

Q1FY22 result review
and TP change

Real Estate

Target price Rs382

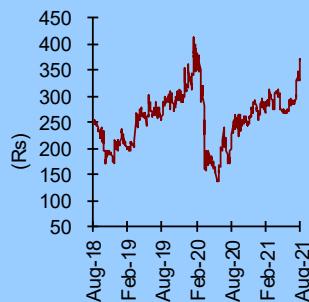
Target price revision
Rs382 from Rs317

Shareholding pattern

	Dec '20	Mar '21	Jun' 21
Promoters	65.5	65.5	65.5
Institutional investors	32.4	32.5	32.1
MFs and others	2.4	2.6	2.1
Insurance	0.4	0.8	1.6
FII	29.6	29.1	28.4
Others	2.1	2.0	2.4

Source: NSE

Price chart



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INDIA

Prestige Estates Projects

ADD

Maintained

Rs361

All eyes on upcoming Mumbai launches

Q1FY22 saw Prestige Estates Projects' (PEPL) gross residential bookings rising 59% YoY in value terms to Rs7.3bn on the back of 75% of sales coming from ongoing and completed projects in spite of the second Covid wave. With a strong pipeline of launches of 12-15msf in H2FY22, this momentum in residential sales is expected to sustain. The company is gearing up to launch three new projects in Mumbai across 6msf in Mulund, Byculla and Bandra and the success of these launches in a new market for PEPL is key to the company achieving its vision of Rs100bn of annual sales bookings by FY24-25E. The company has also embarked on a fresh round of capex of Rs35-40bn over FY22-25E to regrow its rental portfolio. We retain our ADD rating with a revised DCF based target price of Rs382/share (earlier Rs317) factoring in new Mumbai launches and rolling forward our valuation to Mar'22 NAV. Key risks to our call are a slowdown in residential demand and continued weakness in office leasing.

- **Residential sales steady:** PEPL reported gross sales bookings of Rs7.3bn in Q1FY22 (PEPL share at Rs5.3bn) vs. Rs4.6bn in Q1FY21 (PEPL share at Rs4.0bn) which was up 59% YoY in value terms led by 75% of bookings coming from completed and ongoing projects in a Covid impacted quarter. Gross collections of Rs10.2bn also remained resilient at Rs10.2bn (up 40% YoY). During the quarter, PEPL spent Rs6.3bn on residential construction spend, Rs1.5bn on office capex, Rs0.7bn on retail capex and Rs0.6bn on hotels. The company also made Rs3.7bn of payment towards the Cosmos, Mulund project in Mumbai and also spent on acquiring new land parcels in and around Bengaluru during the quarter.
- **Strong residential launch pipeline for H2FY22:** As per PEPL management, there is a large pipeline of residential launches of 12-15msf lined up between September 2021-March 2022 across South India (The Prestige City), Noida (NCR) and Mumbai (Jasdan Classic, Byculla and Cosmos, Mulund projects). As per the company, three Mumbai launches spread over 6msf are lined up for launch in Q3FY21 and final leg of approvals are in process. With the launch of the new Mumbai and Noida projects, the company is targeting gross sales bookings of Rs60-65bn in FY22E and has a medium-term target of reaching Rs100bn of gross sales bookings by FY24-25E of which 50% share may be from markets outside Bengaluru.
- **Fresh round of capex initiated across South India and Mumbai:** PEPL's consolidated net debt had reduced to Rs13.1bn in Mar'21 post completion of Phase 1 of the Blackstone asset sale transaction. As per company's management, the Phase 2 proceeds of ~Rs13bn will come in Q2FY22 and help reduce Jun'21 net debt levels of Rs21.7bn. The company has given guidance for an annual exit rental income of Rs3.5bn by Mar'22 and is embarking on a fresh round of capex with incremental committed capex of Rs35-40bn over FY22-25E of which 7msf is in Mumbai with the balance largely in Bengaluru and other markets in South India.

Market Cap	Rs145bn/US\$1.9bn	Year to Mar	FY20	FY21	FY22E	FY23E
Reuters/Bloomberg	PREG.BO/PEPL IN	Revenue (Rs bn)	81.2	72.6	79.7	85.4
Shares Outstanding (mn)	400.9	Rec. Net Income (Rs bn)	4.0	14.6	13.3	15.5
52-week Range (Rs)	372/135	EPS (Rs)	10.1	36.3	33.1	38.8
Free Float (%)	34.5	% Chg YoY	(9.3)	261.3	(8.8)	17.0
FII (%)	28.4	P/E (x)	35.8	9.9	10.9	9.3
Daily Volume (US\$/'000)	3,923	P/B (x)	2.7	2.2	1.8	1.5
Absolute Return 3m (%)	33.4	EV/E (x)	9.7	8.0	5.1	4.4
Absolute Return 12m (%)	51.3	Dividend yield (%)	1.5	1.6	0.6	0.6
Sensex Return 3m (%)	11.6	RoCE (%)	14.2	13.9	28.9	28.2
Sensex Return 12m (%)	43.5	RoE (%)	8.4	24.2	18.2	18.0

Please refer to important disclosures at the end of this report

Table 1: Q1FY22 Consolidated results snapshot

(Rs mn)	As per INDAS 115*	Q1FY22	Q1FY21	Q4FY21	YoY (%)	QoQ (%)
Total Operating income	14,158	12,737	22,681	11.2		(37.6)
Raw Materials	8,718	6,640	14,619	31.3		(40.4)
Personnel Cost	973	926	1,229	5.1		(20.8)
Other Expenses	1,013	780	1,329	29.9		(23.8)
Total Expenses	10,704	8,346	17,177	28.3		(37.7)
EBITDA	3,454	4,391	5,504	(21.3)		(37.2)
<i>EBITDA margin (%)</i>	24.4	34.5	24.3	(1,007.8)		12.9
Interest (Net)	1,319	2,469	2,582	(46.6)		(48.9)
Depreciation	1,130	1,637	1,221	(31.0)		(7.5)
Other Income	576	226	925	154.9		(37.7)
Extraordinary items	0	0	14,698*	NM		NM
Profit Before Tax	1,581	511	17,324	209.4		(90.9)
Taxation	505	299	3,814	68.9		(86.8)
Profit After Tax before MI/Associate	1,076	212	13,510	407.5		(92.0)
MI/Associate share	(503)	(196)	(147)			
Reported PAT	573	16	13,363	3,481.3	NM	NM
<i>Net margin (%)</i>	4.0	0.1	58.9	392.2		

Source: Company data, I-Sec research, *Profit booked from Phase 1 of asset sale to Blackstone

Table 2: Quarterly sales volume trends

Rs mn	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Sales Summary – PEPL share						
PEPL sales volume (msf)	1.69	0.56	NA	NA	2.21	0.78
PEPL sales value (Rs mn)	9,963	3,982	8,381	15,752	14,731	5,316
Collections (Rs mn)	10,909	5,751	9,104	11,278	14,190	8,266
Rental income (Rs mn)	2,580	1,836	2,208	2,172	953*	600
Consolidated net debt (Rs mn)	81,743	84,058	86,676	84,645	13,141	21,706

Source: Company data, I-Sec research, *QoQ decline on account of rental asset sale to Blackstone

Table 3: Key assumptions

Development Properties	FY18	FY19	FY20	FY21	FY22E	FY23E
Area sold (msf) (Total)	3.8	5.7	5.5	6.4	8.3	7.6
Average rate (Rs/psf)	6,676	6,307	6,830	6,674	7,357	7,804
Sales Value (Rs mn)	25,502	36,201	37,891	42,846	61,221	59,665
PEPL Rental income (Rs mn)	6,194	7,487	9,208	7,169	3,674	4,568

Source: Company data, I-Sec research

Table 4: SoTP valuation

Project	FY22 GAV (Rs mn)	Value (Rs/share)	% of GAV
Residential - for sale	72,355	180	46.4
Commercial - lease	35,192	88	22.6
Retail - lease	21,734	54	13.9
Hospitality	5,770	14	3.7
Project management	4,823	12	3.1
Land bank/new JVs	15,964	40	10.2
Total GAV	155,837	389	100.0
Less: FY22 Net Debt (PEPL share)	2,611	7	
FY22E NAV	153,227	382	

Source: I-Sec research estimates

Financial summary (consolidated)

Table 2: Earnings statement

(Rs mn, year ending March 31)

	FY20	FY21	FY22E	FY23E
Net Sales	81,248	72,644	79,709	85,363
Operating Expenses	57,688	52,922	50,974	52,551
EBITDA	23,560	19,722	28,735	32,812
% margins	29.0%	27.1%	36.0%	38.4%
Depreciation & Amortisation	6,667	5,926	2,370	2,442
Interest expenses	10,233	9,899	3,630	3,479
Other Income	1,185	2,374	2,493	2,617
Extraordinary items	-	14,698	-	-
Recurring PBT	7,845	20,969	25,227	29,509
Less: Taxes	2,783	5,198	8,829	10,328
PAT before				
Minority/Associate	5,062	15,771	16,397	19,181
Minority/Associate share	(1,031)	(1,209)	(3,116)	(3,644)
Net Income (Reported)	4,031	14,562	13,282	15,537

Source: Company data I-Sec research

Table 3: Balance sheet

(Rs mn, year ending March 31)

	FY20	FY21	FY22E	FY23E
Assets				
Total Current Assets	1,72,968	1,72,377	1,97,156	2,13,768
of which cash & cash equiv.	7,857	23,460	28,211	37,176
Total Current Liabilities &				
Provisions	1,46,160	1,42,855	1,44,717	1,42,458
Net Current Assets	26,808	29,522	52,440	71,310
Goodwill/Investments	13,060	9,606	9,606	9,606
Net Fixed Assets	1,06,048	64,615	52,321	56,885
Total Assets	1,45,916	1,03,743	1,14,366	1,37,801
Liabilities				
Borrowings	92,715	36,112	31,112	36,112
Equity Share Capital	4,009	4,009	4,009	4,009
Reserves & Surplus	49,593	62,744	75,088	89,686
Net Worth	53,602	66,753	79,097	93,695
Minority Interest	2,284	4,198	7,477	11,314
Deferred Taxes	(2,685)	(3,320)	(3,320)	(3,320)
Total Liabilities	1,45,916	1,03,743	1,14,366	1,37,801

Source: Company data I-Sec research

Table 4: Cashflow statement

(Rs mn, year ending March 31)

	FY20	FY21	FY22E	FY23E
PBT	7,845	20,969	25,227	29,509
Depreciation	6,667	5,926	2,370	2,442
Non-Cash Adjustments	0	0	0	0
Working Capital Changes	1,433	545	-18,167	-9,905
Taxes Paid	-2,783	-5,198	-8,829	-10,328
Operating Cashflow	13,162	22,242	601	11,718
Capital Commitments	-14,981	-6,819	9,919	-7,006
Free Cashflow	-1,819	15,423	10,520	4,712
Other investing cashflow	-3,263	-3,541	0	0
Cashflow from Investing				
Activities	-18,244	-10,360	9,919	-7,006
Issue of Share Capital	8,939	0	0	0
Inc (Dec) in Borrowings	5,133	3,397	-5,000	5,000
Dividend paid	-1,403	0	-938	-938
Cashflow from Financing				
activities	12,669	3,397	-5,938	4,062
Chg. in Cash & Bank balances	7,587	15,279	4,581	8,773

Source: Company data I-Sec research

Table 5: Key ratios

(Year ending March 31)

	FY20	FY21	FY22E	FY23E
Per Share Data (Rs)				
EPS	10.1	36.3	33.1	38.8
Cash EPS	26.7	51.1	39.0	44.8
Dividend per share (DPS)	5.4	5.7	2.3	2.3
Book Value per share (BV)	133.7	166.5	197.3	233.7
Growth (%)				
Net Sales	57.1	(10.6)	9.7	7.1
EBITDA	62.1	(16.3)	45.7	14.2
PAT	(3.0)	261.3	(8.8)	17.0
Valuation Ratios (x)				
P/E	35.8	9.9	10.9	9.3
P/BV	2.7	2.2	1.8	1.5
EV / EBITDA	9.7	8.0	5.1	4.4
Dividend Yield	1.5	1.6	0.6	0.6
Operating Ratios				
Debt/EBITDA (x)	3.9	1.8	1.1	1.1
Net D/E	1.6	0.2	0.0	(0.0)
Profitability/Return Ratios (%)				
RoE	8.4	24.2	18.2	18.0
RoCE	14.2	13.9	28.9	28.2
EBITDA Margins	29.0	27.1	36.0	38.4
Net Income Margins	5.0	20.0	16.7	18.2

Source: Company data I-Sec research

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