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## Real Estate

Company update and  
reco change

Target price Rs721

Target price revision

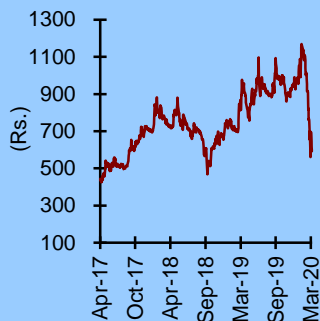
Rs721 from Rs772

### Shareholding pattern

	Jun '19	Sep '19	Dec '19
Promoters	64.5	64.5	64.5
Institutional investors	23.1	24.0	23.9
MFs and others	2.7	3.3	4.2
FIs/Banks/Insu.	0.1	0.0	0.5
FPI	20.3	20.7	19.2
Others	12.4	11.5	11.6

Source: NSE

### Price chart



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INDIA

**ICICI Securities**

## Godrej Properties

**BUY**

Upgrade from SELL

Opportunity in adversity

**Rs608**

Heading into FY21, we expect the COVID-19 induced slowdown to have a significant impact on GPL's FY21 sales bookings as project launches and home buying decisions get deferred by 2-3 quarters. However, as seen in prior "Black Swan" events since FY17 such as demonetisation, RERA/GST implementation and NBFC funding slowdown, such events serve to accelerate the pace of consolidation in the Indian residential market. We believe that GPL with its strong execution track record, healthy balance sheet (net debt of Rs11bn as of December 2019) and counter-cyclical business development strategy will emerge stronger over the medium-term. Hence, we are upgrading our rating on GPL to BUY from SELL post the 37% correction in stock price over last three months with a revised target price of Rs721/share (earlier Rs772) factoring in lower sales volumes of 30% each in FY21-22E and trimming our NAV premium to 25% from 30%.

- ▶ **Record sales bookings in Q4FY20:** In Q4FY20, Godrej Properties (GPL) achieved its best ever quarterly gross sales bookings worth Rs23.8bn (up 10% YoY) and also clocked record annual bookings of Rs59.2bn in FY20 (up 11% YoY). The record sales bookings for Q4FY20 were driven by six new launches with GPL selling over 3,000 homes with ~500 homes being sold in the second half of March 2020 post the nation-wide lockdown through online channels. Of the overall FY20 sales bookings, 52% of sales were generated from ongoing projects with balance sales coming from 17 new launches. GPL continues to aggressively pursue its counter-cyclical land banking strategy and added 5 new projects in Q4FY20 and 10 new projects in FY20.
- ▶ **FY21-22E sales volumes estimates cut by 30% each:** While GPL's FY20 sales bookings were in line with our estimates, we have cut our FY21-22E sales volume estimates by 30% each to ~9-10msf. We have assumed a year's delay in high-value premium launches such as Bandra (W) and Vikhroli in Mumbai and Ashok Vihar in New Delhi. However, with GPL having a number of affordable/mid-income housing projects across outer MMR, NCR, Pune and Bengaluru, we believe that GPL should regain lost momentum from H2FY21.
- ▶ **Key Risks:** While the slowdown in demand for housing owing to COVID-19 is well-acknowledged, the jury is out on a possible correction in residential prices across India over the next 2-3 years. In our view, although unsold inventory levels of 42 months across India appear high, customer preference is largely for ready projects (7-8% of overall inventory) and new launches from reputed developers. Hence, we do not see any major price correction in South India, outer MMR/NCR and Pune but expect luxury/premium projects within Mumbai city limits to see pricing pressure.

Market Cap	Rs153bn/US\$2.0bn	Year to Mar	FY19	FY20E	FY21E	FY22E
Reuters/Bloomberg	GODR.BO / GPL IN	Revenue (Rs bn)	28.2	11.8	10.8	5.4
Shares Outstanding (mn)	252.0	Rec. Net Income (Rs bn)	2.5	2.9	2.9	3.3
52-week Range (Rs)	1188/505	EPS (Rs)	10.0	11.4	11.4	13.2
Free Float (%)	35.5	% Chg YoY	191.2	13.2	0.3	16.0
FII (%)	19.2	P/E (x)	60.5	53.4	53.3	45.9
Daily Volume (US\$/'000)	3,776	P/B (x)	6.2	3.2	3.0	2.8
Absolute Return 3m (%)	(37.0)	EV/E (x)	96.1	84.3	96.1	180.0
Absolute Return 12m (%)	(31.8)	Dividend yield (%)	-	-	-	-
Sensex Return 3m (%)	(33.7)	RoCE (%)	10.3	10.3	10.3	11.4
Sensex Return 12m (%)	(29.4)	RoE (%)	13.8	7.8	5.8	6.3

Please refer to important disclosures at the end of this report

**Table 1: Quarterly sales volume trends**

Quarterly Sales Performance (Gross)	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Volumes (mn-sqft)	2.80	3.72	1.35	2.26	1.58	NA
Value of sales (Rs mn)	<b>15,280</b>	<b>21,610</b>	<b>8,970</b>	<b>14,460</b>	<b>11,890</b>	<b>23,800</b>
Average realisation (Rs/psf)	5,452	5,811	6,648	6,408	7,510	NA

Source: Company data, I-Sec research

**Table 2: SoTP valuation**

Segmental Valuation	FY20E GAV (Rs mn)	Value (Rs/share)
Devco sale model (FY21-27E Cash Flows)	107,178	425
Less : Net Debt as of FY20E	11,555	46
<b>Devco NAV</b>	<b>95,623</b>	<b>379</b>
Add :		
Value from Trees new projects	20,823	83
Vikhroli DM – Assuming 1msf p.a. for 40 years	19,366	77
Other DM at 12x EV/EBITDA	9,621	38
Business Development Value	36,358	144
<b>FY20E NAV</b>	<b>181,792</b>	<b>721</b>

Source: Company data, I-Sec research

## Summary financials (consolidated)

**Table 3: Earnings statement**
*(Rs mn, year ending March 31)*

	FY19	FY20E	FY21E	FY22E
<b>Net Sales</b>	<b>28,174</b>	<b>11,786</b>	<b>10,818</b>	<b>5,366</b>
<b>Operating Expenses</b>	<b>26,394</b>	<b>9,708</b>	<b>9,008</b>	<b>4,429</b>
<b>EBITDA</b>	<b>1,780</b>	<b>2,079</b>	<b>1,810</b>	<b>936</b>
<i>% margins</i>	6.3%	17.6%	16.7%	17.5%
Depreciation & Amortisation	143	145	163	181
<b>EBIT</b>	<b>1,637</b>	<b>1,934</b>	<b>1,648</b>	<b>756</b>
Gross Interest	2,340	2,342	2,296	2,085
Other Income	4,046	3,455	3,048	2,888
<b>Recurring PBT</b>	<b>3,343</b>	<b>3,047</b>	<b>2,400</b>	<b>1,559</b>
Less: Taxes	951	1,477	1,482	1,719
<b>PAT before</b>	<b>2,392</b>	<b>1,570</b>	<b>918</b>	<b>-</b>
<b>Minority/Associate</b>	<b>140</b>	<b>1,297</b>	<b>1,958</b>	<b>3,497</b>
Minority/Associate share	140	1,297	1,958	3,497
<b>Net Income (Reported)</b>	<b>2,532</b>	<b>2,867</b>	<b>2,877</b>	<b>3,337</b>

Source: Company data I-Sec research

**Table 4: Balance sheet**
*(Rs mn, year ending March 31)*

	FY19	FY20E	FY21E	FY22E
<b>Assets</b>				
Total Current Assets	45,859	70,825	65,802	73,128
<i>of which cash &amp; cash eqv.</i>	3,426	15,083	11,258	11,699
Total Current Liabilities & Provisions	21,073	21,624	20,904	30,651
<b>Net Current Assets</b>	<b>24,786</b>	<b>49,200</b>	<b>44,898</b>	<b>42,478</b>
Goodwill/Investments	26,372	27,742	29,181	29,181
Net Fixed Assets	1,963	2,018	2,759	3,516
Deferred Tax Asset	6,728	6,728	6,728	6,728
<b>Total Assets</b>	<b>59,849</b>	<b>85,688</b>	<b>83,565</b>	<b>81,902</b>
<b>Liabilities</b>				
Borrowings	35,158	37,158	32,158	27,158
Equity Share Capital	1,147	1,260	1,260	1,260
Reserves & Surplus*	23,544	47,270	50,147	53,484
<b>Net Worth</b>	<b>24,690</b>	<b>48,530</b>	<b>51,407</b>	<b>54,744</b>
<b>Total Liabilities</b>	<b>59,849</b>	<b>85,688</b>	<b>83,565</b>	<b>81,902</b>

Source: Company data I-Sec research

**Table 5: Cashflow statement**
*(Rs mn, year ending March 31)*

	FY19	FY20E	FY21E	FY22E
<b>EBIT</b>	<b>3,482</b>	<b>4,344</b>	<b>4,359</b>	<b>5,056</b>
Depreciation	143	145	163	181
Non-Cash Adjustments	-3,789	0	0	0
Working Capital Changes	2,984	-12,757	477	2,861
Taxes Paid	-951	-1,477	-1,482	-1,719
<b>Operating Cashflow</b>	<b>1,870</b>	<b>-9,746</b>	<b>3,517</b>	<b>6,379</b>
Capital Commitments	-738	-200	-903	-938
<b>Free Cashflow</b>	<b>1,133</b>	<b>-9,946</b>	<b>2,614</b>	<b>5,441</b>
Other investing cashflow	-10,364	-1,370	-1,439	0
<b>Cashflow from Investing Activities</b>	<b>-11,102</b>	<b>-1,570</b>	<b>-2,342</b>	<b>-938</b>
Issue of Share Capital	9,995	20,973	0	0
Inc (Dec) in Borrowings	2,655	2,000	-5,000	-5,000
Dividend paid	0	0	0	0
<b>Cashflow from Financing activities</b>	<b>12,650</b>	<b>22,973</b>	<b>-5,000</b>	<b>-5,000</b>
<b>Chg. in Cash &amp; Bank balances</b>	<b>3,418</b>	<b>11,657</b>	<b>-3,825</b>	<b>441</b>

Source: Company data I-Sec research

**Table 6: Key ratios**
*(Year ending March 31)*

	FY19	FY20E	FY21E	FY22E
<b>Per Share Data (Rs)</b>				
EPS	10.0	11.4	11.4	13.2
Dividend per share (DPS)	0.0	0.0	0.0	0.0
Book Value per share (BV)	98.0	192.6	204.0	217.2
<b>Growth (%)</b>				
Net Sales	75.7	(58.2)	(8.2)	(50.4)
EBITDA	(199.5)	16.7	(12.9)	(48.3)
PAT	191.2	13.2	0.3	16.0
<b>Valuation Ratios (x)</b>				
P/E	60.5	53.4	53.3	45.9
P/BV	6.2	3.2	3.0	2.8
EV / EBITDA	96.1	84.3	96.1	180.0
EV / Sales	6.1	14.9	16.1	31.4
<b>Operating Ratios</b>				
Debt/EBITDA (x)	19.7	17.9	17.8	29.0
Net D/E	1.3	0.5	0.4	0.3
<b>Return Ratios (%)</b>				
RoE	13.8	7.8	5.8	6.3
RoCE	10.3	10.3	10.3	11.4
EBITDA Margins	6.3	17.6	16.7	17.5
Net Income Margins	9.0	24.3	26.6	62.2

Source: Company data I-Sec research

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