

## Background & Business

GPL, established in 1990, is one of the major real estate development companies having pan-India presence & is part of the Godrej group of companies which is among India's most diversified & trusted conglomerates. Group has track record of creating enormous value for shareholders of its other two listed entities (Godrej Industries and Godrej Consumer Products have delivered 15% & 30% CaGR returns respectively) over the past decade. GPL is exclusive developer for the group's total developable area of 120mn sqft spread across land parcels in India & 400+ acres of land at Vikhroli. Its business model is differentiated from others by being asset light, project level equity dilution to mitigate risk & being capital efficient, thus having high RoEs.

## Investment Thesis

- a) **Brand equity premium** (Given sound management pedigree, strong track record of timely delivery & execution, high quality of construction, complete transparency & nil legal hassles, GPL's projects command 25-30% premium to comparable projects in vicinity. Its brand equity has helped GPL generate significant sales traction for launches in current fiscal in a volatile market).
- b) **Exit from commercial portfolio** (GPL has sold off almost its entire land area in the BKC project. It plans to sell-off the remaining inventory of 0.2mn sq. ft. over next 1 year and collect Rs. 13bn thereon. While this could depress margins over the next few quarters as revenues from the low margin commercial project get realized, it would also result in considerable de-leveraging of its balance sheet and improvement in margins thereafter).

## Outlook

GPL's valuations at 40xs FY18E EPS fully captures its unique asset-light business model, strength of the brand "Godrej", its impeccable reputation amongst the few Pan-India real estate developer, balance sheet strengths and a high quality management pedigree. While the company has demonstrated success in its recent launches and has an impressive pipeline of projects across key metros and cities in India, we are of the opinion that near to medium term upside is capped at current valuations. We will continue to monitor developments and take a re-look at owning the stock at suitable correction. We continue to like its asset-light model, Pan-India presence, value through access to develop the Group's land bank, impeccable track record and management pedigree.

