

Prestige Estates

Strong visibility on launches and rental ramp up

We attended the Prestige Estates (PEPL) analyst meet in Mumbai where it showcased its roadmap for the next five years. PEPL has achieved INR 90bn presales as of 9MFY23 and has guided for INR 120bn of presales by FY23 and INR 250bn by FY26. This is expected to be achieved on the back of a strong launch pipeline of 73msf for the next two years across geographies with 55/15% (incl. 44msf of Ongoing) earmarked for Bengaluru/Mumbai. Apart from residential, PEPL is eyeing INR 30bn of annuity income by FY27/28 on the back of ongoing and upcoming projects of 41msf/7msf in commercial and retail portfolios resp. The overall capex requirement for PEPL, thus, is INR 170bn (INR 157bn yet to be spent), most of which will be incurred over the next five years. 40% of free cash flow from residential sales i.e. INR 80.8bn is earmarked for capex requirements and 60% is earmarked for business development and other segments like data centres and warehousing. INR 15bn will be funded from lease rentals, leaving INR 74.8bn which will be funded via debt. As a result, net debt which as of Dec'23 stands at INR 41.7bn is expected at INR 11.7bn by FY28 with net D/E at 0.47x. PEPL is strategising to enter new markets such as the NCR (first project launch expected in H1FY24) and Pune; It is also looking to bring Prestige City format in Hyderabad and Goa in FY24/FY25 resp. We maintain BUY, with an unchanged SOTP-based TP of INR 630/sh.

- **Ramp-up in launches to support presale target:** PEPL has launched 75msf plus projects in the last five years. Based on the current upcoming residential portfolio, it expects to launch 32msf in FY23, 32msf in FY24, and 30msf in FY25. PEPL is targeting INR 120bn of presales in FY23 (INR 90bn, as of 9MFY23), with Bengaluru and MMR expected to contribute INR 80bn and INR 25bn resp. On the back of a robust launch pipeline, PEPL expects to achieve INR 250bn of presales in FY26 with Bengaluru and MMR contributing INR 100bn and 50bn resp. In terms of completion, PEPL had completed 84msf until FY18 and, since then, it has ramped up the construction pace and completed a cumulative 165msf as of Dec'22 i.e. ~80msf of incremental project completion in the last six years. The on-time delivery of its projects has helped the company earn the highest real estate developer grading of DA1+ from CRISIL.
- **Robust expected annuity income will aid next leg of growth:** The FY23 exit rentals from commercial and retail portfolios are expected at INR 2.4bn and INR 2.2bn resp. For the commercial portfolio, the exit rental for FY28 is expected at INR 25bn on the back of a robust capex plan of INR 154bn (INR 140bn PEPL's share), of which INR 128bn is remaining to be spent (PEPL's share). Similarly, within the retail portfolio, FY27 exit rental is expected at INR 5.4bn on the back of INR 23.5bn of capex (INR 18.4bn PEPL's share) with INR 16.1bn remaining to be spent (PEPL's share). PEPL expects INR 250bn in presales by FY26, with INR 35bn assigned to the land cost and INR 115bn towards construction.
- **Net debt to increase on higher execution; to be compensated by free cash flow:** Net debt as of Dec'22 stands at INR 41.7bn, with net D/E at 0.42x. PEPL is expecting net debt of INR 116bn by FY28 (net D/E at 0.47x) on the back of strong capex commitment for different business segments. Whilst a large part of the capex will be met by residential cash flow (INR 80.8bn will be funded by free cash flow from residential presales, and it is 40% of its total estimated FCF till FY27), debt funding will be incrementally INR 75bn, backed by rentals. Another INR 15bn is expected to be funded by lease rentals from commercial and retail portfolios.

Consolidated Financial Summary

YE March (INR mn)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	54,986	51,719	81,248	72,419	63,895	80,465	89,107	96,563
EBITDA	10,940	14,538	23,560	19,583	15,335	19,828	22,246	27,232
APAT	4,309	3,926	4,815	3,809	4,764	3,955	6,038	8,345
Diluted EPS (INR)	11.5	10.5	12.0	9.5	11.9	9.9	15.1	20.8
P/E (x)	36.0	39.5	34.5	43.6	34.8	42.0	27.5	19.9
EV / EBITDA (x)	20.6	16.1	10.6	9.3	13.7	10.8	10.2	8.6
RoE (%)	9.5	8.8	10.0	5.7	5.6	4.2	6.1	8.0

Source: Company, HSIE Research

BUY

CMP (as on 21 Feb 2023)	INR 414
Target Price	INR 630
NIFTY	17,827

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 630	INR 630
EPS Change %	FY23E FY24E FY25E	- - -

KEY STOCK DATA

Bloomberg code	PEPL IN
No. of Shares (mn)	401
MCap (INR bn) / (\$ mn)	166/2,006
6m avg traded value (INR mn)	195
52 Week high / low	INR 527/375

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(11.6)	(8.9)	(7.2)
Relative (%)	(10.8)	(10.7)	(12.4)

SHAREHOLDING PATTERN (%)

	Sep-22	Dec-22
Promoters	65.48	65.48
FIs & Local MFs	8.10	9.41
FPIs	23.17	22.21
Public & Others	3.25	2.90
Pledged Shares	-	-

Source: BSE

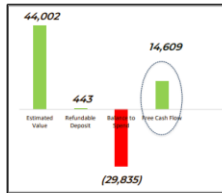
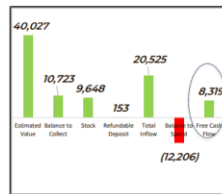
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Prestige Estates: Company Update

Free cash flow of INR 83bn from ongoing and INR 146bn from forthcoming.
Additionally, INR 100bn is FCF from 612acre land bank.



LAND BANK: 612 Acres
POTENTIAL FREE CASH FLOW:
= 10,000 Cr

FREE CASHFLOWS

8,319 Cr
ONGOING

14,609 Cr
UPCOMING

~10,000 Cr
POTENTIAL FCF FROM
LAND BANK

RESIDENTIAL

ONGOING: 35 PROJECTS | 44 MN SFT | ~ 21,000 UNITS
UPCOMING: 27 PROJECTS | 73 MN SFT

Free Cash Flow Table (Ongoing + Upcoming Only)

	Total	FY23	FY24	FY25	FY26	FY27
Free Cash Flow	26,860*	5,092	5,055	6,117	7,117	3,479
Overheads/Tax	6,652	1,273	1,264	1,529	1,779	807
Net Free Cash Flow	20,208	3,819	3,791	4,588	5,338	2,672

Capex commitment (40%) 8,083 1,528 1,516 1,835 2,135 1,069

BD + Others (60%) 12,125 2,291 2,275 2,753 3,203 1,603

* FY 23 includes Free cashflows of INR 3,932 Cr of first 9M.

PEPL's commercial project in BKC, Prestige 101, is expected to move to ongoing projects in Q4FY23 with all approvals in place and all premiums paid.

COMMERCIAL

ONGOING: 13 PROJECTS | 26 MN SFT

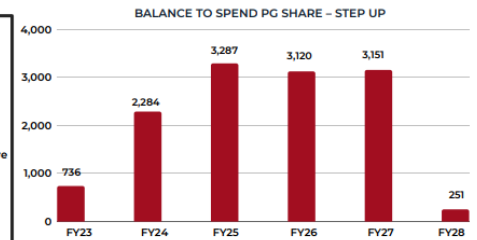
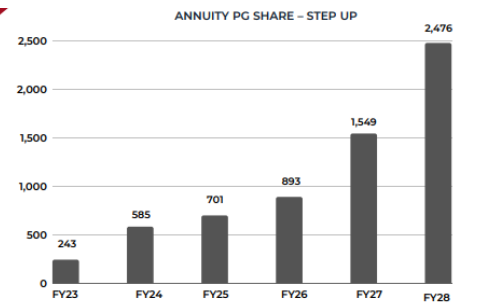
UPCOMING: 10 PROJECTS | 15 MN SFT

OFFICE 2.0

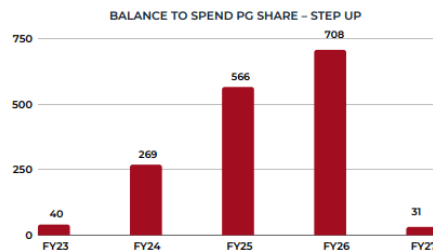
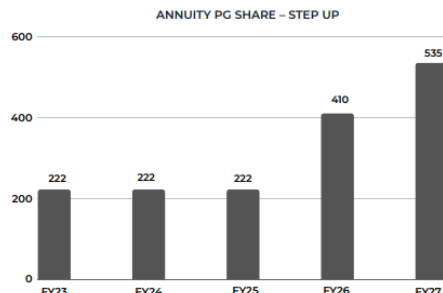
Urban Experiences & Social Hubs
Product, Service & Technology
Strategic Partnerships with world renowned architects
ESG Compliant, Green Buildings

~2,500 cr
Annuity PG SHARE

~15,459 cr
Total Cost of Construction
~14,033 cr
Total Cost of Construction PG Share
~12,800 cr
Balance to spend PG Share



PEPL launched Forum City Mall in Bengaluru in Q3FY23, attracting 1mn footfalls in the first month with 50% of active tenants. It plans to relaunch Forum brand with large format malls.



RETAIL

ONGOING: 2 PROJECTS | 2 MN SFT

UPCOMING: 4 PROJECTS | 5 MN SFT

~536 cr
Annuity PG SHARE

~2,355 cr
Total Cost of Construction
~1,840 cr
Total Cost of Construction PG Share
~1,613 cr
Balance to spend PG Share

RETAIL

Relaunch of Forum Brand
Experiential Shopping Malls
Large Format Malls

With 5 ongoing and 2 upcoming projects, PEPL share of construction cost is INR 13bn.

HOSPITALITY



OPERATING: 9 HOTELS | 1368 KEYS
ONGOING: 5 PROJECTS | 1217 KEYS
UPCOMING: 2 PROJECTS | 350 KEYS

~1,852 cr*

Revenue PG SHARE

~2,744 cr

Total Cost of Construction

~1,676 cr

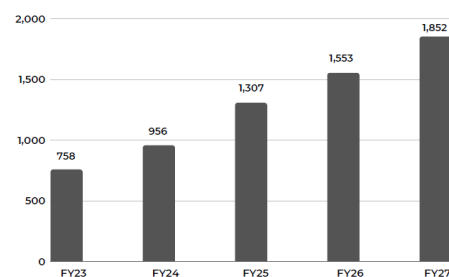
Total Cost of Construction PG Share

~1,295 cr

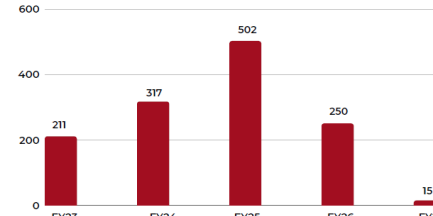
Balance to spend PG Share

*10% revenue growth YOY

REVENUE STEP UP - PG SHARE



CAPEX STEP UP - PG SHARE



The balance PEPL share towards overall capex is INR 157bn, of which INR 80bn will be funded by residential FCF and INR 15bn through lease rentals and the remaining through debt.

CAPEX OUTLOOK

	Total	FY23	FY24	FY25	FY26	FY27	FY28
Capex Commitment (PG Share)							
Total	17,074*	2,323	2,870	4,355	4,078	3,197	251
40% Residential FCF for CAPEX							
	8,083	1,527	1,516	1,835	2,135	1,069	
Lease Deposit from Tenants	1,506	233	171	59	190	391	464
Shortfall	7,486	564	1,183	2,462	1,753	1,738	-213
Peak Debt (includes existing Net Debt)							
	4,733	5,916	8,377	10,130	11,868	11,655	
Net worth	10,000	11,391	13,221	15,872	19,644	24,653	
Projected DE	0.47	0.52	0.63	0.64	0.60	0.47	

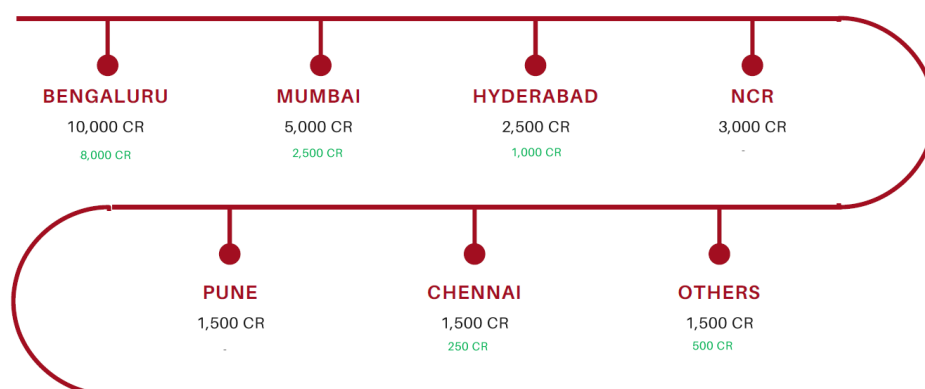
Shortfall in capex commitment does not factor the Residential cashflows from development of land bank & future BD and repayment of capex debt out of respective segment inflows

*Includes 1336 Cr of Capex already incurred in 9M FY23. Balance Capex PG Share is 17074 - 1336 = 15,738 Cr

Amounts in INR Cr

PAN INDIA PRESENCE

FY 26 SALES TARGET
(INDICATIVE) ~25,000 CR



Current Sales level

OTHERS INCLUDE KOCHI, CALICUT, GOA, MANGALURU, OOTY

Amounts in INR Cr

NCR will see its first launch in H1FY24 and is expected to contribute INR 30bn in FY26. Presales from Pune are expected at INR 15bn in FY26.

In Q3FY23, PEPL entered Calicut, booking INR 2bn in presales.

(Fig. in green is FY23E presales)

Financial Statement:

INCOME STATEMENT (Rs mn)

Year ending March	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	55,310	47,745	54,986	51,719	81,248	72,419	63,895	80,465	89,107	96,563
Growth (%)	61.7	(13.7)	15.2	(5.9)	57.1	(10.9)	(11.8)	25.9	10.7	8.4
Material Expenses	40,087	33,541	38,582	28,599	47,516	44,673	38,904	46,060	51,570	53,117
Employee Expenses	2,030	2,933	2,952	3,986	4,601	4,203	4,510	6,066	6,630	7,293
Other Operating Expenses	2,531	2,073	2,512	4,596	5,571	3,960	5,146	8,511	8,661	8,921
EBIDTA	10,663	9,197	10,940	14,538	23,560	19,583	15,335	19,828	22,246	27,232
EBIDTA (%)	19.3	19.3	19.9	28.1	29.0	27.0	24.0	24.6	25.0	28.2
EBIDTA Growth (%)	7.3	(13.7)	19.0	32.9	62.1	(16.9)	(21.7)	29.3	12.2	22.4
Other Income	2,831	872	679	1,122	1,185	2,435	2,107	1,908	2,149	2,214
Depreciation	1,274	1,637	1,547	3,229	6,667	5,926	4,710	6,542	6,792	7,471
EBIT	12,220	8,432	10,072	12,431	18,078	16,092	12,732	15,194	17,603	21,975
Interest	3,462	3,160	3,827	7,228	10,233	9,793	5,553	7,819	7,903	8,844
Exceptional items	-	-	-	(894)	(380)	(27,926)	(8,079)	(2,960)	-	-
PBT	8,757	5,273	6,245	6,097	8,225	34,225	15,258	10,335	9,700	13,131
Tax	2,292	1,601	2,135	1,985	2,783	5,193	2,945	3,025	3,395	4,596
RPAT	6,092	2,689	3,718	4,156	4,031	27,823	11,500	5,997	6,038	8,345
Minority Interest	435	1,095	0	263	1,455	959	648	1,230	378	341
Share of associates	61	111	(392)	307	44	(250)	(165)	(83)	112	151
EO items (net of tax)	2,106	-	95	894	380	27,926	8,079	2,960	-	-
APAT	4,698	3,210	4,309	3,926	4,815	3,809	4,764	3,955	6,038	8,345
APAT Growth (%)	5.1	(31.7)	34.2	(8.9)	22.6	(20.9)	25.1	(17.0)	52.7	38.2
EPS	12.5	8.6	11.5	10.5	12.0	9.5	11.9	9.9	15.1	20.8
EPS Growth (%)	5.1	(31.7)	34.2	(8.9)	14.7	(20.9)	25.1	(17.0)	52.7	38.2

Source: Company, HSIE Research

BALANCE SHEET (Rs mn)

As at March	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
SOURCES OF FUNDS										
Share Capital	3,750	3,750	3,750	3,750	4,009	4,009	4,009	4,009	4,009	4,009
Reserves	37,689	39,500	43,577	38,516	49,593	76,005	86,937	91,721	96,821	104,228
Total Shareholders Funds	41,439	43,250	47,327	42,266	53,602	80,014	90,946	95,730	100,830	108,237
Minority Interest	3,234	4,328	2,300	1,120	2,284	4,198	4,523	4,873	5,252	5,593
Long Term Debt	55,661	57,161	69,078	82,108	86,269	24,138	40,029	69,010	78,010	87,010
Short Term Debt	1,171	1,171	5,077	2,761	6,446	15,687	25,101	2,120	2,120	2,120
Total Debt	56,832	58,332	74,155	84,869	92,715	39,825	65,130	71,130	80,130	89,130
Deferred Taxes	45	45	1,743	(4,083)	(2,685)	(3,320)	(3,136)	(3,136)	(3,136)	(3,136)
Long Term Provisions & Others	-	-	-	-	-	6,906	7,429	-	-	-
TOTAL SOURCES OF FUNDS	101,550	105,955	125,525	124,172	145,916	127,623	164,892	168,597	183,076	199,824
APPLICATION OF FUNDS										
Net Block	34,458	36,122	48,176	64,139	84,617	19,271	26,187	58,636	58,350	57,385
CWIP	5,787	6,733	25,081	16,450	21,431	27,396	17,246	33,246	58,746	84,246
Goodwill	8,998	8,998	3,069	3,069	5,167	534	534	534	534	534
Investments, LT Loans & Advances	2,538	3,038	4,346	7,784	7,893	43,582	58,894	7,724	7,724	7,724
Inventories	50,976	64,326	57,127	131,501	113,750	95,805	115,667	112,197	108,831	105,566
Debtors	10,084	10,588	9,645	16,544	14,765	13,740	14,196	14,906	15,651	16,434
Cash & Equivalents	4,856	2,089	3,532	6,530	7,857	24,012	21,712	23,402	20,151	20,149
ST Loans & Advances, Others	26,798	27,308	38,049	34,591	36,596	23,336	44,138	66,524	69,534	72,544
Total Current Assets	92,713	104,310	108,353	189,166	172,968	156,893	195,713	217,029	214,167	214,693
Creditors	9,126	9,230	13,542	12,530	12,249	10,820	9,800	9,898	9,997	10,097
Other Current Liabilities & Provns	33,819	44,015	49,958	143,906	133,911	109,233	123,882	138,674	146,449	154,661
Total Current Liabilities	42,945	53,245	63,500	156,436	146,160	120,053	133,682	148,572	156,446	164,758
Net Current Assets	49,768	51,065	44,853	32,730	26,808	36,840	62,031	68,457	57,722	49,935
TOTAL APPLICATION OF FUNDS	101,550	105,955	125,525	124,172	145,916	127,623	164,892	168,597	183,076	199,824

Source: Company, HSIE Research

CASH FLOW STATEMENT (Rs mn)

Year ending March	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
PBT incl. minority	8,757	5,273	6,381	6,404	8,269	33,975	15,093	8,574	9,700	13,131
Non-operating & EO items	(2,772)	(3,279)	1,141	(2,106)	(1,306)	(29,776)	(9,737)	(4,285)	(2,038)	(2,063)
Taxes	(2,292)	(1,601)	(2,844)	(2,330)	(3,033)	(2,069)	(2,361)	(2,735)	(3,395)	(4,596)
Interest expenses	3,462	3,160	3,827	7,228	10,233	9,793	5,553	7,819	7,903	8,844
Depreciation	1,274	1,637	1,547	3,229	6,667	5,926	4,710	6,542	6,792	7,471
Working Capital Change	(9,032)	(4,063)	664	(4,804)	1,433	545	8,141	7,211	7,485	7,785
OPERATING CASH FLOW (a)	(602)	1,127	10,716	7,621	22,263	18,394	21,399	23,126	26,447	30,572
Capex	(6,646)	(4,246)	(14,246)	(9,846)	(21,991)	(8,388)	(21,578)	(21,506)	(32,006)	(32,006)
Free cash flow (FCF)	(7,248)	(3,119)	(3,530)	(2,225)	272	10,006	(179)	1,620	(5,559)	(1,434)
Investments	(1,126)	372	(5,808)	3,570	(1,505)	13,327	(18,876)	2,128	2,149	2,214
INVESTING CASH FLOW (b)	(7,773)	(3,874)	(20,054)	(6,276)	(23,496)	4,939	(40,454)	(19,378)	(29,857)	(29,792)
Share capital Issuance	-	-	-	-	8,939	-	-	-	-	-
Debt Issuance	14,500	1,500	15,904	8,550	5,133	3,397	21,926	6,000	9,000	9,000
Interest expenses	(3,462)	(3,160)	(5,767)	(7,137)	(10,149)	(9,741)	(5,341)	(7,120)	(7,903)	(8,844)
Dividend	(658)	(878)	(541)	(543)	(1,403)	-	(601)	(938)	(938)	(938)
FINANCING CASH FLOW (c)	10,379	(2,537)	9,596	870	2,520	(6,344)	15,984	(2,058)	159	(782)
NET CASH FLOW (a+b+c)	2,005	(5,284)	258	2,215	1,287	16,989	(3,071)	1,690	(3,251)	(2)
Non-operating and EO items	59	(2,406)	(183)	(1,374)	(440)	(28,377)	(8,147)	234	112	151
Closing Cash & Equivalents	7,373	2,089	3,532	6,530	7,857	24,012	21,712	23,402	20,151	20,149

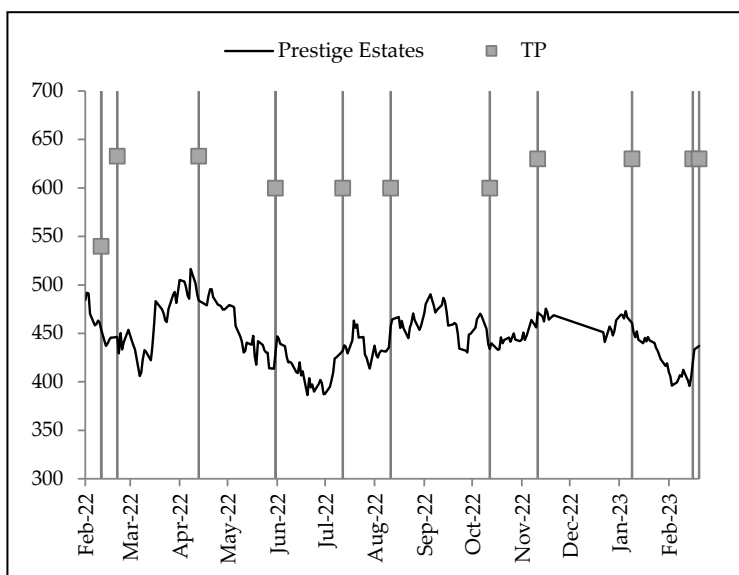
Source: Company, HSIE Research

KEY RATIOS

	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
PROFITABILITY (%)										
GPM	27.5	29.7	29.8	44.7	41.5	38.3	39.1	42.8	42.1	45.0
EBITDA Margin	19.3	19.3	19.9	28.1	29.0	27.0	24.0	24.6	25.0	28.2
APAT Margin	8.5	6.7	7.8	7.6	5.9	5.3	7.5	4.9	6.8	8.6
RoE	11.8	7.6	9.5	8.8	10.0	5.7	5.6	4.2	6.1	8.0
Core RoCE	13.7	8.4	9.0	10.5	14.2	14.5	13.4	11.4	10.5	12.0
RoCE	13.7	8.4	9.0	10.5	14.2	14.5	13.4	11.4	10.5	12.0
EFFICIENCY										
Tax Rate (%)	26.2	30.4	34.2	32.6	33.8	15.2	19.3	29.3	35.0	35.0
Asset Turnover (x)	0.6	0.5	0.5	0.4	0.6	0.9	0.6	0.5	0.5	0.5
Inventory (days)	309	441	403	666	551	528	604	517	453	405
Debtors (days)	65	79	67	92	70	72	80	66	63	61
Payables (days)	54	70	76	92	56	58	59	45	41	38
Cash Conversion Cycle (days)	320	450	395	666	566	542	625	538	475	428
Debt/EBITDA (x)	5.3	6.3	6.8	5.8	3.9	2.0	4.2	3.6	3.6	3.3
Net D/E	1.3	1.3	1.5	1.85	1.58	0.2	0.5	0.5	0.6	0.6
Interest Coverage	3.5	2.7	2.6	1.7	1.8	1.6	2.3	1.9	2.2	2.5
PER SHARE DATA										
EPS (Rs/sh)	12.5	8.6	11.5	10.5	12.0	9.5	11.9	9.9	15.1	20.8
CEPS (Rs/sh)	15.9	12.9	15.6	19.1	28.6	24.3	23.6	26.2	32.0	39.5
DPS (Rs/sh)	1.6	2.1	3.2	4.3	5.4	5.7	2.3	2.3	2.3	2.3
BV (Rs/sh)	110.5	115.3	126.2	112.7	133.7	199.6	226.9	238.8	251.5	270.0
VALUATION										
P/E	33.0	48.4	36.0	39.5	34.5	43.6	34.8	42.0	27.5	19.9
P/BV	3.7	3.6	3.3	3.7	3.1	2.1	1.8	1.7	1.6	1.5
EV/EBITDA	19.4	23.0	20.6	16.1	10.6	9.3	13.7	10.8	10.2	8.6
OCF/EV (%)	(0.3)	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1
FCF/EV (%)	(3.5)	(1.5)	(1.6)	(1.0)	0.1	5.5	(0.1)	0.8	(2.5)	(0.6)
FCFE/Market Cap (%)	2.4	(3.1)	4.3	(0.5)	(2.9)	2.2	9.9	0.3	(2.7)	(0.8)
Dividend Yield (%)	0.4	0.5	0.8	1.0	1.3	1.4	0.6	0.6	0.6	0.6

Source: Company, HSIE Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
11-Feb-22	461	ADD	540
21-Feb-22	446	BUY	633
14-Apr-22	483	BUY	633
31-May-22	414	BUY	600
12-Jul-22	430	BUY	600
11-Aug-22	436	BUY	600
12-Oct-22	439	BUY	600
11-Nov-22	457	BUY	630
7-Jan-23	467	BUY	630
16-Feb-23	407	BUY	630
22-Feb-23	414	BUY	630

Rating Criteria

BUY: >+15% return potential

ADD: +5% to +15% return potential

REDUCE: -10% to +5% return potential

SELL: >10% Downside return potential

Disclosure:

We, **Parikshit Kandpal, CFA, Manoj Rawat, MBA & Nikhil Kanodia, MBA** authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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