

Godrej Properties

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INDIA RISING | NATION ON THE MOVE

Bloomberg	GPL IN
Equity Shares (m)	278
M.Cap.(INRb)/(USDb)	461.7 / 5.6
52-Week Range (INR)	1769 / 1006
1, 6, 12 Rel. Per (%)	4/33/1
12M Avg Val (INR M)	910

Financials & Valuations (INR b)

Y/E Mar	FY23	FY24E	FY25E
Sales	22.5	22.1	35.0
EBITDA	2.5	2.9	7.8
EBITDA (%)	11.0	13.1	22.2
PAT	6.2	7.7	13.2
EPS (INR)	22.4	27.9	43.9
EPS Gr. (%)	141.9	121.0	96.4
BV/Sh. (INR)	333.3	357.3	404.9

Ratios

Net D/E	0.4	0.6	0.4
RoE (%)	7	8	12
RoCE (%)	5	4	4
Payout (%)	0.0	0.0	0.0

Valuations

P/E (x)	74	60	38
P/BV (x)	5	5	4
EV/EBITDA (x)	199	178	65
Div Yield (%)	0	0	0

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	58.5	58.5	58.4
DII	4.3	4.7	4.9
FII	28.9	27.1	27.7
Others	8.4	9.7	8.9

CMP: INR1,660 TP: INR1,915 (+15%) Buy

Muted pre-sales and cash flows, but healthy completions

Pre-sales moderated in 1QFY24 due to muted launches

- GPL reported pre-sales of INR22.5b, which was down 11%/44% YoY/QoQ and was 16% lower than our estimate. Sales volume declined 20%/57% YoY/QoQ to 2.25msf, while blended realizations improved 12% YoY, aided by higher contribution from MMR (30%) and NCR (24%) markets.
- Muted performance was driven by lower launches and limited sustenance inventory of ~12msf or INR90-100b, which contributed ~80% of sales by value. The company launched three projects with saleable area of 1.1msf and contributed INR4.4b to pre-sales.
- GPL is on track to launch 19msf of projects in the remainder of FY24 with further upside potential from the launch of recently added Gurugram projects. Management re-iterated its guidance to achieve INR140b of pre-sales in FY24. We expect the company to clock bookings of INR150b.

Muted cash flow performance led to an increase in net debt

- After a record quarter in 4QFY23, collections declined 48% QoQ to INR22b (up 24% YoY); however, construction spends and overheads were stagnant QoQ at INR21b, leading to OCF (pre-int. and tax) of INR1.1b.
- Additionally, GPL spent INR16b for land and approvals, leading to a deficit of INR16.5b. Gross debt increased by INR11b, while cash balance reduced by INR5b since Mar'23, leading to an increase in net debt of INR16b to INR53b or 0.56x of equity, up from 0.39x as of Mar'23.

Healthy deliveries, but profitability impacted by INR1.6b of provision

- GPL delivered 4.9msf of projects (both outright and JVs) during the quarter, which led to a three-fold jump in revenue to INR9.4b, which was higher than our estimate of INR3.3b
- The company took provision of INR1.6b for fixing quality issues at one of its projects in Gurugram. Adjusting for the provision, EBITDA stood at INR58m vs. a loss of INR140m in previous year.
- Adjusted PAT grew five-fold to INR2.2b vs. our estimate of INR0.6b and generated a PAT margin of 24%. The company is on track to deliver 12.5msf of projects. The revenue recognition for these projects will be spread out across different quarters.

Key highlights from the management commentary

- **Business development:** The initial strategy was to make in-roads in micro-markets where GPL had minimal presence. Now that it has made good progress on this front, future strategy will be driven by lack of inventory in existing markets.
- Following the successful acquisition of multiple projects over the last few quarters, the company's focus will now shift towards execution and management does not intend to be aggressive in capital deployment.

- **Launches of key projects:** Ashok Vihar is on track for 4QFY24 launch, if the ongoing traction in approvals sustains. The first phase of the Mahalaxmi project is scheduled for launch in 2Q, while Carmichael road will be scheduled for launch in 2HFY24. Further, the company intends to launch a new phase in Vikhroli in FY24.
- **Cash flow and debt:** In 1QFY24, GPL made a land payment of INR2.5b for the Bhandup project; INR3b for NCR and INR9b on milestone-linked payments for land acquired earlier. Net debt is expected to peak out over the next couple of quarters and will start declining in CY24 with the launch of key projects.

Valuation and view

- Despite the miss on our estimate, we retain our FY24E/FY25E pre-sales as the company kept its launch pipeline unchanged and also indicated about the possibility of launching projects, which are not currently part of the pipeline.
- In Apr'23, we [upgraded GPL to a BUY rating](#), highlighting the accelerated growth in bookings, which has been supported by record BD efforts and improved profitability. This positive trend can be attributed to the increased scale of delivery and a higher proportion of completions from projects added post-FY18.
- The company further added INR64.5b of projects during the quarter and remains on track to add INR150b of projects in FY24, which will continue to provide strong visibility on pre-sales growth. We incorporate new projects in our pipeline, leading to an increase in cash flows. We also incorporate marginally lower WACC, aided by lower RF and risk premium. **As a result, our TP increases to INR1,915, implying 15% upside. We reiterate our BUY rating on the stock.**

Quarterly Performance (INR m)

Y/E March	FY23				FY24E				FY23	FY24E	FY24E	Variance
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			1QE	(%/bp)
Gross Sales	2,447	1,651	1,962	16,463	9,360	3,987	4,208	4,594	22,523	22,149	3,322	182
YoY Change (%)	184.0	27.7	-29.6	23.7	282.6	141.5	114.5	-72.1	23.4	-1.7	35.8	
Total Expenditure	2,589	2,325	2,130	12,996	9,303	3,302	3,375	3,264	20,040	19,243	3,498	
EBITDA	-142	-674	-168	3,466	57	685	833	1,330	2,482	2,905	-176	
Margins (%)	-5.8	-40.8	-8.6	21.1	0.6	17.2	19.8	29.0	11.0	13.1	-5.3	
Depreciation	55	56	65	66	69	70	70	70	241	280	70	
Interest	345	406	457	535	297	604	604	1,219	1,742	2,723	560	
Other Income	1,817	2,041	2,084	1,926	3,299	905	845	985	7,867	6,034	743	
PBT before EO expense	1,276	905	1,394	4,791	2,990	917	1,004	1,027	8,366	5,936	-63	-4,850
Extra-Ord expense	0	0	0	0	1,550	0	0	0	0	-1,550	0	
PBT	1,276	905	1,394	4,791	1,440	917	1,004	1,027	8,366	4,386	-63	-2,387
Tax	327	-188	449	1,159	592	183	201	339	1,747	1,316	-16	
Rate (%)	25.6	-20.7	32.2	24.2	41.1	20.0	20.0	33.1	20.9	30.0	25.2	
Minority Interest & Profit/Loss of Asso. Cos.	-516	-423	-381	913	488	718	898	1,487	-407	3,591	653	
Reported PAT	433	670	564	4,545	1,336	1,451	1,701	2,174	6,212	6,661	606	121
Adj PAT	433	670	564	4,545	2,248	1,451	1,701	2,174	6,212	7,573	606	
YoY Change (%)	154.6	87.7	44.8	75.6	419.3	116.5	201.5	-52.2	77.2	21.9	39.9	
Margins (%)	17.7	40.6	28.7	27.6	24.0	36.4	40.4	47.3	27.6	34.2	18.2	
Operational Metrics												
Sale Volume (msf)	2.8	2.7	4.6	5.3	2.3	4.1	5.4	5.6	15	17	3.4	-33
Sale Value (INRb)	25	24	33	41	23	33	40	54	122	150	27.0	-16
Collections (INRb)	18	22	21	43	22	31	38	49	105	140	26.0	-14
Realization/sft	8,906	8,883	7,145	7,716	10,018	7,994	7,505	9,604	8,041	8,624	8,016	25

Source: MOFSL, Company

Key Exhibits

Exhibit 1: GPL reported sales of INR23b, down 23% YoY....

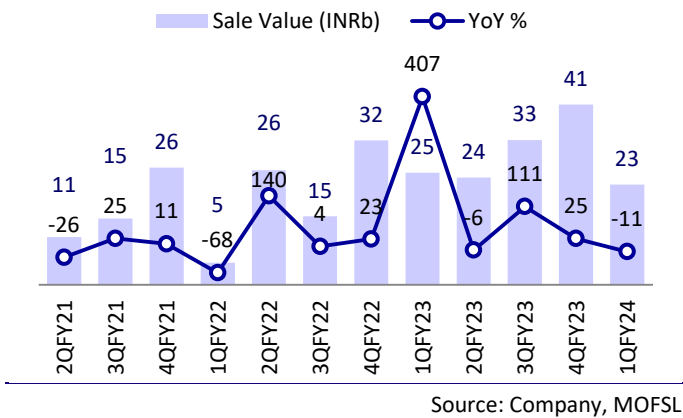


Exhibit 2: ...and volume declined by 20% to 2.3msf

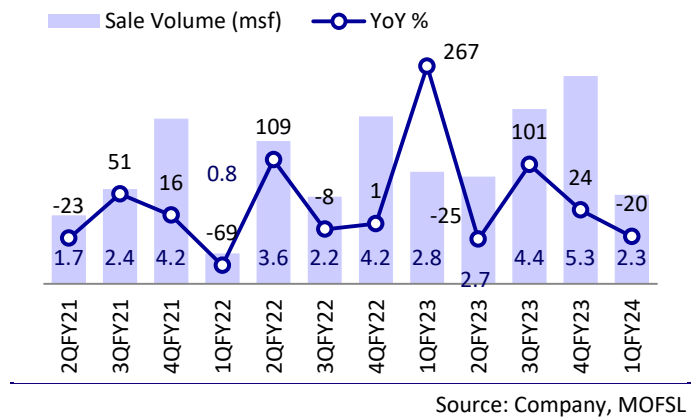


Exhibit 3: Realizations improved 12% YoY, due to higher contribution from MMR and NCR

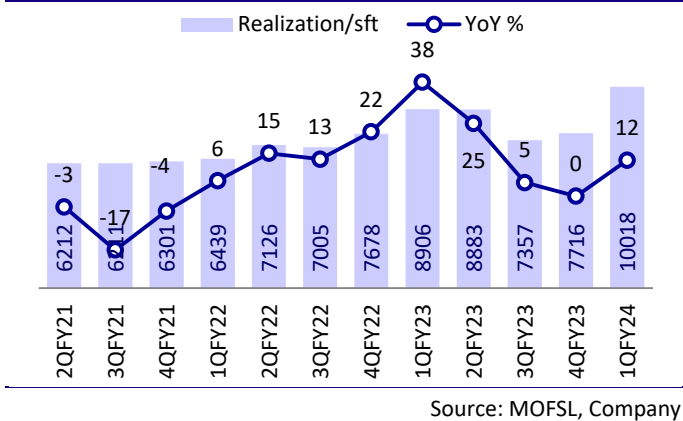


Exhibit 4: Pre-sales were largely driven by sustenance sales in ongoing projects

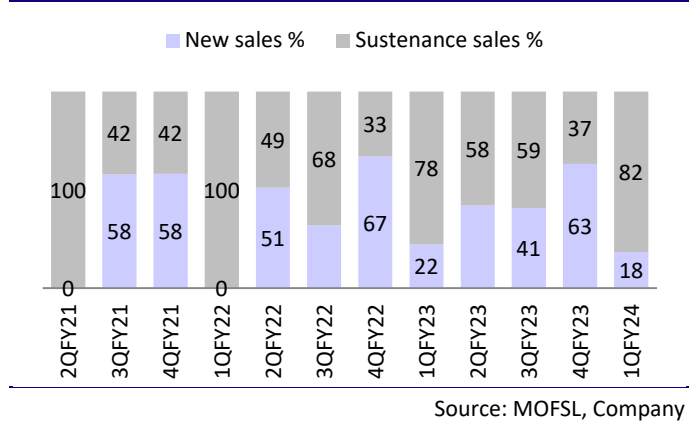


Exhibit 5: GPL launched 1msf across three projects/ phases

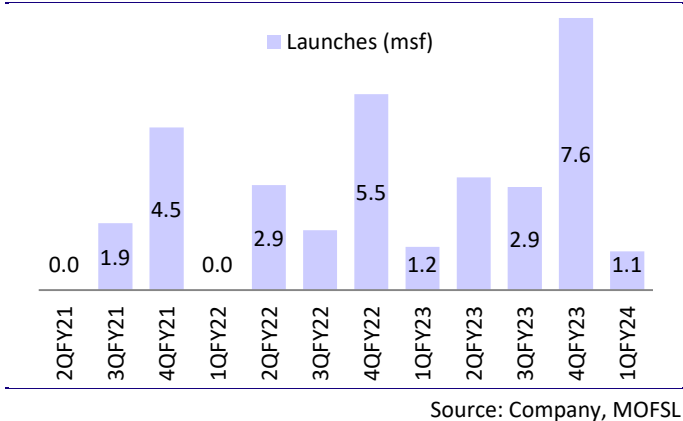


Exhibit 6: GPL added four new projects with cumulative development potential of 4msf

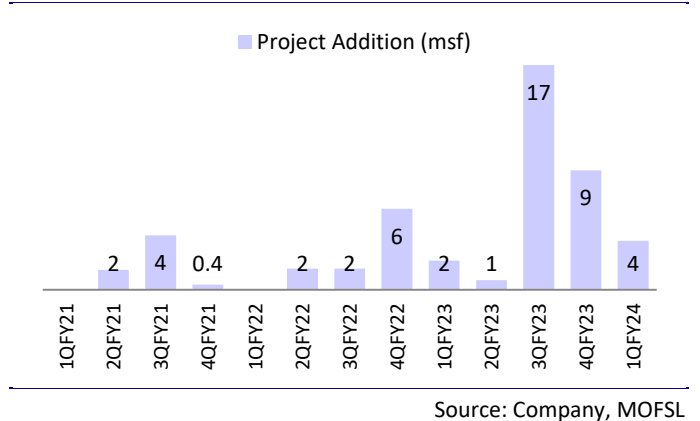
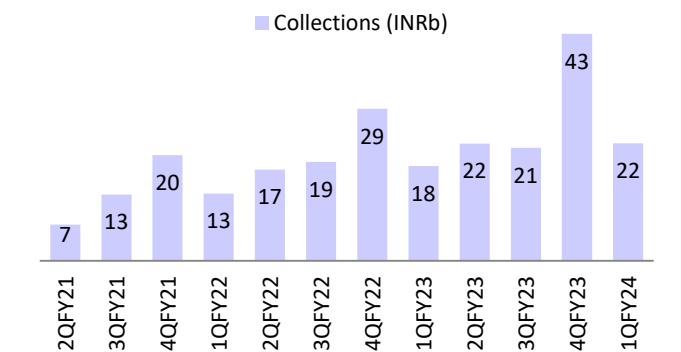
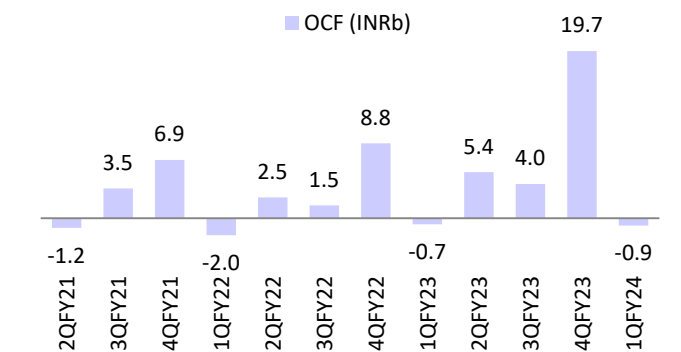
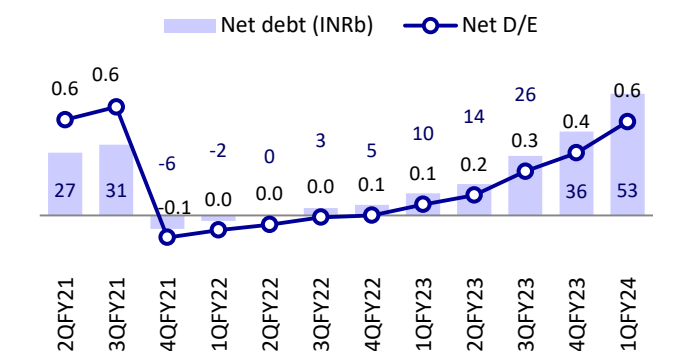


Exhibit 7: Collections stood at INR43b, up 24% YoY...

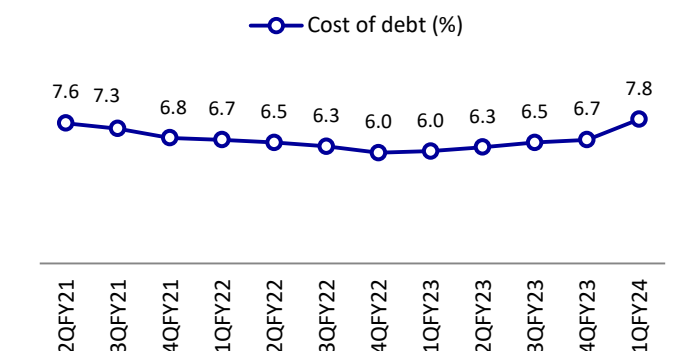
Source: MOFSL, Company

Exhibit 8: ...which was utilized toward operating activities, leading to negative OCF of INR0.9b

Source: MOFSL, Company

Exhibit 9: Expect net D/E to inch up further as the company deploys QIP money

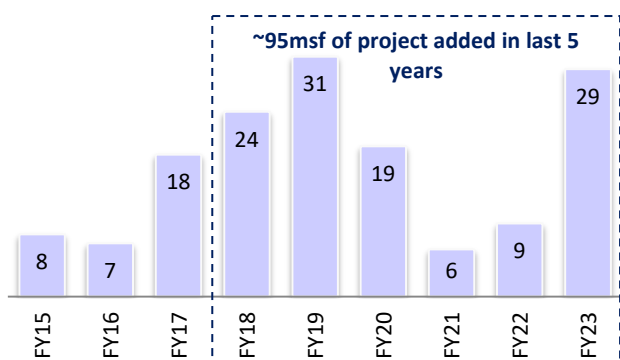
Source: MOFSL, Company

Exhibit 10: Cost of debt continues to remain attractive

Source: MOFSL, Company

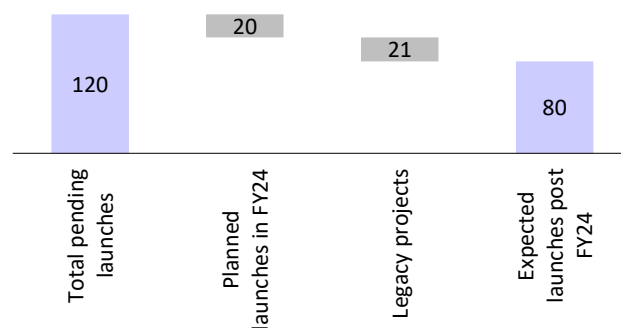
Story in charts

Exhibit 11: Project additions over the last five years at ~95msf



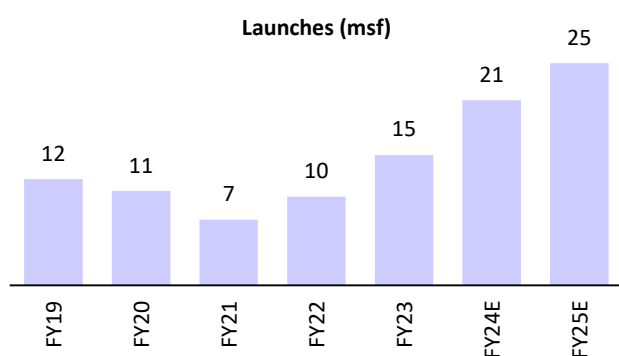
Source: Company, MOFSL

Exhibit 12: GPL has ~80msf of executable pipeline



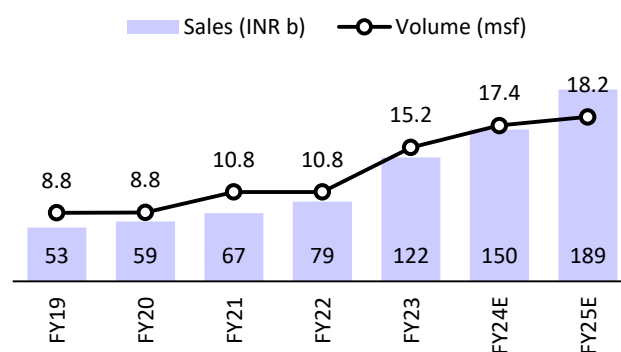
Source: Company, MOFSL

Exhibit 13: Expect launch run-rate to sustain at over 20+msf from FY24



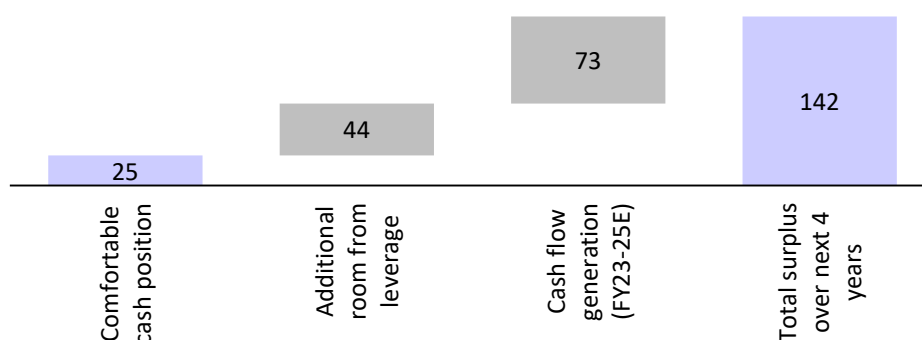
Source: MOFSL, Company

Exhibit 14: Expect 23% CAGR in pre-sales over FY23–25



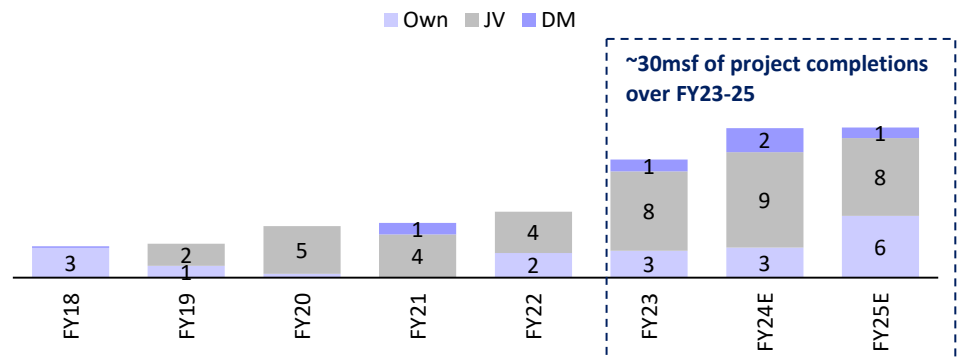
Source: MOFSL, Company

Exhibit 15: Cash (INR25b), room for leverage (INR44b), and surplus cash flow generation (INR73b) over FY23–25E indicate continued momentum in business development



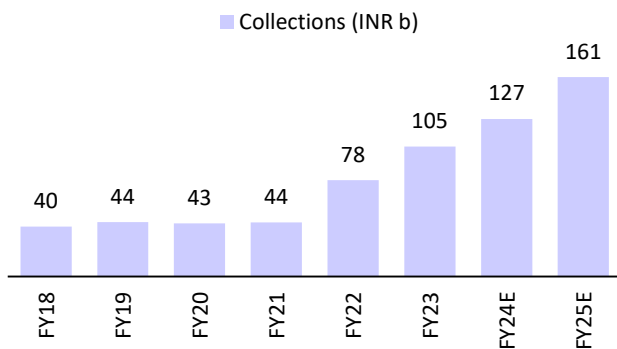
Source: Company, MOFSL

Exhibit 16: Expect to complete more than 30msf of projects over FY23-25; 60% of these are JVs, 25% are own projects, and the rest are DM projects



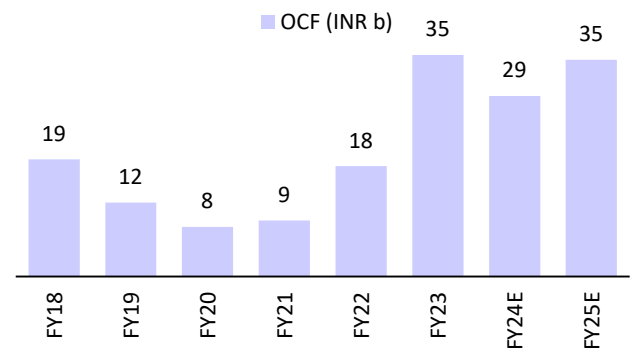
Source: Company, MOFSL

Exhibit 17: Collections to increase to INR160b by FY25E



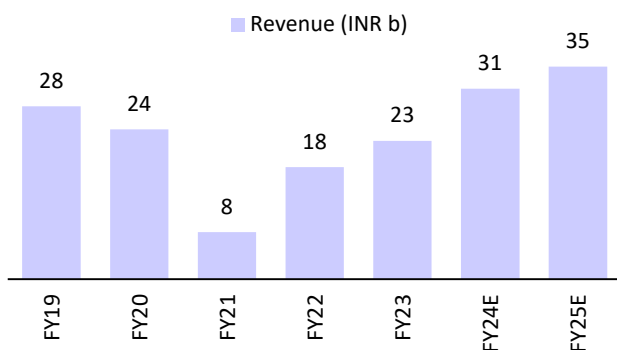
Source: Company, MOFSL

Exhibit 18: Expect OCF to sustain at INR30b+



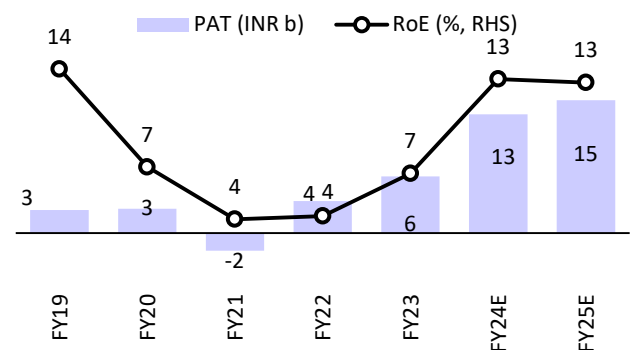
Source: Company, MOFSL

Exhibit 19: Expect revenue recognition to increase to FY19–20 levels, with pick-up in own project completions



Source: Company, MOFSL

Exhibit 20: Profit recognition to improve to INR15b in FY25E



Source: Company, MOFSL

Other key con-call takeaways

Gurugram market:

- Very strong market with robust demand and significant pricing growth. Existing project inventories are nearly depleted, and the introduction of new projects will facilitate their replenishment.
- The company has enough projects under the belt with the recent spree of new acquisitions and will now focus on markets like Bengaluru.
- Recently, the company acquired three new land parcels at a total cost of INR16b. and company anticipates achieving INR15-25k/sft.

Prices, margin and completion

- The company continues to witness consistent price growth across markets. It achieved a QoQ growth of 2-4% in MMR, 2-3% in Bengaluru, and 3-5% in Pune and NCR.
- Over the medium term, the management intends to achieve a PAT margin of 12-15%, which will lead to 20%+ RoE.
- Project completions will be spread across different quarters with balanced 2Q/3Q and strong 4Q.

Godrej Summit, NCR

- The company made a provision of INR1.5b for repair and other ancillary cost and the company has made a buy-back offer to customers.
- The buy-back price is on the basis of price at which it was sold (INR5000-7000/sft) and the company will have the opportunity to re-sell it post fixing the issues.
- GPL achieved sales of INR10b from this project and the management believes that very few customers will opt for buy-back

Valuation and view

We value GPL on an SoTP basis where:

- Ongoing and upcoming owned/JV projects are valued using the DCF of expected cash flows over the next four years by using a WACC of 10% and a terminal growth rate of 3%.
- The DM and Commercial project pipelines are valued using the NAV approach, discounted at a WACC of 10%, as we do not expect any project additions.
- The above approach results in a cumulative valuation of GPL at a gross asset value of INR480b, after netting off INR42b of net debt as of FY24E. We arrive at a net asset value of INR437b, or INR1,575 per share, indicating a 19% upside potential.

Exhibit 21: Our SoTP-based approach denotes 19% upside for GPL based on CMP; reiterate BUY

Particulars	Rationale	Value (INR b)	Per share	Contribution
Own and JV/JDA projects	❖ DCF for four years, expected cash flow at WACC of 10%, and terminal value assuming 3% long-term growth	570	2,052	107%
DM projects	❖ PV of future cash flows discounted at WACC of 10%	3	11	1%
Commercial projects	❖ PV of future cash flows discounted at WACC of 10%	14	52	3%
Gross asset value		588	2,115	110%
Net debt	❖ FY24E	(56)	(200)	-10%
Net asset value		532	1,915	100%
No. of shares (m)		278		
NAV per share		1,915		
CMP		1,660		
Upside		15%		

Source: MOFSL

Exhibit 22: Earnings change summary

	Old		New		Change	
(INR m)	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	22,763	34,644	22,149	35,042	-3%	1%
EBITDA	2,817	8,208	2,905	7,766	3%	-5%
Adj. PAT	9,092	13,745	7,746	13,229	-15%	-4%
Pre-sales	1,49,937	1,83,672	1,49,904	1,89,493	0%	3%
Collections	1,27,081	1,60,847	1,39,741	1,91,781	10%	19%

Source: MOFSL, Company

Financials and valuations

Consolidated Profit and Loss (INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Total Income from Operations	28,174	24,414	7,649	18,249	22,523	22,149	35,042
Change (%)	75.7	-13.3	-68.7	138.6	23.4	-1.7	58.2
Cost of Sales	21,939	15,633	4,751	11,939	12,419	11,404	17,667
Employees Cost	1,730	1,847	1,785	1,103	2,184	2,621	3,145
Other Expenses	2,725	3,480	3,236	3,876	5,443	5,218	6,463
Total Expenditure	26,394	20,960	9,772	16,917	20,046	19,243	27,276
% of Sales	93.7	85.9	127.7	92.7	89.0	86.9	77.8
EBITDA	1,780	3,454	-2,123	1,332	2,476	2,905	7,766
Margin (%)	6.3	14.1	-27.7	7.3	11.0	13.1	22.2
Depreciation	143	205	195	214	241	280	280
EBIT	1,637	3,249	-2,318	1,117	2,235	2,625	7,486
Int. and Finance Charges	2,340	2,220	1,849	1,675	1,742	2,723	3,042
Other Income	4,046	4,732	5,684	7,608	7,867	6,034	2,804
PBT after EO Exp.	3,343	5,761	-767	7,051	8,360	4,386	7,248
Total Tax	951	2,203	734	1,658	1,747	1,316	1,812
Tax Rate (%)	28.4	38.2	-95.7	23.5	20.9	30.0	25.0
MI & Profit from Assoc.	140	-885	-401	-1,887	-407	3,591	7,792
Reported PAT	2,532	2,672	-1,902	3,506	6,206	6,661	13,229
Adjusted PAT	2,532	2,672	2,568	3,506	6,206	7,746	13,229
Change (%)	191.3	5.6	-3.9	36.5	77.0	24.7	70.8
Margin (%)	9.0	10.9	33.6	19.2	27.6	35.0	37.8

Consolidated Balance Sheet (INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	1,147	1,260	1,390	1,390	1,390	1,390	1,390
Total Reserves	23,544	46,785	81,805	85,364	91,252	97,913	1,11,141
Net Worth	24,690	48,045	83,195	86,754	92,642	99,303	1,12,532
Minority Interest	0	0	0	-18	230	230	230
Total Loans	35,158	37,101	45,131	51,698	64,118	81,118	81,118
Deferred Tax Liabilities	-5,148	-3,640	-2,906	0	0	425	1,150
Capital Employed	54,701	81,506	1,25,420	1,38,434	1,56,989	1,81,075	1,95,029
Gross Block	1,508	1,875	2,606	2,912	3,501	3,781	4,061
Less: Accum. Deprn.	541	746	860	1,075	1,316	1,596	1,876
Net Fixed Assets	967	1,129	1,745	1,837	2,185	2,185	2,185
Goodwill on Consolidation	0	0	0	0	1	1	1
Capital WIP	995	1,629	2,293	3,395	6,524	6,524	6,524
Total Investments	26,372	35,710	52,426	48,830	25,345	10,345	10,345
Curr. Assets, Loans&Adv.	47,438	58,947	1,03,097	1,23,974	1,96,999	2,26,849	2,71,734
Inventory	22,108	21,253	48,014	56,683	1,20,734	1,44,724	1,80,009
Account Receivables	1,599	4,328	3,101	3,649	5,197	1,530	1,959
Cash and Bank Balance	3,426	5,070	7,729	13,385	20,159	29,686	38,858
Loans and Advances	20,305	28,297	44,253	50,256	50,909	50,909	50,909
Curr. Liability & Prov.	21,072	15,910	34,140	39,602	74,064	63,278	94,209
Account Payables	2,477	7,197	19,017	22,541	33,566	18,358	23,503
Other Current Liabilities	18,368	8,354	14,642	16,498	39,875	44,297	70,083
Provisions	227	360	481	563	623	623	623
Net Current Assets	26,367	43,037	68,956	84,372	1,22,935	1,63,571	1,77,524
Misc Expenditure	0	0	0	0	0	0	0
Appl. of Funds	54,701	81,506	1,25,420	1,38,434	1,56,989	1,81,075	1,95,029

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)							
EPS	9.1	9.6	9.2	12.6	22.3	27.9	43.9
Cash EPS	9.6	10.4	9.9	13.4	23.2	28.9	44.6
BV/Share	88.8	172.9	299.3	312.1	333.3	357.3	404.9
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)							
P/E	146.0	138.3	143.9	105.5	59.6	59.6	37.8
Cash P/E	138.2	128.5	133.8	99.4	57.3	57.5	37.2
P/BV	15.0	7.7	4.4	4.3	4.0	4.6	4.1
EV/Sales	14.2	16.5	53.2	20.5	17.9	23.3	14.5
EV/EBITDA	219.5	110.3	-174.3	281.2	162.7	178.0	65.4
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	14.5	-10.5	-28.7	-21.3	-113.7	-84.7	45.5
Return Ratios (%)							
RoE	13.8	7.3	3.9	4.1	6.9	8.1	12.5
RoCE	7.5	6.8	6.2	5.0	5.4	3.6	4.1
RoIC	4.9	6.4	-8.9	1.3	2.0	1.5	4.1
Working Capital Ratios							
Fixed Asset Turnover (x)	18.7	13.0	2.9	6.3	6.4	5.9	8.6
Asset Turnover (x)	0.5	0.3	0.1	0.1	0.1	0.1	0.2
Inventory (Days)	286	318	2,291	1,134	1,957	2,385	1,875
Debtor (Days)	21	65	148	73	84	25	20
Creditor (Days)	32	108	907	451	544	303	245
Leverage Ratio (x)							
Current Ratio	2.3	3.7	3.0	3.1	2.7	3.6	2.9
Interest Cover Ratio	0.7	1.5	-1.3	0.7	1.3	1.0	2.5
Net Debt/Equity	0.9	0.2	0.0	0.1	0.4	0.6	0.4

Consolidated Cash flow (INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	3,482	4,909	-857	5,163	7,953	9,527	15,041
Depreciation	143	205	195	214	241	280	280
Interest & Finance Charges	16	-1,273	1,849	1,675	1,742	2,723	3,042
Direct Taxes Paid	-381	-232	154	-1,912	-1,690	-890	-1,087
(Inc)/Dec in WC	2,984	-6,219	-3,566	-5,439	-30,342	-28,863	-1,537
CF from Operations	6,245	-2,610	-2,225	-299	-22,096	-17,224	15,738
Others	-1,465	312	-4,487	-4,218	-6,511	-6,034	-2,804
CF from Operating incl EO	4,781	-2,297	-6,712	-4,517	-28,606	-23,258	12,934
(Inc)/Dec in FA	-738	-631	-1,253	-1,403	-2,999	-280	-280
Free Cash Flow	4,043	-2,928	-7,965	-5,920	-31,605	-23,538	12,654
(Pur)/Sale of Investments	-5,120	-10,991	-24,016	4,366	23,668	15,000	0
Others	-195	-498	-7,949	-1,725	4,211	6,034	2,804
CF from Investments	-6,053	-12,120	-33,219	1,238	24,881	20,754	2,524
Issue of Shares	9,995	20,659	36,909	0	0	0	0
Inc/(Dec) in Debt	2,655	2,081	9,412	6,041	12,279	17,000	0
Interest Paid	-2,950	-3,014	-3,731	-3,585	-3,854	-4,969	-6,287
Dividend Paid	0	0	0	0	0	0	0
Others	-3	-4	-1	-104	-103	0	0
CF from Fin. Activity	9,698	19,722	42,590	2,352	8,322	12,031	-6,287
Inc/Dec of Cash	8,426	5,305	2,659	-926	4,596	9,527	9,171
Opening Balance	-5,000	-235	5,070	7,729	13,385	17,981	27,508
Closing Balance	3,426	5,070	7,729	13,385	17,981	27,508	36,679

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