FY21/22 estimates.

- **POCM revenue miss; cost control curtailed loss:** In order to maintain continuity, KPDL also report key financials under POCM. On like to like basis, revenue came in at Rs 770mn (-75% YoY, 46% miss), EBITDA at Rs -190mn (vs est. of Rs -125mn) and APAT at Rs -312mn (vs est. of Rs -270mn).
- **QoQ recovery; continued focus on digital channels for sales:** Labor availability is at 55-60% (vs ~40% QoQ) and KPDL expects it to reach 70% by Sept/Oct-20. Given that most of its projects are in areas which are worst affected by pandemic, KPDL ramped up its digital presence, in-line with the industry trend. Response from NRI customers continues to be good, and KPDL is putting in place a dedicated team to cater to same.
- **FY21 launch pipeline strong:** After no new launch in FY20, KPDL is planning to launch seven projects in FY21 across Mumbai and Pune with topline potential of Rs 31bn. Of the four projects planned for Pune, three will be commercial. Three projects planned in Mumbai are redevelopment projects and are for residential/retail. This is to be followed up by Boat Club & Giga projects in FY22. Apart from this pipeline, business development (BD) & acquisition deals are being evaluated with strategic focus to remain asset-light, but focus till end-FY21 to be on cash conservation & collections.
- **Industry trends:** KPDL expects overall demand for the residential sector to come down by ~20-25% in the near term, to be offset by the trend of consolidation working in favor of large players with strong balance sheets. Moreover, BD deals, be it revenue/profit sharing, outright sales or platform deals, are now available at better margins/valuations in the wake of COVID-19 as weaker players and land owners find it difficult to manage working capital. More & more processes are moving virtual/digital. ~7-8% of the 2BHK demand is also shifting to 3BHK as WFH is becoming mainstream. Cancellations have been at ~5-10% for the sector at large.

Financial summary

YE March (Rs mn)	1QFY21	1QFY20	YoY (%)	4QFY20	QoQ (%)	FY19	FY20	FY21E	FY22E
Net Sales	1,408	5,857	(76.0)	2,217	(36.5)	8,693	11,295	9,495	12,454
EBITDA	(125)	1,951	(106.4)	38	(427.4)	2,471	2,336	2,177	2,997
APAT	(270)	1,159	(123.3)	(165)	63.8	755	657	565	1,121
Diluted EPS (Rs)	(3.6)	15.3	(123.3)	(2.2)	63.8	10.0	8.7	7.5	14.8
P/E (x)						17.4	20.0	23.2	11.7
EV / EBITDA (x)						7.4	7.7	8.3	6.0
RoE (%)						5.6	5.2	3.7	10.1

Source: Company, HSIE Research

BUY

CMP (as on 21 Aug 2020)	Rs 173
Target Price	Rs 240
NIFTY	11,372

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 240	Rs 240
EPS change (%)	FY21	FY22
	-	-

KEY STOCK DATA

Bloomberg code	KPDL IN
No. of Shares (mn)	76
MCap (Rs bn) / (\$ mn)	13/175
6m avg traded value (Rs mn)	23
52 Week high / low	Rs 288/103

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	16.1	(24.0)	(21.6)
Relative (%)	(8.1)	(17.3)	(25.3)

SHAREHOLDING PATTERN (%)

	Mar-20	Jun-20
Promoters	74.63	74.63
FIs & Local MFs	0.03	0.15
FPIs	14.44	14.51
Public & Others	10.90	10.71
Pledged Shares	0.0	0.0

Source : BSE

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