

## Real Estate

Q1FY22 result review  
and TP change

Target price: Rs1,130

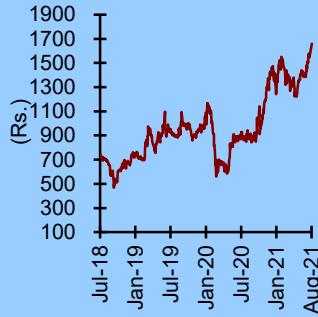
Target price revision  
Rs1,130 from Rs1,047

## Shareholding pattern

	Dec '20	Mar '21	Jun '21
Promoters	64.4	58.4	58.4
Institutional investors	25.7	33.1	33.2
MFs and others	4.4	3.8	3.6
FIs/Banks/Insu.	0.0	1.4	1.5
FPI	21.3	27.9	28.1
Others	9.9	8.5	8.4

Source: NSE

## Price chart



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## INDIA

## Godrej Properties

SELL

Maintain

**Rs1,660**

## All eyes on upcoming launches

Along expected lines, Godrej Properties' (GPL) Q1FY22 gross sales bookings worth Rs5.0bn declined 68% YoY and 81% QoQ owing to second Covid wave impact and absence of subvention schemes and new launches during the quarter. However, sales bookings have picked up again from Jul'21 onwards and with 4-5 planned launches in Q2FY22E, we expect GPL to achieve a 7% YoY growth in FY22 sales bookings. With Rs41bn of cash and liquid investments as of Jun'21 post the recent QIP (net cash of Rs0.2bn), GPL is well positioned to augment its land bank. We retain our SELL Rating with a revised target price of Rs1,130 (earlier Rs1,047) as we roll forward to Mar'22 valuation and retain our 50% premium to FY22 NAV of Rs753/share. Key risks to our call are a stronger than expected uptick in GPL's sales volumes and double-digit residential price growth.

- **Q1FY22 a blip, performance to improve going ahead:** In Q1FY22, GPL achieved gross sales bookings worth Rs5.0bn (decline of 68% YoY and 88% QoQ). This was along expected lines as residential sales were impacted severely in April and May 2021 with bookings of just Rs1.9bn before improving to Rs3.3bn in Jun'21. As per management, sales bookings have improved to Rs5.0bn in Jul'21 and with 4-5 launches in Q2FY22 (two in NCR and one each in Bengaluru and Pune), sales trajectory should meaningfully improve to levels seen in H2FY21. Q1FY22 collections remained resilient at Rs12.7bn (flat QoQ) as construction activity was less impacted. However, with spend of Rs13.7bn on construction, Rs1.0bn on interest/taxes and Rs3.9bn of land capex, GPL reported a cash deficit of Rs5.9bn for the quarter.
- **Strong pipeline of launches in FY22E expected to drive sales bookings:** With around 21 launches lined up in FY22E spread over 13.3msf (excluding Bandra/Worli projects in Mumbai), we expect GPL to clock Rs72.2bn of sales bookings in FY22E (7% YoY growth), even after accounting for a muted H1FY22 on account of Covid impact. We expect GPL to continue to utilise its digital marketing channels, undertake periodic sales activations and manage on-site labour and construction activity to mitigate Covid impact. Over FY23-24E, we expect GPL to clock over Rs100bn of annual sales bookings in both years subject to launch of high value projects in MMR (Bandra/Worli) and NCR (Ashok Vihar).
- **Recent equity fund raise to enable GPL to capture growth opportunities:** With Rs41bn of cash and liquid investments as of Jun'21 post the recent QIP fund raise of Rs37bn (net cash of Rs0.2bn), GPL is well positioned to augment its land bank. The company continues to pursue a counter-cyclical strategy of acquiring land largely on outright basis in a stressed residential market at attractive valuations.

Market Cap	Rs461bn/US\$6.2bn	Year to Mar	FY21	FY22E	FY23E	FY24E
Reuters/Bloomberg	GODR.BO / GPL IN	Revenue (Rs bn)	7.6	5.4	17.9	16.4
Shares Outstanding (mn)	278.0	Rec. Net Income (Rs bn)	(1.9)	3.5	4.4	8.4
52-week Range (Rs)	1660/844	EPS (Rs)	(6.8)	12.6	15.8	30.2
Free Float (%)	30.0	% Chg YoY	(163.4)	(284.6)	25.5	91.7
FII (%)	28.1	P/E (x)	(243.8)	132.1	105.2	54.9
Daily Volume (US\$'000)	17,910	P/B (x)	5.5	5.3	5.1	4.6
Absolute Return 3m (%)	26.7	EV/E (x)	(138.8)	478.3	113.6	61.0
Absolute Return 12m (%)	80.0	Dividend yield (%)	-	-	-	-
Sensex Return 3m (%)	11.1	RoCE (%)	0.8	6.2	7.0	11.2
Sensex Return 12m (%)	47.4	RoE (%)	(2.9)	4.1	4.9	8.8

**Table 1: Q1FY22 consolidated result snapshot**

(Rs mn)

	Q1FY22	Q1FY21	Q4FY21	YoY (%)	QoQ (%)
<b>Total Operating income</b>	862	723	4,326	19.2	(80.1)
Raw Materials	382	308	2,763	23.9	(86.2)
Personnel Cost	338	350	1,936	(3.2)	(82.5)
Other Expenses	777	601	1,169	29.3	(33.6)
<b>Total Expenses</b>	1,497	1,258	5,868	19.0	(74.5)
<b>EBITDA</b>	<b>(635)</b>	<b>(535)</b>	<b>(1,541)</b>	<b>NM</b>	<b>NM</b>
<i>EBITDA margin (%)</i>	(73.7)	(74.1)	(35.6)	NM	NM
Interest (Net)	417	499	408	(16.4)	2.3
Depreciation	51	44	53	14.7	(3.2)
Other Income	1,758	1,234	1,434	42.5	22.6
<b>Profit Before Tax</b>	<b>655</b>	<b>155</b>	<b>(567)</b>	<b>NM</b>	<b>NM</b>
Taxation	186	46	667	307.7	(72.1)
<b>Profit After Tax before MI/Associate</b>	<b>469</b>	<b>109</b>	<b>(1,234)</b>	<b>NM</b>	<b>NM</b>
MI/Associate/JV share	(299)	(302)	(682)		
<b>Reported PAT</b>	<b>170</b>	<b>(193)</b>	<b>(1,916)</b>	<b>NM</b>	<b>NM</b>
<i>Net margin (%)</i>	19.7	(26.6)	NM	NM	NM

Source: Company data, I-Sec research, \*Ind-AS 115 numbers not comparable on YoY or QoQ basis

**Table 2: Quarterly and annual sales volume trends**

Quarterly Sales Performance (Gross)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Volumes (mn-sqft)	2.51	1.73	2.40	4.18	0.77
Value of sales (Rs mn)	15,310	10,740	14,880	26,320	4,970
Average realisation (Rs/psf)	6,094	6,212	6,211	6,301	6,439

Source: Company data, I-Sec research

**Table 3: GPL Direct method cashflows (FY17-21)**

Details (Rs mn)	FY17	FY18	FY19	FY20	FY21	Q1FY22
<b>Gross Sales Bookings</b>	<b>20,230</b>	<b>50,830</b>	<b>53,160</b>	<b>59,150</b>	<b>67,250</b>	<b>4,970</b>
<b>Operating Cash Inflow (Collections)</b>	<b>25,670</b>	<b>40,230</b>	<b>43,820</b>	<b>42,760</b>	<b>43,670</b>	<b>12,740</b>
<b>Operating Cash Outflow</b>	<b>(19,750)</b>	<b>(21,550)</b>	<b>(32,030)</b>	<b>(34,840)</b>	<b>(34,750)</b>	<b>(13,690)</b>
Construction and related outflow	(14,030)	(11,270)	(19,270)	(19,020)	(19,420)	(7,050)
Other project related outflow	-5,720	(10,280)	(12,760)	(15,820)	(15,320)	(6,640)
<b>Net Operating Surplus..(A)</b>	<b>5,920</b>	<b>18,680</b>	<b>11,790</b>	<b>7,920</b>	<b>8,930</b>	<b>(950)</b>
<b>Financial Cashflows:</b>						
Inflow on private placement/QIP	-	-	10,000	20,660	36,970	-
PE exit	(2,490)	-	(1,920)	1,450	-	-
Interest and corporate taxes	(4,710)	(2,220)	(4,760)	(5,950)	-4,070	(1,030)
<b>Net Financial cashflow..(B)</b>	<b>(7,200)</b>	<b>(2,220)</b>	<b>3,320</b>	<b>16,160</b>	<b>32,900</b>	<b>(1,030)</b>
<b>Capital Cashflows:</b>						
Land & approval related outflow	(5,930)	(6,500)	(13,390)	(17,350)	(19,040)	(1,810)
Advance to JV partners and others	(690)	(2,360)	(1,220)	(2,870)	(1,740)	(2,070)
<b>Net Capital cashflow..(C)</b>	<b>(6,620)</b>	<b>(8,860)</b>	<b>(14,610)</b>	<b>(20,220)</b>	<b>(20,780)</b>	<b>(5,860)</b>
<b>Adjustment for JV Projects..(D)</b>	-	-	<b>5,470</b>	<b>6,250</b>	<b>(3,550)</b>	<b>2,420</b>
<b>Total net GPL cashflow</b>	<b>(7,900)</b>	<b>7,600</b>	<b>5,970</b>	<b>10,110</b>	<b>1,750</b>	<b>(3,530)</b>
Other INDAS adjustments..(E)	1,850	(1,070)	1,070	(290)	(90)	100
<b>(Increase)/Decrease in Net Debt under Ind AS..(A+B+C+D+E)</b>	<b>(6,050)</b>	<b>6,530</b>	<b>7,040</b>	<b>9,820</b>	<b>17,400</b>	<b>(3,430)</b>

Source: Company, I-Sec Research

**Table 4: SoTP valuation**

Segmental Valuation	GAV (Rs mn)	Value (Rs/share)
Devco sale model (FY23-29E Cash Flows)	144,112	518
Less: Net Debt as of FY22E (including lease liability)	5,997	22
<b>Devco NAV</b>	<b>138,115</b>	<b>497</b>
Add :		
Value from Trees new projects	29,583	106
Vikhroli DM – Assuming 1msf p.a. for 40 years	29,607	107
Other DM at 15x EV/EBITDA	12,026	43
<b>FY22E NAV</b>	<b>209,331</b>	<b>753</b>
Add: Business Development Value/Premium to NAV	104,665	377
<b>Target Price</b>	<b>313,996</b>	<b>1,130</b>

Source: I-Sec research estimates

## Summary financials (consolidated)

**Table 5: Earnings statement**

(Rs mn, year ending March 31)

	FY21	FY22E	FY23E	FY24E
<b>Net Sales</b>	<b>7,649</b>	<b>5,366</b>	<b>17,946</b>	<b>16,438</b>
<b>Operating Expenses</b>	<b>10,983</b>	<b>4,389</b>	<b>13,800</b>	<b>8,732</b>
<b>EBITDA</b>	<b>-3,334</b>	<b>977</b>	<b>4,146</b>	<b>7,706</b>
% margins	-43.6%	18.2%	23.1%	46.9%
Depreciation & Amortisation	195	224	242	422
<b>EBIT</b>	<b>-3,529</b>	<b>753</b>	<b>3,904</b>	<b>7,284</b>
Gross Interest	1,849	2,832	3,061	3,174
Other Income	5,684	3,874	3,606	2,779
<b>Recurring PBT</b>	<b>306</b>	<b>1,795</b>	<b>4,449</b>	<b>6,888</b>
Less: Taxes	1,038	1,799	2,259	4,330
<b>PAT before Minority/Associate</b>	<b>-732</b>	<b>-5</b>	<b>2,190</b>	<b>2,558</b>
Minority/Associate share	-1,161	3,497	2,194	5,846
<b>Net Income (Reported)</b>	<b>-1,892</b>	<b>3,492</b>	<b>4,385</b>	<b>8,405</b>

Source: Company data I-Sec research

**Table 6: Balance sheet**

(Rs mn, year ending March 31)

	FY21	FY22E	FY23E	FY24E
<b>Assets</b>				
Total Current Assets	1,01,694	1,09,862	1,18,903	1,31,006
of which cash & cash eqv.	6,733	4,015	2,240	4,321
Total Current Liabilities & Provisions	33,128	36,518	39,907	43,297
<b>Net Current Assets</b>	<b>68,565</b>	<b>73,344</b>	<b>78,996</b>	<b>87,709</b>
Goodwill/Investments	52,426	52,426	52,426	52,426
Net Fixed Assets	3,819	4,532	5,265	5,956
Deferred Tax Asset	3,592	3,592	3,592	3,592
<b>Total Assets</b>	<b>1,28,401</b>	<b>1,33,893</b>	<b>1,40,278</b>	<b>1,49,683</b>
<b>Liabilities</b>				
Borrowings	45,206	47,206	49,206	50,206
Equity Share Capital	<b>1,390</b>	<b>1,390</b>	<b>1,390</b>	<b>1,390</b>
Reserves & Surplus*	<b>81,805</b>	<b>85,298</b>	<b>89,682</b>	<b>98,087</b>
<b>Net Worth</b>	<b>83,195</b>	<b>86,687</b>	<b>91,072</b>	<b>99,477</b>
<b>Total Liabilities</b>	<b>1,28,401</b>	<b>1,33,893</b>	<b>1,40,278</b>	<b>1,49,683</b>

Source: Company data I-Sec research

**Table 7: Cashflow statement**

(Rs mn, year ending March 31)

	FY21	FY22E	FY23E	FY24E
<b>PBT</b>	<b>-857</b>	<b>5,292</b>	<b>6,643</b>	<b>12,734</b>
Depreciation	195	224	242	422
Non-Cash Adjustments	0	0	0	0
Working Capital Changes	-3,566	-7,496	-7,427	-6,632
Taxes Paid	-1,038	-1,799	-2,259	-4,330
<b>Operating Cashflow</b>	<b>-5,265</b>	<b>-3,779</b>	<b>-2,800</b>	<b>2,195</b>
Capital Commitments	-1,253	-938	-975	-1,114
<b>Free Cashflow</b>	<b>-6,518</b>	<b>-4,717</b>	<b>-3,775</b>	<b>1,081</b>
Other investing cashflow	-33,251	0	0	0
<b>Cashflow from Investing Activities</b>	<b>-34,504</b>	<b>-938</b>	<b>-975</b>	<b>-1,114</b>
Issue of Share Capital	36,909	0	0	0
Inc (Dec) in Borrowings	9,510	2,000	2,000	1,000
Dividend paid	0	0	0	0
<b>Cashflow from Financing activities</b>	<b>46,419</b>	<b>2,000</b>	<b>2,000</b>	<b>1,000</b>
<b>Chg. in Cash &amp; Bank balances</b>	<b>6,651</b>	<b>-2,717</b>	<b>-1,775</b>	<b>2,081</b>

Source: Company data I-Sec research

**Table 8: Key ratios**

(Year ending March 31)

	FY21	FY22E	FY23E	FY24E
<b>Per Share Data (Rs)</b>				
EPS	(6.8)	12.6	15.8	30.2
Dividend per share (DPS)	0.0	0.0	0.0	0.0
Book Value per share (BV)	299.3	311.9	327.7	357.9
<b>Growth (%)</b>				
Net Sales	(68.7)	(29.8)	234.4	(8.4)
EBITDA	(196.5)	(129.3)	324.4	85.8
PAT	(169.9)	(284.6)	25.5	91.7
<b>Valuation Ratios (x)</b>				
P/E	(243.8)	132.1	105.2	54.9
P/BV	5.5	5.3	5.1	4.6
EV / EBITDA	(138.8)	478.3	113.6	61.0
EV / Sales	60.5	87.1	26.3	28.6
<b>Operating Ratios</b>				
Debt/EBITDA (x)	(13.6)	48.3	11.9	6.5
Net D/E	0.0	0.1	0.1	0.1
<b>Return Ratios (%)</b>				
RoE	(2.9)	4.1	4.9	8.8
RoCE	0.8	6.2	7.0	11.2
EBITDA Margins	(43.6)	18.2	23.1	46.9
Net Income Margins	(24.7)	65.1	24.4	51.1

Source: Company data I-Sec research

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