

## Pre-sales to witness 30% YoY growth in FY24E

### Launches to double in 2H from 30msf in 1HFY24

- While 2Q is generally considered to be the seasonally weakest quarter, the listed universe (top 12 companies) has bucked this trend. The universe registered its second-best quarter ever with cumulative sales of INR252b, up 54% YoY/44% QoQ.
- This growth was primarily driven by a strong momentum in sustenance sales as launches were subdued for most of the companies, barring a few. Ongoing projects contributed 56% of the total pre-sales in 1HFY24.
- New launches posted an average absorption of 60% and contributed 44% to pre-sales during the same period. The listed universe is likely to witness a sharp pick-up in launches in 2HYF24 as most of the players have less than 12 months of inventory now.
- Cumulative launches for our coverage universe are expected to double in 2H from 30msf in 1HFY24. In value terms, launches would catapult to INR820b from INR260b during the same period. Hence, we expect our coverage universe to deliver 30% YoY growth in pre-sales in FY24 vs. an initial growth guidance of 15-20%.
- As the rate hike cycle has peaked, we believe the residential real estate cycle is unlikely to face any significant headwinds. We expect demand to remain healthy for at least the next 2-3 years. We prefer companies that are able to outperform their peers and whose valuations do not reflect this outperformance. PEPL, GPL and SOBHA are our top picks.

### Top-12 listed companies delivered 36% YoY growth in pre-sales in 1HFY24

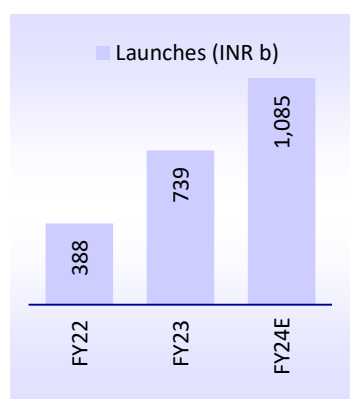
- The listed real estate companies witnessed sustained demand traction as they delivered 36% YoY growth in pre-sales to reach INR427b in 1HFY24. In the same period, Bengaluru-focused companies reported 63% YoY growth in bookings.
- Despite seasonality, cumulative sales from the top-listed companies rose 44% QoQ in 2QFY24 as GPL, PEPL, and PURVA posted a standout performance backed by new launches that enabled them to double their bookings YoY.
- With 54% of FY23 bookings already achieved in 1HFY24, the listed universe (top 12 players) remains on track to surpass the FY24 guidance of 15-20% growth.

### Launches accelerating; coverage universe to launch INR820b worth of projects in 2H

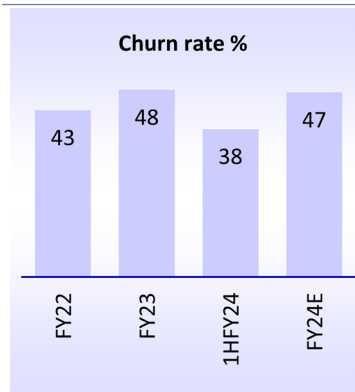
- At the beginning of FY24, inventories for most of the companies in coverage were below 12 months, yet launches in 1HFY24 remained flat at ~30msf that resulted in further reduction in inventories across ready and ongoing projects.
- Our coverage universe launched ~INR260b worth of projects and reported an average absorption of 60%, contributing to 44% of overall pre-sales in 1HFY24.
- Strong momentum in ongoing projects sustained and contributed 56% to overall pre-sales, leading to a decline in inventory to ~INR610b from ~INR720b.
- With inventory overhang down to 10 months, our coverage universe now plans to launch over ~INR820b (60msf) worth of projects in 2HFY24, which will drive ~30% growth in bookings to ~INR851b in FY24.

Top-12 listed companies reported 36% YoY growth in pre-sales in 1HFY24 despite muted launches for most players

### Launches to exceed INR1t in FY24E



Expect FY24 churn rate to be at similar level to FY23 at 47%



Market share for top-12 listed players has increased to 16.5% in 1HFY24 from 16.2% in FY23. Expect it to further accelerate from here on.

### Churn ratio to sustain at levels (47%) similar to FY23

- Our coverage names ended FY23 with a pre-sales of INR658b, up 44% YoY, which was driven by a two-fold increase in launch value and a 500bp rise in the churn rate (bookings divided by total beginning inventory and launches) to 48%.
- While the churn rate basis for cumulative sales of coverage companies has dipped to 37% in 1HFY24 from 48% in FY23, we expect it to recover with a scale-up in launches in 2HFY24. Except for LODHA, OBER, and MLIFE, other companies have managed to maintain their inventory churn at 50-55%.
- At the beginning of FY24, we had estimated a 15% pre-sales growth for the coverage companies based on the guidance and project pipeline, implying a 500bp drop in churn to 42%. However, we iterated in our note ([link](#)) that if companies are able to sustain the FY23 churn rate, growth could at least be 30%.
- After the strong performance in 1HFY24 and given the healthy launch pipeline of 60msf for 2H, we now estimate that bookings for our coverage universe could grow 29% YoY to INR851b, implying a churn rate of 47% (similar to FY23 level).

### Market share gains to continue

- Over FY20-23, the listed players have outperformed the industry growth in terms of bookings by 1.5x, resulting in a consistent increase in their market share to 16% from 12% (this stood at 16.5% at the end of 1HFY24).
- During this period, sales across the top 7 cities recorded 22% CAGR with cities like NCR, Pune and Hyderabad witnessing ~2x jump in sales since the pandemic. With interest headwinds behind and improving affordability, the industry is likely to maintain healthy growth at least in the near term
- However, most of the listed peers have a very strong launch pipeline and are targeting at least two new markets apart from their home market, which will lead to a further pick-up in the market share of the listed peers.

### Valuation and view: we remain constructive on the sector

- With interest rates likely to have peaked, a major headwind is now behind. The absorption for the top-7 cities has averaged ~130,000 units over the last four quarters vs. ~110,000 units in the preceding four quarters. Absorption is now expected to pick up further once interest rates start declining in 2HFY25.
- Supply has mostly lagged absorption since FY22, resulting in a further reduction in inventory overhang, which is down to 17 months from 28 months before.
- The housing demand across top cities continues to grow at a healthy pace (22% CAGR over FY20-23). However, market share gains for listed players will continue to accrue given the strong project pipeline and attempts by large developers to tap into additional markets.
- With a favorable demand-supply balance, a comfortable inventory position, and healthy pricing power, we expect buoyancy in real estate sector to continue.
- Most of the listed companies are trading above the value of their existing pipelines, so we prefer companies that are able to outperform their peers and whose valuations do not reflect this outperformance.
- We have a BUY rating on LODHA, GPL, PEPL, BRGD, SOBHA, and MLIFE, and are Neutral on DLFU and OBER. **PEPL, GPL and SOBHA** are our top picks.



## Key management commentaries

- **LODHA | Launches:** The company intends to have 7-8 new launches with a development potential of 8msf, and a GDV of INR120b in 2HFY24. **Guidance:** Management is confident of achieving 20% CAGR in pre-sales over the next few years. **Pricing:** Growth in price has been 3% in FY24YTD, which is in line with the company's strategy to maintain price growth below wage growth. This is a critical factor in ensuring the longevity of the current upcycle.
- **OBER | Launches:** The Kolshet road project will be launched immediately post-Diwali and the Pokhran Road project will follow next quarter. **BD:** OBER has enough land-bank, which can enable it to strive through multiple cycles and hence, it does not want to be aggressive about adding new projects. Management intends to follow a prudent capital allocation strategy by ensuring that all projects generate the desired returns.
- **GPL | Demand** for housing continues to grow led by favorable microeconomic indicators and sustained preference for large developers. The most important priority remains to launch all the recently acquired projects that will accelerate its bookings and earnings growth trajectories. **BD:** Given the significant progress made on BD in the last few quarters, the focus has shifted to execution as the company is confident of achieving its near-term growth targets with projects already in the portfolio.
- **DLFU | Launches and guidance:** The company is on track to launch all key projects in 2HFY24 and has maintained the booking guidance of INR130b. **Leasing:** While the non-SEZ portfolio is largely leased, DLF's JV with Hines will witness completion in a phased manner from 1QFY25, and management intends to commence leasing of this asset soon. Additionally, construction at the subsequent phases of Downtown assets in Gurugram and Chennai is also expected to start soon.
- **PEPL | Launches and guidance:** Prestige Ocean Tower is expected to get approvals in the next few days. This, along with Nautilus, will be launched in 2HFY24. The company is launching its flagship Prestige city in Hyderabad soon. Management remains confident of achieving INR200b pre-sales in FY24.
- **BRGD | Launches:** BEL is gearing up to launch ~6.5msf of projects in 2H with a GDV potential of INR65b, which includes its luxury mixed-use project at Mount Road, Chennai. The company has also increased its rolling 12-month residential launch pipeline to 11msf from ~8msf in the previous quarter. **BD:** BRGD added 42 acres of land to its pipeline in 2Q, with a saleable area of 7.7msf and a GDV potential of INR76b, largely in Chennai and Hyderabad. This included the recently acquired land at Kokapet, Hyderabad.
- **SOBHA | Launches:** Sobha is targeting to launch 6-7 msf in FY24, of which 1.5msf are at an advanced stage of approvals. Overall, the company has a healthy pipeline of 15msf with a GDV of INR150b+, which is enough to drive near-term growth. **Operating margin:** Efficiency had taken a hit during Covid due to the high fixed cost of the backward integrated model. On a project basis, the company continues to aim 30-35% margin.
- **MLIFE | Launches:** At the start of the year, the company targeted nine new launches. It has already launched three new projects and remains on track to launch the remaining projects in 2H. The total GDV of these launches is INR25-35b.

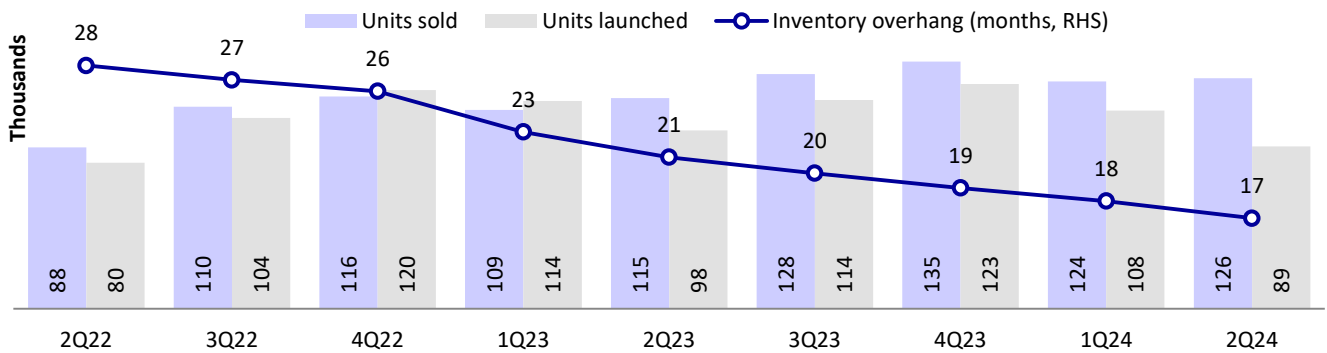


**IC Segment:** It is witnessing a healthy demand traction from domestic consumption driven by manufacturing, and the company has a healthy pipeline with LOIs already signed. Most of it will materialize in 2HFY24.

- **KPDL | Guidance:** Pre-sales jumped 63% YoY to INR13b in 1HFY24, and KPDL remains confident of achieving bookings of INR28b in FY24 and INR35b in FY25. **BD:** It has so far added six new projects in FY24 with a GDV of INR34b.
- **SRIN | Guidance:** Management targets to grow SRIN’s pre-sales by 20-30% YoY in FY24 and believes that it could achieve sales of INR20b on the back of new project launches in 4QFY24 and a strong launch pipeline for FY24.
- **PURVA:** The company achieved bookings of INR8b in 2QFY24, up 102% YoY. Non-Bengaluru projects contributed 44% of sales from ongoing projects and has 72% share in launch pipeline. It has a strong project pipeline of ~13msf.

**Key charts**

**Exhibit 1: Sales sustained at ~130k units and with launches lagging absorption, inventory overhang is down to 17 months**



Source: Companies, MOFSL

**Exhibit 2: Sales for top-12 listed companies increased 34% YoY in 1HFY24 - (INR b)**

Pre-sales	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	YoY (%)	QoQ (%)	1HFY23	1HFY24	YoY (%)
DLFU	15	20	27	20	21	25	85	20	22	9	9	41	43	4
GPL	26	15	32	25	24	33	41	23	50	109	123	49	73	48
LODHA	20	26	35	28	31	30	30	34	35	12	5	60	69	15
OBHER	8	20	9	8	12	6	7	5	10	-17	103	19	14	-25
PEPL	21	43	33	30	35	25	39	39	71	102	81	65	110	69
BRGD	8	7	10	8	8	10	15	10	12	57	25	16	22	40
SOBHA	10	10	11	11	12	14	15	15	17	48	18	23	32	38
MLIFE	3	3	3	6	4	5	4	4	5	14	30	10	8	-20
SRIN	3	4	5	3	3	4	5	4	4	17	2	7	8	17
KPDL	4	6	5	4	4	7	7	7	6	72	-10	8	13	64
PURVA	6	7	8	5	8	8	10	11	16	102	42	13	27	109
ASFI	2	2	2	2	2	5	4	4	3	36	-25	4	8	94
<b>Total</b>	<b>127</b>	<b>162</b>	<b>181</b>	<b>152</b>	<b>164</b>	<b>172</b>	<b>261</b>	<b>175</b>	<b>252</b>	<b>54</b>	<b>44</b>	<b>332</b>	<b>444</b>	<b>34</b>

Source: Company, MOFSL Note: SRIN – Sunteck Realty, ASFI – Ashiana Housing

**Exhibit 3: Volume growth for 1HFY24 stood at 26% YoY - (msf)**

Sales volumes	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	YoY (%)	QoQ (%)	1HFY23	1HFY24	YoY (%)
DLFU	1.40	1.20	2.42	1.20	1.60	1.50	5.00	0.90	0.80	-50	-11	3	2	-39
GPL	3.61	2.22	4.24	2.83	2.71	4.42	5.25	2.25	5.24	93	133	6	7	35
LODHA	1.80	2.40	3.00	2.20	2.10	2.50	2.50	2.80	2.60	24	-7	4	5	26
OBER	0.45	1.04	0.52	0.40	0.37	0.36	0.22	0.15	0.22	-40	51	1	0	-52
PEPL	3.56	5.68	4.85	3.63	4.55	2.91	4.00	3.80	6.84	50	80	8	11	30
BRGD	1.31	1.09	1.55	1.24	1.19	1.53	2.40	1.46	1.67	40	14	2	3	29
SOBHA	1.35	1.32	1.34	1.36	1.34	1.48	1.48	1.39	1.69	26	21	3	3	14
MLIFE	0.39	0.32	0.40	0.65	0.47	0.61	0.49	0.42	0.68	45	62	1	1	-2
SRIN	NA	NA	NA	NA	NA	NA	NA	NA	0.38	NA	NA	0	0	NA
KPDL	0.67	0.86	0.78	0.61	0.56	1.13	0.97	0.93	0.98	75	5	1	2	63
PURVA	0.91	0.99	1.19	0.68	1.07	1.02	1.21	1.36	2.01	88	48	2	3	93
ASFI	0.45	0.42	0.45	0.33	0.49	0.90	0.86	0.65	0.59	21	-9	1	1	51
<b>Total</b>	<b>15.90</b>	<b>17.54</b>	<b>21.40</b>	<b>15.33</b>	<b>16.74</b>	<b>18.63</b>	<b>24.66</b>	<b>16.40</b>	<b>23.86</b>	<b>43</b>	<b>45</b>	<b>32</b>	<b>40</b>	<b>26</b>

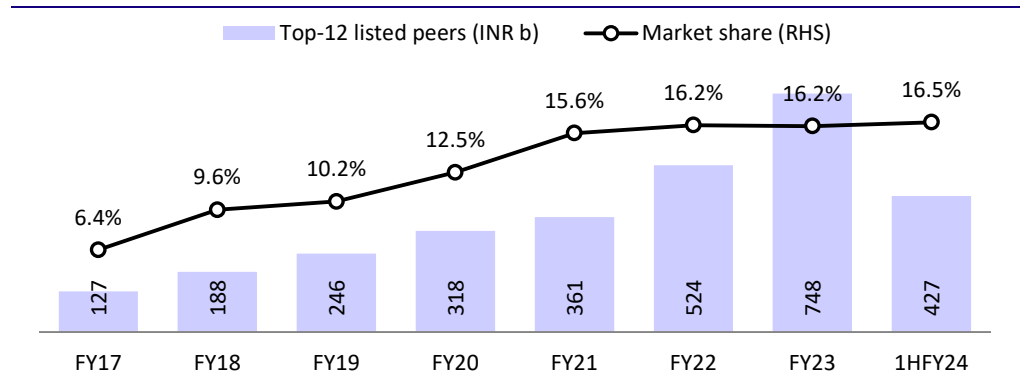
Source: Company, MOFSL

**Exhibit 4: Large players foraying into other markets in pursuit of growth**

Company	Core Market	New market
LODHA	Mumbai	Bengaluru
OBER	Mumbai	Gurgaon
PEPL	Bengaluru	Mumbai
SOBHA	Bengaluru	Strengthening presence in NCR
BRGD	Bengaluru	Strengthening presence in Hyderabad
MLIFE	Mumbai & Pune	Bengaluru
GPL	MMR, Pune, NCR & Bengaluru	Hyderabad

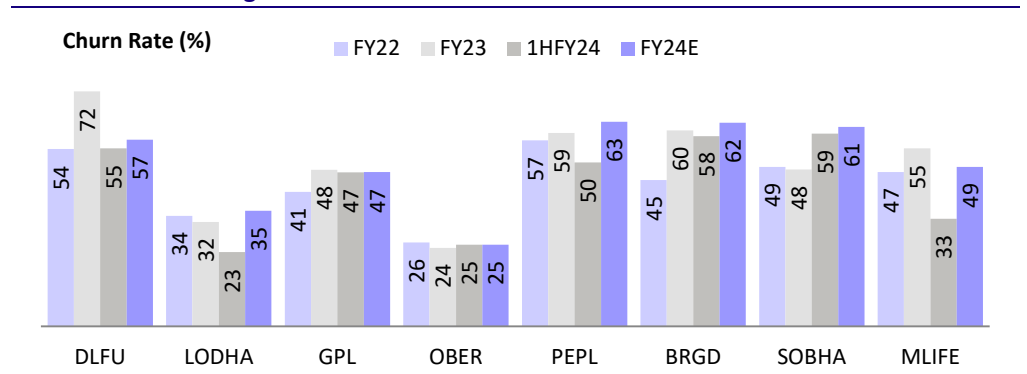
Source: Knight Frank, MOFSL

**Exhibit 5: Market share of the top 12 listed companies expanded to 16.5% in 1HFY24 from 6.5%**



Source: Companies, MOFSL

**Exhibit 6: Our coverage universe to sustain the churn rate similar to FY23**



Source: Companies, MOFSL

**Exhibit 7: In FY22, the inventory churn rate for coverage universe stood at 43%...**

FY22	Ready + Ongoing inventory (A)	Launched (B)	Total (C=A+B)	Bookings (D)	Churn (D/C) (%)
DLFU	60	74	134	73	54
LODHA	197	52	249	84	34
GPL	108	80	189	78	41
OBBER	126	25	151	39	26
PEPL	75	107	182	104	57
BRGD	43	25	67	30	45
SOBHA	64	15	79	39	49
MLIFE	12	10	22	10	47
<b>Total</b>	<b>685</b>	<b>388</b>	<b>1,073</b>	<b>457</b>	<b>43</b>

**Exhibit 8: ...and the same increased to 48% in FY23**

FY23	Ready + Ongoing inventory (A)	Launched (B)	Total (C=A+B)	Bookings (D)	Churn (D/C) (%)
DLFU	56	153	209	151	72
LODHA	187	164	351	112	32
GPL	120	135	255	122	48
OBBER	116	18	134	32	24
PEPL	78	140	218	129	59
BRGD	33	35	68	41	60
SOBHA	40	68	108	52	48
MLIFE	9	24	33	18	55
<b>Total</b>	<b>639</b>	<b>739</b>	<b>1,377</b>	<b>658</b>	<b>48</b>

**Exhibit 9: In 1HFY24, the churn declined to 38%...**

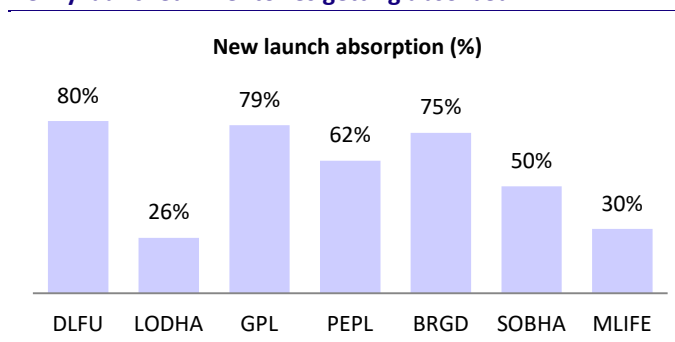
1HFY24	Ready + Ongoing inventory (A)	Launched (B)	Total (C=A+B)	Bookings (D)	Churn (D/C) (%)
DLFU	74	4	78	43	55
LODHA	264	39	303	69	23
GPL	97	57	154	73	47
OBBER	112	0	112	14	25
PEPL	91	128	219	110	50
BRGD	27	12	39	23	58
SOBHA	58	17	75	32	59
MLIFE	19.2	5	24.2	8	33
<b>Total</b>	<b>742</b>	<b>263</b>	<b>1,005</b>	<b>372</b>	<b>38</b>

**Exhibit 10: ...but is expected to remain at similar level as FY23, resulting in 29% YoY growth in bookings**

FY24	Ready + Ongoing inventory (A)	Launched (B)	Total (C=A+B)	Bookings (D)	Churn (D/C) (%)
DLFU	74	197	271	155	57
LODHA	264	159	423	150	35
GPL	97	220	317	150	47
OBBER	112	117	229	50	25
PEPL	91	228	319	200	63
BRGD	27	60	87	54	62
SOBHA	58	74	132	68	61
MLIFE	19.2	30	49.2	24	49
<b>Total</b>	<b>742</b>	<b>1,085</b>	<b>1,827</b>	<b>851</b>	<b>47</b>

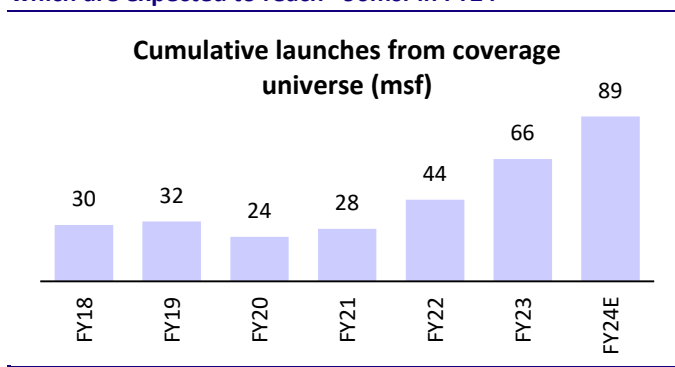
**Exhibit 11: 44% of sales were generated from new launches**

Companies	1HFY24 pre-sales (INRb)	Sustenance share %	New launch share %
DLFU	43	92	8
LODHA	69	85	15
GPL	73	39	61
OBBER	14	100	0
PEPL	110	28	72
BRGD	23	60	40
SOBHA	32	73	27
MLIFE	8	80	20
<b>Total</b>	<b>372</b>	<b>56</b>	<b>44</b>

**Exhibit 12: In 1HFY24, companies witnessed 30-80% of their newly launched inventories getting absorbed****Exhibit 13: Inventory overhang for top companies remains at the lowest level...**

Company	Inventory (msf)	Value (INR b)	Trailing 12m sales	Months of Inventory
DLFU	NA	42	152	3
GPL	10.7	91	146	8
LODHA	21.0	231	129	21
OBBER	2.1	128	30	51
PEPL	7.8	94	174	6
BRGD	3.1	24	47	6
SOBHA	3.4	30	61	6
MLIFE	2	16	16	12
KPDL	3	22	28	10
<b>Total</b>		<b>678</b>	<b>784</b>	<b>10</b>

Source: Companies, MOFSL

**Exhibit 14: ...and leading to a sharp rise in new launches, which are expected to reach ~90msf in FY24**

Source: Companies, MOFSL

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