

Godrej Properties

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	GPL IN
Equity Shares (m)	278
M.Cap.(INRb)/(USDb)	324.9 / 4
52-Week Range (INR)	2483 / 1130
1, 6, 12 Rel. Per (%)	-10/-28/-53
12M Avg Val (INR M)	1623

Financials & Valuations (INR b)

Y/E Mar	FY22	FY23E	FY24E
Sales	18.2	14.2	31.4
EBITDA	1.3	0.6	8.6
EBITDA (%)	7.3	4.2	27.3
PAT	3.5	7.8	13.6
EPS (INR)	12.6	28.2	48.9
EPS Gr. (%)	31.2	205.0	288.0
BV/Sh. (INR)	312.1	340.3	389.3

Ratios

Net D/E	0.1	0.2	0.4
RoE (%)	4.1	8.6	13.4
RoCE (%)	5.0	4.1	6.6
Payout (%)	0.0	0.0	0.0

Valuations

P/E (x)	92.8	41.5	23.9
P/BV (x)	3.7	3.4	3.0
EV/EBITDA (x)	247.8	577.0	42.4
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

CMP: INR1,170 TP: INR1,300 (+11%) Neutral

Performance improvement on track, but valuations fair

Healthy performance on both sales and cash flows

- Sales bookings fell 6% YoY and 4% QoQ to INR24b in 2QFY23. The same came in 10% above our estimate. With that, GPL has reported its highest ever first half sales of INR49b in 1HFY23.
- Sales volume declined by 25% YoY and 4% QoQ to 2.7msf. Blended realizations were flat QoQ, but rose 25% YoY to INR8,883/sq. ft.
- The company launched four projects, of which two were in NCR, with one each in Bengaluru and Pune. These projects contributed 37% to total bookings, with 40% of launched inventory sold in 2QFY23.
- GPL reported an improvement in cash flow, with collections up 39% YoY and 24% QoQ at INR22b. Operating cash flows (after interest and tax) stood at INR5.4b v/s a negative OCF of INR0.7b in 1QFY23.
- The company acquired a land parcel for INR8.4b, which led to a net cash burn of INR4b and an increase in net debt to INR1.4b, or 0.16x of equity.

Project completion to pick-up from 4QFY23

- GPL delivered a JV project (Godrej Emerald, MMR) of 0.81msf in 2QFY23. Revenue recognition remained muted at INR1.6b (down 33% QoQ). Including other income, adjusted EBITDA stood at INR1.4b (down 18% QoQ). PAT was aided by tax benefit of INR0.18b and stood at INR0.7b v/s INR0.4b in 1QFY23.
- The management reiterated its FY23 project delivery guidance of 10msf and expects it to be skewed largely in 4Q. GPL currently has ~45msf of projects under-construction, of which 90% is expected to be delivered over the next three years.
- In our [recent note](#), we highlighted the significant ramp-up in project delivery, thereby aiding its P&L performance.

Targets project additions with a GDV of INR150b in FY23

- Business development has picked up over the last 18 months. GPL has signed projects with a GDV of INR151b since the beginning of FY22.
- The management expects the strong momentum in business development to continue. It aims to close FY23 with project additions of INR150b (v/s INR90b in FY22), of which INR60b have been signed in FY23 till date.
- GPL expects to firm up its project pipeline in MMR, with project additions of INR50b out of the INR90b expected to be signed in 2HFY23.

Valuation and view

- GPL remains on track to clock a record fiscal in terms of pre-sales and execution. Hence, we have left unchanged our operational and financial estimates for FY23 and FY24.
- While the management's target with respect to business development is strong, at 2x P/NAV, sustenance of this strong project addition momentum is already priced in. **We reiterate our Neutral rating on the stock with an unchanged TP of INR1,300, a potential upside of 11%.**

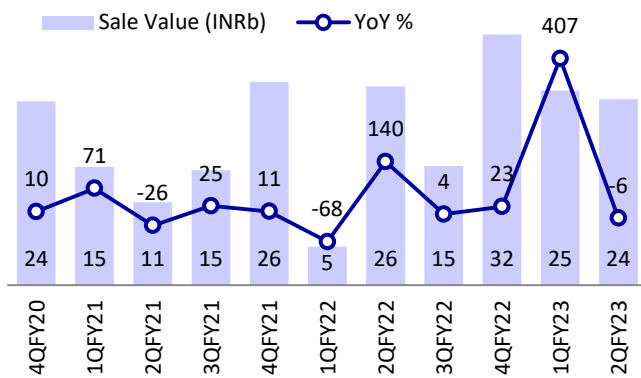
Quarterly Performance

Y/E March	FY22				FY23E				FY22	FY23E	FY23E	Variance (%/bp)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	
Gross Sales	862	1,293	2,788	13,306	2,447	1,651	2,271	7,824	18,249	14,192	2,838	-42
YoY Change (%)	19.2	44.5	63.5	207.6	184.0	27.7	-18.5	-41.2	138.6	-22.2	119.5	
Total Expenditure	1,497	1,855	2,839	10,727	2,589	2,325	2,707	5,873	16,917	13,493	3,279	
EBITDA	-635	-562	-51	2,580	-142	-674	-436	1,951	1,332	699	-440	
Margins (%)	-73.7	-43.4	-1.8	19.4	-5.8	-40.8	-19.2	24.9	7.3	4.9	-15.5	
Depreciation	51	52	55	57	55	56	51	52	214	214	56	
Interest	417	411	417	430	345	406	597	1,089	1,675	2,437	569	
Other Income	1,758	2,049	1,882	1,919	1,817	2,041	1,853	1,851	7,608	7,563	1,891	
PBT before EO expense	655	1,024	1,359	4,013	1,276	905	768	2,661	7,051	5,611	825	10
PBT	655	1,024	1,359	4,013	1,276	905	768	2,661	7,051	5,611	825	10
Tax	186	226	290	956	325	-190	190	663	1,658	1,403	204	
Rate (%)	28.4	22.1	21.4	23.8	25.4	-20.9	24.7	24.9	23.5	25.0	24.8	
MI & Profit/Loss of Asso. Cos.	-299	-441	-679	-469	-516	-423	1,110	3,530	-1,887	3,701	814	
Reported PAT	170	357	390	2,589	435	672	1,688	5,528	3,506	7,909	1,435	
Adj PAT	170	357	390	2,589	435	672	1,688	5,528	3,506	7,909	1,435	
YoY Change (%)	NM	NM	NM	NM	155.7	88.2	333.3	113.5	816.8	125.6	301.8	
Margins (%)	19.7	27.6	14.0	19.5	17.8	40.7	74.4	70.7	19.2	55.7	50.6	
Operational Metrics												
Sale Volume (msf)	0.8	3.6	2.2	4.2	2.8	2.7	3.4	5.1	11	14	3.1	-11
Sale Value (INRb)	5	26	15	32	25	24	24	32	79	105	22.0	10
Collections (INRb)	13	17	19	29	18	22	25	33	78	98	22.0	1
Realization/sft	6,439	7,126	7,005	7,678	8,906	8,883	7,145	6,373	7,268	7,560	7,197	23

Source: MOFSL, Company

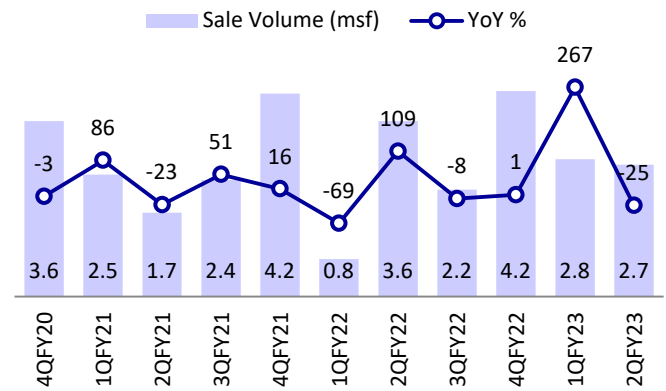
Key exhibits

Exhibit 1: GPL reported sales of INR24b, down 6% YoY....



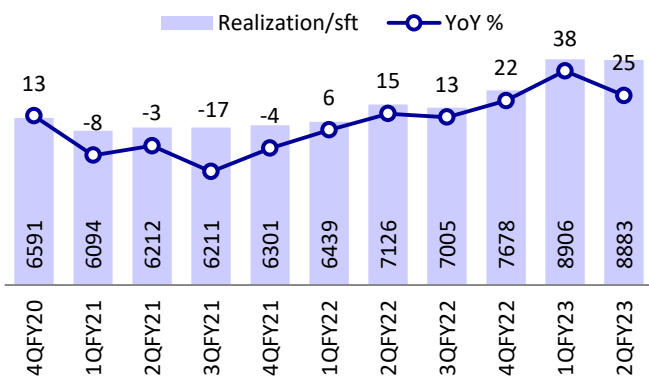
Source: Company, MOFSL

Exhibit 2: ...while volumes declined 25% over same period



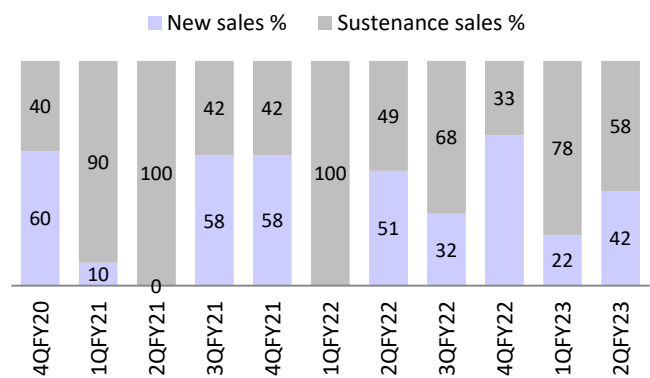
Source: Company, MOFSL

Exhibit 3: Realizations improve 25% YoY driven by change in the sales mix



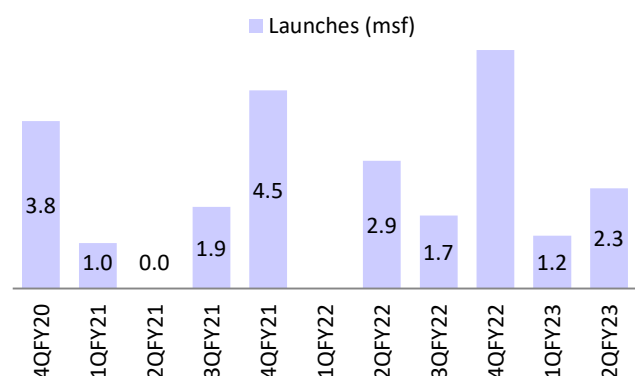
Source: MOFSL, Company

Exhibit 4: Share of new launches in overall sales volume increased to 42%



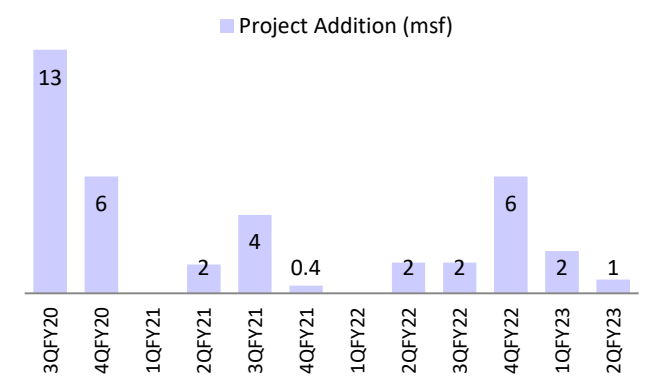
Source: MOFSL, Company

Exhibit 5: GPL launched 3 new projects in 2QFY23

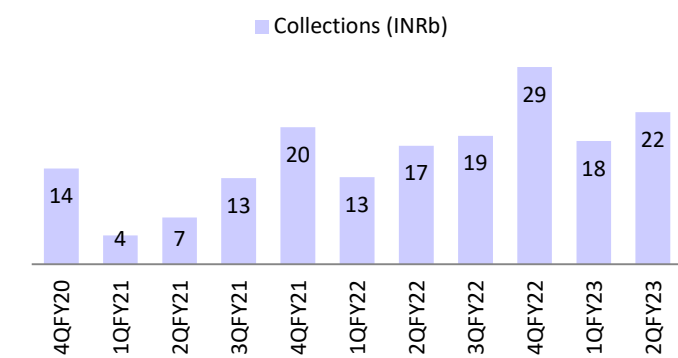


Source: Company, MOFSL

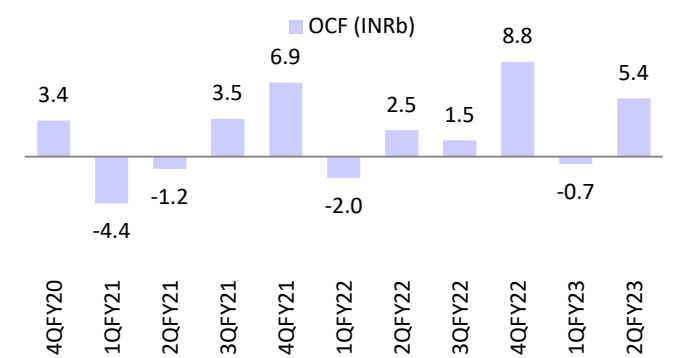
Exhibit 6: GPL added 2 new projects with cumulative development potential of 1msf



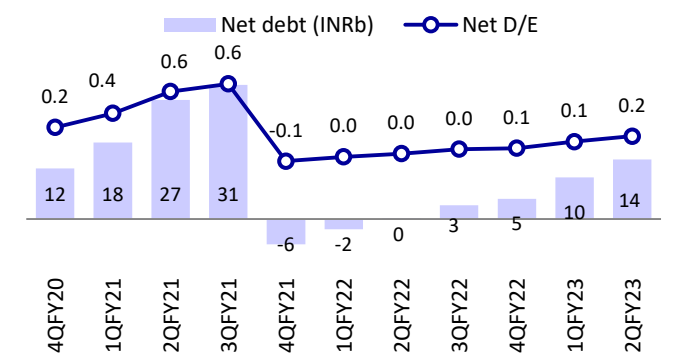
Source: Company, MOFSL

Exhibit 7: Collections stood at INR22b, up 39% YoY....

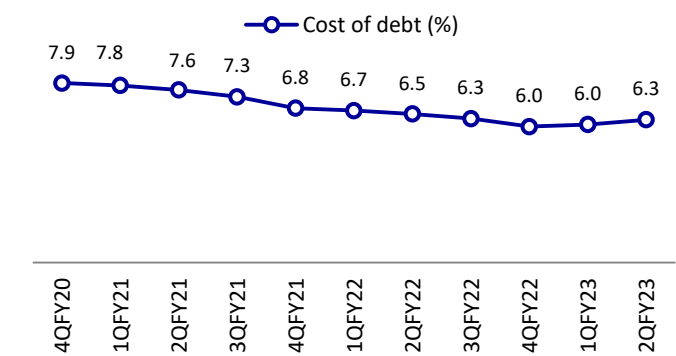
Source: MOFSL, Company

Exhibit 8: GPL reported OCF of INR5.4b

Source: MOFSL, Company

Exhibit 9: Expect net D/E to inch up as company deploys QIP money

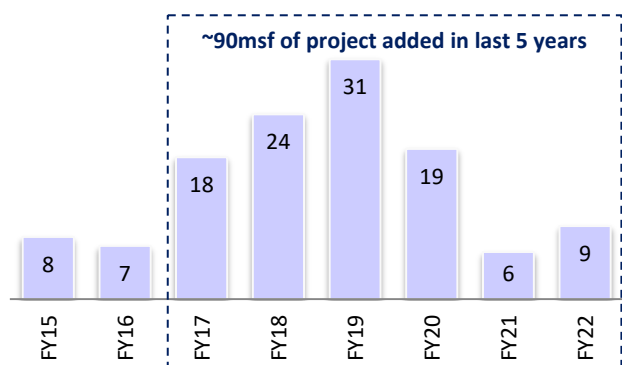
Source: MOFSL, Company

Exhibit 10: Cost of debt consistently decreased since 1QFY20

Source: MOFSL, Company

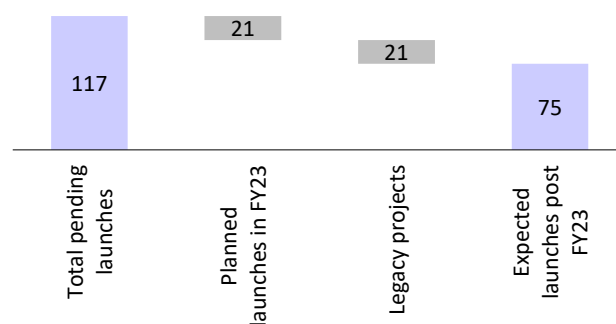
Story in charts

Exhibit 11: Project additions over last five years at ~90msf



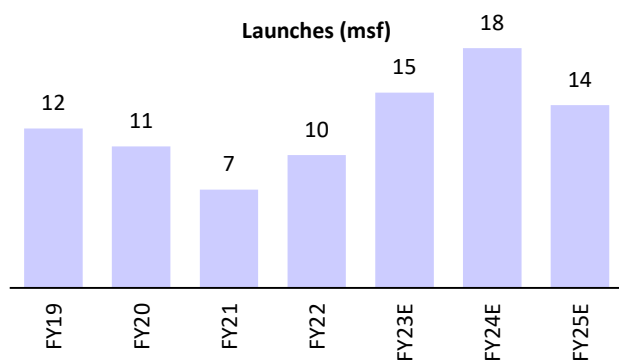
Source: Company, MOFSL

Exhibit 12: GPL has ~75msf of executable pipeline



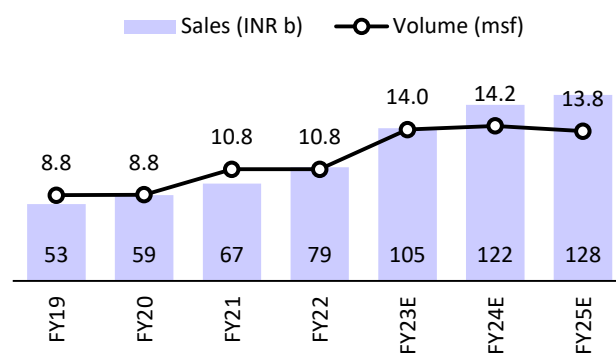
Source: Company, MOFSL

Exhibit 13: Expect launch run-rate to sustain to over 10+msf from FY23



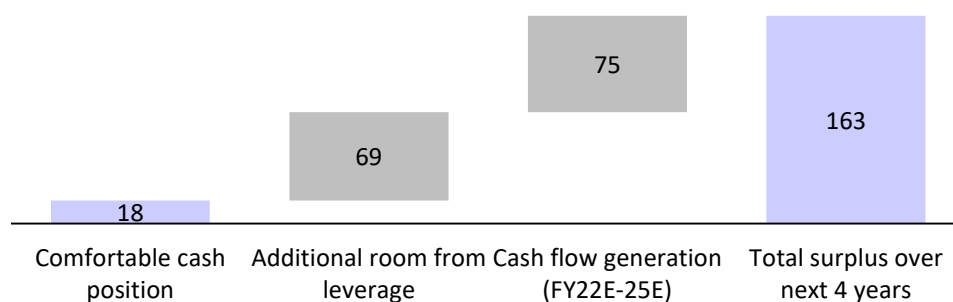
Source: MOFSL, Company

Exhibit 14: Expect 18% CAGR in pre-sales over FY22–25E



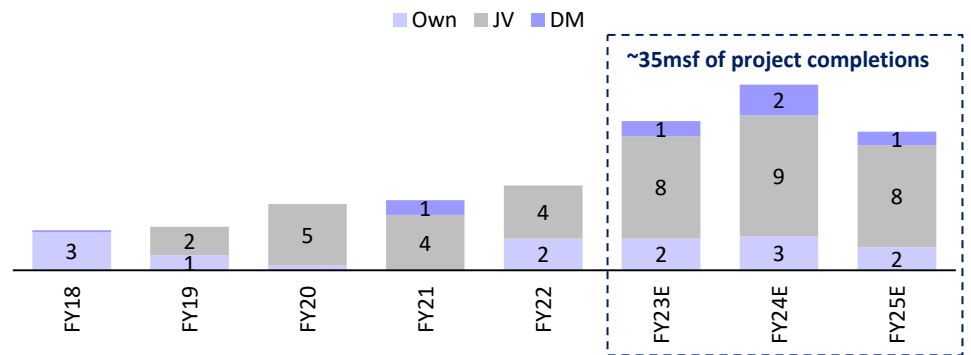
Source: MOFSL, Company

Exhibit 15: Cash (INR18b), room for leverage (INR69b), and surplus cash flow generation (INR75b) over FY23–25E indicate continued momentum in business development



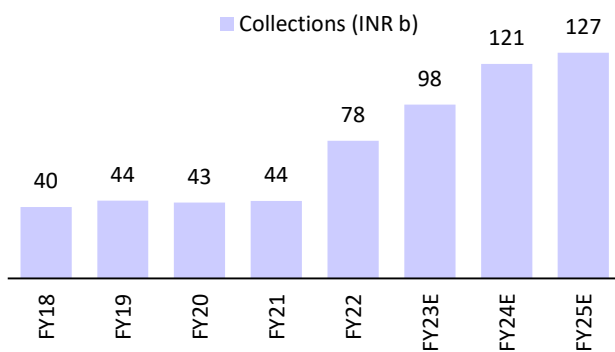
Source: Company, MOFSL

Exhibit 16: Expect to complete more than 35msf of projects over FY23-25; 60% of these are JVs, 25% are own projects, and the rest are DM projects



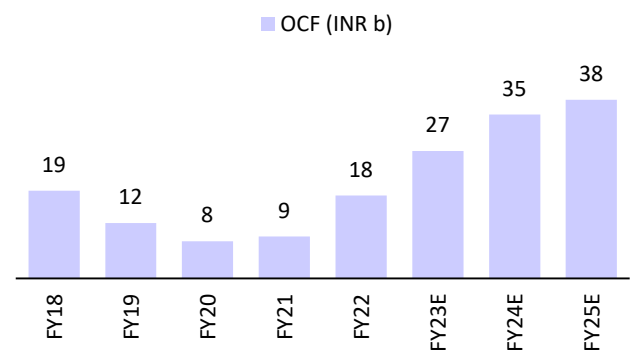
Source: Company, MOFSL

Exhibit 17: Focus on execution to lead to threefold rise in collections to INR127b by FY25E



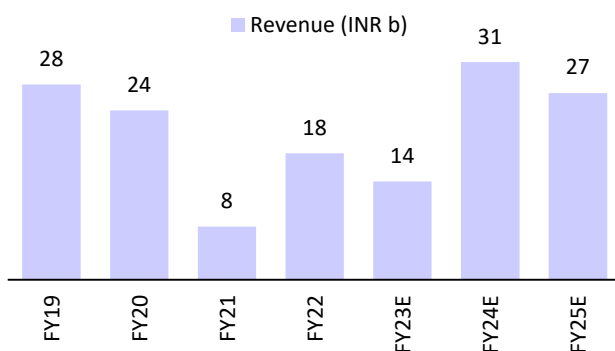
Source: Company, MOFSL

Exhibit 18: Expect OCF to double to INR38b by FY25 despite proportionate rise in construction flow



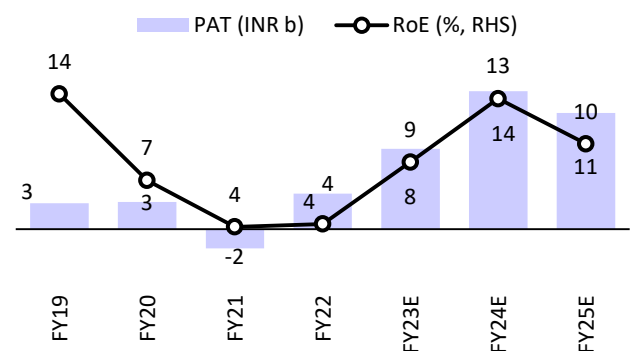
Source: Company, MOFSL

Exhibit 19: Expect revenue recognition to increase to FY19-20 levels, with pickup in own project completions



Source: Company, MOFSL

Exhibit 20: Profit recognition to improve to INR14b in FY24E



Source: Company, MOFSL

Other key con-call Takeaways

New Launches and Pricing:

- Worli project will be launched in FY24 but there is not much progress on Bandra project
- Awaiting few more approvals for Ashok Vihar but expecting to launch it in 4Q.
- GPL will also launch ~1msf new project at Vikhroli in FY24
- Company has increased prices by 2-5% depending across its portfolio.

Mortgage Rates

- Demand remains strong despite rising mortgage rates and current quarter has witnessed further strengthening in demand. More than the interest rates, demand depends on economic growth and employment certainty
- Management do not see any impact on demand with 100bps further rate hike but a double digit mortgage rate can deter the sales momentum

Plotted Development:

- It is an attractive sub-opportunity in real estate given smaller project timelines. Demand continues to remain strong and GPL has received encouraging response during its recent launches at Sonipat (fully sold now), Faridabad etc.
- Company will remain opportunistic in pursuing plotted opportunities

Project deliveries

- GPL remains on track to complete 10msf+ in current financial year with bulk of them getting delivered towards the end of the year.
- Also, bulk of the current ongoing pipeline of 45msf will be executed over next 2-3 years

Business Development

- Company expects strong BD momentum to continue and is aiming to add new projects worth GDV of INR150b in FY23. Consequently, the cash outflow towards project acquisition will be higher in H2 compared to H1

Valuation and view

We value GPL based on the DCF approach where:

- Ongoing and upcoming owned/JV projects are valued using the DCF of expected cash flows over four years using WACC of 10% and terminal value using a perpetual growth rate of 3%.
- The DM and Commercial project pipelines are valued using the NAV approach, discounted at WACC of 10%, as we do not expect any project additions.
- The group land bank at Vikhroli is valued using NAV, assuming a development term of 50 years and DM fees of 10%.
- The above approach cumulatively values GPL at a gross asset value of INR385b, net-off INR29b of net debt as of FY23E. We arrive at a net asset value of INR361b, or INR1,300 per share, which indicates an 11% upside from CMP.

Exhibit 21: Our SoTP-based approach denotes 11% upside for GPL based on CMP; maintain 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 10%, and terminal value assuming 3% long-term growth	348	1,253	96%
DM projects	❖ PV of future cash flows discounted at WACC of 10%	3	10	1%
Commercial projects	❖ PV of future cash flows discounted at WACC of 10%	15	52	4%
Land bank	❖ Around 1,000 acres of land to be developed under DM model over next 50 years	25	90	7%
Gross asset value	❖	391	1,406	108%
Net debt	❖ FY23E	(29)	(106)	-8%
Net asset value		361	1,300	100%
No. of shares (m)		278		
NAV per share		1,300		
CMP		1,170		
Upside		11%		

Source: MOFSL

Exhibit 22: Earnings change summary

(INR m)	Old		New		Change	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Revenue	14,192	31,414	14,192	31,414	0%	0%
EBITDA	586	8,745	598	8,582	2%	-2%
Adj. PAT	7,909	14,227	7,833	13,601	-1%	-4%
Pre-sales	1,00,287	1,22,991	1,05,491	1,21,600	5%	-1%
Collections	96,204	1,20,661	98,088	1,21,119	2%	0%

Source: MOFSL, Company

Financials and valuations

Consolidated Profit and Loss

Y/E March	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Total Income from Operations	28,174	24,414	7,649	18,249	14,192	31,414	26,943
Change (%)	75.7	-13.3	-68.7	138.6	-22.2	121.3	-14.2
Cost of Sales	21,939	15,633	4,751	11,939	6,732	12,975	11,285
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
Total Expenditure	26,394	20,960	9,772	16,917	13,493	22,832	21,623
% of Sales	93.7	85.9	127.7	92.7	95.1	72.7	80.3
EBITDA	1,780	3,454	-2,123	1,332	699	8,582	5,320
Margin (%)	6.3	14.1	-27.7	7.3	4.9	27.3	19.7
Depreciation	143	205	195	214	214	214	214
EBIT	1,637	3,249	-2,318	1,117	485	8,368	5,105
Int. and Finance Charges	2,340	2,220	1,849	1,675	2,437	2,549	2,549
Other Income	4,046	4,732	5,684	7,608	7,563	5,532	2,673
PBT after EO Exp.	3,343	5,761	-767	7,051	5,611	11,350	5,230
Total Tax	951	2,203	734	1,658	1,403	2,838	1,307
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
Reported PAT	2,532	2,672	-1,902	3,506	7,909	13,611	11,480
Adjusted PAT	2,532	2,672	2,568	3,506	7,909	13,611	11,480
Change (%)	191.3	5.6	-3.9	36.5	125.6	72.1	-15.7
Margin (%)	9.0	10.9	33.6	19.2	55.7	43.3	42.6

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	1,06,884	1,18,364
Net Worth	24,690	48,045	83,195	86,754	94,663	1,08,274	1,19,754
Minority Interest	0	0	0	-18	-18	-18	-18
Total Loans	35,158	37,101	45,131	51,698	56,698	56,698	56,698
Deferred Tax Liabilities	-5,148	-3,640	-2,906	0	561	1,696	2,219
Capital Employed	54,701	81,506	1,25,420	1,38,434	1,51,904	1,66,650	1,78,653
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
Net Fixed Assets	967	1,129	1,745	1,837	1,837	1,837	1,837
Capital WIP	995	1,629	2,293	3,395	3,395	3,395	3,395
Total Investments	26,372	35,710	52,426	48,830	36,830	26,830	16,830
Curr. Assets, Loans&Adv.	47,438	58,947	1,03,097	1,23,974	1,57,341	1,81,532	2,25,924
Inventory	22,108	21,253	48,014	56,683	74,576	93,483	1,13,849
Account Receivables	1,599	4,328	3,101	3,649	2,222	1,562	1,999
Cash and Bank Balance	3,426	5,070	7,729	13,385	15,286	6,231	14,821
Loans and Advances	20,305	28,297	44,253	50,256	65,256	80,256	95,256
Curr. Liability & Prov.	21,072	15,910	34,140	39,602	47,499	46,944	69,333
Account Payables	2,477	7,197	19,017	22,541	22,220	18,742	23,982
Other Current Liabilities	18,368	8,354	14,642	16,498	24,716	27,639	44,788
Provisions	227	360	481	563	563	563	563
Net Current Assets	26,367	43,037	68,956	84,372	1,09,842	1,34,588	1,56,591
Misc Expenditure	0	0	0	0	0	0	0
Appl. of Funds	54,701	81,506	1,25,420	1,38,434	1,51,904	1,66,650	1,78,653

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Basic (INR)							
EPS	9.1	9.6	9.2	12.6	28.5	49.0	43.9
Cash EPS	9.6	10.4	9.9	13.4	29.2	49.7	44.6
BV/Share	88.8	172.9	299.3	312.1	340.6	389.6	430.9
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
Valuation (x)							
P/E	131.8	124.8	129.9	95.1	41.1	23.9	26.7
Cash P/E	124.7	115.9	120.7	89.7	40.0	23.5	26.2
P/BV	13.5	6.9	4.0	3.8	3.4	3.0	2.7
EV/Sales	13.0	15.0	48.5	18.5	24.3	11.6	13.6
EV/EBITDA	199.2	99.9	-157.2	254.0	493.7	42.4	68.7
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	-13.2	-18.7	55.1
Return Ratios (%)							
RoE	13.8	7.3	3.9	4.1	8.7	13.4	10.1
RoCE	7.5	6.8	6.2	5.0	4.2	6.6	3.4
RoIC	4.9	6.4	-8.9	1.3	0.4	5.5	2.8
Working Capital Ratios							
Fixed Asset Turnover (x)	18.7	13.0	2.9	6.3	4.5	9.4	7.6
Asset Turnover (x)	0.5	0.3	0.1	0.1	0.1	0.2	0.2
Inventory (Days)	286	318	2,291	1,134	1,918	1,086	1,542
Debtor (Days)	21	65	148	73	57	18	27
Creditor (Days)	32	108	907	451	571	218	325
Leverage Ratio (x)							
Current Ratio	2.3	3.7	3.0	3.1	3.3	3.9	3.3
Interest Cover Ratio	0.7	1.5	-1.3	0.7	0.2	3.3	2.0
Net Debt/Equity	0.9	0.2	0.0	0.1	0.2	0.4	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	16,449	12,787
Depreciation	143	205	195	214	214	214	214
Interest & Finance Charges	16	-1,273	1,849	1,675	2,437	2,549	2,549
Direct Taxes Paid	-381	-232	154	-1,912	-842	-1,703	-784
(Inc)/Dec in WC	2,984	-6,219	-3,566	-5,439	-6,999	-16,956	3,432
CF from Operations	6,245	-2,610	-2,225	-299	4,122	553	18,198
Others	-1,465	312	-4,487	-4,218	-7,563	-5,532	-2,673
CF from Operating incl EO	4,781	-2,297	-6,712	-4,517	-3,441	-4,979	15,525
(Inc)/Dec in FA	-738	-631	-1,253	-1,403	-214	-214	-214
Free Cash Flow	4,043	-2,928	-7,965	-5,920	-3,655	-5,193	15,311
(Pur)/Sale of Investments	-5,120	-10,991	-24,016	4,366	12,000	10,000	10,000
Others	-195	-498	-7,949	-1,725	-7,437	-9,468	-12,327
CF from Investments	-6,053	-12,120	-33,219	1,238	4,348	317	-2,541
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	5,000	0	0
Interest Paid	-2,950	-3,014	-3,731	-3,585	-4,007	-4,394	-4,394
Others	-3	-4	-1	-104	0	0	0
CF from Fin. Activity	9,698	19,722	42,590	2,352	993	-4,394	-4,394
Inc/Dec of Cash	8,426	5,305	2,659	-926	1,901	-9,055	8,590
Opening Balance	-5,000	-235	5,070	7,729	13,385	15,286	6,231
Closing Balance	3,426	5,070	7,729	13,385	15,286	6,231	14,821

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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