

**3R MATRIX**

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✓	✗	✗

+ Positive = Neutral - Negative

**What has changed in 3R MATRIX**

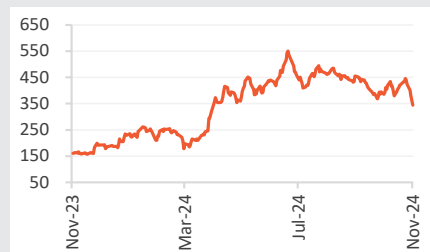
	Old		New
RS	✓	↔	✓
RQ	✓	↔	✓
RV	✓	↔	✓

**Company details**

Market cap:	Rs. 8,163 cr
52-week high/low:	Rs. 565/153
NSE volume: (No of shares)	2.74 lakh
BSE code:	532891
NSE code:	PURVA
Free float: (No of shares)	5.9 cr

**Shareholding (%)**

Promoters	75.0
FII	17.2
DII	0.8
Others	7.0

**Price chart****Price performance**

(%)	1m	3m	6m	12m
Absolute	-10.6	-25.3	-8.8	114.5
Relative to Sensex	-5.2	-23.4	-14.9	96.4

Sharekhan Research, Bloomberg

**Puravankara Ltd****Soft H1 pre-sales fairly priced-in; stay Positive****Real Estate****Sharekhan code: PURVA****Reco/View: Positive**

CMP: Rs. 344

Upside potential: 40%



Upgrade



Maintain



Downgrade

**Summary**

- We stay Positive on Puravankara and expect a 40% upside, factoring lower pre-sales run-rate in FY2025 and lowering our premium to NAV considering soft H1FY2025 performance.
- Sales bookings were muted due to lack of new launches affected by election led deferment of approvals. Collections stayed strong. Net debt rose q-o-q, partly led by commercial capex.
- Consolidated revenues lagged estimates, while OPM came in higher than estimate. Higher interest expense led to widening of net loss y-o-y.
- Launch pipeline stays strong for H2FY2025 with Rs. 8000 crore GDV projects expected to get opened up for sale. Deployment of Rs. 945 crore with addition of 5.8 msf of saleable area.

Puravankara reported muted sales booking of Rs. 1,331 crore in Q2 (down 17% y-o-y), owing to absence of new launches (deferment of approvals due to elections). New launches had contributed just Rs. 148 crore in H1FY2025 compared to Rs. 700 crore last year. However, collections were up 17.5% y-o-y at Rs. 1033 crore. Net debt rose by Rs. 193 crore q-o-q to Rs. 2430 crore (1.29x net det/equity). Consolidated revenue at Rs. 496 crore (up 34.5% y-o-y) lagged estimates, although OPM at 22.6% (down 98 bps y-o-y) beat estimates. A sharp rise in interest expenses (up 35% y-o-y) led to widening of consolidated net loss to Rs. 16.8 crore (our estimate of marginal net profit of Rs. 2.8 crore). Company maintains a strong launch pipeline of 15 msf (12.27 msf of new launches, 3.44 msf of phases in existing projects), of which 49% would be launched in Mumbai & Pune. For H2FY2025, it targets to open Rs. 8000 crore GDV projects for sale which along with sustenance sales is expected to drive pre-sales growth for FY2025. The company has deployed Rs. 945 crore towards new acquisitions, adding 5.8 msf of saleable area.

**Key positives**

- A strong rise in collections at 17.5% y-o-y to Rs. 1033 crore despite absence of new launches in H1FY2025.
- Puravankara and Provident saw a 17% y-o-y and 15% y-o-y rise in realisations. Consolidated OPM came in higher than estimates.

**Key negatives**

- Sales bookings fell by 17% y-o-y in absence of new launches owing to election led delays in approvals.
- Net debt rose by Rs. 193 crore q-o-q to Rs. 2,430 crore. Consolidated revenues lagged and net loss widened y-o-y due to high interest expenses.

**Management Commentary**

- Company plans to launch 12.27 msf of new launches and 3.44 msf new phases in existing projects totalling 15.07 msf (49% share of Mumbai & Pune projects). During H2FY2025, it plans to launch Rs. 13,600 crore GDV projects and will open for sale Rs. 8000 crore GDV projects. This along with sustenance sales is expected to drive pre-sales in FY2025.
- It has invested around Rs. 945 crores in land, with a potential Gross Development Value (GDV) of Rs. 9,700 crores from 5.8 msf of new acquisitions.
- In the commercial realty segment, out of 3msf, it plans to complete 2.3 msf in next fiscal year and expects to generate annual rental income of Rs. 150 crore. It targets rental income of Rs. 500 crore over five years.

**Revision in estimates** – We have lowered our net earnings estimates for FY2025-FY2027E factoring lower pre-sales and deliveries.

**Our Call**

**Valuation – Retain a Positive view with a 40% upside potential** – Sales bookings slowed down during H1FY2025 owing to deferment of new launches while it is expected to pick up from H2FY2025 onwards while collection run-rate continue to remain healthy. The launch pipeline for H2FY2025-FY2026 remains strong, along with healthy sustenance sales are expected to drive pre-sales momentum over the next two years. Higher revenue recognition with an improvement in net profitability is expected to follow suit as strong pre-sales come up for deliveries. The company is expected to broadly maintain debt to focus on growth and improve execution. The company continues to scout for new business opportunities in Mumbai, NCR, and Pune. We stay Positive on the stock and expect an upside of 40%, as we factor in lower sales run-rate in FY2025 and decrease the premium to NAV, considering soft H1FY2025 performance.

**Key Risks**

A slowdown in real estate demand, especially in South India, is a crucial risk to our call. Unfavourable macro indicators like rising interest rates can dampen demand.

**Valuation (Consolidated)**

Particulars	FY23	FY24	FY25E	FY26E
Revenue	1235.8	2185.3	2412.1	2662.9
OPM (%)	18.6%	21.2%	21.7%	22.7%
Adjusted PAT	66.5	42.3	45.2	103.3
YoY growth (%)	-55.0%	-36.4%	6.9%	128.6%
Adjusted EPS (Rs.)	2.8	1.8	1.9	4.4
P/E (x)	122.9	193.4	180.9	79.1
P/B (x)	4.1	4.3	4.6	4.7
EV/EBITDA (x)	46.8	22.8	20.2	17.6
RoNW (%)	3.3%	2.2%	2.5%	5.8%
RoCE (%)	8.3%	10.6%	11.6%	13.4%

Source: Company; Sharekhan estimates

## Key Conference Call Takeaways

- ♦ **Q2FY25 highlights:** Pre-sales stood at Rs. 1331 crore and 1.53 msf for Q2FY2025. Collections increased 18% y-o-y. Average realisations increased 9% y-o-y to Rs. 8697 psf with Puravankara and Provident witnessing 17% y-o-y and 15% y-o-y increase respectively. Pre-sales mix is as follows Puravankara – Rs. 612 crore, Provident – Rs. 628 crore and Purva Land – Rs. 90 crore (no new launches). Region-wise sales mix was 56% Bengaluru, 18% Chennai, 11% Mumbai & Pune, and 11% Kochi. It delivered 591 units aggregating 0.77 msf. Consolidated revenues grew by 36% y-o-y to Rs. 520 crore, EBITDA margin stood at 28% and net loss at Rs. 19.88 crore.
- ♦ **Launch pipeline:** The company plans to launch 12.27 msf of new launches and 3.44 msf new phases in existing projects totalling 15.07 msf (49% share of Mumbai & Pune projects). During H2FY2025, it plans to launch projects with a GDV of Rs. 13,600 crore and will open for sale Rs. 8000-crore GDV projects. This along with sustenance sales is expected to drive pre-sales in FY2025. It targets to launch Thane and lokhandwala project before March 2025.
- ♦ **Launch contribution:** Launches contributed Rs. 148 crores during H1FY2025 compared to Rs. 700 crore in H1FY2024. Delay in getting sanctions due to elections have led to lower launches in H1FY2025.
- ♦ **Business development:** It has invested around Rs. 945 crores in land, with a potential Gross Development Value (GDV) of Rs. 9,700 crore from 5.8 msft of new acquisitions.
- ♦ **Commercial:** Out of 3msf, it plans to complete 2.3 msft in next fiscal year and expects to generate annual rental income of Rs. 150 crore. It targets rental income of Rs. 500 crore over five years.
- ♦ **Debt:** Net debt stood at Rs. 2430 crore with net debt to equity ratio at 1.29x. The debt per square feet stands at Rs. 928. It has a cash balance of Rs. 939 crore. Its goal is to maintain similar level of absolute debt over the medium term while it targets to become net debt zero over 2-4 years.
- ♦ **Project margins:** Project level margins in JDA project ranges between 15-17% and for Purva land between 35-40%. Average project level margins are 22-24%.
- ♦ **HDFC platform deal:** So far, it has deployed Rs. 417 crore between two projects. It would be deploying over Rs. 300 crores very shortly out of the total Rs. 1150 crore.
- ♦ **Regional strategy:** It would undertake asset light investment opportunity in NCR for 1-2 years. In South, its focus would be on increasing market share.

## Results (Consolidated)

Particulars	Q2FY25	Q2FY24	y-o-y %	Q1FY25	q-o-q %
<b>Net sales</b>	<b>495.5</b>	<b>368.3</b>	<b>34.5%</b>	<b>658.3</b>	<b>-24.7%</b>
Other income	24.1	13.2	82.3%	17.2	40.2%
<b>Total income</b>	<b>519.7</b>	<b>381.6</b>	<b>36.2%</b>	<b>675.6</b>	<b>-23.1%</b>
Total expenses	383.6	281.5	36.3%	527.9	-27.3%
<b>Operating profit</b>	<b>112.0</b>	<b>86.8</b>	<b>29.0%</b>	<b>130.5</b>	<b>-14.2%</b>
Depreciation	8.0	6.5	23.6%	7.5	6.8%
Interest	140.8	104.6	34.7%	119.1	18.2%
<b>Profit Before Tax</b>	<b>-12.6</b>	<b>-10.9</b>	-	<b>21.1</b>	-
Taxes	12.3	-1.7	-	6.7	82.2%
PAT	-24.9	-9.3	-	14.4	-
Exceptional items	0.0	0.0	-	0.0	-
Inc from JV/MI	8.2	-1.9	-	0.7	-
<b>Adj. PAT</b>	<b>-16.8</b>	<b>-11.2</b>	-	<b>15.1</b>	-
EPS (Rs.)	-0.7	-0.5	-	0.6	-
<b>Margins (%)</b>			<b>BPS</b>		<b>BPS</b>
OPM (%)	22.6%	23.6%	-98	19.8%	278
NPM (%)	-5.0%	-2.5%	-	2.2%	-
Tax rate (%)	-97.1%	15.4%	-	31.9%	-

Source: Company, Sharekhan Research

## Outlook and Valuation

### ■ Sector view - Residential market on a growth trajectory

The real estate sector, especially the residential realty segment, is expected to be in the limelight, as it benefits from favourable government policies about affordable housing. Rising incomes and affordability levels are expected to drive sales for quality organised developers. Further, organised players are expected to benefit from ample inorganic opportunities in the sector, leading to consolidation in the industry. The sector is also expected to benefit from sustained demand despite higher interest rates. We are positive about the residential realty segment for the aforementioned reasons

### ■ Company outlook - Strong launch pipeline to aid growth

Puravankara has built a strong launch pipeline of 14 msf developable areas for FY2025. The company is confident of achieving a 90-95% mark for launches, given that 70% of projects have received approvals and are either RERA-registered or in the process of RERA registration. The company has liquidated its inventory and de-leveraged its balance sheet in the past 3-4 years. The company has re-entered the Mumbai market and is planning for further launches, which would provide a healthy value proposition. Further, the company is scouting for investors to build a commercial platform, which would provide a steady revenue stream in the future. The company has a vast paid-up land bank that would aid sustainable growth going forward.

### ■ Valuation - Retain a Positive view; expect an upside of 40%

Sales bookings slowed down during H1FY2025 owing to deferment of new launches while it is expected to pick up from H2FY2025 onwards while collection run-rate continue to remain healthy. The launch pipeline for H2FY2025-FY2026 remains strong, along with healthy sustenance sales are expected to drive pre-sales momentum over the next two years. Higher revenue recognition with an improvement in net profitability is expected to follow suit as strong pre-sales come up for deliveries. The company is expected to broadly maintain debt to focus on growth and improve execution. The company continues to scout for new business opportunities in Mumbai, NCR, and Pune. We stay Positive on the stock and expect an upside of 40%, as we factor in lower sales run-rate in FY2025 and decrease the premium to NAV, considering soft H1FY2025 performance.

#### Peer Comparison

Companies	P/E (x)		EV/EBITDA (x)		P/BV (x)		RoE (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Puravankara	180.9	79.1	20.2	17.6	4.6	4.7	2.5	5.8
Oberoi Realty	31.1	26.8	22.8	19.9	4.4	3.8	15.5	15.6
Macrotech Developers	51.4	36.8	19.2	14.3	5.9	5.1	12.7	15.6
DLF	66.1	58.8	84.6	69.1	4.4	4.1	7.0	7.4

Source: Company; Sharekhan Research

## About company

Puravankara Limited is a leading real-estate company headquartered in Bengaluru with a pan-India presence. In the last 49 years, the company has established three distinct and successful residential brands – Purva, Provident Housing Limited (PHL) and Purva Land, catering to housing and plotted development needs. Besides these residential brands, Starworth Infrastructure and Construction Limited (SICL) is a wholly owned subsidiary of Puravankara – focused on technology-enabled construction solutions. The group has also forayed into developing Grade-A commercial real estate with a presence of ~3 msf. Additionally, Purva Streaks is the interior design arm, catering to customers looking for an integrated interior design solution.

## Investment theme

Puravankara, a Bengaluru-based realty player, has over four decades of domain expertise with key verticals of premium residential (Puravankara), affordable housing (Provident Housing), and plotted development (Purva Land). Having completed 42 msf, it has 24 msf ongoing projects and a land bank of 32 msf. Over the past 3-4 years, the company has a deleveraged its balance sheet, liquidated inventory, built a strong launch pipeline, and created management bandwidth. The company is re-entering the Mumbai market and is scouting for investors to build a commercial platform. The continued consolidation in the realty market with large-sized developers expected to achieve significant size is expected to benefit Puravankara, especially in southwestern regions.

## Key Risks

- ♦ Slowdown in the macroeconomic environment percolating to the real estate sector's slowdown.
- ♦ Delay in execution, inability to maintain sales, rising interest rates, and increasing commodity prices.

## Additional Data

### Key management personnel

Ravi Puravankara	Chairman
Ashish Puravankara	Managing Director
Nani Choksey	Vice Chairman
Abhishek Kapoor	Executive Director – CEO

Source: Bloomberg

### Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Puravankara Ravi	75.00
2	Gothic Corp	4.38
3	Vanderbilt University/The	3.83
4	Atyant Capital Management Ltd	3.79
5	Duke Endowment/The	1.74
6	GOTHIC HSP CORPORATION	1.64
7	Franklin Resources Inc	0.14
8	Dimensional Fund Advisors LP	0.07
9	Puravankara Ashish Ravi	0.00
10	Puravankara Vishalakshi	0.00

Source: Bloomberg

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## Understanding the Sharekhan 3R Matrix

Right Sector	
<b>Positive</b>	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
<b>Neutral</b>	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
<b>Negative</b>	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
<b>Positive</b>	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
<b>Neutral</b>	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
<b>Negative</b>	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
<b>Positive</b>	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
<b>Neutral</b>	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
<b>Negative</b>	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Sharekhan Research

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