

5 May 2021

## Godrej Properties

Rating: NR

Share Price: Rs1,284

*War chest in place, portfolio augmentation to gather pace*

A healthy response to a host of Godrej Properties' Q4 launches helped value bookings scale new highs. This feat, in an otherwise challenging environment, appears to be a result of its competitive edge, of being one of the most preferred brands, and of continuing market consolidation. With more launches in the pipeline, bookings ahead are expected to be healthy. Collections too were the strongest, but failed to yield positive core CF. Nevertheless, recent fund-raising has swelled the war chest, to benefit it the most from the present state of affairs. Thus, deal sourcing is expected to be strong in times to come.

**Covid, short-term headwinds.** The recent surge in Covid cases, management says, is likely to bear on Q1 bookings, but the disruption is unlikely to be of the magnitude last year. With key growth drivers in place (low mortgage rates, greater affordability) and expecting the second Covid wave to subside sooner, it hopes FY22 bookings would surpass FY21's, and eyes Rs100bn by FY23. With 25% of workers having left the sites, management expects construction targets to change but efforts are on to retain the rest of the workforce.

**War chest in place, additions to gather pace.** FY21 project additions lagged volumes booked as the Covid-induced uncertainty made management adopt a wait-and-watch strategy. With the recently swollen war-chest, and optimistic of demand dynamics (not bogged down by Covid-induced near-term uncertainty), it intends to use this time to strengthen the portfolio. It expects to deploy the recent QIP proceeds by FY23, and set the stage for an even better scale, but the targeted 20% RoE is pushed out owing to an expanded equity base.

**Focus markets, consolidating position.** A focus-market approach continues, evident from its four-focused markets comprising over 90% of the ~12m sq.ft. FY22 launch pipeline. The skewness, we believe, will help strengthen its leading position in these markets and reduce the risk of spreading itself too thin. Management sees potential to the launch pipeline (mostly in the MMR), depending on approval timelines (in the wake of Covid issues).

**Valuation.** The scrip is available at 4.3x Mar'21 consolidated BV of Rs299, vs. the five-year median of 6.6x. **Risk:** Any prolonged Covid impact.

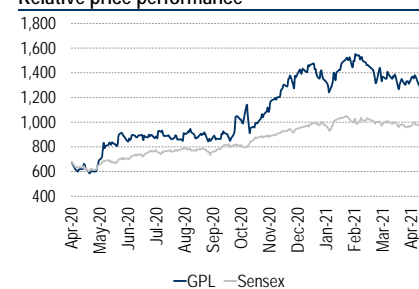
Key financials (YE Mar)	FY17	FY18	FY19	FY20	FY21P
Sales (Rs m)	15,829	16,037	28,174	24,414	7,649
Net profit (Rs m)	2,068	869	2,532	2,672	-1,894
EPS (Rs)	9.6	4.0	11.0	10.6	-6.8
FDEPS growth (%)	30.4	-58.0	175.0	-4.0	-164.3
PE (x)	40.4	180.8	73.8	56.9	-
EV / EBITDA (x)	46.9	-	116.8	47.3	-
PBV (x)	7.4	13.0	7.6	3.2	4.7
RoE (%)	14.3	7.5	13.8	7.3	-2.9
RoCE (%)	7.7	6.9	11.7	11.7	2.1
Net debt / equity (x)	3.1	2.3	0.9	0.2	-0.1

Source: Company P - Provisional

Key data	GPL IN / GODR.BO
52-week high / low	Rs1573 / 575
Sensex / Nifty	48254 / 14497
3-m average volume	\$19.2m
Market cap	Rs357bn / \$4833m
Shares outstanding	278m

Shareholding pattern (%)	Mar'21	Dec'20	Sep'20
Promoters	58.4	64.4	64.4
- of which, Pledged	-	-	-
Free float	41.6	35.6	35.6
- Foreign institutions	27.9	20.2	19.8
- Domestic institutions	5.2	5.6	5.2
- Public	8.5	9.8	10.5

### Relative price performance



Source: Bloomberg

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## Quick Glance – Financials and Valuations (consolidated)

**Fig 1 – Income statement (Rs m)**

Year-end: Mar	FY17	FY18	FY19	FY20	FY21P
Volumes (m sq.ft.)	3.11	6.26	8.76	8.80	10.81
Value bookings	20,210	50,830	53,160	59,180	67,260
<b>Net revenues</b>	<b>15,829</b>	<b>16,037</b>	<b>28,174</b>	<b>24,414</b>	<b>7,649</b>
<i>Growth (%)</i>	<i>-25.4</i>	<i>1.3</i>	<i>75.7</i>	<i>-13.3</i>	<i>-68.7</i>
Direct costs	10,809	13,610	21,939	15,633	4,751
SG&A	2,493	4,217	4,455	5,327	6,232
<b>EBITDA</b>	<b>2,527</b>	<b>-1,790</b>	<b>1,780</b>	<b>3,454</b>	<b>-3,334</b>
<i>EBITDA margins (%)</i>	<i>16.0</i>	<i>-11.2</i>	<i>6.3</i>	<i>14.1</i>	<i>-43.6</i>
Depreciation	145	161	143	205	195
Other income	1,185	4,986	4,046	4,732	5,682
Interest expenses	1,038	1,501	2,340	2,220	1,849
PBT	2,528	1,534	3,343	5,761	304
<i>Effective tax rate (%)</i>	<i>30.7</i>	<i>19.5</i>	<i>28.4</i>	<i>38.2</i>	<i>341.2</i>
+ Associates / Minorities)	317	-366	140	38	-1,161
Net income	2,068	869	2,532	2,672	-1,894
Adjusted income	2,068	869	2,532	2,672	-1,894
WANS	216	216	229	252	278
FDEPS (Rs / sh)	9.6	4.0	11.0	10.6	-6.8

**Fig 3 – Cash-flow statement (Rs m)**

Year-end: Mar	FY17	FY18	FY19	FY20	FY21P
PBT+ Net interest expense	2,382	-1,951	1,637	3,249	-3,529
+ Non-cash items	145	161	143	205	195
Oper. prof. before WC	2,527	-1,790	1,780	3,454	-3,334
- Incr. / (decr.) in WC	-2,575	-13,233	-83	15,026	24,762
Others incl. taxes	777	300	951	2,203	1,038
Operating cash-flow	4,325	11,144	913	-13,775	-29,133
- Capex (tang. + intang.)	94	981	265	1,002	1,475
Free cash-flow	4,231	10,163	648	-14,777	-30,609
Acquisitions	-	-	-	-	-
- Div. (incl. buyback & taxes)	-	-	-	-	-
+ Equity raised	1	31	9,995	20,622	36,909
+ Debt raised	4,184	-3,507	-619	3,450	9,270
- Fin investments	334	7,568	11,830	9,339	16,715
- Net int. expense + Misc.	8,035	-3,105	-1,904	-1,686	-2,808
Net cash-flow	47	2,223	99	1,644	1,663

Source: Company P - Provisional

**Fig 5 – Price movement**


Source: Bloomberg

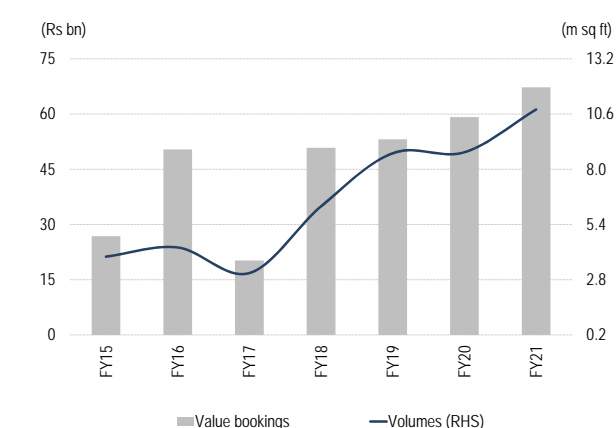
**Fig 2 – Balance sheet (Rs m)**

Year-end: Mar	FY17	FY18	FY19	FY20	FY21P
Share capital	1,082	1,082	1,147	1,260	1,390
Net worth	11,219	12,104	24,690	48,045	83,195
Debt	39,804	37,029	35,158	37,101	45,637
Minority interest	-	-	-	-	-
DTL / (Assets)	-5,668	-6,400	-5,148	-3,640	-2,906
<b>Capital employed</b>	<b>45,356</b>	<b>42,733</b>	<b>54,701</b>	<b>81,506</b>	<b>125,926</b>
Net tangible assets	748	871	733	856	1,246
Net intangible assets	273	254	233	273	499
Goodwill	0	0	0	0	0
CWIP (tang. & intang.)	0	715	995	1,629	2,294
Investments (strategic)	3,311	9,103	15,851	15,095	15,232
Investments (financial)	3,663	5,438	10,521	20,616	37,194
Current assets (ex cash)	67,711	56,604	44,012	53,877	96,364
Cash	1,104	3,327	3,426	5,070	6,733
Current liabilities	31,454	33,580	21,072	15,910	33,635
Working capital	36,257	23,024	22,941	37,967	62,729
<b>Capital deployed</b>	<b>45,356</b>	<b>42,733</b>	<b>54,701</b>	<b>81,506</b>	<b>125,926</b>
Contingent liabilities	4,821	3,744	4,068	4,654	-

**Fig 4 – Ratio analysis**

Year-end: Mar	FY17	FY18	FY19	FY20	FY21P
P/E (x)	40.4	180.8	73.8	56.9	-
EV / EBITDA (x)	46.9	-	116.8	47.3	-
EV / Sales (x)	7.5	11.6	7.4	6.7	51.4
P/B (x)	7.4	13.0	7.6	3.2	4.7
RoE (%)	14.3	7.5	13.8	7.3	-2.9
RoCE (%)	7.7	6.9	11.7	11.7	2.1
RoIC	15.5	8.7	14.4	8.8	1.9
DPS (Rs / sh)	-	-	-	-	-
Dividend yield (%)	-	-	-	-	-
Dividend payout (%) - incl. DDT	-	-	-	-	-
Net debt / equity (x)	3.1	2.3	0.9	0.2	-0.1
Receivables (days)	49	36	21	78	148
Inventory (days)	1,190	850	286	318	2,291
Payables (days)	119	71	32	108	965
CFO : PAT %	209.1	1,282.3	36.1	-515.5	-

Source: Company P - Provisional

**Fig 6 – Scale of operations**


Source: Company

## Result / concall highlights

Q4 FY21 revenues mostly from The Trees AOS, liquidation of ready-units at older projects

### Q4 one-offs included:

- Deferred tax of ~Rs0.8bn on the shift to the newer tax regime
- ~Rs1.2bn provided for milestone linked long-term incentives to certain employees
- Inventory write-down at five projects: impact ~Rs0.8bn

Excluding one-offs, Q4 PBT at Rs0.7bn; PAT at Rs0.4bn

Q4 FY21 value bookings (~Rs26.3bn), up ~10% y/y, ~77% q/q, take FY21 ~14% up y/y (~Rs67.3bn)

Each of the four focus markets contributed over Rs13bn in FY21

~58% of Q4 bookings from new launches over 40% of FY21

Notwithstanding Covid, management sees FY22 bookings as better than in FY21

Added ~0.4m sq.ft. in the MMR in Q4 FY21, through CIDCO auction

FY21 additions at ~6m sq.ft., comprising ~4.1m sq.ft. in Bengaluru, the balance in the MMR

All FY21 transactions outright acquisitions

Additions conform to the top-four-market focus and value-accretive projects where the company's economic interest is more emphasised

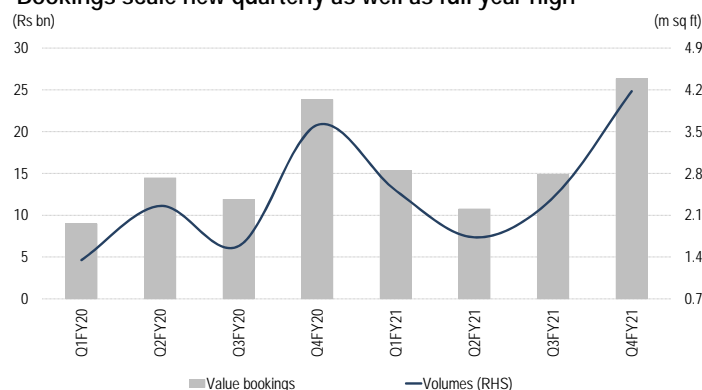
With a war-chest in place, likely deployment in two years; expanded equity basis mean targeted 20% RoE pushed out

Fig 7 – Income statement reflects project mix / deliveries; profit hit by one-offs

YE: Mar (Rs m)	Q4 FY20	Q4 FY21	% Y/Y	Q3 FY21	% Q/Q	FY20*	FY21	% Y/Y
Sales	11,631	4,326	-62.8	1,705	153.8	24,414	7,649	-68.7
EBITDA	1,555	-1,541	-199.1	-543	-	3,454	-3,334	-196.5
EBITDA margins (%)	13.4	-35.6	-	-31.9	-	14.1	-43.6	-
Other income	1,251	1,434	14.6	1,406	2.0	4,732	5,682	20.1
Interest	556	408	-26.7	449	-9.2	2,201	1,849	-16.0
Depreciation	56	53	-5.7	50	5.0	205	195	-4.8
PBT	2,194	-567	-125.8	364	-255.8	5,780	304	-94.7
Tax	894	667	-25.4	170	291.4	2,190	1,038	-52.6
PAT	1,300	-1,234	-194.9	193	-738.0	3,591	-734	-120.4
Adj. PAT	1,024	-1,916	-287.1	144	-1,435.3	2,705	-1,894	-170.0
Adjusted EPS (Rs)	4.1	-6.9	-269.7	0.6	-1,311.1	10.7	-6.8	-163.5

Source: Company \* Restated

Fig 8 – Bookings scale new quarterly as well as full year high



Source: Company

Fig 9 – Portfolio augmentation – One in Q4, four in FY21

	Location	Area (m sq.ft.)	Other information
<b>Q1 FY20</b>			
RKS, Chembur	MMR	0.4	2.2 acre premium development with small retail component
<b>Q3 FY20</b>			
Navi Mumbai	MMR	7.5	Mixed-use township project, GPL's PAT share at 55%.
Ambarnath	MMR	1.1	Group housing project spread across 6.4 acres, GPL's PAT share at 47%
Thane	MMR	1.1	Luxury residential project with a small retail portion, GPL's share 100% as an outright transaction
Bagalur	Bengaluru	3.0	Affordable housing project, GPL's share at 5.5% of revenues and 49% of PAT
<b>Q4 FY20</b>			
Ashok Vihar	Delhi	3.3	Acquired ~27 acres of RLDA land for Rs13.6bn, to be paid in staggered manner; planned as luxury group housing
Chandivali	MMR	0.5	Acquired from DIC India, residential apartments with a small retail component
Faridabad	NCR	1.0	Plotted development acquired from BPTP
Worli	MMR	1.2	50:50 profit share in this redevelopment project
Matunga East	MMR	0.2	89% revenue share in this society redevelopment scheme
<b>FY20</b>			
		19.1	
<b>Q2 FY21</b>			
Kalyan	MMR	1.5	20 acre outright transaction; comprising primarily of residential area with a small amount of retail/commercial
<b>Q3 FY21</b>			
Sarjapur	Bengaluru	1.6	15 acre outright transaction; comprising residential apartments
Whitefield	Bengaluru	2.5	100% owned residential development with a provision to share 5.4% with the landlord
<b>Q3 FY21</b>			
Sanpada	MMR	0.4	Leasehold land, acquired from CIDCO
<b>FY21</b>			
		6.0	

Source: Company

Comprising ~4m sq. ft., seven new projects / phases launched in Q4, taking total for the year to 11 with ~8m sq.ft. on offer

Launch pipeline of ~12m sq.ft. comprises ~5m sq.ft. of new projects and ~7m sq.ft. of new phases at existing projects; no intent to delay, launch when approvals in place

Four-focus markets ~90% of the FY22 launch pipeline

Potential to earmarked launch pipeline: Vikhroli, Worli, Bandra, contingent upon timelines; launches with better visibility already in the list

Single quarter best collections of ~Rs20.1bn takes the full year to a comforting ~Rs43.7bn (~2% better y/y)

Construction and other project-related outlays recovered from Covid-lows, strong H2 spends render FY21 figure same as in FY20

Net cash at ~Rs5.8bn, against ~Rs30.8bn net debt at end-Q3; well set to benefit from the present distress as sitting on cash & equivalents of over Rs50bn

Fig 10 – Seven launches in Q4, eleven in FY21; key to robust bookings

Projects	Location	Launched	Area (m sq.ft.)	Bookings (Rs bn)*
3 projects / phases	Many cities	Q1 FY20	2.2	3.5
6 projects / phases	Many cities	Q2 FY20	4.2	9.9
1 project	MMR	Q3 FY20	0.5	2.2
7 projects / phases	Many cities	Q4 FY20	3.8	14.5
<b>FY20</b>			<b>10.7</b>	<b>30.1</b>
Godrej Royal Woods	Bengaluru		1.4	1.1
<b>Q1FY21</b>			<b>1.4</b>	<b>1.1</b>
Godrej Green Cove	Pune		0.6	3.1
Godrej Retreat	NCR		1.0	2.8
The Highlands	Panvel		0.7	2.4
<b>Q3FY21</b>			<b>2.4</b>	<b>8.4</b>
Godrej Woods	NCR		0.7	5.1
Godrej Green Vistas	Pune		0.7	3.0
Godrej Woodland	Bengaluru		1.0	2.6
Godrej Upavan	MMR		0.6	1.7
Godrej Wood Park	Pune		0.3	1.4
Godrej Urban Park	MMR		0.2	0.9
Godrej Parkridge	Pune		0.5	0.6
<b>Q4FY21</b>			<b>4.0</b>	<b>15.3</b>
<b>FY21</b>			<b>7.8</b>	<b>24.7</b>

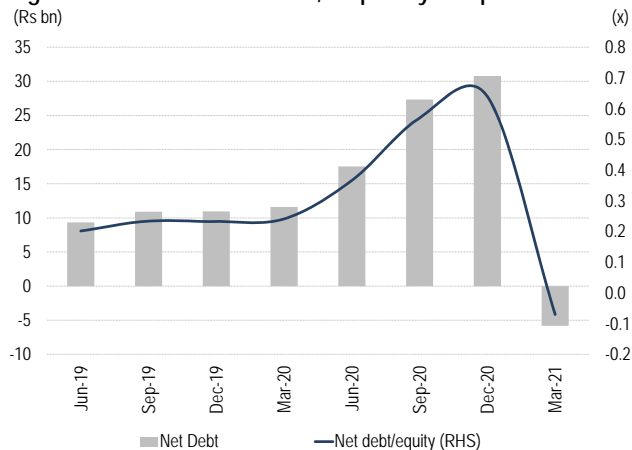
Source: Company \* in its first quarter of launch

Fig 11 – Collections at its best; higher JV adjustments contain core CF

(Rs bn)	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21
Operating cash-flows	8.9	8.6	11.3	14.0	4.2	6.8	12.6	20.1
Construction and other project-related outflows	-8.6	-8.2	-8.9	-9.2	-7.7	-6.7	-8.1	-12.2
<b>Project surplus</b>	<b>0.3</b>	<b>0.4</b>	<b>2.4</b>	<b>4.8</b>	<b>-3.5</b>	<b>0.1</b>	<b>4.5</b>	<b>7.9</b>
Land and approval-related charges	-9.2	-2.9	-1.8	-3.5	-2.5	-7.0	-5.0	-4.6
Advance to JV partners	-0.7	-0.3	-0.8	-1.0	-0.2	-1.1	-0.2	-0.3
Interest & Corporate Taxes	-1.2	-1.4	-1.9	-1.5	-0.8	-1.3	-1.0	-1.0
Private placement / QIP / PE exit / others	21.0	1.1	-	-	-	-	-	37.0
<b>Net surplus / gap</b>	<b>10.2</b>	<b>-3.2</b>	<b>-1.9</b>	<b>-1.2</b>	<b>-7.0</b>	<b>-9.3</b>	<b>-1.8</b>	<b>39.0</b>
JV Project adjustment	2.5	1.0	1.8	1.0	1.0	-0.6	-1.4	-2.6
IND-AS adjustment	-0.5	0.6	0.1	-0.5	0.0	-0.0	-0.3	0.2
<b>Decrease / (increase) in net debt</b>	<b>12.1</b>	<b>-1.6</b>	<b>-0.0</b>	<b>-0.7</b>	<b>-5.9</b>	<b>-9.8</b>	<b>-3.5</b>	<b>36.6</b>
<b>Net debt</b>	<b>9.3</b>	<b>10.9</b>	<b>10.9</b>	<b>11.6</b>	<b>17.5</b>	<b>27.3</b>	<b>30.8</b>	<b>-5.8</b>
<b>Net debt-to-equity (x)</b>	<b>0.20</b>	<b>0.23</b>	<b>0.23</b>	<b>0.24</b>	<b>0.37</b>	<b>0.57</b>	<b>0.64</b>	<b>-0.07</b>

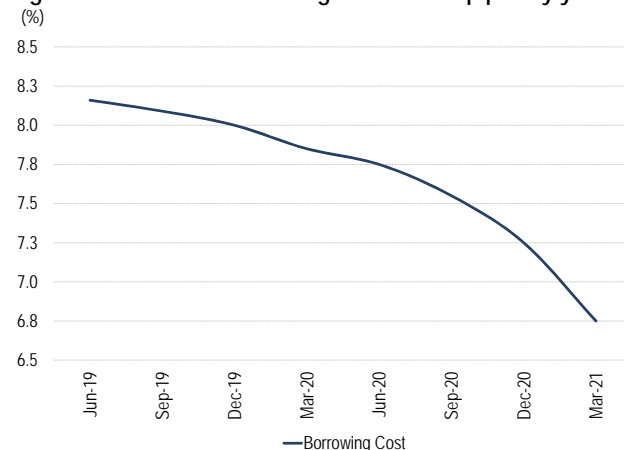
Source: Company

Fig 12 – Net cash at ~Rs5.8bn, helped by QIP proceeds



Source: Company

Fig 13 – The ~6.75% borrowing cost: down q/q and y/y

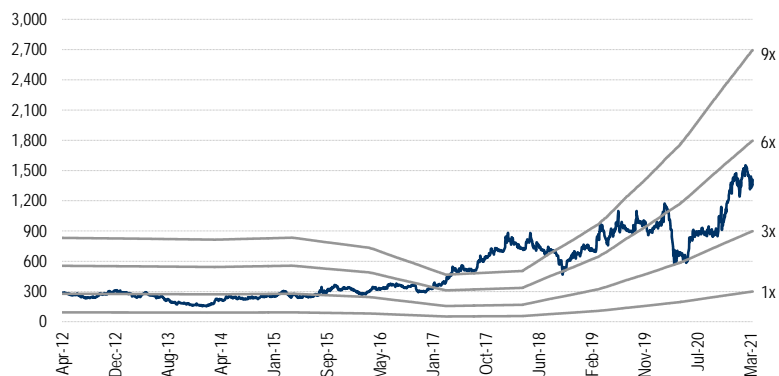


Source: Company

## Valuation

At the CMP, the stock trades at 4.3x Mar’21 consolidated BV of Rs299. This is against the last five-year median of 6.6x. We see the stock as one of the key beneficiaries of the anticipated consolidation.

Fig 14 – PBV



Source: Bloomberg

### Risks

- Prolonged impact of Covid-19.
- Significant slowdown in real-estate activity
- Failure to exercise financial prudence while evaluating new deals.

## Appendix

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