

Stock Idea

Godrej Properties

January 18, 2010

Beyond Greek Letters!

Stock data

Market Cap	3550 Cr
Equity	70 Cr
Year High	586
Year Low	500
Promoter Stake	84%

- Godrej Properties is an emerging real estate development company**, with huge growth potential. If you look at the past and current financial numbers of the company, the stock is fully priced, if not over priced. Godrej Properties has delivered only 5 million square feet of developed properties till now. It is operating in 10 cities currently. Company is pursuing the joint development model and the balance sheet is asset light and not holding any significant land bank like other real estate developers.
- Management quality and capability** is the most important aspect that makes Godrej Properties worth investing for long term gains. Godrej is a powerful and respected brand in India. The group owns huge land bank at Vikroli in Mumbai, with a master plan to be implemented in the new decade. We expect Godrej Properties to develop this very important property and make huge cash flows in the coming years. Project execution is entrusted to L&T and could be scaled up substantially, on a pan India basis.
- Adi Godrej has been frequently talking **about creating wealth for shareholders** in the recent years and doing exactly the same in all the group companies. Godrej Industries, the parent company had quadrupled from the recent bottom, rewarding our PMS clients and we are shifting to Godrej Properties. This would be the new focus company of the group and it is prestigious issue for the family!
- Why Godrej?** Land-owners and home-buyers will be very comfortable to deal with Godrej, as it is a highly trusted brand. The culture and ethics of the management has big relevance to the business model. India needs to create millions of homes in different segments in the years to come. And here is a company, well positioned to contribute significantly.
- IPO priced at Rs.490 had a lukewarm response and analysts are not comfortable with the stock. Even I am not sure about the short-term prospects. But Godrej Properties is **a bet for the new decade**, considering the future earning potential. Analysts making equations using Greek letters will take time to understand this company.