

# Prestige Estates Projects Ltd. (PEPL)

BUY

CMP Rs288

Target Rs404

Upside 40%

## Result Highlights: Strong residential sales driving numbers

- ✓ PEPL achieved pre-sales of 2.76msf (-7%QoQ/35%YoY) for Q4FY21 which took tally for whole year to 8.16msf (25%YoY) and translates in sales value of Rs18.5bn (-9%QoQ/53%YoY) for Q4FY21 and Rs54.6bn (20%YoY) FY21 respectively. PEPL collected Rs50.8bn (9%YoY) for FY21.
- ✓ In Q4FY21 PEPL launched two project one each in residential (Prestige Park Drive o.67msf) and commercial (Prestige Lakeshore Drive 4.07msf) segment totaling to 4.74msf.
- ✓ PEPL has deleveraged its balance sheet by using cash generated from the Blackstone transaction and currently Net D/E stands at 0.19x with Net debt at Rs.13.1bn and cost of borrowing is at 9.8%.
- ✓ PEPL added new residential project in Prestige Cosmos Mulund, Mumbai with total saleable area of 5msf and can potentially generate Rs82.5bn revenue. PEPL need to pay grossly Rs17.5bn including upfront of Rs3.7bn and required to develop 0.8msf commercial space for secured lenders.
- ✓ Income from office and retail segment for FY21 stood at Rs7.2bn while in Q4FY21 PEPL clocked Rs953mn.

**Our view:** PEPL achieved best ever pre-sales of 8.16msf for FY21 and expects to continue this momentum on the back of planned launches of ~12-15msf in FY22. Company added one more project to the Mumbai portfolio (Prestige Cosmos with potential saleable area of 5msf). With Blackstone's Phase-1 transaction PEPL has deleveraged its balance sheet and net debt stands at Rs13.1bn and net D/E came down by 84% to 0.19x which is further expected to come down and PEPL to be net cash positive by Rs10bn once Phase-2 is executed. Additionally, company's plans to build 44.5msf annuity asset and 6 hospitality which will yield annual rental over Rs23bn and Rs7.9bn respectively by FY26 remains intact with maintaining D/E below 0.5x. We have recalibrated our numbers for new project addition and higher deleveraging than our expectation and SoTP based NAV inches up to be Rs621/share (WACC 11.3%, Cap rate 9% and 15x EV/EBITDA FY22) while bulls case NAV is Rs679/share. We maintain our BUY rating with TP of Rs404/share (35% discount to Rs621/share considering demand risk).

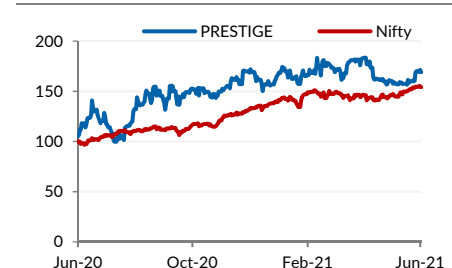
## Exhibit 1: Q4FY21 Result table

(Rs mn)	Q4 FY21	Q3 FY21	% qoq	Q4 FY20	% yoy
Net sales	22,681	18476	22.8	19823	14.4
Operating profit	5,504	4476	23.0	4996	10.17
OPM (%)	24.3	24.2	5bps	25.2	-94bps
Depreciation	1,221	1405	-13.1	1771	-31.1
Interest	2,582	2407	7.3	2584	-0.1
Other income	925	806	14.8	346	167.3
Exceptional Item	14,698	0		0	
PBT	17,324	1,470	1078.5	987	1655
Tax	3,814	480	694.6	392	873
PAT	13,510	990	1264.6	595	2171
Reported PAT	1,605	587	173.4	154	942.2
EPS	4.0	1.5	173.4	0.4	942.2

## Stock data (as on June 09, 2021)

Sensex:	15,635
52 Week h/l (Rs)	325 / 167
Market cap (Rs/USD mn)	115468 / 1582
Outstanding Shares	401
6m Avg t/o (Rs mn):	171
Div yield (%):	N/A
Bloomberg code:	PEPL IN
NSE code:	PRESTIGE

## Stock performance



	1M	3M	1Y
Absolute return	5.8%	0.1%	59.1%

## Shareholding pattern (As of Mar'21 end)

Promoter	65.48%
FII+DII	32.57%
Others	1.95%

## Financial Summary

(Rs mn)	FY21	FY22E	FY23E
Revenues	72,644	56,746	61,443
YoY growth (%)	(11.0)	(22.0)	8.0
EBITDA	19,722	14,659	17,512
OPM (%)	27.1	25.8	28.5
EPS (Rs)	7.0	10.0	13.5
EPS growth	-23.2	42.8	35.0
P/E (x)	41	29	21
EV/EBITDA (x)	6.5	10.7	9.4
Debt/Equity (x)	0.2	0.6	0.7
RoE (%)	4.2	5.7	7.3
RoCE (%)	13.4	8.7	9.5

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## CON-CALL HIGHLIGHTS

- ✓ Upon completion of Phase-2 of Blackstone transaction, PEPL will be net cash positive by Rs10bn. Phase-1 of Blackstone deal was used to reduce debt by Rs56bn along with some internal accruals and cash on books of Rs25bn.
- ✓ Management re-iterated PEPL to maintain D/E below 0.5x and currently average cost of borrowing is ~9.8%, which the management expects to bring down by 0.75-1% point.
- ✓ PEPL was able to collect ~97-98% of the rental from the commercial segment in Q4FY21 while hospitality segment reported loss of Rs1,900mn.
- ✓ PEPL aims to achieve Rs3,500mn rental income in FY22 (scaling down from previous guidance of Rs5,000mn majorly due to prevailing uncertainties due to regional lockdowns).
- ✓ Company has incurred capex of Rs12bn for all on-going projects & balance Rs30bn will be spent in coming 3-4 years.
- ✓ Management expects to launch Byculla project by Q2FY22, Mulund in Q3FY22, Jeejamata Nagar project in FY23 while BKC Phase-1 is in approval stage.
- ✓ The management deferred from providing any guidance for FY22 in terms of pre-sales but stated that company has launch pipeline of ~12-15msf and should surpass the FY21 volume and achieve sales over Rs60bn with entry in two new markets (Mumbai & NCR).

### Exhibit 2: DCF based SoTP valuation at WACC 11.3%, Cap Rate 9% & 15xEV/EBITDA

Valuation Breakup	Rs. mn	Rs./share	Comments
Residential	64,166	160	NAV Based FY22E
Office Leasing	129,835	324	NAV Based FY22E
Retail Segment	31,594	79	NAV Based FY22E
Hospitality & FMS Services	15,996	40	15x FY22 EV/EBITDA
Land Bank	19,575	49	Avg Yield at 675psf
Net Debt	12,100	30	As of FY21
<b>Total</b>	<b>249,067</b>	<b>621</b>	
CMP		₹288	
Upside/(downside)		116%	
Discount		35%	
Discounted TP		₹404	
Return		40%	

Source: Company, YES Sec – Research

# Prestige Estates Projects Ltd

## Exhibit 3: DCF based SoTP valuation at WACC 11.3%, Cap Rate 8% & 20xEV/EBITDA

Valuation Breakup	Rs. mn	Rs./share	Comments
Residential	64,166	160	NAV Based FY22E
Office Leasing	147,410	368	NAV Based FY22E
Retail Segment	33,650	84	NAV Based FY22E
Hospitality & FMS Services	19,313	48	20x FY22 EV/EBITDA
Land Bank	19,575	49	Avg Yield at 675psf
Net Debt	12,100	30	As of FY21
<b>Total</b>	<b>272,014</b>	<b>679</b>	
CMP		₹288	
Upside/(downside)		136%	

Source: Company, YES Sec - Research

## FINANCIALS

### Exhibit 4: Balance sheet

Y/e 31 Mar (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
Equity capital	3,750	4,009	4,009	4,009	4,009
Reserves	38,516	49,593	62,744	65,783	70,222
Net worth	42,266	53,602	66,753	69,792	74,231
Debt	82,108	86,269	36,112	61,743	65,693
Deferred tax liab (net)	(6,986)	(7,456)	(6,187)	(6,187)	(6,187)
Other non-current liabilities	2,864	12,446	11,104	13,574	15,871
Total liabilities	120,252	144,861	107,782	138,922	149,608
Fixed Asset	80,705	106,120	64,666	74,026	99,640
Investments	7,784	7,893	9,072	9,072	9,072
Other Non-current Assets	8,396	10,206	4,747	4,747	4,747
Net Working Capital	16,837	12,785	5,837	30,670	18,845
Inventories	131,501	113,750	95,805	101,529	93,098
Sundry debtors	16,544	14,765	13,740	19,707	17,129
Loans and Advances	16,282	17,221	22,048	22,048	22,048
Sundry creditors	12,530	12,249	10,820	9,861	10,677
Other current liabilities	144,201	129,831	111,630	111,630	111,630
Cash & equivalents	6,530	7,857	23,460	20,407	17,304
Total Assets	120,252	144,861	107,782	138,922	149,608

### Exhibit 5: Income statement

Y/e 31 Mar (Rs m)	FY19	FY20	FY21	FY22E	FY23E
Revenue	51,719	81,248	72,644	56,746	61,443
Operating profit	14,538	23,560	19,722	14,659	17,512
Depreciation	3,229	6,667	5,926	3,261	4,210
Interest expense	7,228	10,233	9,899	5,155	5,019
Other income	1,122	1,185	2,374	1,932	1,932
Profit before tax	6,097	8,225	20,969	8,175	10,216
Taxes	1,985	2,783	5,198	1,554	2,214
Adj. PAT	3,262	3,651	2,804	4,005	5,406
Net profit	4,112	5,442	15,771	6,621	8,002

### Exhibit 6: Cash flow statement

Y/e 31 Mar (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
PBIT	6,404	8,269	20,719	5,559	7,620
Depreciation	3,229	6,667	5,926	3,261	4,210
Tax paid	(2,330)	(3,033)	(2,074)	(1,554)	(2,214)
Working capital Δ	(4,804)	1,433	545	(10,179)	14,121
Other operating items					
Operating cashflow	7,621	22,263	18,528	2,242	28,756
Capital expenditure	(7,652)	(15,451)	(7,521)	(24,805)	(29,824)
Free cash flow	(31)	6,812	11,007	(22,563)	(1,068)
Equity raised					
Investments	1,376	(8,045)	12,433	0	0
Debt financing/disposal	8,930	14,072	3,397	25,631	3,950
Interest Paid	(7,137)	(1,403)	0	(5,155)	(5,019)
Dividends paid	(543)	-	0	(966)	(966)
Other items	0	(489)	(1,415)	0	0
Net Δ in cash	2,215	1,287	16,990	(3,054)	(3,104)

## Exhibit 7: Du-pont analysis

Y/e 31 Mar (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
Tax burden (x)	0.54	0.44	0.13	0.49	0.53
Interest burden (x)	0.54	0.49	1.52	0.72	0.77
EBIT margin (x)	21.9	20.8	19.0	20.1	21.7
Asset turnover (x)	0.2	0.3	0.3	0.2	0.2
Financial leverage (x)	6.8	5.6	4.0	3.9	3.8
RoE (%)	7.7	6.8	4.2	5.7	7.3

## Ratio analysis

Y/e 31 Mar	FY19	FY20	FY21	FY22E	FY23E
<b>Growth matrix (%)</b>					
Revenue growth	(5.9)	57.1	(10.6)	(21.9)	8.3
Op profit growth	13.8	62.1	(16.3)	(25.7)	19.5
EBIT growth	0.8	49.4	(18.3)	(17.4)	16.7
Net profit growth	0.0	32.3	189.8	(58.0)	20.8
<b>Profitability ratios (%)</b>					
OPM	28.1	29.0	27.1	25.8	28.5
EBIT margin	21.9	20.8	19.0	20.1	21.7
Net profit margin	8.0	6.7	21.7	11.7	13.0
RoCE	9.1	12.1	13.4	8.7	9.5
RoNW	7.7	6.8	4.2	5.7	7.3
RoA	4.0	3.4	4.3	5.4	5.4
<b>Per share ratios</b>					
EPS	8.7	9.1	7.0	10.0	13.5
Dividend per share	1.5	2.9	0.0	2.0	2.0
Cash EPS	17.3	25.7	21.8	18.1	24.0
Book value per share	105.4	133.7	166.5	174.1	185.2
<b>Payout (%)</b>					
Dividend payout	17	32	0	20	15
Tax payout	33	20	16	19	22
<b>Liquidity ratios</b>					
Debtor days	117	127	127	127	102
Inventory days	928	653	653	653	553
Creditor days	88	88	63	63	63

Source: Company, YES Sec - Research

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