

# Godrej Properties

## Pre-sales momentum strong

Godrej Properties (GPL) reported an operationally robust 3QFY21 with pre-sales volume of 2.4msf (51%/39% YoY/QoQ) and value of Rs 14.9bn (25%/39% YoY/QoQ), on the back of three new launches during the quarter. GPL also added two new projects in Bangalore with sales potential of 4.1msf. With the intent to take a lead in the consolidating sector, the company board passed an enabling resolution to raise Rs 37.5bn. Given the strong brand recognition, robust execution capability and healthy balance sheet, GPL is well-poised to take advantage of the sectoral tailwinds. However, we reiterate REDUCE, as all the positives are fairly priced in. We change our FY21/FY22/FY23 estimates by (43)/14/5 to account for deferment in revenue recognition and leave the target price unchanged at Rs 1,353/sh.

- Financial highlights:** GPL reported revenue at Rs 1.7bn (-56%/+91% YoY/QoQ), 57% below our estimates, on deferred revenue recognition. Finance cost declined by 9% sequentially to Rs 449mn. Consequently, APAT came in at Rs 146mn (-68%/+105% YoY/QoQ), 74% behind our estimates. We expect strong topline growth over FY21-23 as revenue starts getting recognised from the projects added over the past few years.
- Strong pre-sales growth led by launches during the quarter:** GPL registered pre-sales at 2.4msf (up 51% YoY), with average realisation at Rs 6,211/sf. Three projects launched during the quarter contributed Rs 8.3bn to the total booking of Rs 14.9bn. Given the strong launch pipeline, management expects sales momentum to continue in 4QFY21. GPL continues to augment its business development portfolio as it added two new projects in Bangalore with outright land purchase during the quarter.
- Healthy balance sheet to support growth:** Consolidated net debt increased to Rs 30.8bn (vs Rs 27.3bn on Sep-20). With Rs 13bn of cash, net D/E increased to 0.64x (0.57x on Sep-20). We believe comfortably levered balance sheet allows GPL to expand aggressively. In that direction, the company board passed an enabling resolution to raise capital of Rs 37.5bn to fund possible opportunities presented by the consolidating sector.

### Estimate Change Summary

| Consolidated (Rs mn) | FY21E   |        |         | FY22E  |        |        | FY23E  |        |        |
|----------------------|---------|--------|---------|--------|--------|--------|--------|--------|--------|
|                      | New     | Old    | % Chg.  | New    | Old    | % Chg. | New    | Old    | % Chg. |
| Revenues             | 9,204   | 13,097 | (30)    | 15,222 | 13,440 | 13     | 19,627 | 19,627 | 0      |
| EBITDA               | (1,277) | 762    | (268)   | 1,665  | 1,492  | 12     | 6,195  | 6,041  | 3      |
| EBITDA margin (%)    | (13.9)  | 5.8    | (1,970) | 10.9   | 11.1   | (16)   | 31.6   | 30.8   | 78     |
| APAT                 | 917     | 1569   | (42)    | 3,497  | 3,059  | 14     | 7,922  | 7,523  | 5      |
| AEPS (Rs/sh.)        | 3.6     | 6.2    | (42)    | 13.9   | 12.1   | 14     | 31.4   | 29.8   | 5      |

### Consolidated Financial Summary

| YE March (Rs mn) | 3QFY21 | 3QFY20 | YoY (%) | 2QFY21 | QoQ (%) | FY20   | FY21E   | FY22E  | FY23E  |
|------------------|--------|--------|---------|--------|---------|--------|---------|--------|--------|
| Net Sales        | 1,705  | 3,828  | (55)    | 895    | 90      | 24,414 | 9,204   | 15,222 | 19,627 |
| EBITDA           | (543)  | 423    | NA      | (714)  | NA      | 3,454  | (1,277) | 1,665  | 6,195  |
| APAT             | 146    | 455    | (68)    | 71     | 105     | 2,672  | 917     | 3,497  | 7,922  |
| EPS (Rs)         | 0.6    | 1.8    | (0.3)   | 0.3    | 0.4     | 10.6   | 3.6     | 13.9   | 31.4   |
| P/E (x)          |        |        |         |        |         | 126.5  | 368.8   | 96.7   | 42.7   |
| EV/EBITDA (x)    |        |        |         |        |         | 101.2  | (286.3) | 224.1  | 60.6   |
| RoE (%)          |        |        |         |        |         | 7.3    | 1.9     | 6.9    | 14.0   |

Source: Company, HSIE Research

## REDUCE

|                        |          |
|------------------------|----------|
| CMP (as on 4 Feb 2021) | Rs 1,340 |
| Target Price           | Rs 1,353 |
| NIFTY                  | 14,896   |

| KEY CHANGES  | OLD         | NEW       |          |
|--------------|-------------|-----------|----------|
| Rating       | REDUCE      | REDUCE    |          |
| Price Target | Rs 1,353    | Rs 1,353  |          |
| EPS cha. (%) | FY21 (42.6) | FY22 14.3 | FY23 5.3 |

### KEY STOCK DATA

|                             |              |
|-----------------------------|--------------|
| Bloomberg code              | GPL IN       |
| No. of Shares (mn)          | 252          |
| MCap (Rs bn) / (\$ mn)      | 338/4,631    |
| 6m avg traded value (Rs mn) | 1,480        |
| 52 Week high / low          | Rs 1,528/505 |

### STOCK PERFORMANCE (%)

|              | 3M   | 6M   | 12M   |
|--------------|------|------|-------|
| Absolute (%) | 37.0 | 43.9 | 22.0  |
| Relative (%) | 12.4 | 9.6  | (2.1) |

### SHAREHOLDING PATTERN (%)

|                 | Sep-20 | Dec-20 |
|-----------------|--------|--------|
| Promoters       | 64.44  | 64.44  |
| FIs & Local MFs | 4.25   | 4.40   |
| FPIs            | 19.81  | 20.21  |
| Public & Others | 11.50  | 10.95  |
| Pledged Shares  | -      | -      |

Source : BSE

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