Equity Research

July 14, 2020

BSE Sensex: 36033

ICICI Securities Limited is the author and distributor of this report

Real Estate

Annual report analysis and reco change

Target price: Rs826

Target price revision

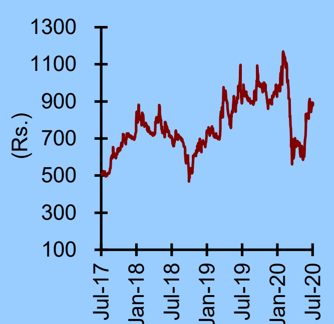
Rs826 from Rs721

Shareholding pattern

	Sep '19	Dec '19	Mar '20
Promoters	64.5	64.5	64.5
Institutional investors	24.0	23.9	24.2
MFs and others	3.3	4.2	4.2
FIs/Banks/Ins.	0.0	0.5	0.7
FPI	20.7	19.2	19.3
Others	11.5	11.6	11.3

Source: NSE

Price chart



Research Analyst:

Adhidev Chattopadhyay

adhidev.chattopadhyay@icicisecurities.com

+91 22 6637 7451

INDIA

ICICI Securities

Godrej Properties

REDUCE

Downgrade from Buy

Key beneficiary of consolidation, rich valuations

Rs890

Godrej Properties' (GPL) FY20 annual report highlights the company's aggressive intent to grow its volumes and pursue business development in a stressed market. We believe that GPL with its strong execution track record, healthy balance sheet (cash reserves of Rs25bn as of March 2020) and counter-cyclical business development strategy will emerge stronger over the medium-term. We revise our target price for GPL to Rs826/share (earlier Rs721) factoring-in recent project additions and higher premium to NAV of 30%. However, we downgrade our rating to REDUCE from BUY post the 35% run up in stock price over the last 3 months as we believe that the stock is expensive with RoEs of 6-7% over FY20-22E at a FY22E P/B of 4.2x.

- **FY20 a strong year across operational parameters:** GPL clocked 8.8msf of gross sales volumes worth Rs59.2bn in FY20 (flat volumes, up 11% YoY in value terms) and achieved over Rs10bn of sales in each of its 4 focus markets of MMR, NCR, Bengaluru and Pune. We estimate that GPL had a 6% launch market share in its focus cities in FY20 with a sales volume sales market share of 3.6%.
- **GPL expected to have 5% market share by FY22E:** With GPL having a strong pipeline of launches over the next 2-3 years, we expect a strong pick-up in volumes for GPL over FY20-22E and expect GPL to attain over 9msf of average annual sales volume over this period. We believe this is achievable given the company's large pipeline of launches across tier-I Indian cities as organised players capture incremental market share. While H1FY21 will definitely see weaker sales bookings and collections owing to COVID-19, we expect improved momentum from H2FY21 onwards. We expect GPL to maintain a market share of 4.5-5% over FY21-22E.
- **Collections trajectory is the key monitorable going ahead:** As of 31st March 2020, GPL has pending gross customer collections of Rs115bn from sold inventory across projects and has over 12msf of gross unsold inventory in its ongoing projects which we estimate to be worth between Rs80-90bn. In addition to this, GPL has 15msf of planned launches in FY21 which may be worth ~Rs120bn. **Hence, GPL has potential gross collections of Rs315-325bn over FY21-24E. While COVID-19 may lead to near-term impact on collections, we believe that GPL can scale up to an annual collection run-rate of Rs80bn over the medium term by FY23-24E.**
- **Strong balance sheet provides room for growth:** GPL ended FY19 with a net worth of Rs24.7bn and net debt of Rs21.4bn, which implies a net debt/equity ratio of 0.9x. This has reduced further in FY20 through the QIP of Rs21bn, which has brought down GPL's consolidated net debt to Rs11.6bn as of March 2020 with a net D/E of 0.2x. GPL has Rs25bn of cash and liquid investments as of March 2020 and is well positioned to augment its land bank at attractive valuations in a stressed residential market.

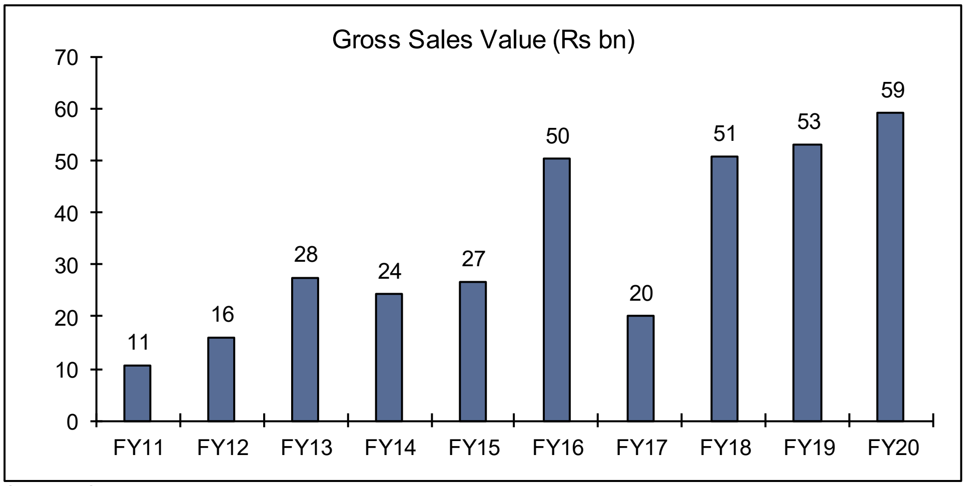
Market Cap	Rs224bn/US$3.0bn
Reuters/Bloomberg	GODR.BO / GPL IN
Shares Outstanding (mn)	252.1
52-week Range (Rs)	1188/505
Free Float (%)	35.5
FII (%)	20.3
Daily Volume (US$/'000)	5,267
Absolute Return 3m (%)	35.2
Absolute Return 12m (%)	(5.1)
Sensex Return 3m (%)	17.4
Sensex Return 12m (%)	(7.0)

Year to Mar	FY19	FY20	FY21E	FY22E
Revenue (Rs bn)	28.2	24.4	10.8	5.4
Rec. Net Income (Rs bn)	2.5	2.7	2.7	2.9
EPS (Rs)	10.0	10.7	10.8	11.6
% Chg YoY	191.2	6.9	1.0	6.7
P/E (x)	88.6	82.9	82.1	77.0
P/B (x)	9.1	4.7	4.4	4.2
EV/E (x)	132.4	74.1	149.7	415.6
Dividend yield (%)	-	-	-	-
RoCE (%)	9.3	9.2	8.0	8.6
RoE (%)	13.8	7.4	5.5	5.6

FY20 was another strong year for sales bookings

FY19 was a break-out year for GPL, with the company clocking record sales booking volume and value of 8.8msf worth Rs53.2bn. Even more noteworthy was the fact that GPL was able to achieve sales volumes of over 1msf and sale value of over Rs9bn in FY19 in each of its four focus markets – Mumbai Metropolitan Region (MMR), National Capital Region (NCR), Bengaluru and Pune. FY20 has seen GPL delivering a similar performance with similar volumes of 8.8msf worth Rs59.2bn.

Chart 1: GPL sales bookings strong over FY18-20



Source: Company, Isec Research

GPL's four focus markets of MMR, NCR, Bengaluru and Pune accounted for 90% of overall sales value in FY19. In FY20, a similar trend was seen with ~Rs54.5bn or 92% of FY20 gross sales value coming from its focus markets.

Going forward, with GPL's upcoming launches and business development activities focusing on these markets, GPL is well poised for further market share gains in the medium term. In the FY20 sales mix, sales from existing projects were Rs31.2bn with balance Rs28.0bn from new launches.

The uptick in GPL's sales volumes over FY19-20 has also coincided with the implementation of the Real Estate Regulator (RERA) and Goods & Services Tax (GST) from FY18 onwards which has led to incremental share shifting towards large, organised developers. The ongoing funding crisis for a majority of unlisted developers owing to slowdown in funding from NBFCs and COVID-19 impact has further accelerated this consolidation.

Table 1: GPL achieved over Rs10bn of sales in FY20 in each of its focus markets

City – FY20 Sales	Sales Volume (msf)	Sales Value (Rs bn)	% Value Share
MMR	1.2	13.7	23.1
NCR	1.8	15.2	25.7
Bengaluru	2.0	11.0	18.6
Pune	2.6	14.6	24.7
Rest of India	1.2	4.7	7.9
Overall	**8.8**	**59.2**	**100.0**

Source: Company, I-Sec Research

GPL had an estimated 6% launch market share in FY20

GPL launched ~12msf of new projects in FY20 in an overall sluggish residential market. Majority of these launches were in H2FY20 with seven new project launches taking place in Q4FY20.

As per overall launches data in the cities where GPL operates, we estimate that GPL had a 6% industry market share in launches in FY20. Of these, the NCR and Kolkata market saw the highest share while the MMR market was the lowest at 3%. **Going forward, we expect GPL to inch closer to a double-digit share of launches by FY23-24E as more developers are unable to launch new projects owing to financial stress.**

Table 2: GPL FY20 launches' estimated market share was ~6%

City	GPL Launches (msf)	Overall City launches (msf)	% Share of GPL in Overall Launches
NCR	2.4	27.2	8.8%
MMR	2.0	65.7	3.0%
Bengaluru	1.8	47.3	3.8%
Pune	3.5	54.6	6.4%
Ahmedabad	0.6	12.9	5.0%
Kolkata	1.6	7.2	21.6%
Total	11.9	215.0	5.5%

Source: Company data, industry estimates, I-Sec research

FY20 saw more outright land acquisitions by GPL

GPL added 11 new projects in FY19 having a saleable area of ~31msf of which the largest deal was from a tie-up with a developer for developing ~25msf across six land parcels in Pune.

In FY20, GPL has added another 10 new projects having a saleable area of ~19msf of which the largest deal was a profit share for a 100acre land parcel in Taloja, Navi Mumbai. In a departure from its usual strategy of profit share/JV projects, FY20 saw GPL taking the outright acquisition route in 5 of the 10 new projects especially in the markets of MMR and NCR.

With cash and liquid investments of Rs25bn as of March 2020, GPL has adequate ammunition to aggressively pursue more value-accretive land deals over the next 2-3 years in a stressed market.

Table 3: GPL Business Development in FY20

Details	Saleable Area (msf)	Business Model
Navi Mumbai, MMR	7.50	Profit Share - 55%
Ashok Vihar, NCR	3.28	100% owned project
Bagalur, Bangalore	3.00	DM-5.5% of Revenue & Profit Sharing-49%
Worli, MMR	1.17	Profit Share –- 50%
Ambernath, MMR	1.10	Profit Share - 47%
Thane, MMR	1.10	100% owned project
Faridabad, NCR	1.00	100% owned project
Chandivali, MMR	0.45	100% owned project
Godrej RKS, MMR	0.35	100% owned project
Matunga, MMR	0.17	Revenue Share - 89%
Total	**19.12**	

Source: Company data, I-Sec research

Consolidation gathering pace, GPL best placed to benefit

Number of developers shrink by 51% over CY11-19

As per Prop Equity, there has been a large developer consolidation across India's top nine cities with over 50% of total developers who existed in CY11, now leaving the market till CY19. This consolidation is more pronounced in Gurugram, Noida (both part of NCR) and Chennai where over 70% developers are virtually out of business. Bengaluru, Hyderabad and Kolkata have also seen a reduction of over 60% in the number of developers with active projects. At a pan-India level, the overall number of developers have shrunk by 51% to 1,745 in CY19 from 3,538 in CY11.

Table 4: Number of developers shrink by 51% across India

City-Wise Number of Developers	CY11	CY19	% Increase/(Decline)
Mumbai	364	248	(31.9)
Pune	658	531	(19.3)
Thane	680	355	(47.8)
Bengaluru	646	251	(61.1)
Chennai	445	101	(77.3)
Hyderabad	387	146	(62.3)
Kolkata	235	83	(64.7)
Gurugram	82	19	(76.8)
Noida	41	11	(73.2)
Overall	**3,538**	**1,745**	**(50.67)**

Source: Prop Equity Research, I-Sec Research

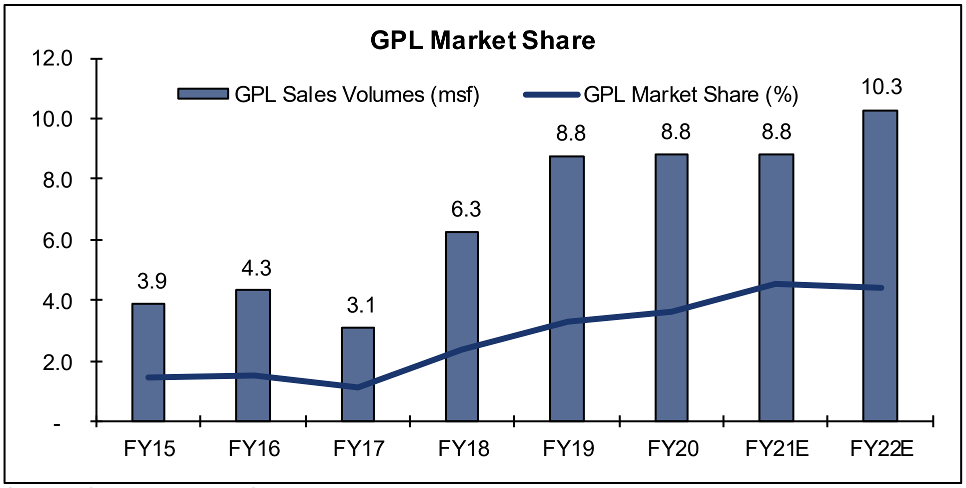
A combination of factors such as financial distress, lack of execution capability, oversupply of inventory, GST implementation, demonetisation, excessive land banking, lack of understanding of demand-supply dynamics, unjustified price appreciation and lack of social and physical infrastructure in certain locations has led to this consolidation speeding up.

The ongoing funding concerns in the residential space coupled with increased consumer activism and awareness in a post RERA era, has led to a number of smaller developers focusing on trying to complete their ongoing projects, if possible. We believe, over the medium term, the wheat will be separated from the chaff with larger, organised developers becoming stronger and smaller mid-tier developers continuing to partner larger developers to monetise their existing land parcels.

Expect scale up in volumes over FY20-22E

With GPL having a strong pipeline of launches over the next 2-3 years, we expect a strong pick-up in volumes for GPL over FY20-22E and expect GPL to attain over 9msf of average annual sales volume over this period as compared to historical trend of ~4msf of volumes over FY15-17. We believe this is achievable given the company's large pipeline of launches across tier-I Indian cities as organised players capture incremental market share. While H1FY21 will definitely see weaker sales bookings and collections owing to COVID-19, we expect improved momentum from H2FY21 onwards as GPL has a launch pipeline of 15msf coupled with existing unsold inventory of ~12msf in ongoing projects. We expect GPL to maintain a market share of 4.5-5% over FY21-22E vs. 3.5% in FY19-20 at a pan-India level.

Chart 2: GPL's annual sales volumes to grow over FY20-22E



Source: Company data, I-Sec research estimates

Chart 3: GPL has a strong pipeline of upcoming launches in FY21E

New Project Launches Planned in FY21

Project	City	Status	Launch Area*
Vashi	Mumbai	✓	0.55
Devanahalli 2	Bangalore	✓	1.26
Sector 43, Noida	NCR	✓	0.80
Ambernath	Mumbai	✓	1.05
Faridabad	NCR	✓	1.03
Chandivali	Mumbai	✓	0.40
Bagalur	Bangalore	✓	0.91
Kolshet	Mumbai	✓	0.59
Bandra	Mumbai	✓	1.10
Ashok Vihar	NCR	✓	0.60
Sarjapur 1	Bangalore	✓	0.94
Total			**9.23**

New Project Launches Planned in FY21

Project	City	Status	Launch Area*
Hillside 3	Pune	✓	0.72
Manjari 2	Pune	✓	0.62
Sector 150	NCR	✓	0.16
Panvel	Mumbai	✓	0.96
Sector 33	NCR	✓	0.50
Hillside 4	Pune	✓	0.78
Mamurdi	Pune	✓	0.29
Manjari 3	Pune	✓	0.69
Godrej Garden City, Phase 8	Ahmedabad	✓	0.49
Godrej Prakriti	Kolkata	✓	0.60
Total			**5.81**

✓ Launched ✓ On - Track ✓ Delayed ● New Project/Phase Added ● New Project/Phase Added & Launched
* in million sq. ft.

Source: Company presentation

Cashflows remain robust

GPL has been able to consistently generate positive cashflows from operations over FY17-20, which is attributable to a mix of improved sales volumes accompanied by quicker pace of execution. FY20 was another decent year with Rs42.8bn of customer collections, which was accompanied by higher construction spend of Rs34.8bn as GPL scales up completions and does preparatory work for launches lined up in FY21E.

At the same time, GPL has been consistently spending on land acquisition as it looks to capitalise on capturing incremental market share in its focus markets. GPL raised Rs10bn in FY19 through a preferential allotment to GIC Singapore and Rs21bn in FY20 through the QIP route and utilised a substantial portion of these proceeds towards new land deals during FY19-20. At the same time, GPL has been prudent in terms of cash conservation and had cash and liquid investments of Rs25bn as of March 2020 which will enable GPL to comfortably handle a temporary dip in cash flows in H1FY21 owing to COVID-19 impact.

Table 5: GPL Direct method cashflows

Details (Rs mn)	FY17	FY18	FY19	FY20	FY17-20 Cumulative
Gross Sales Bookings	**20,230**	**50,830**	**53,160**	**59,150**	**183,370**
Operating Cash Inflow (Collections)	**25,670**	**40,230**	**43,820**	**42,760**	**152,480**
Operating Cash Outflow	**-19,750**	**-21,550**	**-32,030**	**-34,840**	**-108,170**
Construction and related outflow	-14,030	-11,270	-19,270	-19,020	-63,590
Other project related outflow	-5,720	-10,280	-12,760	-15,820	-44,580
Net Operating Surplus..(A)	**5,920**	**18,680**	**11,790**	**7,920**	**44,310**
Financial Cashflows:					
Inflow on private placement/QIP	0	0	10,000	20,660	30,660
PE exit	-2,490	0	-1,920	1,450	-2,960
Interest and corporate taxes	-4,710	-2,220	-4,760	-5,950	-17,640
Net Financial cashflow..(B)	**-7,200**	**-2,220**	**3,320**	**16,160**	**10,060**
Capital Cashlows:					
Land & approval related outflow	-5,930	-6,500	-13,390	-17,350	-43,170
Advance to JV partners and others	-690	-2,360	-1,220	-2,870	-7,140
Net Capital cashflow..(C)	**-6,620**	**-8,860**	**-14,610**	**-20,220**	**-50,310**
Adjustment for JV Projects..(D)	**0**	**0**	**5,470**	**6,250**	**11,720**
Total net GPL cashflow	**-7,900**	**7,600**	**5,970**	**10,110**	**15,780**
Other INDAS adjustments..(E)	1,850	-1,070	1,070	-290	1,560
(Increase)/Decrease in Net Debt under Ind AS..(A+B+C+D+E)	**-6,050**	**6,530**	**7,040**	**9,820**	**17,340**

Source: Company, I-Sec Research

Collections trajectory is the key monitorable in medium term

As of 31st March 2020, GPL has pending gross customer collections of Rs115bn from sold inventory across projects and has over 12msf of gross unsold inventory in its ongoing projects which we estimate to be worth between Rs80-90bn. In addition to this, GPL has 15msf of planned launches in FY21 which may be worth ~Rs120bn, and may be launched mostly in H1FY21 depending on trajectory of COVID-19 related economic fallout and approvals coming through.

GPL has also been selling apartments post lockdown through its “Hope Has a Plan” builder subvention scheme wherein customers pay 10% of agreement value on booking and balance 90% on possession with GPL bearing the balance cost of construction until the project has reached completion.

While GPL has achieved average annual gross collections of ~Rs43bn over FY19-20, GPL has cash inflow visibility of Rs200bn from ongoing projects (Rs115bn from sold and Rs80-90bn from unsold inventory) and Rs120bn from planned FY21 launches or over Rs300bn overall between FY21-24E. While COVID-19 related impact may lead to near-term impact on collections, we believe that GPL can scale up to an annual collection run-rate of Rs80bn over the medium term by FY23-24E.

Table 6: GPL collections visibility as of 31st March 2020

Details	Gross value (Rs bn)	Comments
Pending customer collections from sold inventory	115.0	GPL has achieved average annual gross collections of Rs43bn over FY19-20 and should collect the balance amount over FY21-23E
Unsold inventory of over 12msf in ongoing projects	80.0-90.0	GPL has achieved realisations of Rs6,000-8,000/psf over FY18-20. GPL should be able to monetise this over FY21-23E
Planned launches in FY21 of 15msf	120.0	Assumed higher blended realization of Rs8,000/psf as more Mumbai projects are planned for launch. GPL may sell this over FY21-24E
Overall collections visibility	**315.0-325.0**	**Gross collections visibility of over Rs300bn over FY21-24E or yearly average of ~Rs80bn**

Source: ICRA, Company, I-Sec Research estimates

Strong balance sheet provides room for growth

GPL's consolidated balance sheet was impacted by the introduction of the Project Completion Method of Accounting under IND-AS 115 from April 1, 2018. GPL has to restate its net worth to Rs15.0bn from Rs22.4bn implying a profit write back of Rs7.4bn in Q1FY20. This was recouped from revenue recognition from Trees, Vikhroli and BKC projects in FY19 and through the capital raise of Rs10bn in FY19.

As a result, GPL ended FY19 with a net worth of Rs24.7bn and net debt of Rs21.4bn, which implies a net debt/equity ratio of 0.9x. This has reduced further in FY20 through the QIP of Rs21bn, which has brought down GPL's consolidated net debt to Rs11.6bn as of March 2020 with a net D/E of 0.2x. GPL has Rs25bn of cash and liquid investments as of March 2020 and is well positioned to augment its land bank at attractive valuations in a stressed residential market.

Table 7: GPL Consolidated Balance Sheet FY17-20

	FY17	FY18	FY19	FY20	FY20 chg YoY	Comments
Sources of Capital:						
Equity Share Capital	1,082	1,082	1,147	1,260	114	
Reserves & Surplus	10,137	11,022	23,544	46,785	23,241	
Net Worth	**11,219**	**12,104**	**24,690**	**48,045**	**23,355**	QIP issue of Rs21bn
Gross Debt	**39,804**	**37,029**	**35,158**	**37,101**	**1,942**	
Total Sources of Capital	**51,023**	**49,133**	**59,849**	**85,146**	**25,297**	
Assets:						
Net fixed assets	1,021	1,841	1,963	2,721	758	
Deferred tax and other assets	6,858	7,563	6,728	5,188	(1,540)	
Investments:						
Strategic (includes JVs)	3,311	9,103	15,851	15,094	(756)	Advances mainly given for Pune portfolio and other JV projects
Liquid investments	3,663	5,438	10,521	20,616	10,095	Cash kept in liquid investments
Total Investments	**6,974**	**14,541**	**26,372**	**35,710**	**9,339**	
Current Assets:						
Inventories	51,622	37,334	22,108	21,253	(855)	Costs being recognized from Trees and other projects has been offset by construction spend on ongoing projects and new launches
Loans & Advances	7,539	10,791	10,588	16,289	5,701	Includes Rs5.1bn loans given to Godrej Vestamark LLP in FY20 of which RsRs3.6bn was repaid in FY20
Cash and Bank Balance	1,104	3,327	3,426	5,070	1,644	
Other Current Assets	7,361	7,315	9,737	13,889	4,153	
Total Current Assets	**67,626**	**58,767**	**45,859**	**56,501**	**10,642**	
Current Liabilities:						
Trade payables	5,171	3,130	2,477	2,477	-	
Customer advances	23,909	26,338	14,844	3,207	(11,638)	Revenues being recognized from Trees and other projects has led to fall in customer advances. With many JVs not being consolidated, collections do not appear in consolidated balance sheet
Other current liabilities & provisions	2,376	4,112	3,751	9,290	5,539	
Total Current Liabilities	**31,456**	**33,579**	**21,073**	**14,974**	**(6,099)**	
Net Working Capital (ex-cash)	**35,066**	**21,861**	**21,360**	**36,457**	**(6,909)**	
Total Assets	**51,023**	**49,133**	**59,849**	**85,146**	**3,291**	

Source: Company, I-Sec Research

IND-AS 115 spoils the RoE trajectory, cashflows remain king

Accounting complexities render income statement analysis irrelevant

We have previously highlighted that the shift to project completion method under IND-AS115 coupled with GPL's high share of JV projects, which do not appear in consolidated revenues and EBITDA (accounted under equity method), may result in quarterly/annual volatility in the reported revenue and EBITDA/PAT margins. Hence, investors should not read too much into GPL's reported income statement, and instead, focus on cashflows from individual projects that are attributable to GPL.

With the Trees, Vikhroli being the only large project (Phase 2 and 3) left for revenue recognition over FY20-21E, we estimate consolidated revenue and EBITDA to decline from FY22E onwards as profit from JVs is accounted as a single-line item below PAT as they are treated as associates. High value Mumbai launches in FY20-21E (Omkar Bandra JV, RK Studios in Chembur) will only hit revenue recognition possibly in FY24-25E once these projects are complete.

While GPL achieved a RoE of 13.8% in FY19, we expect RoE to range between 6-7% over FY20-22E owing to the QIP capital raise in FY20 and no profit being recognised from any of the new launches lined up by the company over the same period.

Excerpts from the comments by Pirojsha Godrej, GPL's Executive Chairman from FY20 annual report:

"Our earlier stated medium-term goals – to consistently be among the leading developers by value of residential real estate sales in our core markets, and to consistently deliver a Return on Equity (ROE) in excess of 20% -- remain the key financial focus areas for your company. Despite the continued disruptions the real estate sector has faced including the current pandemic, we believe we are on track to achieve these goals.

The progress in market share gains has been encouraging, and combined with sustained momentum in new project additions, puts us on track for the first of our two medium term goals. The more challenging – and important – goal is to consistently deliver ROEs in excess of 20%. Here again, we believe we remain on track and that the combination of higher sales volumes, greater share of profits in each project, faster construction timelines, and strong customer satisfaction will get us to this objective."

Valuations

With GPL aiming to become a top three player in the four major residential markets in India including MMR, NCR, Bengaluru and Pune, we are enthused about the company's growth prospects. With the implementation of RERA picking-up pace and COVID-19 impact likely to weed out more weaker players from the residential market, GPL is also well placed to significantly augment its land bank. As mentioned earlier in the report, we expect GPL to clock over 10msf of gross sales volumes in FY22E vs 8.8msf in FY20 as it benefits from the consolidation in the sector.

We revise our target price for GPL to Rs826/share (earlier Rs721) factoring-in recent project acquisitions and increase our premium to NAV to 30% from 25%. However, we downgrade our rating to REDUCE from BUY as we believe the CMP of Rs890 factors-in GPL being able to achieve strong sales momentum in perpetuity in a highly cyclical residential market. With RoE of 6-7% over FY20-22E and FY22E P/B of 4.2x, we believe that the stock has become expensive post the 35% run up over the last 3 months.

Table 8: SoTP valuation

Segmental Valuation	FY21E GAV (Rs mn)	Value (Rs/share)
Devco sale model (FY21-27E Cash Flows)	120,457	478
Less : Net Debt as of FY20	11,415	45
Devco NAV	**109,042**	**433**
Add :		
Value from Trees new projects	22,877	91
Vikhroli DM – Assuming 1msf p.a. for 40 years	18,603	74
Other DM at 8x EV/EBITDA	9,621	38
FY21E NAV	**160,143**	**635**
Add: Business Development Value/Premium to NAV	48,043	191
FY21E NAV	**208,186**	**826**

Source: I-Sec research estimates

GPL going digital to beat the lockdown blues

Godrej Properties: Hope Has a Plan activation: Godrej Properties (GPL) has launched its **"Hope Has a Plan" activation scheme post the commencement of lockdown and is offering customers a 10:90 scheme across 30 ongoing projects of GPL in MMR, NCR, Pune, Bengaluru, Ahmedabad and Kolkata**. As this is a developer subvention scheme wherein GPL funds construction (after customer has tied up a housing loan), GPL has taken price hikes of 15-20% in projects being offered under this scheme. Customers can go online and choose across projects in various cities and schedule a virtual home presentation (akin to presentations at project site offices). As GPL's projects are at various stages of completion, the success of this scheme may vary across projects.

Chart 4: GPL's Hope has a Plan activation scheme

Source: Company website, Isec research

Chart 5: GPL Habitat Gurugram activation scheme*

Source: Company website, Isec research, *For representation purposes only

Chart 6: GPL Nirvaan, MMR activation scheme*

Source: Company website, Isec research, *For representation purposes only

Financial summary (consolidated)

Table 9: Earnings statement

(Rs mn, year ending March 31)

	FY19	FY20	FY21E	FY22E
Net Sales	**28,174**	**24,414**	**10,818**	**5,366**
Operating Expenses	**26,394**	**20,960**	**9,088**	**4,745**
EBITDA	**1,780**	**3,454**	**1,730**	**621**
% margins	6.3%	14.1%	16.0%	11.6%
Depreciation & Amortisation	143	205	168	186
EBIT	**1,637**	**3,249**	**1,563**	**435**
Gross Interest	2,340	2,220	2,423	2,584
Other Income	4,046	4,732	3,041	3,067
Recurring PBT	**3,343**	**5,761**	**2,181**	**918**
Less: Taxes	951	2,203	1,408	1,501
PAT before Minority/Associate	**2,392**	**3,558**	**774**	**-583**
Minority/Associate share	140	-851	1,958	3,497
Net Income (Reported)	**2,532**	**2,706**	**2,732**	**2,914**

Source: Company data I-Sec research

Table 10: Balance sheet

(Rs mn, year ending March 31)

	FY19	FY20	FY21E	FY22E
Assets				
Total Current Assets	45,859	56,501	59,339	73,247
of which cash & cash eqv.	3,426	5,070	5,105	8,128
Total Current Liabilities & Provisions	21,073	14,974	14,254	24,000
Net Current Assets	**24,786**	**41,527**	**45,085**	**49,247**
Goodwill/Investments	26,372	35,710	37,149	37,149
Net Fixed Assets	1,963	2,721	3,456	4,208
Deferred Tax Asset	6,728	5,188	5,188	5,188
Total Assets	**59,849**	**85,146**	**90,878**	**95,792**
Liabilities				
Borrowings	35,158	37,101	40,101	42,101
Equity Share Capital	1,147	1,260	1,260	1,260
Reserves & Surplus*	23,544	46,785	49,517	52,431
Net Worth	**24,690**	**48,045**	**50,777**	**53,691**
Total Liabilities	**59,849**	**85,146**	**90,878**	**95,792**

Source: Company data I-Sec research

Table 11: Cashflow statement

(Rs mn, year ending March 31)

	FY19	FY20	FY21E	FY22E
EBIT	**3,482**	**4,909**	**4,140**	**4,415**
Depreciation	143	205	168	186
Non-Cash Adjustments	-3,789	0	0	0
Working Capital Changes	2,984	-6,219	-3,523	-1,139
Taxes Paid	-951	-2,203	-1,408	-1,501
Operating Cashflow	**1,870**	**-3,307**	**-623**	**1,961**
Capital Commitments	-738	-631	-903	-938
Free Cashflow	**1,133**	**-3,938**	**-1,526**	**1,023**
Other investing cashflow	-10,364	-17,382	-1,439	0
Cashflow from Investing Activities	**-11,102**	**-18,013**	**-2,342**	**-938**
Issue of Share Capital	9,995	20,659	0	0
Inc (Dec) in Borrowings	2,655	2,169	3,000	2,000
Dividend paid	0	0	0	0
Cashflow from Financing activities	**12,650**	**22,828**	**3,000**	**2,000**
Chg. in Cash & Bank balances	**3,418**	**1,508**	**36**	**3,023**

Source: Company data I-Sec research

Table 12: Key ratios

(Year ending March 31)

	FY19	FY20	FY21E	FY22E
Per Share Data (Rs)				
EPS	10.0	10.7	10.8	11.6
Dividend per share (DPS)	0.0	0.0	0.0	0.0
Book Value per share (BV)	98.0	190.6	201.5	213.0
Growth (%)				
Net Sales	75.7	(13.3)	(55.7)	(50.4)
EBITDA	(199.5)	94.0	(49.9)	(64.1)
PAT	191.2	6.9	1.0	6.7
Valuation Ratios (x)				
P/E	88.6	82.9	82.1	77.0
P/BV	9.1	4.7	4.4	4.2
EV / EBITDA	132.4	74.1	149.7	415.6
EV / Sales	8.4	10.5	23.9	48.1
Operating Ratios				
Debt/EBITDA (x)	19.7	10.7	23.2	67.8
Net D/E	1.3	0.7	0.7	0.6
Return Ratios (%)				
RoE	13.8	7.4	5.5	5.6
RoCE	9.3	9.2	8.0	8.6
EBITDA Margins	6.3	14.1	16.0	11.6
Net Income Margins	9.0	11.1	25.3	54.3

Source: Company data I-Sec research

This report may be distributed in Singapore by ICICI Securities, Inc. (Singapore branch). Any recipients of this report in Singapore should contact ICICI Securities, Inc. (Singapore branch) in respect of any matters arising from, or in connection with, this report. The contact details of ICICI Securities, Inc. (Singapore branch) are as follows: Address: 10 Collyer Quay, #40-92 Ocean Financial Tower, Singapore - 049315, Tel: +65 6232 2451 and email: navneet_babbar@icicisecuritiesinc.com, Rishi_agrawal@icicisecuritiesinc.com.

"In case of eligible investors based in Japan, charges for brokerage services on execution of transactions do not in substance constitute charge for research reports and no charges are levied for providing research reports to such investors."

New I-Sec investment ratings (all ratings based on absolute return; All ratings and target price refers to 12-month performance horizon, unless mentioned otherwise)
BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return

ANALYST CERTIFICATION
1/We, *Adhidev Chattopadhyay, MBA (Finance)* authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of the ICICI Securities Inc. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities Limited is a SEBI registered Research Analyst with SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India’s largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. (“associates”), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Institutional Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, target price of the Retail Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.