Prestige Estates Projects

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	PEPL IN
Equity Shares (m)	431
M.Cap.(INRb)/(USDb)	709.1 / 8.4
52-Week Range (INR)	2075 / 734
1, 6, 12 Rel. Per (%)	-5/12/92
12M Avg Val (INR M)	1887

Financials & Valuations (INR b)

Y/E Mar	FY24	FY25E	FY26E
Sales	78.8	104.2	114.3
EBITDA	25.0	27.9	31.8
EBITDA (%)	31.7	26.8	27.8
Adj. PAT	7.1	7.5	9.8
EPS (INR)	19.0	19.9	26.2
EPS Gr. (%)	86.2	42.5	120.3
BV/Sh. (INR)	301.0	452.5	477.1
Ratios			
Net D/E	0.6	0.2	0.2
RoE (%)	6.7	5.3	5.6
RoCE (%)	9.3	6.8	6.7
Payout (%)	4.7	8.7	6.6
Valuations			
P/E (x)	86.9	82.8	62.8
P/BV (x)	5.5	3.6	3.5
EV/EBITDA (x)	30.0	29.7	26.1
Div Yield (%)	0.1	0.1	0.1

Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	60.9	65.5	65.5
DII	16.8	14.4	12.8
FII	19.1	16.8	19.5
Others	3.2	3.3	2.2

CMP: INR1,647 TP: 2,130 (+29%) Buy

Steady pre-sales; ask rate high for 2H but achievable

Launches key monitorable; net D/E under control after the QIP

- Prestige Estates Projects (PEPL) reported bookings of INR40.2b, down 43% YoY but up 33% QoQ (in line), due to muted launches and lower inventory.
- PEPL launched 8.2msf vs. 1.9msf in 1QFY24 and 0.8msf in 4QFY24. Further, it had an inventory of INR13b at the end of the quarter (vs. INR13b at the beginning of 4QFY24), indicating very low inventory overhang months.
- Sales volume also dipped 56% YoY/5% QoQ to 2.9msf, while realizations were up 29% YoY to INR13,409/sf. In terms of value, contribution from Bengaluru was down to 51% vs. 53% in FY24, as the contributions from Hyderabad and Mumbai scaled up to 21% and 26%, respectively.
- Total collections increased 4% YoY, but they were down -6% QoQ to INR27b, which led to an OCF of INR11.4b. However, QIP funds of INR50b brought net debt to INR36b (0.21x of equity) post spending on land/capex (INR7.9b).
- **P&L performance:** Revenue was up 3% YoY to INR23b (in-line); however, EBITDA inched up 7% YoY to INR6.3b (11% above est.) aided by ~900bp expansion in EBITDA margin to 27.4%. PAT (post-minority) grew 4% YoY to INR1.9b due to reversal of deferred tax liabilities.
- For 1HFY25, reported revenue of INR41.7b rose 6% YoY; therefore, 2H has to clock INR62.5b (+58% YoY) to meet our estimates for FY25E. EBITDA came in at INR14.3b, up 28% YoY; hence, the ask for 2H is INR13.6b (-1% YoY). Adj. PAT of INR4.3b dipped 6% YoY, while PEPL needs to achieve INR3.2b in 2H (+25% YoY).

Residential launches and commissioning of commercial assets key focus areas

- PEPL plans to launch The Prestige City Indrapuram NCR, Southern Star & Sunset Park Bangalore, Palava Gardens Chennai, Prestige Spring Heights Hyderabad, Beach Gardens Goa, and some small projects in Bangalore and Hyderabad will also be launched in 3Q. Nautilus to be launched in 4QFY25.
- Office assets: Leasing activity was robust, with occupancy above 90% across the operational assets. With the completion of Lakeshore Drive Phase I and Trade Center DIAL by the end of FY25, the exit rentals will be INR7.2b. Further, with the commissioning of all the ongoing and upcoming assets, the exit rental would reach INR33.3b by FY28.
- Retail: Leasing in all the assets was strong, and footfalls crossed 9m, with gross turnover (GTO) of retailers amounting to INR11b, having an occupancy of 99.2%. The current exit rentals for retail business are INR2.2b, which are expected to touch INR9.8b once all the 13 ongoing/upcoming assets are commissioned.

Key highlights from the management commentary

- With the restructuring of Prestige Acres, an amount of INR120b (49% of INR230b) and INR60b for PPPL (against 16% stake) will be added incrementally to the total GDV, with an average EBITDA margin of 40%. These stakes are brought at ~INR8b.
- Post-restructuring, the shareholding of the related party stands at 24% (i.e. Pinnacle and PPPL). PEPL might fully buy out the shares over a period.