

**BSE SENSEX**  
61,121

**S&P CNX**  
18,145



Bloomberg	GPL IN
Equity Shares (m)	278
M.Cap.(INRb)/(USD\$)	328.3 / 4
52-Week Range (INR)	2598 / 1130
1, 6, 12 Rel. Per (%)	-13/-26/-47
12M Avg Val (INR M)	1841

## Financials & Valuations (INR b)

Y/E MARCH	FY22	FY23E	FY24E
Sales	18.2	14.2	31.4
EBITDA	1.3	0.6	8.7
EBITDA Margin (%)	7.3	4.1	27.8
Adj PAT	3.5	7.9	14.2
Cons. EPS (Rs)	12.6	28.5	51.2
EPS Growth (%)	31.2	207.9	305.8
BV/Share (Rs)	312.1	340.6	391.8

## Ratios

Net D:E	0.1	0.1	0.3
RoE (%)	4.1	8.7	14.0
RoCE (%)	5.0	4.2	7.1
Payout (%)	0.0	0.0	0.0

## Valuations

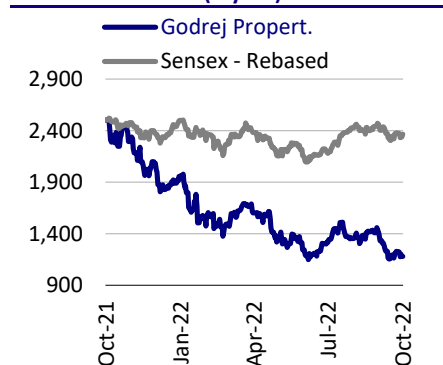
P/E (x)	100.7	44.6	24.8
P/BV (x)	4.1	3.7	3.2
EV/EBITDA (x)	268.6	622.3	43.8
Div. Yield (%)	0.0	0.0	0.0

## Shareholding pattern (%)

As On	Sep-22	Jun-22	Sep-21
Promoter	58.5	58.4	58.4
DII	4.5	4.9	4.3
FII	27.5	27.7	30.0
Others	9.5	8.9	7.2

FII Includes depository receipts

## Stock Performance (1-year)



**CMP: INR1,267**

**TP: INR1,300 (+3%)**

**Neutral**

## Deciphering the JV project profitability

During FY18-21, Godrej properties (GPL) launched (38) and delivered (20) 58 projects of which 30 projects were JV's. Of these 30 projects, we analyzed the financials of 22 JV projects to understand the project-level economics and assess the trajectory of contributions from JV projects to financials of GPL. Below are the key takeaways a) recognition of overheads in ongoing projects without the corresponding revenue is dragging its profitability at the consolidated level, b) a large part of GPL's profit is realized through interest arbitrage for a tax-efficient structure, c) GPL is reporting improved EBITDA margins for JV projects added post FY18.

## Consolidated one-line profitability adversely impacted due to recognition mismatch and JV structure

- Out of the 22 JV projects analyzed, revenue was recognized in 10 of them on account of completions. Of the 10 JV projects, 8 of them reported positive operating profit. Of the 22 projects analyzed, 12 JVs continue to accrue overheads without any revenue recognition.
- On a consolidated level, GPL has recognized a cumulative loss of INR1.2b under share of JV Profit/loss over FY17-21 broadly on account of two reasons:
  - **a) Recognition of overheads without corresponding revenue:** Over the five-year period, the completed projects generated a revenue of INR63b and the combined adjusted operating profit stands at INR8b. But the cumulative EBITDA of all the 22 projects over the same period was lower at INR5b, on account of INR3b operating loss at 12 JVs where the company continues to recognize overhead costs (marketing, admin and other). Revenue recognition in these projects is yet to commence since projects are still ongoing.
  - **b) Profitability looks optically lower due to the idea of a tax-efficient structure:** During our recent interaction, management indicated that the purpose of entering into JVs is to make it tax efficient for both the company and the land owner. Thus, a large part of income for GPL is recognized from interest arbitrage, where it borrows at a low cost (sub 7%) and it lends to JVs at 12-18%. While the interest cost is expensed out in JV's P&L to lower the tax liability for the land owner, it is reported as 'other income' in GPL's consolidated P&L. Over FY18-21, GPL has reported INR8b of interest income from JVs.

## Projects signed post FY18 have reported improved profitability

- The 10 JVs which saw project completions over FY18-21 generated cumulative revenue of INR63b and an operating profit of INR4.6b. Adjusting for finance cost of INR3.2b capitalized during the same period, the adjusted EBITDA was INR8b, resulting in an EBITDA margin of 13%.
- But on a project level, we notice that select legacy projects, which were completed over FY19-20 have relatively weaker margins (8-11%) than projects signed post FY19 and completed in FY21.
- For instance, projects such as Hillside (Pune) and Oasis (NCR) which witnessed part completion during FY21 generated healthy Adj. EBITDA margin of 30% and 23%, respectively, indicating better underwriting of the projects.

**Pritesh Sheth - Research Analyst** (Pritesh.Sheth@MotilalOswal.com)

**Sourabh Gilda - Research Analyst** (Sourabh.Gilda@MotilalOswal.com)

**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

**Way forward: Earnings to recover, driven by 35msf of completions**

- Over the last five years of strong business development, GPL has gradually improved the structure of deals. Over FY17-18, 90% of the deals were DM and JV, with a profit share of not more than 40%.
- Since FY19, the focus has tilted towards high profit JVs as well as opportunistic outright land acquisitions. GPL has started to underwrite deals at better terms, with profit sharing of a minimum 50% and additional DM fees of 5.5-12.5% in some cases.
- Driven by scale up in launches since FY19, we expect GPL to deliver ~35msf of projects over FY23-25E across the project structures of ownership, JV and DM.
- The number of completions will be the highest in JV projects with an annual run-rate of ~8-9msf, while owned projects will also see a pickup in delivery after muted four years with 2-3msf completion over FY23-25
- Given the improved deal structures and already exhibited strong profitability, we expect PAT to report a CAGR of 86% over FY22-25E, leading to an RoE of 11%

**Valuation and view:**

While we are confident of (1) the company delivering 24% pre-sales CAGR over the next two to three years, given its ~95msf pipeline (2) strong business development, aided by existing cash balance and surplus cash flow generation potential. However, concerns over the company's ability to strengthen its MMR portfolio and improvement in P&L profitability in near term still loom over. **We retain our Neutral rating at an unchanged TP of INR1,300.**

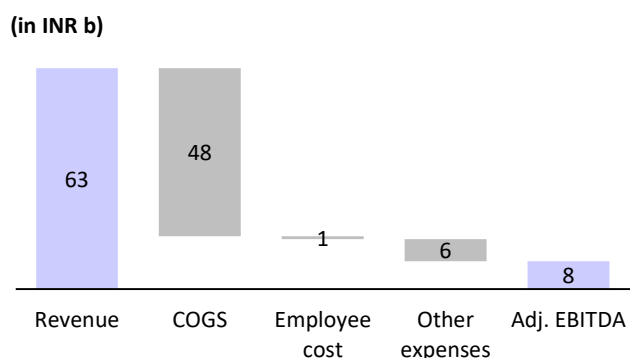
**Exhibit 1: Our SoTP-based approach denotes 8% upside for GPL based on CMP; reiterate Neutral rating**

Particulars	Rationale	Value (INR b)	Per share	Contribution
Own and JV/JDA projects	❖ DCF for four years, expected cash flow at WACC of 9.5%, and terminal value assuming 5% long-term growth	347	1,247	95%
DM projects	❖ PV of future cash flows discounted at WACC of 9.5%	3	10	1%
Commercial projects	❖ PV of future cash flows discounted at WACC of 9.5%	15	52	4%
Land bank	❖ Around 1,000 acres of land to be developed under DM model over next 50 years	25	90	7%
<b>Gross asset value</b>	❖	<b>389</b>	<b>1,400</b>	<b>107%</b>
Net debt	❖ FY23E	(28)	(100)	-8%
<b>Net asset value</b>		<b>361</b>	<b>1,300</b>	<b>100%</b>
No. of shares (m)		278		
<b>NAV per share</b>		<b>1,300</b>		
CMP		1,267		
<b>Upside</b>		<b>3%</b>		

Sources: MOFSL, Company

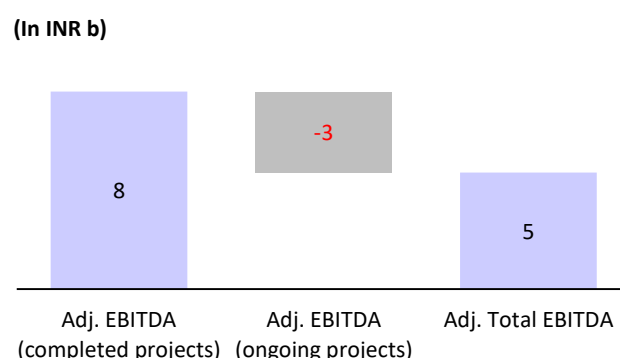
## Key exhibits

**Exhibit 2: Over FY18-21, completed projects generated revenue of INR63b and EBITDA of INR8b**



Sources: Company, MOFSL

**Exhibit 3: At cumulative level, it gets reduced to INR5b due to operating loss at ongoing projects**



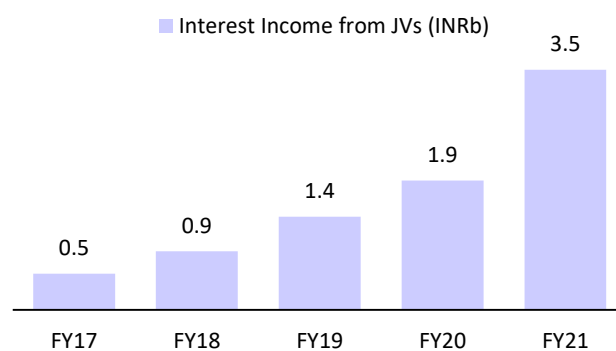
Sources: Company, MOFSL

**Exhibit 4: It further gets reduced to loss of INR3b on account of interest outflow to GPL**



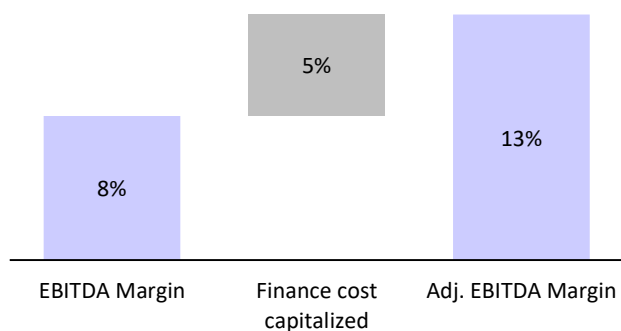
Sources: Company, MOFSL

**Exhibit 5: Over FY18-21, GPL reported cumulative interest income of INR8b from JVs**



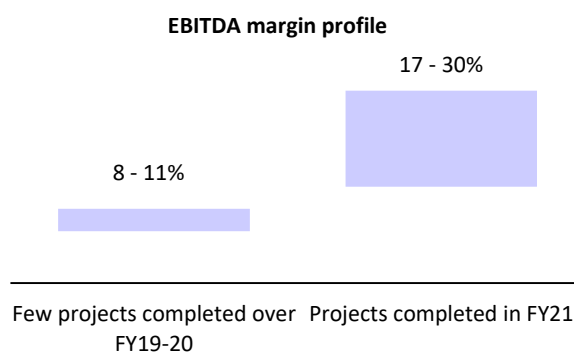
Sources: Company, MOFSL

**Exhibit 6: Cumulatively, over a five-year period, the Adj. EBITDA margin for completed projects stands at 13%**



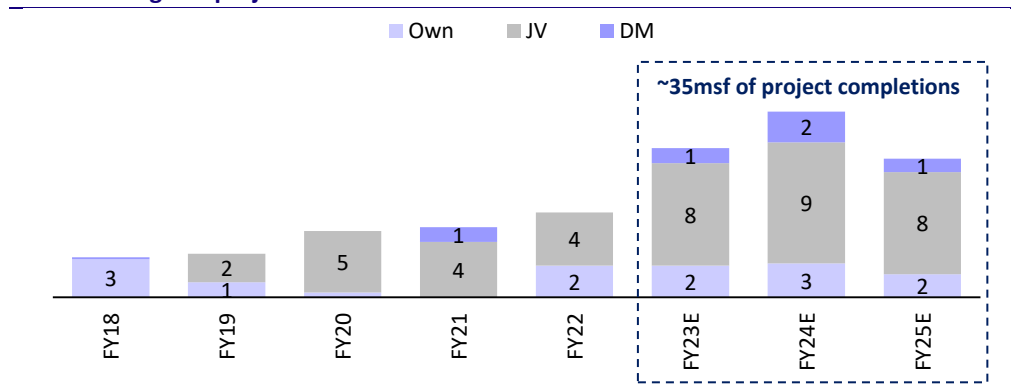
Sources: MOFSL, Company

**Exhibit 7: But recently completed projects have better margins than select legacy projects**



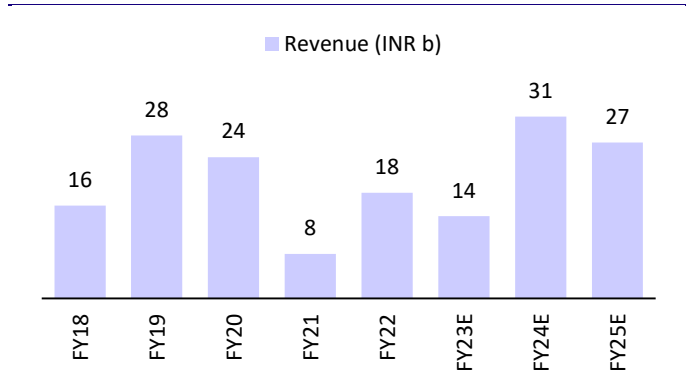
Sources: MOFSL, Company

**Exhibit 8: >35msf of projects expected to complete over FY23-25E, 70% JVs, 20% own and the rest being DM projects**



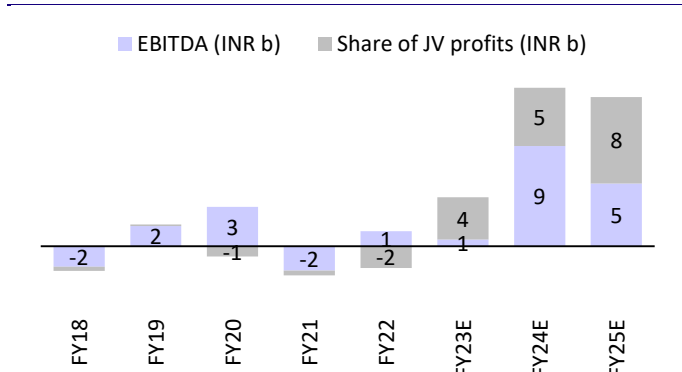
Sources: Company, MOFSL

**Exhibit 9: With pick-up in own project completions revenue recognition is expected to increase to FY19-20 levels**



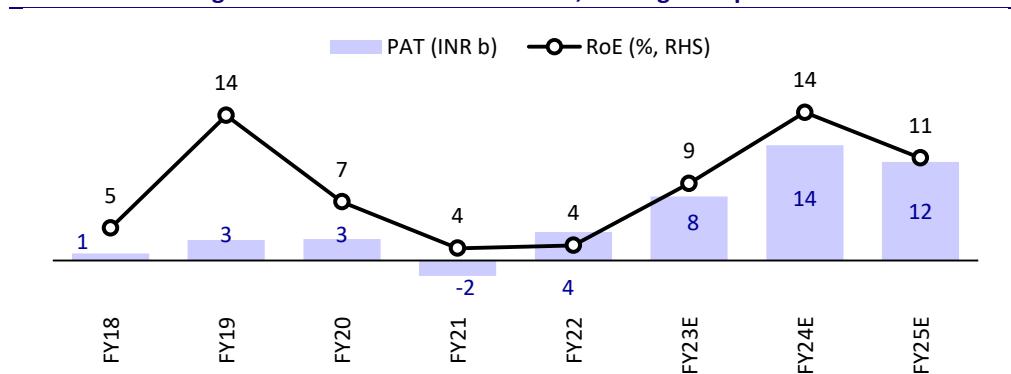
Sources: Company, MOFSL

**Exhibit 10: Profitability could see sharp uptick in FY24, driven by positive contributions from JVs**



Sources: Company, MOFSL

**Exhibit 11: PAT to grow at 86% CAGR on a low base, leading to improvement in ROE**



Sources: Company, MOFSL

## Appendix

**Exhibit 12: Financial summary of completed projects over FY17-21 (cumulative)**

	Palm Retreat	Godrej Prana	Godrej Eternity	Godrej Central	Godrej Hillside	
INR b	Noida	Pune	Bengaluru	Mumbai	Pune	
Revenue	8.5	3.3	2.8	13.5	1.8	
Gross Profit	4.1	0.7	-0.5	2.3	0.4	
Adj. Gross Profit	4.1	0.8	-0.1	2.7	0.9	
Rep. EBITDA	1.8	0.1	-0.6	2.1	0.0	
Adj. EBITDA	1.8	0.3	-0.2	2.5	0.5	
Adj. EBITDA margin	21%	8%	-7%	19%	30%	
Finance cost	2.2	0.1	0.4	0.1	0.1	
Adj. Finance cost	2.2	0.2	0.8	0.6	0.6	
PAT	-0.5	0.3	-1.0	1.3	-0.1	

	Godrej Aria & 101	Godrej Prime	Godrej Oasis & Icon	Godrej Avenues	Godrej Air	Total (all projects)
INR b	Gurgaon	Mumbai	NCR	Bengaluru	Bengaluru	
Revenue	6.0	15.9	2.1	3.0	3.7	63
Gross Profit	-0.6	1.3	0.4	0.7	1.2	10
Adj. Gross Profit	-0.1	2.1	0.7	0.7	1.3	13
Rep. EBITDA	-0.9	0.9	0.2	0.4	1.0	5
Adj. EBITDA	-0.4	1.7	0.5	0.4	1.0	8
Adj. EBITDA margin	-7%	11%	23%	14%	28%	13%
Finance cost	0.2	0.4	0.1	0.1	0.1	4
Adj. Finance cost	0.7	1.2	0.4	0.1	0.1	7
PAT	-1.2	0.2	-0.2	0.2	0.6	0

Adj. = Adjusted for finance cost capitalized Source: Company, MOFSL

**Exhibit 13: Financial summary of ongoing projects over FY17-21 (cumulative)**

	Godrej Exquisite	Godrej Meridian	Godrej Nest	Godrej Emerald	
INR b	Mumbai	Gurgaon	Noida	Mumbai	
Revenue	0.0	0.0	0.0	0.0	
Gross Profit	0.0	0.0	0.0	-0.1	
Adj. Gross Profit	0.0	0.0	0.0	-0.1	
Rep. EBITDA	-0.3	-0.4	-0.4	-0.8	
Adj. EBITDA	-0.3	-0.4	-0.4	-0.8	
Adj. EBITDA margin	NA	NA	NA	NA	
Finance cost	0.0	0.0	0.0	0.1	
Adj. Finance cost	0.0	0.0	0.0	0.1	
PAT	-0.3	-0.4	-0.3	-0.8	

	Godrej Nature	Godrej Elements	Godrej South Estate	Godrej Woods	Total (all projects)
INR b	Gurgaon	Pune	NCR	Noida	
Revenue	0.1	0.0	0.1	0.0	1
Gross Profit	0.1	0.0	0.1	0.0	0
Adj. Gross Profit	0.1	0.0	0.1	0.0	0
Rep. EBITDA	-0.3	-0.3	-0.5	-0.1	-3
Adj. EBITDA	-0.3	-0.3	-0.5	-0.1	-3
Adj. EBITDA margin	NA	NA	NA	NA	
Finance cost	0.1	0.0	0.1	0.0	0
Adj. Finance cost	0.1	0.0	0.1	0.0	0
PAT	-0.4	-0.2	-0.6	-0.1	-3

Adj. = Adjusted for finance cost capitalized Source: Company, MOFSL

## Financials and valuations

### Consolidated Profit and Loss

Y/E March	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
<b>Total Income from Operations</b>	<b>28,174</b>	<b>24,414</b>	<b>7,649</b>	<b>18,249</b>	<b>14,192</b>	<b>31,414</b>	<b>26,918</b>
Change (%)	75.7	-13.3	-68.7	138.6	-22.2	121.3	-14.3
Cost of Sales	21,939	15,633	4,751	11,939	6,844	12,812	11,102
Employees Cost	1,730	1,847	1,785	1,103	1,180	1,262	1,351
Other Expenses	2,725	3,480	3,236	3,876	5,582	8,594	8,987
<b>Total Expenditure</b>	<b>26,394</b>	<b>20,960</b>	<b>9,772</b>	<b>16,917</b>	<b>13,606</b>	<b>22,669</b>	<b>21,440</b>
% of Sales	93.7	85.9	127.7	92.7	95.9	72.2	79.6
<b>EBITDA</b>	<b>1,780</b>	<b>3,454</b>	<b>-2,123</b>	<b>1,332</b>	<b>586</b>	<b>8,745</b>	<b>5,478</b>
Margin (%)	6.3	14.1	-27.7	7.3	4.1	27.8	20.4
Depreciation	143	205	195	214	214	214	214
<b>EBIT</b>	<b>1,637</b>	<b>3,249</b>	<b>-2,318</b>	<b>1,117</b>	<b>372</b>	<b>8,531</b>	<b>5,264</b>
Int. and Finance Charges	2,340	2,220	1,849	1,675	2,324	2,324	2,324
Other Income	4,046	4,732	5,684	7,608	7,563	5,965	3,235
<b>PBT after EO Exp.</b>	<b>3,343</b>	<b>5,761</b>	<b>-767</b>	<b>7,051</b>	<b>5,611</b>	<b>12,171</b>	<b>6,175</b>
Total Tax	951	2,203	734	1,658	1,403	3,043	1,544
Tax Rate (%)	28.4	38.2	-95.7	23.5	25.0	25.0	25.0
MI & Profit from Assoc.	140	-885	-401	-1,887	3,701	5,098	7,558
<b>Reported PAT</b>	<b>2,532</b>	<b>2,672</b>	<b>-1,902</b>	<b>3,506</b>	<b>7,909</b>	<b>14,227</b>	<b>12,189</b>
<b>Adjusted PAT</b>	<b>2,532</b>	<b>2,672</b>	<b>2,568</b>	<b>3,506</b>	<b>7,909</b>	<b>14,227</b>	<b>12,189</b>
Change (%)	191.3	5.6	-3.9	36.5	125.6	79.9	-14.3
Margin (%)	9.0	10.9	33.6	19.2	55.7	45.3	45.3

### Consolidated Balance Sheet

Y/E March	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Equity Share Capital	1,147	1,260	1,390	1,390	1,390	1,390	1,390
Total Reserves	23,544	46,785	81,805	85,364	93,273	1,07,499	1,19,689
<b>Net Worth</b>	<b>24,690</b>	<b>48,045</b>	<b>83,195</b>	<b>86,754</b>	<b>94,663</b>	<b>1,08,889</b>	<b>1,21,078</b>
Minority Interest	0	0	0	-18	-18	-18	-18
<b>Total Loans</b>	<b>35,158</b>	<b>37,101</b>	<b>45,131</b>	<b>51,698</b>	<b>51,698</b>	<b>51,698</b>	<b>51,698</b>
Deferred Tax Liabilities	-5,148	-3,640	-2,906	0	561	1,778	2,396
<b>Capital Employed</b>	<b>54,701</b>	<b>81,506</b>	<b>1,25,420</b>	<b>1,38,434</b>	<b>1,46,904</b>	<b>1,62,347</b>	<b>1,75,154</b>
Gross Block	1,508	1,875	2,606	2,912	3,126	3,340	3,555
Less: Accum. Deprn.	541	746	860	1,075	1,289	1,503	1,718
<b>Net Fixed Assets</b>	<b>967</b>	<b>1,129</b>	<b>1,745</b>	<b>1,837</b>	<b>1,837</b>	<b>1,837</b>	<b>1,837</b>
Goodwill on Consolidation	0	0	0	0	0	0	0
Capital WIP	995	1,629	2,293	3,395	3,395	3,395	3,395
<b>Total Investments</b>	<b>26,372</b>	<b>35,710</b>	<b>52,426</b>	<b>48,830</b>	<b>36,830</b>	<b>26,830</b>	<b>21,830</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>47,438</b>	<b>58,947</b>	<b>1,03,097</b>	<b>1,23,974</b>	<b>1,52,341</b>	<b>1,77,230</b>	<b>2,12,440</b>
Inventory	22,108	21,253	48,014	56,683	66,689	85,433	1,05,599
Account Receivables	1,599	4,328	3,101	3,649	2,222	1,562	1,998
Cash and Bank Balance	3,426	5,070	7,729	13,385	18,174	9,979	9,587
Loans and Advances	20,305	28,297	44,253	50,256	65,256	80,256	95,256
<b>Curr. Liability &amp; Prov.</b>	<b>21,072</b>	<b>15,910</b>	<b>34,140</b>	<b>39,602</b>	<b>47,499</b>	<b>46,944</b>	<b>64,348</b>
Account Payables	2,477	7,197	19,017	22,541	22,220	18,742	23,972
Other Current Liabilities	18,368	8,354	14,642	16,498	24,716	27,639	39,812
Provisions	227	360	481	563	563	563	563
<b>Net Current Assets</b>	<b>26,367</b>	<b>43,037</b>	<b>68,956</b>	<b>84,372</b>	<b>1,04,842</b>	<b>1,30,285</b>	<b>1,48,092</b>
Misc Expenditure	0	0	0	0	0	0	0
<b>Appl. of Funds</b>	<b>54,701</b>	<b>81,506</b>	<b>1,25,420</b>	<b>1,38,434</b>	<b>1,46,904</b>	<b>1,62,347</b>	<b>1,75,154</b>

## Financials and valuations

### Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
<b>Basic (INR)</b>							
<b>EPS</b>	<b>9.1</b>	<b>9.6</b>	<b>9.2</b>	<b>12.6</b>	<b>28.5</b>	<b>51.2</b>	<b>43.9</b>
Cash EPS	9.6	10.4	9.9	13.4	29.2	52.0	44.6
BV/Share	88.8	172.9	299.3	312.1	340.6	391.8	435.6
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Valuation (x)</b>							
P/E	131.8	124.8	129.9	95.1	44.6	24.8	28.9
Cash P/E	124.7	115.9	120.7	89.7	43.5	24.4	28.5
P/BV	13.5	6.9	4.0	3.8	3.7	3.2	2.9
EV/Sales	13.0	15.0	48.5	18.5	25.7	12.2	16.4
EV/EBITDA	199.2	99.9	-157.2	254.0	622.3	43.8	101.5
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	14.5	-10.5	-28.7	-21.3	15.2	-18.5	51.5
<b>Return Ratios (%)</b>							
RoE	13.8	7.3	3.9	4.1	8.7	14.0	9.6
RoCE	7.5	6.8	6.2	5.0	4.2	7.1	3.1
RoIC	4.9	6.4	-8.9	1.3	0.3	6.1	2.1
<b>Working Capital Ratios</b>							
Fixed Asset Turnover (x)	18.7	13.0	2.9	6.3	4.5	9.4	6.6
Asset Turnover (x)	0.5	0.3	0.1	0.1	0.1	0.2	0.1
Inventory (Days)	286	318	2,291	1,134	1,715	993	1,672
Debtor (Days)	21	65	148	73	57	18	29
Creditor (Days)	32	108	907	451	571	218	351
<b>Leverage Ratio (x)</b>							
Current Ratio	2.3	3.7	3.0	3.1	3.2	3.8	3.1
Interest Cover Ratio	0.7	1.5	-1.3	0.7	0.2	3.7	1.5
Net Debt/Equity	0.9	0.2	0.0	0.1	0.1	0.3	0.3

### Consolidated Cash flow

Y/E March	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
OP/(Loss) before Tax	3,482	4,909	-857	5,163	9,311	17,269	13,733
Depreciation	143	205	195	214	214	214	214
Interest & Finance Charges	16	-1,273	1,849	1,675	2,324	2,324	2,324
Direct Taxes Paid	-381	-232	154	-1,912	-842	-1,826	-926
(Inc)/Dec in WC	2,984	-6,219	-3,566	-5,439	1,001	-16,956	-1,517
<b>CF from Operations</b>	<b>6,245</b>	<b>-2,610</b>	<b>-2,225</b>	<b>-299</b>	<b>12,010</b>	<b>1,026</b>	<b>13,829</b>
Others	-1,465	312	-4,487	-4,218	-7,563	-5,965	-3,235
<b>CF from Operating incl EO</b>	<b>4,781</b>	<b>-2,297</b>	<b>-6,712</b>	<b>-4,517</b>	<b>4,447</b>	<b>-4,939</b>	<b>10,593</b>
(Inc)/Dec in FA	-738	-631	-1,253	-1,403	-214	-214	-214
<b>Free Cash Flow</b>	<b>4,043</b>	<b>-2,928</b>	<b>-7,965</b>	<b>-5,920</b>	<b>4,233</b>	<b>-5,153</b>	<b>10,379</b>
(Pur)/Sale of Investments	-5,120	-10,991	-24,016	4,366	12,000	10,000	5,000
Others	-195	-498	-7,949	-1,725	-7,437	-9,035	-11,765
<b>CF from Investments</b>	<b>-6,053</b>	<b>-12,120</b>	<b>-33,219</b>	<b>1,238</b>	<b>4,348</b>	<b>750</b>	<b>-6,979</b>
Issue of Shares	9,995	20,659	36,909	0	0	0	0
Inc/(Dec) in Debt	2,655	2,081	9,412	6,041	0	0	0
Interest Paid	-2,950	-3,014	-3,731	-3,585	-4,007	-4,007	-4,007
Dividend Paid	0	0	0	0	0	0	0
Others	-3	-4	-1	-104	0	0	0
<b>CF from Fin. Activity</b>	<b>9,698</b>	<b>19,722</b>	<b>42,590</b>	<b>2,352</b>	<b>-4,007</b>	<b>-4,007</b>	<b>-4,007</b>
<b>Inc/Dec of Cash</b>	<b>8,426</b>	<b>5,305</b>	<b>2,659</b>	<b>-926</b>	<b>4,789</b>	<b>-8,195</b>	<b>-392</b>
Opening Balance	-5,000	-235	5,070	7,729	13,385	18,174	9,979
<b>Closing Balance</b>	<b>3,426</b>	<b>5,070</b>	<b>7,729</b>	<b>13,385</b>	<b>18,174</b>	<b>9,979</b>	<b>9,587</b>

NOTES



Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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