

Retail Equity Research

Prozone Realty Ltd

Miscellaneous

CMP Rs. ₹ 38.8

Rating: Overweight

NSE CODE: PROZONER BSE CODE: BSE: 534675

The financial performance for the recent quarters indicates a volatile trend in sales and profitability. After a 29% decline in Sep-23, sales rebounded by 52% in Sep-24, reflecting strong demand recovery. However, expenses surged by 54% during the same period, compressing the operating profit margin.

Operating profit experienced a notable recovery in Sep-24, with a 109% growth compared to Jun-24, indicating improved cost management and operational efficiency. Despite this, net profit remains under pressure due to rising interest expenses and fluctuating other income. The net profit growth in Sep-24 at 244% indicates a recovery phase, yet the overall figures suggest underlying challenges in maintaining consistent profitability.

The company's ability to sustain sales growth while managing rising costs will be critical. Focus on optimizing the expense structure and reducing interest burden could enhance bottom-line performance. Future quarters' outlook hinges on the firm's strategic initiatives in managing operational and financial efficiency.

Company Data

Market Cap (cr)	Rs.	591.18	
Enterprise Value (cr)	Rs.	735.87	
Outstanding Shares (cr)		15.26	
52 week high	Rs.	44.90	
52 week low	Rs.	20.90	
1m average volume (lacs)		23.23	
Face value	Rs.	2.00	
	FY22	FY23	FY24
Sales	93.38	173.17	184.51
Growth(%)	108%	85%	7%
EBITDA	60.89	112.98	72.85
EBITDA Margin(%)	65.2%	65.2%	39.5%
PAT	-3.51	25.31	4.53
Growth(%)	87%	821%	-82%
EPS	-0.2	1.7	0.3
P/E	-92.8	12.9	92.8
P/B	0.7	0.6	0.8
EV/EBITDA	12.2	6.0	10.1
ROE(%)	-1%	4.9%	1%
ROCE(%)	4%	9.5%	5.3%
ROIC(%)	1%	8.0%	2.3%
D/E	0.98	0.82	0.83

Sales and EBITDA Trends: Prozone Realty Ltd saw strong sales growth of 108% in FY22 and 85% in FY23, slowing to 7% in FY24. EBITDA peaked in FY23 but fell in FY24, leading to a drop in the EBITDA margin from 65.2% to 39.5%.

Profitability and Returns: PAT improved significantly in FY23 but dropped in FY24. This is reflected in the EPS decline and a sharp rise in the P/E ratio. ROE and ROCE increased in FY23 but declined in FY24, indicating reduced profitability.

Financial Stability and Valuation: The D/E ratio remained stable, while the P/B ratio increased slightly in FY24. EV/EBITDA fluctuated, reflecting changes in the company's market valuation amid shifting profitability.

Key Highlights

Business Overview: Incorporated in 2007, Prozone Realty Ltd (PRL) focuses on developing, owning, and managing shopping malls, commercial spaces, and residential premises across India. PRL's strategy involves creating regional shopping centers and mixed-use developments. The company follows a model where 75% of the land is developed for residential and commercial purposes (Build & Sell), while the remaining 25% is allocated for retail development (Build & Lease).

Projects Undertaken: PRL has a diverse portfolio of commercial and residential projects:

Commercial: Major malls include Aurangabad Mall, Coimbatore Mall, and Nagpur Mall.

Residential: Projects include a 43.5-acre township in Nagpur, featuring residential apartments with a 5-acre commercial section, and a large residential project in Coimbatore, consisting of 1.9 million square feet with seven towers and 1,152 apartments.

Brand Associations: PRL has established partnerships with renowned retail brands, enhancing the attractiveness of its malls:

Aurangabad Mall: Anchor tenants include H&M, M&S, Shoppers Stop, Croma, Reliance Trends, Inox Multiplex, and others.

Nagpur Mall: Key retailers include H&M, Lifestyles, Reliance Digital, Westside, Hamleys, and Pantaloons, providing a diverse shopping experience.

Overseas Investments: Prozone Realty has attracted significant international investment, including from Intu Properties (UK), Old Mutual (South Africa), and the Lewis Trust Group (UK). These investments provide a strong financial backing and bolster the company's expansion capabilities.

Land Bank: PRL boasts a substantial land bank of 15.54 million sq. ft., with 2.10 million sq. ft. already developed. The remaining 13.44 million sq. ft. is being developed in phases, presenting ample opportunities for future growth and revenue generation.

Change of Name: In May 2023, the company changed its name from Prozone Properties Ltd to Prozone Realty Ltd, reflecting its broader focus on real estate development and management.

Revenue Breakup - FY23: The company's revenue is diversified across multiple streams:

Real Estate Project Sales: 31%

License Fees: 28%

Service Charges: 13%

Other Services: 4%

Interest Income: 19%

Other Income: 5%

Segment Revenue and Leasing Metrics: In FY23, leasing accounted for 59% of the revenue, while outright sales contributed 41%. As of H1 FY24, leasing metrics show a healthy occupancy rate with 92% for Coimbatore Mall and 76% for Aurangabad Mall, indicating strong tenant demand and stable income from retail operations.

Quarterly Financial Consolidated

Profit and loss account

(Rs Cr)

	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
Sales	38.00	41.38	51.58	32.19	48.86
Growth(%)	-29%	9%	25%	-38%	52%
Expenses	22.20	26.73	45.47	25.20	34.22
Operating Profit	15.80	14.65	6.11	6.99	14.64
Growth(%)	-13%	-7%	-58%	14%	109%
Other Income	2.73	1.98	1.41	1.64	2.01
Depreciation	6.04	6.03	5.93	5.39	5.63
Interest	10.77	13.06	8.18	8.78	10.19
Profit before tax	1.72	-2.46	-6.59	-5.54	0.83
Tax	-1.86	-1.93	6.66	0.15	0.44
Net profit	1.39	-0.50	-5.27	-4.58	-1.33
Growth(%)	-541%	-378%	-91%	15%	244%

Financial Consolidated

Profit & Loss

(Rs Cr)

	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Sales	85.04	44.86	93.38	173.17	184.51
Growth(%)	-28%	-47%	108%	85%	7%
Expenses	36.60	25.75	54.38	117.70	129.75
Operating Profit	48.44	19.11	39.00	55.47	54.76
Growth(%)	-20%	-61%	104%	42%	-1%
Other Income	20.45	13.74	21.89	57.51	18.09
Depreciation	33.40	30.22	26.69	24.24	23.80
Interest	41.52	44.84	40.14	41.07	42.26
Profit before tax	-6.03	-42.21	-5.94	47.67	6.79
Tax	-1.87	-0.49	-4.45	9.34	3.95
Net profit	-1.52	-27.70	-3.51	25.31	4.53
Growth(%)	-162%	-1722%	87%	821%	-82%

Balance Sheet

(Rs Cr)

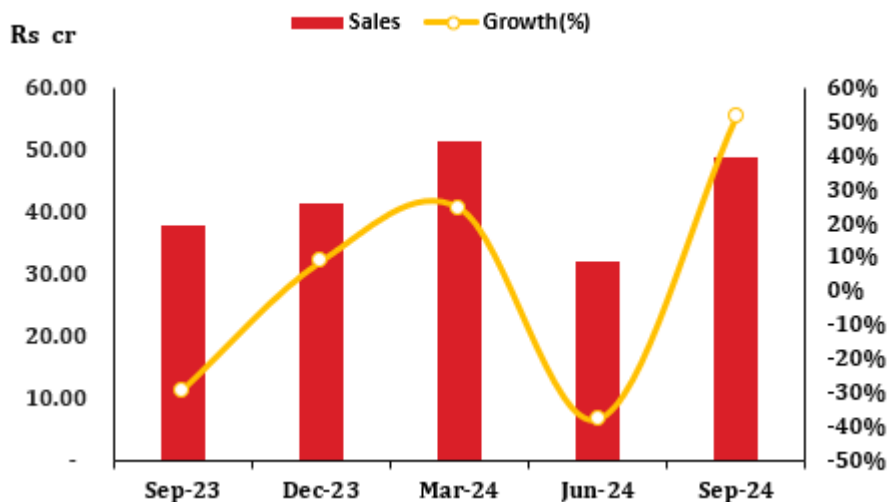
Report Date	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Equity Share Capital	30.52	30.52	30.52	30.52	30.52
Reserves	466.00	450.13	451.68	481.44	478.91
Borrowings	413.85	459.00	470.56	420.39	421.92
Other Liabilities	700.36	683.88	688.55	656.60	624.60
Total	1,610.73	1,623.53	1,641.31	1,588.95	1,555.95
Net Block	736.82	706.72	680.81	661.51	641.05
Capital Work in Progress	35.95	36.73	37.04	37.20	35.66
Investments	66.15	18.82	70.23	44.59	27.02
Other Assets	771.81	861.26	853.23	845.65	852.22
Total	1,610.73	1,623.53	1,641.31	1,588.95	1,555.95

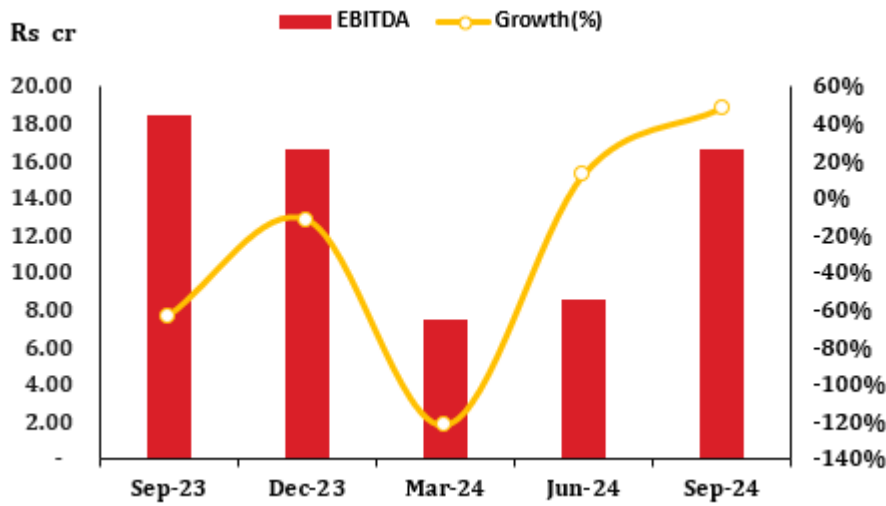
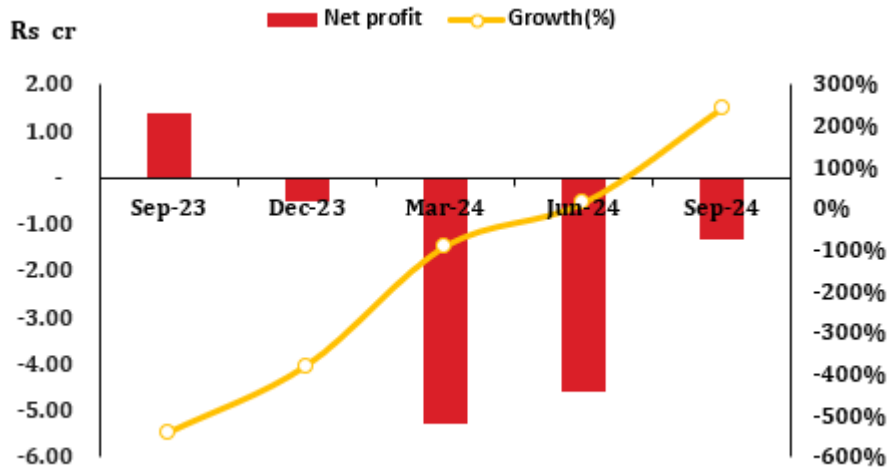
Cash Flow

(Rs Cr)

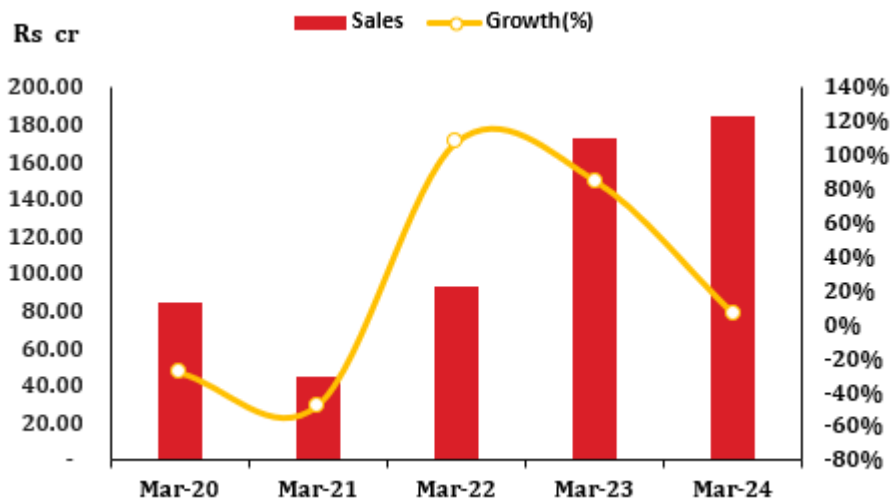
	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Cash from Operating Activity	-18.05	-18.29	90.91	81.54	60.22
Cash from Investing Activity	4.36	52.39	-55.59	10.7	-12.42
Cash from Financing Activity	19.7	4.04	-46.92	-80.28	-40.72
Net Cash Flow	6	38.14	-11.61	11.96	7.08

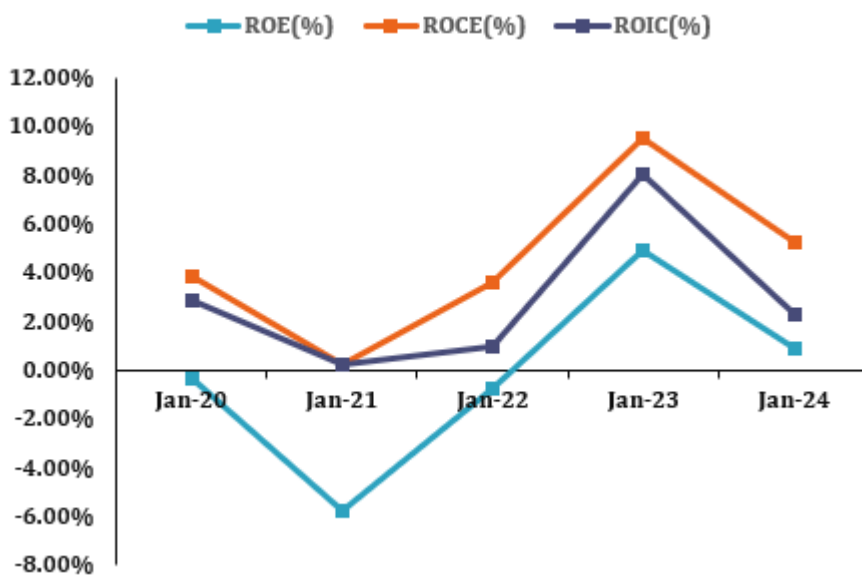
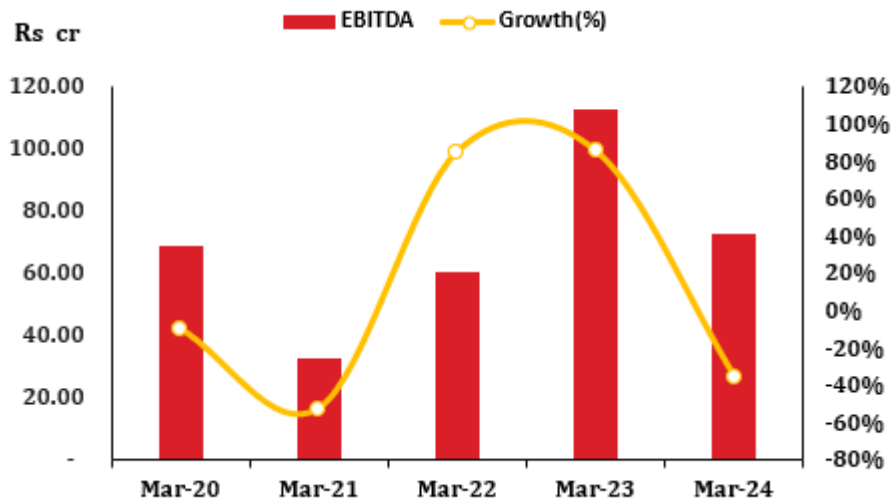
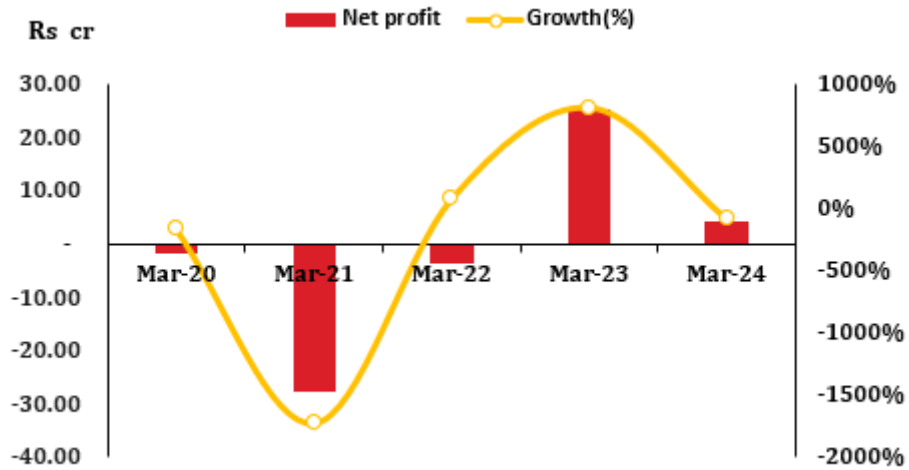
Key Metrics: Quarterly





Key Metrics: Yearly





Key Ratio:

Leverage Ratios	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
D/E	0.83	0.95	0.98	0.82	0.83
Debt/Assets	0.26	0.28	0.29	0.26	0.27
Debt/Ebitda	6.01	13.97	7.73	3.72	5.79
Debt/Capital Ratio	45%	49%	49%	45%	45%
Cash flow/Debt	-0.04	-0.04	0.19	0.19	0.14
Interest coverage ratio	0.85	0.06	0.85	2.16	1.16
Sales Change	-28%	-47%	108%	85%	7%
Ebit Change	-16%	-93%	1200%	159%	-45%
Operating Leverage	0.71	1.28	0.96	0.49	-0.20
Financial Leverage	3.24	3.38	3.40	3.10	3.05

Efficiency ratios					
Receivable days	83	181	114	28	26
Receivable turnover	4.38	2.02	3.19	13.02	14.08
Inventory days	0.03	0.05	0.02	0.01	0.01
Inventory turnover	0	0	0	0	0
Net Fixed assets turnover	0.12	0.06	0.14	0.26	0.29
Sales/capital employed	0.09	0.05	0.10	0.19	0.20
Total Asset Turnover	0.05	0.03	0.06	0.11	0.12

Profitability ratios					
Ebitda	68.89	32.85	60.89	112.98	72.85
Ebitda margin	81%	73%	65%	65%	39%
Gross Profit	76.97	39.76	69.1	94.13	102.62
Gross Profit Margin	91%	89%	74%	54%	56%
EBIT	35.49	2.63	34.2	88.74	49.05
EBIT Margin	42%	6%	37%	51%	27%
ROE	0%	-6%	-1%	5%	1%
Net profit margin	-2%	-62%	-4%	15%	2%
EPS	-0.10	-1.82	-0.23	1.66	0.30
DU Pont ROE	0%	-6%	-1%	5%	1%
Net Profit Margin	-2%	-62%	-4%	15%	2%
Sales/Total assets	0.05	0.03	0.06	0.11	0.12
Financial Leverage	3.24	3.38	3.40	3.10	3.05
DU PONT ROA	0%	-2%	0%	2%	0%
Net Profit Margin	-2%	-62%	-4%	15%	2%
Sales/Total assets	0.05	0.03	0.06	0.11	0.12

Capital Allocation Ratios	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
ROCE	2%	-1%	2%	3%	3%
EBIT Margin	42%	6%	37%	51%	27%
Sales/cap employed	0.09	0.05	0.10	0.19	0.20
NOPAT	24.48	2.60	8.58	71.35	20.52
Capital employed	910.37	939.65	952.76	932.35	931.35
ROIC	3%	0%	1%	8%	2%

Valuation Ratios	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Price/Earnings	-80.32	-9.17	-92.82	12.93	92.81
Price/Book	0.25	0.53	0.68	0.64	0.83
Marketcap	122.08	254.08	325.80	327.33	420.41
Enterprise Value	518.67	663.37	744.22	677.66	735.87
EV/EBITDA	7.53	20.19	12.22	6.00	10.10

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