

Prestige Estates

Launch momentum to drive growth

Prestige Estates (PEPL) registered Q3FY23 presales of INR 25.2bn (-41%/-28% YoY/QoQ), below our estimate of INR 31bn. With this, 9MFY23 presales and collections are the highest ever at INR 90bn (+27% YoY) and INR 70bn (+41% YoY) resp. In Q3FY23, Mumbai contributed INR 5bn, i.e. 19%, to overall sales, while Bengaluru contributed INR 14bn, i.e. 55%, to total presales. PEPL is confident of surpassing its FY23 presales guidance of INR 120bn, of which MMR contribution is expected at INR 27bn (INR 16.6 in 9MY23). PEPL's commercial project in BKC, Prestige 101, is expected to move to ongoing projects in Q4FY23 with all approvals in place and all premiums paid. During the quarter, PEPL launched seven projects with an area of 4.06msf of projects, including its first project in Calicut generating INR 2bn in presales and the Forum City Mall in Bengaluru attracting 1mn footfalls in the first month with 50% of active tenants. To maintain the growth momentum, PEPL is targeting residential BD of INR 200bn annually and may add a new macro market in NCR and Pune. We have tweaked our estimates to factor in higher interest and depreciation. We maintain BUY, with an unchanged SOTP-based TP of INR 630/sh.

- Q3FY23 financial highlights:** Revenue reported was INR 23.2bn (+75%/+62% YoY/QoQ, 40% beat). EBITDA was INR 5.7bn (+57%/+56% YoY/QoQ, 37% beat). EBITDA margin was 24.8% (-282/-104bps YoY/QoQ, vs. our estimate of 25.3%). Depreciation was INR 1.7bn (+50%/+4.4% YoY/QoQ). Interest cost was INR 2bn (+56%/+8% YoY/QoQ). Other income was INR 305mn (+53%/-35% YoY/QoQ). RPAT/APAT came in at INR 1.3bn (+45%/+223% YoY/QoQ, 84% beat).
- Subdued presales; robust launch pipeline:** PEPL registered presales of INR 25.2bn (-41%/-28% YoY/QoQ), with collections coming in at INR 23bn (-6%/-12% YoY/QoQ). Volume-wise, gross sales were 2.9msf (-48%/-36% YoY/QoQ). For 9MFY23, the presales volume recorded was 11.1msf (+14% YoY) value at INR 90bn (+27% YoY) The Mumbai region contributed INR 5bn to total presales, i.e. 19%, while Bengaluru contributed INR 14bn, i.e. 55%, to total presales. Seven projects were launched spanning 4.06msf (-51%/-45% YoY/QoQ) in Bengaluru, Mumbai, and Calicut.
- Robust cash flow:** Net debt increased marginally to INR 41.7bn, from INR 40.5 bn in Sep-22. Consequently, net D/E is at 0.42x (0.41x in Sep-22). Gross debt stands at INR 63bn. PEPL has to spend INR 65bn on the ongoing commercial capex and INR 63bn on the upcoming commercial capex. Towards retail capex, it has to spend INR 16bn (INR 4bn towards ongoing and INR 12bn towards upcoming retail assets). The exit rental for Mar-23 is expected at INR 4.6bn. This includes INR 2.4bn of office rentals and 2.2bn of retail. Free cash flow of INR 83bn is expected from ongoing projects and INR 146bn from upcoming projects.

Consolidated Financial Summary

(INR in mn)	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	FY22	FY23E	FY24E	FY25E
Net Sales	23,170	13,275	74.5	14,277	62.3	63,895	80,465	89,107	96,563
EBITDA	5,742	3,664	56.7	3,686	55.8	15,335	19,828	22,246	27,232
APAT	1,278	880	45.2	396	223.1	4,764	3,955	6,038	8,345
EPS (INR)	13.5	9.3	45.2	4.2	223.1	11.9	9.9	15.1	20.8
P/E (x)						34.3	41.3	27.0	19.6
EV/EBITDA (x)						13.5	10.6	10.0	8.5
RoE (%)						5.6	4.2	6.1	8.0

Consolidated Change in Estimates

INR Mn	FY23E			FY24E			FY25E		
	Old	Revised	% Chg	Old	Revised	% Chg	Old	Revised	% Chg
Net Sales	80,465	71,376	12.7	89,107	85,622	4.1	96,563	104,292	(7.4)
EBITDA	19,828	18,416	7.7	22,246	21,400	4.0	27,232	28,396	(4.1)
EBITDA Margin (%)	24.6	25.8	(116)	25.0	25.0	(3)	28.2	27.2	97
Adj PAT	3,955	5,722	(30.9)	6,038	6,629	(8.9)	8,345	10,562	(21.0)

Source: Company, HSIE Research

BUY

CMP (as on 15 Feb 2023)	INR 407
Target Price	INR 630
NIFTY	18,016

KEY CHANGES	OLD	NEW	
Rating	BUY	BUY	
Price Target	INR 630	INR 630	
EPS Change %	FY23E (30.9)	FY24E (8.9)	FY25E (21.0)

KEY STOCK DATA

Bloomberg code	PEPL IN
No. of Shares (mn)	401
MCap (INR bn) / (\$ mn)	163/1,965
6m avg traded value (INR mn)	183
52 Week high / low	INR 527/375

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(12.2)	(12.6)	(7.7)
Relative (%)	(11.3)	(15.7)	(13.1)

SHAREHOLDING PATTERN (%)

	Sep-22	Dec-22
Promoters	65.48	65.48
FIs & Local MFs	8.10	9.41
FPIs	23.17	22.21
Public & Others	3.25	2.90
Pledged Shares	-	-

Source: BSE

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Disclosure:

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