

Kolte Patil Developers

Premiumisation to drive the next leg of growth

We attended the Kolte Patil (KPD) analyst meet in Pune where it showcased a few of its projects including its flagship township project - Life Republic (LR), its premium project 24K (fully sold-out) and one of its affordable projects Little Earth (a brownfield acquisition of stalled project). In summary, KPD is targeting a higher mix of premium projects (under 24K brand) and higher sale volume affordable housing in LR, Little Earth and other projects; it expects to generate enough cash flow through this mix to support its annual Business Development (BD) capex of INR 4-5bn which is INR 25-30bn worth of GDV. Also, KPD is expected to achieve INR 27bn presales in FY24, helped by robust priority launches of INR 57bn. We remain constructive on the KPD growth story and maintain BUY, with an unchanged SOTP-based TP of INR 380.

- Life Republic to continue driving sales volume, ramp up in premium launches:** Life Republic is the flagship project of KPD spread over 397 acres with a total development potential of ~30msf. To date, 8msf has been sold (1.1msf in 9MFY23) in the project and has 2msf of ongoing inventory. Further 10msf is in the approval pipeline with phase-wise launches expected by Diwali 2023. This project has a global FSI of 1.7 and sufficient FSI to utilize in future development. The project offers a range of products from affordable housing to villas and now with demand momentum strong in the premium segment, a 24K type format of premium housing is part of the launch plan with a total of 8msf earmarked from the ~15msf (Phase 1 development potential) of LR land bank. KPD plans to add/consolidate the land parcel outside the township boundary through the JDA route and is in talks for 20-25 acres of land with landowners. With the project being an integrated township, buyers get a 50% rebate on stamp duty of 6% and a 66.6% discount on property tax which incentivizes a potential buyer to make the buying decision.
- Robust priority launches to help meet the presales guidance:** KPD has recorded presales of INR 15bn in 9MFY23 and had guided for INR 23bn for FY23 and expects INR 27bn of presales in FY24 with INR 12bn expected from LR project (1.5-2msf), INR 10bn from other Pune projects and INR 5bn from Mumbai and Bengaluru combined. 24K type premium housing is expected to launch in H2FY24 with 1.2-1.5msf of saleable area. INR 57bn of priority launches are planned in Q1FY24 with Baner and Pimple Nilakh projects of INR 14.5bn and INR 8bn respectively.
- A complementary mix of premium and affordable housing to keep net debt in check:** The demand for premium housing has gathered momentum post-Covid and KPD saw robust demand for its premium inventory in the 24K project. With the higher volume in its affordable segment in LR and upcoming higher-margin premium projects, KPD expects to generate enough cash flow to support its BD activity. It expects to invest INR 4-5bn annually in Business Development activity with a GDV potential of INR 25-30bn. As of Q3FY23, KPD added INR 14bn worth of GDV and had a BD pipeline of ~INR 50bn. As of Dec'22, Consolidated net debt stood at INR 580mn lower from INR 1.9bn in Sep'22, with net D/E at 0.21x (vs. 0.26x as of Sep-22).

Consolidated Financial Summary

YE March (INR mn)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	12,192	8,693	11,295	6,917	11,175	12,944	15,764	20,110
EBITDA	3,033	2,471	2,336	624	1,862	2,781	3,681	4,654
APAT	1,216	755	657	(55)	794	1,590	2,263	3,151
Diluted EPS (INR)	16.0	10.0	8.7	(0.7)	10.5	21.0	29.9	41.6
P/E (x)	16.1	25.9	29.8	(354.2)	24.6	12.3	8.6	6.2
EV / EBITDA (x)	7.4	10.9	11.4	39.5	11.9	8.2	6.2	4.8
RoE (%)	9.9	5.6	5.2	(0.7)	8.7	14.8	17.7	20.4

Source: Company, HSIE Research

BUY

CMP (as on 06 Apr 23)	INR 258
Target Price	INR 380
NIFTY	17,599

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 380	INR 380
EPS Change %	FY23E	FY24E
	-	-

KEY STOCK DATA

Bloomberg code	KPD IN
No. of Shares (mn)	76
MCap (INR bn) / (\$ mn)	20/239
6m avg traded value (INR mn)	67
52 Week high / low	INR 384/214

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(3.2)	(30.3)	(12.1)
Relative (%)	(3.1)	(33.1)	(12.5)

SHAREHOLDING PATTERN (%)

	Sep-22	Dec-22
Promoters	74.45	74.35
FIs & Local MFs	3.71	4.83
FPIs	1.38	1.39
Public & Others	20.46	19.43
Pledged Shares	-	-

Source: BSE

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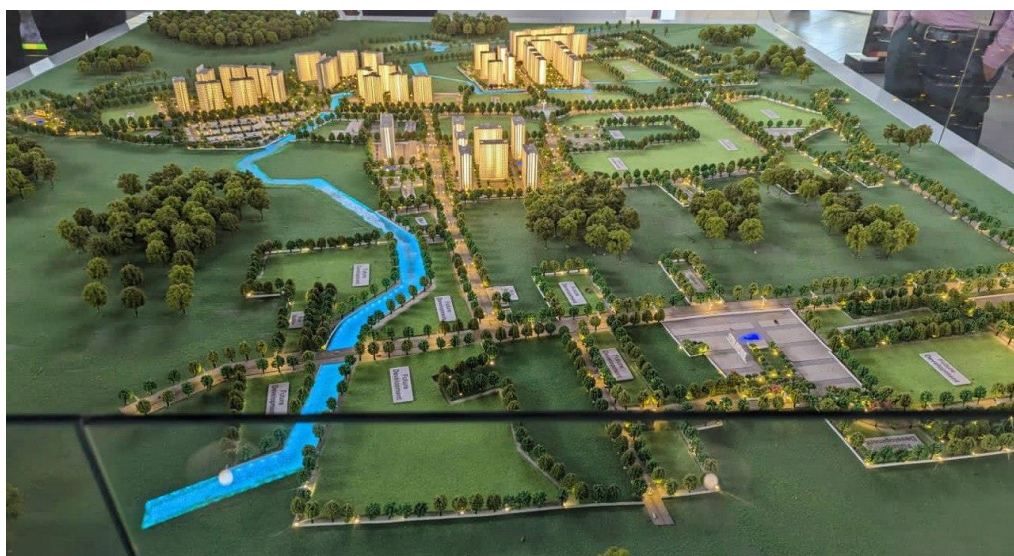
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Construction progress in Life Republic with 6msf of delivery to date and 4msf of ongoing area of which 2msf is unsold.



Life Republic model spread across 397acre of land parcel. Dark shaded area is outside project purview. KPDL is currently in talk for 20-25 acres of this land with the land owners.



Financial Statement:

INCOME STATEMENT (INR mn)

Year ending March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	9,656	12,192	8,693	11,295	6,917	11,175	12,944	15,764	20,110
Growth (%)	28.1	26.3	(28.7)	29.9	(38.8)	61.5	15.8	21.8	27.6
Material Expenses	6,082	7,819	4,543	7,327	4,963	7,723	8,340	9,933	12,921
Employee Expenses	422	370	538	587	650	706	762	876	1,007
Other Operating Expenses	753	970	1,141	1,045	681	885	1,061	1,274	1,528
EBIDTA	2,400	3,033	2,471	2,336	624	1,862	2,781	3,681	4,654
EBIDTA (%)	24.9	24.9	28.4	20.7	9.0	16.7	21.5	23.4	23.1
EBIDTA Growth (%)	21.0	26.4	(18.5)	(5.5)	(73.3)	198.4	49.3	32.4	26.4
Other Income	82	156	111	470	167	190	205	222	240
Depreciation	149	153	149	172	120	104	121	152	174
EBIT	2,334	3,036	2,433	2,633	671	1,948	2,865	3,751	4,719
Interest	860	987	920	797	703	500	466	443	339
PBT	1,473	2,049	1,513	1,837	(32)	1,448	2,399	3,308	4,380
Tax	624	493	518	840	7	514	759	954	1,139
Minority Interest	23	(322)	(240)	(273)	(7)	(54)	(50)	(90)	(90)
Share of associates	-	-	-	-	(10)	(16)	-	-	-
RPAT	872	1,234	755	724	(55)	863	1,590	2,263	3,151
EO items (net of tax)	-	(18)	-	(67)	-	(69)	-	-	-
APAT	872	1,216	755	657	(55)	794	1,590	2,263	3,151
APAT Growth (%)	48.0	39.5	(37.9)	(13.0)	(108.4)	(1,538.6)	100.3	42.3	39.2
EPS	11.5	16.0	10.0	8.7	(0.7)	10.5	21.0	29.9	41.6
EPS Growth (%)	48.0	39.5	(37.9)	(13.0)	(108.4)	(1,538.6)	100.3	42.3	39.2

Source: Company, HSIE Research

BALANCE SHEET (INR mn)

As at March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
SOURCES OF FUNDS									
Share Capital	758	758	758	758	760	760	760	760	760
Reserves	7,880	9,080	7,643	8,292	8,179	8,833	10,422	12,685	15,835
Total Shareholders' Funds	8,638	9,838	8,401	9,050	8,939	9,593	11,182	13,445	16,595
Minority Interest	2,666	2,075	59	149	2	79	129	219	309
Long Term Debt	1,417	1,478	4,863	4,225	4,205	2,494	2,494	1,994	1,494
Short Term Debt	3,903	2,527	3,207	3,812	2,444	2,722	2,722	2,722	2,722
Total Debt	5,320	4,005	8,070	8,037	6,649	5,216	5,216	4,716	4,216
Deferred Taxes	(25)	(225)	(1,755)	(1,408)	(1,791)	(1,719)	(1,719)	(1,719)	(1,719)
Long Term Provisions & Others	2,432	3,270	345	545	753	905	905	905	905
TOTAL SOURCES OF FUNDS	19,032	18,964	15,121	16,372	14,552	14,074	15,713	17,566	20,306
APPLICATION OF FUNDS									
Net Block	1,061	968	837	736	627	640	820	968	1,093
CWIP	22	-	5	6	3	-	-	-	-
Goodwill	211	207	207	2,013	2,040	2,040	2,040	2,040	2,040
Investments, LT Loans & Advances	-	-	-	-	169	463	463	463	463
Other Non-Current Assets	1,662	2,632	2,621	2,818	2,748	1,670	1,687	1,704	1,721
Inventories	20,607	18,364	28,270	27,582	28,640	28,369	26,278	30,232	38,568
Debtors	1,770	1,828	1,079	617	331	258	1,773	2,159	2,755
Cash & Equivalents	797	1,183	638	973	1,639	2,757	2,027	1,581	1,656
ST Loans & Advances, Others	1,972	1,208	861	944	1,025	1,667	3,014	3,366	3,898
Total Current Assets	25,147	22,583	30,848	30,115	31,634	33,051	33,091	37,338	46,877
Creditors	1,761	2,498	2,535	2,825	2,904	2,878	3,166	3,483	3,831
Other Current Liabilities & Provns	7,311	4,929	16,862	16,492	19,766	20,913	19,222	21,464	28,057
Total Current Liabilities	9,072	7,427	19,397	19,317	22,670	23,791	22,388	24,947	31,888
Net Current Assets	16,075	15,156	11,451	10,798	8,964	9,260	10,703	12,391	14,989
Misc Expenses & Others	-	-	-	-	-	-	-	-	-
TOTAL APPLICATION OF FUNDS	19,032	18,964	15,121	16,372	14,552	14,074	15,713	17,566	20,306

Source: Company, HSIE Research

CASH FLOW STATEMENT (INR mn)

Year ending March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
PBT before minority	1,473	2,028	1,512	1,837	(32)	1,379	2,399	3,308	4,380
Non-operating & EO items	(29)	60	(0)	(370)	80	(41)	(205)	(222)	(240)
Taxes	(494)	(781)	(706)	(649)	(469)	(460)	(759)	(954)	(1,139)
Interest expenses	860	987	920	797	703	500	466	443	339
Depreciation	149	154	149	172	120	104	121	152	174
Working Capital Change	(543)	(878)	(2,552)	1,057	2,787	2,037	(2,191)	(2,151)	(2,539)
OPERATING CASH FLOW (a)	1,417	1,569	(676)	2,844	3,189	3,519	(169)	576	976
Capex	(77)	(42)	(24)	(105)	(57)	(121)	(300)	(300)	(300)
Free cash flow (FCF)	1,340	1,528	(700)	2,739	3,132	3,398	(469)	276	676
Investments	496	417	183	(550)	(1,490)	(1,032)	205	222	240
INVESTING CASH FLOW (b)	419	376	159	(655)	(1,547)	(1,152)	(95)	(78)	(60)
Share capital Issuance	-	3.40	2.30	-	27.50	-	-	-	-
Debt Issuance	(655)	(672)	1,114	(783)	(638)	(1,433)	0	(500)	(500)
Interest expenses	(792)	(1,002)	(755)	(822)	(709)	(593)	(466)	(443)	(339)
Dividend	(262)	(146)	(205)	(197)	(2)	(1)	(1)	(1)	(1)
FINANCING CASH FLOW (c)	(1,709)	(1,817)	157	(1,803)	(1,320)	(2,027)	(466)	(944)	(840)
NET CASH FLOW (a+b+c)	126	128	(361)	386	322	340	(730)	(446)	75
Opening Cash	552	678	806	446	972	1,639	2,757	2,027	1,581
Other Bank Deposits not considered as CC&CE	119	377	193	140	486	1,264	0	0	0
Closing Cash & Equivalents	797	1,183	638	972	1,639	2,757	2,027	1,581	1,656

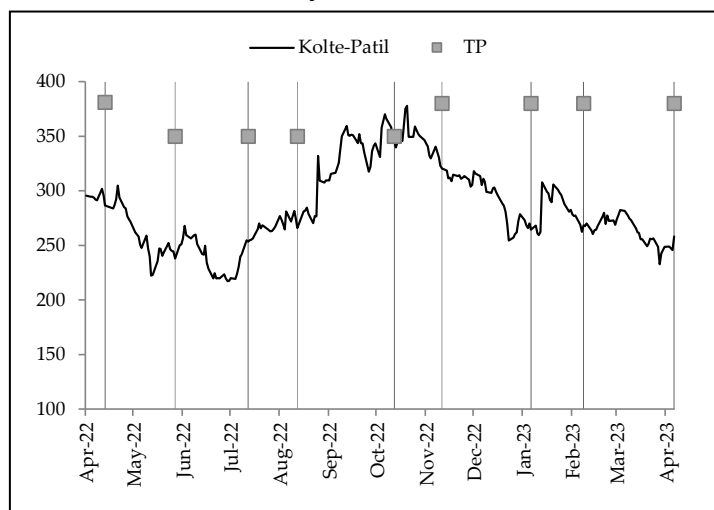
Source: Company, HSIE Research

KEY RATIOS

	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
PROFITABILITY (%)									
GPM	37.0	35.9	47.7	35.1	28.3	30.9	35.6	37.0	35.7
EBITDA Margin	24.9	24.9	28.4	20.7	9.0	16.7	21.5	23.4	23.1
EBIT Margin	24.2	24.9	28.0	23.3	9.7	17.4	22.1	23.8	23.5
APAT Margin	9.0	10.0	8.7	5.8	(0.8)	7.1	12.3	14.4	15.7
RoE	10.9	9.9	5.6	5.2	(0.7)	8.7	14.8	17.7	20.4
Core RoCE	13.9	19.7	17.0	11.0	8.2	15.1	22.5	27.6	31.8
RoCE	12.3	16.0	14.3	16.7	4.4	13.9	19.9	23.2	25.5
EFFICIENCY									
Tax Rate (%)	42.4	24.1	34.2	45.7	(21.5)	35.5	31.6	28.9	26.0
Asset Turnover (x)	0.5	0.6	0.6	0.7	0.5	0.8	0.8	0.9	1.0
Inventory (days)	775	583	979	902	1,483	931	770	654	624
Debtors (days)	61	54	61	27	25	10	29	46	45
Payables (days)	62	64	106	87	151	94	85	77	66
Cash Conversion Cycle (days)	774	573	934	843	1,357	846	714	623	603
Debt/EBITDA (x)	2.2	1.3	3.3	3.4	10.7	2.8	1.9	1.3	0.9
Net D/E	0.5	0.3	0.9	0.8	0.6	0.3	0.3	0.2	0.2
Interest Coverage	2.7	3.1	2.6	3.3	1.0	3.9	6.2	8.5	13.9
PER SHARE DATA									
EPS (Rs/sh)	11.5	16.0	10.0	8.7	(0.7)	10.5	21.0	29.9	41.6
CEPS (Rs/sh)	13.5	18.1	11.9	10.9	0.8	11.8	22.5	31.8	43.8
DPS (Rs/sh)	2.3	3.2	2.0	2.6	0.0	0.0	0.0	0.0	0.0
BV (Rs/sh)	114.0	129.8	110.9	119.4	117.6	126.2	147.1	176.9	218.4
VALUATION									
P/E	22.4	16.1	25.9	29.8	(354.2)	24.6	12.3	8.6	6.2
P/BV	2.3	2.0	2.3	2.2	2.2	2.0	1.8	1.5	1.2
EV/EBITDA	10.0	7.4	10.9	11.4	39.5	11.9	8.2	6.2	4.8
OCF/EV (%)	0.1	0.1	(0.0)	0.1	0.1	0.2	(0.0)	0.0	0.0
FCF/EV (%)	5.6	6.8	(2.6)	10.3	12.7	15.4	(2.1)	1.2	3.0
FCFE/Market Cap	3.5	4.4	2.1	10.0	12.7	10.0	(2.4)	(1.1)	0.9
Dividend Yield (%)	0.9	1.2	0.8	1.0	0.0	0.0	0.0	0.0	-

Source: Company, HSIE Research

Recommendation History



Date	CMP	Reco	Target
14-Apr-22	296	BUY	381
27-May-22	244	BUY	350
12-Jul-22	252	BUY	350
13-Aug-22	266	BUY	350
12-Oct-22	350	BUY	350
11-Nov-22	323	BUY	380
7-Jan-23	267	BUY	380
8-Feb-23	262	BUY	380
8-Apr-23	258	BUY	380

Rating Criteria

BUY: >+15% return potential

ADD: +5% to +15% return potential

REDUCE: -10% to +5% return potential

SELL: >10% Downside return potential

Disclosure:

We, **Parikshit Kandpal, CFA, Manoj Rawat, MBA & Nikhil Kanodia, MBA** authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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