

Estimate change	↔
TP change	↔
Rating change	↔

CMP: INR2,300 **TP: INR2,855 (+24%)** **Buy**

On track for another topnotch performance

Delivers a consecutive quarter of record bookings

- Godrej Properties (GPL) reported the highest ever bookings of INR57b, up 76%/14% YoY/QoQ and 14% above our estimate. For 9MFY24, pre-sales stood at INR130b, up 59% YoY.
- Sales volume was flat YoY but declined 17% sequentially to 4.3msf. Blended realization too was at an all-time high, as it increased 79%/14% YoY/QoQ to ~INR13,200/sft, due to higher contributions from the premium projects.
- GPL's performance was led by new phases/project launches that generated ~73% of total sales. **It launched eight new project/phases** with a combined saleable area of ~6.75msf. Total launches stood at 13msf in 9MFY24.
- GPL has indicated that a few of its key projects, such as Worli (MMR), Ashok Vihar (NCR), and Sarjapur (Bengaluru) are likely to be delayed. However, excluding these projects, the launch pipeline for 4QFY24 remains strong at ~9msf. While management has reiterated its guidance to achieve INR140b of pre-sales in FY24, we expect the company to clock bookings of INR195b.
- Revenue jumped 68% YoY to INR3.3b vs. our estimate of INR1.1b, due to higher-than-expected sales from the completed projects. It reported an operating loss of INR416m, and its PAT grew 11% YoY to INR627m aided by other income of INR2.2b.

Healthy OCF; debt continues to inch up led by business development

- GPL reported gross collections of INR27.2b, up 27% YoY, and the company generated an OCF (post-interest and tax) of INR5.8b during the quarter.
- GPL spent INR12.5b for **land and approvals**, which resulted in a **cash burn of INR7.3b**. Gross debt increased to INR108b compared to INR102b in 2QFY24, and it has a cash balance of INR43b.
- The net debt/equity ratio stood at 0.72x, and management maintained its guidance of keeping it between 0.5x and 1x of equity in the near term.

Key highlights from the management commentary

- **Guidance:** GPL will comfortably exceed its full-year guidance of INR140b, and is also on track to deliver 12.5msf in FY24. Over the medium term, it is confident of sustaining 15-20% YoY growth. Sector 89 & Sector 146 (Gurugram), Kandivali (MMR), and OMR Road (Bengaluru) are the key projects along with a few others that are slated for launch in 4QFY24.
- **Business development:** GPL has spent INR19b towards new additions of INR80b so far in the year. In 4QFY24, it expects an outflow of INR12-13b towards land/FSI cost (including INR6b for Ashok Vihar land). While the company will conclude a few more deals in 4Q, management believes that the company has a strong project pipeline and hence can deliver sustainable growth over the next 2-3 years, even without aggressive spending on BD.

Bloomberg	GPL IN
Equity Shares (m)	278
M.Cap.(INRb)/(USDb)	639.6 / 7.7
52-Week Range (INR)	2457 / 1005
1, 6, 12 Rel. Per (%)	1/37/75
12M Avg Val (INR M)	1213

Financials & Valuations (INR b)

Y/E Mar	FY24E	FY25E	FY26E
Sales	21.3	34.7	36.9
EBITDA	-0.4	8.1	9.8
EBITDA (%)	-1.9	23.3	26.5
PAT	7.5	12.9	13.2
EPS (INR)	27.1	46.2	47.4
EPS Gr. (%)	114.6	106.9	75.0
BV/Sh. (INR)	356.5	402.7	450.1

Ratios

Net D/E	0.5	0.4	0.3
RoE (%)	8	12	11
RoCE (%)	5	7	7
Payout (%)	0.0	0.0	0.0

Valuations

P/E (x)	85	50	49
P/BV (x)	6	6	5
EV/EBITDA (x)	NM	85	69
Div Yield (%)	0	0	0

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	58.5	58.5	58.5
DII	4.7	4.6	4.6
FII	29.7	29.3	27.4
Others	7.1	8.4	9.6

- **NCR performance:** GPL's current portfolio will certainly enable it to sustain its improved performance in the market. GPL has made significant new additions in Gurugram and Noida and expects 1-2 projects to be launched each quarter. It is mindful of the sharp rise in overall demand and pricing witnessed in the NCR market and currently does not see any demand concerns. Management does not expect the trajectory of sharp price growth to continue and current levels will form a base for gradual hikes in future.

Valuation and view

- GPL has largely achieved its annual pre-sales target in 9MFY24 and given the strong launch pipeline of 9msf in 4QFY24, it is on track to deliver another record year in terms of bookings. Hence, we raise our FY24E pre-sales by 13% to INR195b.
- Management intends to launch the recently acquired projects on priority, which would accelerate bookings growth and enable higher cash flow given favorable ownership of new projects.
- We believe GPL will surprise on growth, cash flows, and margins, given its strong pipeline and healthy realizations, which have been the key investor concerns. **We reiterate our BUY rating with an unchanged TP of INR2,855, implying 24% potential upside.**

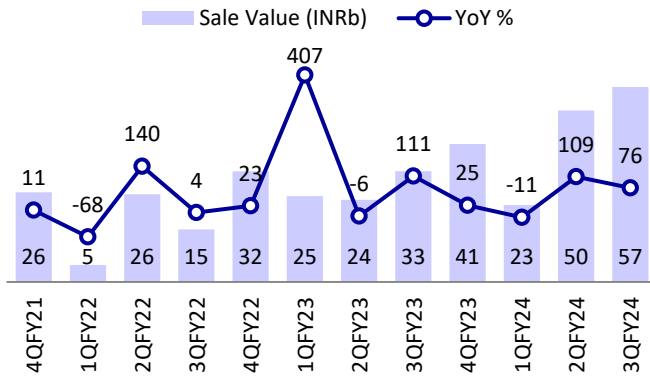
Quarterly Performance (INR m)

Y/E March	FY23				FY24E				FY23	FY24E	FY24E	Variance
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Gross Sales	2,447	1,651	1,962	16,463	9,360	3,430	3,304	5,213	22,523	21,307	1,095	202
YoY Change (%)	184.0	27.7	-29.6	23.7	282.6	107.8	68.4	-68.3	23.4	-5.4	-44.2	
Total Expenditure	2,589	2,325	2,130	12,996	9,303	4,047	3,720	4,639	20,040	21,708	2,339	
EBITDA	-142	-674	-168	3,466	57	-617	-416	574	2,482	-401	-1,244	
Margins (%)	-5.8	-40.8	-8.6	21.1	0.6	-18.0	-12.6	11.0	11.0	-1.9	-113.6	
Depreciation	55	56	65	66	69	74	142	115	241	400	70	
Interest	345	406	457	535	297	480	430	536	1,742	1,743	604	
Other Income	1,817	2,041	2,084	1,926	3,299	2,621	2,179	3,769	7,867	11,868	2,088	
PBT before EO expense	1,276	905	1,394	4,791	2,990	1,451	1,192	3,692	8,366	9,324	170	599
Extra-Ord expense	0	0	0	0	1,550	0	0	0	0	-1,550	0	
PBT	1,276	905	1,394	4,791	1,440	1,451	1,192	3,692	8,366	7,774	170	599
Tax	327	-188	449	1,159	592	388	319	1,033	1,747	2,332	34	
Rate (%)	25.6	-20.7	32.2	24.2	41.1	26.7	26.8	28.0	20.9	30.0	20.0	
MI & Profit/Loss of Asso. Cos.	-516	-423	-381	913	488	-336	-245	1,090	-407	997	334	
Reported PAT	433	670	564	4,545	1,336	726	627	3,749	6,212	6,439	470	33
Adj PAT	433	670	564	4,545	2,248	726	627	3,749	6,212	7,524	470	
YoY Change (%)	154.6	87.7	44.8	75.6	419.3	8.4	11.2	-17.5	77.2	18.3	-16.6	
Margins (%)	17.7	40.6	28.7	27.6	24.0	21.2	19.0	71.9	27.6	34.5	42.9	
Operational Metrics												
Sale Volume (msf)	2.8	2.7	4.6	5.3	2.3	5.2	4.3	5.8	15	18	6.1	-29
Sale Value (INRb)	25	24	33	41	23	50	57	65	122	195	50.1	14
Collections (INRb)	18	22	21	43	22	27	27	72	105	148	39.3	-31
Realization/sft	8,906	8,883	7,145	7,716	10,018	9,607	13,180	11,160	8,041	9,007	8,240	60

Source: MOFSL, Company

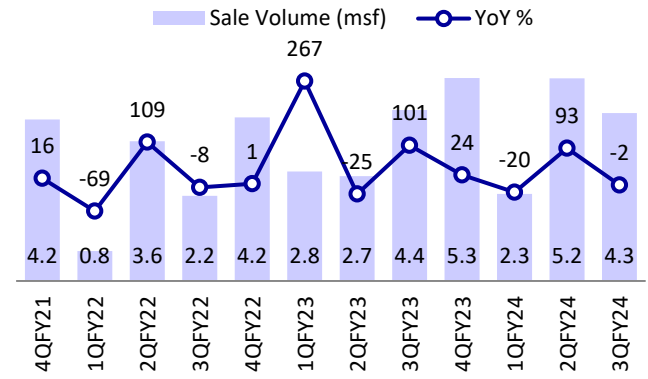
Key Exhibits

Exhibit 1: GPL reported sales of INR57b, up 76% YoY...



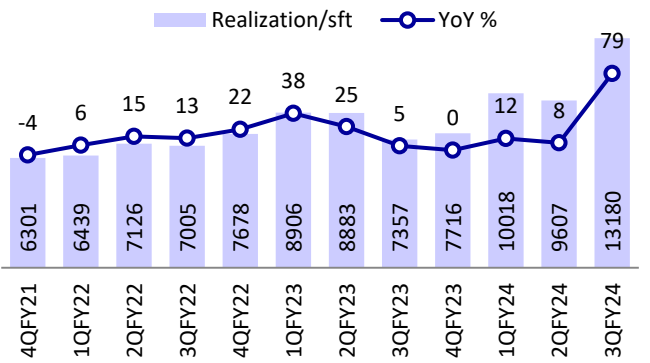
Source: Company, MOFSL

Exhibit 2: ...while volumes were flat at 4.3msf



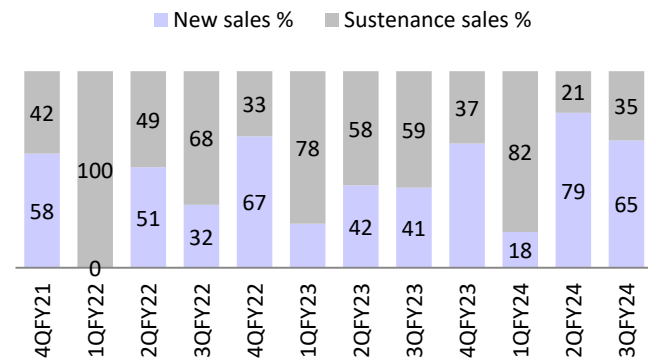
Source: Company, MOFSL

Exhibit 3: Blended realization was up 79% YoY due to higher contributions from MMR and NCR



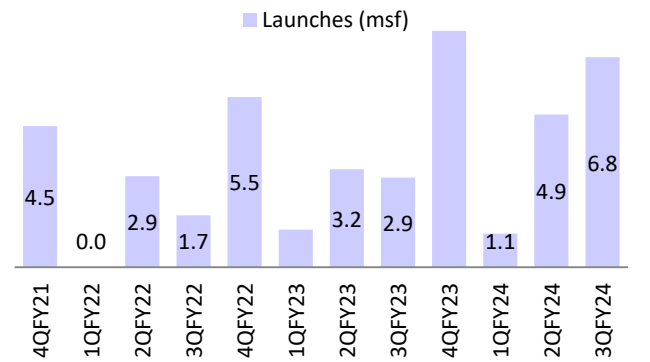
Source: MOFSL, Company

Exhibit 4: ~65% of volumes were generated by new launches



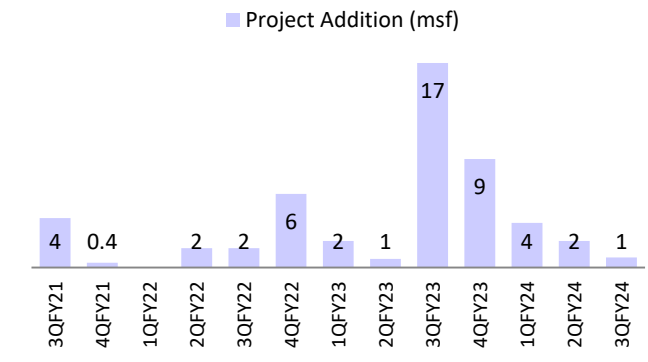
Source: MOFSL, Company

Exhibit 5: GPL launched 7msf across eight projects/phases



Source: Company, MOFSL

Exhibit 6: It added one new project with a development potential of 1msf



Source: Company, MOFSL

Exhibit 7: Collections stood at INR27b, up 26% YoY...

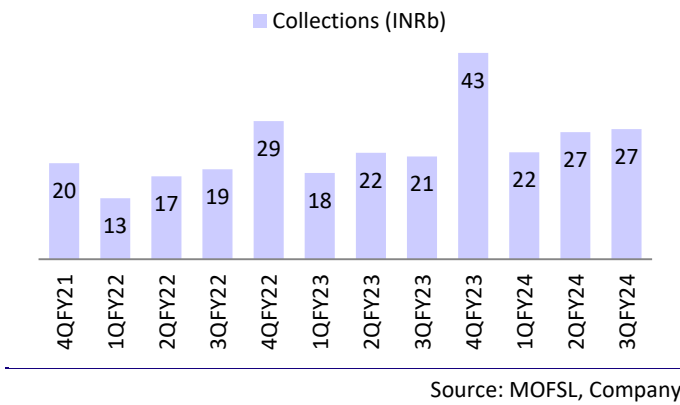


Exhibit 8: ...and GPL generated post-tax OCF of INR5.8b

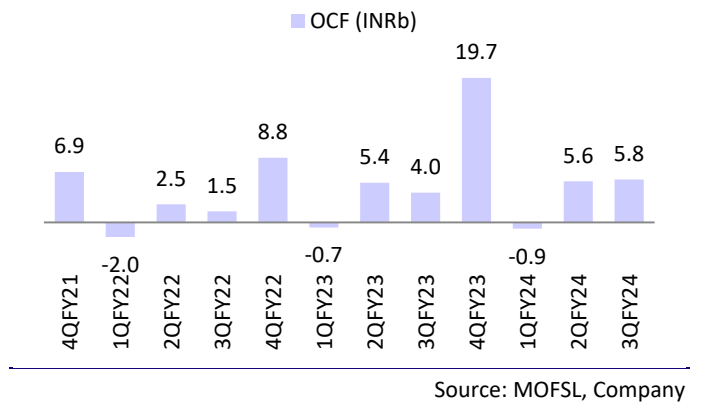


Exhibit 9: Net debt rose to INR69b due to continuous spending on BD

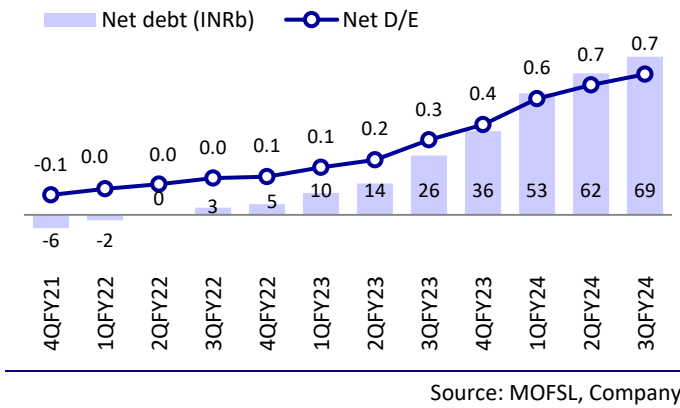
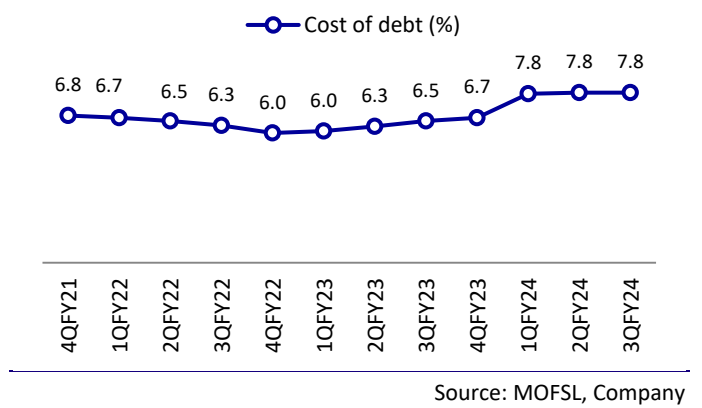


Exhibit 10: Cost of debt continued to remain attractive



Story in charts

Exhibit 11: Project additions in the last five years at ~100msf

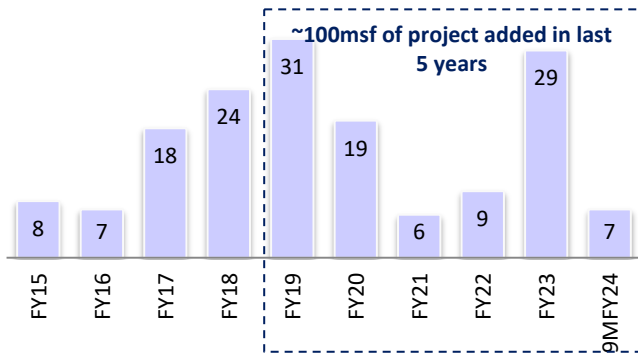


Exhibit 12: GPL has ~80msf of executable pipeline

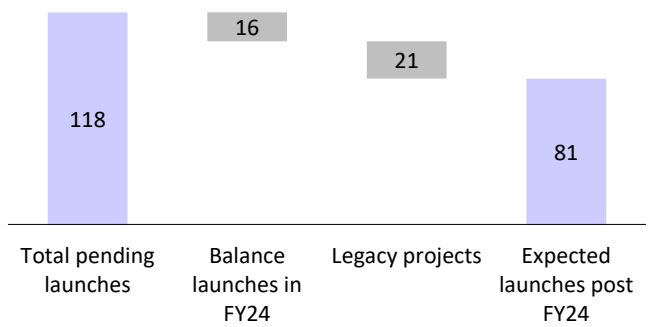


Exhibit 13: Expect the launch run-rate to sustain at over 15-20msf from FY24

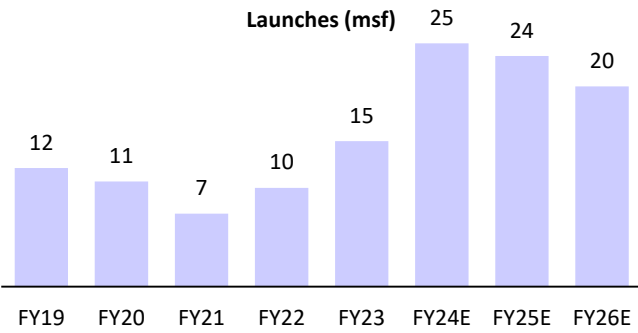


Exhibit 14: Expect GPL to report INR195b of pre-sales in FY24

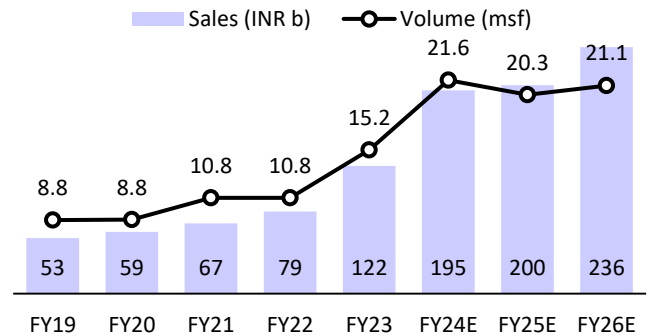
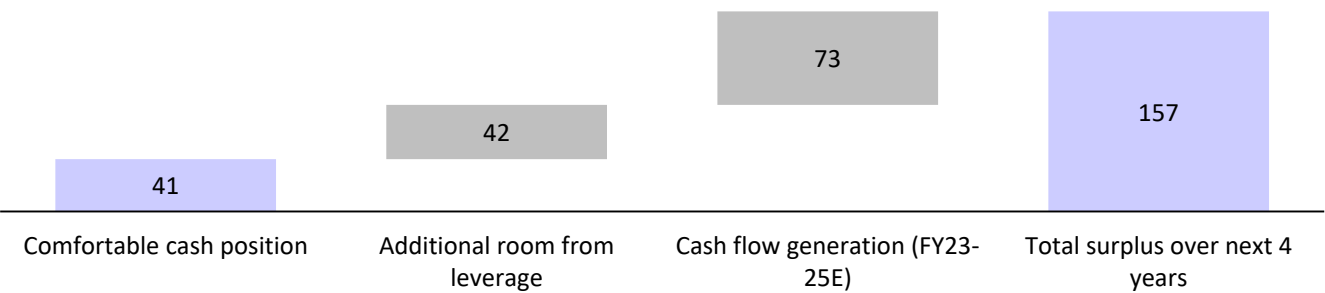


Exhibit 15: Cash (INR41b), room for leverage (INR42b), and surplus cash flow generation (INR73b) over FY23-25E indicate continued momentum in business development



Source: Company, MOFSL

Exhibit 16: Expects to complete more than 30msf of projects over FY23-25; 60% of these are JVs, 25% are own projects, and the rest are DM projects

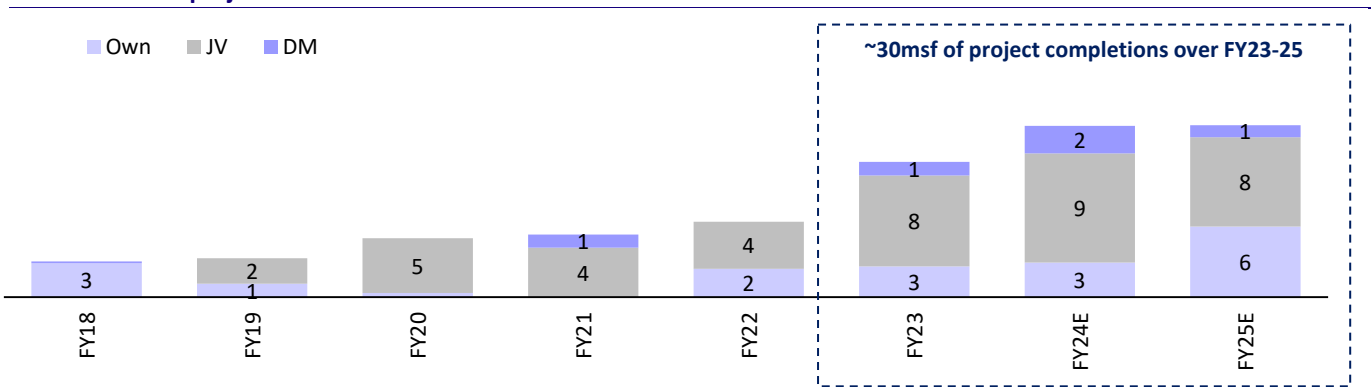


Exhibit 17: Collections to increase to INR200b by FY26E

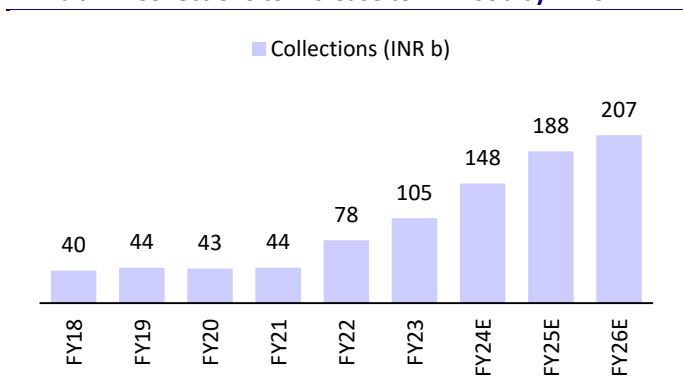


Exhibit 18: Consequently, OCF will improve to INR50b+

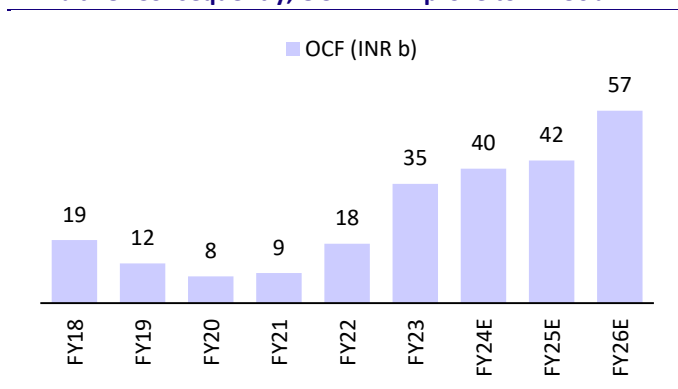
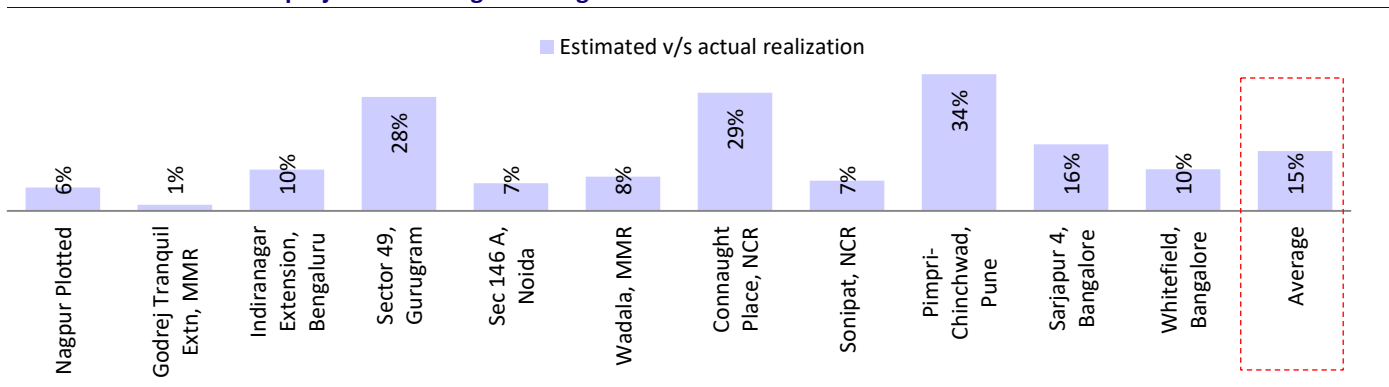


Exhibit 19: Has launched projects at average 15% higher realization



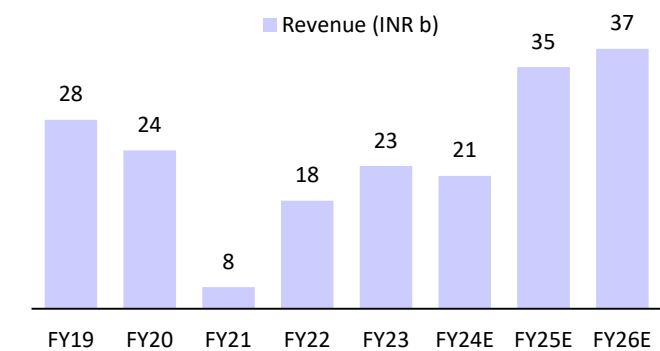
Source: Company, MOFSL

Exhibit 20: Potential to generate 30-35% EBITDA margin from recent projects

	INR/sqft	Comments
Realization	10,600	average realization of projects acquired since FY21 till date
Land cost	(2,544)	INR125b of acquisition cost paid from FY21 till FY24 for acquired value of INR510b
Approval cost	(500)	Not many Mumbai projects hence approval cost will be low
Construction cost	(4,028)	construction cost of 4000/sqft
Overheads	(1,060)	10% of realization
Realization benefit	1,557	15% higher realization as calculated in previous sheet
EBITDA	4,025	
Margin	33%	

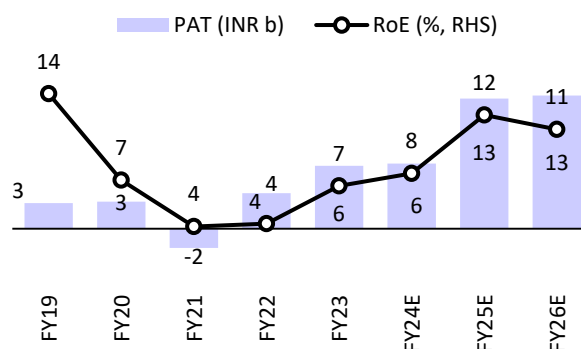
Source: Company, MOFSL

Exhibit 21: Expect revenue recognition to increase to FY19–20 levels with a pick-up in own project completions



Source: Company, MOFSL

Exhibit 22: Profit recognition to improve to INR13b in FY25E



Source: Company, MOFSL

Other key con-call takeaways

Cash flow:

- In order to capitalize on the scale of opportunities available in the housing market, GPL would want to maintain 0.5-1x net D/E while redeploying capital to strengthen the pipeline
- Can even go beyond this level temporarily if any good BD opportunity arises, which complements the internal growth ambitions

Mumbai projects

- A lot of existing tenant movements happened in the Worli project, and GPL is expecting to launch the project in FY25. While Bandra is also making a good progress, GPL does not expect it to be launched in FY25
- Continues to see a lot of opportunities across the spectrum of outright/JD in South Mumbai, and some good additions will happen in this market over the next few quarters.
- The Mahalaxmi project has sold INR7b worth of inventory since it was launched four months ago.

Pricing and Demand:

- A lot of the growth reflected in blended realization can be attributed to nature of products being brought to the market, which are skewed towards the premium segment.
- Going forward, the volume and value growth should be largely in line with each other

Valuation and view

We value GPL on an SoTP basis where:

- The ongoing and upcoming owned/JV projects are valued using the DCF of expected cash flows over four years by using a WACC of 10% and a terminal growth rate of 5%.
- The DM and Commercial project pipelines are valued using the NAV approach, discounted at a WACC of 10%, as we do not expect any project additions.
- The above approach cumulatively values GPL at a gross asset value of INR879b, and netting off INR85b of net debt as of FY24E, we arrive at a net asset value of INR794b, or INR2,855 per share, indicating a 24% upside potential.

Exhibit 23: Our SoTP-based approach denotes 24% upside for GPL based on CMP; reiterate BUY

Particulars	Rationale	Value (INR b)	Per share	Contribution
Own and JV/JDA projects	❖ DCF for four years, expected cash flow at WACC of 10%, and terminal value assuming 5% long-term growth	861	3,099	109%
DM projects	❖ PV of future cash flows discounted at WACC of 10%	3	11	0%
Commercial projects	❖ PV of future cash flows discounted at WACC of 10%	14	52	2%
Gross asset value		879	3,162	111%
Net debt	❖ FY24E	(85)	(306)	-11%
Net asset value		794	2,856	100%
No. of shares (m)		278		
NAV per share		2,855		
CMP		2,300		
Upside		24%		

Source: MOFSL

Exhibit 24: Our earnings change summary

(INR m)	Old		New		Change	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	21,900	35,339	21,307	34,651	-3%	-2%
EBITDA	1,573	7,261	-401	8,068	-125%	11%
Adj. PAT	7,420	11,961	7,524	12,853	1%	7%
Pre-sales	1,72,614	1,99,743	1,94,849	1,99,635	13%	0%
Collections	1,35,491	1,85,238	1,47,709	1,87,509	9%	1%

Source: MOFSL, Company

Financials and valuations

Consolidated Profit and Loss (INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Total Income from Operations	24,414	7,649	18,249	22,523	21,307	34,651	36,897
Change (%)	-13.3	-68.7	138.6	23.4	-5.4	62.6	6.5
Cost of Sales	15,633	4,751	11,939	12,413	12,159	16,608	17,529
Employees Cost	1,847	1,785	1,103	2,184	2,621	3,145	3,774
Other Expenses	3,480	3,236	3,876	5,443	6,928	6,830	5,809
Total Expenditure	20,960	9,772	16,917	20,040	21,708	26,583	27,112
% of Sales	85.9	127.7	92.7	89.0	101.9	76.7	73.5
EBITDA	3,454	-2,123	1,332	2,482	-401	8,068	9,785
Margin (%)	14.1	-27.7	7.3	11.0	-1.9	23.3	26.5
Depreciation	205	195	214	241	400	400	400
EBIT	3,249	-2,318	1,117	2,241	-801	7,668	9,385
Int. and Finance Charges	2,220	1,849	1,675	1,742	1,743	2,839	2,839
Other Income	4,732	5,684	7,608	7,867	11,868	10,939	9,894
PBT after EO Exp.	5,761	-767	7,051	8,366	7,774	15,768	16,440
Total Tax	2,203	734	1,658	1,747	2,332	3,942	4,110
Tax Rate (%)	38.2	-95.7	23.5	20.9	30.0	25.0	25.0
MI & Profit from Assoc.	-885	-401	-1,887	-407	997	1,028	833
Reported PAT	2,672	-1,902	3,506	6,212	6,439	12,853	13,163
Adjusted PAT	2,672	2,568	3,506	6,212	7,524	12,853	13,163
Change (%)	5.6	-3.9	36.5	77.2	21.1	70.8	2.4
Margin (%)	10.9	33.6	19.2	27.6	35.3	37.1	35.7

Consolidated Balance Sheet (INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	1,260	1,390	1,390	1,390	1,390	1,390	1,390
Total Reserves	46,785	81,805	85,364	91,252	97,691	1,10,544	1,23,707
Net Worth	48,045	83,195	86,754	92,642	99,081	1,11,934	1,25,097
Minority Interest	0	0	-18	230	230	230	230
Total Loans	37,101	45,131	51,698	64,118	81,118	81,118	81,118
Deferred Tax Liabilities	-3,640	-2,906	0	0	934	2,510	4,154
Capital Employed	81,506	1,25,420	1,38,434	1,56,989	1,81,361	1,95,792	2,10,599
Gross Block	1,875	2,606	2,912	3,501	3,901	4,301	4,701
Less: Accum. Deprn.	746	860	1,075	1,316	1,716	2,116	2,516
Net Fixed Assets	1,129	1,745	1,837	2,185	2,185	2,185	2,185
Goodwill on Consolidation	0	0	0	1	1	1	1
Capital WIP	1,629	2,293	3,395	6,524	6,524	6,524	6,524
Total Investments	35,710	52,426	48,830	25,345	10,345	10,345	10,345
Curr. Assets, Loans&Adv.	58,947	1,03,097	1,23,974	1,96,999	2,25,107	2,71,210	2,96,916
Inventory	21,253	48,014	56,683	1,20,734	1,40,687	1,78,004	1,89,541
Account Receivables	4,328	3,101	3,649	5,197	1,501	1,916	2,450
Cash and Bank Balance	5,070	7,729	13,385	20,159	32,011	40,381	54,016
Loans and Advances	28,297	44,253	50,256	50,909	50,909	50,909	50,909
Curr. Liability & Prov.	15,910	34,140	39,602	74,064	61,250	92,923	1,03,821
Account Payables	7,197	19,017	22,541	33,566	18,012	22,997	29,404
Other Current Liabilities	8,354	14,642	16,498	39,875	42,615	69,303	73,794
Provisions	360	481	563	623	623	623	623
Net Current Assets	43,037	68,956	84,372	1,22,935	1,63,857	1,78,287	1,93,095
Misc Expenditure	0	0	0	0	0	0	0
Appl. of Funds	81,506	1,25,420	1,38,434	1,56,989	1,81,361	1,95,792	2,10,599

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)							
EPS	9.6	9.2	12.6	22.4	27.1	46.2	47.4
Cash EPS	10.4	9.9	13.4	23.2	28.5	47.7	48.8
BV/Share	172.9	299.3	312.1	333.3	356.5	402.7	450.1
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)							
P/E	205.6	213.9	156.8	88.5	85.0	49.7	48.6
Cash P/E	191.0	198.8	147.7	85.1	80.7	48.2	47.1
P/BV	11.4	6.6	6.3	5.9	6.5	5.7	5.1
EV/Sales	23.8	76.7	30.4	25.9	32.5	19.7	18.2
EV/EBITDA	162.4	-259.0	416.2	234.7	NM	84.8	68.5
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	-10.5	-28.7	-21.3	-113.7	-97.3	13.4	36.1
Return Ratios (%)							
RoE	7.3	3.9	4.1	6.9	7.8	12.2	11.1
RoCE	6.8	6.2	5.0	5.4	4.6	7.5	7.2
RoIC	6.4	-8.9	1.3	2.0	-0.5	4.2	5.1
Working Capital Ratios							
Fixed Asset Turnover (x)	13.0	2.9	6.3	6.4	5.5	8.1	7.8
Asset Turnover (x)	0.3	0.1	0.1	0.1	0.1	0.2	0.2
Inventory (Days)	318	2,291	1,134	1,957	2,410	1,875	1,875
Debtor (Days)	65	148	73	84	26	20	24
Creditor (Days)	108	907	451	544	309	242	291
Leverage Ratio (x)							
Current Ratio	3.7	3.0	3.1	2.7	3.7	2.9	2.9
Interest Cover Ratio	1.5	-1.3	0.7	1.3	-0.5	2.7	3.3
Net Debt/Equity	0.2	0.0	0.1	0.4	0.5	0.4	0.3

Consolidated Cash flow (INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
OP/(Loss) before Tax	4,909	-857	5,163	7,959	10,321	16,795	17,273
Depreciation	205	195	214	241	400	400	400
Interest & Finance Charges	-1,273	1,849	1,675	1,742	1,743	2,839	2,839
Direct Taxes Paid	-232	154	-1,912	-1,690	-1,399	-2,365	-2,466
(Inc)/Dec in WC	-6,219	-3,566	-5,439	-30,342	-25,845	-2,612	2,275
CF from Operations	-2,610	-2,225	-299	-22,090	-14,780	15,057	20,322
Others	312	-4,487	-4,218	-6,517	-11,868	-10,939	-9,894
CF from Operating incl EO	-2,297	-6,712	-4,517	-28,606	-26,648	4,118	10,427
(Inc)/Dec in FA	-631	-1,253	-1,403	-2,999	-400	-400	-400
Free Cash Flow	-2,928	-7,965	-5,920	-31,605	-27,048	3,718	10,027
(Pur)/Sale of Investments	-10,991	-24,016	4,366	23,668	15,000	0	0
Others	-498	-7,949	-1,725	4,211	11,868	10,939	9,894
CF from Investments	-12,120	-33,219	1,238	24,881	26,468	10,539	9,494
Issue of Shares	20,659	36,909	0	0	0	0	0
Inc/(Dec) in Debt	2,081	9,412	6,041	12,279	17,000	0	0
Interest Paid	-3,014	-3,731	-3,585	-3,854	-4,969	-6,287	-6,287
Dividend Paid	0	0	0	0	0	0	0
Others	-4	-1	-104	-103	0	0	0
CF from Fin. Activity	19,722	42,590	2,352	8,322	12,031	-6,287	-6,287
Inc/Dec of Cash	5,305	2,659	-926	4,596	11,851	8,370	13,635
Opening Balance	-235	5,070	7,729	13,385	17,981	29,832	38,203
Closing Balance	5,070	7,729	13,385	17,981	29,832	38,203	51,838

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