

Puravankara Ltd.

1 September, 2021

Reuters: PPRO.NS; Bloomberg: PURVA IN

Key takeaways from the conference call moderated by Mr. Abhishek Kapoor (Chief Executive Officer) and Mr. Neeraj Gautam (Executive Vice President – Finance) of Puravankara Ltd about the company's overview, quarterly results and the current demand scenario. The conference call was conducted by Nirmal Bang Institutional Equities.

Overview about the company

1. Puravankara is one of the leading real estate developers, providing diversified premium and affordable housing & commercial spaces. The company is predominantly in the residential space and has a strong footprint in South India (Bangaluru, Chennai and Coimbatore)
2. The company is in this business since 1986 and has been listed on the stock exchange since August'2007.
3. In vertical terms, it has presence across 7 verticals, namely Puravankara Residential, Provident Affordable Housing, Puravankara Commercial, Starworth Infrastructure & Construction Ltd, Purva Land, Manufacturing unit which provides interior solutions to its customers etc.
4. The company intends to expand its footprint in Mumbai and Pune markets given the growth prospects, management expertise and consolidation of small players in these markets.
5. The company is in partnership with IFC and IFC EAF for US\$76mn investments in affordable housing in India.

Ongoing projects and land bank

6. Puravankara has a huge land bank of 64.95mn sqft, which shall be utilized towards development of residential and commercial projects across markets. Of which, 22.37mn sqft is used for ongoing projects.
7. The company's ongoing projects stood at ~22.37mn sqft and its planned projects stood at ~14.51mn sqft, of which 3.58mn sqft will be utilized by Puravankara residential, 7mn sqft by Provident affordable housing and 3.86mn sqft by Purva Land, as of June'2021.
8. The company intends to launch several brands such as Provident Winworth, Palmvista, Ken Vista, Park Hill, Orient Grand, Provident Amaya and Tivoli Hills in FY22.

Demand scenario:

9. The management has stated that customers' preference is mostly towards ready-to-move apartments and for an established developer, which has a track record of timely delivery of projects. As a result, residential demand will continue to be strong and reduction in inventory overhang will lead to better pricing power in the medium term.
10. The management expects that commercial demand is expected to gradually return to normalcy in the medium term given the rapid vaccination drive, which will result in gradual opening up of economic activities and return of employees in to offices. The higher demand for office space from IT/ITES will also contribute positively to office demand. The management wishes to leverage on its large land bank and wants to expand its footprint in the commercial segment.

Not Rated

Sector: Real Estate

CMP: Rs97

Target Price: NA

Downside: NA

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Key Data

Current Shares O/S (mn)	237.1
Mkt Cap (Rsbn/US\$m)	23.1/436.7
52 Wk H / L (Rs)	121/40
Daily Vol. (3M NSE Avg.)	1,088,225

Price Performance (%)

	1 M	6 M	1 Yr
Puravankara Ltd.	(11.2)	22.5	108.1
Nifty Index	8.7	16.1	49.4

Source: Bloomberg

Financials

11. The company's sales booking stood at 0.42mn sqft in 1QFY22 compared with 0.69/0.99mnsqft .in 1Q/4QFY21. The sales booking stood at 3.43mnsqft in FY21 compared with 2.83mnsqft in FY20.
12. It is focused on selling ready-to-move inventory, which has brought down the movement in stock from 2mnsqft historically to 0.47mnsqft, as of June 2021.
13. In 1QFY22, the company's revenue stood at Rs5,416.1mn, an increase of 184% YoY. EBITDA stood at Rs3,860mn, up by 476% YoY and EBITDA margin stood at 71%.
14. The company witnessed an improvement in price realization, which was up by 30% YoY from Rs5,768 per sqft in 1QFY21 to Rs7,473 per sqft in 1QFY22.
15. The company completed the strategic exit from one of the commercial projects during the quarter, which resulted in cash accrual of Rs6,850mn. The company received Rs5,150mn. The company used the proceeds from this sale in its business operations and in curtailing its debt.
16. The company reduced debt worth Rs4,510mn during the quarter. Net debt to equity stood at 0.9x in 1QFY22 compared to 1.34x in 1QFY21. ICRA has upgraded the company's credit rating to A- (stable) and ST rating to A2+.
17. The company's net operating cash flows stood at Rs4,522mn. The collection stood at Rs3,210mn in 1QFY22, which was up by 71% YoY compared to Rs1,880mn in 1QFY21.

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BUY > 15%

ACCUMULATE -5% to 15%

SELL < -5%

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