

Prestige Estates Projects

Monetisation awaited

PEPL pre-COVID rerating was backed by robust expansionary plans on asset build-out and likely deleveraging through REIT, but COVID-19 has now put a spanner in the wheel. As such, FY21E residential collections will remain subdued, and headwinds like work from home and retail footfall/hotel occupancy normalisation will take time. PEPL continues to evaluate monetisation opportunities in the rental business and potential REIT listing over the medium term. Labour availability has now ramped up to ~65%, with normalisation expected by 3QFY21. We maintain BUY on PEPL with an SOTP of Rs 280/sh. No change in FY21/22 estimates.

- **1QFY21 financial highlights:** 1QFY21 revenue reported at Rs 12.7bn (-17%/-36% YoY/QoQ, 17% beat). EBITDA stood at Rs 4.4bn (-17%/-12% YoY/QoQ, 107% beat). Margin came in at 34.5% (34.3/25.2% YoY/QoQ, vs. estimate of 19.4%). Interest cost and depreciation at Rs 2.5/1.6bn in line. Loss from associates at Rs 12mn (vs the estimated loss of Rs 200mn), while minority interest at Rs 184mn (vs estimate of Rs -197mn). Consequently, RPAT came in at Rs 16mn (-99%/-90% YoY/QoQ, vs estimate of Rs 1.9bn loss). Net debt is at Rs 0.84bn (1.5x), with an average borrowing rate at 9.65%.
- **1QFY21 operational highlights:** As expected, Retail & Hospitality saw virtually nil activity, while Office collections continued to remain robust at ~99%. Residential/Commercial segment registered Rs 3.9bn sales (PEPL share; 0.56msf) vs Rs 8.6/9.9bn YoY/QoQ with no launches or completions, largely from Lakeside Habitat, Golfshire, Tech Cloud, and White Meadows. With many units in the handing-over stage, PEPL expects sales to touch Rs ~10bn in 2QFY21E. Seven projects are lined up for launch in 2Q/3QFY21.
- **Robust Office rentals, 25% mall rental waivers until Dec-19:** Collections stood at Rs 5.75bn (PEPL share) vs Rs 9.0/10.9bn YoY/QoQ, while rental income stood at Rs 1.84bn. Annuity (Office+Retail; PEPL share) exit rental stood at Rs 10.5bn pa (Rs ~20bn bn pa incremental potential over next 4-5 years). Hence, with several office projects under construction and in the planning stage and two upcoming malls (Under planning at 56msf; Ongoing at Rs 53msf), PEPL can reach current annuity level in 3-5 years in case all operational assets are monetised via REIT, which is being actively looked at.
- **Monetisation remains key monitorable as debt inches up slightly:** Net debt has increased by Rs 2.3bn QoQ to Rs 84bn in 1QFY21. The net D/E stands at 1.50x vs 1.86/1.46x YoY/QoQ (Rs ~9bn equity infusion in FY20). However, (1) the recent allotment of preference shares to GIC for a consideration of Rs 4.2bn and further Rs 4.6bn equity raise from institutional investors, (2) likely fund raise of ~Rs25bn (\$300-400mn) from -select PE investors pre-REIT, and (3) REITs eventual listing in FY22/23E provide sufficient liquidity to PEPL's Capex plans while maintaining debt at the current position, significantly improving the debt to equity structure.

Financial summary

YE March (Rs mn)	1Q FY21	1Q FY20	YoY (%)	4Q FY20	QoQ (%)	FY19	FY20	FY21E	FY22E
Net Sales	12,737	15,387	(17.2)	19,823	(36)	52,407	81,248	66,875	78,116
EBITDA	4,391	5,277	(16.8)	4,996	(12)	14,538	23,560	18,001	21,342
APAT	16	773	(97.9)	154	(90)	3,262	3,651	617	2,367
Diluted EPS (Rs)	0.0	2.1	(98.1)	0.4	(90)	8.7	9.1	1.5	5.9
P/E (x)						26.6	25.4	150.3	39.2
EV / EBITDA (x)						11.3	7.2	9.7	8.3
RoE (%)						9.8	14.4	3.5	6.9

Source: Company, HSIE Research

BUY

CMP(as on 14 Aug 2020)	Rs 232
Target Price	Rs 280
NIFTY	11,178

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 280	Rs 280
EPS Change %	FY21E	FY22E
	-	-

KEY STOCK DATA

Bloomberg code	PEPL IN
No. of Shares (mn)	401
MCap (Rs bn) / (\$ mn)	93/1,245
6m avg traded value (Rs mn)	161
52 Week high / low	Rs 426/134

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	48.1	(36.3)	(17.9)
Relative (%)	26.4	(28.1)	(19.4)

SHAREHOLDING PATTERN (%)

	Mar-20	Jun-20
Promoters	65.48	65.48
FIs & Local MFs	3.86	2.62
FPIs	29.42	30.11
Public & Others	1.24	1.79
Pledged Shares	-	-

Source : BSE

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Disclosure:

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