

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.

Exit Rationale

- a) **Expensive Valuations:** We believe that GPL's present valuations (Price dated 8th May 2017) which are at PE of 49xs on FY18 EPS, fully capture 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.
- b) **Medium-term upside capped:** 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..

Outlook as on Exit Date

As highlighted above, GPL's current valuations (49xs FY18 EPS) fully captures the positives and near-term tailwinds for the company. Going ahead, we believe that margins may remain capped given the proportion of flats from BKC that are yet to be sold. 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.

