

Prestige Estates Projects

Capex cycle to gather pace

PEPL 2QFY21 financial performance was ahead of our estimates with revenue/EBITDA/APAT beat of 27/15/90%. The pre-sales and collections have come back to pre-COVID levels. Share of completed high-value inventory in pre-sales stood at 59% for 2QFY21. PEPL expects to maintain similar momentum for 2HFY21 with six new launches. The annuity portfolio monetisation will yield about Rs 91.6bn with inflow expected by Dec-20. About Rs 50bn will go towards debt retirement and balance Rs 35-37bn post refundable deposit/taxes shall be deployed towards Capex assets. PEPL has entered a new Capex cycle, and rerating would be a longer wait. We roll forward our NAV to Dec-21 and maintain BUY on PEPL with an increased SOTP of Rs 300/sh.

- **2QFY21 financial highlights:** Revenue: Rs 18.7bn (27% beat). EBITDA: Rs 5.4bn (15% beat). Margins came in at 28.5% (vs estimate of 31.5%). Interest cost was Rs 2.4bn (in line). Depreciation at Rs 1.7bn also in line. Share of loss from associates at Rs 121mn (vs est. loss of Rs 12mn), while Minority Interest at Rs 342mn (vs est. of Rs 150mn). Consequently, RPAT came in at Rs 596mn (vs estimate of Rs 313mn profit). Net debt: Rs 86.7bn (1.5x) vs Rs 84bn QoQ; average borrowing rate at 9.65%
- **2QFY21 operational highlights:** Pre-sales (PG share): Rs 8,381mn / 1.33mn sqft (vs Rs 3,982mn/0.65mn sqft QoQ). Collections (PG share): Rs 9,104mn (vs Rs 5,751mn QoQ). Rental Income (PG): Rs 2,208mn (vs Rs 1,836mn). Leased 0.73mn sqft during 2QFY21. Launches: 3.95mn sqft (vs NIL QoQ). PEPL expects to launch 6 projects during 2HFY21 and intends to exceed FY20 pre-sales performance.
- **PEPL annuity asset deal with Blackstone to provide growth capital:** PEPL has entered into definitive agreement for monetisation of Office -100% stake /Retail – 85% stake/few hospitality assets and 50% stake in certain under construction office assets. The total EBITDA of the outgoing assets is Rs 6,930mn. Adjusted for Rs 3.5bn of Hospitality/Facilities management valuation and Rs 6bn FSI value, the EV for annuity asset comes at Rs 82.1bn. The implied cap rate on the Rs 6.9bn EBITDA is ~8.4%. The deal EV is Rs 91.6bn, after debt retirement of Rs 50bn PEPL expects to receive Rs 35-37bn post capital gains and deposits deduction. The capital will go towards growth assets in Mumbai/Delhi and Bengaluru.
- **New assets to guzzle up a large part of proceeds:** PEPL intends to start work on BKC and Mahalakshmi Mumbai commercial office from 4QFY21 subject to all approvals. Capex on these assets will be Rs 28bn and PEPL share of the area and rent at 2mn sqft/Rs 6.3bn (20% plus yield). These assets encompass 2mn sqft of GLA each and are expected to be completed in the next four years. We believe the bulk of deal proceeds will go as equity in these two assets. Cashflows from the ready unsold inventory of Rs 26bn will mostly repay residential debt.

Financial summary

YE March (Rs mn)	2QFY21	2QFY20	YoY (%)	1QFY21	QoQ (%)	FY20	FY21E	FY22E	FY23E
Net Sales	18,750	19,229	(2.5)	12,737	47.2	81,248	66,875	78,116	89,834
EBITDA	5,351	6,099	(12.3)	4,391	21.9	23,560	18,001	21,342	24,543
APAT	596	1,106	(46.1)	16	3,625	3,651	617	2,367	3,034
Diluted EPS (Rs)	1.5	2.8	(46.1)	0.0	3,625	9.1	1.5	5.9	7.6
P/E (x)						28.5	168.8	44.0	34.4
EV / EBITDA (x)						7.7	10.4	8.9	7.6
RoE (%)						14.4	3.6	7.0	8.1

Source: Company, HSIE Research

BUY

CMP(as on 12 Nov 2020)	Rs 260
Target Price	Rs 300
NIFTY	12,691

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 280	Rs 300
EPS Change %	FY21E	FY22E
	-	-

KEY STOCK DATA

Bloomberg code	PEPL IN
No. of Shares (mn)	401
MCap (Rs bn) / (\$ mn)	104/1,398
6m avg traded value (Rs mn)	178
52 Week high / low	Rs 426/134

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	12.3	69.5	(15.2)
Relative (%)	(0.7)	31.2	(22.7)

SHAREHOLDING PATTERN (%)

	Jun-20	Sep-20
Promoters	65.48	65.48
FIs & Local MFs	2.62	2.91
FPIs	30.11	29.66
Public & Others	1.79	1.95
Pledged Shares	-	-

Source : BSE

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Disclosure:

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