

13 September 2023

India | Equity Research | Company Update

## Prestige Estate Projects

Real Estate

### Debt levels remain the key monitorable

Prestige Estates Projects' (Prestige) residential sales bookings remain strong and we model for gross sales bookings of INR150bn in FY24E and INR165bn in FY25E vs. INR129bn in FY23 led by high-value Mumbai launches. At the same time, the company's consolidated net debt levels have risen by INR25.6bn over the last 12 months as it continues to incur annual land/stake buyout spend of INR40-50bn and annual annuity capex of INR30-40bn. We expect the company's net debt levels to rise further to INR84.4bn by Mar'24. With gross incremental pending capex of over INR150bn for annuity assets as of Jun'23, the company's ability to achieve significant pre-leasing in ongoing/upcoming annuity assets will be the key monitorable going forward.

While we retain our target price of INR611/share based on 1x FY24E NAV, we cut our rating to **HOLD** from **ADD** post the 8% run-up in stock price in last 3 months. Key upside risk is strong leasing in under construction annuity projects while key downside risk is residential demand slowdown.

### Strong start to FY24, healthy launch pipeline

After a stellar FY23 when the company achieved gross sales bookings of INR129bn on the back of 16.5msf of new residential launches, Q1FY24 gross sales bookings were impressive at INR39.1bn (up 30% YoY) driven by new launches of 3.1msf and ongoing project inventory sales. For the remainder of FY24 and FY25, the company plans to cumulatively launch 65msf of residential projects (32msf in FY24E and 30msf in FY25E). It aspires to double annual residential sales bookings over FY23-26E to INR250bn with Mumbai market sales targeted to grow to INR50bn in FY26E (gross GDV of current Mumbai projects is INR419bn, as per the company) and new markets of the NCR and Pune to grow to INR30bn and INR15bn annually, respectively. Major launches slated for FY24E include Park Grove (GDV of INR70bn), Noida residential (GDV of INR45bn), Pallava Gardens, Chennai (GDV of INR45bn), Prestige City, Hyderabad (GDV of INR70bn) and two luxury Mumbai launches of Ocean Towers, Marine Drive and Nautilus, Worli (GDV of INR150bn).

### Financial Summary

Y/E (INR mn)	FY22A	FY23A	FY24E	FY25E
Net Revenue	63,895	83,150	97,159	1,03,444
EBITDA	15,335	20,863	29,757	31,992
EBITDA Margin (%)	24.0	25.1	30.6	30.9
Net Profit	11,886	9,418	9,714	10,495
EPS (INR)	29.6	23.5	24.2	26.2
P/B (x)	2.7	2.4	2.2	2.1
P/E (x)	20.5	25.8	25.1	23.2
EV/EBITDA (x)	18.7	14.7	11.3	11.1
RoCE (%)	10.7	11.6	15.1	14.4
RoE (%)	15.1	9.9	9.3	9.3

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#### Market Data

Market Cap (INR)	244bn
Market Cap (USD)	2,936mn
Bloomberg Code	PEPL IN
Reuters Code	PREG.BO
52-week Range (INR)	692 /391
Free Float (%)	35.0
ADTV-3M (mn) (USD)	6.8

Price Performance (%)	3m	6m	12m
Absolute	8.1	51.7	27.2
Relative to Sensex	7.6	14.8	13.3

ESG Disclosure	2021	2022	Change
ESG score	-	-	-
Environment	-	-	-
Social	-	-	-
Governance	-	-	-

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: Bloomberg, I-sec research

#### Previous Reports

11-08-2023: [Q1FY24 Results Update](#)

20-04-2023: [Company Update](#)

### Debt levels a key monitorable

While the company's residential sales bookings remain strong, consolidated net debt levels have risen by INR25.6bn over the last 12 months as the company continues to incur annual land/stake buyout spend of INR40-50bn and annual annuity capex of INR30-40bn. We expect the company's net debt levels to rise further to INR84.4bn by Mar'24, and with gross incremental pending capex of over INR150bn for annuity assets, the company's ability to achieve significant pre-leasing in ongoing/upcoming annuity assets along with strata sales will be the key monitorable going forward.

#### Exhibit 1: PEPL pending commercial capex as of Jun'23

BALANCE TO SPEND (PG SHARE)	PARTICULARS	Total COC	COC (PG)	Balance COC	Balance COC (PG)
<b>ONGOING COMMERCIAL</b>					
<b>₹59,429 mn</b>	Ongoing Commercial Capex	86,671	76,742	65,793	59,429
<b>UPCOMING COMMERCIAL</b>					
<b>₹69,209 mn</b>	Upcoming Commercial Capex	74,120	72,846	70,469	69,209
<b>TOTAL</b>	<b>Total Capex (Ongoing &amp; Upcoming)</b>	<b>1,60,791</b>	<b>1,49,588</b>	<b>1,36,261</b>	<b>1,28,638</b>

*Value in ₹ mn*

Source: I-Sec research, Company data

#### Exhibit 2: PEPL pending retail capex as of Jun'23

BALANCE TO SPEND (PG SHARE)	PARTICULARS	Total COC	COC (PG)	Balance COC	Balance COC (PG)
<b>ONGOING RETAIL</b>					
<b>₹3,757 mn</b>	Ongoing Retail Capex	9,484	6,551	4,274	3,757
<b>UPCOMING RETAIL</b>					
<b>₹12,630 mn</b>	Upcoming Retail Capex	18,716	12,732	18,570	12,630
<b>TOTAL</b>	<b>Total Capex (Ongoing &amp; Upcoming)</b>	<b>28,200</b>	<b>19,283</b>	<b>22,843</b>	<b>16,387</b>

Source: I-Sec research, Company data

#### Exhibit 3: Key assumptions

Development Properties	FY20	FY21	FY22	FY23	FY24E	FY25E
PEPL share - Area sold (msf) (Total)	5.5	6.4	13.4	13.6	15.9	16
Average rate (INR/psf)	6,830	6,674	6,626	8,723	8,952	9,445
PEPL share - Sales Value (INR mn)	37,891	42,846	88,588	1,18,375	1,42,018	1,50,793
PEPL Rental income (INR mn)	9,208	7,169	4,371	3,893	4,327	4,705

Source: I-Sec research, Company data

**Exhibit 4: SoTP valuation**

Project	FY24E GAV (INR mn)	Value (Rs/share)	% of GAV
Residential - for sale	1,36,809	341	41.5
Commercial - lease	24,377	61	7.4
Retail - lease	20,066	50	6.1
Hospitality	11,157	28	3.4
Project management	7,739	19	2.3
Capital WIP across projects	75,000	187	22.8
Land bank/new JVs	54,189	135	16.5
<b>Total GAV</b>	<b>3,29,337</b>	<b>821</b>	<b>100</b>
Less: FY24E Net Debt (PEPL share)	84,405	211	
<b>FY24E NAV</b>	<b>2,44,931</b>	<b>611</b>	

Source: Company data, I-Sec research

**Exhibit 5: Shareholding pattern**

%	Dec'22	Mar'23	Jun'23
Promoters	65.5	65.5	65.5
Institutional investors	31.6	31.7	32.0
MFs and others	7.2	8.6	9.3
FIs/Banks	-	-	-
Insurance	0.9	1.0	1.2
FIIIs	23.5	22.1	21.5
Others	2.9	2.8	2.5

Source: Bloomberg

**Exhibit 6: Price chart**

Source: Bloomberg

## Financial Summary

### Exhibit 7: Profit & Loss

(INR mn, year ending )

	FY22A	FY23A	FY24E	FY25E
<b>Net Sales</b>	<b>63,895</b>	<b>83,150</b>	<b>97,159</b>	<b>1,03,444</b>
Operating Expenses	48,560	62,287	67,402	71,452
<b>EBITDA</b>	<b>15,335</b>	<b>20,863</b>	<b>29,757</b>	<b>31,992</b>
EBITDA Margin (%)	24.0%	25.1%	30.6%	30.9%
Depreciation & Amortization	4,710	6,471	6,665	6,865
Interest expenditure	5,553	8,066	9,440	10,231
Other Non-operating Income	2,493	4,570	4,799	5,038
Extraordinary items	8,079	3,079	-	-
<b>PBT</b>	<b>15,644</b>	<b>13,975</b>	<b>18,450</b>	<b>19,934</b>
Less: Taxes	2,945	3,475	6,457	6,977
PAT	12,699	10,500	11,992	12,957
Less: Minority Interest	(813)	(1,082)	(2,279)	(2,462)
<b>Net Income (Reported)</b>	<b>11,886</b>	<b>9,418</b>	<b>9,714</b>	<b>10,495</b>

Source Company data, I-Sec research

### Exhibit 8: Balance sheet

(INR mn, year ending )

	FY22A	FY23A	FY24E	FY25E
Total Current Assets	2,15,027	2,58,227	2,53,490	2,60,399
of which cash & cash eqv.	21,712	18,146	7,424	8,187
Total Current Liabilities & Provisions	1,41,111	1,73,335	1,82,258	1,91,654
<b>Net Current Assets</b>	<b>73,916</b>	<b>84,892</b>	<b>71,231</b>	<b>68,745</b>
Investments	8,258	5,179	20,179	20,179
Net Fixed Assets	58,043	67,271	77,906	88,341
Capital Work-in-Progress	17,246	23,987	43,187	67,387
<b>Total Assets</b>	<b>1,57,463</b>	<b>1,81,329</b>	<b>2,12,503</b>	<b>2,44,652</b>
<b>Liabilities</b>				
<b>Borrowings</b>	<b>65,130</b>	<b>81,208</b>	<b>1,01,208</b>	<b>1,21,208</b>
<b>Deferred Tax Liability</b>	<b>(3,136)</b>	<b>(2,464)</b>	<b>(2,464)</b>	<b>(2,464)</b>
provisions	-	-	-	-
other Liabilities	-	-	-	-
Equity Share Capital	4,009	4,009	4,009	4,009
Reserves & Surplus	86,937	95,744	1,04,520	1,14,077
<b>Total Net Worth</b>	<b>90,946</b>	<b>99,753</b>	<b>1,08,529</b>	<b>1,18,086</b>
Minority Interest	4,523	2,832	5,230	7,822
<b>Total Liabilities</b>	<b>1,57,463</b>	<b>1,81,329</b>	<b>2,12,503</b>	<b>2,44,652</b>

Source Company data, I-Sec research

### Exhibit 9: Cashflow statement

(INR mn, year ending )

	FY22A	FY23A	FY24E	FY25E
<b>Operating Cashflow</b>	<b>17,409</b>	<b>16,971</b>	<b>18,658</b>	<b>19,822</b>
Working Capital Changes	8,141	(2,418)	2,939	3,248
Capital Commitments	(21,578)	(16,006)	(51,500)	(41,500)
<b>Free Cashflow</b>	<b>3,972</b>	<b>(1,453)</b>	<b>(29,903)</b>	<b>(18,429)</b>
<b>Other investing cashflow</b>	<b>(21,336)</b>	<b>(12,958)</b>	-	-
Cashflow from Investing Activities	(42,914)	(28,964)	(51,500)	(41,500)
Issue of Share Capital	-	-	-	-
Inc (Dec) in Borrowings	21,926	13,468	20,000	20,000
Dividend paid	(601)	(601)	(938)	(938)
Others	-	-	-	-
Cash flow from Financing Activities	21,325	12,867	19,062	19,062
<b>Chg. in Cash &amp; Bank balance</b>	<b>3,961</b>	<b>(1,544)</b>	<b>(10,842)</b>	<b>633</b>
Closing cash & balance	21,712	18,146	7,424	8,187

Source Company data, I-Sec research

### Exhibit 10: Key ratios

(Year ending )

	FY22A	FY23A	FY24E	FY25E
<b>Per Share Data (INR)</b>				
Reported EPS	29.6	23.5	24.2	26.2
Cash EPS	41.4	39.6	40.9	43.3
Dividend per share (DPS)	2.3	2.3	2.3	2.3
Book Value per share (BV)	226.9	248.8	270.7	294.6
<b>Growth (%)</b>				
Net Sales	(11.8)	30.1	16.8	6.5
EBITDA	(21.7)	36.0	42.6	7.5
EPS (INR)	(57.2)	(20.8)	3.1	8.0
<b>Valuation Ratios (x)</b>				
P/E	20.5	25.8	25.1	23.2
P/BV	2.7	2.4	2.2	2.1
EV / EBITDA	18.7	14.7	11.3	11.1
Dividend Yield (%)	0.4	0.4	0.4	0.4
<b>Operating Ratios</b>				
EBITDA Margins (%)	24.0	25.1	30.6	30.9
Net Profit Margins (%)	18.6	11.3	10.0	10.1
Net Debt / Equity (x)	0.5	0.6	0.9	1.0
Debt / EBITDA (x)	4.2	3.9	3.4	3.8
<b>Profitability Ratios</b>				
RoCE (%)	10.7	11.6	15.1	14.4
RoE (%)	15.1	9.9	9.3	9.3

Source Company data, I-Sec research

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