INSTITUTIONAL RESEARCH

HSIE Results Daily

Contents

Results Reviews

- **Prestige Estates:** Prestige Estates (PEPL) registered the highest-ever annual presales of INR 129bn (+24% YoY) on the back of 16msf of launches and robust presales in MMR at INR 27bn. On the back of this, non-Bengaluru sales increased to 41%, from 20% in FY22. For FY24, it expects to achieve 25% growth in annual presales over FY23. It expects to achieve this on the back of a strong launch pipeline of 76msf with higher contribution expected from Mumbai MMR and Hyderabad along with Bengaluru (sales of which was subdued on account of lower new launches). In two significant transactions, PEPL acquired the balance stake in BKC and Mahalaxmi project from DB realty for INR 9/2bn resp. The total project cost in these two projects is INR c.75bn, of which PEPL has incurred INR c.30bn (incl. INR 11bn stake buy). For the BKC project, PEPL expects an increase in rental from INR 325psf pm to INR 350psf pm and cap rate compression to 8% from 9.5%(at the valuation stage). These two factors are expected to provide a valuation upside potential of INR 35bn. On account of this transaction, net debt increased to INR 55.7bn, from INR 41.7 bn in Dec-22. To maintain the growth momentum, PEPL is targeting residential BD of INR 200bn annually and may launch its first project in NCR subject to timely approvals. We maintain BUY, with an unchanged SOTP-based TP of INR 630/sh.
- **V-Guard Industries:** V-Guard continued to deliver a weak operating print with revenue (organic) up by 3% (HSIE 7%) and EBITDA contracting by 13% YoY (HSIE -9%), adjusting for Sunflame acquisition-related cost (INR 100mn). Electronics/Electrical revenue grew by 12/2%. ECD fell 3% YoY (impact of fan rating change); in comparison, Crompton/Havells/Orient reported +8/-14/-20%. South revenue fell by 3% while non-south grew 10% YoY. We believe V-Guard's aspiration of clocking 15% organic growth in FY24 looks stretched, given (1) weak consumer demand; (2) disrupted summer season sales; and (3) single-digit growth in the south market (55% of sales) as V-Guard is fully indexed there. The company is aggressively driving Sunflame sales in MT/E-com channels (under-indexed vs industry). Stability in RM prices and liquidation of high-cost inventory shall aid GM expansion. Still achieving a 10% EBITDA margin looks difficult due to high competition in non-south, slow south growth and continuous reinvestment. We cut EPS by 4/2% for FY24/FY25. We value the stock at 30x P/E on Mar-25E EPS to derive a TP of INR 235. Maintain REDUCE.

HSIE Research Team
hdfcsec-research@hdfcsec.com

Prestige Estates

Growth continues

Prestige Estates (PEPL) registered the highest-ever annual presales of INR 129bn (+24% YoY) on the back of 16msf of launches and robust presales in MMR at INR 27bn. On the back of this, non-Bengaluru sales increased to 41%, from 20% in FY22. For FY24, it expects to achieve 25% growth in annual presales over FY23. It expects to achieve this on the back of a strong launch pipeline of 76msf with higher contribution expected from Mumbai MMR and Hyderabad along with Bengaluru (sales of which was subdued on account of lower new launches). In two significant transactions, PEPL acquired the balance stake in BKC and Mahalaxmi project from DB realty for INR 9/2bn resp. The total project cost in these two projects is INR c.75bn, of which PEPL has incurred INR c.30bn (incl. INR 11bn stake buy). For the BKC project, PEPL expects an increase in rental from INR 325psf pm to INR 350psf pm and cap rate compression to 8% from 9.5%(at the valuation stage). These two factors are expected to provide a valuation upside potential of INR 35bn. On account of this transaction, net debt increased to INR 55.7bn, from INR 41.7 bn in Dec-22. To maintain the growth momentum, PEPL is targeting residential BD of INR 200bn annually and may launch its first project in NCR subject to timely approvals. We maintain BUY, with an unchanged SOTP-based TP of INR 630/sh.

- **Q4FY23 financial highlights:** Revenue reported was INR 26.3bn (+10%/+14% YoY/QoQ, 11% beat). EBITDA was INR 6.8bn (+37%/+19% YoY/QoQ, 18% beat). EBITDA margin was 25.9% (+510/+112bps YoY/QoQ, vs. our estimate of 24.5%). Other income was INR 3bn (+243%/+903% YoY/QoQ). Includes fair value gain of INR 2.7bn on Other investments. These investments have been converted into units of the listed REIT of Nexus Select Trust. RPAT came in at INR 4.7bn (-50%/+266% YoY/QoQ). There was an exceptional gain of INR 119mn, received as part of the slump sale of certain investments and commercial projects done in FY21. Consequently, APAT was INR 2.2bn (-33%/+74% YoY/QoQ, 77% beat). After adjusting for fair value gain in other income and exceptional items.
- **Strong presales with robust launch pipeline:** Q4FY23, presales were 4msf (-18%/+38% YoY/QoQ) valued at INR 38.9bn (+19%/+54% YoY/QoQ). For FY23, the presale value was the highest ever at INR 129bn (+24% YoY) and collections were also the highest ever at INR 98bn (+31% YoY. In FY23, total sales from Mumbai were INR 27bn, contributing 21% to sales while Bengaluru contributed INR 76.5bn, i.e. 60%, to total presales. These record presales were on the back of robust launches of 16.5msf (similar to FY22). For FY24, PEPL expects 25% growth in presales on the back of a robust launch pipeline of 76msf.
- **Record collection to support execution:** Net debt increased substantially to INR 55.7bn, from INR 41.7 bn in Dec-22. Consequently, net D/E is at 0.54x (0.42x in Mar-22). Gross debt stands at INR 75bn (vs INR 63bn in Dec'22). PEPL has to incur INR 62bn on the ongoing commercial capex and INR 61bn on the upcoming commercial capex. Towards retail capex, it has to spend INR 4bn towards ongoing and INR 14bn towards upcoming retail assets. The total exit rental for Mar-23 was expected at INR 4bn. This includes INR 2.1bn of office rentals and 1.9bn of retail. For FY23, collections were at a record-high of INR 98bn (+31% YoY).

Consolidated Financial Summary

(INR in mn)	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	FY22	FY23	FY24E	FY25E
Net Sales	26,318	24,003	*9.6*	23,170	*13.6*	63,895	83,150	89,107	96,563
EBITDA	6,818	4,995	*36.5*	5,742	*18.7*	15,335	20,863	22,246	27,232
APAT	2,230	3,334	*(33.1)*	1,278	*74.5*	4,764	4,923	6,038	8,345
EPS (INR)	5.6	8.3	*(33.1)*	3.2	*74.5*	11.9	12.3	15.1	20.8
P/E (x)						40.2	38.9	31.7	23.0
EV/EBITDA (x)						15.3	11.5	11.3	9.6
RoE (%)						5.6	5.3	6.1	8.0

Source: Company, HSIE Research

BUY

CMP *(as on 31 May 23)*	**INR 483**
Target Price	**INR 630**
NIFTY	**18,534**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	INR 630	INR 630
EPS Change %	FY24E	FY25E
	-	-

KEY STOCK DATA	
Bloomberg code	PEPL IN
No. of Shares (mn)	401
MCap (INR bn) / ($ mn)	194/2,368
6m avg traded value (INR mn)	226
52 Week high / low	INR 520/375

STOCK PERFORMANCE (%)	**3M**	**6M**	**12M**
Absolute (%)	19.0	1.8	12.6
Relative (%)	12.8	2.6	(0.1)

SHAREHOLDING PATTERN (%)	**Dec-22**	**Mar-23**
Promoters	65.48	65.48
FIs & Local MFs	9.41	10.50
FPIs	22.21	21.19
Public & Others	2.90	2.83
Pledged Shares	-	-

Source: BSE

Parikshit D Kandpal, CFA
parikshitd.kandpal@hdfcsec.com
+91-22-6171-7317

Manoj Rawat
manoj.rawat@hdfcsec.com
+91-22-6171-7358

Nikhil Kanodia
nikhil.kanodia@hdfcsec.com
+91-22-6171-7362

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INSTITUTIONAL RESEARCH

V-Guard Industries

Weak print continues

V-Guard continued to deliver a weak operating print with revenue (organic) up by 3% (HSIE 7%) and EBITDA contracting by 13% YoY (HSIE -9%), adjusting for Sunflame acquisition-related cost (INR 100mn). Electronics/Electrical revenue grew by 12/2%. ECD fell 3% YoY (impact of fan rating change); in comparison, Crompton/Havells/Orient reported +8/-14/-20%. South revenue fell by 3% while non-south grew 10% YoY. We believe V-Guard's aspiration of clocking 15% organic growth in FY24 looks stretched, given (1) weak consumer demand; (2) disrupted summer season sales; and (3) single-digit growth in the south market (55% of sales) as V-Guard is fully indexed there. The company is aggressively driving Sunflame sales in MT/E-com channels (under-indexed vs industry). Stability in RM prices and liquidation of high-cost inventory shall aid GM expansion. Still achieving a 10% EBITDA margin looks difficult due to high competition in non-south, slow south growth and continuous reinvestment. We cut EPS by 4/2% for FY24/FY25. We value the stock at 30x P/E on Mar-25E EPS to derive a TP of INR 235. Maintain REDUCE.

- **Electronics revenue surprises positively; Electricals/Consumer durables weak:** Standalone revenue grew by 3% YoY to INR 10.8bn (HSIE: INR 11.3bn). The electronic segment (stabilizer, UPS, etc.) surprised positively, growing by 12% YoY (HSIE: +5%). Electrical (wires, pump, etc.) grew by 2% YoY. CD segment (fan, water heater, KEA, cooler) fell 3% YoY, impacted by fan rating change-led volatility in the market and unseasonal rains. Stabilizers can see weakness in the near term due to the weak summer season. Sunflame revenue came in at INR 569mn (first quarter post-acquisition); we model INR 4bn revenue for FY24. We model a 10% organic revenue CAGR for FY23-25E.
- **Sequential improvement in margins:** Standalone GM was flat YoY (+60bps QoQ) at 28.8%, aided by moderating input cost and normalising of high-cost inventory. A&P expenses were stepped up to 1.6% in Q4FY23 (+40bps YoY). While employee cost increased 20% YoY, other expenses grew 63% YoY as they included INR 100mn Sunflame acquisition-related charges. EBITDAM contracted by 260bps YoY (+190bps QoQ) to 8% (HSIE: 8.9%). Adjusting for Sunflame-related expenses, EBITDAM stood at 8.9%. EBITDA fell 22% YoY to INR 865mn. EBIT margin for electronics, electrical and CD segments fell by 810/120/140bps YoY to 9.7/9.6/0.3%. Higher depreciation and interest cost led to a 38% fall in PBT to INR 622mn. We model a 9.6/9.7% EBITDA margin for FY24/FY25.
- **Con call and BS/CF takeaways:** (1) Demand trend remains weak due to high inflation. Expect it to pick up from Q2FY24. (2) Summer products saw good traction in March and April, especially in the south and east. North and west were impacted by unseasonal rains. (3) Primary sales of fans continued to remain impacted by the high channel inventory of non-rated fans. (4) To incur a capex of INR 1bn in FY24. (5) Sunflame to do revenue of INR 4-4.25bn with 12-13% EBITDAM in FY24. (6) In FY23, FCF stood at INR 3.2bn vs INR -1.6bn YoY.

Quarterly/annual financial summary

YE Mar (INR mn)	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	FY22	FY23	FY24E	FY25E
Net Sales	10,801	10,503	2.8	9,772	10.5	35,002	41,260	48,748	53,597
EBITDA	865	1,108	(22.0)	598	44.6	3,402	3,199	4,656	5,198
APAT	463	906	(48.9)	358	29.3	2,284	1,890	2,905	3,367
Diluted EPS (INR)	1.1	2.1	(48.9)	0.8	29.3	5.3	4.4	6.7	7.8
P/E (x)						47.4	57.4	37.3	32.2
EV / EBITDA (x)						31.6	34.9	24.0	21.2
RoCE (%)						18.6	10.6	13.4	14.3

Source: Company, HSIE Research

REDUCE

CMP *(as on 31 May 23)*	INR 251
Target Price	INR 235
NIFTY	18,534

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 235	INR 235
	FY24E	FY25E
EPS %	-4%	-2%

KEY STOCK DATA	
Bloomberg code	VGRD IN
No. of Shares (mn)	432
MCap (INR bn) / ($ mn)	108/1,327
6m avg traded value (INR mn)	49
52 Week high / low	INR 275/204

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	2.1	(0.7)	7.1
Relative (%)	(4.1)	0.0	(5.5)

SHAREHOLDING PATTERN (%)	Dec-22	Mar-23
Promoters	55.85	55.80
FIs & Local MFs	18.93	19.09
FPIs	12.91	12.84
Public & Others	12.31	12.27
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

Naveen Trivedi
naveen.trivedi@hdfcsec.com
+91-22-6171-7324

Paarth Gala
paarth.gala@hdfcsec.com
+91-22-6171-7336

Riddhi Shah
riddhi.shah@hdfcsec.com
+91-22-6171-7359

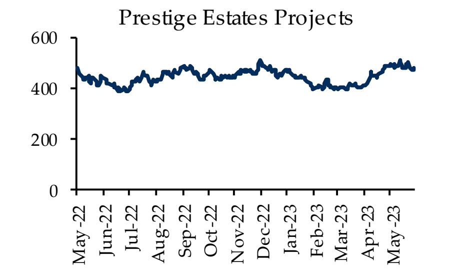
Rating Criteria

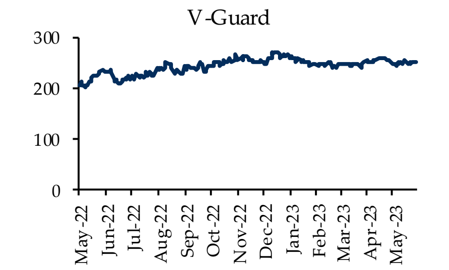
BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Parikshit Kandpal	Prestige Estates	CFA	NO
Manoj Rawat	Prestige Estates	MBA	NO
Nikhil Kanodia	Prestige Estates	MBA	NO
Naveen Trivedi	V-Guard Industries	MBA	NO
Paarth Gala	V-Guard Industries	BCom	NO
Riddhi Shah	V-Guard Industries	MBA	NO

1 Yr Price Movement





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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066
Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600
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HDFC securities
Institutional Equities
Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,
Senapati Bapat Marg, Lower Parel, Mumbai - 400 013
Board: +91-22-6171-7330 www.hdfcsec.com