

# Prestige Estates Projects

**BSE SENSEX**  
60,673

**S&P CNX**  
17,827



Bloomberg	PEPL IN
Equity Shares (m)	401
M.Cap.(INRb)/(USD\$)	166.4 / 2
52-Week Range (INR)	527 / 375
1, 6, 12 Rel. Per (%)	-5/-9/-11
12M Avg Val (INR M)	238

## Financials & Valuations (INR b)

Y/E MARCH	2023E	2024E	2025E
Sales	74.4	81.9	87.7
EBITDA	18.1	21.6	24.0
EBITDA Margin (%)	24.4	26.4	27.4
Adj PAT	3.6	5.1	5.5
Cons. EPS (Rs)	9.5	13.7	14.7
EPS Growth (%)	-16.0	34.6	5.3
BV/Share (Rs)	257.7	271.4	286.1

## Ratios

Net D:E	0.5	0.6	0.7
RoE (%)	3.8	5.2	5.3
RoCE (%)	6.2	6.9	6.9
Payout (%)	0.0	0.0	0.0

## Valuations

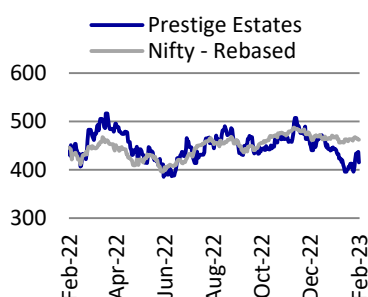
P/E (x)	47.8	30.2	28.2
P/BV (x)	1.6	1.5	1.5
EV/EBITDA (x)	13.2	11.8	10.6
Div. Yield (%)	0.0	0.0	0.0

## Shareholding pattern (%)

As On	Dec-22	Sep-22	Dec-21
Promoter	65.5	65.5	65.5
DII	9.4	8.1	6.4
FII	22.2	23.2	24.7
Others	2.9	3.3	3.5

FII Includes depository receipts

## Stock Performance (1-year)



**CMP: INR415**

**TP: INR675 (+63%)**

**Buy**

## Pursuing growth in all segments

### Scale-up in residential cash flows will reduce leverage concerns

PEPL hosted an analyst meet on 21<sup>st</sup> Feb to share an outlook on its residential, commercial and retail segments. Below are the key takeaways

### Aiming to double pre-sales by FY26

- PEPL reported sales bookings of INR90b in 9MFY23 and expects to end the year with pre-sales of over INR120b on the back of 10msf of new project launches in 4QFY23.
- Further, by FY26, the company targets to double new bookings in the residential segment to INR250b, with a contribution of INR150b coming from non-Bengaluru markets. While it already has presence in Mumbai and Hyderabad, it is scouting for new opportunities in NCR and Pune.
- In Mumbai, PEPL currently has five projects in the residential segment and is evaluating four more opportunities in the city.
- By FY26, PEPL aspires to generate INR100b in pre-sales from Bengaluru, INR50b from Mumbai, INR25b from Hyderabad, INR15b from NCR and Pune, and INR15b each from Chennai and other southern markets.
- With a project pipeline of 73msf and focus on business development across markets, PEPL intends to maintain new launches at 30msf+ over the next three years.
- After the success of its flagship township project Prestige City, Bengaluru, it has launched a similar project in Mumbai (Mulund) and will replicate the same in Hyderabad and Goa.

### Plans to spend INR25-30b on business development annually

- PEPL currently has INR96b of inventory in ongoing projects and a project pipeline of 73msf with revenue potential of INR440b. While the sales potential in the current pipeline appears large, there are some big projects that can have a long sales cycle. Thus, business development is one of the key focus areas.
- The company expects to spend INR25-30b annually on new project additions in order to achieve its pre-sales target of INR250b.
- The company highlighted that its current pipeline of ongoing and upcoming projects has potential to generate INR200b of net surplus over the next few years and 60% of this cash flow will be utilized to fund its business development spends. The remaining 40% (INR80b) will be used to fund annuity assets.
- Additionally, PEPL has INR20b of capital from the HDFC platform, which will be utilized for investment requirements over the next 12 months. It is also in talks with Kotak to set up a similar fund.

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**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.

**Balance sheet to remain healthy despite aggressive capex plans**

- PEPL will incur INR157b of capex toward the completion of ongoing (26msf) and upcoming (15msf) office projects as well as the retail (7msf) and hospitality assets (1567 keys) over the next five years.
- As highlighted earlier, the company will utilize INR80b of internal accruals to fund the annuity capex and the shortfall will be funded by lease deposits (INR15b) and external debt (INR75b).
- It currently has net debt of INR42b and although the absolute amount of incremental debt required to fund the capex appears large, the consistent rise in the company's net worth will ensure that the net D/E will peak out at 0.6x.
- It is also important to note that: 1) INR200b in surplus cash highlighted earlier is only from the residential segment and does not include any income from its operational annuity and PMS segments; 2) This surplus cash will be generated only from the current pipeline and as new bookings scales up, the incremental inflows will further enhance the company's internal accruals.
- Thus, we believe that PEPL's net debt could peak out at INR60-80b.

**Valuation and view**

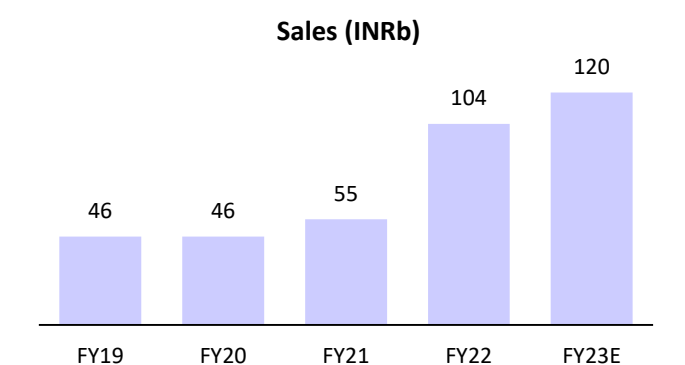
- While PEPL has given strong growth guidance for its residential business, we maintain our estimates and remain watchful on its progress on the BD front.
- As PEPL's residential segment further scales up, the cash flow generation will be sufficient to take care of business development spending and commercial capex requirements without straining the balance sheet, which is a key investor concern.
- Once the commercial portfolio fully stabilizes over the next five to six years, it will generate rental income of INR32b, which is right now not fully implied into the current valuation.
- We reiterate BUY with an unchanged SOTP-based TP of INR675, implying 63% upside potential.

**Exhibit 1: Our SoTP-based approach denotes 63% upside for PEPL based on CMP; maintain Buy rating**

NAV calculation	Rationale	INR b	per share (INR)	%
Residential	❖ DCF of five year cash flow at a WACC of 12% and nil terminal growth	164	410	61%
Office – Operational	❖ Cap rate of 8.75% for operational assets and DCF for ongoing and planned assets	18	45	7%
Office – Ongoing and Upcoming	❖ Cap rate of 8.75% for operational assets and DCF for ongoing and planned assets	64	159	24%
Retail Malls	❖ Cap rate of 8.75% for operational assets and DCF for ongoing and planned assets	36	91	13%
Hospitality	❖ FY24E EBITDA at 17.5x EV/EBITDA	40	101	15%
Property Management Services	❖ FY23E EBITDA at 10x EV/EBITDA	8	20	3%
<b>Gross Asset Value</b>		<b>331</b>	<b>825</b>	<b>122%</b>
Less: Net debt	❖ FY23E	(60)	(150)	(22%)
<b>Net Asset Value</b>		<b>271</b>	<b>675</b>	<b>100%</b>
CMP			415	
<b>Upside</b>			<b>63%</b>	

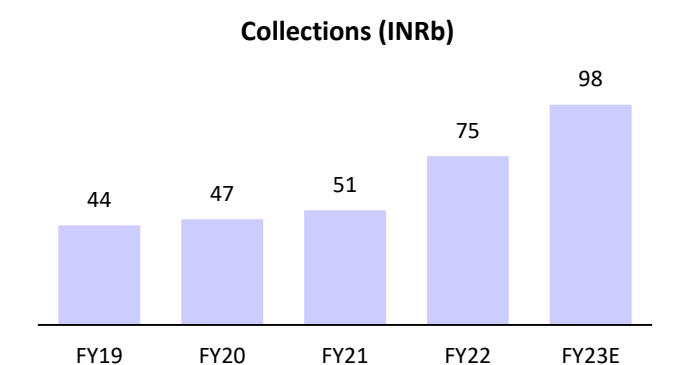
## Key exhibits

**Exhibit 2: Since FY19, PEPL posted 21% sales CAGR...**



Source: Company

**Exhibit 3: ...and 17% CAGR in collections**



Source: Company

**Exhibit 1: Ongoing and upcoming Residential pipeline**

City	No. of projects	Developable area (msf)	Share (%)
Bengaluru	35	64	55%
Mumbai	9	18	15%
Hyderabad	7	22	19%
Chennai	2	5	4%
Noida	1	3	3%
Kochi	3	1	1%
Calicut	1	2	2%
Others	4	2	2%
<b>Total</b>	<b>62</b>	<b>117</b>	

Source: Company, MOFSL

**Exhibit 2: Ongoing and upcoming Commercial pipeline**

City	No. of projects	Developable area (msf)	Share (%)
Bengaluru	15	24	60%
Mumbai	3	10	25%
Hyderabad	1	3	8%
Pune	1	1	3%
Delhi	1	1	3%
Kochi	2	1	3%
<b>Total</b>	<b>23</b>	<b>40</b>	

Source: Company, MOFSL

**Exhibit 3: PEPL's Mumbai pipeline has a GDV of INR750b**

Project	Micro-market	Area (msf)	GDV (INR b)
<b>Residential</b>			
Prestige City	Mulund	4.0	97
Prestige Jasdan Classic	Mahalaxmi	0.3	15
Prestige Daffodils	Pali Hill	0.1	12
Pestige Ocean Towers	Marine Lines	0.5	34
Prestige Nautilus	Worli	0.9	59
<b>Commercial</b>			
Presitge BKC	BKC	4.5	205
The Prestige	Mahalaxmi	2.7	126
			<b>548</b>
Jijamata Nagar	Worli	5.0	200
<b>Grand Total</b>		<b>18</b>	<b>748</b>

Source: Company, MOFSL

**Exhibit 4: Company expects to generate INR200b in surplus cash over FY23-27 from residential business and will redeploy it for BD and capex**

INR b	FY23	FY24	FY25	FY26	FY27
FCF - Residential	5.1	5.1	6.1	7.1	3.5
Overheads/tax	1.3	1.3	1.5	1.8	0.8
Net FCF	3.8	3.7	4.6	5.3	2.7
<b>Capex commitment (40%)</b>	<b>1.5</b>	<b>1.5</b>	<b>1.8</b>	<b>2.1</b>	<b>1.1</b>
<b>BD + Others (60%)</b>	<b>2.3</b>	<b>2.3</b>	<b>2.7</b>	<b>3.2</b>	<b>1.6</b>

Source: Company

**Exhibit 5: As per management, the gearing would peak out at 0.6x D/E**

INR b	FY23	FY24	FY25	FY26	FY27	FY28
Capex commitment (PG share)	2.3	2.9	4.4	4.1	3.2	0.3
40% residential FCF (-)	1.5	1.5	1.8	2.1	1.1	-
Lease deposits from tenants (-)	0.2	0.2	0.1	0.2	0.4	0.5
Shortfall	0.6	1.2	2.5	1.8	1.7	-0.2
Peak debt (including existing debt)	47	59	84	10	12	12
Net worth	100	114	132	159	196	246
<b>Projected D/E</b>	<b>0.5</b>	<b>0.5</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>	<b>0.5</b>

Source: Company

## Financials and valuations

### Consolidated Profit & Loss

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
<b>Total Income from Operations</b>	<b>54,986</b>	<b>51,719</b>	<b>81,248</b>	<b>72,644</b>	<b>63,895</b>	<b>74,417</b>	<b>81,919</b>	<b>87,728</b>
Change (%)	15.2	-5.9	57.1	-10.6	-12.0	16.5	10.1	7.1
Construction Cost	35,751	28,599	47,911	44,753	38,904	45,022	47,923	50,444
Employees Cost	2,958	3,986	4,206	4,206	4,510	5,253	5,782	6,192
Other Expenses	3,507	4,596	5,571	3,963	5,146	5,993	6,598	7,065
<b>Total Expenditure</b>	<b>42,216</b>	<b>37,181</b>	<b>57,688</b>	<b>52,922</b>	<b>48,560</b>	<b>56,268</b>	<b>60,302</b>	<b>63,701</b>
% of Sales	76.8	71.9	71.0	72.9	76.0	75.6	73.6	72.6
<b>EBITDA</b>	<b>12,770</b>	<b>14,538</b>	<b>23,560</b>	<b>19,722</b>	<b>15,335</b>	<b>18,149</b>	<b>21,617</b>	<b>24,027</b>
Margin (%)	23.2	28.1	29.0	27.1	24.0	24.4	26.4	27.4
Depreciation	1,547	3,229	6,667	5,926	4,710	6,369	7,420	8,790
<b>EBIT</b>	<b>11,223</b>	<b>11,309</b>	<b>16,893</b>	<b>13,796</b>	<b>10,625</b>	<b>11,780</b>	<b>14,197</b>	<b>15,237</b>
Int. and Finance Charges	5,657	7,228	10,233	9,899	5,553	7,521	8,463	9,113
Other Income	679	1,122	1,185	2,374	2,107	1,860	2,701	2,893
<b>PBT bef. EO Exp.</b>	<b>6,245</b>	<b>5,203</b>	<b>7,845</b>	<b>6,271</b>	<b>7,179</b>	<b>6,119</b>	<b>8,435</b>	<b>9,016</b>
EO Items	0	895	380	14,698	8,079	2,960	0	0
<b>PBT after EO Exp.</b>	<b>6,245</b>	<b>6,098</b>	<b>8,225</b>	<b>20,969</b>	<b>15,258</b>	<b>9,079</b>	<b>8,435</b>	<b>9,016</b>
Total Tax	2,135	1,985	2,783	5,198	2,945	2,588	2,109	2,254
Tax Rate (%)	34.2	32.6	33.8	24.8	19.3	28.5	25.0	25.0
Minority Interest	-136	-307	-44	250	813	1,134	1,191	1,250
<b>Reported PAT</b>	<b>4,246</b>	<b>4,420</b>	<b>5,486</b>	<b>15,521</b>	<b>11,500</b>	<b>5,358</b>	<b>5,136</b>	<b>5,512</b>
<b>Adjusted PAT</b>	<b>4,246</b>	<b>3,816</b>	<b>5,235</b>	<b>4,466</b>	<b>4,552</b>	<b>3,249</b>	<b>5,136</b>	<b>5,512</b>
Change (%)	13.4	-10.1	37.2	-14.7	1.9	-28.6	44.0	7.3
Margin (%)	7.7	7.4	6.4	6.1	7.1	4.4	6.3	6.3

### Consolidated Balance Sheet

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Equity Share Capital	3,750	3,750	4,009	4,009	4,009	4,009	4,009	4,009
Total Reserves	43,577	38,516	49,593	62,744	86,937	92,295	97,430	1,02,943
<b>Net Worth</b>	<b>47,327</b>	<b>42,266</b>	<b>53,602</b>	<b>66,753</b>	<b>90,946</b>	<b>96,304</b>	<b>1,01,439</b>	<b>1,06,952</b>
Minority Interest	2,300	1,120	2,284	4,198	4,523	4,523	4,523	4,523
Total Loans	69,078	82,108	86,269	36,112	65,130	78,130	91,130	91,130
Deferred Tax Liabilities	2,434	2,651	2,955	2,688	2,731	2,731	2,731	2,731
<b>Capital Employed</b>	<b>1,21,139</b>	<b>1,28,145</b>	<b>1,45,110</b>	<b>1,09,751</b>	<b>1,63,330</b>	<b>1,81,688</b>	<b>1,99,823</b>	<b>2,05,336</b>
Gross Block	52,917	73,269	1,01,117	50,188	75,671	98,813	1,22,667	1,47,797
Less: Accum. Deprn.	4,638	9,014	16,428	12,918	17,628	23,997	31,416	40,206
<b>Net Fixed Assets</b>	<b>48,279</b>	<b>64,255</b>	<b>84,689</b>	<b>37,270</b>	<b>58,043</b>	<b>74,816</b>	<b>91,251</b>	<b>1,07,591</b>
Goodwill on Consolidation	3,069	3,069	5,167	534	534	534	534	534
Capital WIP	25,081	16,450	21,431	27,396	17,246	12,794	16,178	15,423
<b>Total Investments</b>	<b>4,346</b>	<b>7,784</b>	<b>7,893</b>	<b>9,072</b>	<b>7,724</b>	<b>7,724</b>	<b>7,724</b>	<b>7,724</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>1,08,941</b>	<b>1,95,424</b>	<b>1,78,536</b>	<b>1,92,917</b>	<b>2,20,894</b>	<b>2,16,112</b>	<b>2,21,563</b>	<b>2,25,430</b>
Inventory	57,127	1,31,501	1,13,750	95,805	1,15,667	1,23,328	1,32,170	1,36,129
Account Receivables	9,645	16,544	14,765	13,740	14,196	14,075	15,494	15,623
Cash and Bank Balance	7,385	7,123	9,508	24,012	21,712	4,292	1,810	1,742
Loans and Advances	34,784	40,256	40,513	59,360	69,319	74,417	72,089	71,937
<b>Curr. Liability &amp; Prov.</b>	<b>68,577</b>	<b>1,58,837</b>	<b>1,52,606</b>	<b>1,57,438</b>	<b>1,41,111</b>	<b>1,30,292</b>	<b>1,37,427</b>	<b>1,51,366</b>
Account Payables	13,542	12,530	12,249	10,820	9,800	11,504	13,217	13,962
Other Current Liabilities	53,517	1,43,608	1,35,265	1,41,805	1,23,211	1,13,858	1,18,782	1,31,592
Provisions	1,518	2,699	5,092	4,813	8,100	4,930	5,428	5,812
<b>Net Current Assets</b>	<b>40,364</b>	<b>36,587</b>	<b>25,930</b>	<b>35,479</b>	<b>79,783</b>	<b>85,820</b>	<b>84,136</b>	<b>74,064</b>
<b>Appl. of Funds</b>	<b>1,21,139</b>	<b>1,28,145</b>	<b>1,45,110</b>	<b>1,09,751</b>	<b>1,63,330</b>	<b>1,81,688</b>	<b>1,99,823</b>	<b>2,05,336</b>

## Financials and valuations

Ratios								
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Basic (INR)								
<b>EPS</b>	<b>11.3</b>	<b>10.2</b>	<b>14.0</b>	<b>11.9</b>	<b>12.1</b>	<b>8.7</b>	<b>13.7</b>	<b>14.7</b>
Cash EPS	15.4	18.8	31.7	27.7	24.7	25.6	33.5	38.1
BV/Share	126.2	112.7	142.9	178.0	242.5	256.8	270.5	285.2
DPS	0.7	0.8	0.7	2.6	0.0	0.0	0.0	0.0
Payout (%)	7.7	8.2	6.4	8.2	0.0	0.0	0.0	0.0
Valuation (x)								
P/E	40.5	45.1	32.9	38.5	34.1	47.8	30.2	28.2
Cash P/E	29.7	24.4	14.5	16.6	16.8	16.1	12.4	10.9
P/BV	3.6	4.1	3.2	2.6	1.7	1.6	1.5	1.5
EV/Sales	4.3	4.8	3.2	2.7	3.3	3.2	3.1	2.9
EV/EBITDA	18.3	17.0	11.1	9.9	13.7	13.2	11.8	10.6
Dividend Yield (%)	0.2	0.2	0.2	0.6	0.0	0.0	0.0	0.0
FCF per share	-9.9	11.6	-2.8	27.3	-3.3	-58.9	-21.3	18.5
Return Ratios (%)								
RoE	9.3	8.5	10.9	7.4	5.8	3.5	5.2	5.3
RoCE	7.1	7.0	9.1	10.0	7.9	5.9	6.9	7.0
RoIC	8.6	8.4	11.0	13.3	10.3	6.2	6.4	6.4
Working Capital Ratios								
Fixed Asset Turnover (x)	1.0	0.7	0.8	1.4	0.8	0.8	0.7	0.6
Asset Turnover (x)	0.5	0.4	0.6	0.7	0.4	0.4	0.4	0.4
Inventory (Days)	379	928	511	481	661	605	589	566
Debtor (Days)	64	117	66	69	81	69	69	65
Creditor (Days)	90	88	55	54	56	56	59	58
Leverage Ratio (x)								
Current Ratio	1.6	1.2	1.2	1.2	1.6	1.7	1.6	1.5
Interest Cover Ratio	2.0	1.6	1.7	1.4	1.9	1.6	1.7	1.7
Net Debt/Equity	1.2	1.6	1.3	0.0	0.4	0.5	0.6	0.7
Consolidated Cash flow								
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
OP/(Loss) before Tax	6,245	5,203	7,845	20,719	15,093	6,119	8,435	9,016
Depreciation	1,547	3,229	6,667	5,926	4,710	6,369	7,420	8,790
Interest & Finance Charges	4,978	6,106	9,048	9,899	5,553	5,661	5,762	6,220
Direct Taxes Paid	-2,135	-1,985	-2,783	-2,074	-2,361	-2,588	-2,109	-2,254
(Inc)/Dec in WC	8,152	3,515	13,042	545	8,141	-23,457	-798	10,003
<b>CF from Operations</b>	<b>18,787</b>	<b>16,068</b>	<b>33,819</b>	<b>35,015</b>	<b>31,136</b>	<b>-7,896</b>	<b>18,710</b>	<b>31,776</b>
Others	0	0	0	-16,495	-9,737	2,960	0	0
<b>CF from Operating incl EO</b>	<b>18,787</b>	<b>16,068</b>	<b>33,819</b>	<b>18,520</b>	<b>21,399</b>	<b>-4,936</b>	<b>18,710</b>	<b>31,776</b>
(Inc)/Dec in FA	-22,502	-11,721	-34,927	-7,591	-22,704	-18,690	-27,239	-24,374
<b>Free Cash Flow</b>	<b>-3,714</b>	<b>4,347</b>	<b>-1,108</b>	<b>10,929</b>	<b>-1,305</b>	<b>-23,625</b>	<b>-8,529</b>	<b>7,402</b>
(Pur)/Sale of Investments	-1,808	-3,438	-109	-4,060	-18,144	0	0	0
Others	679	1,122	1,185	16,562	394	1,860	2,701	2,893
<b>CF from Investments</b>	<b>-23,631</b>	<b>-14,037</b>	<b>-33,851</b>	<b>4,911</b>	<b>-40,454</b>	<b>-16,829</b>	<b>-24,538</b>	<b>-21,481</b>
Issue of Shares	0	0	259	0	0	0	0	0
Inc/(Dec) in Debt	9,518	13,030	4,161	4,812	21,358	13,000	13,000	0
Interest Paid	-5,657	-7,228	-10,233	-9,847	-5,341	-7,521	-8,463	-9,113
Dividend Paid	-326	-365	-354	0	0	0	0	0
Others	-533	-263	-1,455	-1,415	-33	-1,134	-1,191	-1,250
<b>CF from Fin. Activity</b>	<b>3,002</b>	<b>5,174</b>	<b>-7,622</b>	<b>-6,450</b>	<b>15,984</b>	<b>4,345</b>	<b>3,346</b>	<b>-10,363</b>
<b>Inc/Dec of Cash</b>	<b>-1,842</b>	<b>7,205</b>	<b>-7,654</b>	<b>16,981</b>	<b>-3,071</b>	<b>-17,420</b>	<b>-2,482</b>	<b>-68</b>
Opening Balance	15,935	14,094	21,299	7,031	24,012	21,712	4,292	1,810
<b>Closing Balance</b>	<b>14,094</b>	<b>21,299</b>	<b>13,646</b>	<b>24,012</b>	<b>20,941</b>	<b>4,292</b>	<b>1,810</b>	<b>1,742</b>



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

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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