

February 15, 2023

**RESULT REPORT Q3 FY23** | Sector: Real Estate

# Prestige Estates Projects

## On track to achieve guidance, focusing on BD

### Our view

Prestige Estates Projects (PEPL) continued strong pre-sales by achieving over Rs25bn in Q3FY23 and collected Rs23bn while launched 4.06msf across segments and geographies. Also delivered 11.04msf of projects in Bangalore & Kochi. PEPL is geared up to launch another 10-15msf of residential projects across geographies in next 3-6months. PEPL is confident to achieve Rs120bn presales guidance (9MFY23 Rs90.4bn) as the company has already done presales of ~Rs10bn in Jan'23. PEPL is evaluating potential projects/land parcels in MMR to bolster its presence and NCR/Pune to expand geographically. PEPL launched Prestige Ocean Pearl, Calicut and registered presales of Rs2025mn within few days of launch indicating strong brand recall in newly launched geography. PEPL in next 4-5years is expected to add Rs24.7bn and Rs5.4bn annuity from office and retail projects respectively with a balance capex of Rs159bn.

Taking the cognizance of PEPL's current sales run rate we have accelerated our estimates for the residential segment. For Q3FY23 Net D/E was at 0.42x with a net debt of Rs41.7bn. Company to use 60:40 approach of own contribution to debt funding for the balance of capex projects which will allow PEPL to maintain Net D/E below 0.5x aided by the strong cashflow from residential projects. We remain confident on PEPL's performance with sustained demand in residential, diversifying to newer markets, increased traction in leasing and recovery in retail & hospitality. We valued PEPL on SoTP based target 1xNAV of Rs617/share at WACC 12.1%, Cap rate 9% and 15x EV/EBITDA Avg. FY24E. We retain our 'BUY' rating.

### Result Highlights:

- PEPL achieved pre-sales of Rs25.2bn (-28.3% q/q & -41% y/y) with the volume of 2.91msf (-36% q/q & -47.8% y/y) predominantly guided by the strong sales from Bangalore, Mumbai Hyderabad & Calicut. And collected Rs22.9bn (-11.9% q/q & -5.7% y/y) in Q3FY23.
- PEPL launched projects across segments with total developable area (TDA) of 4.06msf while delivered projects with TDA of 11.04msf.
- For Q3FY23, PEPL reported revenues of Rs23.2bn (62.3% q/q & 74.5% y/y) guided by delivery of 11.04msf of projects.
- EBITDA at Rs5.7bn (55.8% q/q & 56.7% y/y) and EBITDA margin came in at 24.8% (-104bps q/q & -282bps y/y). And recorded adj. PAT of Rs1.3bn (-9.2% q/q & 45.2% y/y).
- Office/Retail/Hospitality/service/residential reported revenues of Rs556mn/168mn/1698mn/1934mn/17703mn with EBITDA margin of 56%/40%/38%/13%/19% and reported PAT of Rs134mn/(166mn)/5mn/123mn/1561mn for Q3FY23.

### Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	23,170	14,697	19,620	57.6	18.1	Accelerated deliveries leading to beat on estimates
EBITDA	5,742	3,220	4,060	78.3	41.4	
Margin (%)	24.8	21.9	20.7	(288bps)	(409bps)	
Adjusted PAT	1,278	1,471	1,060	(13.1)	20.6	

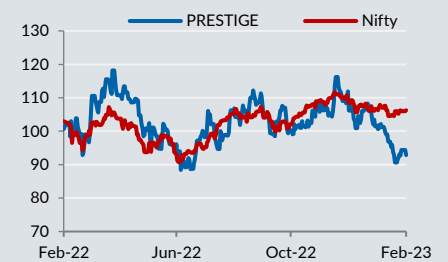
Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 406
Target Price	: Rs 617
Potential Return	: +52%

### Stock data (as on Feb 15, 2023)

Nifty	17,893
52 Week h/l (Rs)	526 / 379
Market cap (Rs/USD mn)	158701 / 1923
Outstanding Shares (mn)	401
6m Avg t/o (Rs mn):	181
Div yield (%)	0.4
Bloomberg code:	PEPL IN
NSE code:	PRESTIGE

### Stock performance



	1M	3M	1Y
Absolute return	-8.5%	-12.2%	-7.7%

### Shareholding pattern (As of Dec'22 end)

Promoter	65.5%
FII+DII	31.6%
Others	2.9%

### Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	617	625

### Δ in earnings estimates

	FY23E	FY24E
EPS (New)	9.1	11.0
EPS (Old)	8.6	12.6
% change	5.3%	-13.0%

### Financial Summary

(Rs mn)	FY23E	FY24E	FY25E
Revenues	70,037	66,271	73,624
YoY growth	9.6	(5.4)	11.1
EBITDA	16,138	17,504	22,397
YoY growth	5.2	8.5	28.0
PAT	3,632	4,395	7,075
YoY growth	(68.4)	21.0	61.0
EPS	9.1	11.0	17.6
P/E	44.8	37.0	23.0
P/BV	1.7	1.7	1.6
D/E	0.8	0.8	0.8
EV/EBITDA	14.2	12.6	10.3
RoE (%)	3.9	4.5	6.9
RoCE (%)	6.2	6.3	8.1

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## Exhibit 2: Quarterly snapshot (Console)

Particulars (Rs mn)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	y/y %	q/q %	FY22	FY21	y/y %
Revenue	13,275	24,003	19,385	14,277	23,170	74.5	62.3	63,056	63,895	5.6
EBITDA	3,664	4,995	4,617	3,686	5,742	56.7	55.8	14,742	15,335	22.9
EBITDA Margin %	27.6	20.8	23.8	25.8	24.8	(282 bps)	(104 bps)	23.4	24.0	(62 bps)
Depreciation	1,130	1,305	1,468	1,626	1,698	50.3	4.4	5,577	4,710	(6.3)
EBIT	2,534	3,690	3,149	2,060	4,044	59.6	96.3	9,165	10,625	26.6
EBIT Margin %	19.1	15.4	16.2	14.4	17.5	(163 bps)	302 bps	14.5	16.6	(209 bps)
Interest charges	1,290	1,739	1,847	1,863	2,009	55.7	7.8	5,901	5,553	(26.8)
Other Income	199	893	733	470	305	53.3	(35.1)	1,532	2,107	(20.8)
PBT	1,443	10,923	3,532	2,130	2,340	62.2	9.9	4,795	15,258	38.7
Tax	463	1,527	996	625	704	52.1	12.6	1,249	2,945	(11.4)
Effective Tax Rate (%)	39.4	30.7	35.1	149.0	30.1	(928 bps)	N/A	26.0	18.1	794 bps
PAT	880	9,393	2,049	1,407	1,278	45.2	(9.2)	3,438	11,500	37.2
PAT Margin %	6.6	39.1	10.6	9.9	5.5	(111 bps)	(434 bps)	5.5	18.0	(1255 bps)
EPS (Rs)	2.2	23.4	5.1	3.5	3.2	45.2	(9.2)	8.6	28.7	37.2

Source: Company, YES Sec

## Exhibit 3: DCF based SoTP valuation at WACC 12.1%, Cap Rate 9% & 15xEV/EBITDA

Valuation Breakup	Rs. mn	Rs. /share	Comments
Residential	61,313	153	NAV Based FY24E
Office Leasing	153,949	384	NAV Based FY24E
Retail Segment	35,694	89	NAV Based FY24E
Hospitality & FMS Services	27,827	69	15x FY24 EV/EBITDA
Land Bank	34,215	85	Avg Yield at 1050psf
Net Debt	65,518	163	As of FY23
Total	247,480	617	
CMP		406	
Upside/(downside)		52.1%	

Source: Company, YES Sec – Research

## KEY CONCALL HIGHLIGHTS

- In Jan'23 company achieved presales booking of Rs10bn and hence confident to surpass the guidance of Rs12bn for FY23E.
- In Q3FY23 Mulund contributed Rs3620mn to the Mumbai presales and Daffodils contributed Rs1000mn.
- Stabilized EBITDA margins should trend towards 25% from current ~18% for the residential projects.
- PEPL did presales of Rs16.62bn in 9MFY23 for Mumbai projects and expects to clock another Rs10bn in Q4FY23E so should achieve ~Rs27bn against the aspiration of Rs30bn.
- Hospitality rebounds with growth in ARR to Rs12800/night up by 13% q/q and RevPAR up by 8% q/q.

## FINANCIALS

**Exhibit 4: Balance Sheet (Console)**

Y/e 31 Mar (Rs m)	FY21	FY22	FY23E	FY24E	FY25E
Equity capital	4,009	4,009	4,009	4,009	4,009
Reserves	76,005	86,937	89,602	93,031	99,139
Net worth	80,014	90,946	93,611	97,040	103,148
Debt	39,825	61,743	75,693	78,193	80,193
Deferred tax liab (net)	(6,187)	(5,615)	(5,615)	(5,615)	(5,615)
Other non-current liabilities	11,104	11,952	12,498	12,531	12,522
Total liabilities	124,756	159,026	176,188	182,149	190,249
Fixed Asset	64,666	75,289	97,595	119,462	136,200
Investments	9,072	7,724	7,724	7,724	7,724
Other Non-current Assets	11,278	12,535	12,535	12,535	12,535
Net Working Capital	16,280	42,793	49,185	21,688	22,207
Inventories	95,805	115,667	115,714	91,336	91,385
Sundry debtors	13,740	14,196	19,525	14,844	16,491
Loans and Advances	9,716	22,080	22,080	22,080	22,080
Sundry creditors	10,820	9,800	12,171	10,609	11,786
Other current liabilities	107,917	123,488	123,488	123,488	123,488
Cash & equivalents	23,460	20,685	9,148	20,740	11,582
Total Assets	124,756	159,026	176,188	182,149	190,249

Source: Company, YES Sec

**Exhibit 5: Cash Flow (Console)**

Y/e 31 Mar (Rs m)	FY21	FY22	FY23E	FY24E	FY25E
PBIT	33,975	15,093	4,968	5,689	9,189
Depreciation	5,926	4,710	5,577	6,450	7,533
Tax paid	(2,069)	(2,361)	(1,336)	(1,293)	(2,115)
Working capital Δ	545	8,141	(2,459)	27,530	(528)
Other operating items	(19,983)	(4,184)	6,951	7,068	7,139
Operating cashflow	18,394	21,399	13,702	45,442	21,219
Capital expenditure	(7,494)	(22,704)	(30,870)	(28,317)	(24,271)
Free cash flow	10,900	(1,305)	(17,169)	17,126	(3,052)
Equity raised					
Investments	12,433	(17,750)	0	0	0
Debt financing/disposal	4,812	22,249	13,950	2,500	2,000
Interest Paid	(9,847)	(5,341)	(6,951)	(7,068)	(7,139)
Dividends paid	0	(601)	(966)	(966)	(966)
Other items	0	0	0	0	0
Net Δ in cash	16,883	(3,071)	(11,137)	11,592	(9,158)

Source: Company, YES Sec

## Exhibit 6: Income statement (Console)

Y/e 31 Mar (Rs m)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	72,419	63,895	70,037	66,271	73,624
Operating profit	19,583	15,335	16,138	17,504	22,397
Depreciation	5,926	4,710	5,577	6,450	7,533
Interest expense	9,793	5,553	6,951	7,068	7,139
Other income	2,435	2,107	1,532	1,532	1,532
Profit before tax	34,225	15,258	5,142	5,518	9,257
Taxes	5,193	2,945	1,336	1,293	2,115
Adj. PAT	27,823	11,500	3,632	4,395	7,075
Net profit	29,032	12,313	3,806	4,225	7,143

Source: Company, YES Sec

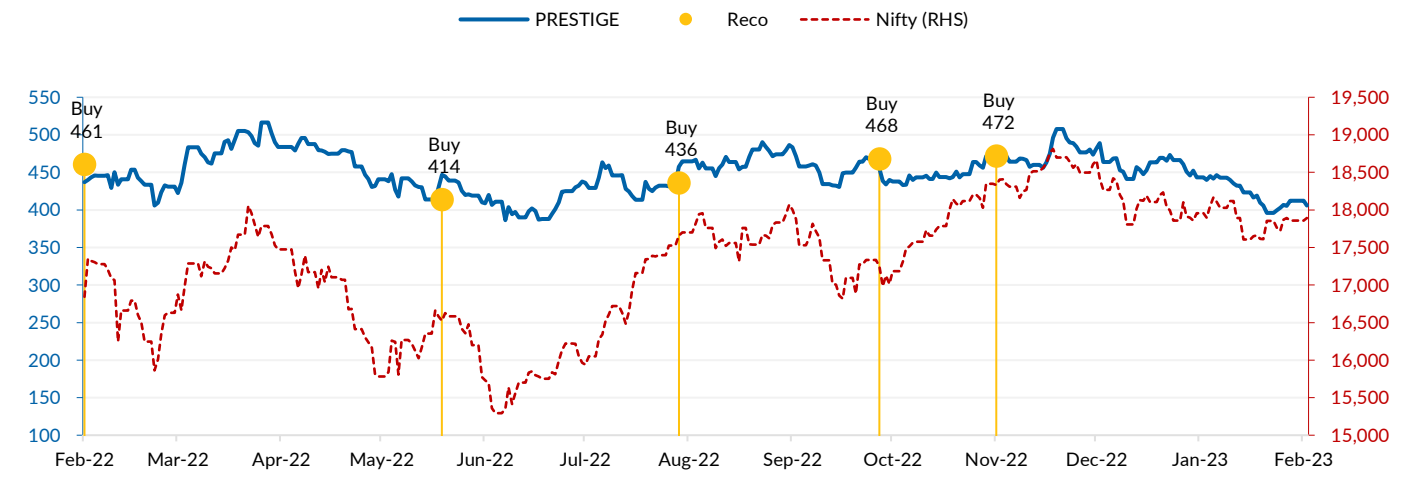
## Exhibit 7: Growth and Ratio matrix

Y/e 31 Mar	FY21	FY22	FY23E	FY24E	FY25E
<b>Growth matrix (%)</b>					
Revenue growth	(10.9)	(11.8)	9.6	(5.4)	11.1
Op profit growth	(16.9)	(21.7)	5.2	8.5	28.0
EBIT growth	(19.2)	(22.2)	(0.6)	4.7	34.5
Net profit growth	433.5	(57.6)	(69.1)	11.0	69.1
<b>Profitability ratios (%)</b>					
OPM	27.0	24.0	23.0	26.4	30.4
EBIT margin	18.9	16.6	15.1	16.7	20.2
Net profit margin	40.1	19.3	5.4	6.4	9.7
RoCE	11.4	7.0	6.2	6.3	8.1
RoNW	34.8	12.6	3.9	4.5	6.9
RoA	43.0	15.3	3.7	3.7	5.2
<b>Per share ratios</b>					
EPS	69.4	28.7	9.1	11.0	17.6
Dividend per share	0.0	1.5	2.0	2.0	2.0
Cash EPS	84.2	40.4	23.0	27.1	36.4
Book value per share	199.6	226.9	233.5	242.1	257.3
<b>Payout (%)</b>					
Dividend payout	0	5	22	18	11
Tax payout	10	18	26	23	23
<b>Liquidity ratios</b>					
Debtor days	127	127	102	82	82
Inventory days	653	653	603	503	453
Creditor days	63	63	63	58	58

Source: Company, YES Sec

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## Recommendation Tracker



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