

Prestige Estates

Visibility improving on rental assets

Prestige Estates (PEPL) registered strong presales of INR 39bn (+30%*/+1% YoY/QoQ) on the back of 3.1msf of launches which contributed 50% towards presales value. Pre-sales from Mumbai were INR 6bn, contributing 15% while Bengaluru contributed INR 29bn (73% to total presales). For FY24, it expects to achieve 25% growth in annual presales over FY23 to INR 160-180bn. It expects to achieve this on the back of a strong launch pipeline of with around INR 275bn worth of launches. This includes Prestige city in Hyderabad and Prestige Park Grove with GDV of INR 70bn each. Along with this Prestige Ocean Towers (60% economic interest and Prestige Nautilus in MMR will also be launched with total GDV potential of INR 90bn. It will launch its first project in NCR, Prestige Bougainvillea Gardens in FY24 with saleable area of 3.1msf. On back of higher land/JD related payment of INR 13bn during the quarter, net debt increased to INR 64.8bn, from INR 55.7 bn in Mar-23. Gross debt, however, was stable at INR 75.7bn (vs INR 75bn in Mar'23). To maintain the growth momentum, PEPL is targeting residential BD capex of INR 40bn annually. We maintain BUY, with an increased SOTP-based TP of INR 700/sh, to factor in better than expected pre-sales and improving visibility on office assets with financial closure of BKC project.

- **Q1FY24 financial highlights:** Revenue reported was INR 16.8bn (-13%/-36% YoY/QoQ, 27% miss). EBITDA was INR 5.3bn (+14%/-23% YoY/QoQ, 8% miss). EBITDA margin was 31.3% (+752/+543bps YoY/QoQ, vs. our estimate of 25.0%). Share of associates: INR (43)mn (INR (25)/231mn Q1FY23/Q4FY23). RPAT came in at INR 2.7bn (+30%/-43% YoY/QoQ). APAT was INR 569mn (-63%/-76% YoY/QoQ, 56% miss) after adjusting for mark to market gains of INR 2.4bn on its units holding in Nexus REIT.
- **Robust launch pipeline:** Q1FY24, presales were 3.8msf (+5.5%/-4% YoY/QoQ) valued INR 39bn (+30%*/+1% YoY/QoQ). Average realization was INR 10,244psf for apartment, villas and Commercial sales and was INR 5,007psf for plot sales. On blended basis, it was INR 10,221psf (+23%*/+5% YoY/QoQ). In Q1FY24, total sales from Mumbai were INR 6bn, contributing 15% to sales while Bengaluru contributed INR 29bn, i.e. 73%, to total presales. The presales were supported by 3.11msf of one project launched during the quarter i.e. Prestige Lavender Fields, contributing INR 20bn towards presales. For FY24, PEPL expects 25% YoY growth in presales on the back of a robust launch pipeline of 76msf.
- **Strong collections to support execution:** Net debt increased to INR 64.8bn, from INR 55.7bn in Mar-23. Consequently, net D/E is at 0.61x (0.54x in Mar-23). Gross debt stands at INR 75.7bn (vs INR 75bn in Mar'23). PEPL has to incur INR 59bn on the ongoing commercial capex and INR 69bn on the upcoming commercial capex. Towards retail capex, it has to spend INR 3.8bn towards ongoing and INR 12.6bn towards upcoming retail assets. The total exit rental for Mar-24 is expected at INR 4.4bn. This includes INR 2.3bn of office rentals and 2.1bn of retail. Total collections were at a INR 27.4bn (+28/-1% YoY/QoQ).

Consolidated Financial Summary

(INR in mn)	Q1FY24	Q1FY23	YoY (%)	Q4FY23	QoQ (%)	FY23	FY24E	FY25E	FY26E
Net Sales	16,809	19,385	(13.3)	26,318	(36.1)	83,150	89,106	96,567	113,069
EBITDA	5,267	4,617	14.1	6,818	(22.7)	20,863	22,245	27,236	34,774
APAT	569	1,523	(62.6)	2,396	(76.3)	5,592	6,038	8,347	12,107
EPS (INR)	1.4	3.8	(62.6)	6.0	(76.3)	13.9	15.1	20.8	30.2
P/E (x)						42.0	38.9	28.1	19.4
EV/EBITDA (x)						13.2	13.0	10.9	8.7
RoE (%)						5.8	5.8	7.5	10.1

Source: Company, HSIE Research

BUY

CMP (as on 09 Aug 2023)	INR 586
Target Price	INR 700
NIFTY	19,633

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 630	INR 700
EPS Change %	FY24E	FY25E
	-	-

KEY STOCK DATA

Bloomberg code	PEPL IN
No. of Shares (mn)	401
MCap (INR bn) / (\$ mn)	235/2,874
6m avg traded value (INR mn)	420
52 Week high / low	INR 616/391

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	22.7	44.7	36.0
Relative (%)	15.9	36.1	23.8

SHAREHOLDING PATTERN (%)

	Mar-23	Jun-23
Promoters	65.48	65.48
FIs & Local MFs	10.50	11.27
FPIs	21.19	20.69
Public & Others	2.83	2.56
Pledged Shares	-	-

Source: BSE

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Disclosure:

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