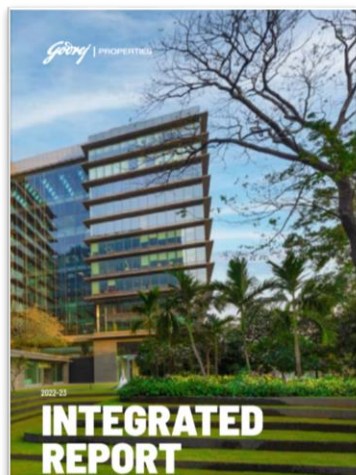


Godrej Properties

BSE SENSEX
66,599

S&P CNX
19,820



Bloomberg	GPL IN
Equity Shares (m)	278
M.Cap.(INRb)/(USD b)	470.8 / 5.7
52-Week Range (INR)	1769 / 1005
1, 6, 12 Rel. Per (%)	7/32/8
12M Avg Val (INR M)	910

Financials & Valuations (INR b)

Y/E MARCH	FY23	FY24E	FY25E
Sales	22.5	22.1	35.0
EBITDA	2.5	2.9	7.8
EBITDA Margin (%)	11.0	13.1	22.2
Adj PAT	6.2	7.7	13.2
Cons. EPS (Rs)	22.4	27.9	43.9
EPS Growth (%)	141.9	121.0	96.4
BV/Share (Rs)	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

CMP: INR1,693

TP: INR1,915 (+13%)

Buy

Riding on the consolidation wave

Godrej Properties (GPL) FY23 annual report highlights its key strategic objectives: a) target to achieve INR140b in pre-sales, fueled by a robust launch pipeline; b) capitalize on its strong balance sheet to boost market share through business development; and c) maintain its commitment to implementing and advancing sustainability initiatives.

Takeaways from Chairman's letter

- For FY23, bookings stood at INR122b (up 56% YoY), surpassing its full-year guidance of INR100b. Sales volume stood at 15.2msf, up 40% YoY.
- GPL is the only developer to achieve a booking value of more than INR20b a year across each of the four large markets of NCR, MMR, Bengaluru, and Pune.
- The robust sales performance has translated into the highest ever collections of INR90b for FY23, representing a growth of 41% YoY. This was backed by strong project completions of over ~10msf.
- The company has made significant progress in business development by adding INR320b in new projects, the highest in any given year. In FY24, the top priority is to promptly launch recently acquired projects which will enable it to achieve 20% consistent growth over the medium term and will also drive the RoE towards management's target of 20%.
- In FY24, the company's primary focus would be to achieve INR140b in sales, reflecting a 15% YoY growth. Additionally, GPL would aim to deliver another record year in terms of collections and cash flows.
- Management believes that the sector would continue to provide opportunities for leading developers to both participate in sectoral growth while also gaining market share.

Strong performance across markets

- In FY23, the **NCR** market remained GPL's top-performing, with yet another year of record sales. This was driven by robust responses to new launches and steady sustenance sales.
- The company sold 3.6msf, down by 8% YoY for a booking value of INR36b, up by 10% YoY. Godrej Woods (Noida) and Godrej Green Estate (Sonapat) were among the best performing projects.
- **Pune:** GPL registered the highest ever sales in the Pune market with bookings of INR21b, up 16% YoY, spread over an area of 3msf. The robust sales performance was achieved with seven new project/phase launches during the year and healthy sustenance sales at its existing project.
- **Bengaluru:** After witnessing soft performance in FY22, GPL's performance revived in FY23, as it delivered bookings of INR22b, up 233% YoY. It was achieved on the back of encouraging response to new projects – Godrej Splendour and Ananda – which generated INR15b sales.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

- **MMR:** Similar to Bengaluru, the company witnessed a turnaround in MMR too as new bookings increased 79% YoY to INR30b – thus becoming the second best market for GPL. The new project at Wadala and Thane generated sales of INR10b and INR8.3b, respectively.

Strong launch pipeline

- GPL is on track to launch 19msf of projects in the remainder of FY24, with increased growth potential stemming from the launch of recently added Gurugram projects. Ashok Vihar is on track for 4QFY24 launch, subject to the ongoing momentum in approvals. The first phase of the Mahalaxmi project is scheduled for launch in 2Q, while Carmichael road will be scheduled for launch in 2HFY24.
- On the back of robust demand and positive consumer sentiments, management anticipates the potential for a multi-year upswing in the residential real estate market, provided that price increases are managed judiciously.
- In FY23, GPL signed 15 projects with a development potential of ~30msf. Additionally, GPL has already secured new projects worth INR70b so far in FY24. With INR31b in surplus cash and an expected generation of INR73b over the next four years, we expect the positive momentum in business development to persist.

Key Financial highlights

- **P&L highlights:** In FY23, GPL reported 23% YoY growth in revenue to INR22b. This was primarily driven by the successful completion of 10msf across 17 projects in its core markets. GPL's EBITDA stood at INR2.5b, up 86% YoY, and it achieved the highest ever PAT of INR6b (up 77% YoY). With targeted completions of 12.5msf in FY24, we expect GPL to sustain its improved profitability level.
- **Debt:** The gross debt of INR64b comprises entirely of ST borrowings, all in the form of unsecured debentures, working capital loans, and overdraft facilities. These borrowings carry interest rates ranging from 4.1% to 8%.
- **Liquidity:** In addition to cash and bank balance of INR20b, GPL has liquid investments amounting to INR11b. Thus, resulting in a net debt of INR33b.

Valuation and view:

- We retain our pre-sales projections for FY24/FY25, on the back of strong launch pipeline. Furthermore, the company has indicated about the possibility of launching projects that are currently not included in the existing pipeline.
- The acceleration in bookings 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.
- During the quarter, the company successfully added INR64.5b worth of projects and is on track to add INR150b of projects in FY24. This will continue to provide strong visibility on pre-sales growth. Thus, **we reiterate our BUY rating on the stock with a TP of INR1,915.**

Exhibit 1: Our SoTP-based approach denotes 13% upside for GPL based on CMP; reiterate Buy rating

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		1,693		
Upside		13%		

Source: MOFSL, Company

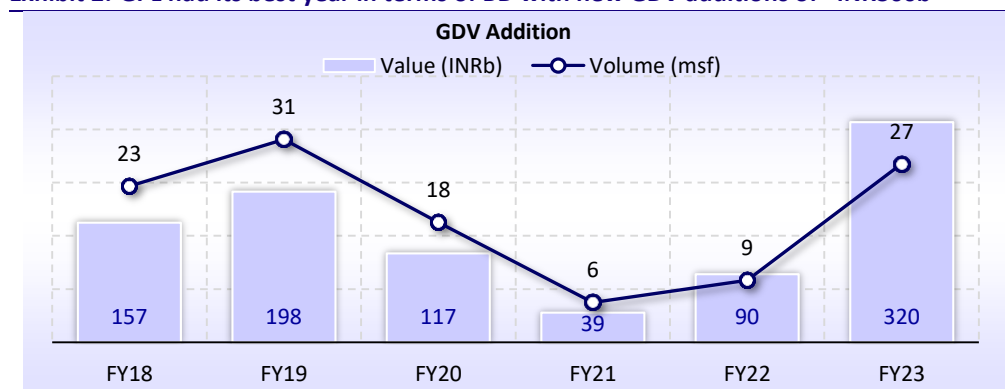
Best year for business development

- In FY22, the management highlighted that as the real estate sector undergoes consolidation with fewer major players in each region, it presents a lucrative opportunity for existing real estate developers to meet the increasing demand for housing.
- GPL has rightly leveraged this opportunity as it delivered the best years in terms of business development with INR320b worth of new project additions in its core markets.
- It is encouraging to note that almost all the projects acquired over the past two-three years are fully owned by the company. This is a marked departure from the JV model, which had previously impacted its profitability.

Key focus: Launching newly acquired projects

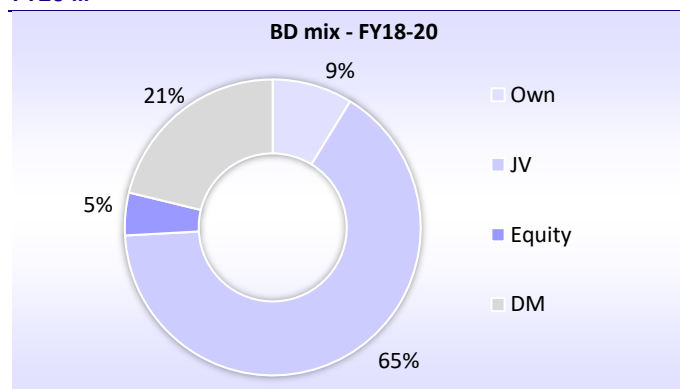
- After two years of subdued action, GPL has accelerated its BD activities by signing 15 new projects in FY23, with a cumulative saleable area of 27msf and a sales potential of more than ~INR320b.
- One of the key priorities for the company now is to launch the recently acquired projects as these would enable it to achieve consistent growth of 20% each year in the medium term and would drive its RoE to the management's targeted level of 20%.
- The company identified a strong launch pipeline of 20msf for FY24 and expects to deliver INR140b of sales bookings in FY24 (up 15% YoY).

Exhibit 2: GPL had its best year in terms of BD with new GDV additions of ~INR300b



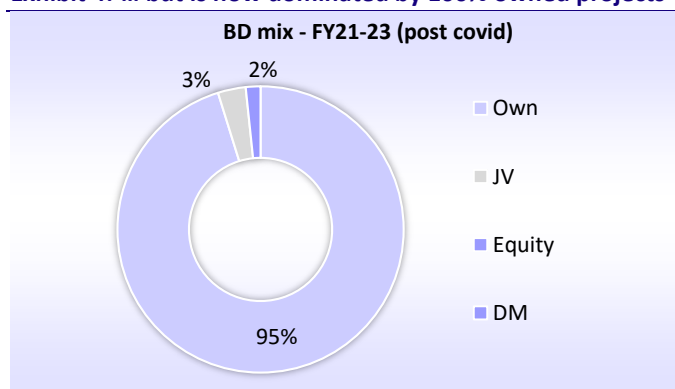
Source: Company, MOFSL

Exhibit 3: GPL's business model was skewed toward JV until FY20 ...

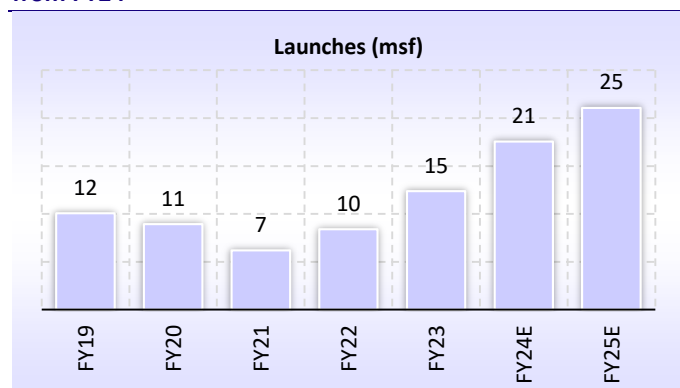


Source: MOFSL, Company

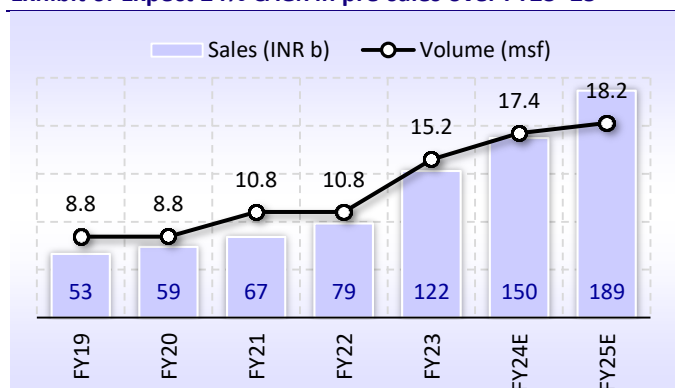
Exhibit 4: ... but is now dominated by 100% owned projects



Source: MOFSL, Company

Exhibit 5: Expect launch run-rate to sustain at over 20+msf from FY24

Source: MOFSL, Company

Exhibit 6: Expect 24% CAGR in pre-sales over FY23–25

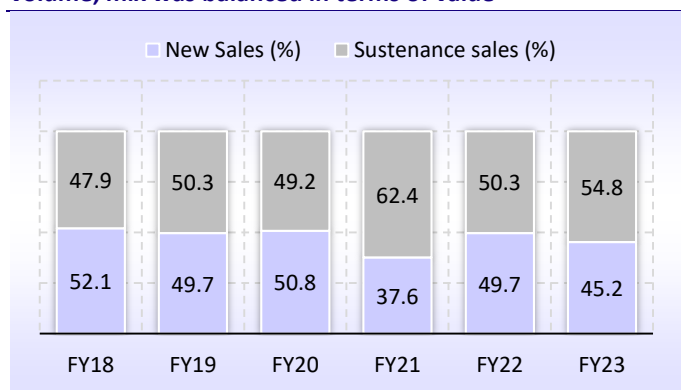
Source: MOFSL, Company

Strong performance across all core markets

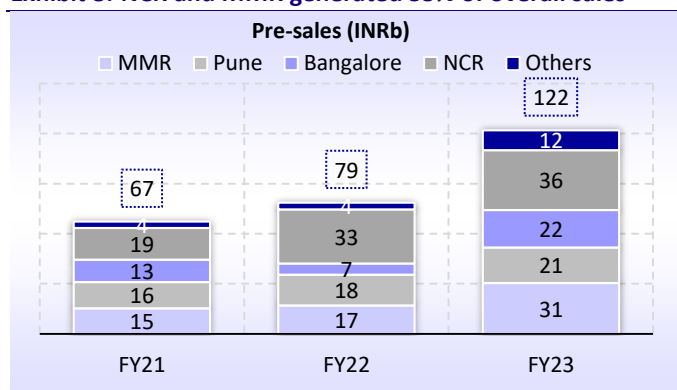
- GPL ended the year with sales bookings of INR122b, up 56% YoY (22% above guidance). This was delivered on the back of strong volume growth of 40% YoY to 15.2msf, from the sale of over 12,500 homes.
- Notably, sales performance was evenly distributed across four key geographies, with each region contributing more than 2msf of sales and a sales value exceeding INR20b in all four of the focus markets.
- While NCR continues to be best performing market for GPL, it is encouraging to note its rebound in MMR and Bengaluru where GPL delivered 79% and 233% YoY growth, respectively, in pre-sales, on the back of strong response to a few key launches.

Performance significantly improved in Mumbai and Bengaluru

- A few quarters back, the management outlined its goal to revive its performance in the MMR and Bengaluru regions. In FY23, the company successfully achieved this objective, with sales increasing by 79% and 233% YoY, respectively, in these two markets.
- The revival was driven by projects such as Godrej Horizon and Ascend in MMR and Godrej Splendour and Ananda in Bengaluru, which witnessed the sale of significant inventory during the launch.
- The NCR market continued to be the highest contributing region for GPL in FY23 with another year of record sales, backed by the strong response to the new launches and steady sustained sales. While volume decline 8% YoY to 3.6msf, sale value increased 10% YoY to INR36b, driven by improved realization.
- One of the prominent highlights for the year was Godrej Woods in Noida, which has been among GPL's most successful residential projects with sales of INR7.3b over 0.6msf in FY23.

Exhibit 7: While sustenance sales had higher share in volume, mix was balanced in terms of value

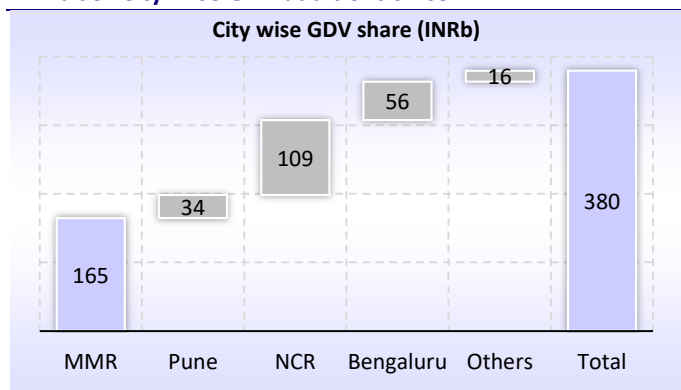
Source: Company, MOSL

Exhibit 8: NCR and MMR generated 55% of overall sales

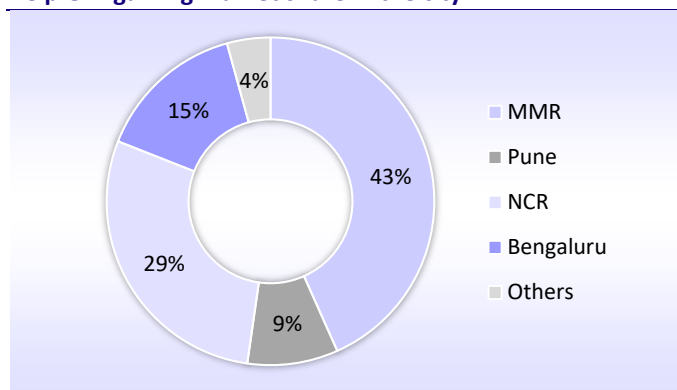
Source: Company, MOSL

Share in MMR and NCR set to improve further

- GPL has remained vocal about its intention to increase its market share in the MMR region. We believe the same is now set to materialize as ~45% GDV of all new projects acquired over the last two years will be generated from the MMR region.
- Similarly, in NCR, GPL is leveraging its enhanced leadership position by aggressively adding new projects. On the back of robust sales traction in the NCR, the company's ongoing projects now have less than 1msf of inventory. The addition of new projects worth INR109b since FY22 will enable it to sustain and grow its market share.

Exhibit 9: City-wise GDV additions since FY22

Source: MOFSL, Company

Exhibit 10: MMR has the highest share at ~45%, which will help GPL gaining market share in the city

Source: MOFSL, Company

Building organization capabilities

- GPL has witnessed steadfast business growth in terms of sales and BD and in line with this, its employee base has grown 20% YoY from 1900 to 2400.
- The company is focused on actively developing the next line of leaders from within the organization. In the last two years, six of seven Management Committee positions that opened up have been filled internally and 70% of the zonal executive committee is internally groomed talent.
- Additionally, it continues to invest in fresh talent and is targeting to build campus placement as a strong pipeline of new hires. GPL has increased its intake from 46 to 250 from premier institutes such as IITs, ISB, ICAI, and Shri Ram College.

Delivered 10msf across core markets

- In FY23, GPL delivered 17 projects with a cumulative saleable area of 10.5msf across its core markets.
- Most of the projects completed in FY23 were in Bengaluru and Pune and GPL delivered three projects each in MMR and NCR.
- In recent earnings calls, the management has highlighted its focus on leveraging technology to accelerate project completion timelines. With a substantial portfolio of ongoing projects, it expects to complete more than 10msf in FY24.

Key JVs which saw project completions in FY23

- Of all the projects delivered in FY23, revenue from five own projects (1.2msf) was recognized at a standalone level and the remaining projects were executed via separate joint ventures.
- Godrej Green Homes, the company's subsidiary, which is jointly owned by GPL and the group's real estate fund generated INR829m of lease income from its commercial asset "Godrej Two". The subsidiary reported a loss of INR6b, driven by higher depreciation and interest expense.
- Almost all residential JVs were in the green from profitability perspective, while the mahalunge JV, which executed the Hillside project in Pune, reported a loss of INR28m.

Exhibit 11: GPL delivered 10.5msf of area across 17 projects

Project	City	Size (msf)	Ownership
Godrej Emerald	MMR	0.81	JV
Godrej Nurture	Bengaluru	0.72	JV
Godrej 24	Bengaluru	0.57	JV
Godrej Rejuve	Pune	0.77	JV
Godrej Boulevard	Pune	0.79	JV
Godrej Seven	Kolkata	0.96	JV
Godrej Park Greens	Pune	0.51	JV
Godrej Hillside	Pune	1.15	JV
Godrej Air NXT	Bengaluru	0.16	JV
Godrej Royale Woods	Bengaluru	1.37	JV
Godrej Meridian	Gurugram	0.33	JV
Godrej R K Studio	MMR	0.34	Own
Godrej Urban Park	MMR	0.23	Own
Taj at The Trees (Hotel)	MMR	0.34	Own
Godrej Retreat	NCR	0.22	Own
Godrej Woodland	Bengaluru	0.2	Own
Godrej Green Estate	Sonipat	0.98	JV
Total		10.45	

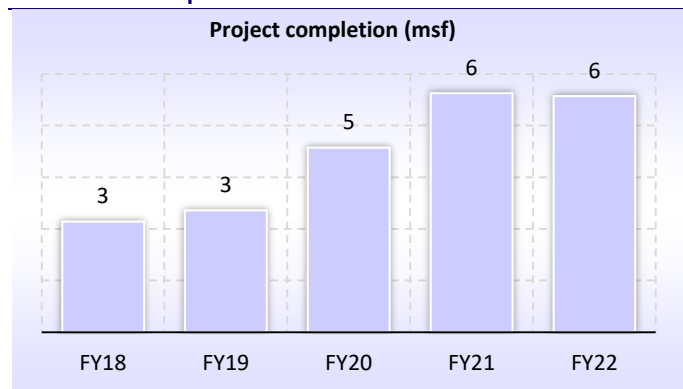
Exhibit 12: Financial summary of key JVs wherein projects were delivered

SPV	Godrej Greenview Housing Pvt Ltd	Oxford Realty LLP	Mahalunge Township Developers LLP	Manjari Housing Project LLP	Godrej Irismark LLP	Godrej Project North Star LLP
Projects	Godrej Emerald	Godrej Rejuve	Godrej Hillside	Godrej Boulevard	Godrej Nurture	Godrej Royal Woods
Saleable Area (msf)	0.81	0.77	1.15	0.79	0.72	0.37
Total Income (INR m)	4873.4	4213.2	6094.3	3568.9	4329.1	5833.3
EBITDA	274.1	533.4	164.4	216.6	225.2	1399.4
PBT	78.2	514.2	-44.1	98.3	121.9	1393.2
PAT	77.4	297.6	-28	194.8	65.7	918

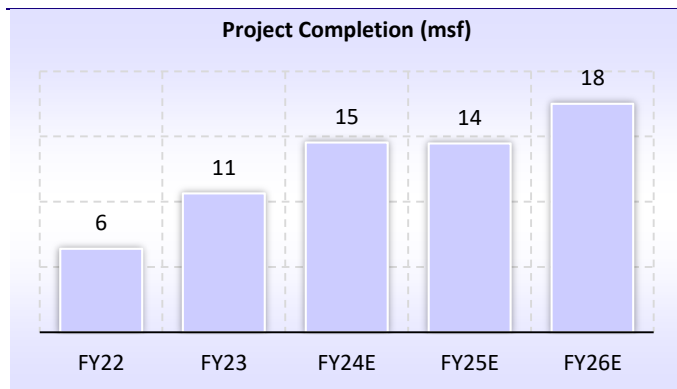
Source: Company, MOSL

>40msf of completions expected over FY24-26 across project structures

- Over the last five years, GPL has delivered ~24msf of projects, but the run-rate gradually picked up only in the last three years.
- Driven by a scale-up in launches since FY19, we expect GPL to deliver ~40msf of projects over FY23-26 across the project structures of ownership, JV, and DM.
- JV projects are expected to record the highest completion rates, with an annual run-rate of ~8-9msf. Additionally, owned projects are anticipated to experience a gradual pickup in delivery after a muted four-year period. We anticipate that projects spanning a range of 3-6msf will reach completion between FY23 and 26.

Exhibit 13: Completions remained at 5-6msf until FY22...

Source: Company, MOFSL

Exhibit 14: ...but will increase to 15msf+

Source: Company, MOFSL

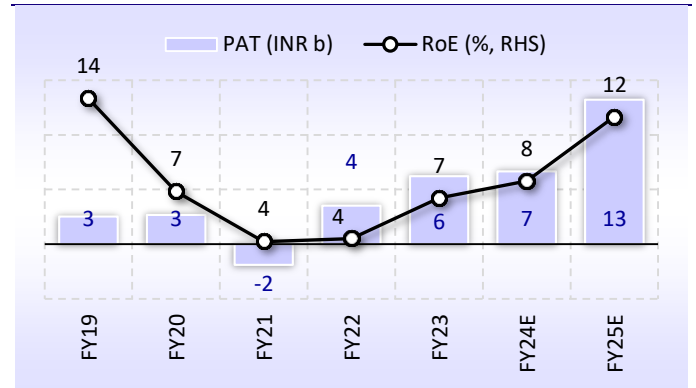
Recent projects have a healthy margin profile

- While GPL's legacy portfolio failed to deliver the desired level of profitability, projects signed after FY19 indicate improved profitability prospects.
- For instance, projects such as Hillside (Pune) and Oasis (NCR), which witnessed phased completion in FY21, generated healthy Adj. EBITDA margin of 30% and 23%, respectively, indicating better underwriting of the projects.
- Going ahead, as the share of such projects improve in P&L, we expect GPL to report substantial improvement in profitability with RoE inching to 13% by FY25.
- Since FY21, the company's BD mix has substantially skewed toward its own projects, boasting an OPM exceeding 25%. As these projects are launched and completed in the medium term, the management expects the RoE to increase to 20%.

Exhibit 15: Margin profile of some of the key projects

Project	City	Adj EBITDA %	Completion year
Godrej Hillside	Pune	30	FY21
Godrej Air	Bengaluru	28	FY21
Godrej Oasis	NCR	23	FY19
Palm Retreat	Noida	21	FY21
Godrej Central	Mumbai	19	FY19
Godrej Avenues	Bengaluru	14	FY21

Adj. = Adjusted for finance cost capitalized Source: Company, MOFSL

Exhibit 16: PAT to witness 46% CAGR over FY23-25

Source: Company, MOFSL

ESG, CSR & Diversity



Environment

- Godrej Properties is water positive and carbon neutral (across Scope 1 and 2 GHG emissions) across its operations
- ESG performance indicators have been integrated across the company's annual goals with 12% of its employees' performance and related compensation linked to sustainability goals through their respective function, department, and operations
- The company commits to reduce Scope 1 and 2 GHG emissions 72.6% per square metre area of its offices by FY35 from a FY21 base year.
- GPL installed a 460-kW solar on-grid system at various project offices in Pune. The system can be dismantled post project completion and reinstalled elsewhere either at project premises or temporary offices. The cost incurred to install the plants stood at INR22m and it has a payback period of less than four years.
- About 95% of the company's project portfolio has received green certifications from credible external green rating benchmarks.

Governance Pointers

- GPL has a multi-tiered governance structure with well-defined roles and responsibilities. Of the total nine board members, five are independent and two among them are women.
- As per the auditor report, the company has complied with all the statutory and regulatory compliances.

CSR and Social

- An amount of INR117m (INR65m in FY21) has been spent on CSR during FY23 for the activities mentioned in Schedule VII of the Companies Act 2013.
- Registration under Building and Other Construction Workers (BOCW) Welfare schemes has enabled access to social security for 70,000 workers.

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

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