

Retail Equity Research

Prestige Estates Projects Ltd.

Real Estate

BSE CODE : 533274

NSE CODE: PRESTIGE

BLOOMBERG CODE: PEPL:IN

SENSEX : 79,468

Accumulate

12 Months Investment Period

Rating as per Mid Cap

CMP Rs.1,648 TARGET Rs.1,822 RETURN 11% ↑

(Closing: 07-08-2024)

KEY CHANGES:

TARGET ↑

RATING ↑

EARNINGS ↑

Capex to drive revenue..

Prestige Estates Projects Ltd. (PEPL) is India's leading real estate developer in terms of booking value. Its expansion is driven by a diverse portfolio spanning tier 1 and tier 2 cities, with a strategic focus on Mumbai and Hyderabad for robust growth.

- In Q1FY25, Prestige reported a 23% YoY decline in pre-sales due to muted launches (1.9msf) and minimal inventory.
- Area sold in the quarter dipped to 2.9msf (-25% YoY), with an average realization of Rs. 11,934, marking a 16% YoY increase.
- PEPL's marked a revenue growth of 11% YoY; however, the Adj. PAT margin contracted by ~300bps YoY.
- Though Q1FY25 witnessed a decline in pre-sales, PEPL outlines a strong trajectory for presales, supported by robust launches in Bangalore, Delhi, and Mumbai in the latter half of the year.
- Prestige is on a stable footing in the residential segment with a strong pipeline along with aggressive expansion in annuity assets. Further considering the upgrade in earnings, we revise our rating on the stock to Accumulate with an updated target price of Rs. 1,822, based on 4.9x FY26E adj. book value.

Strong launches in latter half

In Q1FY25, PEPL clocked a pre-sale of Rs.3,030cr (-23% YoY), aided by 2 launches of 1.86msf. The total area sold declined by 25% YoY to 2.86msf, despite that realisation showing a growth of 16% YoY in apartments and villas and 46% in plotted development. The decline in pre-sales is attributed to delayed approvals on launches due to elections. However, the company maintains the presales guidance of 25% growth in the year, supported by the strong launches in the second half of the year.

Revenue Recognition to improve...

PEPL recognized Revenue grew by 11% YoY; however, it marked a decline of 14% QoQ. Additionally, the company reported Rs. 87cr as mark-to-market gain of Nexus REIT units in the quarter. Consequently, the company's EBITDA margin improved by 300bps YOY to 43%. We expect the margins to normalize in the coming quarters and revenue recognition to improve on the back of higher completions.

Capex to drive annuity revenue

Prestige plans aggressive expansion in its annuity segments, with promising cash flows ahead. Additionally, the company has a planned capex of ~15,000cr to ~16,000cr on commercials, retail, and hospitality in the coming years. Even though management expects the debt-to-equity ratio to improve in the next 6 quarters, supported by free cash flows from the upcoming launches in the residential segment despite the substantial capex in the coming years.

Valuation

Despite a moderate quarter, we remain optimistic on PEPL considering the strong launches in the coming quarters, steady demand, and exceptional growth anticipated in the rental segments. Therefore, we upgrade our rating on stock to Accumulate based on 4.9x FY26E Adj. book value with a revised target price of Rs. 1,822.

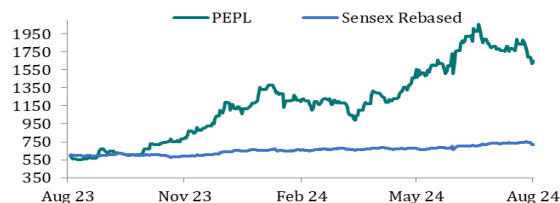
Company Data

Market Cap (Rs cr)	66,060
Enterprise Value (Rs cr)	74,964
Outstanding Shares (Rs cr)	40.1
Free Float	35%
Dividend Yield	0.1%
52 week high (Rs.)	2,073
52 week low (Rs.)	543
6m average volume (cr)	0.12
Beta	1.0
Face value (Rs)	10.0

Shareholding (%)	Q1FY25	Q4FY24	Q3FY24
Promoters	65.5	65.5	65.5
FII's	16.8	16.0	18.1
MFs/Institutions	14.4	15.0	13.2
Public/Others	3.3	3.5	3.2
Total	100.0	100.0	100.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	30%	103%	123.4%
Absolute Sensex	9%	11%	11.5%
Relative Return	20%	93%	111.9%

*over or under performance to benchmark index



Consolidated (cr)	FY24A	FY25E	FY26E
Sales	7,877	10,266	13,431
Growth (%)	-5	30	31
EBITDA	2,498	3,025	3,764
EBITDA Margin(%)	32	29	28
PAT Adj.	1,374	1,134	1,586
Growth (%)	46	-17	40
Adj. EPS	34.3	28.3	39.6
Growth (%)	46	-17	40
P/E	34	58	41
P/B	4.0	5.0	4.4
EV/EBITDA	22.3	24.9	20.1
ROE (%)	12	9	11
D/E	0.75	0.74	0.67



Quarterly Financials (Consolidated)

	Q1FY25	Q1FY24	YoY Growth (%)	Q4FY24	QoQ Growth (%)
Sales	1,862	1,681	11	2,164	-14.0
EBITDA	796	527	51	828	-4
EBITDA margins(%)	43	31	1143 bps	38.2	451 bps
Depreciation	191	166	15	197	-3
EBIT	606	361	68	631	-4
Interest	346	238	45	424	-18
Other Income	162	285	-43	69	137
Exceptional Items	0	0	0	0	0
PBT	422	408	3	275	53
Tax	102	86	19	79	30
Share of profit from Associate	-13	-4	198	39	-133
Reported PAT	307	318	-3	236	30
Adjustments	74	51	46	96	-22
Adj PAT	233	267	-13	140	66
No. of Shares	40.09	40.09		40.09	
EPS (Rs)	5.8	6.7	-12.9	3.5	66.1

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	11,037	13,123	10,266	13,431	-7.0	2.3
EBITDA	2,476	3,241	3,025	3,764	22.2	16.1
Margins (%)	22	25	29	28	703 bps	333 bps
Adj. PAT	907	1,281	1,134	1,586	25	24
EPS	23	32	28	40	23	24

Consolidated Financials

PROFIT & LOSS

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Sales	6,390	8,315	7,877	10,266	13,431
% change	-12	30	-5	30	31
EBITDA	1,534	2,086	2,498	3,025	3,764
% change	-22	36	20	21	24
Depreciation	471	647	0	898	1,160
EBIT	1,257	2,221	3,341	3,128	3,922
Interest	555	807	1,219	1,370	1,463
Other Income	211	457	1,548	1,027	1,343
PBT	701	1,414	2,122	1,758	2,459
% change	16	102	50	-17	40
Tax	140	348	494	439	615
Tax Rate (%)	20	25	23	25	25
Reported PAT	561	1,067	1,629	1,318	1,844
Adj.*	65	125	255	185	258
Adj. PAT	496	942	1,374	1,134	1,586
% change	19	90	46	-17	40
No. of shares (cr)	40.09	40.09	40.09	40.09	40.09
Adj EPS (Rs)	12.4	23.5	34.3	28.3	39.6
% change	19	90	46	-17	40
DPS (Rs)	1.5	1.5	1.7	1.4	2.0

BALANCE SHEET

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	2,171	1,815	2,558	2,283	2,369
Accounts Receivable	1,420	1,329	1,234	1,238	1,518
Inventories	11,567	14,367	24,156	27,544	31,020
Other Cur. Assets	4,414	6,448	7,393	8,215	9,167
Investments	2,102	2,382	1,164	1,417	1,620
Gross Fixed Assets	7,548	9,086	11,690	15,942	19,754
Net Fixed Assets	5,798	6,722	8,610	11,963	14,767
CWIP	1,725	2,399	2,137	2,565	2,821
Intangible Assets	60	58	60	60	60
Other Assets	1,189	1,063	1,207	1,404	1,537
Total Assets	30,444	36,583	48,519	56,688	64,880
Current Liabilities	12,589	16,279	22,096	28,531	34,253
Provisions	810	513	739	482	550
Debt Funds	6,513	8,121	11,462	11,887	12,307
Other Liabilities	985	1,411	2,421	2,726	2,943
Equity Capital	401	401	401	401	401
Reserves & Surplus	9,146	9,858	11,400	12,662	14,427
Shareholder's Fund	9,547	10,259	11,801	13,063	14,828
Total Liabilities	30,444	36,583	48,519	56,688	64,880
BVPS	238	256	294	326	370

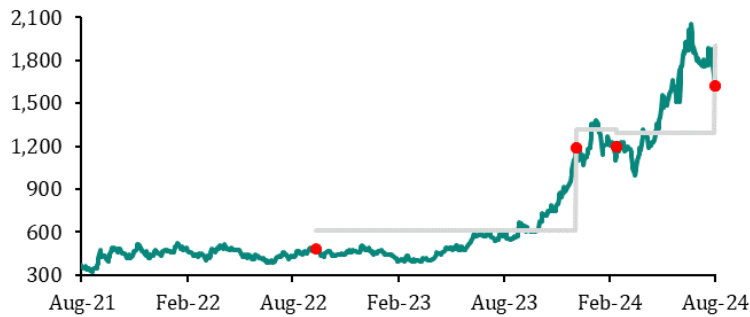
CASH FLOW

Y.E March	FY22A	FY23	FY24A	FY25E	FY26E
Net inc. + Depn.	967	1,589	1,374	2,032	2,746
Non-cash adj.	974	762	1,508	0	0
Other adjustments	0	0	0	0	0
Changes in W.C	814	-242	-838	2,177	1,316
C.F. Operation	2,140	1,540	1,297	5,764	5,784
Capital exp.	-2,270	-1,650	-1,907	-4,679	-4,069
Change in inv.	-1,889	-1,536	-661	-450	-336
Other invest.CF	114	122	0	0	0
C.F - Investment	-4,045	-3,064	-2,567	-5,129	-4,405
Issue of equity	0	0	-922	0	0
Issue/repay debt	2,136	1,703	2,891	517	402
Dividends paid	-60	-60	0	-57	-79
Other finance.CF	-566	-1,005	0	-1,370	-1,615
C.F - Finance	1,509	638	1,969	-910	-1,292
Chg. in cash	-396	-887	699	-276	87
Closing cash	2,069	1,457	2,268	1,992	2,079

RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab. & Return					
EBITDA margin (%)	24.0	25.1	31.7	29.5	28.0
EBIT margin (%)	19.7	26.7	42.4	30.5	29.2
Net profit mgn.(%)	7.8	11.3	17.4	11.0	11.8
ROE (%)	5.5	9.5	12.5	9.1	11.4
ROCE (%)	10.6	16.1	19.8	16.2	18.8
W.C & Liquidity					
Receivables (days)	79.8	60.3	59.4	43.9	37.4
Inventory (days)	1189.8	1160.5	2611.3	2515.5	2095.4
Payables (days)	116.0	108.8	210.7	135.6	95.4
Current ratio (x)	1.2	1.1	1.2	1.1	1.0
Quick ratio (x)	0.5	0.4	0.4	0.3	0.3
Turnover & Leverage					
Gross asset T.O (x)	1.0	1.0	0.8	0.7	0.8
Total asset T.O (x)	0.2	0.2	0.2	0.2	0.2
Int. covge. ratio (x)	2.3	2.8	2.7	2.3	2.7
Adj. debt/equity (x)	0.5	0.6	0.8	0.7	0.7
Valuation					
EV/Sales (x)	3.4	3.6	7.1	7.3	5.6
EV/EBITDA (x)	14.2	14.4	22.3	24.9	20.1
P/E (x)	35.1	18.9	34.1	57.8	41.3
P/BV (x)	1.8	2.3	4.0	5.0	4.4

Recommendation Summary (last 3 years)



Source: Bloomberg, Geojit Research.

Dates	Rating	Target
14.Sep.22	BUY	611
08.Dec.23	ACCUMULATE	1,317
16.Feb.24	HOLD	1,295
08.Aug.24	ACCUMULATE	1,822

Investment Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral			
Definition:			
Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; Accumulate: Partial buying or to accumulate as CMP dips in the future; Hold: Hold the stock with the expected target mentioned in the note.; Reduce: Reduce your exposure to the stock due to limited upside.; Sell: Exit from the stock; Not rated/Neutral: The analyst has no investment opinion on the stock.			

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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