Prestige Estates

BSE SENSEX	S&P CNX
76,295	23,250

CMP: INR1,189 TP: INR1,725 (+45%) Buy

Significant launches to fuel FY26 presales

PEPL has a diverse portfolio with a presence in residential, office, retail, and hospitality segments. The company's 9MFY25 incremental BD of 15msf and the launch pipeline of INR800b would result in a presales CAGR of 14% over FY24-27E to reach INR315b by FY27E. PEPL is expanding its commercial segment (by 43msf) as well as its hospitality portfolio. Therefore, its commercial rental income is likely to clock a 53% CAGR to reach INR19.5b and its hospitality revenue would post a 20% CAGR to reach INR13.7b over FY24-27E. However, income from the commercial segment is likely to improve to INR33b by FY30E as all the under-construction assets are operationalized. PEPL has quickly started gaining market share in MMR; it now plans to enter and scale up NCR as well as Pune, which will generate an incremental income stream. Therefore, we are extremely confident about PEPL's growth prospects and reiterate our BUY rating with a revised TP of INR1,725.

Strong pipeline to result in ~1.5x growth in presales

- Presales stood at INR210b in FY24, primarily driven by significant launches (of 40msf), with the residential segment accounting for 80% of the total sales. However, FY25YTD has experienced a dip, with only 12msf of launches, which led to a sharp decline in sales. For 9MFY25, sales declined materially to INR100b compared to INR163b in 9MFY24 due to delays in launch-related approvals.
- However, management has shown confidence in launching projects with an estimated gross development value (GDV) of INR300b spread across various geographies in 4QFY25. Its reiterated FY25 guidance implies a jump of ~14% YoY in presales. However, we believe due to possible delays, FY25 presales will decline 4% YoY.
- These strategic launches will span key metropolitan regions, reinforcing the company's presence across India's high-growth real estate markets. The projects include Southern Star in Bengaluru - INR36b GDV, Indirapuram in NCR - INR115b GDV, Pallava Gardens in Chennai - INR31b GDV, Spring Heights in Hyderabad - INR32b GDV, and Nautilus in Mumbai - INR87b GDV. While all these projects are slated for Q4FY25, some may spill over to the next fiscal year due to regulatory roadblocks.
- The introduction of these large-scale developments, along with the ongoing inventory of INR136b, is expected to significantly boost PEPL's sales performance, with an estimated additional revenue generation of ~INR100b in 4QFY25 alone. This surge in sales will contribute to total projected sales of INR201b for FY25, reinforcing the company's strong market position.
- Beyond its upcoming launches, PEPL has built a robust project pipeline of ~INR500b, currently at various stages of planning and approval. This extensive pipeline is set to drive long-term growth, enabling the company to achieve INR315b in presales by FY27, translating into a 14% CAGR (1.5x growth from FY24 levels).

Stock Info

Bloomberg	PEPL IN
Equity Shares (m)	431
M.Cap.(INRb)/(USDb)	511.9 / 6
52-Week Range (INR)	2075 / 1084
1, 6, 12 Rel. Per (%)	-5/-24/-12
12M Avg Val (INR M)	1904
Free float (%)	39.1

Financials Snapshot (INR b)

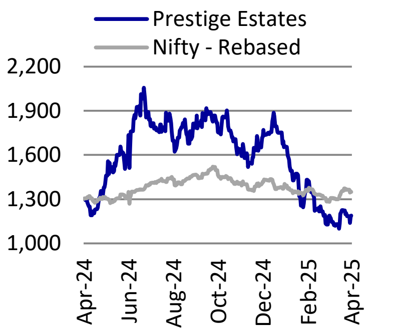
Y/E Mar	FY25E	FY26E	FY27E
Sales	104.2	114.3	140.7
EBITDA	27.9	30.6	33.5
EBITDA Margin (%)	26.8	26.8	23.8
PAT	8.1	8.3	9.9
EPS (INR)	21.7	22.2	26.5
EPS Gr. (%)	55.3	86.3	118.4
BV/Sh. (INR)	454.3	474.8	499.6
Ratios			
RoE (%)	5.7	4.8	5.4
RoCE (%)	8.4	6.8	7.2
Payout (%)	8.0	7.8	6.5
Valuations			
P/E (x)	54.8	53.5	44.8
P/BV (x)	2.6	2.5	2.4
EV/EBITDA (x)	18.1	16.7	16.0
Div yld (%)	0.1	0.1	0.1

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	60.9	60.9	65.5
DII	16.7	16.8	13.2
FII	19.3	19.1	18.1
Others	3.0	3.2	3.3

FII Includes depository receipts

Stock Performance (1-year)



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- By strategically expanding its portfolio across high-demand regions and maintaining a steady pipeline of future projects, PEPL aims to capitalize on emerging market opportunities, strengthen its revenue base, and sustain its leadership in India's real estate sector. The company's proactive approach to project execution and market demand assessment positions it for sustained growth and enhanced shareholder value in the coming years.

Commercial portfolio on track for rental scale-up at 64% CAGR

- PEPL reported a robust 90% occupancy rate across its commercial portfolio for 9MFY25. Exit rentals for this period were INR5.3b, reflecting strong demand and stability in the company's rental income streams.
- In 3QFY25, PEPL added two more office assets to its portfolio. The first is a new tower in Bengaluru, the Prestige Signature Tower (JRC), with a leasable area of 0.28msf. The second asset is on Kensington Road in Bengaluru, with a leasable area of 0.08msf. In both of these properties, PEPL holds 100% ownership, reinforcing its control over its assets and rental revenue.
- With these new additions, PEPL's office portfolio has expanded to 19 assets that are in various stages of development, including both ongoing and upcoming projects. Collectively, these assets represent a substantial 31 msf of potential leasable area, reinforcing the company’s strong position in the commercial real estate sector.
- This growing pipeline is expected to be a key driver of PEPL’s office rental income, which is projected to reach INR12.7b by FY27, reflecting a robust CAGR of 64% over FY24-FY27. This sharp growth highlights the company’s ability to capitalize on increasing demand for high-quality office spaces in prime locations.
- Moreover, as under-construction assets are completed and reach optimal occupancy levels, PEPL’s rental income is expected to accelerate further. At full operational capacity, office rentals are estimated to reach INR25b, representing an 8x increase from the FY24 exit rental levels. This strong growth trajectory underscores the company's potential to become a leading player in India’s commercial real estate market, benefiting from rising office space demand, strategic project locations, and favorable market conditions.

Retail portfolio to deliver 3x rentals by FY27

- As of 9MFY25, the company’s retail portfolio consists of 13 completed malls, with a total area of 10msf. Additionally, there are 12 ongoing and upcoming malls in the pipeline, which will add another 12msf to the portfolio once completed. Notably, in 3QFY25, the company added a new mall in Bengaluru with a significant area of 1.27msf. The company owns a 76% stake in this new mall, which is expected to be launched in FY28. This continued expansion strengthens the company’s position in the growing retail space, allowing it to cater to rising consumer demand.
- The company’s retail assets are performing well, with a high occupancy rate across the portfolio. As of 3QFY25, 99% of the malls in the portfolio were leased, demonstrating the strong demand for the company’s retail spaces. The exit rentals for the quarter were reported at INR2.2b showcasing the solid rental income generated from its retail assets.

- Going forward, PEPL anticipates sustained growth in its retail portfolio, both through physical expansion and rental income. The company's strategic pipeline of upcoming malls is expected to achieve ~80% occupancy by FY27, playing a crucial role in driving rental revenue growth.
- As occupancy levels rise, rental income from these assets is projected to reach ~INR6.8b by FY27, reflecting a 3x increase compared to FY24 levels. This substantial growth underscores the company's ability to capitalize on increasing demand for high-quality retail spaces in key urban centers.
- Furthermore, as all under-construction retail projects are completed and integrated into PEPL's operational portfolio, rental income is projected to reach INR8.8b by FY30. This long-term growth trajectory highlights the strong potential of PEPL's retail segment, which is set to become a major revenue contributor in the coming years. With strategic asset expansion, improving occupancy rates, and rising consumer footfall in its retail properties, PEPL is well-positioned to establish itself as a leading player in the retail real estate market.

Hospitality portfolio to expand to 4,760 keys

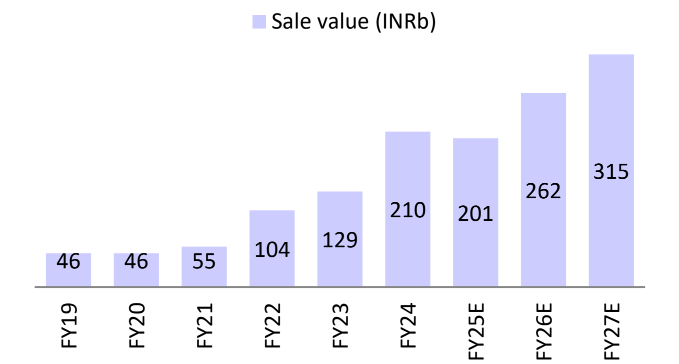
- The hospitality portfolio currently comprises eight operating hotels, four hotels under development, and eleven hotels scheduled for launch shortly.
- Of the above, PEPL added two new hotels in 3QFY25 in Mumbai and Hyderabad, with a total of 258 keys. In the near term, PEPL's hotel pipeline is likely to expand to 4,760 keys.
- Out of 4,760 keys in the near term, we have considered ~3,000 keys for estimates and expect PEPL to generate a revenue of INR13.7b in FY27, indicating a ~20% CAGR over FY24-27. We also expect PEPL to achieve ~35% operating margin, indicating ~INR4.8b EBITDA.
- The incremental 1,760 keys will further take the revenue northward once operationalized.

Net debt to peak in FY27; revenue to post 21% CAGR

- PEPL's share of collections is anticipated to increase to INR220b in FY27, implying a 26% CAGR over FY24-27E.
- With projects ramping up and collections improving, revenue is estimated to post a 21% CAGR to reach INR141b, EBITDA to clock a 10% CAGR to reach INR33b, and PAT to record a 12% CAGR to reach INR9.9b over FY24-27E.
- Net debt is expected to peak at INR111b in FY27 as PEPL is in the process of developing 43msf of commercial assets and 15 hospitality assets. PEPL to generate a cumulative OCF of INR185b over FY25-27E.
- We estimate INR50b to be invested annually in land acquisition and ~INR31b in capex, leading to a shortfall of cash (at INR10.8b) in FY27.
- Debt will eventually reduce as rental income starts increasing with the commissioning of commercial assets at optimal occupancy.

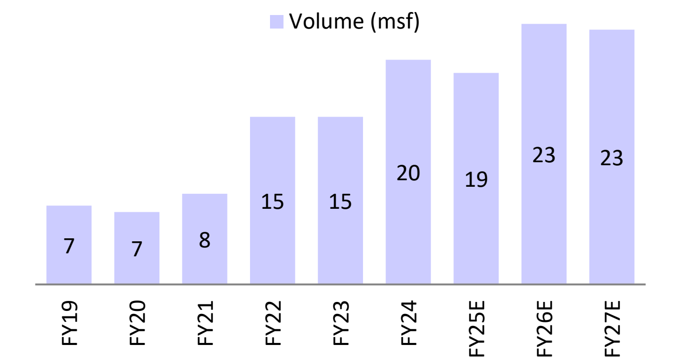
Story in charts

Exhibit 1: Sales to post 14% CAGR over FY24-27E…



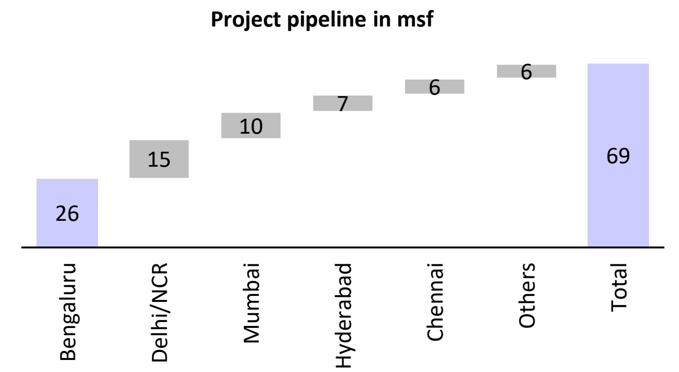
Source: Company, MOFSL

Exhibit 2: …with steady volumes



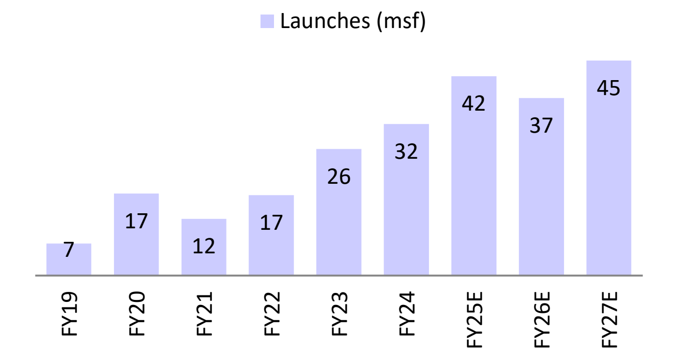
Source: Company, MOFSL

Exhibit 3: PEPL has 69msf of diverse project pipeline…



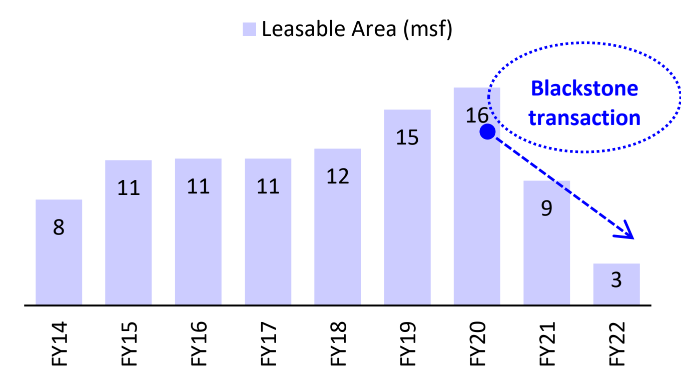
Source: MOFSL, Company

Exhibit 4: …which will drive new launches in the near term



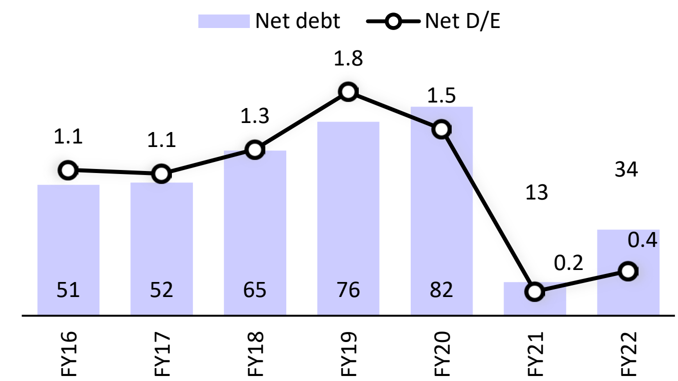
Source: MOFSL, Company

Exhibit 5: Leasable area in the Annuity portfolio doubled during FY14-20…



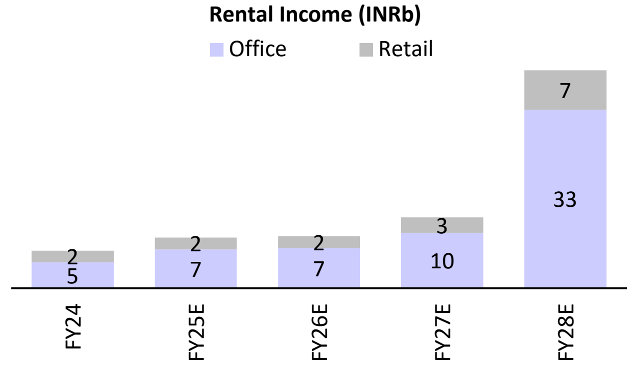
Source: Company, MOFSL

Exhibit 6: …which led to a rise in the net D/E ratio to 1.5x in FY20 from 1.0x in FY16



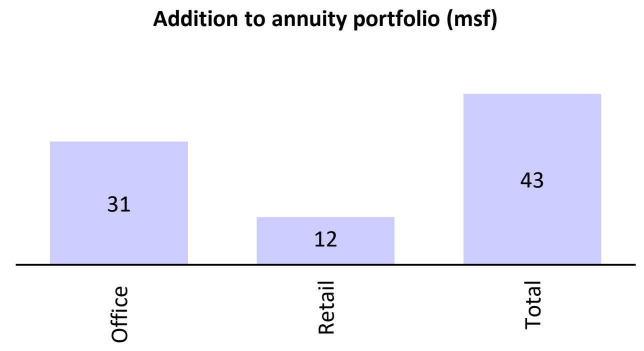
Source: Company, MOFSL

Exhibit 7: PEPL aspires to scale up the annuity rentals to INR40b over the next five years…



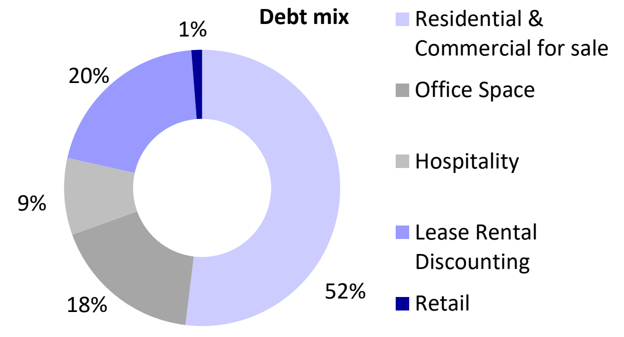
Source: Company, MOFSL

Exhibit 8: …driven by 43msf of addition to its annuity portfolio



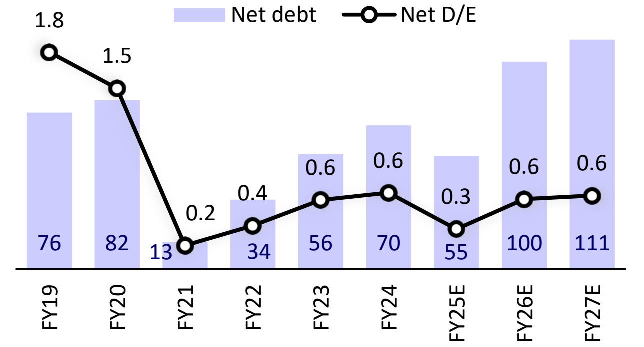
Source: Company, MOFSL

Exhibit 9: Residential segment accounted for 53% of debt



Source: Company, MOFSL

Exhibit 10: Debt to peak at ~INR111b



Source: Company, MOFSL

Valuation and view

We value PEPL using a DCF-based approach where:

- Its residential business is valued by discounting the cash flow from the residential portfolio including BD and land investments at a WACC of 11.8%.
- Its operational office assets are valued at a cap rate of 8% on FY26E EBITDA and ongoing/upcoming projects using DCF with a cap rate of 9.5%
- Its operational retail assets are valued at a cap rate of 7% on FY26E EBITDA and ongoing/upcoming projects using DCF with a cap rate of 8.5%
- Its hospitality business is valued at 17.5x EV/EBITDA on an FY26E basis
- We believe the significant growth potential inherent in the upcoming launches, as well as the robust pipeline valued at INR500b is not yet reflected in the company's current share price.

Based on the above approach, we arrive at a GAV of INR624b. Netting off FY25E debt of INR55b, we derive a NAV of INR569b; however, to capture the future development and going concern we have ascribed a 35% premium to the operation of INR174b and arrived at a NAV (post-premium) of INR743 or INR1,725 per share, indicating an upside of 45%.

Exhibit 11: Our SoTP-based TP denotes 45% upside potential; reiterate BUY

NAV calculation	Rationale	INR b	per share (INR)	%
Residential	❖ Discounted cashflow of residential portfolio including BD and land investments at 11.8% WACC	294	683	40%
Office – Operational	❖ Cap rate of 8% for operational assets and DCF for ongoing and planned assets	22	51	3%
Office – Ongoing and Upcoming	❖ Cap rate of 9.5% for operational assets and DCF for ongoing and planned assets	71	165	10%
Retail Malls	❖ Cap rate of 7% for operational assets and DCF for ongoing and planned assets with a cap rate of 8.5%	41	94	5%
Hospitality	❖ FY26E EBITDA at 17.5x EV/EBITDA	70	162	9%
Property Management Services	❖ FY26E EBITDA at 10x EV/EBITDA	12	29	2%
Land Bank	❖ 645 acres of land valued at 2x FSI	114	264	15%
Gross Asset Value		**624**	**1448**	**84%**
Less: Net debt	❖ FY25 Estimate	(55)	(127)	(7%)
Net Asset Value		**569**	**1,321**	**77%**
Premium/going concern	❖ 35% of the current portfolio	174	404	23%
NAV post Premium		**743**	**1,725**	**100%**
CMP			1,189	
Upside			**45%**	

Financials and valuations

Consolidated Profit & Loss (INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total Income from Operations	**72,644**	**63,895**	**83,150**	**78,771**	**1,04,178**	**1,14,313**	**1,40,667**
Change (%)	-10.6	-12.0	30.1	-5.3	32.3	9.7	23.1
Construction Cost	44,753	38,904	47,244	26,923	43,755	48,011	63,300
Employees Cost	4,206	4,510	6,034	7,467	8,543	9,374	11,535
Other Expenses	3,963	5,146	9,009	19,397	23,961	26,292	32,353
Total Expenditure	**52,922**	**48,560**	**62,287**	**53,787**	**76,258**	**83,677**	**1,07,188**
% of Sales	72.9	76.0	74.9	68.3	73.2	73.2	76.2
EBITDA	**19,722**	**15,335**	**20,863**	**24,984**	**27,920**	**30,636**	**33,479**
Margin (%)	27.1	24.0	25.1	31.7	26.8	26.8	23.8
Depreciation	5,926	4,710	6,471	7,165	8,059	10,085	12,024
EBIT	**13,796**	**10,625**	**14,392**	**17,819**	**19,861**	**20,551**	**21,455**
Int. and Finance Charges	9,899	5,553	8,066	12,191	12,884	11,962	11,962
Other Income	2,374	2,107	4,570	6,970	5,730	6,287	7,737
PBT bef. EO Exp.	**6,271**	**7,179**	**10,896**	**12,598**	**12,707**	**14,876**	**17,230**
EO Items	14,698	8,079	3,079	8,512	0	0	0
PBT after EO Exp.	**20,969**	**15,258**	**13,975**	**21,110**	**12,707**	**14,876**	**17,230**
Total Tax	5,198	2,945	3,475	4,936	1,906	3,749	4,342
Tax Rate (%)	24.8	19.3	24.9	23.4	15.0	25.2	25.2
Minority Interest	250	813	1,250	2,546	2,673	2,807	2,947
Reported PAT	**15,521**	**11,500**	**9,250**	**13,628**	**8,128**	**8,320**	**9,940**
Adjusted PAT	**4,466**	**4,552**	**7,213**	**7,106**	**8,128**	**8,320**	**9,940**
Change (%)	-14.7	1.9	58.5	-1.5	14.4	2.4	19.5
Margin (%)	6.1	7.1	8.7	9.0	7.8	7.3	7.1

Consolidated Balance Sheet (INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	4,009	4,009	4,009	4,009	4,308	4,308	4,308
Total Reserves	62,744	86,937	95,744	1,08,879	1,66,062	1,73,736	1,83,030
Net Worth	**66,753**	**90,946**	**99,753**	**1,12,888**	**1,70,369**	**1,78,043**	**1,87,337**
Minority Interest	4,198	4,523	2,832	5,122	5,122	5,122	5,122
Total Loans	36,112	65,130	81,208	1,14,623	1,19,623	1,19,623	1,19,623
Deferred Tax Liabilities	2,688	2,731	3,118	5,447	5,447	5,447	5,447
Capital Employed	**1,09,751**	**1,63,330**	**1,86,911**	**2,38,080**	**3,00,561**	**3,08,235**	**3,17,529**
Gross Block	50,188	75,671	91,370	1,17,422	1,51,211	1,84,955	2,15,835
Less: Accum. Deprn.	12,918	17,628	24,099	31,264	39,323	49,408	61,432
Net Fixed Assets	**37,270**	**58,043**	**67,271**	**86,158**	**1,11,888**	**1,35,547**	**1,54,403**
Goodwill on Consolidation	534	534	534	534	534	534	534
Capital WIP	27,396	17,246	23,987	21,372	20,966	21,164	18,182
Total Investments	**9,072**	**7,724**	**10,228**	**12,786**	**12,786**	**12,786**	**12,786**
Curr. Assets, Loans&Adv.	**1,92,917**	**2,20,894**	**2,63,809**	**3,64,337**	**3,51,853**	**3,61,419**	**4,09,178**
Inventory	95,805	1,15,667	1,43,671	2,41,562	1,59,829	1,71,939	2,20,250
Account Receivables	13,740	14,196	13,286	12,340	18,552	18,791	23,123
Cash and Bank Balance	24,012	21,712	18,146	25,582	90,130	84,955	60,304
Loans and Advances	59,360	69,319	88,706	84,853	83,342	85,734	1,05,500
Curr. Liability & Prov.	**1,57,438**	**1,41,111**	**1,78,918**	**2,47,107**	**1,98,055**	**2,23,804**	**2,78,142**
Account Payables	10,820	9,800	14,514	16,574	16,714	18,340	23,493
Other Current Liabilities	1,41,805	1,23,211	1,59,270	2,23,146	1,74,439	1,97,891	2,45,329
Provisions	4,813	8,100	5,134	7,387	6,902	7,574	9,320
Net Current Assets	**35,479**	**79,783**	**84,891**	**1,17,230**	**1,53,797**	**1,37,615**	**1,31,035**
Appl. of Funds	**1,09,751**	**1,63,330**	**1,86,911**	**2,38,080**	**2,99,972**	**3,07,646**	**3,16,940**

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)							
EPS	**11.9**	**12.1**	**19.2**	**19.0**	**21.7**	**22.2**	**26.5**
Cash EPS	27.7	24.7	36.5	38.1	43.2	49.1	58.6
BV/Share	178.0	242.5	266.0	301.0	454.3	474.8	499.6
DPS	2.6	1.6	1.6	1.6	1.6	1.6	1.6
Payout (%)	8.2	5.6	7.0	4.7	8.0	7.8	6.5
Valuation (x)							
P/E	99.7	97.9	61.8	62.7	54.8	53.5	44.8
Cash P/E	42.9	48.1	32.6	31.2	27.5	24.2	20.3
P/BV	6.7	4.9	4.5	3.9	2.6	2.5	2.4
EV/Sales	6.7	8.1	6.5	7.2	4.9	4.5	3.8
EV/EBITDA	24.8	33.9	25.9	22.6	18.1	16.7	16.0
Dividend Yield (%)	0.2	0.1	0.1	0.1	0.1	0.1	0.1
FCF per share	27.3	-3.3	-2.8	-49.3	71.0	9.9	-42.0
Return Ratios (%)							
RoE	7.4	5.8	7.6	6.7	5.7	4.8	5.4
RoCE	10.0	7.9	8.5	9.3	8.4	6.8	7.2
RoIC	13.3	10.3	8.6	8.7	9.5	8.4	7.7
Working Capital Ratios							
Fixed Asset Turnover (x)	1.4	0.8	0.9	0.7	0.7	0.6	0.7
Asset Turnover (x)	0.7	0.4	0.4	0.3	0.3	0.4	0.4
Inventory (Days)	481	661	631	1,119	560	549	572
Debtor (Days)	69	81	58	57	65	60	60
Creditor (Days)	54	56	64	77	59	59	61
Leverage Ratio (x)							
Current Ratio	1.2	1.6	1.5	1.5	1.8	1.6	1.5
Interest Cover Ratio	1.4	1.9	1.8	1.5	1.5	1.7	1.8
Net Debt/Equity	0.0	0.4	0.6	0.6	0.3	0.6	0.6

Consolidated Cash flow (INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	20,719	15,093	14,143	12,598	12,707	14,876	17,230
Depreciation	5,926	4,710	6,471	7,165	8,059	10,085	12,024
Interest & Finance Charges	9,899	5,553	8,066	5,221	7,154	5,675	4,226
Direct Taxes Paid	-2,074	-2,361	-3,288	-4,936	-1,906	-3,749	-4,342
(Inc)/Dec in WC	545	8,141	-2,418	-24,903	35,852	11,008	-18,072
CF from Operations	**35,015**	**31,136**	**22,974**	**-4,855**	**61,866**	**37,895**	**11,065**
Others	-16,495	-9,737	-7,579	8,512	0	0	0
CF from Operating incl EO	**18,520**	**21,399**	**15,395**	**3,657**	**61,866**	**37,895**	**11,065**
(Inc)/Dec in FA	-7,591	-22,704	-16,502	-23,437	-33,384	-33,941	-27,898
Free Cash Flow	**10,929**	**-1,305**	**-1,107**	**-19,780**	**28,482**	**3,954**	**-16,833**
(Pur)/Sale of Investments	-4,060	-18,144	-9,111	-2,558	0	0	0
Others	16,562	394	-1,948	6,970	5,730	6,287	7,737
CF from Investments	**4,911**	**-40,454**	**-27,561**	**-19,025**	**-27,654**	**-27,654**	**-20,161**
Issue of Shares	0	0	0	0	49,456	0	0
Inc/(Dec) in Debt	4,812	21,358	17,027	33,415	5,000	0	0
Interest Paid	-9,847	-5,341	-7,412	-12,191	-12,884	-11,962	-11,962
Dividend Paid	0	-646	-646	-646	-646	-646	-646
Others	-1,415	613	-3,514	-2,546	-2,673	-2,807	-2,947
CF from Fin. Activity	**-6,450**	**15,984**	**5,455**	**18,032**	**38,253**	**-15,415**	**-15,556**
Inc/Dec of Cash	**16,981**	**-3,071**	**-6,711**	**2,664**	**72,465**	**-5,174**	**-24,652**
Opening Balance	7,031	24,012	21,712	15,001	17,665	90,130	84,955
Closing Balance	**24,012**	**20,941**	**15,001**	**17,665**	**90,130**	**84,955**	**60,304**

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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