

Prestige Estates

Growth continues

Prestige Estates (PEPL) registered the highest-ever annual presales of INR 129bn (+24% YoY) on the back of 16msf of launches and robust presales in MMR at INR 27bn. On the back of this, non-Bengaluru sales increased to 41%, from 20% in FY22. For FY24, it expects to achieve 25% growth in annual presales over FY23. It expects to achieve this on the back of a strong launch pipeline of 76msf with higher contribution expected from Mumbai MMR and Hyderabad along with Bengaluru (sales of which was subdued on account of lower new launches). In two significant transactions, PEPL acquired the balance stake in BKC and Mahalaxmi project from DB realty for INR 9/2bn resp. The total project cost in these two projects is INR c.75bn, of which PEPL has incurred INR c.30bn (incl. INR 11bn stake buy). For the BKC project, PEPL expects an increase in rental from INR 325psf pm to INR 350psf pm and cap rate compression to 8% from 9.5%(at the valuation stage). These two factors are expected to provide a valuation upside potential of INR 35bn. On account of this transaction, net debt increased to INR 55.7bn, from INR 41.7 bn in Dec-22. To maintain the growth momentum, PEPL is targeting residential BD of INR 200bn annually and may launch its first project in NCR subject to timely approvals. We maintain BUY, with an unchanged SOTP-based TP of INR 630/sh.

- **Q4FY23 financial highlights:** Revenue reported was INR 26.3bn (+10%/+14% YoY/QoQ, 11% beat). EBITDA was INR 6.8bn (+37%/+19% YoY/QoQ, 18% beat). EBITDA margin was 25.9% (+510/+112bps YoY/QoQ, vs. our estimate of 24.5%). Other income was INR 3bn (+243%/+903% YoY/QoQ). Includes fair value gain of INR 2.7bn on Other investments. These investments have been converted into units of the listed REIT of Nexus Select Trust. RPAT came in at INR 4.7bn (-50%/+266% YoY/QoQ). There was an exceptional gain of INR 119mn, received as part of the slump sale of certain investments and commercial projects done in FY21. Consequently, APAT was INR 2.2bn (-33%/+74% YoY/QoQ, 77% beat). After adjusting for fair value gain in other income and exceptional items.
- **Strong presales with robust launch pipeline:** Q4FY23, presales were 4msf (-18%/+38% YoY/QoQ) valued at INR 38.9bn (+19%/+54% YoY/QoQ). For FY23, the presale value was the highest ever at INR 129bn (+24% YoY) and collections were also the highest ever at INR 98bn (+31% YoY). In FY23, total sales from Mumbai were INR 27bn, contributing 21% to sales while Bengaluru contributed INR 76.5bn, i.e. 60%, to total presales. These record presales were on the back of robust launches of 16.5msf (similar to FY22). For FY24, PEPL expects 25% growth in presales on the back of a robust launch pipeline of 76msf.
- **Record collection to support execution:** Net debt increased substantially to INR 55.7bn, from INR 41.7 bn in Dec-22. Consequently, net D/E is at 0.54x (0.42x in Mar-22). Gross debt stands at INR 75bn (vs INR 63bn in Dec'22). PEPL has to incur INR 62bn on the ongoing commercial capex and INR 61bn on the upcoming commercial capex. Towards retail capex, it has to spend INR 4bn towards ongoing and INR 14bn towards upcoming retail assets. The total exit rental for Mar-23 was expected at INR 4bn. This includes INR 2.1bn of office rentals and 1.9bn of retail. For FY23, collections were at a record-high of INR 98bn (+31% YoY).

Consolidated Financial Summary

(INR in mn)	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	FY22	FY23	FY24E	FY25E
Net Sales	26,318	24,003	9.6	23,170	13.6	63,895	83,150	89,107	96,563
EBITDA	6,818	4,995	36.5	5,742	18.7	15,335	20,863	22,246	27,232
APAT	2,230	3,334	(33.1)	1,278	74.5	4,764	4,923	6,038	8,345
EPS (INR)	5.6	8.3	(33.1)	3.2	74.5	11.9	12.3	15.1	20.8
P/E (x)						40.2	38.9	31.7	23.0
EV/EBITDA (x)						15.3	11.5	11.3	9.6
RoE (%)						5.6	5.3	6.1	8.0

Source: Company, HSIE Research

BUY

CMP (as on 31 May 23)	INR 483
Target Price	INR 630
NIFTY	18,534

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 630	INR 630
EPS Change %	FY24E	FY25E
	-	-

KEY STOCK DATA

Bloomberg code	PEPL IN
No. of Shares (mn)	401
MCap (INR bn) / (\$ mn)	194/2,368
6m avg traded value (INR mn)	226
52 Week high / low	INR 520/375

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	19.0	1.8	12.6
Relative (%)	12.8	2.6	(0.1)

SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	65.48	65.48
FIs & Local MFs	9.41	10.50
FPIs	22.21	21.19
Public & Others	2.90	2.83
Pledged Shares	-	-

Source: BSE

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Disclosure:

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