

Bengaluru results: in-line Q4; solid outlook

31 May 2025

Prestige Estate Projects (PEPL IN): Results came broadly in line with our expectations. Q4FY25 witnessed 14mn sqft of launches, aiding in presales of ~INR 70bn (40% of FY25 presales). Presales guidance of INR 250-270bn for FY26 is conservative given the backdrop of the developer confident of closing Q1FY26 with INR 120-130bn in presales and INR 420bn of planned launches. Also, PEPL plans on adding >INR 300bn in new business development (BD) via INR 40-45bn in land investment in FY26 vs INR 56bn in FY25, including stake buyback. Industry-leading execution bolstered collection of INR 120bn, flat YoY, in FY25 despite presales degrowing 19% YoY and a majority of launches back-ended in Q4FY25. Core OCF print for FY25 stands at INR 45bn, down 18% YoY, on higher construction cost, (+30% YoY) in the development business. Profitability in the residential segment is improving – FY25 residential EBITDA margin was at 25% vs 23% in FY24. Exit rentals in the annuity portfolio stood at INR 7.5bn and estimated to increase >4x to INR 44bn in FY29. Notably, the office segment recorded 4.1mn sqft of leasing in FY25 while average occupancy in office was at 90% and retail portfolio at 99%. Overall, PEPL offers a mix of scale, diversity, and dominance while also trading attractively at ~25% discount to March 2026E NAV. We reiterate **Buy** with a TP of INR 2,300.

SOBHA (SOBHA IN): The key highlight is presales growth guidance of at least 30-35% YoY in FY26. This is backed by 8-9mn sqft (FY25: 8.8mn sqft) of new launches and unreleased inventory of INR 74bn in existing projects. Notably 40-45% of new launches are anticipated from the NCR region where the developer has added one more project in Q4FY25. Also, the maiden launch at Mumbai is expected by Q3FY26. Overall, core residential operating metrics remain robust -- Core FCFF print of ~INR 4.5bn, up 13% YoY, and trending above past eight quarters' average of INR 3.0bn. This is driving land investment of INR 10bn in FY25 vs ~INR 4bn in FY24. Notably, the new BD in FY25 stands at INR 150bn. EBITDA margin and cashflow trajectory is set to improve: 1) INR 159bn of unrecognized revenue having a project-level EBITDA margin of 33% vs 10% in FY25, and 2) improving company share in the new presales pipeline at 84% vs 81% in FY24 and 79% in FY25. The stock is trading at a >30% discount to our estimated March 2026E NAV that factors in land value arrived by using a higher WACC of ~16% and an effective discount of 54% to capture lack of developable opportunities of select land parcels. We reiterate **Buy** with a TP of INR 2,200.

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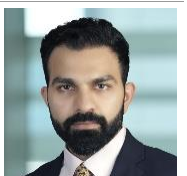


Exhibit 1: Prestige Estate Projects – quarterly summary

YE March (INR mn)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	YoY (%)	QoQ (%)
Presales value	47,068	30,295	40,226	30,135	69,574	47.8	130.9
Sales Volume (msf)	4.1	2.9	3.0	2.2	4.5		
Avg. realization (Rs/sf)	11,459	11,934	13,782	13,684	15,524		
Collections	34,741	29,162	27,372	32,575	31,551	(9.2)	(3.1)
Operational Activities							
Residential Collection/ Commercial & Retail Rentals / Property Maintenance / Mall	40,921	34,360	32,773	38,632	37,297	(8.9)	(3.5)
Construction cost	12,960	14,085	12,667	21,412	16,025		
LO Payment/Sales/Marketing	9,608	8,520	8,711	8,535	7,977		
Total Outflow	22,568	22,605	21,378	29,947	24,002		
Net CFO	18,353	11,755	11,395	8,685	13,295	(27.6)	53.1
Net debt	69,468	81,799	35,921	59,603	67,165	(3.3)	12.7
Networth	117,742	120,293	171,052	161,089	159,917		
Net Debt / Equity (%)	59.0	68.0	21.0	37.0	42.0		
Avg. cost of borrowing (%)	10.7	10.8	10.7	10.7	10.3		

Source: Company, Elara Securities Research

Exhibit 2: Sobha – quarterly summary

YE March (INR mn)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	YoY (%)	QoQ (%)
Presales value	15,040	18,737	11,785	13,886	18,360	22.1	32.2
Presales volume (mn sqft)	1.7	1.3	1.2	0.9	1.0	(38.6)	9.7
Total operating cash inflow	14,983	15,461	13,751	14,781	17,848	19.1	20.7
Real Estate project expenses	(5,559)	(6,118)	(5,938)	(6,758)	(7,240)		
Other operating outflow	(5,377)	(5,378)	(5,375)	(5,325)	(5,654)		
Net operating cashflow	4,047	3,965	2,438	2,698	4,954	22.4	83.6
Rights Issue proceeds			9,995		9,966		
Financial Outflows	(893)	(1,150)	(1,205)	(977)	(574)		
Land related payments & JD deposits	(2,105)	(1,609)	(1,664)	(3,058)	(3,132)		
Capex	(209)	(445)	(441)	(394)	(303)		
Donation & CSR contribution	(30)	(22)	(46)	(27)	(45)		
Total net cashflow	810	739	9,077	(1,758)	10,866	1,241.5	(718.1)
Net debt	12,620	11,880	2,800	4,590	(6,300)	(149.9)	(237.3)
Equity	25,240	25,277	35,000	35,267	45,605		
Net debt-equity (%)	50	47	8	13	(14)		

Source: Company, Elara Securities Research

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