

Q2FY23 preview: A strong show beholds

Q2FY23 is set to discard the tag of a seasonally weak quarter. We forecast cumulative presales for our coverage universe increasing +7% QoQ / +29% YoY and matching the average quarterly run-rate of the best three quarters over the last two years (FY21 & FY22).

At the industry level, based on monthly run-rate of July and August, total absorption (in units) for Tier 1 cities (Top 7 markets) is +13% YoY while down 7% QoQ. Notably total absorption in NCR is implying the highest growth QoQ at 5% led by strong offtake in Gurgaon (up 45% QoQ). Also, given September a seasonally stronger month vs. July / August, we see upside risk to the implied unit absorption growth for the industry overall.

Notably the Nifty Realty Index is down ~12% while stocks within our coverage are lower by 8-18% from their past 1 month highs. Given the strong underlying fundamentals for the sector intact, we view the recent correction offers a good entry point going into the results. Retain our preference for DLF, Oberoi, Prestige and Sobha.

- **DLF (Buy; TP: Rs475).** We forecast presales to increase 18% QoQ and 59% YoY led by a solid response to new independent unit launches across the three markets – Panchkula (Chandigarh), Gurgaon (Sector 54 & DLF Phase 1) and New Gurgaon (Sector 93). Notably our checks indicate that ‘The Valley’ project in Chandigarh has likely achieved sales to launch ratio of atleast 75%. Separately, we expect both the Delhi (Mid-town project) and Camellias sustaining quarterly presales run-rate of Rs6bn and double digit (10) unit sales respectively.
- **Prestige (Buy; TP: Rs700).** Presales is set to sustain the quarterly runrate of Rs30bn with Mumbai projects accounting for ~20% of the overall presales. The sales forecast is underpinned by robust sales momentum intact in ‘The Prestige City - Meridian Park’ Bengaluru (Sarjapur) likely accounting for ~60% of the sales. Other key Bengaluru projects contributing include ‘Prestige Finsbury Park Hyde’ in Bagaluru.
- **Oberoi (Buy; TP: Rs1,100).** The key highlight of the quarter is the strong sales traction witnessed in the uber luxury project – Three Sixty West following OC. As per registration data, we note atleast 4 units sold in the uber luxury project during the Q. Overall, we forecast presales of Rs8.5bn (+12% QoQ; +3% YoY) led by sustenance sales from Borivali, Goregaon and Mulund. New launch timing across micro markets and new business development activity will be key to watch.
- **Sobha (Buy; TP: Rs1,000).** We estimate presales sustaining the robust quarterly runrate of Rs10bn. Sobha City (Gurgaon), Sobha Royal Crest (Banashankari, Bengaluru), Sobha Sentosa (Balagere, Bengaluru) and Lake Garden (TC Palaya, Bengaluru) are likely to be top contributors to presales. Any new non strategic land sales will be a key +ve.

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- **Macrotech (Accumulate; TP: Rs1,275).** Monthly presales momentum of Rs10bn is likely to sustain with South & Central Mumbai leading the pack. Our checks indicate a solid response to the new launch at Mahalaxmi. Additionally, healthy contribution is likely expected from both World One and Lodha Park. Notably the new launch at Thane (Kolshet) is also garnering strong traction with sales across 1, 2 & 3 BHK.
- **Brigade (Reduce; TP: Rs500).** We estimate presales of Rs7.8bn (down 4% QoQ and 6% YoY). Top projects contributing are – 1) Brigade Xanadu - Aspiro Bonito Destino & Celeste (Chennai), Brigade Residences (Chennai), Krypton at Brigade El Dorado (Bagaluru, Bengaluru) and Nanda Heights (Uttarahalli, Bengaluru). The quarter is also likely to see spike in other income resulting from proceeds of Rs450mn in subsidiary stake divestment.
- **Sunteck (Reduce; TP: Rs475).** We expect an all round show led by Sunteck Beach residences (Vasai). ODC is likely to return to quarterly presales runrate of Rs1bn. Additionally, sales contribution from BKC projects is likely to drive presales for the quarter at Rs4.2bn (+26% QoQ).
- **Godrej Properties (Sell; TP: Rs1,000).** Presales at Rs28bn (+11% QoQ; +9% YoY) are underpinned by robust contribution coming from across new launches in MMR, Delhi and Bengaluru over the last two quarters. MMR is set to retain the top spot for second time in a row after 2-3yrs. Top projects contribution to sales are – 1) Godrej Ascend (Dhokali, Thane), 2) Godrej Horizon (Wadala, Mumbai), 3) Godrej Splendour (Whitefield, Bengaluru) and 4) Connaught One (Delhi).

Exhibit 1: India Real Estate - Q2FY23 earnings preview

(Rs mn)	Presales			Revenue			EBITDA			PAT		
Company	Q2FY23E	QoQ %	YoY %	Q2FY23E	QoQ %	YoY %	Q2FY23E	QoQ %	YoY %	Q2FY23E	QoQ %	YoY %
Oberoi	8,500	11.7	2.6	8,455	(7.4)	12.1	4,058	(17.5)	8.8	3,197	(20.7)	19.9
Macrotech	30,000	6.6	49.8	29,500	10.2	34.0	6,490	39.1	38.2	3,778	39.4	69.2
DLF	24,000	17.6	58.7	15,163	0.0	(2.6)	5,511	12.9	3.2	5,094	8.8	34.4
Prestige	31,000	2.9	46.8	22,650	16.8	68.5	4,717	2.2	20.4	1,217	17.1	26.0
Godrej Properties	28,000	11.1	8.8	4,500	83.9	248.0	450	(75.3)	NA	797	75.1	124.2
Sobha	10,000	(12.7)	(2.9)	6,000	25.0	(27.1)	1,200	25.5	(24.9)	319	119.8	(29.9)
Sunteck	4,200	26.1	54.6	1,700	18.5	24.7	544	20.3	49.0	282	13.1	85.0
Brigade	7,800	(4.2)	(6.1)	9,500	5.3	26.2	2,470	6.2	28.4	674	11.4	NA

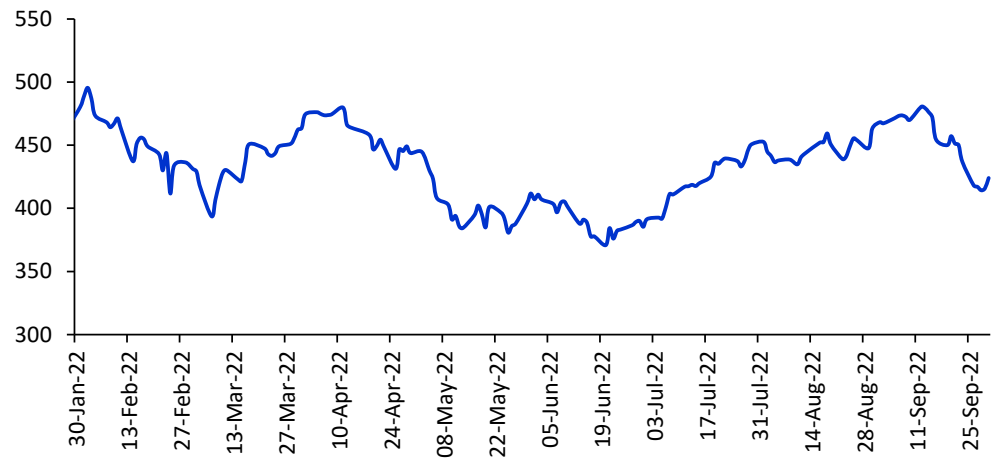
Source: Company, DART

Exhibit 2: India Real Estate- Q2FY23 residential absorption trend changes (%) for top markets

vs.	Tier 1 cities	MMR	Mumbai	Thane	Pune	NCR	Bengaluru	Chennai	Hyderabad	Gurgaon
Best 3 quarters over FY21 & FY22*	(10)	(5)	(3)	(6)	(23)	(12)	0	(13)	(6)	8
Precovid best 3 quarters**	14	24	69	16	(4)	0	24	0	54	63
YoY change	13	24	25	21	0	(1)	31	(3)	16	10
QoQ change	(7)	(9)	(8)	(11)	(7)	5	(3)	(5)	(10)	45

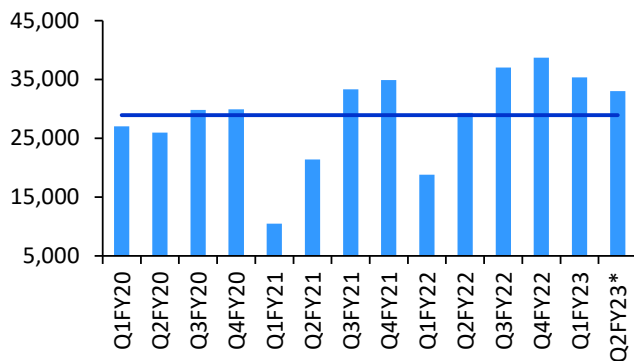
Source: PropEquity, DART. Note: Q2FY23 is based on monthly runrate of July & August. *Q4FY21, Q3FY22, Q4FY22 are best 3 Quarters taken into consideration, **Q1FY20, Q3FY20, Q4FY20 are precovid best quarters taken into consideration.

Exhibit 3: The Nifty Realty Index is 12% off its recent peak in Sept '22



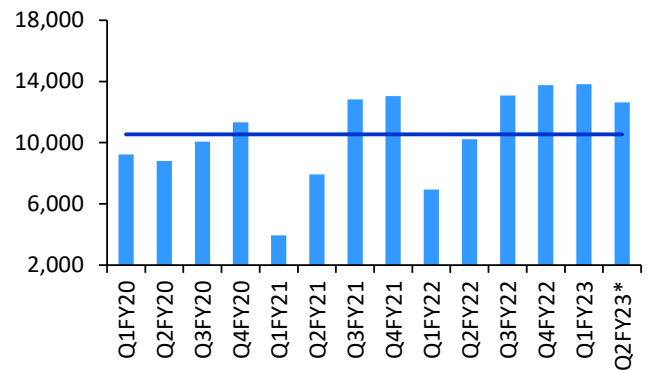
Source: Bloomberg, DART

Exhibit 4: Tier 1 cities total absorption (units) monthly runrate



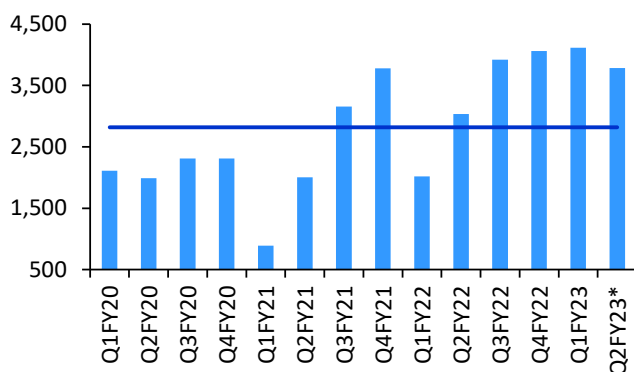
Source: PropEquity, DART, *note: Q2FY23 is based on monthly runrate of July & August.

Exhibit 5: MMR total absorption (units) monthly runrate



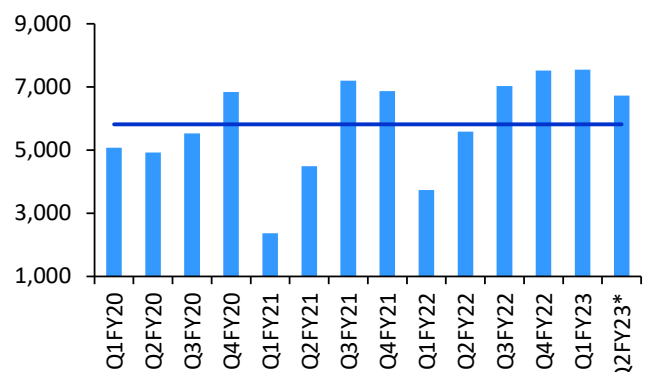
Source: PropEquity, DART, *note: Q2FY23 is based on monthly runrate of July & August.

Exhibit 6: Mumbai total absorption (units) monthly runrate



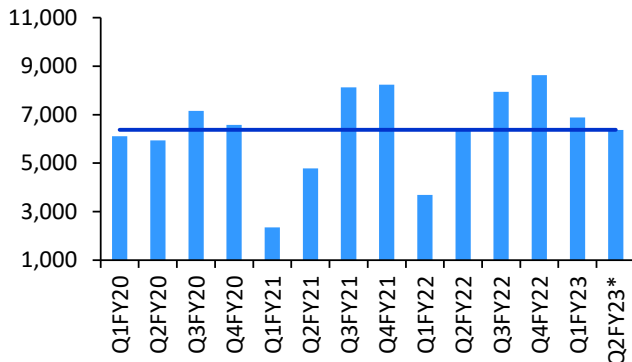
Source: PropEquity, DART, *note: Q2FY23 is based on monthly runrate of July & August.

Exhibit 7: Thane total absorption (units) monthly runrate



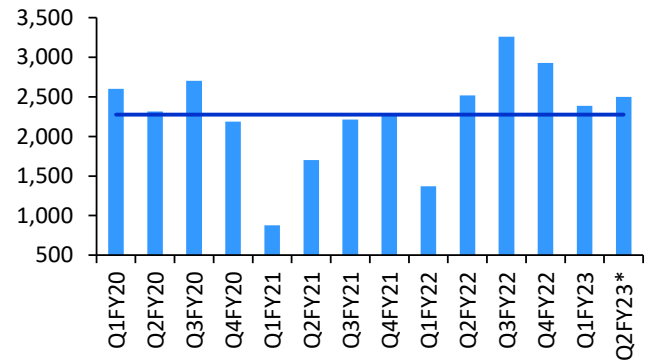
Source: PropEquity, DART, *note: Q2FY23 is based on monthly runrate of July & August.

Exhibit 8: Pune total absorption (units) monthly runrate



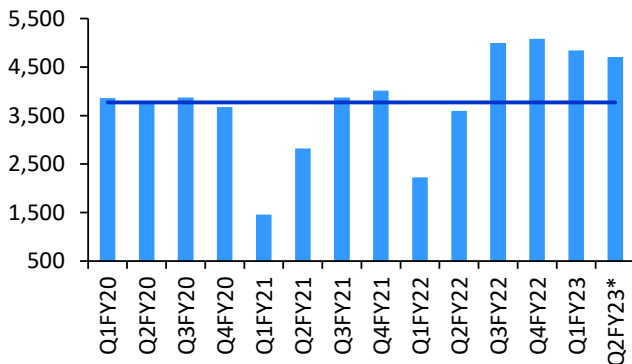
Source: PropEquity, DART, *note: Q2FY23 is based on monthly runrate of July & August.

Exhibit 9: NCR total absorption (units) monthly runrate



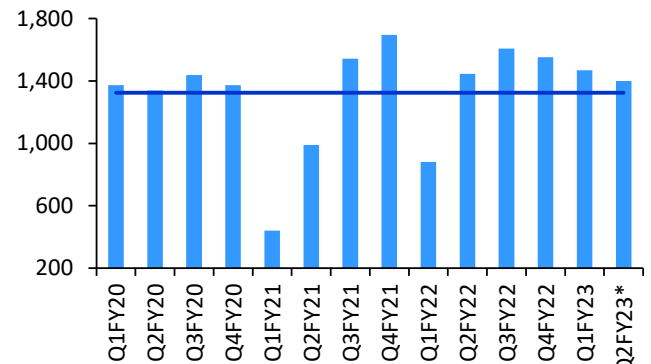
Source: PropEquity, DART, *note: Q2FY23 is based on monthly runrate of July & August.

Exhibit 10: Bengaluru total absorption (units) monthly runrate



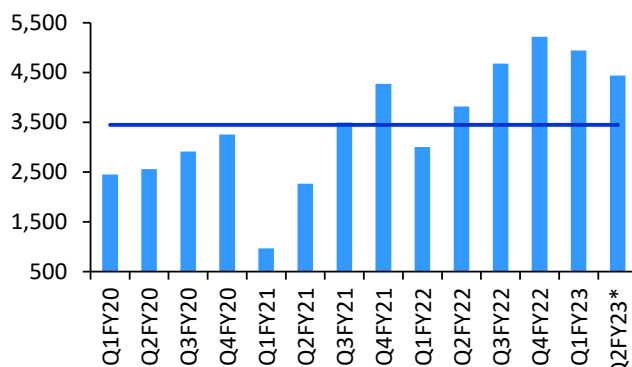
Source: PropEquity, DART, *note: Q2FY23 is based on monthly runrate of July & August.

Exhibit 11: Chennai total absorption (units) monthly runrate



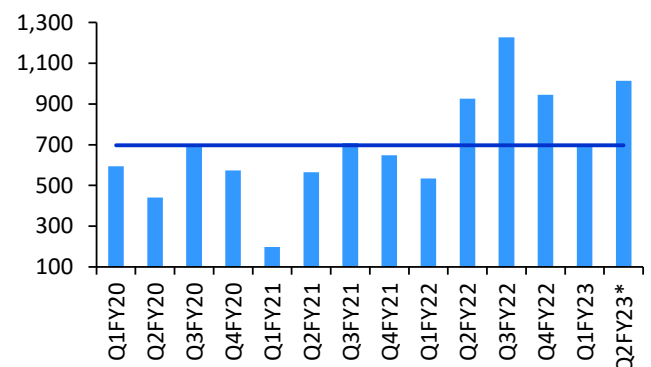
Source: PropEquity, DART, *note: Q2FY23 is based on monthly runrate of July & August.

Exhibit 12: Hyderabad total absorption (units) monthly runrate



Source: PropEquity, DART, *note: Q2FY23 is based on monthly runrate of July & August.

Exhibit 13: Gurgaon total absorption (units) monthly runrate



Source: PropEquity, DART, *note: Q2FY23 is based on monthly runrate of July & August.

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

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