

Prestige Estates Projects

Estimate change	↔
TP change	↑
Rating change	↔

CMP: INR1,506 TP: 1,825 (+21%) Buy

Record year of pre-sales; traction to continue

Targeting 25% growth in bookings for FY25

- Prestige Estates Projects (PEPL) reported bookings of INR47b in 4QFY24, up 21% YoY (in line) aided by sustained demand across ongoing projects. In FY24, PEPL achieved record bookings of INR210b, up 63% YoY. Of these, ~INR155b came from new launches. In FY24, it also achieved the highest ever launches of 31msf in residential business with a GDV of INR210b.
- Sales volume was flat at 4msf, and realization improved 18% YoY to INR11,400/sft. In FY24, volume grew 34% YoY, and realization was up 21% YoY to INR10,400/sft.
- The strong bookings traction is expected to continue in FY25 as PEPL has unveiled a launch pipeline of ~60msf with a GDV of INR600b. It is targeting a pre-sales of INR260b, implying an increase of 25% YoY.
- Total collections in 4Q increased 30% YoY/14% QoQ to INR41b, and the company generated an OCF of INR18b. It incurred a capex of INR6b in the annuity segment and spent INR19b towards land/TDR investments. Net debt increased INR8b sequentially to INR78b, with net D/E at 0.7x.
- **P&L performance:** Revenue was down 18% YoY/up 21% QoQ to INR21.6b (in line), but EBITDA increased 21% YoY to INR8.3b, aided by ~12pp rise in EBITDA margin to 38%. Adj. PAT decreased 70% YoY to INR1.4b due to lower other income and higher finance costs. In FY24, revenue declined 5% YoY to INR79b, while EBITDA rose 20% YoY to INR25b. Adj. PAT was INR7.1b (flat YoY).

Annuity income continues to scale up

- PEPL reported rental income of INR1.3b, up 30% YoY, and EBITDA stood at INR0.8b with a margin of 58% (vs. 82% in 3QFY24). In FY24, rental income grew 86% YoY to INR5.4b, and EBITDA was up 119% YoY to INR3.8b. The company expects to achieve rental income of INR9b by the end of FY25.
- With 24msf of ongoing office and retail projects and an additional 14msf of upcoming projects, rental income is expected to rise to INR38b, once these projects are delivered by the end of FY28.
- **Hospitality segment:** Revenue grew 27% YoY to INR2.4b, and EBITDA came in at INR1b, up 20% YoY, with a margin of 41%. PEPL currently has an ongoing and upcoming portfolio of ~1,700 keys and the segment can generate steady-state revenue of INR25b.

Key highlights from the management commentary

- **Guidance:** Despite a higher base of INR210b, management is confident of achieving 25-30% growth (INR260b) in bookings in FY25, driven by a vast launch pipeline of INR600b. Timely launches can also enable it to comfortably exceed the guidance.
- **BD:** The spending towards BD will continue to be at INR35-40b including pending land payments. The company has recently acquired a large project in Pune where it intends to build its flagship Prestige City project. It also has a strong BD pipeline in Hyderabad, Chennai, and NCR

Bloomberg	PEPL IN
Equity Shares (m)	401
M.Cap.(INRb)/(USDb)	603.3 / 7.2
52-Week Range (INR)	1676 / 471
1, 6, 12 Rel. Per (%)	13/45/195
12M Avg Val (INR M)	1054

Financials & Valuations (INR b)

Y/E Mar	FY24	FY25E	FY26E
Sales	78.8	104.2	114.3
EBITDA	25.0	27.9	31.8
EBITDA (%)	31.7	26.8	27.8
Adj. PAT	7.1	7.5	9.8
EPS (INR)	19.0	19.9	26.2
EPS Gr. (%)	86.2	42.5	120.3
BV/Sh. (INR)	301.0	319.3	344.0

Ratios

Net D/E	0.7	0.8	0.7
RoE (%)	6.7	6.4	7.9
RoCE (%)	9.3	7.5	8.1
Payout (%)	4.4	8.1	6.1

Valuations

P/E (x)	79.5	75.7	57.4
P/BV (x)	5.0	4.7	4.4
EV/EBITDA (x)	27.7	24.4	21.5
Div Yield (%)	0.1	0.1	0.1

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	65.5	65.5	65.5
DII	15.0	13.2	10.5
FII	16.1	18.1	21.2
Others	3.5	3.3	2.8

- **ADIA Fund:** The capital will be used to develop four large projects – one each in Bengaluru, Goa, Mumbai, and NCR. PEPL has so far received INR5b, which will be used to retire the debt in Ocean Towers project in Mumbai. The balance will be spent on acquiring land in Delhi and Goa, since Bengaluru and Mumbai projects are already tied up.
- **Capex and leverage:** PEPL expects to incur a capex of INR25-30b in FY25. However, given the significant scale-up in residential cash flows along with ADIA fund, management is confident of reducing the D/E by the end of FY25.

Valuation and view

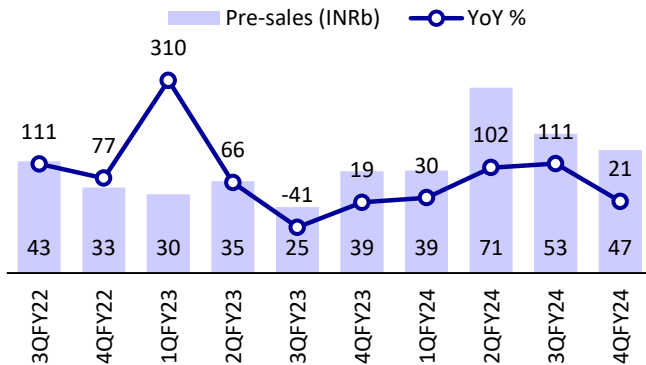
- The launch pipeline of INR600b has significantly improved the growth visibility in the near term, and with higher spending on BD, progress on project acquisitions is expected to continue, which will further strengthen its residential business. Additionally, as the company advances on its key commercial projects, further value creation is imminent.
- We raise our pre-sales by 8%/15% for FY25E/26E as we incorporate higher launches. **Reiterate BUY** with an increased TP of INR1,825, indicating a 21% upside potential.

Quarterly performance (INR m)

Y/E March	FY23				FY24				FY23	FY24E	FY24E	Variance
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			3Q	(%/bp)
Net Sales	19,385	14,277	23,170	26,318	16,809	22,364	17,958	21,640	83,150	78,771	22,470	-4
YoY Change (%)	42.3	9.8	74.5	9.6	-13.3	56.6	-22.5	-17.8	30.1	-5.3	-14.6	
Total Expenditure	14,768	10,591	17,428	19,500	11,542	16,439	12,443	13,363	62,287	53,787	16,093	
EBITDA	4,617	3,686	5,742	6,818	5,267	5,925	5,515	8,277	20,863	24,984	6,377	30
Margins (%)	23.8	25.8	24.8	25.9	31.3	26.5	30.7	38.2	25.1	31.7	28.4	
Depreciation	1,468	1,626	1,698	1,679	1,655	1,741	1,797	1,972	6,471	7,165	1,805	
Interest	1,847	1,863	2,009	2,347	2,382	2,639	2,932	4,238	8,066	12,191	2,823	
Other Income	733	470	305	3,062	2,854	1,684	1,747	685	4,570	6,970	1,675	
PBT before EO expense	2,035	667	2,340	5,854	4,084	3,229	2,533	2,752	10,896	12,598	3,425	-20
Extra-Ord expense	1,497	1,463	0	119	0	8,512	0	0	3,079	8,512	0	
PBT	3,532	2,130	2,340	5,973	4,084	11,741	2,533	2,752	13,975	21,110	3,425	-20
Tax	996	625	704	1,150	863	2,564	723	786	3,475	4,936	860	
Rate (%)	28.2	29.3	30.1	19.3	21.1	21.8	28.5	28.6	24.9	23.4	25.1	
MI & Profit/Loss of Asso. Cos.	487	98	358	139	552	668	647	566	1,250	2,433	633	
Reported PAT	2,049	1,407	1,278	4,684	2,669	8,509	1,163	1,400	9,250	13,741	1,932	
Adj PAT	974	373	1,278	4,588	2,669	1,856	1,163	1,400	7,213	7,088	1,932	-28
YoY Change (%)	112.7	-52.3	47.6	87.6	174.0	397.2	-9.0	-69.5	58.5	-1.7	-57.9	
Margins (%)	5.0	2.6	5.5	17.4	15.9	8.3	6.5	6.5	8.7	9.0	8.6	
Key metrics												
Sale Volume (msf)	3.6	4.6	2.9	4.0	3.8	6.8	5.5	4.1	15.1	20.2	6	-26
Sale Value (INRb)	30.1	35.1	25.2	38.9	39.1	70.9	53.3	47.1	129.3	210.4	47	1
Collections - PEPL share (INRb)	19	20	20	25	25	24	29	33	83.8	110.5	34	-2
Realization (INR/sft)	8,298	7,716	8,656	9,722	10,221	10,369	9,755	11,452	8,569	10,395	8,370	37

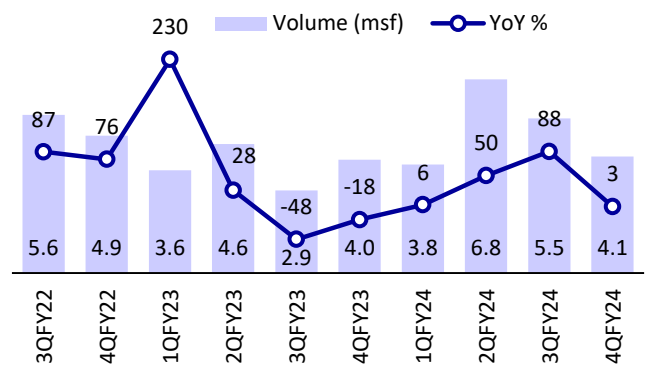
Key exhibits/story in charts

Exhibit 1: PEPL reported sales of INR47b, up 21% YoY



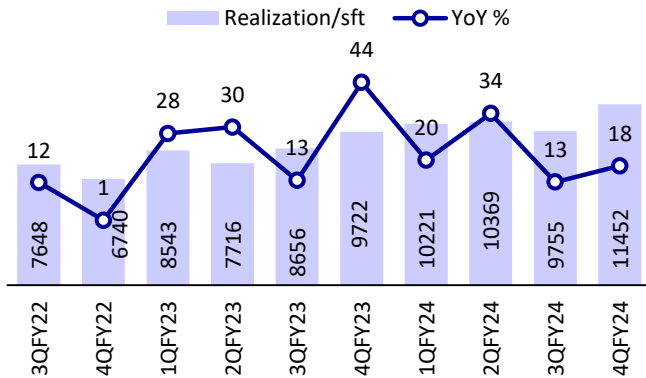
Source: Company, MOFSL

Exhibit 2: Volumes were flat at 4msf



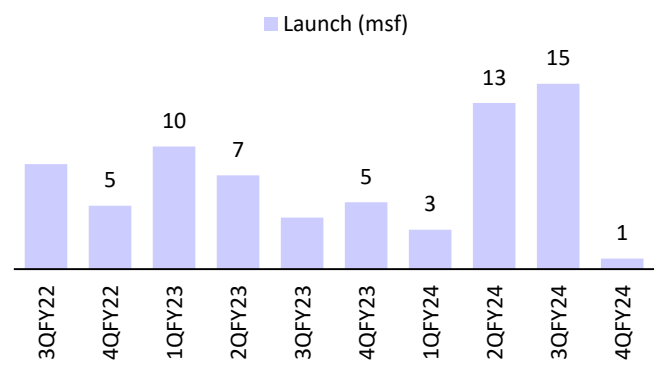
Source: Company, MOFSL

Exhibit 3: Realizations improved 18% YoY, driven by higher prices and premium mix



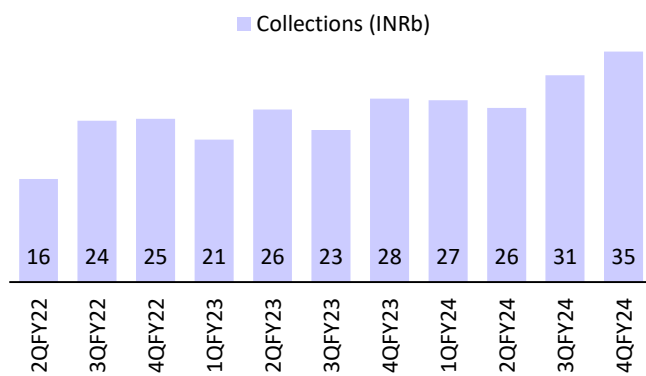
Source: MOFSL, Company

Exhibit 4: It launched 31msf of projects in FY24



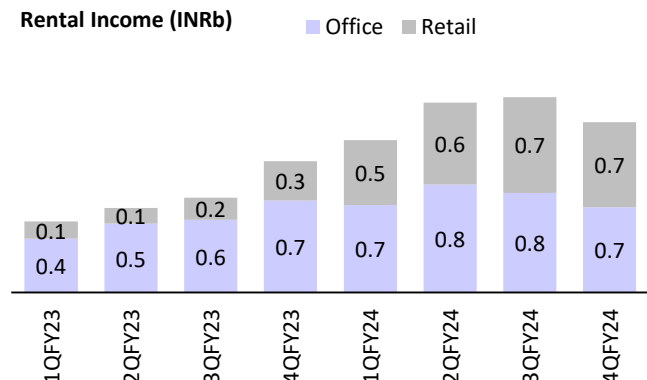
Source: MOFSL, Company

Exhibit 5: Collections increased 26% YoY to INR35b

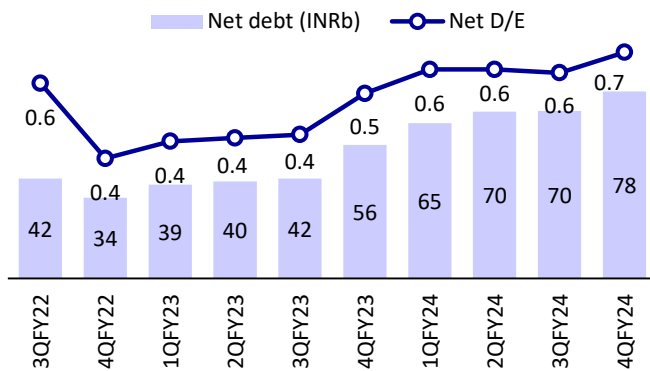


Source: Company, MOFSL

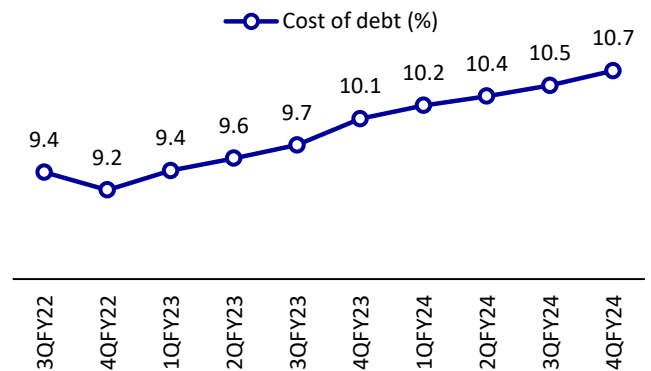
Exhibit 6: Rental income from annuity assets was up 30% YoY to INR1.3b



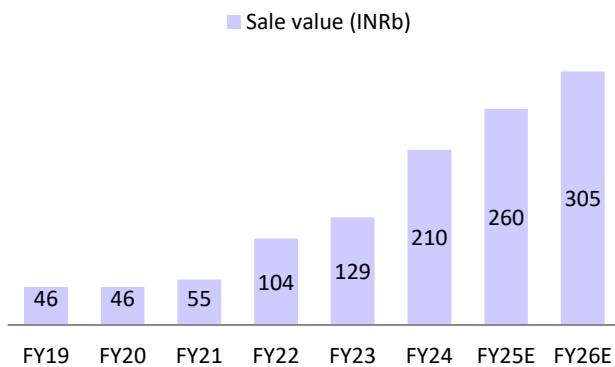
Source: Company, MOFSL

Exhibit 7: Net debt increased sequentially to INR78b

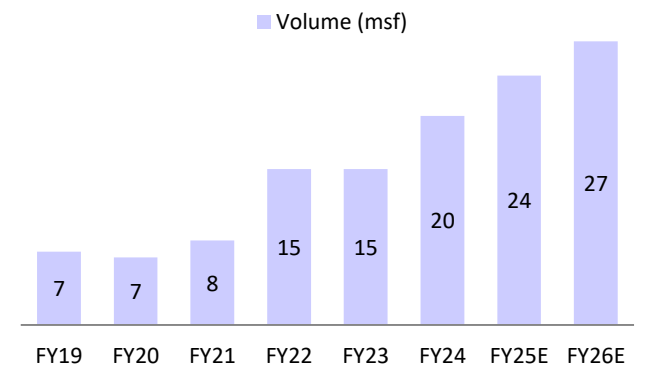
Source: MOFSL, Company

Exhibit 8: Cost of debt increased to 10.7%

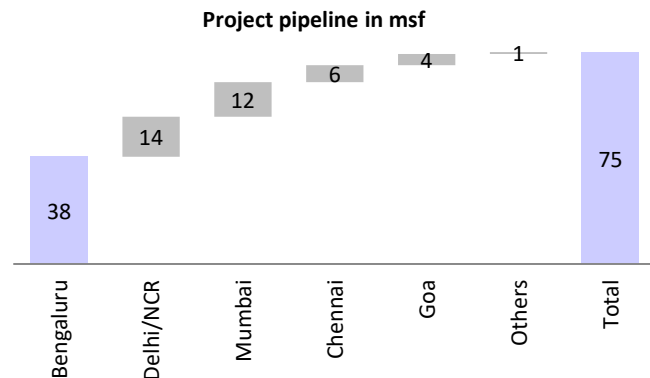
Source: MOFSL, Company

Exhibit 9: Expects sales to post 20% CAGR over FY24-26E...

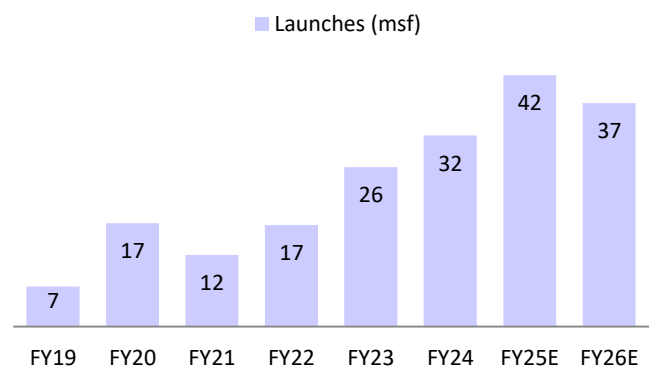
Source: Company, MOFSL

Exhibit 10: ...with steady volumes

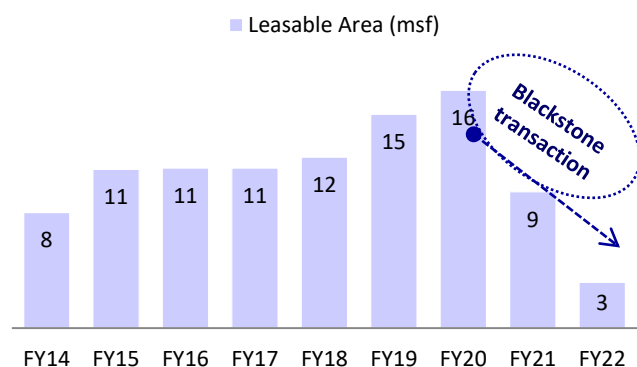
Source: Company, MOFSL

Exhibit 11: PEPL has 75msf of diverse project pipeline...

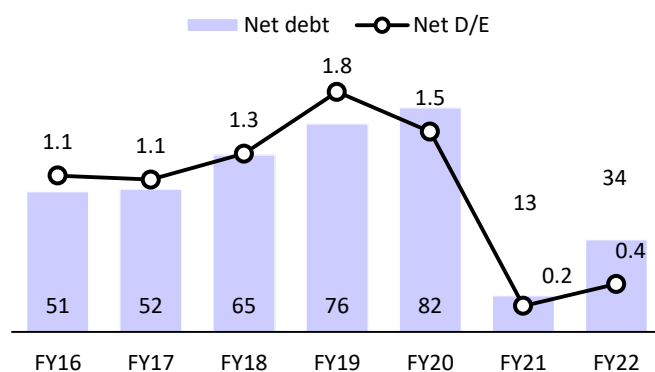
Source: MOFSL, Company

Exhibit 12: ...which will drive new launches in the near term

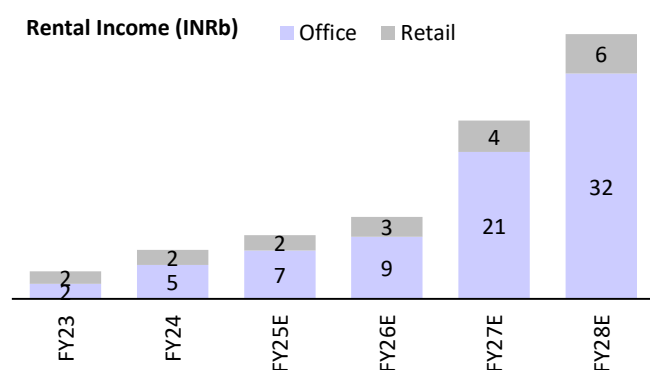
Source: MOFSL, Company

Exhibit 13: Leasable area in Annuity portfolio doubled during FY14-20...

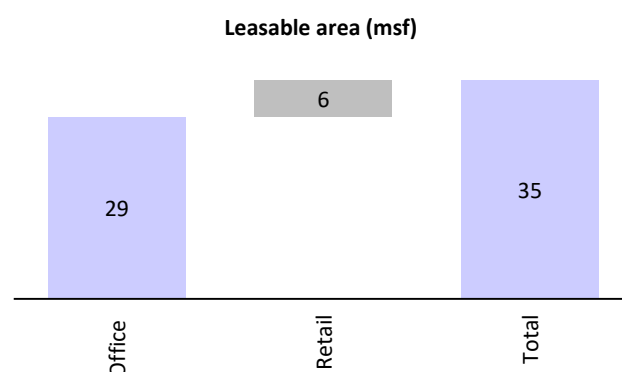
Source: Company, MOFSL

Exhibit 14: ...which led to a rising net D/E ratio to 1.5x in FY20 from 1.0x in FY16

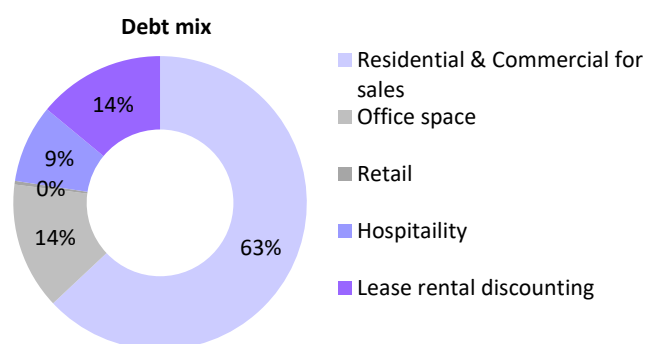
Source: Company, MOFSL

Exhibit 15: PEPL aspires to scale up the annuity rentals to INR38b over the next five years...

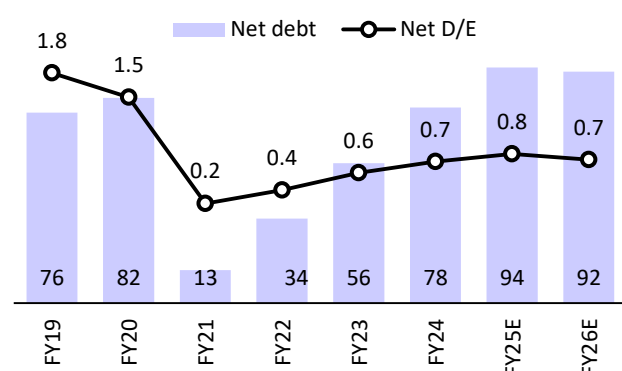
Source: Company, MOFSL

Exhibit 16: ...driven by 35msf addition to its annuity portfolio

Source: Company, MOFSL

Exhibit 17: Residential segment accounts for 63% of debt

Source: Company, MOFSL

Exhibit 18: Expect debt to peak out at ~INR95b

Source: Company, MOFSL

Exhibit 19: Our revised earnings estimates

(INR b)	Old		New		Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	104	114	104	114	0%	0%
EBITDA	28	32	28	32	0%	0%
Adj. PAT	8	10	7	10	-6%	-1%
Pre-sales	240	265	260	305	8%	15%
Collections (PEPL share)	153	214	152	218	-1%	2%

Valuation and view

We value PEPL using the DCF approach where:

- Its residential business is valued using DCF at a WACC of 11% and assuming a 5% terminal growth rate
- Its operational commercial assets are valued at a cap rate of 9% on FY26E EBITDA and ongoing/upcoming projects using DCF
- Its hospitality business is valued at 17.5x EV/EBITDA on an FY26E basis

Based on the above approach, we arrive at a GAV of INR826b. Netting off FY25E debt of INR94b, we derive NAV of INR732b, or INR1,825 per share, indicating an upside of 21%.

Exhibit 20: Our SoTP-based TP denotes 21% upside potential; reiterate BUY

NAV calculation	Rationale	INR b	per share (INR)	%
Residential	❖ DCF of four year cash flow at a WACC of 11% and nil terminal growth	614	1531	84%
Office – Operational	❖ Cap rate of 9% for operational assets and DCF for ongoing and planned assets	19	48	3%
Office – Ongoing and Upcoming	❖ Cap rate of 9% for operational assets and DCF for ongoing and planned assets	76	191	10%
Retail Malls	❖ Cap rate of 9% for operational assets and DCF for ongoing and planned assets	34	84	5%
Hospitality	❖ FY26E EBITDA at 17.5x EV/EBITDA	70	175	10%
Property Management Services	❖ FY26E EBITDA at 10x EV/EBITDA	12	31	2%
Gross Asset Value		826	2060	113%
Less: Net debt	❖ FY25E	(94)	(234)	(13%)
Net Asset Value		732	1,825	100%
CMP			1,506	
Upside			21%	

Source: MOFSL

Financials and Valuation

Consolidated Profit & Loss (INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Total Income from Operations	51,719	81,248	72,644	63,895	83,150	78,771	1,04,178	1,14,313
Change (%)	-5.9	57.1	-10.6	-12.0	30.1	-5.3	32.3	9.7
Construction Cost	28,599	47,911	44,753	38,904	47,244	26,923	46,880	51,441
Employees Cost	3,986	4,206	4,206	4,510	6,034	7,467	7,501	8,231
Other Expenses	4,596	5,571	3,963	5,146	9,009	19,397	21,877	22,863
Total Expenditure	37,181	57,688	52,922	48,560	62,287	53,787	76,258	82,534
% of Sales	71.9	71.0	72.9	76.0	74.9	68.3	73.2	72.2
EBITDA	14,538	23,560	19,722	15,335	20,863	24,984	27,920	31,779
Margin (%)	28.1	29.0	27.1	24.0	25.1	31.7	26.8	27.8
Depreciation	3,229	6,667	5,926	4,710	6,471	7,165	8,731	10,085
EBIT	11,309	16,893	13,796	10,625	14,392	17,819	19,189	21,694
Int. and Finance Charges	7,228	10,233	9,899	5,553	8,066	12,191	11,712	11,364
Other Income	1,122	1,185	2,374	2,107	4,570	6,970	4,167	4,573
PBT bef. EO Exp.	5,203	7,845	6,271	7,179	10,896	12,598	11,644	14,902
EO Items	895	380	14,698	8,079	3,079	8,512	0	0
PBT after EO Exp.	6,098	8,225	20,969	15,258	13,975	21,110	11,644	14,902
Total Tax	1,985	2,783	5,198	2,945	3,475	4,936	2,911	3,726
Tax Rate (%)	32.6	33.8	24.8	19.3	24.9	23.4	25.0	25.0
Minority Interest	-307	-44	250	813	1,250	2,546	1,273	1,337
Reported PAT	4,420	5,486	15,521	11,500	9,250	13,628	7,460	9,840
Adjusted PAT	3,816	5,235	4,466	4,552	7,213	7,106	7,460	9,840
Change (%)	-10.1	37.2	-14.7	1.9	58.5	-1.5	5.0	31.9
Margin (%)	7.4	6.4	6.1	7.1	8.7	9.0	7.2	8.6

Consolidated Balance Sheet (INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	3,750	4,009	4,009	4,009	4,009	4,009	4,009	4,009
Total Reserves	38,516	49,593	62,744	86,937	95,744	1,08,879	1,15,738	1,24,976
Net Worth	42,266	53,602	66,753	90,946	99,753	1,12,888	1,19,747	1,28,985
Minority Interest	1,120	2,284	4,198	4,523	2,832	5,122	5,122	5,122
Total Loans	82,108	86,269	36,112	65,130	81,208	1,14,623	1,19,623	1,19,623
Deferred Tax Liabilities	2,651	2,955	2,688	2,731	3,118	5,447	5,447	5,447
Capital Employed	1,28,145	1,45,110	1,09,751	1,63,330	1,86,911	2,38,080	2,49,939	2,59,177
Gross Block	73,269	1,01,117	50,188	75,671	91,370	1,17,422	1,51,211	1,84,955
Less: Accum. Deprn.	9,014	16,428	12,918	17,628	24,099	31,264	39,995	50,080
Net Fixed Assets	64,255	84,689	37,270	58,043	67,271	86,158	1,11,217	1,34,875
Goodwill on Consolidation	3,069	5,167	534	534	534	534	534	534
Capital WIP	16,450	21,431	27,396	17,246	23,987	21,372	20,966	21,164
Total Investments	7,784	7,893	9,072	7,724	10,228	12,786	12,786	12,786
Curr. Assets, Loans&Adv.	1,95,424	1,78,536	1,92,917	2,20,894	2,63,809	3,64,337	3,02,490	3,13,372
Inventory	1,31,501	1,13,750	95,805	1,15,667	1,43,671	2,41,562	1,59,829	1,69,590
Account Receivables	16,544	14,765	13,740	14,196	13,286	12,340	18,552	18,791
Cash and Bank Balance	7,123	9,508	24,012	21,712	18,146	25,582	40,768	39,256
Loans and Advances	40,256	40,513	59,360	69,319	88,706	84,853	83,342	85,734
Curr. Liability & Prov.	1,58,837	1,52,606	1,57,438	1,41,111	1,78,918	2,47,107	1,98,055	2,23,554
Account Payables	12,530	12,249	10,820	9,800	14,514	16,574	16,714	18,090
Other Current Liabilities	1,43,608	1,35,265	1,41,805	1,23,211	1,59,270	2,23,146	1,74,439	1,97,891
Provisions	2,699	5,092	4,813	8,100	5,134	7,387	6,902	7,574
Net Current Assets	36,587	25,930	35,479	79,783	84,891	1,17,230	1,04,435	89,818
Appl. of Funds	1,28,145	1,45,110	1,09,751	1,63,330	1,86,911	2,38,080	2,49,938	2,59,177

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)								
EPS	10.2	14.0	11.9	12.1	19.2	19.0	19.9	26.2
Cash EPS	18.8	31.7	27.7	24.7	36.5	38.1	43.2	53.1
BV/Share	112.7	142.9	178.0	242.5	266.0	301.0	319.3	344.0
DPS	0.8	0.7	2.6	1.5	1.5	1.5	1.5	1.5
Payout (%)	8.2	6.4	8.2	5.2	6.5	4.4	8.1	6.1
Valuation (x)								
P/E	108.4	79.0	92.6	90.9	57.3	79.5	75.7	57.4
Cash P/E	58.7	34.8	39.8	44.7	30.2	39.6	34.9	28.3
P/BV	9.8	7.7	6.2	4.5	4.1	5.0	4.7	4.4
EV/Sales	9.4	6.4	6.3	7.6	6.1	8.8	6.6	6.0
EV/EBITDA	33.6	22.0	23.0	31.7	24.2	27.7	24.4	21.5
Dividend Yield (%)	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1
FCF per share	11.6	-2.8	27.3	-3.3	-2.8	-49.3	68.5	18.0
Return Ratios (%)								
RoE	8.5	10.9	7.4	5.8	7.6	6.7	6.4	7.9
RoCE	7.0	9.1	10.0	7.9	8.5	9.3	7.5	8.1
RoIC	8.4	11.0	13.3	10.3	8.6	8.7	8.1	9.0
Working Capital Ratios								
Fixed Asset Turnover (x)	0.7	0.8	1.4	0.8	0.9	0.7	0.7	0.6
Asset Turnover (x)	0.4	0.6	0.7	0.4	0.4	0.3	0.4	0.4
Inventory (Days)	928	511	481	661	631	1,119	560	542
Debtor (Days)	117	66	69	81	58	57	65	60
Creditor (Days)	88	55	54	56	64	77	59	58
Leverage Ratio (x)								
Current Ratio	1.2	1.2	1.2	1.6	1.5	1.5	1.5	1.4
Interest Cover Ratio	1.6	1.7	1.4	1.9	1.8	1.5	1.6	1.9
Net Debt/Equity	1.6	1.3	0.0	0.4	0.6	0.7	0.8	0.7

Consolidated Cash flow (INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
OP/(Loss) before Tax	5,203	7,845	20,719	15,093	14,143	12,598	11,644	14,902
Depreciation	3,229	6,667	5,926	4,710	6,471	7,165	8,731	10,085
Interest & Finance Charges	6,106	9,048	9,899	5,553	8,066	5,221	7,545	6,792
Direct Taxes Paid	-1,985	-2,783	-2,074	-2,361	-3,288	-4,936	-2,911	-3,726
(Inc)/Dec in WC	3,515	13,042	545	8,141	-2,418	-24,903	35,852	13,106
CF from Operations	16,068	33,819	35,015	31,136	22,974	-4,855	60,861	41,160
Others	0	0	-16,495	-9,737	-7,579	8,512	0	0
CF from Operating incl EO	16,068	33,819	18,520	21,399	15,395	3,657	60,861	41,160
(Inc)/Dec in FA	-11,721	-34,927	-7,591	-22,704	-16,502	-23,437	-33,384	-33,941
Free Cash Flow	4,347	-1,108	10,929	-1,305	-1,107	-19,780	27,477	7,218
(Pur)/Sale of Investments	-3,438	-109	-4,060	-18,144	-9,111	-2,558	0	0
Others	1,122	1,185	16,562	394	-1,948	6,970	4,167	4,573
CF from Investments	-14,037	-33,851	4,911	-40,454	-27,561	-19,025	-29,217	-29,369
Issue of Shares	0	259	0	0	0	0	0	0
Inc/(Dec) in Debt	13,030	4,161	4,812	21,358	17,027	33,415	5,000	0
Interest Paid	-7,228	-10,233	-9,847	-5,341	-7,412	-12,191	-11,712	-11,364
Dividend Paid	-365	-354	0	-601	-601	-601	-601	-601
Others	-263	-1,455	-1,415	568	-3,559	-2,546	-1,273	-1,337
CF from Fin. Activity	5,174	-7,622	-6,450	15,984	5,455	18,077	-8,587	-13,302
Inc/Dec of Cash	7,205	-7,654	16,981	-3,071	-6,711	2,709	23,058	-1,511
Opening Balance	14,094	21,299	7,031	24,012	21,712	15,001	17,710	40,768
Closing Balance	21,299	13,646	24,012	20,941	15,001	17,710	40,768	39,256

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