

Retail Equity Research

Godrej Properties Ltd

Real Estate

BSE CODE: 533150

NSE CODE: GODREJPROP

Bloomberg CODE: GODREJPROP:IN SENSEX: 56,406

BUY

12 Months Investment period Rating as per Large Cap
CMP Rs. 1,475 TARGET Rs. 1,831 RETURN 24%
(Closing: 14-02-22) 

Initiating coverage with a BUY

Godrej Properties Limited is a real estate company with its head office in Mumbai, India. A subsidiary of Godrej Industries Ltd, the company was established in 1990 under the leadership of Adi Godrej. The company is currently developing projects that are estimated to cover more than 89.7 mn sqft.

- **Topline surged 63.6% YoY to Rs. 279cr in Q3FY22 led by a steady pickup in demand for homes and office spaces.**
- **EBITDA improved to Rs. 5cr loss vs. Rs. 54cr loss in Q3FY21. PAT grew 171.4% YoY to Rs. 39cr, aided by higher other income (+33.8% YoY).**
- **With the effect of omicron wave receding, we believe the impact of the third wave on the economy to be limited. On the backdrop of favorable budget proposals to boost the long-term prospects of real estate sector, we assign a BUY rating on the stock with a target price of Rs. 1,831 based on 5x FY24E adj. book value.**

EBITDA on the cusp of a positive figure

Consolidated Q3FY22 revenue registered a solid 63.6% YoY growth to Rs. 279cr (+115.6% QoQ) led by a steady pickup in demand for homes and office spaces, as companies look to gradually move back to offices post pandemic. Gross profit margin improved from 31.1% in Q3FY22 to 34.9% this quarter. As a result, EBITDA improved to Rs. 5cr loss vs Rs. 54cr loss in Q3FY21. PAT rose 171.4% YoY to Rs. 39cr, boosted by higher other income of Rs. 188cr (+33.8% YoY).

Business update for the quarter

Q3FY22 witnessed a total booking volume of 2.22mn sqft worth Rs. 1,541cr (vs. total booking volume of 2.4mn sqft worth Rs. 1,488cr in Q3FY21). On the business development front, the company has added 3 new projects with saleable area ~2.4mn sqft – (i) Sarjapur 5, Bangalore – 100% owned project spread across ~16 acres; offers ~1.5mn sqft of saleable area comprising primarily of residential apartments of various configurations; expected revenue potential of Rs. 900cr. (ii) Connaught Place, NCR – Project is JV with TDI group to develop ultra-luxury residential project in Connaught Place; ~0.13mn sp ft of saleable area primarily comprising of residential apartments; Godrej Properties has economic interest of 10% of revenue as DM fee and 50% of the profit; expected revenue potential of ~Rs. 650cr. (iii) Godrej properties has purchased 20% stake in a company to develop a commercial project along with Godrej Fund Management; Project offers 0.80mn sqft of leasable area.

Key highlights

- 9MFY22 total booking at Rs. 4,613cr and total booking volume at 6.60mn sqft, vs Rs. 4,093cr and 6.64mn sqft, respectively, in 9MFY21.
- In Q3FY22, Godrej Properties delivered ~0.08mn sqft in MMR.

Valuation

Several of the planned launches has slipped into fourth quarter due to delays in regulatory approvals, which implies the fourth quarter to realize maximum profits in the fiscal year. Union Budget proposals indicating a supportive long-term growth of the real estate sector in India, with the government sharply expanding capex target by ~35% will create the opportunity for real estate developers such as Godrej Properties. We hereby assign a BUY rating on the stock with a target price of Rs. 1,831 based on 5x FY24E adj. book value.

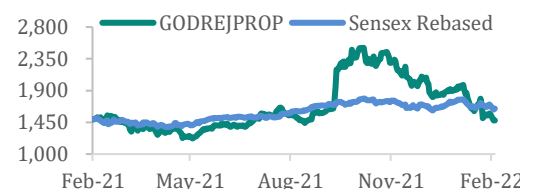
Company Data

Market Cap (cr)	Rs. 40,988
Enterprise Value (cr)	Rs. 43,942
Outstanding Shares (cr)	27.8
Free Float	42.0%
Dividend Yield	0.0%
52 week high	Rs. 2,598
52 week low	Rs. 1,200
6m average volume (lacs)	0.9
Beta	1.2
Face value	Rs. 5

Shareholding %	Q1FY22	Q2FY22	Q3FY22
Promoters	58.4	58.4	58.4
FII's	28.1	30.0	29.9
MFs/Insti	5.1	4.3	4.1
Public	6.4	5.6	6.2
Others	2.0	1.7	1.4
Total	100.0	100.0	100.0
Promoters' pledge	0.0	0.0	0.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-35.7%	-4.6%	-1.1%
Absolute Sensex	-7.1%	1.7%	9.4%
Relative Return*	-28.6%	-6.4%	-10.5%

*over or under performance to benchmark index



Consolidated (cr)	FY22E	FY23E	FY24E
Sales	1,025	1,927	2,177
Growth (%)	34.0	88.0	13.0
EBITDA	124	284	463
EBITDA Margin (%)	12.1	14.7	21.3
Adj. PAT	231	626	803
Growth (%)	(221.8)	171.2	28.4
Adj. EPS	8.3	22.5	28.9
Growth (%)	(211.0)	171.2	28.4
P/E	177.7	65.5	51.0
P/B	4.7	4.4	4.0
EV/EBITDA	354.4	151.9	92.2
ROE (%)	2.7	6.7	7.9
D/E	0.5	0.4	0.3

Quarterly Financials (Consolidated)

Profit & Loss Account

	Q3FY22	Q3FY21	YoY Growth %	Q2FY22	QoQ Growth %	9MFY22	9MFY21	YoY Growth %
Revenue	279	170	63.6	129	115.6	494	332	48.8
EBITDA	(5)	(54)	<i>n.m.</i>	(56)	<i>n.m.</i>	(125)	(179)	<i>n.m.</i>
EBITDA margins	(1.8)	(31.9)	<i>n.m.</i>	(43.4)	4160bps	<i>n.m.</i>	<i>n.m.</i>	2870bps
Depreciation	5	5	9.2	5	4.2	16	14	10.4
EBIT	(11)	(59)	<i>82.2</i>	(61)	<i>82.8</i>	(141)	(194)	<i>27.3</i>
Interest	42	45	(7.2)	41	1.4	124	144	(13.6)
Other Income	188	141	33.8	205	(8.2)	569	425	33.9
Exceptional Items	-	-	-	-	-	-	-	-
PBT	68	31	<i>116.7</i>	58	<i>16.5</i>	162	39	<i>312.7</i>
Tax	29	17	70.9	23	28.4	70	37	89.9
Share of profit from Associate	(68)	(5)	<i>n.m.</i>	(44)	<i>n.m.</i>	(142)	(48)	<i>n.m.</i>
Minority Interest	-	-	-	-	-	-	-	-
Reported PAT	39	14	<i>171.4</i>	36	<i>9.0</i>	92	2	<i>n.m.</i>
Adjustments	-	-	-	-	-	-	-	-
Adj. PAT	39	14	<i>171.4</i>	36	<i>9.0</i>	92	2	<i>n.m.</i>
No. of shares	27.8	24.3	14.2	27.8	0.1	27.8	24.3	14.2
Adj. EPS (Rs.)	1.4	0.6	<i>137.7</i>	1.3	<i>8.9</i>	3.3	0.1	<i>n.m.</i>

Change in Estimates

Year / Rs. cr	Old estimates		New estimates			Change %	
	FY22E	FY23E	FY22E	FY23E	FY24E	FY22E	FY23E
Revenue	-	-	1,025	1,927	2,177	-	-
EBITDA	-	-	124	284	463	-	-
Margins (%)	-	-	12.1	14.7	21.3	-	-
Adj. PAT	-	-	231	626	803	-	-
Adj. EPS	-	-	8.3	22.5	28.9	-	-

PROFIT & LOSS

Y.E March (Rs. cr)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	2,441	765	1,025	1,927	2,177
% change	(13.3)	(68.7)	34.0	88.0	13.0
EBITDA	345	(333)	124	284	463
% change	99.0	(208.9)	(129.2)	147.3	69.8
Depreciation	(21)	(20)	(21)	(29)	(30)
EBIT	325	(353)	103	255	433
Interest	222	185	173	133	98
Other Income	388	452	399	772	813
PBT	491	(86)	330	894	1,147
% change	41.0	(117.4)	(484.7)	171.2	28.4
Tax	220	104	99	268	344
Tax Rate (%)	44.9	(121.1)	30.0	30.0	30.0
Reported PAT	267	(189)	231	626	803
Adj*	-	-	-	-	-
Adj PAT	267	(189)	231	626	803
% change	5.6	(170.9)	(221.8)	171.2	28.4
No. of shares (cr)	24.3	25.3	27.8	27.8	27.8
Adj EPS (Rs.)	11.0	(7.5)	8.3	22.5	28.9
% change	(1.5)	(168.1)	(211.0)	171.2	28.4
DPS (Rs.)	-	-	-	-	-
CEPS (Rs.)	11.8	(6.7)	9.1	23.6	30.0

CASH FLOW

Y.E March (Rs. cr)	FY20A	FY21A	FY22E	FY23E	FY24E
Net inc. + Depn.	288	(170)	252	655	833
Non-cash adj.	(1,069)	98	102	55	12
Changes in W.C	552	(599)	738	357	(64)
C.F. Operation	(230)	(671)	1,092	1,067	782
Capital exp.	(63)	(125)	(172)	(251)	(261)
Change in inv.	(1,208)	(2,690)	(37)	(38)	(38)
Other invest.CF	(451)	(506)	-	(0)	-
C.F - Investment	(1,721)	(3,322)	(209)	(288)	(299)
Issue of equity	2,066	3,691	-	-	-
Issue/repay debt	217	951	(603)	(452)	(329)
Dividends paid	(0)	(0)	-	-	-
Other finance.CF	(311)	(383)	3	3	4
C.F - Finance	1,972	4,259	(600)	(449)	(325)
Chg. in cash	21	266	283	330	158
Closing cash	507	673	956	1,286	1,444

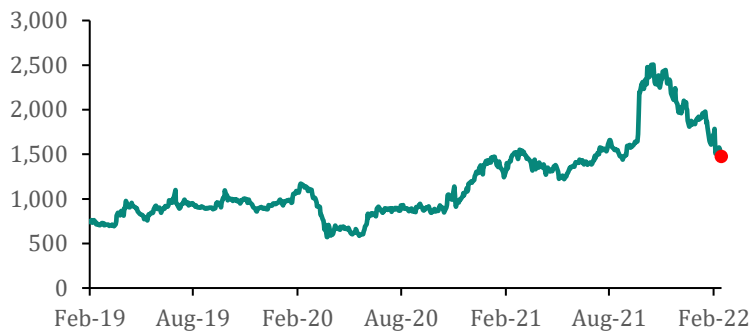
BALANCE SHEET

Y.E March (Rs. cr)	FY20A	FY21A	FY22E	FY23E	FY24E
Cash	507	673	956	1,286	1,444
Accounts Receivable	433	238	340	678	809
Inventories	2,125	4,801	3,136	3,854	3,227
Other Cur. Assets	4,580	7,361	7,398	7,435	7,473
Investments	1,519	1,546	1,619	1,698	1,785
Gross Fixed Assets	305	317	489	740	1,001
Net Fixed Assets	82	129	294	528	772
CWIP	161	229	218	207	197
Intangible Assets	24	22	20	18	16
Def. Tax (Net)	519	360	270	203	152
Other Assets	157	887	887	887	887
Total Assets	10,106	16,248	15,138	16,793	16,761
Current Liabilities	2,077	3,256	2,432	3,845	3,287
Provisions	13	15	16	18	20
Debt Funds	3,210	4,513	3,910	3,458	3,130
Other Liabilities	2	144	146	149	151
Equity Capital	126	139	139	139	139
Reserves & Surplus	4,678	8,181	8,494	9,185	10,035
Shareholder's Fund	4,804	8,319	8,633	9,324	10,174
Minority Interest	-	-	-	-	-
Total Liabilities	10,106	16,248	15,138	16,793	16,761
BVPS (Rs.)	197	329	311	336	366

RATIOS

Y.E March	FY20A	FY21A	FY22E	FY23E	FY24E
Profitab. & Return					
EBITDA margin (%)	14.1	(43.6)	12.1	14.7	21.3
EBIT margin (%)	13.3	(46.1)	10.1	13.2	19.9
Net profit mgn.(%)	10.9	(24.8)	22.5	32.5	36.9
ROE (%)	5.6	(2.3)	2.7	6.7	7.9
ROCE (%)	4.1	(2.8)	0.8	2.0	3.3
W.C & Liquidity					
Receivables (days)	64.7	113.7	121.0	128.3	135.6
Inventory (days)	496.2	3,688.6	3,285.0	1,460.0	1,387.0
Payables (days)	574.7	2,438.5	3,463.9	1,341.2	1,636.9
Current ratio (x)	1.4	1.9	2.3	2.2	2.5
Quick ratio (x)	1.0	1.2	1.7	1.5	1.9
Turnover & Leverage					
Gross asset T.O (x)	8.3	2.5	2.5	3.1	2.5
Total asset T.O (x)	0.3	0.1	0.1	0.1	0.1
Int. coverage ratio (x)	1.5	(1.9)	0.6	1.9	4.4
Adj. debt/equity (x)	0.7	0.5	0.5	0.4	0.3
Valuation					
EV/Sales (x)	7.1	51.6	42.9	22.4	19.6
EV/EBITDA (x)	50.3	(118.5)	354.4	151.9	92.2
P/E (x)	54.9	(188.2)	177.7	65.5	51.0
P/BV (x)	3.1	4.3	4.7	4.4	4.0

Recommendation Summary (Last 3 Years)



Dates	Rating	Target
15-Feb-22	BUY	1,831

Source: Bloomberg, Geojit research

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral			

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note.

Accumulate: Partial buying or to accumulate as CMP dips in the future.

Hold: Hold the stock with the expected target mentioned in the note.

Reduce: Reduce your exposure to the stock due to limited upside.

Sell: Exit from the stock.

Not rated/Neutral: The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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