

# Real Estate

## Mixed quarter

- 1QFY25 residential absorption remains resilient, pace of launch muted:** Our channel checks suggest resilient demand undercurrent for some of the recent launches with GPL reporting robust response to Bengaluru (INR 31bn) and Noida (INR 20bn), DLF Gurgaon (INR 56bn), Signature Global in Gurgaon projects (INR 31.2bn). Other developers like Macrotech reported 20% YoY growth to INR 40.3bn. Prestige Estate reported 22% presales de-growth in the absence of any major new launch. Within our coverage universe, we expect well-priced projects to continue to see robust demand. 1QFY25 from the launch point of view was a muted quarter, owing to elections and resultant state machinery delaying approvals. Launch momentum is expected to pick up from 2QFY25-end, as the festive season kicks in. Within micro-markets, we expect the consolidation story to continue in the top six cities with strong volume/muted price-driven growth in Bengaluru, MMR and Pune. NCR prices have seen strong growth and the market may move towards price consolidation as developers push volumes.
- FY25/26 will be the year of fundraising:** Given limited inventory on the back of robust demand, developers will start adding new land banks. An increase in real estate supply shall help cool down property prices. With the emergence of corporate developers with an asset-light focus, the market is moving towards sales velocity vs. price maximisation. This shall help maintain real estate cycle longevity. We expect massive investment in land which shall be funded by equity fund raise. Multiple real estate developers are seeking fundraising from capital markets, unlisted developers are firming up IPO plans and AIFs are tapping into land funding opportunities. Fundraise market share gain will now result in real estate sales market share gains. This time developers seem to be nimbler on pricing and are taking quick corrections to meet clearing price point demand. The real estate down cycle may now be shorter as developers' balance sheets are strong and asset-light. Land suppliers are also participating in this through JD/JV/DM models.
- Office leasing picks pace, while mall retail consumption shows growth challenges:** Large IT companies continue to tighten return to the office and this has resulted in physical occupancies ramping up to ~75-80%. The increase in physical occupancies will lead to quicker decision-making on lease closure and hardening of office rentals. On malls, we are seeing same-store sales languishing below inflation since consumption fatigue may have set in on a higher base as consumers look at new avenues, viz. hospitality, travel, etc.
- Land supply to increase, organised share to further consolidate:** We expect large Central Government/State-owned land banks to come up for monetisation. Players with robust balance sheets, low cost of capital and strong brands are at an advantage in adding new BD and are positioned for further market share gains. Oberoi, DLF, Macrotech, and Godrej Properties are well-placed to write large cheques. Mid-tier players to benefit from redevelopment/SRA opportunity. Fundraising will bring in more transparency and help improve corporate governance.
- Q1FY25 earnings trend:** We expect the aggregate revenue/EBITDA/PAT for the coverage universe to report YoY growth by 13.4/25.9/1.0%. On an aggregate level, we are expecting EBIDTA margin to expand by 292bps YoY.
- Recommendations and stock picks:** We like OBER as it has limited competition in the premium real estate segment and has planned a slew of launches for H2FY25. MLIFE may continue to outperform on industrial and new land bank additions; besides, DLF is a play on the NCR market and late-cycle commercial office recovery. In southern markets, we like Sobha and Prestige Estate. **Top picks:** DLF, Oberoi Realty, Sobha, MLIFE, and PEPL.

Company	CMP (INR/sh)	Reco.	TP (INR/sh)
DLF	832	BUY	988
Oberoi Realty	1,712	BUY	1,944
Sobha Developers	2,017	BUY	2,639
Brigade Enterprises	1,301	BUY	1,400
Kolte-Patil Developers	412	BUY	624
Prestige Estates	1,768	BUY	1,704
Phoenix Mills	3,934	BUY	3,600
Godrej Properties	3,294	ADD	2,554
Mahindra Lifespaces	603	BUY	700
Macrotech Developers	1,198	ADD	1,311

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## Financial summary: Q1FY25E

(Y/E March)	Net Sales (INR mn)			EBITDA (INR mn)			EBITDA margin (%)			APAT (INR mn)		
	Q1FY25E	YoY (%)	QoQ (%)	Q1FY25E	YoY (%)	QoQ (%)	Q1FY25E	YoY (bps)	QoQ (%)	Q1FY25E	YoY (%)	QoQ (%)
DLF	14,537	2.1%	-31.9%	4,949	24.9%	-34.4%	34.0	621.0	(128.2)	6,384	21.3%	-30.7%
Oberoi Realty	11,328	24.5%	-13.8%	6,438	35.9%	-18.4%	56.8	477.3	(314.5)	4,612	43.4%	-41.5%
Sobha Developers	8,911	-1.8%	16.8%	966	47.7%	55.4%	10.8	363.4	269.2	292	141.9%	311.2%
Brigade Enterprises	8,807	34.7%	-48.3%	2,437	39.4%	-43.7%	27.7	93.6	224.8	582	51.0%	-71.8%
Kolte-Patil Developers	3,388	-40.7%	-35.6%	238	-78.0%	-445.8%	7.0	(1,190.4)	834.2	39	-93.1%	-114.3%
Prestige Estates	18,593	10.6%	-14.1%	5,519	4.8%	-33.3%	29.7	(165.3)	(856.7)	774	-71.0%	-44.7%
Phoenix Mills	10,056	24.0%	-23.0%	6,070	23.3%	-3.2%	60.4	(37.2)	1,237.1	3,060	27.2%	-5.8%
Godrej Properties	9,486	1.3%	-33.5%	130	123.7%	-89.4%	1.4	74.8	(724.0)	2,210	-23.4%	-53.8%
Mahindra Lifespaces	2,219	126.4%	NA	202	-146.9%	-137.4%	9.1	5,308.0	NA	567	NA	-20.7%
Macrotech Developers	40,185	23.4%	37.1%	10,469	35.7%	18.6%	26.1	234.8	(406.8)	6,670	-10.6%	32.0%
<b>Total</b>	<b>1,27,511</b>	<b>13.4%</b>	<b>-10.7%</b>	<b>37,417</b>	<b>25.9%</b>	<b>-15.7%</b>	<b>29.3</b>	<b>292.4</b>	<b>(171.9)</b>	<b>25,189</b>	<b>1.0%</b>	<b>-26.2%</b>

Source: Company, HSIE Research

## Valuation summary

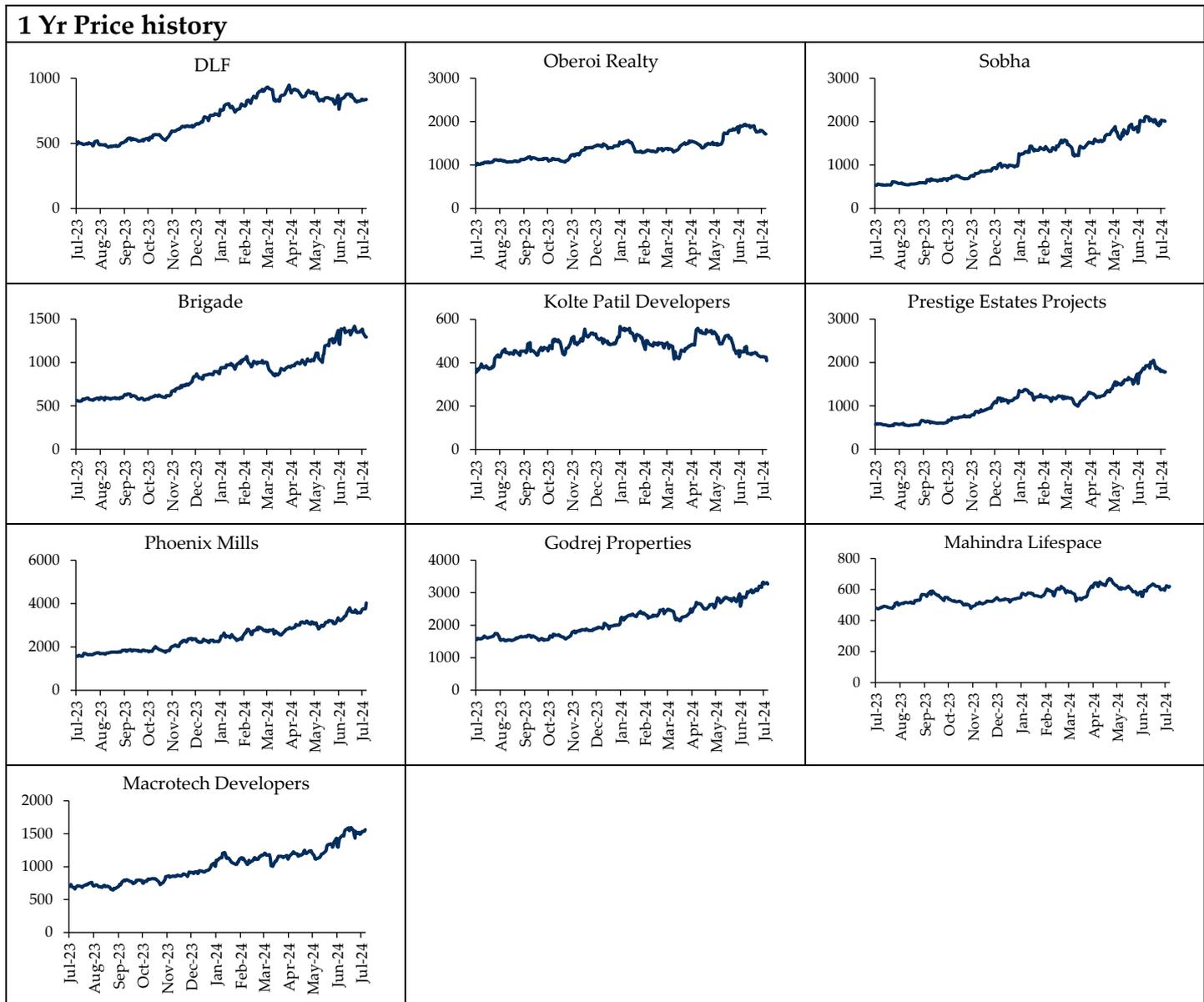
Real Estate	Mcap (INR bn)	CMP (INR/sh)	Reco	TP	Adj. EPS (INR/sh)		P/E (x)		EV/EBITDA (x)		ROE (%)	
					FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
DLF	2,249	832	BUY	988	12.2	14.9	68.1	55.7	78.5	62.4	7.5	8.6
Oberoi Realty	545	1,712	BUY	1,944	58.0	60.4	29.5	28.4	22.6	21.1	15.2	14.6
Sobha Developers	152	2,017	BUY	2,639	18.5	44.1	109.2	45.7	43.6	24.0	6.7	14.6
Brigade Enterprises	231	1,301	BUY	1,400	18.7	21.0	69.7	62.0	27.2	24.9	11.2	11.5
Kolte-Patil Developers	42	412	BUY	624	7.3	23.7	56.3	17.4	22.5	10.6	6.2	20.1
Prestige Estates	477	1,768	BUY	1,704	13.7	22.3	129.5	79.1	28.1	22.6	4.8	7.4
Phoenix Mills	513	3,934	BUY	3,600	69.6	96.9	56.5	40.6	28.5	21.3	11.9	14.6
Godrej Properties	743	3,294	ADD	2,554	27.1	30.0	121.5	109.7	NA	820.8	6.6	5.8
Mahindra Lifespaces	100	603	BUY	700	11.2	13.5	54.0	44.7	33.6	24.3	8.9	9.7
Macrotech Developers	1,154	1,198	ADD	1,311	20.6	32.3	58.2	37.1	36.8	26.5	11.2	15.6

Source: Company, HSIE Research

## Presales summary

INR mn	1QFY25E	1QFY24	YoY Growth (%)	4QFY24	QoQ Growth (%)
DLF	60,900	20,400	198.5	14,620	316.6
Oberoi Realty	8,500	4,800	77.1	17,750	(52.1)
Sobha Developers	19,200	14,649	31.1	15,040	27.7
Brigade Enterprises	10,000	9,900	1.0	22,430	(55.4)
Kolte-Patil Developers	7,200	7,012	2.7	7,408	(2.8)
Prestige Estates*	30,295	39,000	(22.3)	47,070	(35.6)
Godrej Properties	85,000	22,500	277.8	95,000	(10.5)
Mahindra Lifespaces	9,500	3,500	171.4	10,860	(12.5)
Macrotech Developers*	40,300	33,500	20.3	42,100	(4.3)
<b>Total</b>	<b>2,70,895</b>	<b>1,55,260</b>	<b>74.5</b>	<b>2,72,278</b>	<b>(0.5)</b>

Source: Company, HSIE Research, \* actuals as reported



**Rating Criteria**

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: > 10% Downside return potential

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