

Real Estate

Q4FY21 result review and TP change

Target price: Rs1,047

Target price revision

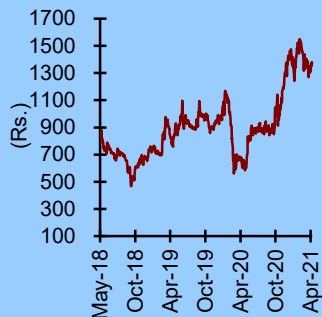
Rs1,047 from Rs1,019

Shareholding pattern

	Sep '20	Dec '20	Mar '21
Promoters	64.4	64.4	58.4
Institutional investors	25.1	25.7	33.1
MFs and others	4.8	4.4	3.8
FIs/Banks/Insu.	0.0	0.0	1.4
FPI	20.3	21.3	27.9
Others	10.5	9.9	8.5

Source: NSE

Price chart



Research Analyst:
Adhidev Chattopadhyay
adhidev.chattopadhyay@icicisecurities.com
+91 22 6637 7451

INDIA

Godrej Properties

SELL

Maintain

Rs1,316

Strong end to a challenging year

Along expected lines, Godrej Properties' (GPL) Q4FY21 gross sales bookings worth Rs26.3bn grew 10% YoY and 77% QoQ on the back of seven new launches which contributed 58% of the quarter's sales bookings. GPL's FY21 sales bookings have risen by 14% YoY even in a challenging year and with 19 new launches lined up in FY22E, we expect GPL to target an overall YoY growth in FY22 sales bookings even as the second Covid wave across India is expected to impact H1FY22 sales bookings. With Rs44bn of cash and liquid investments as of Mar'21 post the recent QIP (net cash of Rs0.6bn), GPL is well positioned to augment its land bank. We retain our SELL Rating with a revised target price of Rs1,047 (earlier Rs1,019) adjusting for QIP proceeds and retain our 50% premium to FY21 NAV of Rs698/share. Key risks to our call are a stronger than expected uptick in GPL's sales volumes and double-digit residential price growth.

- ▶ **Resilient performance in FY21 considering Covid impact:** In Q4FY21, GPL achieved gross sales bookings worth Rs26.3bn (up 10% YoY and 77% QoQ). This was along expected lines as GPL's seven new launches (three in Pune, two in MMR and one each in NCR and Bengaluru) during the quarter contributed Rs15.3bn of sales bookings or 58% of the quarter's overall sales. For FY21, GPL's gross sales bookings are up 14% YoY at Rs67.3bn which we believe is commendable considering the Covid impact on the realty industry in this period. GPL also clocked its highest ever quarterly collections of Rs20.4bn in Q4FY21 which led to a pre-tax/interest operating surplus of Rs7.9bn in Q4FY21 and Rs8.9bn in FY21.
- ▶ **Strong pipeline of launches in FY22E expected to drive sales bookings:** With around 19 launches lined up in FY22E spread over 12.3msf (excluding Bandra/Worli projects in Mumbai), we expect GPL to clock Rs92.7bn of sales bookings in FY22E (38% YoY growth), even after accounting for a muted H1FY22 on account of Covid impact. We expect GPL to continue to utilise its digital marketing channels, undertake periodic sales activations and manage on-site labour and construction activity to mitigate Covid impact. We await the company management's commentary in the results call on Covid impact, demand outlook and any formal sales booking guidance for FY22E.
- ▶ **Recent equity fund raise to enable GPL to capture growth opportunities:** With Rs44bn of cash and liquid investments as of Mar'21 post the recent QIP fund raise of Rs37bn (net cash of Rs0.6bn), GPL is well positioned to augment its land bank. The company continues to pursue a counter-cyclical strategy of acquiring land largely on outright basis in a stressed residential market at attractive valuations.

Market Cap	Rs364bn/US\$4.9bn	Year to Mar	FY20	FY21P	FY22E	FY23E
Reuters/Bloomberg	GODR.BO / GPL IN	Revenue (Rs bn)	24.4	7.6	5.4	17.9
Shares Outstanding (mn)	277.9	Rec. Net Income (Rs bn)	2.7	(1.9)	3.2	4.6
52-week Range (Rs)	1573/575	EPS (Rs)	10.7	(6.8)	11.4	16.6
Free Float (%)	41.6	% Chg YoY	6.9	NM	NM	45.3
FII (%)	27.9	P/E (x)	122.5	NM	115.1	79.2
Daily Volume (US\$/'000)	23,390	P/B (x)	6.9	4.4	4.2	4.0
Absolute Return 3m (%)	(5.7)	EV/E (x)	99.1	NM	798.6	86.4
Absolute Return 12m (%)	93.3	Dividend yield (%)	-	-	-	-
Sensex Return 3m (%)	(3.1)	RoCE (%)	7.4	0.8	6.1	7.9
Sensex Return 12m (%)	44.5	RoE (%)	7.4	(2.9)	3.7	5.2

Table 1: Q4FY21 consolidated result snapshot

(Rs mn)

	Q4FY21	Q4FY20	Q3FY21	YoY (%)	QoQ (%)
Total Operating income	4,326	11,631	1,705	(62.8)	153.8
Raw Materials	2,763	7,806	1,174	(64.6)	135.3
Personnel Cost	1,936	858	339	125.6	470.5
Other Expenses	1,169	1,412	735	(17.2)	59.1
Total Expenses	5,868	10,076	2,248	(41.8)	161.0
EBITDA	(1,541)	1,555	(543)	NM	NM
<i>EBITDA margin (%)</i>	(35.6)	13.4	(31.9)	NM	NM
Interest (Net)	408	576	449	(29.2)	(9.2)
Depreciation	53	56	50	(5.7)	5.0
Other Income	1,434	1,251	1,408	14.6	1.9
Profit Before Tax	(567)	2,174	366	NM	NM
Taxation	667	887	170	(24.8)	291.4
Profit After Tax before MI/Associate	(1,234)	1,287	195	NM	NM
MI/Associate/JV share	(682)	(276)	(50)		
Reported PAT	(1,916)	1,011	146	NM	NM
<i>Net margin (%)</i>	NM	8.7	8.5	NM	NM

Source: Company data, I-Sec research, *Ind-AS 115 numbers not comparable on YoY or QoQ basis

Table 2: Quarterly and annual sales volume trends

Quarterly Sales Performance (Gross)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	FY20	FY21
Volumes (mn-sqft)	2.51	1.73	2.40	4.18	8.80	10.81
Value of sales (Rs mn)	15,310	10,740	14,880	26,320	59,150	67,250
Average realisation (Rs/psf)	6,094	6,212	6,211	6,301	6,722	6,219

Source: Company data, I-Sec research

Table 3: GPL Direct method cashflows (FY17-21)

Details (Rs mn)	FY17	FY18	FY19	FY20	FY21
Gross Sales Bookings	20,230	50,830	53,160	59,150	67,250
Operating Cash Inflow (Collections)	25,670	40,230	43,820	42,760	43,670
Operating Cash Outflow	-19,750	-21,550	-32,030	-34,840	-34,750
Construction and related outflow	-14,030	-11,270	-19,270	-19,020	-19,420
Other project related outflow	-5,720	-10,280	-12,760	-15,820	-1,5320
Net Operating Surplus..(A)	5,920	18,680	11,790	7,920	8,930
Financial Cashflows:					
Inflow on private placement/QIP	0	0	10,000	20,660	36,970
PE exit	-2,490	0	-1,920	1,450	-
Interest and corporate taxes	-4,710	-2,220	-4,760	-5,950	-4,070
Net Financial cashflow..(B)	-7,200	-2,220	3,320	16,160	32,900
Capital Cashflows:					
Land & approval related outflow	-5,930	-6,500	-13,390	-17,350	-19,040
Advance to JV partners and others	-690	-2,360	-1,220	-2,870	-1,740
Net Capital cashflow..(C)	-6,620	-8,860	-14,610	-20,220	-20,780
Adjustment for JV Projects..(D)	0	0	5,470	6,250	-3,550
Total net GPL cashflow	-7,900	7,600	5,970	10,110	1,750
Other INDAS adjustments..(E)	1,850	-1,070	1,070	-290	-90
(Increase)/Decrease in Net Debt under Ind AS..(A+B+C+D+E)	-6,050	6,530	7,040	9,820	17,400

Source: Company, I-Sec Research

Table 4: SoTP valuation

Segmental Valuation	GAV (Rs mn)	Value (Rs/share)
Devco sale model (FY22-27E Cash Flows)	128,777	463
Less: Net Debt as of FY21 (including lease liability)	1,280	5
Devco NAV	127,497	459
Add :		
Value from Trees new projects	27,212	98
Vikhroli DM – Assuming 1msf p.a. for 40 years	29,607	107
Other DM at 8x EV/EBITDA	9,621	35
FY21E NAV	193,937	698
Add: Business Development Value/Premium to NAV	96,969	349
FY21E NAV	290,906	1,047

Source: Company data, I-Sec research

Summary financials (consolidated)

Table 5: Earnings statement
(Rs mn, year ending March 31)

	FY20	FY21P	FY22E	FY23E
Net Sales	24,414	7,649	5,366	17,946
Operating Expenses	20,960	10,983	4,902	13,704
EBITDA	3,454	-3,334	464	4,242
<i>% margins</i>	14.1%	-43.6%	8.6%	23.6%
Depreciation & Amortisation	205	195	224	242
EBIT	3,249	-3,529	239	4,000
Gross Interest	2,220	1,849	2,832	3,028
Other Income	4,732	5,684	3,907	3,827
Recurring PBT	5,761	306	1,315	4,799
Less: Taxes	2,203	1,038	1,636	2,378
PAT before				
Minority/Associate	3,558	-732	-321	2,421
Minority/Associate share	-851	-1,161	3,497	2,194
Net Income (Reported)	2,706	-1,892	3,176	4,615

Source: Company data I-Sec research

Table 6: Balance sheet
(Rs mn, year ending March 31)

	FY20	FY21P	FY22E	FY23E
Assets				
Total Current Assets	56,501	1,01,694	1,11,029	1,19,784
<i>of which cash & cash eqv.</i>	5,070	6,733	5,183	9,122
Total Current Liabilities & Provisions	14,974	33,128	38,002	42,875
Net Current Assets	41,527	68,565	73,027	76,910
Goodwill/Investments	35,710	52,426	52,426	52,426
Net Fixed Assets	2,721	3,819	4,532	5,265
Deferred Tax Asset	5,188	3,592	3,592	3,592
Total Assets	85,146	1,28,401	1,33,577	1,38,192
Liabilities				
Borrowings	37,101	45,206	47,206	47,206
Equity Share Capital	1,260	1,390	1,390	1,390
Reserves & Surplus*	46,785	81,805	84,981	89,596
Net Worth	48,045	83,195	86,371	90,986
Total Liabilities	85,146	1,28,401	1,33,577	1,38,192

Source: Company data I-Sec research

Table 7: Cashflow statement
(Rs mn, year ending March 31)

	FY20	FY21P	FY22E	FY23E
PBT	4,909	-857	4,812	6,993
Depreciation	205	195	224	242
Non-Cash Adjustments	0	0	0	0
Working Capital Changes	-6,219	-3,566	-6,012	57
Taxes Paid	-2,203	-1,038	-1,636	-2,378
Operating Cashflow	-3,307	-5,265	-2,612	4,914
Capital Commitments	-631	-1,253	-938	-975
Free Cashflow	-3,938	-6,518	-3,550	3,939
Other investing cashflow	-17,382	-33,251	0	0
Cashflow from Investing Activities	-18,013	-34,504	-938	-975
Issue of Share Capital	20,659	36,909	0	0
Inc (Dec) in Borrowings	2,169	9,510	2,000	0
Dividend paid	0	0	0	0
Cashflow from Financing activities	22,828	46,419	2,000	0
Chg. in Cash & Bank balances	1,508	6,651	-1,550	3,939

Source: Company data I-Sec research

Table 8: Key ratios
(Year ending March 31)

	FY20	FY21P	FY22E	FY23E
Per Share Data (Rs)				
EPS	10.7	(6.8)	11.4	16.6
Dividend per share (DPS)	0.0	0.0	0.0	0.0
Book Value per share (BV)	190.6	299.3	310.8	327.4
Growth (%)				
Net Sales	(13.3)	(68.7)	(29.8)	234.4
EBITDA	94.0	(196.5)	(113.9)	814.8
PAT	6.9	(169.9)	(267.8)	45.3
Valuation Ratios (x)				
P/E	122.5	(193.1)	115.1	79.2
P/BV	6.9	4.4	4.2	4.0
EV / EBITDA	99.1	(110.0)	798.6	86.4
EV / Sales	14.0	47.9	69.0	20.4
Operating Ratios				
Debt/EBITDA (x)	10.7	(13.6)	101.8	11.1
Net D/E	0.2	0.0	0.1	0.0
Return Ratios (%)				
RoE	7.4	(2.9)	3.7	5.2
RoCE	7.4	0.8	6.1	7.9
EBITDA Margins	14.1	(43.6)	8.6	23.6
Net Income Margins	11.1	(24.7)	59.2	25.7

Source: Company data I-Sec research

This report may be distributed in Singapore by ICICI Securities, Inc. (Singapore branch). Any recipients of this report in Singapore should contact ICICI Securities, Inc. (Singapore branch) in respect of any matters arising from, or in connection with, this report. The contact details of ICICI Securities, Inc. (Singapore branch) are as follows: Address: 10 Collyer Quay, #40-92 Ocean Financial Tower, Singapore - 049315, Tel: +65 6232 2451 and email: navneet_babbar@icicisecuritiesinc.com, Rishi_agrawal@icicisecuritiesinc.com.

"In case of eligible investors based in Japan, charges for brokerage services on execution of transactions do not in substance constitute charge for research reports and no charges are levied for providing research reports to such investors."

New I-Sec investment ratings (all ratings based on absolute return; All ratings and target price refers to 12-month performance horizon, unless mentioned otherwise)
BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return

ANALYST CERTIFICATION

I/We, *Adhidev Chattopadhyay, MBA (Finance)*; 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. 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. Analysts are not registered as research analysts by FINRA and are not associated persons of the ICICI Securities Inc. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Institutional Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Retail Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.