

Godrej Properties Ltd

BUY

Choice

24th October, 2024

Godrej Properties (GPL) reported strong performance across several key metrics. The company achieved sales bookings of Rs. 51.98 billion in Q2FY25, representing a 3.3% year-over-year (YoY) increase, and collections reached Rs. 40.05 billion, indicating a 68.4% YoY growth. Operating cash flow increased by 126% YOY to Rs. 18.34 bn, and the company delivered 6.6 million square feet across 3 cities in FY25, up 326% YoY and 144% QOQ. This was the highest ever Collections, Operational cash flows and Delivery done by GPL in quarter 2 of the financial year.

- Under the new agreement between Godrej & Boyce (G&B) and GPL, GPL will continue to serve as the development manager for the Vikhroli land owned by G&B. In terms of Business Development, GPL introduced added 10 new projects of 13.9 mnsf with a total Gross Development Value (GDV) of Rs. 174 billion in YTD FY25. This included 6 new projects with an expected booking value of Rs. 96.5 Bn in Q2FY25 and 2 new projects with an expected booking value of Rs. 48 Bn crores post-Q2FY25. GPL has achieved 87% of its annual guidance for business development.
- We anticipate that the momentum of project additions will continue in the coming years, supported by an increase in launches in regions outside the Mumbai Metropolitan Region (MMR), such as the National Capital Region (NCR), Bengaluru, Hyderabad, Pune, and others. In terms of Q2FY25 Presales of Rs. 51.98 Mn, Area wise Contribution is NCR - 23%, Bengaluru- 9%, MMR- 20%, Pune- 6% and Others were 2%. In terms of H1 FY25 presales of Rs. 138.4 Bn, Area wise Contribution is NCR - 39%, Bengaluru- 28%, MMR- 23%, Pune- 7% and Others were 4%. Q2FY25 Presales growth can be attributed to an extremely strong customer response to some of our new launches during the quarter, which includes Godrej Vrikshya in NCR, which delivered a booking value of just under Rs. 15 Bn and Godrej Woodside Estate in MMR, a development project with a booking value of just over Rs.6 Bn
- In H1FY25, GPL did pre-sale of Rs.14.14 mnsf, which was largely supported by NCR, Bengaluru and MMR. H1 FY25 Booking value increased by 90% Rs.138.4bn and collection grew by 62% YoY to Rs.70.17bn on the back of strong launch pipeline and inventory in these markets. The company is planning to launch a large number of exciting new projects in the future, with a robust launch calendar, with multiple projects coming online, including those in Gold Coast Road, Sector 44 in Noida, Bangalore, Pune, Kolkata, and Hyderabad. Cash flows to support BD and they have no further plans of raising capital.

Outlook & Valuation: As real estate sector in India continues to hold its growth momentum post Covid backed by aspiration to own a home, rising per capita income and change in perception to deal with reputed over unorganized players we believe Tier-I developers will be the key beneficiary of this tailwind. GPL, post family arrangement on Vikhroli land, now there is more certainty on that piece of land which will help the company to fast track the launches from that land parcel. Despite a high base, they are confident of achieving infact outperforming their guidance of pre-sale of Rs.270bn, collection of Rs.150bn and deliveries of 12.5 mnsf. GPL has already achieved 51% of its FY25 Presales Guidance, 47% of it's FY25 Cash collection Guidance and 63% of its FY25 Business Development Target.. **We like to retain our positive view on the stock with a TP of Rs. 3564 (Based on 14 times its EBITDA, derived from FY25- FY27 Average Presales less Net Debt)**

Result Snapshot (Rs.mn)	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)
Business Operation Highlight					
Sales	51,980	50,340	3.3	86,370	-39.8
Sales (mnsft)	5.15	5.24	(1.7)	8.99	-42.7
Collection	40,050	23,780	68.4	30,120	33.0
Average Price Realization (Rs.)	10,093	9,607	5.1	9,607	5.1
Financial update					
Net Sales	10,932	3,430	218.7	7,390	47.9
Variable cost	6,123	1,618	278.3	4,947	23.8
Employee Expenses	1,079	732	47.4	987	9.2
Other Operating Expenses	3,412	1,696	101.1	2,707	26.1
EBITDA	319	(617)	(151.7)	(1,251)	(125.5)
EBITDA Margin	3%	-18%	(116.2)	-17%	(117.2)
Depreciation	183	74	147.1	166	9.7
EBIT	136	(691)	(119.7)	(1,417)	(109.6)
Other Income	2,533	282	798.3	9,605	(73.6)
Interest Cost	446	480	(7.2)	408	9.3
Share of Profit / (loss) of Joint Ventures and Associate (net of tax)	(32)	(336)	(90.6)	(618)	(94.9)
PBT	2,192	(1,225)	(279.0)	7,162	(69.4)
Tax	(1,145)	388	(395.4)	1,974	(158.0)
PAT	3,338	(1,613)	(307.0)	5,188	(35.7)
EPS (Rs)	12.00	(5.80)	(306.9)	18.7	(35.7)

Source: Company, CEBPL

CMP (Rs)	2969.8
Target Price (Rs)	3564
Potential Upside (%)	20

*CMP as on 23rd Oct 2024

Company Info

BB Code	GPL IN EQUITY
ISIN	INE484J01027
Face Value (Rs.)	5.0
52 Week High (Rs.)	3400.0
52 Week Low (Rs.)	1,548
Mkt Cap (Rs bn.)	825.8
Mkt Cap (\$ bn.)	9.83
Shares o/s (Mn.)/Free Float	278/42

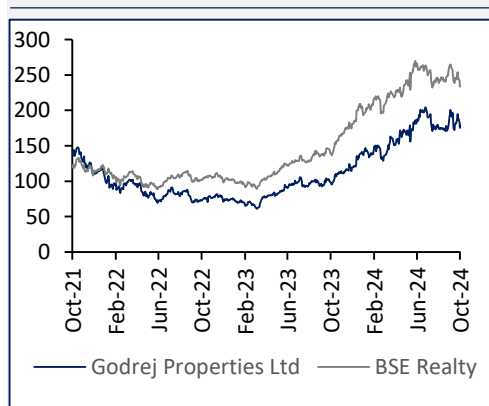
Shareholding Pattern (%)

	Sep-24	Jun-24	Mar-24
Promoters	58.47	58.47	58.48
FII's	28.33	29.91	29.67
DII's	7.12	5.62	5.56
Public	6.08	5.98	6.31

Relative Performance (%)

YTD	3Y	2Y	1Y
BSE Realty	91	129.3	68
Godrej Prop.	25.8	146.1	81.8

Rebased Price Performance



Jathin Kaithavalappil , AVP

Jathin.jayan@choiceindia.com
Ph: +91 22 6707 9949

Aayush Saboo

aayush.saboo@choiceindia.com
Ph: +91 22 6707 9811

Launch Pipeline FY25

City	Expected Launch Area (mnsft)	H1FY25 Launch Area (mnsft)	Expected Launch Value (Rs. Mn)	H1FY25 Launch Value (Rs. Mn)	Achievement (%)
MMR	5.5	4.6	95000	28000	29
NCR	4.1	3.5	92000	5500	60
Bengaluru	5.1	5.2	49000	4900	100
Pune	4.5	1.2	37000	12000	32
Others	2.7	0.9	27000	3350	12
Total	21.9	15.4	300000	29%	

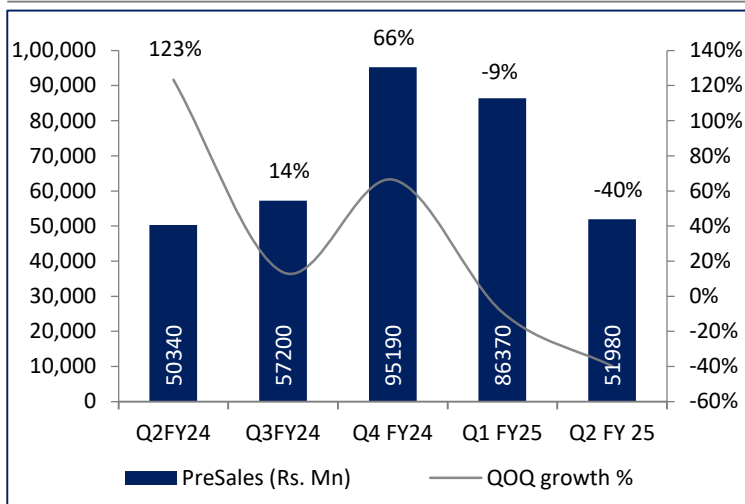
FY25 Guidance and Achievement (Rs. Mn)

Particulars	FY 25 guidance	H1FY 25 Actual	Achievement
Booking Value	270000	138350	51%
Cash Collection	150000	30120	47%
Deliveries (mnsft)	15	9.3	62%
Business Development	200000	126500	63%

Management Call - Highlights

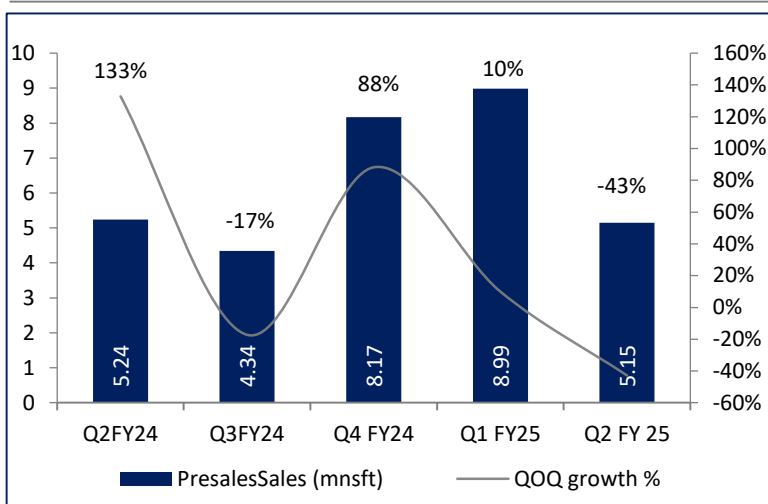
- GPL is hopeful of surpassing its guidance on both launches and Presales front. The launch pipeline for H2FY25 looks promising, with some big projects expected to be launched before the end of the year like Gold Coast Road, Sector 44 in Noida, 2-3 launches planned in Bangalore and quite a few launches planned in Pune, Kolkata, and Hyderabad.
- In terms of Pricing trend, there has been strong price growth observed in markets like NCR and Bengaluru, with Gurgaon seeing very robust price growth over the last 3 years, also continuing into this year driven by limited land supply. Mumbai has also started seeing healthy pricing growth, particularly after the Godrej Reserve launch, which was the largest residential sales by any developer. Pune is yet to see a pricing kick-off, but is expected to follow Bombay's trend with a lag of 2-3 quarters. Bengaluru is one of the strongest markets because the quality of land supply is limited.
- For the MMR market, October month has been showing encouraging signs in terms of walk ins in their current sites.
- GPL has launched one project from their Vikhroli land bank a few months and are focusing on selling that project post which they will launch a project next year from Vikhroli
- In their land acquisition strategy, their selecting land parcels which could yield an IRR of 20-25% on the project and EBITDA margins of 25-20%, based on current land prices. Overall, guiding for a net profit margin of 15%.
- In terms of their expansion strategy, GPL are not planning to enter into Tier 2 cities and will continue their focus on the cities that are already present in. They are looking to penetrate the Ahmedabad and Kolkata market with a project addition in Ahmedabad after many years. They also entered the Hyderabad market by purchasing 2 pieces of land. However on the plotted development side, they are open to a wider range of cities.
- **Fund raised through equity** will be used primarily for Business Development in the MMR, Pune, Bengaluru and NCR. There are no further plans for fund raising or stake dilution by the promoter. **Through the fund raise, GPL will be able to sustain Pre Sales growth at above 20% levels.**

Pre-sales (Rs. Mn)



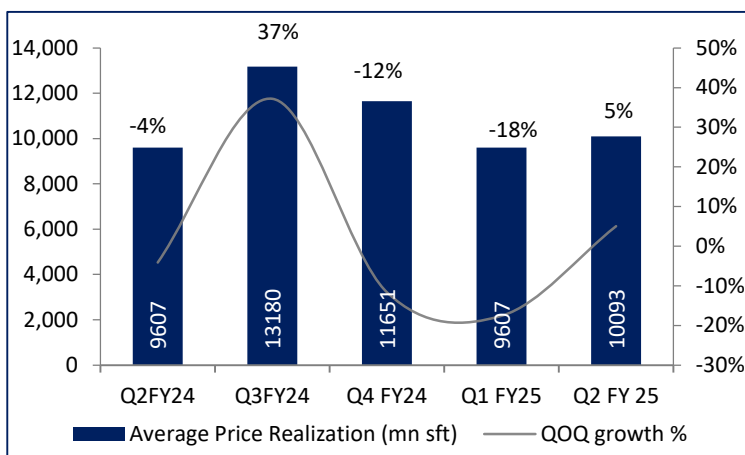
Source: Company, CEBPL

Pre-sales (mnsft)



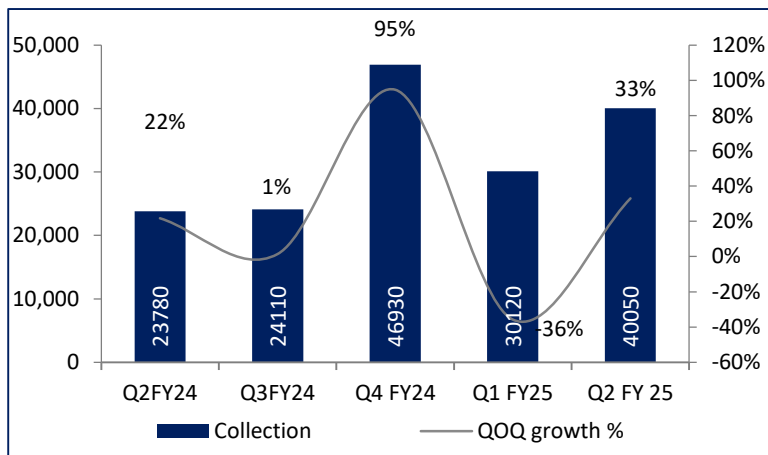
Source: Company, CEBPL

Average Price Realization (Rs per mnsft)



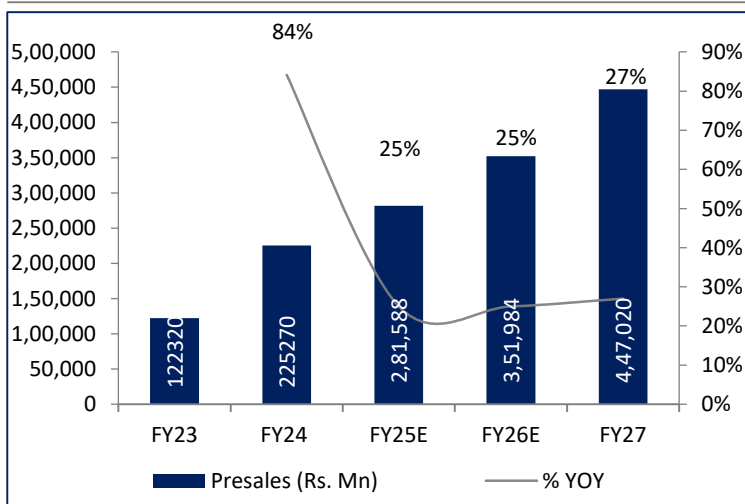
Source: Company, CEBPL

Collections (Rs. Mn)



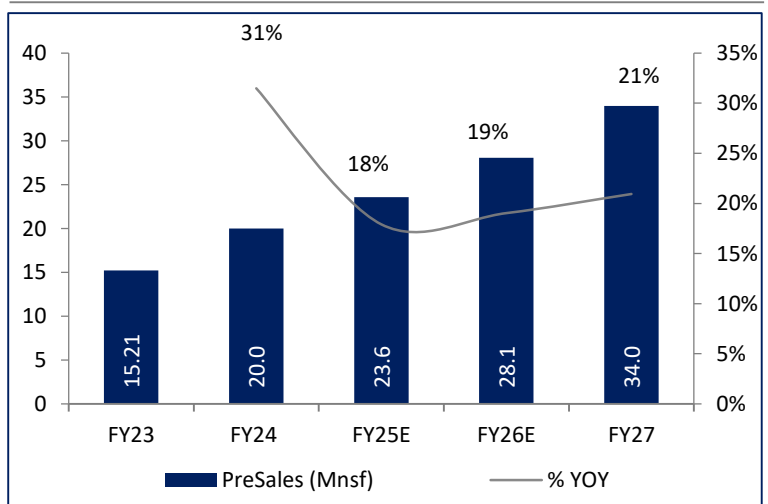
Source: Company, CEBPL

Pre-sales (Rs. Mn)



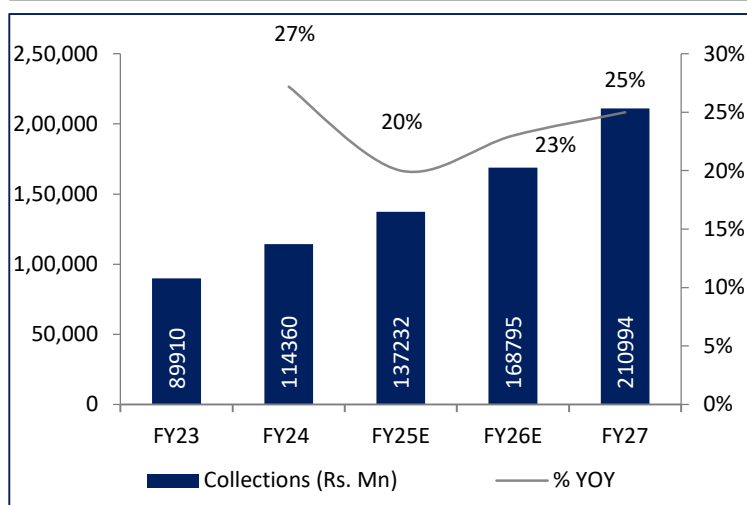
Source: Company, CEBPL

Pre-sales (mnsft)



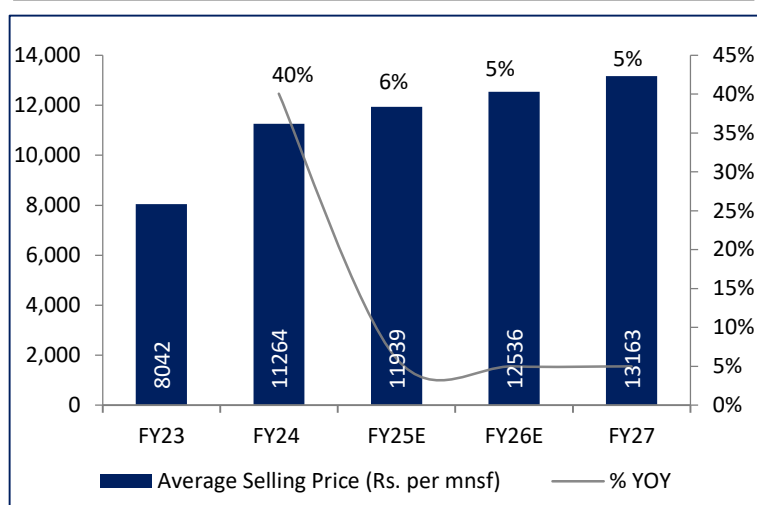
Source: Company, CEBPL

Collections (Rs. Mn)



Source: Company, CEBPL

Average Price Realization (Rs. Per mnsft)

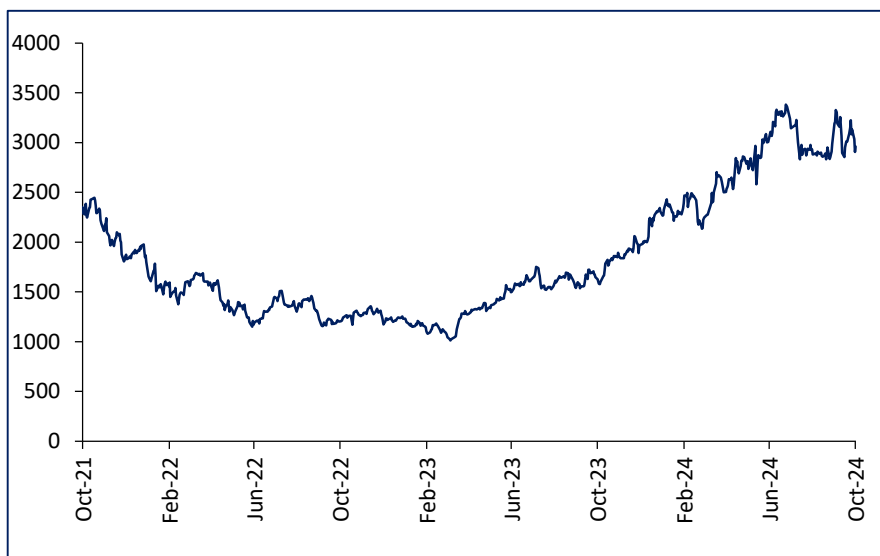


Source: Company, CEBPL

Valuation

3 year average of Presales(FY25-27)	360197
EBITDA on Presales	90049
EBITDA multiple	14
Economic share	85%
FY 26 net debt	80,500
net value	9,91,087
no. of shares	278
NAV	3564
CMP	2969
Upside	20%

Historical recommendations and target price: Godrej Properties Ltd.



Godrej Properties Ltd

- 07-10-2022 - Outperform, Target Price – Rs. 1646
- 11-11-2022 - Outperform, Target Price – Rs. 1756
- 04-05-2024 - Buy Target Price – Rs. 2957
- 23-10-2024 - Buy Target Price – Rs. 3564

Institutional Research Team			
Jathin kaithavalappil	AVP – Automobile /Defence/Real Estate	jathin.jayan@choiceindia.com	+91 22 6707 9994
CA Vatsal Vinchhi	Analyst - Information Technology	vatsal.vinchhi@choiceindia.com	+91 22 6707 9224
Deepika Murarka	Analyst - Pharmaceuticals / Healthcare	deepika.murarka@choiceindia.com	+91 22 6707 9513
Ashutosh Murarka	Analyst – Cement / Building Material	ashutosh.murarka@choiceindia.com	+91 22 6707 9442
Putta Ravi Kumar	Analyst – Defence	ravi.putta@choiceindia.com	+91 22 6707 9908
Aayush saboo	Associate – Real Estate	aayush.saboo@choiceindia.com	+91 22 6707 9811
Maitri Sheth	Analyst – Pharmaceuticals / Healthcare	maitri.sheth@choiceindia.com	+91 22 6707 9811
Bharat Kumar Kudikyala	Associate – Cement / Building Material	bharat.kudikyala@choiceindia.com	+91 22 6707 9798
Arshay Agarwal	Associate – BFSI	arshay.agarwal@choiceindia.com	+91 22 6707 9811
Heet Chheda	Associate – Automobile	heet.chheda@choiceindia.com	+91 22 6707 9422
Rushil Katiyar	Associate - Information Technology	Rushil.katiyar@choiceindia.com	+91 22 6707 9811
CA Sheetal Murarka	Vice President - Institutional Sales	sheetal.murarka@choiceindia.com	+91 22 6707 9857
Nitesh Jalan	AVP – Institutional Sales	nitesh.jalan@choiceindia.com	+91 22 6707 9877 /878 /879

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Compliance Officer-Prashant Salian, Email Id – Prashant.salian@choiceindia.com Contact no. 022- 67079999- Ext-2310

Grievance officer-Deepika Singhvi Tel.022-67079999- Ext-834. Email- ig@choiceindia.com

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