

Key Data

Bloomberg Code	GPL IN
NSE Code	GODREJPROP
BSE Code	533150
Sector	Realty
Industry	Construction-Real Estate
Face Value (₹)	5.0
BV per share (₹)	191
Dividend Yield (%)	0%
52 Week L/H(₹)	505 / 1,528
Market Cap. (₹ Mn.)	373,330

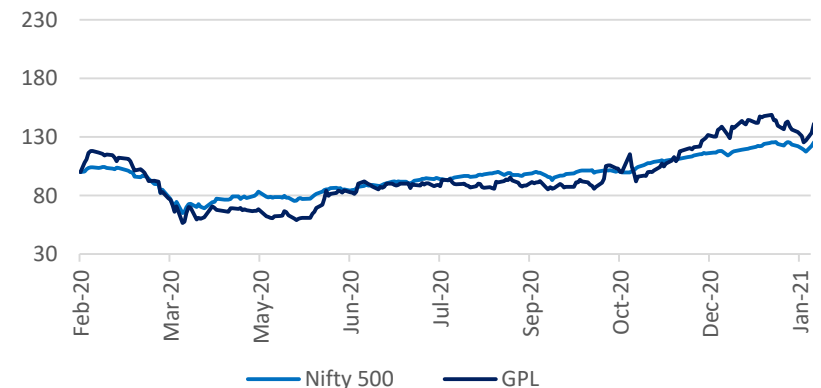
(In ₹ mn)	FY-19	FY-20	FY-21E	FY-22E
Net Sales	28,174	24,414	13,634	19,586
EBITDA	1,780	3,454	1,068	3,081
EBITDA Margin	6.3%	14.1%	7.8%	15.7%
EPS (₹)	10.0	10.6	7.7	14.5
EV/Sales	13.2	15.3	27.4	19.0
EV/EBITDA	64.0	45.6	98.3	53.3
P/E (x)	147.4	139.6	191.5	102.3
Price Performance	CY18	CY19	CY20	YTD
Absolute	-4%	43%	50%	3%
Relative	0%	35%	33%	-5%
NIFTY 500	-3.6%	8.3%	16.2%	8.6%

Shareholding Pattern (as on Dec'20)

	Dec-20	Sep-20	Jun-20	Mar-20
Promoter	64.4%	64.4%	64.4%	64.4%
Institutions	25.8%	25.0%	24.7%	24.2%
Others	9.8%	10.6%	10.9%	11.4%
Total	100%	100%	100%	100%

Source: Company, Anand Rathi Research, Bloomberg

Relative stock performance (Jan'20=100)



Potential to scale new heights

- ❑ Godrej Properties Ltd. (GPL) is the real estate arm of the Godrej group and was incorporated as Sea Breeze Constructions and Investments Pvt. Ltd on February 8, 1985, by Mr Mohan Khubchand Thakur and Ms Desiree Mohan Thakur. In 1987, it became a part of the Godrej group and in 1989, it became a subsidiary of Godrej Industries Ltd, which holds 49.3% of the company's equity shares as on December 31, 2020.
- ❑ GPL witnessed strong sales of 88 lakh square feet (sq. ft) valued at ₹5,915cr in fiscal 2020. This momentum continued in the nine months of fiscal 2021 with healthy sales growth of 16% despite the impact of the pandemic, wherein the overall industry witnessed a contraction.
- ❑ During 3QFY21, Company has launched 3 new projects and 4 new projects/phases in 9M FY21. Sales booking for 3QFY21 and 9MFY21, stood at ₹1,488cr up by 25% YoY and ₹4,093cr up by 16% YoY respectively.
- ❑ They had added 2-new residential projects in Bangalore with a combined saleable area of 4.1msf in Q3FY21.
- ❑ Having raised sizeable equity of ₹2,100cr through a qualified institutional placement in June 2019, GPL is now focusing on increasing the portfolio of owned projects and entering joint development agreement (JDA) projects with higher share of profits ' around ₹3,100cr was spent on land acquisition, approvals, advances to joint venture partners and others over the 21 months ended December 2020.
- ❑ This change in strategy results in Company overall profitability. Company net debt has increased to ₹2,733cr, as on September 30, 2020 from ₹2,141cr as on March 31, 2019 due to higher outflows towards construction and land acquisition. Nevertheless, Company liquidity is also sufficient, with cash and equivalents of ₹1,549cr and undrawn bank lines of ₹830cr as on September 30, 2020.
- ❑ Considering Company strong market position backed by an established brand, strong execution track record and healthy salability and robust financial flexibility owing to parentage of the Godrej group we initiate our coverage on **Godrej Properties** with a **Buy** rating with a target price of **₹1,880 per share**.

Budget-19 Impact

- ❑ In Budget 2021, Government of India has granted ₹54,581cr towards real estate. In order to incentivize home buyers and real estate developers, GOI has proposed to increase safe harbour limit from 10% to 20% for the specified primary sale of residential units.
- ❑ In the July 2019 Budget, the government has provided an additional deduction of interest, amounting to ₹1.5-lakh, for loan taken to purchase an affordable house. Now GOI has extend the eligibility of this deduction by one more year, to March 31, 2022. The additional deduction of ₹1.5-lakh shall therefore be available for loans taken up till March 31, 2022, for the purchase of an affordable house.
- ❑ Debt Financing of InVITs and REITs by Foreign Portfolio Investors will also be enabled by making suitable amendments in the relevant legislations. This will further ease access of finance to InVITS and REITs thus augmenting funds for infrastructure and real estate sectors.

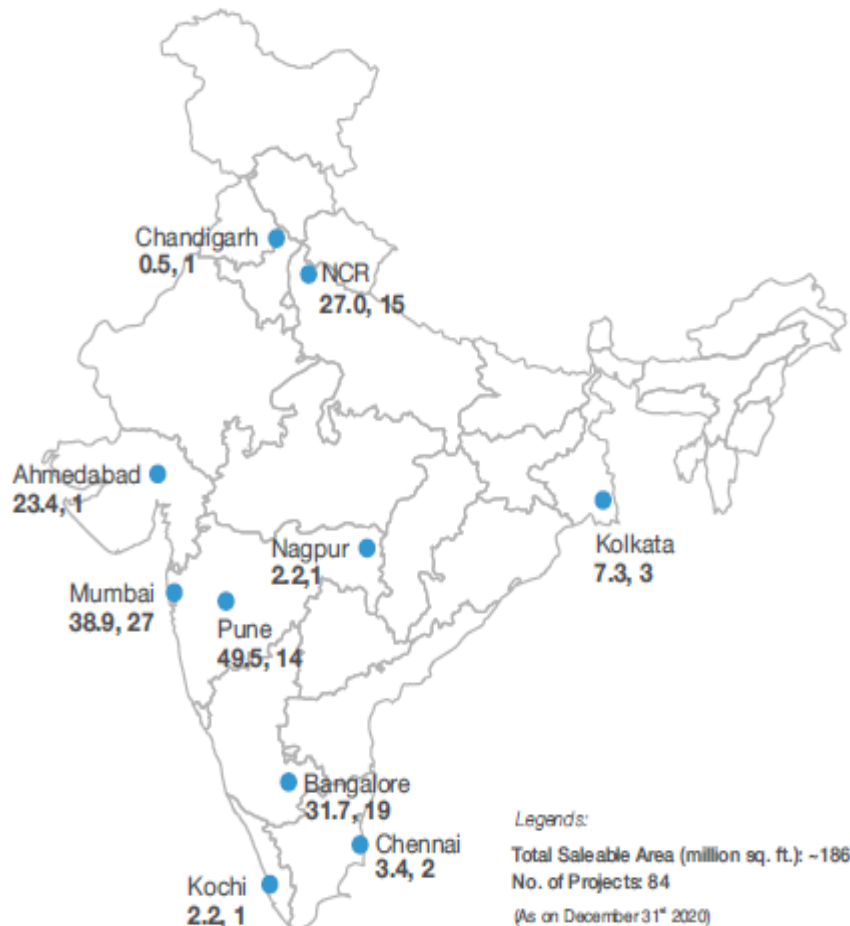
Q3-FY21 Results (Consolidated)

(In ₹ mn)	Q3-FY20	Q3-FY19	Chg	9MFY20	9MFY19	Chg
Net Sales	1,705	3,828	-55.5%	3,323	12,784	-74.0%
Operating Expense	2,248	3,405	-34.0%	5,115	10,884	-53.0%
EBITDA	(543)	423	-228.5%	(1,792)	1,900	-194.3%
Other Income	1,406	1,347	4.4%	4,247	3,481	22.0%
Depreciation	50	53	-5.1%	143	150	-4.4%
EBIT	813	1,717	-52.6%	2,312	5,231	-55.8%
Interest	449	575	-21.9%	1,441	1,645	-12.4%
PBT	364	1,142	-68.1%	871	3,586	-75.7%
Tax	170	414		381	1,296	
Exceptional Items	-	-		-	-	
PAT	193	728	-73.4%	491	2,290	-78.6%
Minority /Other Adj.	(50)	(261)		(478)	(609)	
Consolidated PAT	144	467	-69.2%	12	1,681	-99.3%

Margins	Q3-FY20	Q3-FY19	Chg BPS	9MFY20	9MFY19	Chg BPS
Operating Margin %	-31.9%	11.0%	-4292	-53.9%	14.9%	-6880
Net Margin %	8.4%	12.2%	-377	0.4%	13.2%	-1278

Source: Company, Anand Rathi Research

Established brand name and strong market position



- ❑ The company currently operates in 10 cities and focuses on residential, commercial, and township development.
- ❑ It has successfully delivered ~21msf of real estate in the past five years. As of December 31, 2020, Company has 84 projects across India and ~186msf of salable India.
- ❑ Average salability is around ~72% in the ongoing residential projects, as on March 31, 2020. Strong brand and execution track record helps achieve healthy pre-sales. GPL is expected to sustain its strong business risk profile over the medium term, backed by stable salability in ongoing projects and increasing share of owned projects and Joint Venture/Joint Development Agreement models with higher revenue/profit share, thereby improving overall profitability.

Added two new projects with saleable area of ~4.1 million sq. ft. in Q3 FY21:

Sarjapur, Bangalore

- ❑ The project is an outright purchase of land in Sarjapur, Bangalore which has established itself as one of the most preferred residential locations with good connectivity to the Outer Ring Road and several other key hubs of Bangalore.
- ❑ Spread across approximately 15 acres, this project will offer approximately 1.6 million sq. ft. of saleable area comprising of residential apartments of various configurations.
- ❑ It is a 100% owned projects.

Whitefield, Bangalore

- ❑ The project is an outright purchase of land in Whitefield, Bangalore which is the largest commercial and residential real estate micro market in Bangalore and the land is situated near the proposed metro line connecting Whitefield to Hopefarm Junction.
- ❑ Spread across approximately 18 acres, this project will offer approximately 2.5 million sq. ft. of saleable area comprising of residential apartments of various configurations.
- ❑ It is a 100% owned project and 5.4% area share to landlord.



Continued...

Particulars	Q3FY21	Q3FY20	Growth	Q2FY21	Growth	9MFY21	9MFY20	Growth
Area Sold (sq. ft.)	2,395,688	1,583,124	51%	1,728,995	39%	6,636,971	5,189,054	28%
Booking Value (`cr.)	1,488	1,189	25%	1,074	38%	4,093	3,532	16%

Strong response to new project/phase launches

Godrej Green Cove, Pune

- ❑ Launched in November 2020.
- ❑ Total sales stood at 522,048 sq. ft. with a booking value of 312cr.

Godrej Retreat, NCR

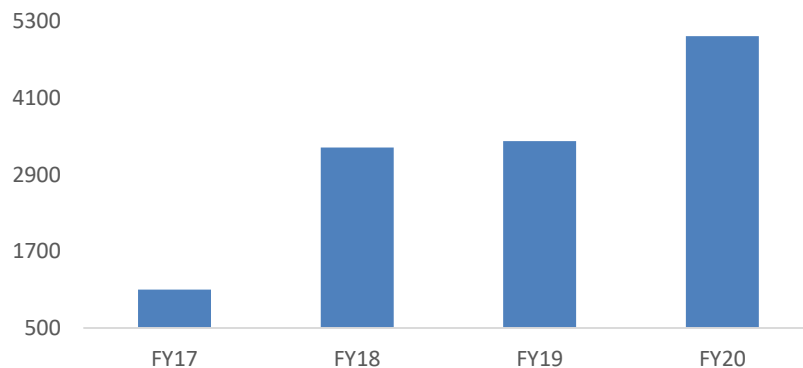
- ❑ Launched in October 2020
- ❑ Total sales stood at 491,145 sq. ft. with a booking value of 279cr

The Highlands, Panvel

- ❑ Launched in November 2020.
- ❑ Total sales stood at 373,814 sq. ft. with a booking value of 244cr.

Adequate financial risk profile

Cash & Bank



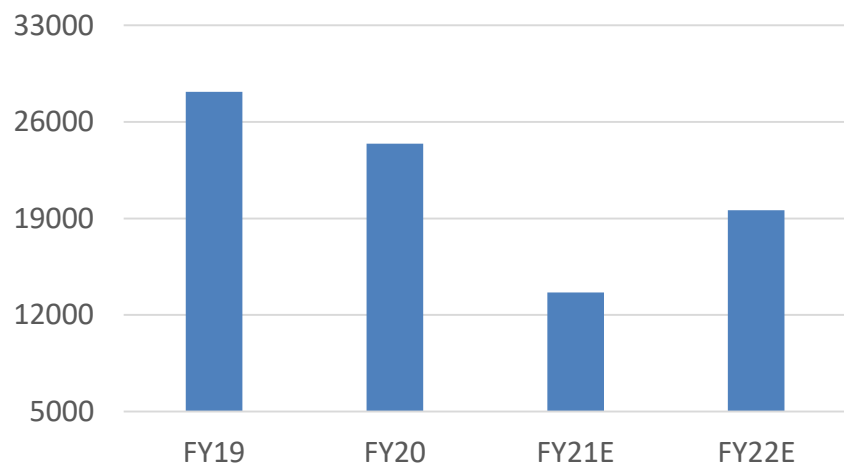
- ❑ Liquidity is supported by the strong salability and collections in ongoing projects as well as expected for new launches.
- ❑ Majority of GPL's debt is short term in nature, thereby resulting in large repayments in the near term. The group has adequate financial flexibility to manage these repayments.
- ❑ GPL also sold ~85% of the inventory in the recent quarter. Further, undrawn bank lines of around ₹830cr and cash and equivalents of ₹1,549cr, as on December 31, 2020, support liquidity.

Strong parentage enhances financial flexibility

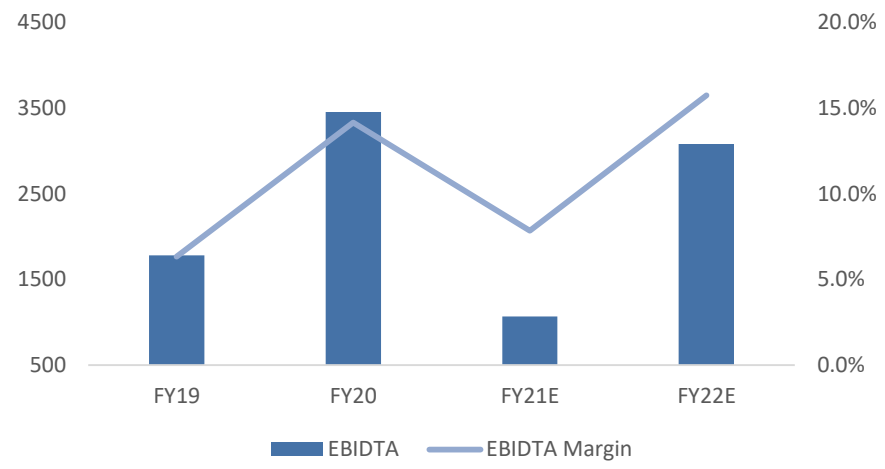
- ❑ The promoter family and group companies hold around 65% in GPL. A key entity in the group, GPL will help the group monetize its land bank.
- ❑ GPL has signed a memorandum of understanding with various group entities to develop land parcel under the DMA (Development Management Agreement) model, which provides long-term business visibility. GPL derives significant synergies from its association with the Godrej brand, as is reflected in the strong salability of its projects, all of which share the group's brand name.
- ❑ Further, GPL has financial flexibility to refinance debt at low cost because it is a part of the Godrej group, as has been demonstrated in the past.
- ❑ We believe strong management and association with the Godrej group will remain a key rating driver.

We expect the company to register strong growth in the near term

Revenue estimates (₹ Mn.)



EBITDA & EBITDA margin estimates



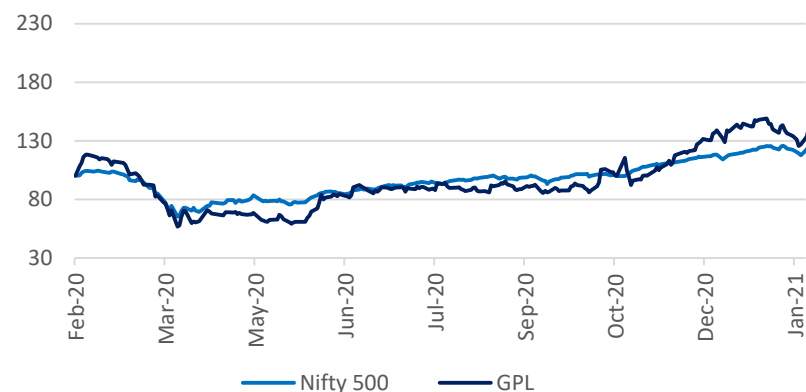
□ A combination of strong project additions, strong pre-sales and continued good execution makes us believe a major scale-up in business is well underway, we expect Godrej Properties Ltd. to grow at a stronger pace in next two financial years with EBITDA margin stands at 15.7% in FY22.



Valuation and Recommendation:

- ❑ Considering Company strong market position backed by an established brand, strong execution track record and healthy salability and robust financial flexibility owing to parentage of the Godrej group , we are constructive on GPL long term prospect.
- ❑ At CMP the stock is trading at 102x times FY22E earnings.
- ❑ We initiate our coverage with **BUY** rating on Godrej Properties Limited with a target price of **₹1,880 per share**.

Relative stock performance (Jan'20=100)



Source: Bloomberg, Anand Rathi Research

(In ₹ mn)	FY-19	FY-20	FY-21E	FY-22E
EPS (₹)	10.0	10.6	7.7	14.5
P/E (x)	147.4	139.6	191.5	102.3
P/B (x)	15.1	7.8	7.5	7.0
ROE	10.3%	5.6%	3.9%	6.8%
ROCE	23.0%	17.9%	7.9%	13.6%
EV/EBIDTA (x)	64.0	45.6	98.3	53.3

Source: Company, Anand Rathi Research

Consolidated Financials:

(In ₹ mn)	FY-19	FY-20	FY-21E	FY-22E
Net Sales	28,174	24,414	13,634	19,586
Operating Expense	26,394	20,960	12,566	16,505
EBITDA	1,780	3,454	1,068	3,081
Other Income	4,046	4,732	2,727	3,917
Depreciation	143	205	105	151
EBIT	5,683	7,981	3,690	6,847
Interest	2,340	2,220	1,204	1,729
Misc. items	-	-	-	-
PBT	3,343	5,761	2,485	5,118
Tax	951	2,203	537	1,471
Minority Interest	140	(885)	-	-
PAT	2,532	2,672	1,948	3,647

Margins	FY-19	FY-20	FY-21E	FY-22E
Sales Growth %	75.7%	-13.3%	-44.2%	43.7%
Operating Margin %	6.3%	14.1%	7.8%	15.7%
Net Margin %	9.0%	10.9%	14.3%	18.6%

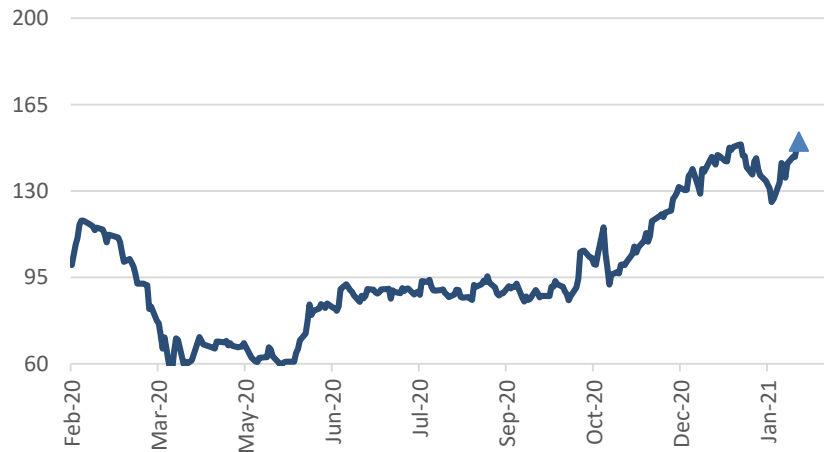
Source: Company, Anand Rathi Research

(In ₹ mn)	FY-19	FY-20	FY-21E	FY-22E
<u>Liabilities</u>				
Equity Share Capital	1,199	1,320	1,320	1,320
Reserves & Surplus	23,491	46,725	48,673	52,320
Total Shareholder's Funds	24,690	48,045	49,993	53,640
Minority Interest	-	-	-	-
Long-Term Liabilities	5,000	-	-	-
Other Long-term Liabilities	115	175	175	175
Deferred Tax Liability	(5,148)	(3,640)	(3,640)	(3,640)
Short-term Liabilities	51,115	52,836	29,506	42,387
Total	75,772	97,416	76,034	92,562
<u>Assets</u>				
Net Fixed Assets	1,940	2,661	1,693	1,938
Long-Term L&A	2,760	3,085	3,085	3,085
Non Current Investments	15,873	15,192	15,192	15,192
Other Non-Current Assets	-	32	32	32
Current Asset	55,199	76,446	56,032	72,314
Total	75,772	97,416	76,034	92,562

- ❑ Cyclicalities in the real estate sector could result in fluctuations in cash inflow and volatility in sales.
- ❑ Any decline in demand for ongoing projects could result in lower collections and impact cash flows.

Rating and Target Price history:

GPL IN rating history & price chart



Source: Bloomberg, Anand Rathi Research

NOTE: Prices are as on 12th Feb 2021 close.

GPL IN rating details

Date	Rating	Target Price (₹)	Share Price (₹)
12-Feb-21	BUY	1,880	1,488

Source: Bloomberg, Anand Rathi Research



Disclaimer:

Analyst Certification

- ❑ The views expressed in this Research Report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. The research analysts are bound by stringent internal regulations and also legal and statutory requirements of the Securities and Exchange Board of India (hereinafter “SEBI”) and the analysts’ compensation are completely delinked from all the other companies and/or entities of Anand Rathi, and have no bearing whatsoever on any recommendation that they have given in the Research Report.

Ratings Methodology

- ❑ Analysts’ ratings and the corresponding expected returns take into account our definitions of Large Caps (>₹300 Billion) and Mid/Small Caps (<₹300 Billion) or SEBI definition vide its circularSEBI/HO/IMD/DF3/CIR/P/2017/114 dated 6th October 2017, whichever is higher and as described in the Ratings Table below:

Ratings Guide (12 months)	Buy	Hold	Sell
Large Caps (>₹300Bn.)	15%	5%-10%	Below 5%
Mid/Small Caps (<₹300 Bn.)	20%	10%-15%	Below 10%

Disclaimer:

Research Disclaimer and Disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

Anand Rathi Share and Stock Brokers Ltd. (hereinafter refer as ARSSBL) (Research Entity, SEBI Regn No. INH000000834, Date of Regn. 29/06/2015) is a subsidiary of the Anand Rathi Financial Services Ltd. ARSSBL is a corporate trading and clearing member of Bombay Stock Exchange Ltd, National Stock Exchange of India Ltd. (NSEIL), Multi Stock Exchange of India Ltd (MCX-SX) and also depository participant with National Securities Depository Ltd (NSDL) and Central Depository Services Ltd. ARSSBL is engaged into the business of Stock Broking, Depository Participant, Mutual Fund distributor.

The research analysts, strategists, or research associates principally responsible for the preparation of Anand Rathi Research have received compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors, firm revenues.

General Disclaimer: - This Research Report (hereinafter called "Report") is meant solely for use by the recipient and is not for circulation. This Report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. The recommendations, if any, made herein are expression of views and/or opinions and should not be deemed or construed to be neither advice for the purpose of purchase or sale of any security, derivatives or any other security through ARSSBL nor any solicitation or offering of any investment /trading opportunity on behalf of the issuer(s) of the respective security (ies) referred to herein. These information / opinions / views are not meant to serve as a professional investment guide for the readers. No action is solicited based upon the information provided herein. Recipients of this Report should rely on information/data arising out of their own investigations. Readers are advised to seek independent professional advice and arrive at an informed trading/investment decision before executing any trades or making any investments. This Report has been prepared on the basis of publicly available information, internally developed data and other sources believed by ARSSBL to be reliable. ARSSBL or its directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information / opinions / views. While due care has been taken to ensure that the disclosures and opinions given are fair and reasonable, none of the directors, employees, affiliates or representatives of ARSSBL shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way whatsoever from the information / opinions / views contained in this Report. The price and value of the investments referred to in this Report and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance. ARSSBL does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding taxation aspects of any potential investment.

Continued...

Disclaimer:

Contd...

Opinions expressed are our current opinions as of the date appearing on this Research only. We do not undertake to advise you as to any change of our views expressed in this Report. Research Report may differ between ARSSBL's RAs and/ or ARSSBL's associate companies on account of differences in research methodology, personal judgment and difference in time horizons for which recommendations are made. User should keep this risk in mind and not hold ARSSBL, its employees and associates responsible for any losses, damages of any type whatsoever.

ARSSBL and its associates or employees may; (a) from time to time, have long or short positions in, and buy or sell the investments in/ security of company (ies) mentioned herein or (b) be engaged in any other transaction involving such investments/ securities of company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) these and other activities of ARSSBL and its associates or employees may not be construed as potential conflict of interest with respect to any recommendation and related information and opinions. Without limiting any of the foregoing, in no event shall ARSSBL and its associates or employees or any third party involved in, or related to computing or compiling the information have any liability for any damages of any kind.

Details of Associates of ARSSBL and Brief History of Disciplinary action by regulatory authorities & its associates are available on our website i. e. www.rathi.com

Disclaimers in respect of jurisdiction: This report is not directed to, 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 or regulation or which would subject ARSSBL to any registration or licensing requirement within such jurisdiction(s). No action has been or will be taken by ARSSBL in any jurisdiction (other than India), where any action for such purpose(s) is required. Accordingly, this Report shall not be possessed, circulated and/or distributed in any such country or jurisdiction unless such action is in compliance with all applicable laws and regulations of such country or jurisdiction. ARSSBL requires such recipient to inform himself about and to observe any restrictions at his own expense, without any liability to ARSSBL. Any dispute arising out of this Report shall be subject to the exclusive jurisdiction of the Courts in India.

Copyright: - This report is strictly confidential and is being furnished to you solely for your information. All material presented in this report, unless specifically indicated otherwise, is under copyright to ARSSBL. None of the material, its content, or any copy of such material or content, may be altered in any way, transmitted, copied or reproduced (in whole or in part) or redistributed in any form to any other party, without the prior express written permission of ARSSBL. All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of ARSSBL or its affiliates, unless specifically mentioned otherwise.

Contd...

Disclaimer:

Contd.

Statements on ownership and material conflicts of interest, compensation - ARSSBL and Associates

Sr. No.	Statement	Answers to the Best of the knowledge and belief of the ARSSBL/ its Associates/ Research Analyst who is preparing this report
1	ARSSBL/its Associates/ Research Analyst/ his Relative have any financial interest in the subject company? Nature of Interest (if applicable), is given against the company's name?.	NO
2	ARSSBL/its Associates/ Research Analyst/ his Relative have actual/beneficial ownership of one per cent or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?.	NO
3	ARSSBL/its Associates/ Research Analyst/ his Relative have any other material conflict of interest at the time of publication of the research report or at the time of public appearance?.	NO
4	ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation from the subject company in the past twelve months.	NO
5	ARSSBL/its Associates/ Research Analyst/ his Relative have managed or co-managed public offering of securities for the subject company in the past twelve months.	NO
6	ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.	NO
7	ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months.	NO
8	ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation or other benefits from the subject company or third party in connection with the research report.	NO
9	ARSSBL/its Associates/ Research Analyst/ his Relative have served as an officer, director or employee of the subject company.	NO
10	ARSSBL/its Associates/ Research Analyst/ his Relative has been engaged in market making activity for the subject company.	NO