

Industry dynamics indicate residential real estate at mid-cycle

The recent run-up in stocks just a catchup of two years of strong performance; Growth outlook remains positive

- As per Knight Frank, residential sales in top 8 cities grew by 5% YoY to ~330,000 units in CY23, matching the CY13 run rate but 9% below the peak sales of 360,000 units clocked in CY12, leaving further headroom for growth.
- Supply inched up 7% YoY to 350,000 units in CY23, but it was just marginally above the demand, keeping inventory levels in check (inventory overhang of 17 months). As a result, realizations increased by 6% YoY.
- Despite the price hikes, affordability improved across markets as income growth surpassed pricing growth, which should keep momentum intact in demand and pricing. Further, demand revival in the affordable segment, macro tailwinds amid rising per capita income, and scale-up in demand in cities like Bangalore, NCR and Chennai can further increase the absorption beyond the previous cycle's peak.
- Thus, we believe that we are in the middle of a 7-8 year-long real estate growth cycle; accordingly, we believe that growth momentum in both demand and pricing should continue. While the Nifty Realty Index has doubled in last one year, its returns since Jan'22 (two years) has been ~80%, similar to pre-sales or cash flow growth for top-12 listed players. Thus, the recent run-up has just been the catchup and future growth is yet to reflect.
- PEPL, SOBHA, GPL, and Sunteck are our preferred picks as we believe their valuations do not reflect their robust cash flows and strong growth potential.

Demand at multi-year high, surpassing previous peak

- As per Knight Frank, residential sales in top 8 cities grew by 5% YoY to ~330,000 units in CY23, matching the CY13 run rate but 9% below the peak sales of 360,000 units clocked in CY12.
- However, going by the numbers from ANAROCK and PropEquity, absorption in CY23 surpassed its previous cycle's peak. As per ANAROCK, absorption in top 7 cities was up ~30% at 470,000 units. As per PropEquity, it is estimated to have increased by ~15-16% in CY23 to 510,000 units.
- Thus, on the blended basis, industry volumes seem to have grown by mid-teens in CY23. Along with ~6% of pricing growth, value growth was healthy at ~20%, which should help organized listed players to clock over 30% YoY growth in pre-sales in FY24, driven by the ongoing consolidation.

Gradual price hikes continue; affordability improves YoY

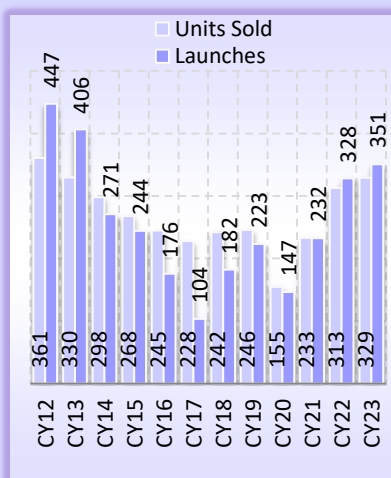
- Supply in top 8 cities grew 7% to 350,000 units and exceeded the demand for the second year in a row. Inventory increased to ~474,000 units for top-8 cities but remained flat for top 4 cities and was 40% below the peak in CY13.
- The inventory overhang was flat at 17 months in CY23. With supply matching demand, prices continued to move up and grew 6% YoY in CY23.
- Despite price increases, the affordability ratio witnessed a marginal 100-200 bp improvement in top 8 cities as income growth surpassed pricing growth and mortgage rates remained flat.

Companies

	Rating	Prev. TP	New TP
DLF	N	740	740
LODHA	B	1200	1295
GPL	B	2300	2855
OBER	N	1350	1350
PEPL	B	1300	1465
BRGD	B	1000	1150
SOBHA	B	1400	1700
MLIFE*	N	575	575
SRIN	B	640	640

*MLIFE rating changed from Buy to Neutral

Residential sales hit ten-year high, supply keeping up with demand



Pritesh Sheth – Research Analyst (Pritesh.sheth@MotilalOswal.com)

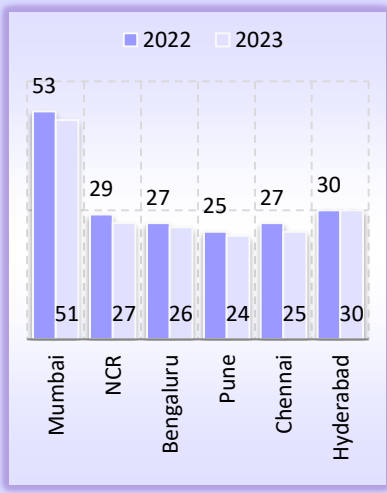
Sourabh Gilda – Research Analyst (Sourabh.Gilda@MotilalOswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.

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Affordability improved marginally in CY23



- Sustained affordability will ensure that gradual price hikes will continue without affecting the demand momentum.

Outlook: further demand uptick imminent; sector in the middle of upcycle

- As indicated by ANAROCK and Propequity, housing demand in top-7 cities exceeded the previous cycle's peak, but we believe that there are few triggers in place, which can lead to a further uptick in demand.
- Firstly, the affordable segment, which contributes 29% of total absorption, has been most impacted by the hike in mortgage rates. The decline in interest rates will lead to a revival in affordable housing demand. Further, the government is expected to provide incentives for affordable housing, which would be a key positive trigger.
- Absorptions in MMR and Pune at 87,000 and 49,000 units, respectively, have exceeded the previous cycle's peak; however, markets like Bengaluru and Chennai are yet to unlock their full potential, given a strong commercial cycle seen in CY15-19. NCR will also witness a further uptick in demand once Noida sees a revival in supply.
- On the macro front, the rise in per capita income above USD3,500 (USD2,400 as of CY23) would be a key trigger for the increase in home ownership as seen in China between CY08 and CY15.
- These factors could build a sustainable uptick in demand over the next three-four years. Inventory is yet to see a major uptick, while prices have increased by 14% on an absolute basis in the last two years vs. 25-70% in the previous two cycles, indicating that the sector is in the middle of an upcycle.
- We believe that the existing demand-supply balance, low inventory, favorable affordability, and gradual price hikes should keep the momentum intact for at least three to four years.

Valuation and view: Cycle yet to top out; remain constructive

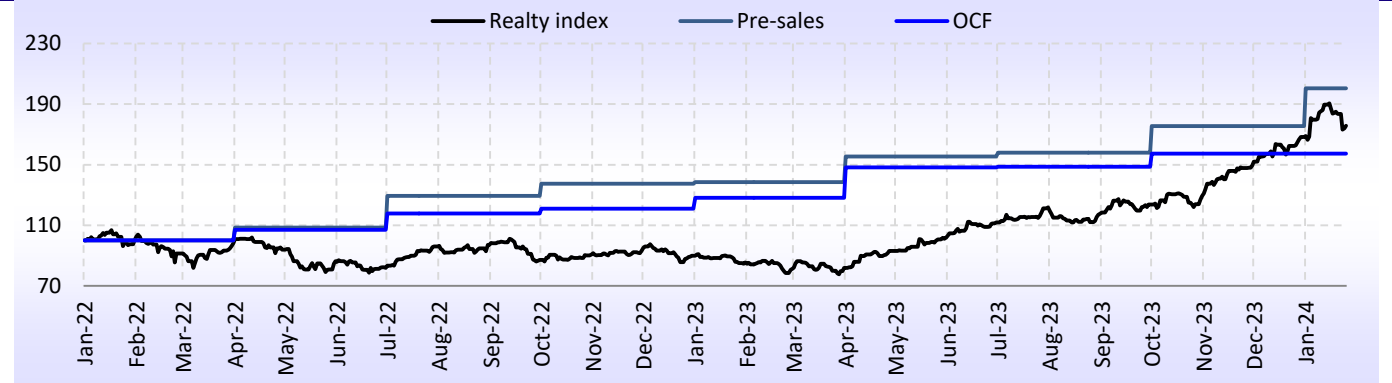
- The Nifty Realty Index has doubled in the last one year; however, since its performance in CY22 was flat, its return since Jan'22 (two years) has been ~80% similar to pre-sales or cash flow growth for top 12 listed players during the same period. Thus, the recent run-up seems just a catchup of the two years of strong performance, while future growth is yet to reflect.
- The consensus estimate is now building in three-four years of continued demand traction. As a result, for companies with limited growth pipeline, we built in new projects which are sufficient for companies to report a 15-20% CAGR through FY28E and we calculate the terminal value based on FY28E post land investment cash flows.
- We continue to prefer players that have the ability to report steady growth on pre-sales with sustainable profitability and cash flows. We retain our BUY rating on LODHA, GPL, PEPL, SOBHA, and BRGD. **We downgrade MAHLIFE to Neutral** and maintain Neutral on DLF and OBER.
- **PEPL, SOBHA, GPL and Sunteck are our top picks.**





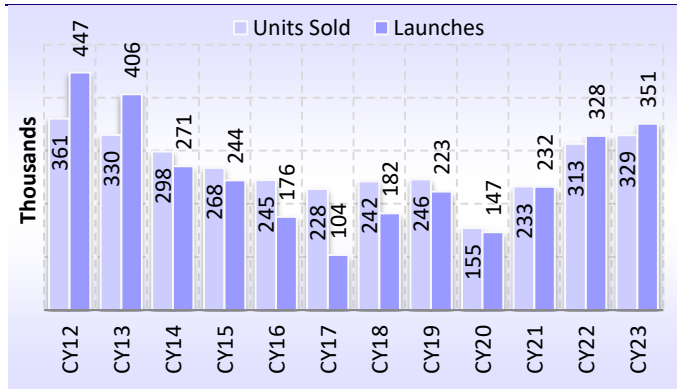
Story in charts

In last twelve months, the Realty Index has only caught up with strong performance delivered by companies since CY22



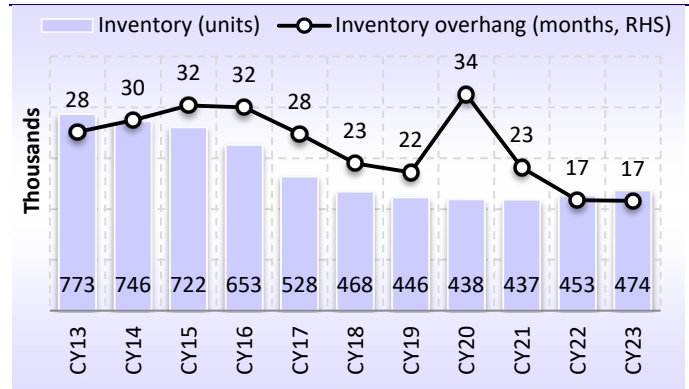
Source: MOFSL

Residential sales hit ten-year high, supply keeping up with demand



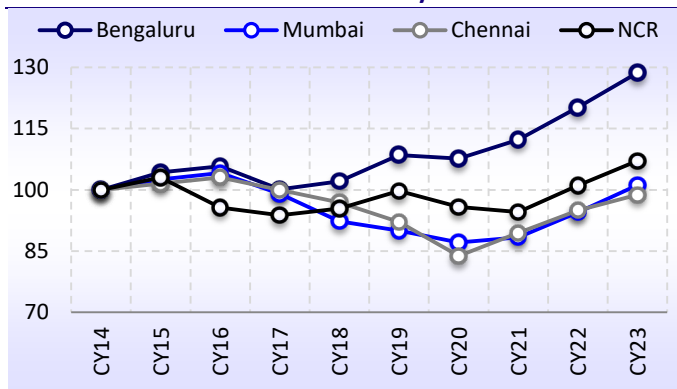
Source: Knight Frank, MOFSL

Absolute inventory increased marginally in CY23



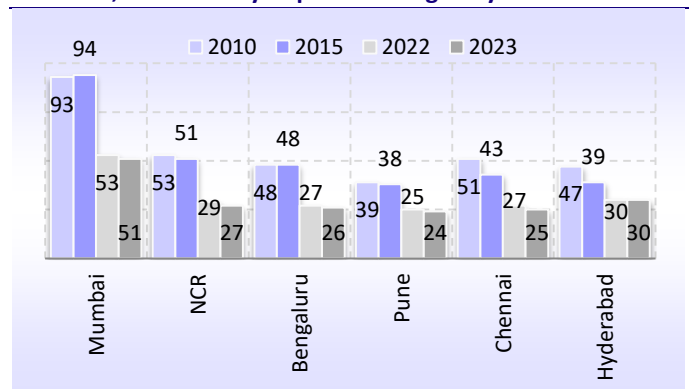
Source: Knight Frank, MOFSL

Prices increased 4-11% YoY across key markets



Source: Knight Frank, MOFSL

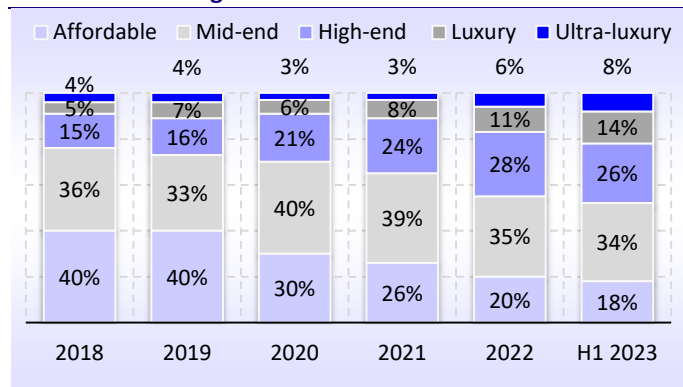
However, affordability improved marginally in CY23



Source: Knight Frank, MOFSL

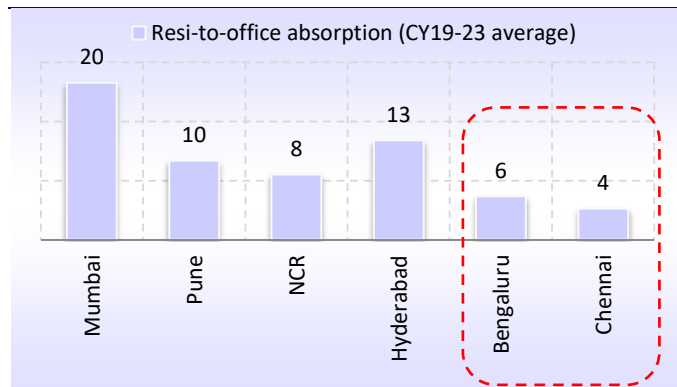


Affordable housing now below 20% of total mix



Source: Knight Frank, MOFSL

The Residential to office ratio is at the lowest for a few key cities



Source: Knight Frank, MOFSL

Peer Comps

Company	M-cap					CAGR (FY24-26E) %			P/E			EV/EBITDA			RoE%		
	Price (INR b)	TP	Upside	Rating		Sales	EBITDA	EPS	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Large-caps																	
DLF	759	1,878	740	-3%	Neutral	14	24	40	74	47	42	92	69	60	7	10	10
Macrotech Developers	1,056	1,019	1,295	23%	Buy	24	36	25	72	42	29	45	28	20	11	16	20
Oberoi Realty	1,304	474	1,350	4%	Neutral	6	8	-7	32	29	22	23	20	16	11	11	14
Godrej Propert.	2,327	647	2,855	23%	Buy	25	71	39	87	54	48	447	96	78	8	11	11
Mid-caps																	
Prestige Estates	1,205	483	1465	22%	Buy	12	15	1	44	61	47	21	21	18	10	7	8
Brigade Enterpr.	975	225	1150	18%	Buy	20	32	72	56	27	24	22	15	13	10	19	18
Mahindra Lifespace	556	86	575	3%	Neutral	-19	2	58	1080	75	93	NM	NM	NM	0	6	5
Sobha	1,382	131	1700	23%	Buy	13	31	94	86	34	17	35	23	12	6	14	24
Sunteck Realty	458	67	640	40%	Buy	72	96	510	51	28	20	8	5	14	0	0	11
Small-caps																	
Indbull.RealEst.	89	48	NA	NA	Not rated	NA	NA	NM	NA	NA	NA	NA	NA	NA	NA	NA	NA
Puravankara	191	45	NA	NA	Not rated	21	NA	51	8	11	NA	19	NA	NA	10	12	12
Kolte-Patil Developers	499	38	NA	NA	Not rated	17	26	26	29	36	NA	13	10	NA	13	11	11
REITs																	
Embassy REIT	318	315	NA	NA	Not rated	13	14	24	42	34	27	17	15	13	3	4	5
Mindspace REIT	323	192	NA	NA	Not rated	11	11	15	34	29	26	15	14	12	4	5	6
Brookfield REIT	247	108	NA	NA	Not rated	22	20	41	39	26	19	19	15	13	3	4	6

Source: MOFSL



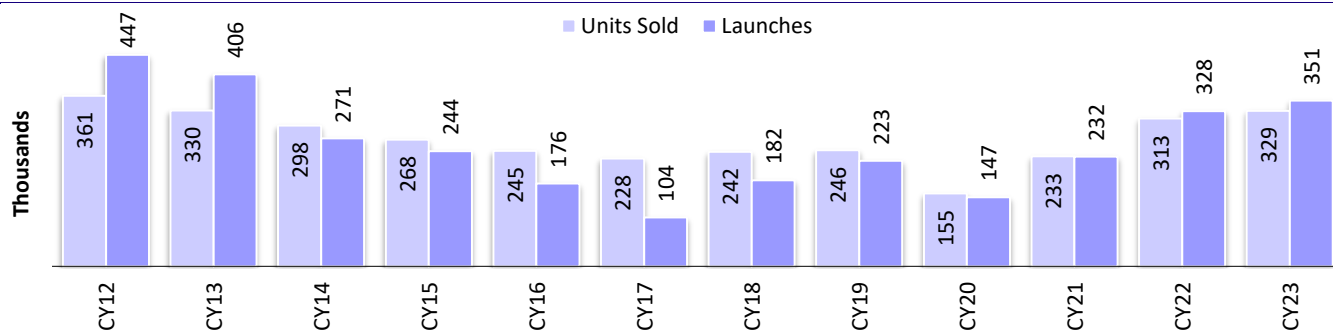
Sales hit decadal high; supply keeping up with demand

Prices inched up 4-11% YoY; healthy inventory level

CY23 residential sales in top-8 cities were the best in last 10 years

- As per Knight Frank, sales in the top 8 cities reached yet another milestone of a decadal-best level as they jumped 5% YoY to ~329,000, but sales still remained ~9% below the peak witnessed in CY12.
- However, strong demand and limited inventory led to a surge in supply as the industry reported launches of ~351,000 units in CY23.

Exhibit 1: Residential sales hit ten-year high, supply keeping up with demand ('000)

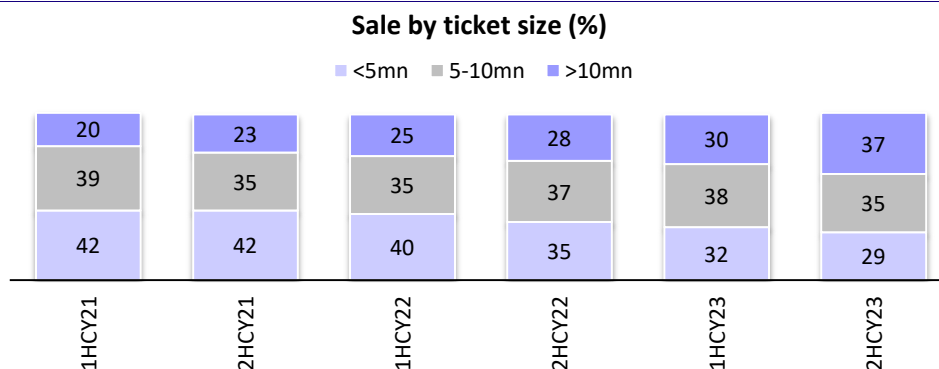


Source: MOFSL

Mid-income and luxury segment driving growth

- The income disruption caused by the pandemic, followed by the sharp rise in interest rates, significantly impacted the affordable housing segment. The share of affordable homes in overall sales has sharply declined to 30% now compared to 67%+ few years ago.
- Conversely, high savings rates and healthy wealth creation at mid/top levels of the pyramid are driving demand for higher ticket-size homes.
- The share of the mid-income segment with a ticket size of INR5-10m stands steady at 35%. The premium segment with home prices of over INR10mn has been the standout performer, with an annual sales growth of 33% YoY in CY23, and it now accounts for a 37% share in overall sales vs. 20% in CY20.

Exhibit 2: Premium segment now accounts for largest share



Source: Knight Frank, MOFSL

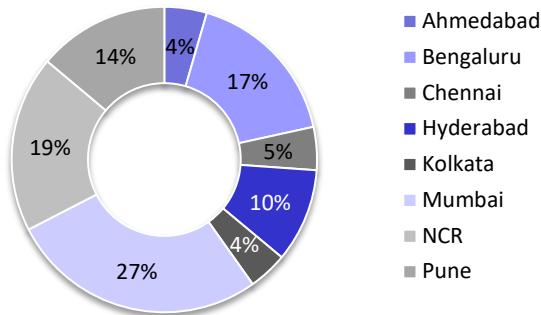


MMR continues to dominate in demand and supply

- The top 3 cities - MMR, NCR, and Bengaluru - contributed 63%/60% to total sales/launches.
- MMR alone contributed 27%/28% of total sales/launches, in line with its historical average.

Exhibit 3: Top 3 markets contributed 63% to total sales...

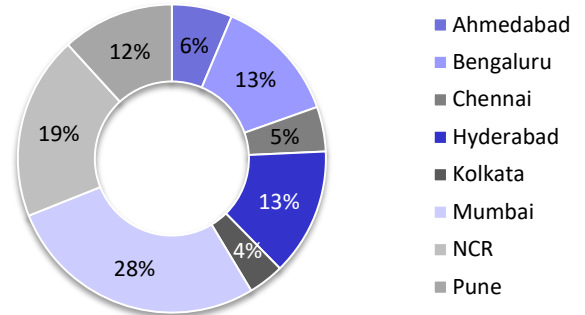
City wise demand share in CY23



Source: Knight Frank, MOFSL

Exhibit 4: ...and 60% to overall launches

City wise launch share in CY23

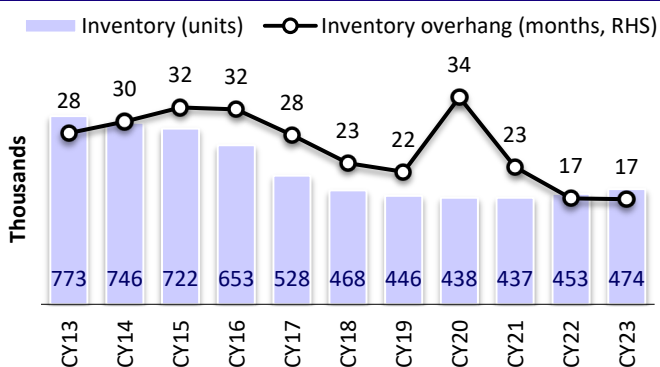


Source: Knight Frank, MOFSL

Absolute inventory increased by 4%, but overhang at comfortable level

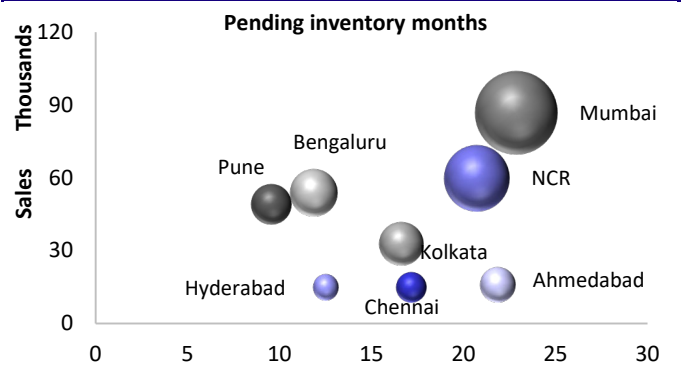
- As supply exceeded demand, total inventory across markets increased by 4% YoY to ~453,000 units in CY23.
- While the absolute level of inventory increased in CY23, it has to be seen in the context of velocity of sales, which has been on the rise much faster than new supply.
- The inventory overhang for the eight markets has been consistently falling despite growing inventory levels. It has now declined to 17 months from 22 months in CY19.
- In the country's IT hubs (Bengaluru, Hyderabad, Pune and Chennai), inventory overhang is well below the threshold of 15 months. MMR and NCR continue to witness a high inventory overhang, albeit at a comfortable level of below 24 months.

Exhibit 5: Absolute inventory increased marginally in CY23



Source: Knight Frank, MOFSL

Exhibit 6: Overhang was below 15 months for IT markets



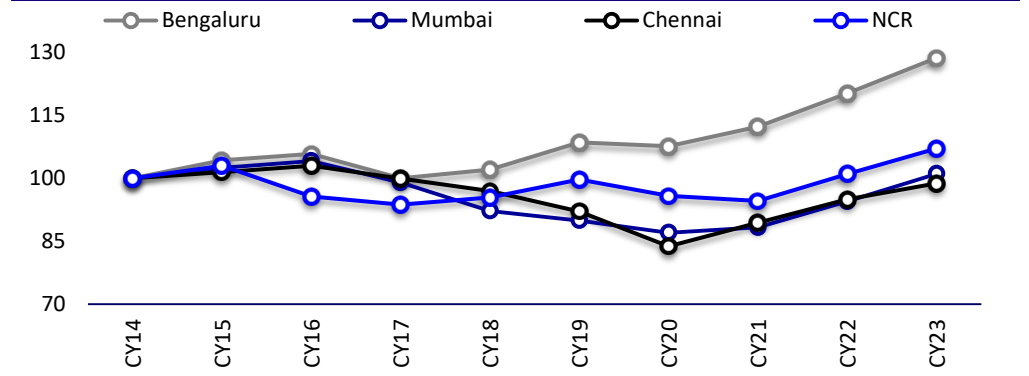
Source: Knight Frank, MOFSL



Residential prices appreciated by 4-11% in CY23

- As per Knight Frank, real estate prices inched up 4-11% in the top-8 cities as developers continued to increase prices gradually amid favorable demand.
- In certain micro-markets like Gurugram and Noida, prices have appreciated by 15% in the last one year as indicated by our channel checks.
- With demand momentum expected to remain intact and inventory being well below the favorable threshold, we expect a gradual price increase of 5-7% to continue for the next 3-4 years.

Exhibit 7: Prices appreciated by 4-11% across markets compared to CY22



Source: Knight Frank, MOFSL

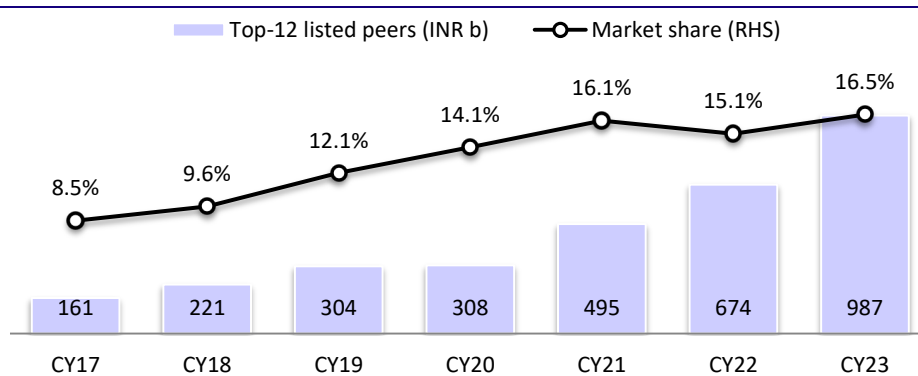


Market share of listed peers

Listed players to report 46% YoY growth in bookings in CY23

- Over CY19-23, listed players outperformed industry growth in terms of bookings by 1.4x, resulting in a consistent increase in their market share to 16.5% from 12%.
- Top-12 listed players are expected to report 46% pre-sales growth in CY23 vs. industry growth of 20% if we consider the average of pre-sales growth estimates by various property consultants.
- The bulk of growth was driven by DLF as its two luxury projects were sold out in CY23. Excluding DLF, growth stood at 35% YoY, which was still materially higher than industry growth.

Exhibit 8: Market share of top-12 listed companies expanded to 16.5% in CY23 from 8.5% in CY17



Source: Industry data, MOFSL

- Most of the listed peers have a robust launch pipeline and are targeting at least two new markets, apart from their home markets, which will lead to a further pick-up in the market share of listed peers.

Exhibit 9: Large players foraying into other markets in pursuit of growth

Company	Core Market	New market
LODHA	Mumbai	Bengaluru
OBER	Mumbai	Gurgaon
PEPL	Bengaluru	Mumbai, NCR
SOBHA	Bengaluru	Deepening presence in NCR, Hyderabad, Pune
BRGD	Bengaluru	Strengthening presence in Chennai and Hyderabad
MLIFE	Mumbai & Pune	Bengaluru
GPL	MMR, Pune, NCR & Bengaluru	Hyderabad

Source: Knight Frank, MOFSL



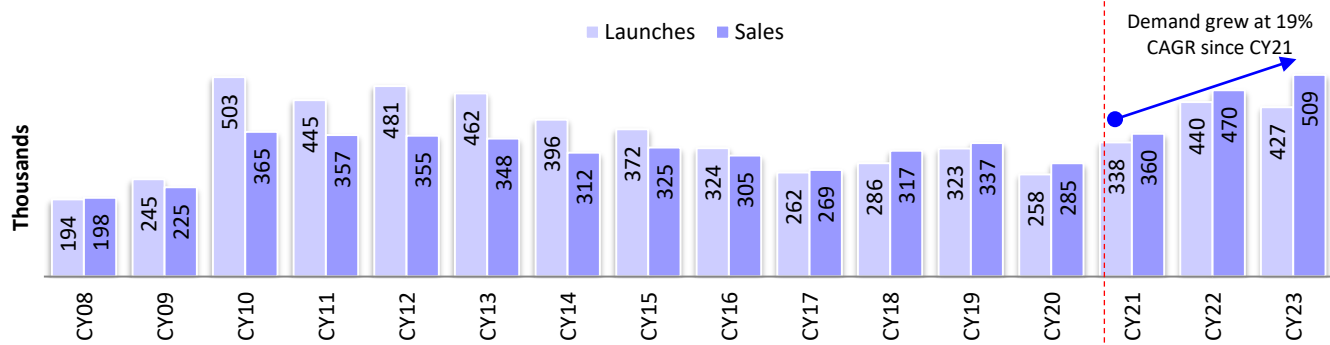
Outlook: Demand to sustain at least in near term

- On the back of continued demand traction, CY23 was the best year ever for residential sales as volume grew by 5-10%, as per various property consultants.
- We expect volume to clock a similar growth rate and a steady 4-6% price hike, which imply that sales value in top cities could grow by 10-15% in the near term.
- While industry sales have hit a decadal-high level, few key markets are yet to catch up with their historical run rates. These factors, coupled with a potential revival of the affordable housing segment, could contribute to industry growth over the next few years.
- Listed players have outperformed the industry since CY19 and we expect the trend to continue, given strong cash flows of large developers and investments being made in building the project pipeline.

Large players to outpace industry growth

- As per various property consultants, sales volume in top-7 cities grew 5-10% YoY in CY23.
- While sales hit the highest level, it took 11 years for the sector to breach this mark. The current demand trends suggest positive traction is likely to sustain for at least 2-3 years given that we are just two years into the upcycle.
- Since hitting the lows in CY20, volumes have seen a CAGR of 21% and we expect the pace to moderate to 5-10% as the base effect kicks in. These factors, coupled with price growth of 4-6%, imply that sales value across top cities could see a 10-15% CAGR over the next few years.
- As highlighted earlier, listed peers have outperformed the industry by 1.5x since CY19. The trend should continue for the next few years with an upside risk, given the significantly large project pipeline of listed developers.
- Thus, we have factored in new project additions for all key players, which will enable them to grow at 15-20% through FY28.

Exhibit 10: Residential sales hit decadal high in CY23



Source: MOFSL

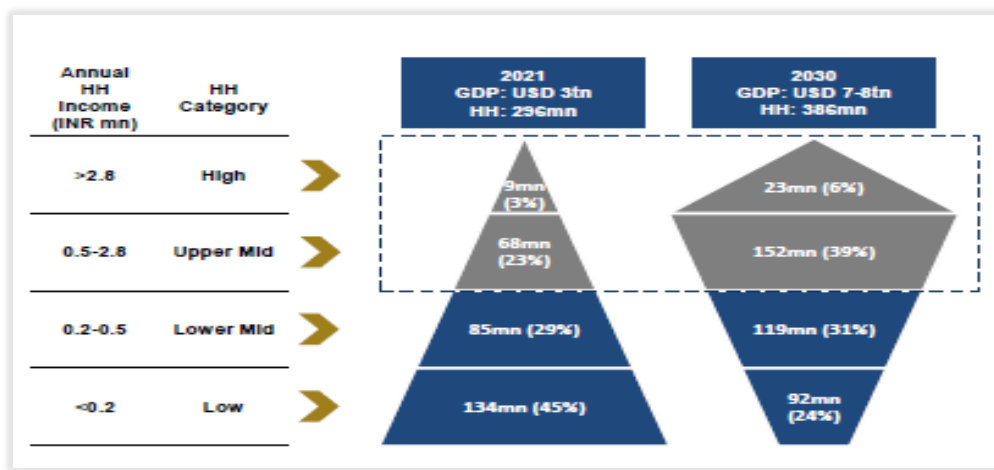
Favorable macro factors to support demand

- As per various consumer surveys, in CY21, there were nearly 77m households with income of over INR0.5m and the number would go up to 175m households by 2030 on the back of rising per capita income.
- Thus, this decade is likely to see the creation of nearly 100m potential home owners with income of over INR0.5m.



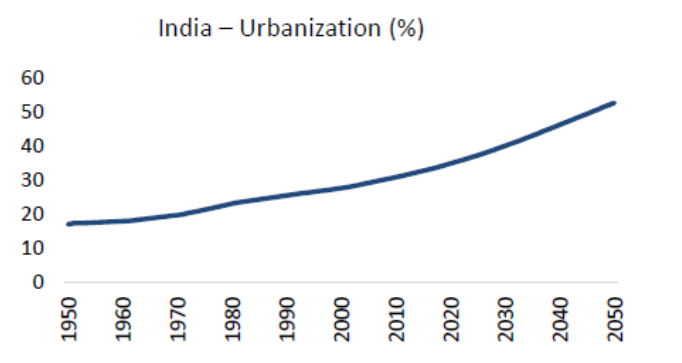
- The United Nations estimates that over 400m people are likely to reside in Indian cities by 2030. Rising income, favorable affordability, and rapid urbanization will continue to fuel housing demand in the urban and metropolitan regions.

Exhibit 11: With growing middle class, 100m households could become 'homeownership capable' in the coming decade



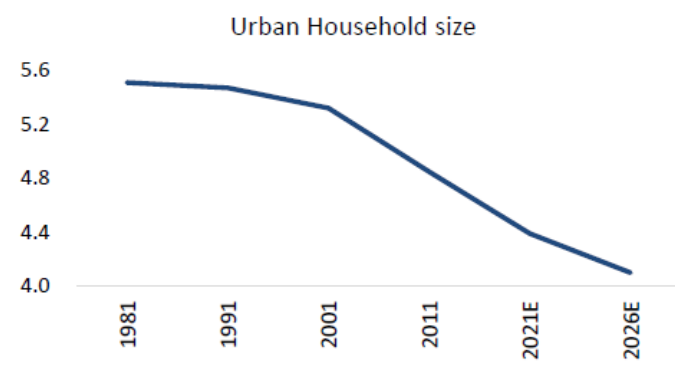
Source: MOFSL, Company

Exhibit 12: Demand will be driven by rising urbanization...



Source: Company, MOFSL

Exhibit 13: ...along with rapid nuclearization

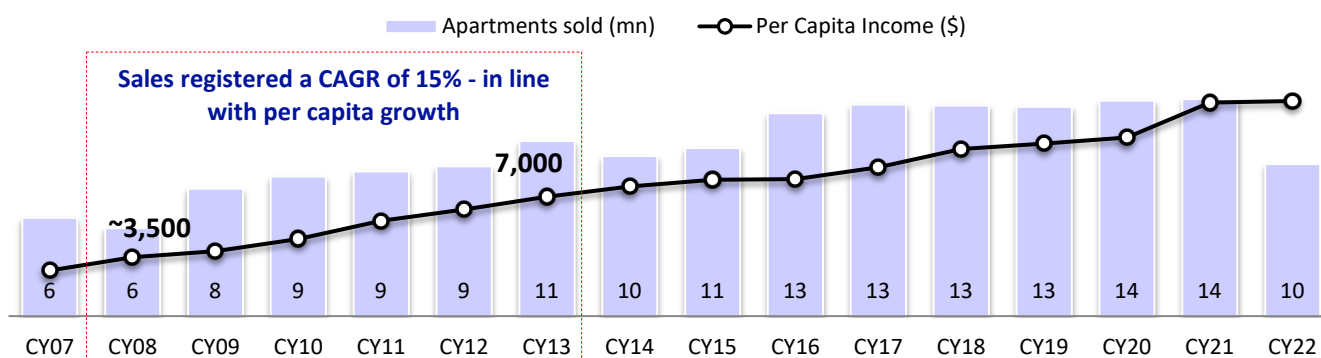


Source: Company, MOFSL

- The rise in per capita income above USD3,500 (vs. USD2400 as of CY23) would be the key trigger for the increase in home ownership as experienced in China between CY08 and CY15.



Exhibit 14: Per Capita of USD3,500 acted as an inflection point for housing sales in China

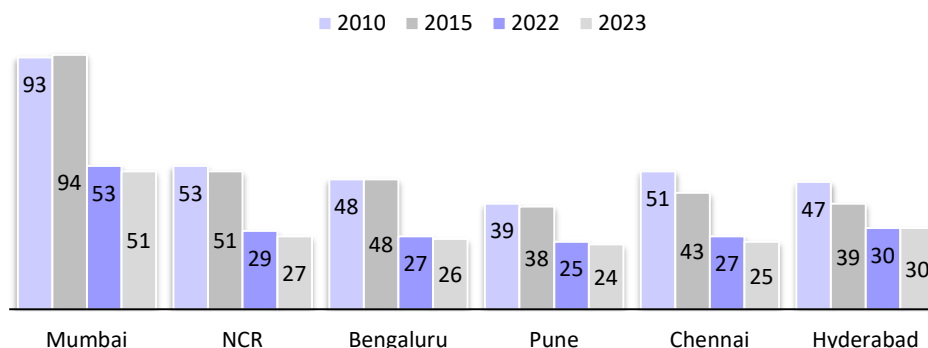


Source: MOFSL, Company

Inventory overhang and affordability remain favorable

- As indicated by Knight Frank’s EMI-to-income ratio, affordability improved further in CY23 and the ratio stood below 30% for all cities, except for Mumbai, for which it was at 51%.
- As indicated earlier, the inventory overhang is at the lowest level of 17 months, and with launches keeping up with sales, the risk of oversupply remains minimal in the near term.
- Hence, with favorable affordability and healthy inventory level, the market remains conducive to steady price growth, which could complement demand.

Exhibit 15: EMI-to-income Ratio: Affordability further improved in CY23



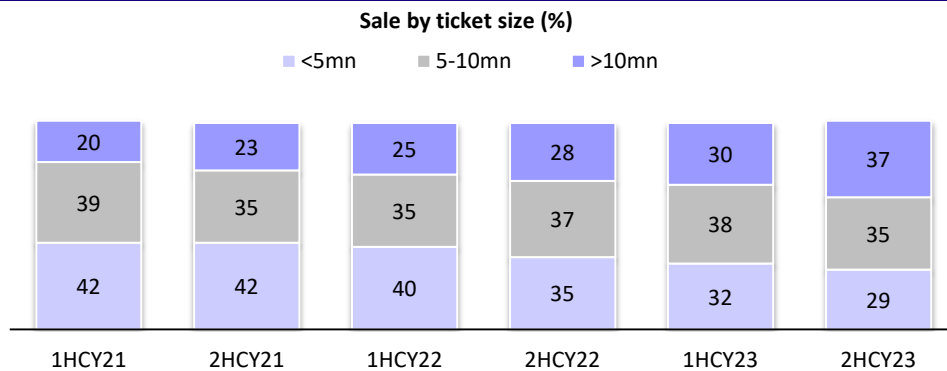
Source: Knight Frank, MOFSL

Revival of affordable segment could boost volume growth

- As highlighted earlier, the share of the affordable segment has slumped over the years as the consumer base in this segment has been significantly impacted by inflation pressure and high mortgage rates.
- However, a government intervention by way of subsidized loans (150-200bp lower) or any other favorable scheme can revive the prospects of affordable housing.
- Therefore, while the mid-income/premium segments continue to witness strong demand, a revival in the affordable segment will provide incremental upside potential to our base case expectation of 5-10% volume growth in top-8 cities.



Exhibit 16: Share of affordable segment decreased to 29% in CY23

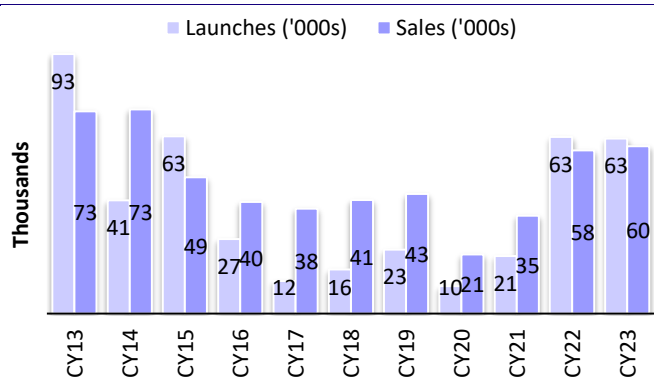


Source: Knight Frank, MOFSL

Few key markets have significant room to catch up

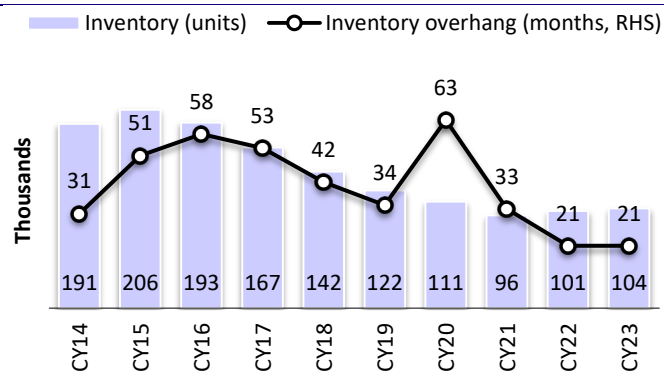
- While industry sales have reached the decadal high level, few key markets are yet to catch up with their historical run rates.
- Bengaluru - Residential unit sales remained flat YoY in CY23 at ~53,000 units and are still marginally shy of CY14 sales of ~56,000 units. Bengaluru is one of the few markets (along with NCR and Chennai) that has not crossed its CY14 sales volumes.
- Chennai – Similarly, despite a pick-up in commercial absorption since the pandemic, housing sales are yet to reach the pre-Covid average run rate of ~17,000 units seen between CY15 and CY19. The city witnessed the highest ever leasing of 9 msf in CY23, and given the aggression by large players like Brigade, Prestige and Sobha, we expect housing volume to grow meaningfully from the current level.
- NCR - Despite the surge in demand since the pandemic, sales in NCR remain ~35% below the peak of ~80,000 units seen in CY12.

Exhibit 17: Sales in NCR were flat YoY



Source: Knight Frank, MOFSL

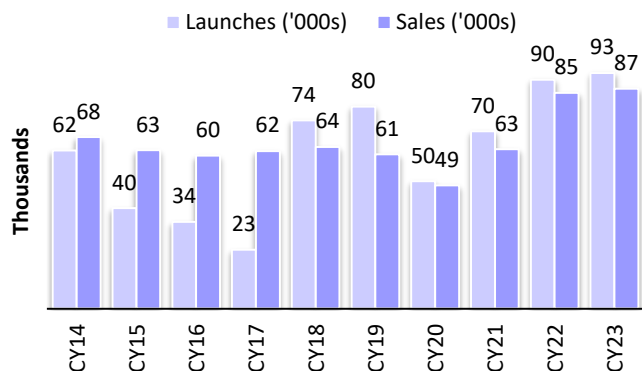
Exhibit 18: Overhang is down to 21 months



Source: Knight Frank, MOFSL

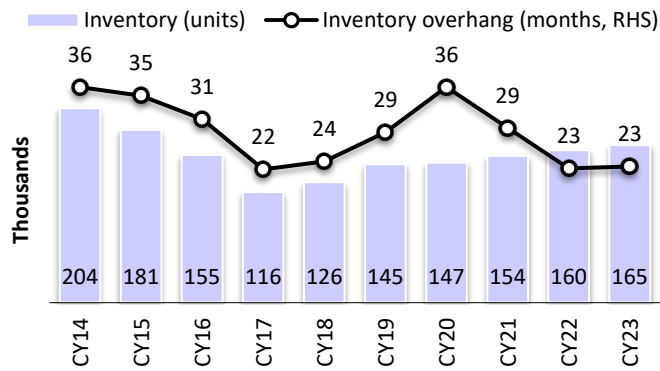


Exhibit 19: Mumbai witnessed marginal growth of 2% YoY in sales



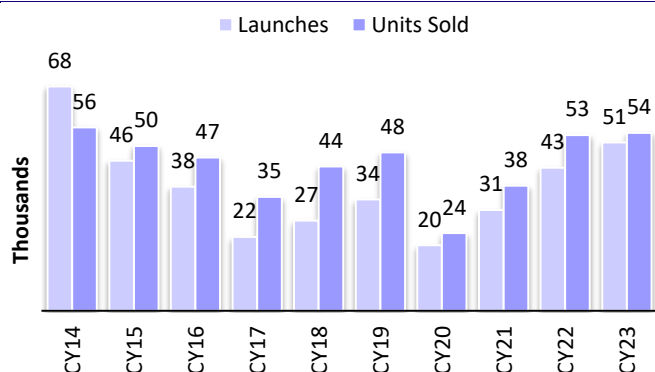
Source: Knight Frank, MOFSL

Exhibit 20: Overhang remains steady at 22 months



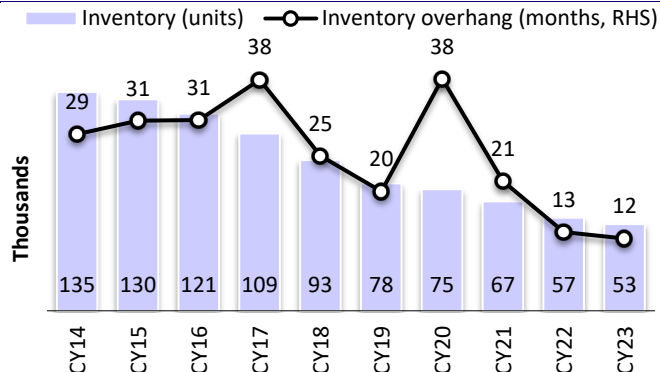
Source: Knight Frank, MOFSL

Exhibit 21: Sales in Bengaluru is still below the previous peak



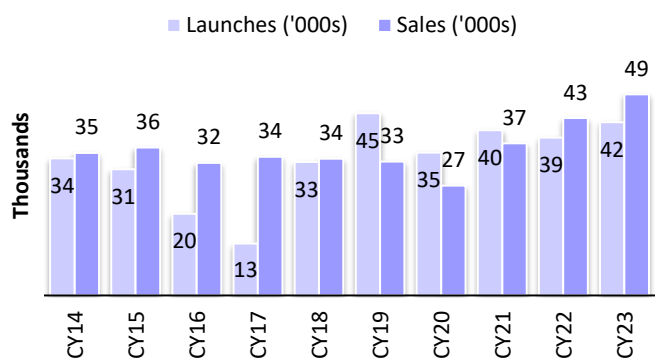
Source: Knight Frank, MOFSL

Exhibit 22: Overhang further declined to 12 months



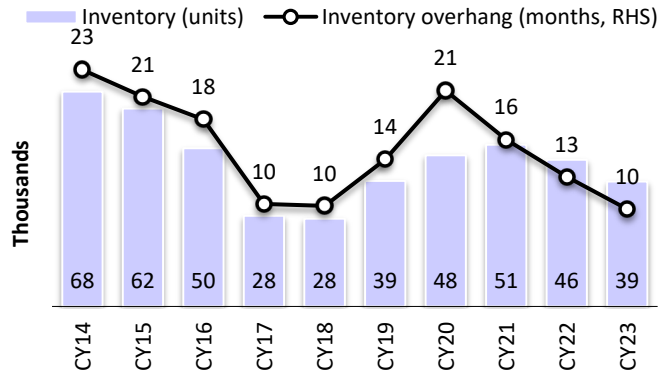
Source: Knight Frank, MOFSL

Exhibit 23: Among the key markets, Pune witnessed highest growth of 13% YoY in CY23



Source: Knight Frank, MOFSL

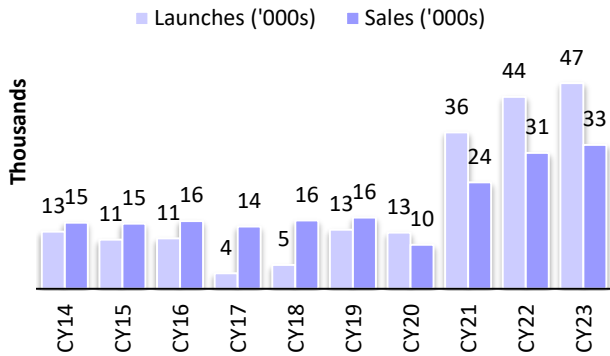
Exhibit 24: It has lowest overhang of 10 months



Source: Knight Frank, MOFSL

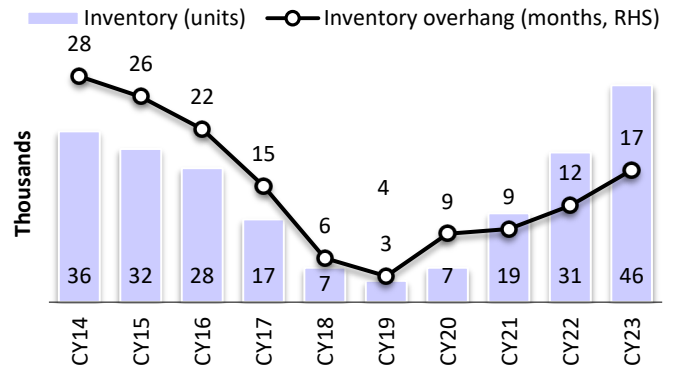


Exhibit 25: Hyderabad has seen sharp demand uptick post pandemic



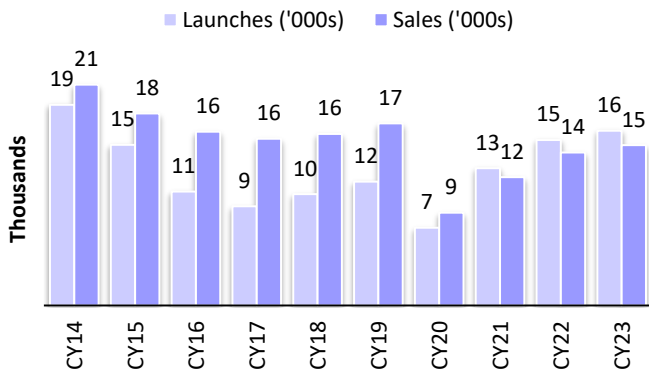
Source: Knight Frank, MOFSL

Exhibit 26: Inventory increased by 45% with overhang reaching 17 months



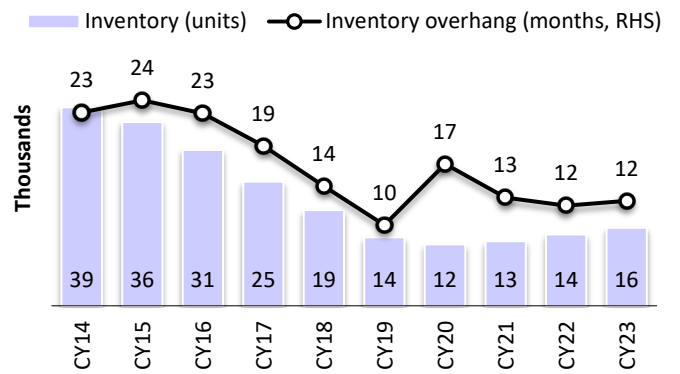
Source: Knight Frank, MOFSL

Exhibit 27: Chennai is yet breach its pre-covid run-rate despite strong office leasing



Source: Knight Frank, MOFSL


Exhibit 28: Inventory level remains healthy with one of the lowest overhang of 12 months

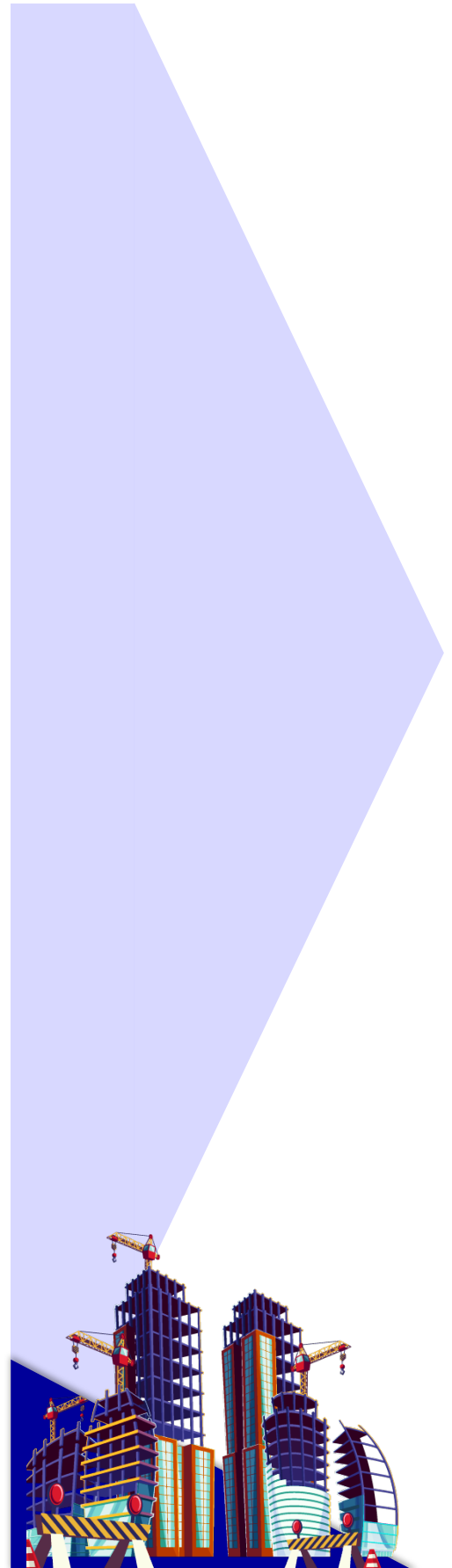


Source: Knight Frank, MOFSL



Companies

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Prestige Estates

BSE SENSEX
70,701

S&P CNX
21,353

CMP: INR1,205
TP: INR1,465 (+22%)
Buy


Bloomberg	PEPL IN
Equity Shares (m)	401
M.Cap.(INRb)/(USD\$b)	482.9 / 5.8
52-Week Range (INR)	1440 / 391
1, 6, 12 Rel. Per (%)	8/108/159
12M Avg Val (INR M)	722

Financials & Valuations (INR b)

Y/E MARCH	FY24E	FY25E	FY26E
Sales	96.1	104.2	114.3
EBITDA	26.8	27.5	31.7
EBITDA Margin (%)	27.9	26.4	27.7
Adj PAT	10.3	7.4	9.6
Cons. EPS (INR)	27.6	19.7	25.5
EPS Growth (%)	170.8	41.2	113.9
BV/Share (INR)	292.0	310.1	333.9

Ratios

Net D:E	0.7	0.8	0.8
RoE (%)	9.9	6.5	7.9
RoCE (%)	10.3	8.2	8.9
Payout (%)	5.8	8.1	6.3

Valuations

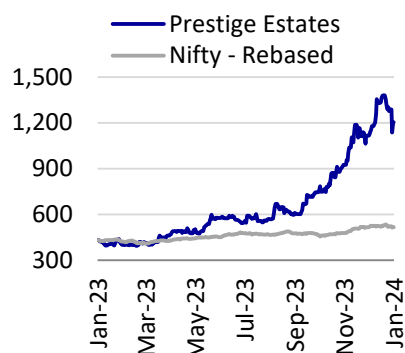
P/E (x)	43.7	61.1	47.3
P/BV (x)	4.1	3.9	3.6
EV/EBITDA (x)	20.6	20.8	18.1
Div. yield (%)	0.1	0.1	0.1

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	65.5	65.5	65.5
DII	13.2	12.8	9.4
FII	18.1	19.5	22.2
Others	3.3	2.6	2.9

FII Includes depository receipts

Stock's performance (one-year)



Scaling up on all fronts

Targeting INR200b pre-sales in FY24 vs. initial guidance of INR160b

Surpassing growth expectations on residential segment

- As per 3QFY24 operational update, PEPL reported bookings of INR163b in 9MFY24, up 81% YoY. It surpassed its initial full-year guidance of INR160b.
- With 33msf of launches scheduled in 4Q across Bengaluru, Mumbai, and Chennai, even if 50% of these materialize, we anticipate PEPL to sustain a quarterly run-rate of INR50-55b, thereby exceeding the revised guidance of INR200b.
- The company also possesses projects worth ~INR500b, capable of sustaining growth for the next two years. Thus, the addition of new projects from this point onward is crucial for sustaining growth and ensuring visibility. We expect the company to allocate an annual spend of INR40-50b on new project additions.

Rental portfolio on track for significant scale-up

- PEPL currently possesses an operational office and retail portfolio of 11 msf, with a total rental potential of INR4.3b. The company is set to deliver 8.7msf of office assets throughout the remainder of FY24 (3.6msf delivered in 3Q). This will scale up the exit rentals to INR7b at PEPL's share.
- It further has 37msf of ongoing and upcoming office and retail assets, which will be delivered over the next four-to-five years and will cumulatively generate INR38b of rental income for the company.
- PEPL has a remaining capex outlay of INR137b for the mentioned projects, indicating an annual cash expenditure of INR30-35b.

Net debt to peak out at INR95-100b at end of FY25

- We expect PEPL to continue to witness a shortfall in cash flows over the next 1-1.5 years as its OCF reaches INR75b in FY25. However, we expect it to further increase to INR92b in FY26 and is expected to match the outflow toward new project investments (INR50b), capex (INR30b), and interest cost (INR10b).
- Thus, we expect net debt to peak out at INR95-100b at the end of FY25, which at ~1x of FY26 OCF should not be a concern.

Valuation and view:

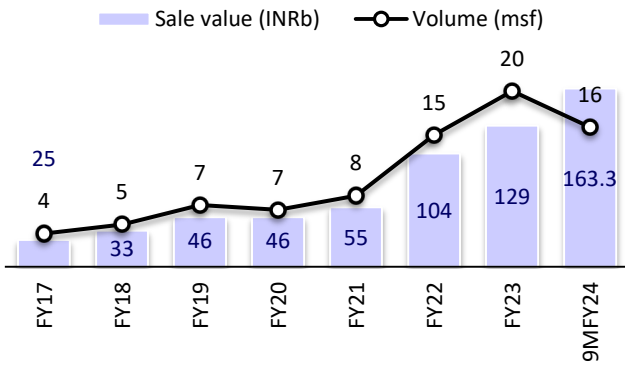
- We believe that as the company enhances growth visibility in its residential segment by expanding its project pipeline and advances on its key commercial projects, a further re-rating is imminent.
- We assume 100msf of project additions (v/s 75msf earlier) to reflect 10-15% pre-sales growth through FY28, considering our base case assumption for upcycle to last for at least three-to-four years. We roll forward the valuation for commercial and hospitality segments to FY26.
- As a result, our TP revises to INR1,465, indicating 22% upside potential. We reiterate our BUY rating on the stock.

Exhibit 1: Our SoTP-based approach denotes 22% upside for PEPL based on CMP; reiterate BUY

NAV calculation	Rationale	INR b	per share (INR)	%
Residential	❖ DCF of five year cash flow at a WACC of 12% and 5% terminal growth	484	1207	82%
Office – Operational	❖ Cap rate of 8.75% for operational assets and DCF for ongoing and planned assets	20	49	3%
Office – Ongoing and Upcoming	❖ Cap rate of 8.75% for operational assets and DCF for ongoing and planned assets	79	196	13%
Retail Malls	❖ Cap rate of 8.75% for operational assets and DCF for ongoing and planned assets	34	84	6%
Hospitality	❖ FY25E EBITDA at 17.5x EV/EBITDA	54	135	9%
Property Management Services	❖ FY25E EBITDA at 10x EV/EBITDA	12	31	2%
Gross Asset Value		683	1703	116%
Less: Net debt	❖ FY25E	(95)	(238)	(16%)
Net Asset Value		587	1,465	100%
CMP			1,205	
Upside			22%	

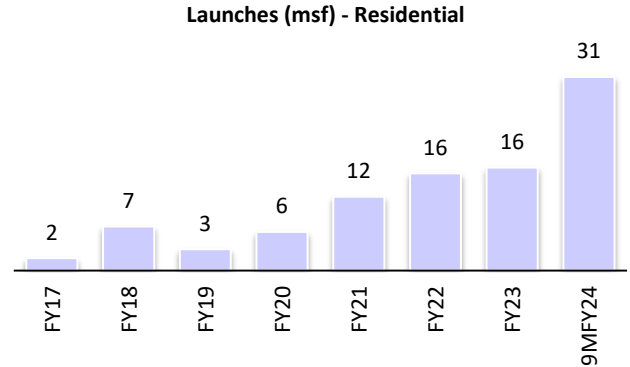
Story in charts

Exhibit 1: Pre-sales increased 81% YoY in 9MFY24...



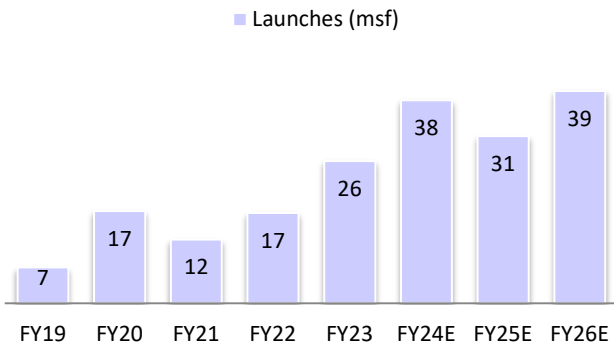
Source: Company, MOFSL

Exhibit 2: ...on account of aggressive new launches



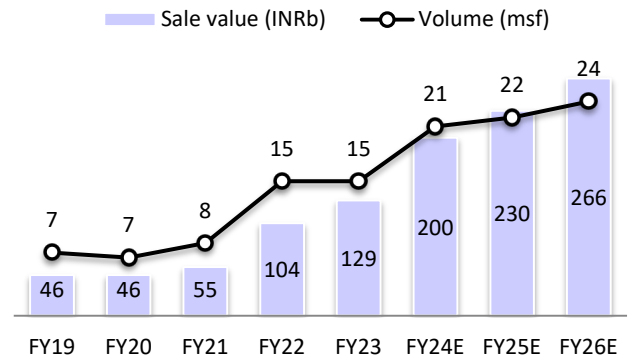
Source: Company, MOFSL

Exhibit 3: Launches to remain elevated...



Source: Company, MOFSL

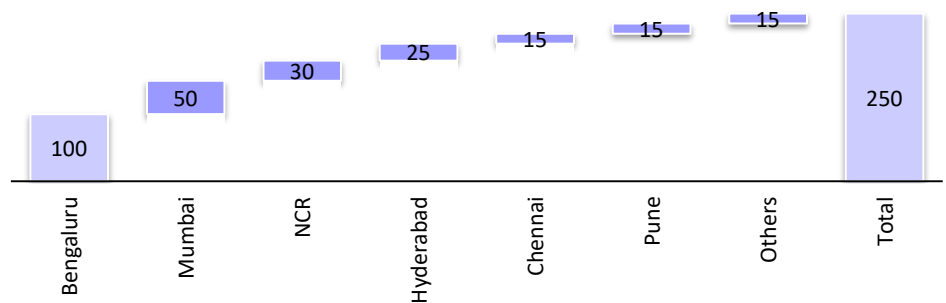
Exhibit 4: ...resulting in a sharp increase in pre-sales from FY24



Source: Company, MOFSL

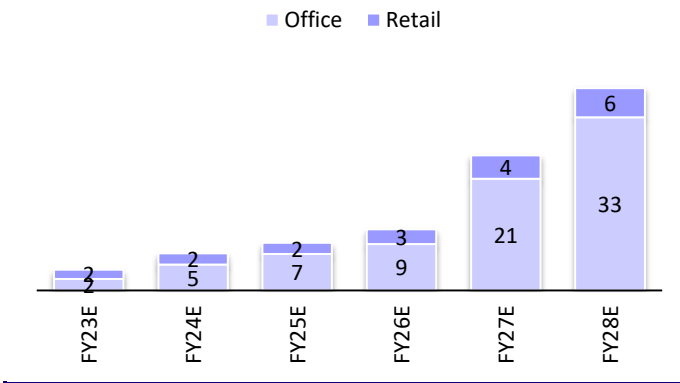
Exhibit 5: PEPL targets INR250b of pre-sales by FY26

Expected market wise sales by FY26



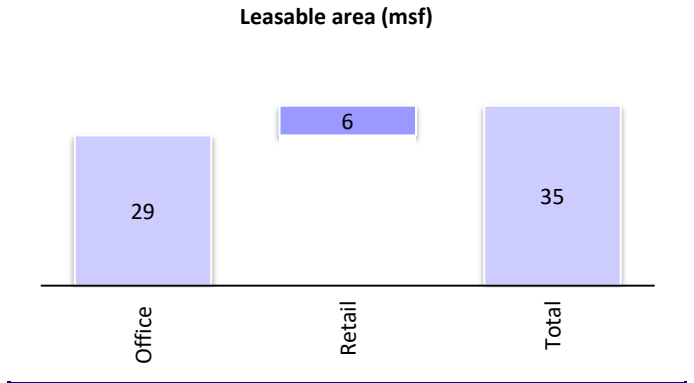
Source: Company, MOFSL

Exhibit 6: PEPL aspires to scale up the annuity rentals to INR38b over the next five years...



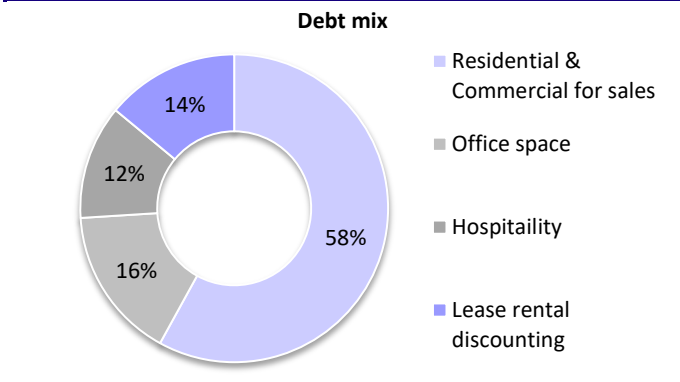
Source: Company, MOFSL

Exhibit 7: ...driven by 35msf addition to its annuity portfolio



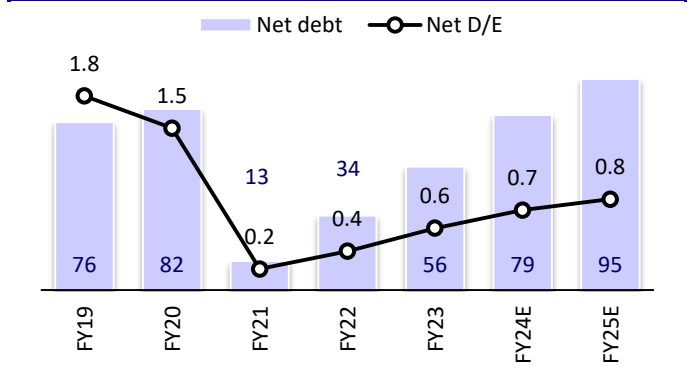
Source: Company, MOFSL

Exhibit 8: Residential segment accounts for 58% of debt



Source: Company, MOFSL

Exhibit 9: Expect debt to peak out at ~INR90b



Source: Company, MOFSL

Financials and valuations

Consolidated Profit & Loss (INR m)

Y/E March	FY21	FY22	FY23	FY24E	FY25E	FY26E
Total Income from Operations	72,644	63,895	83,150	96,071	1,04,178	1,14,313
Change (%)	-10.6	-12.0	30.1	15.5	8.4	9.7
Construction Cost	44,753	38,904	47,244	46,114	59,902	65,387
Employees Cost	4,206	4,510	6,034	6,781	7,353	8,069
Other Expenses	3,963	5,146	9,009	16,332	9,376	9,145
Total Expenditure	52,922	48,560	62,287	69,228	76,632	82,600
% of Sales	72.9	76.0	74.9	72.1	73.6	72.3
EBITDA	19,722	15,335	20,863	26,844	27,546	31,712
Margin (%)	27.1	24.0	25.1	27.9	26.4	27.7
Depreciation	5,926	4,710	6,471	7,262	9,243	10,553
EBIT	13,796	10,625	14,392	19,582	18,303	21,159
Int. and Finance Charges	9,899	5,553	8,066	10,776	10,776	11,064
Other Income	2,374	2,107	4,570	6,725	4,167	4,573
PBT bef. EO Exp.	6,271	7,179	10,896	15,531	11,694	14,668
EO Items	14,698	8,079	3,079	0	0	0
PBT after EO Exp.	20,969	15,258	13,975	15,531	11,694	14,668
Total Tax	5,198	2,945	3,475	3,883	2,923	3,667
Tax Rate (%)	24.8	19.3	24.9	25.0	25.0	25.0
Minority Interest	250	813	1,250	1,313	1,378	1,447
Reported PAT	15,521	11,500	9,250	10,336	7,392	9,554
Adjusted PAT	4,466	4,552	7,213	10,336	7,392	9,554
Change (%)	-14.7	1.9	58.5	43.3	-28.5	29.2
Margin (%)	6.1	7.1	8.7	10.8	7.1	8.4

Consolidated Balance Sheet (INR m)

Y/E March	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	4,009	4,009	4,009	4,009	4,009	4,009
Total Reserves	62,744	86,937	95,744	1,05,478	1,12,269	1,21,222
Net Worth	66,753	90,946	99,753	1,09,487	1,16,278	1,25,231
Minority Interest	4,198	4,523	2,832	2,832	2,832	2,832
Total Loans	36,112	65,130	81,208	91,208	96,208	96,208
Deferred Tax Liabilities	2,688	2,731	3,118	3,118	3,118	3,118
Capital Employed	1,09,751	1,63,330	1,86,911	2,06,645	2,18,436	2,27,389
Gross Block	50,188	75,671	91,370	1,25,403	1,58,997	1,92,769
Less: Accum. Deprn.	12,918	17,628	24,099	31,361	40,604	51,157
Net Fixed Assets	37,270	58,043	67,271	94,042	1,18,394	1,41,612
Goodwill on Consolidation	534	534	534	534	534	534
Capital WIP	27,396	17,246	23,987	19,641	21,810	20,686
Total Investments	9,072	7,724	10,228	10,228	10,228	10,228
Curr. Assets, Loans&Adv.	1,92,917	2,20,894	2,63,809	2,73,523	2,70,335	2,82,624
Inventory	95,805	1,15,667	1,43,671	1,49,835	1,60,611	1,69,727
Account Receivables	13,740	14,196	13,286	18,171	18,552	20,357
Cash and Bank Balance	24,012	21,712	18,146	20,974	5,746	4,519
Loans and Advances	59,360	69,319	88,706	84,543	85,426	88,021
Curr. Liability & Prov.	1,57,438	1,41,111	1,78,918	1,94,467	2,06,009	2,31,441
Account Payables	10,820	9,800	14,514	15,173	16,796	18,104
Other Current Liabilities	1,41,805	1,23,211	1,59,270	1,72,928	1,82,311	2,05,763
Provisions	4,813	8,100	5,134	6,365	6,902	7,574
Net Current Assets	35,479	79,783	84,891	82,201	67,470	54,328
Appl. of Funds	1,09,751	1,63,330	1,86,911	2,06,645	2,18,436	2,27,389

Financials and valuations

Consolidated Cash flow (INR m)

Y/E March	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)						
EPS	11.9	12.1	19.2	27.6	19.7	25.5
Cash EPS	27.7	24.7	36.5	46.9	44.4	53.6
BV/Share	178.0	242.5	266.0	292.0	310.1	333.9
DPS	2.6	1.5	1.5	1.5	1.5	1.5
Payout (%)	8.2	5.2	6.5	5.8	8.1	6.3
Valuation (x)						
P/E	60.7	59.6	37.6	43.7	61.1	47.3
Cash P/E	26.1	29.3	19.8	25.7	27.2	22.5
P/BV	4.1	3.0	2.7	4.1	3.9	3.6
EV/Sales	4.2	5.2	4.2	5.8	5.5	5.0
EV/EBITDA	15.3	21.7	16.9	20.6	20.8	18.1
Dividend Yield (%)	0.4	0.2	0.2	0.1	0.1	0.1
FCF per share	27.3	-3.3	-2.8	4.8	-29.0	18.2
Return Ratios (%)						
RoE	7.4	5.8	7.6	9.9	6.5	7.9
RoCE	10.0	7.9	8.5	10.3	8.2	8.9
RoIC	13.3	10.3	8.6	10.1	8.2	8.5
Working Capital Ratios						
Fixed Asset Turnover (x)	1.4	0.8	0.9	0.8	0.7	0.6
Asset Turnover (x)	0.7	0.4	0.4	0.5	0.5	0.5
Inventory (Days)	481	661	631	569	563	542
Debtor (Days)	69	81	58	69	65	65
Creditor (Days)	54	56	64	58	59	58
Leverage Ratio (x)						
Current Ratio	1.2	1.6	1.5	1.4	1.3	1.2
Interest Cover Ratio	1.4	1.9	1.8	1.8	1.7	1.9
Net Debt/Equity	0.0	0.4	0.6	0.7	0.8	0.8

Consolidated Cash flow (INR m)

Y/E March	FY21	FY22	FY23	FY24E	FY25E	FY26E
OP/(Loss) before Tax	20,719	15,093	14,143	15,531	11,694	14,668
Depreciation	5,926	4,710	6,471	7,262	9,243	10,553
Interest & Finance Charges	9,899	5,553	8,066	4,051	6,609	6,491
Direct Taxes Paid	-2,074	-2,361	-3,288	-3,883	-2,923	-3,667
(Inc)/Dec in WC	545	8,141	-2,418	8,663	-498	11,916
CF from Operations	35,015	31,136	22,974	31,624	24,125	39,961
Others	-16,495	-9,737	-7,579	0	0	0
CF from Operating incl EO	18,520	21,399	15,395	31,624	24,125	39,961
(Inc)/Dec in FA	-7,591	-22,704	-16,502	-29,686	-35,764	-32,647
Free Cash Flow	10,929	-1,305	-1,107	1,938	-11,639	7,314
(Pur)/Sale of Investments	-4,060	-18,144	-9,111	0	0	0
Others	16,562	394	-1,948	6,725	4,167	4,573
CF from Investments	4,911	-40,454	-27,561	-22,961	-31,597	-28,075
Issue of Shares	0	0	0	0	0	0
Inc/(Dec) in Debt	4,812	21,358	17,027	10,000	5,000	0
Interest Paid	-9,847	-5,341	-7,412	-10,776	-10,776	-11,064
Dividend Paid	0	-601	-601	-601	-601	-601
Others	-1,415	568	-3,559	-1,313	-1,378	-1,447
CF from Fin. Activity	-6,450	15,984	5,455	-2,690	-7,756	-13,112
Inc/Dec of Cash	16,981	-3,071	-6,711	5,973	-15,228	-1,226
Opening Balance	7,031	24,012	21,712	15,001	20,974	5,746
Closing Balance	24,012	20,941	15,001	20,974	5,746	4,519

BSE SENSEX 70,701
S&P CNX 21,353



Bloomberg	SOBHA IN
Equity Shares (m)	95
M.Cap.(INRb)/(USDb)	131 / 1.6
52-Week Range (INR)	1578 / 412
1, 6, 12 Rel. Per (%)	34/130/121
12M Avg Val (INR M)	662

Financials & Valuations (INR b)

Y/E Mar	FY24E	FY25E	FY26E
Sales	35.6	42	50.3
EBITDA	4.1	6.3	11.4
EBITDA (%)	11.5	15	22.7
PAT	1.5	3.9	8.1
EPS (INR)	16.1	40.8	83.6
EPS Gr. (%)	48.6	154.1	104.7
BV/Sh. (INR)	271.7	309.1	389.2

Ratios

Net D/E	0.5	0.4	0.2
RoE (%)	6.1	14.1	23.9
RoCE (%)	7.7	11.9	19.6
Payout (%)	21.4	8.4	4.1

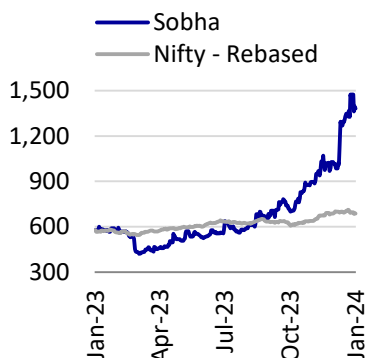
Valuations

P/E (x)	64	25.2	12.3
P/BV (x)	3.8	3.3	2.6
EV/EBITDA (x)	26.8	17.2	9.3
Div Yield (%)	0.3	0.3	0.3

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	52.3	52.3	52.0
DII	17.2	15.0	13.8
FII	11.1	11.2	15.1
Others	19.4	22.8	19.2

Stock's performance (one-year)



CMP: INR1,382 **TP: INR1,700 (+23%)** **Buy**

Set for accelerated growth

Strong pipeline to support pre-sales growth

- The company has outlined 15msf of launches, of which, 3-4msf was launched in 3QFY24, and the remaining will be launched over the next one and a half years.
- Through its vast land reserves of ~200msf, SOBHA aims to launch 30-40msf of projects over the next three to four years. These launches also include the preliminary phase of the company's projects on its large land parcels in Hosur (Tamil Nadu) and Hoskote (Bengaluru).
- We expect SOBHA to scale up launches to 9-10msf by FY26, which will lead to a 19% CAGR in pre-sales to INR100b through FY24-26.

Fund raise to drive accelerated growth

- Over the last two years, the company had prioritized debt reduction, while also focusing on growth initiatives. With leverage now down to 0.6x of equity, the company is now focusing on scaling up its business.
- It is not only looking to significantly unlock its existing land potential, but also acquire projects beyond its land reserves. In order to capitalize on the consolidation opportunity, the company is planning to raise fresh equity capital of up to INR20b (via rights issue). This strategy will equip them with the necessary financial strength to chase aggressive growth should the opportunity persist.
- It will now have three strong growth levers: a) Unlocking of investments already made in the land bank, b) utilizing cash generated from the existing pipeline, and c) fresh equity capital.

Margin improvement to allay concerns

- EBITDA margins dropped to 11% in FY23 from 21% in FY22 as EBIT margins for the residential segment halved to 23%. The contractual segment managed to breakeven at the operating level, owing to the impact of sharp inflation.
- Margin contraction, especially in the residential segment, despite pricing 10-15% premium over its peers, has been one of the key concerns for investors. Thus, margin improvement will be one of the key re-rating triggers.
- EBIT margins for the contractual segment have now stabilized at 15% (in 2QFY24) as guided by the company. The residential segment's EBITDA margin is expected to recover to 25-30% in 4QFY24.

Valuation and view

- We believe that as the company unlocks its vast land reserves and explores growth opportunities beyond its existing land bank, it will provide further growth visibility.

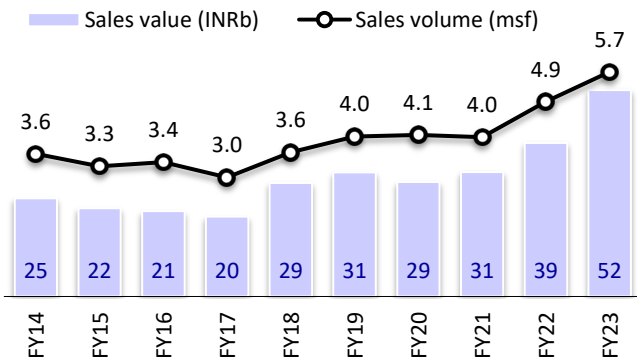
- The proposed fund raise along with renowned focus on profitability will enable it to deliver all-round performance over the next few years.
- At CMP, SOBHA's ~200msf land is valued at INR38b vs. our arrived value of INR60b, assuming 25-75 years of monetization. The company trades at 6.5x FY25E EV/EBITDA (based on FY25E pre-sales), which is 25-40% discount to its comparable midcap/smallcap peers (PEPL, BRGD, MLDL, Sunteck).
- In-line with company's recent performance, we incorporate higher realization at Bengaluru, Chennai and Kochi and also lower the monetization timeline for Thrissur land.
- We reiterate our BUY rating on the stock with a revised TP of INR1,700, indicating 22% upside potential.

Exhibit 1: Our SoTP-based approach denotes 22% upside for SOBHA based on CMP; maintain Buy rating

NAV Summary	Description	INR b	Per Share	% of NAV
Ongoing projects	❖ INR33b of net cash surplus ex. overheads discounted at a WACC of 11.2% over next five years	27	280	16%
Future projects	❖ ~15msf unreleased ongoing and upcoming pipeline discounted over five years at a WACC of 11.2%	34	362	21%
Value of residential business		61	642	38%
Commercial properties	❖ Operational assets valued at cap rate of 8.5% and ongoing projects through DCF	9	96	6%
Land Bank (net of cost payable)	❖ Cash flow potential from 195msf land bank discounted at WACC of 11.3% over 25-75yrs depending on size of land parcel	88	930	55%
Contractual and manufacturing	❖ FY24E EBITDA at EV/EBITDA of 10x	15	158	9%
Gross Asset value		173	1,826	107%
Net Debt	❖ FY24E Net-debt	(12)	(126)	-7%
Net asset value		161	1,700	100%
Shares O/S		94.8		
Price Objective		1,700		
CMP		1,397		
Upside		22%		

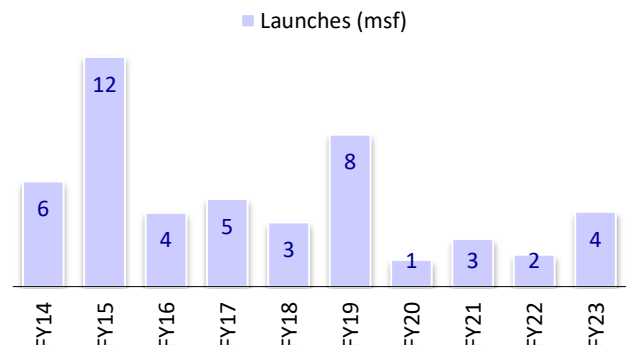
Story in charts

Exhibit 1: Sales have sharply improved over the last three years



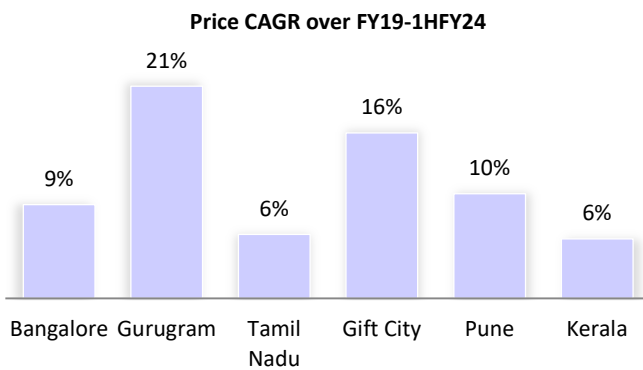
Source: Company, MOFSL

Exhibit 2: Company also witnessed a gradual rise in new launches since FY20



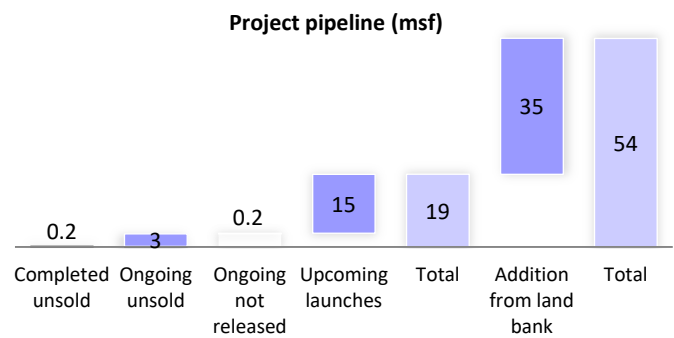
Source: Company, MOFSL

Exhibit 3: Growth was witnessed across markets



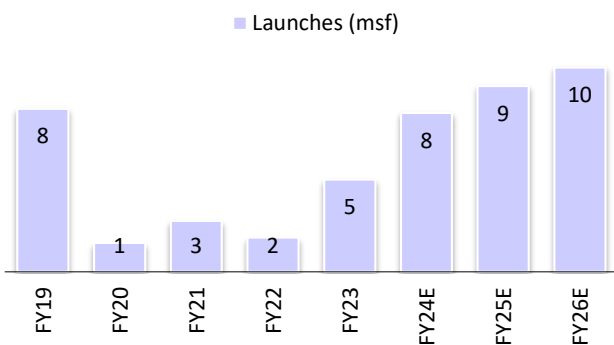
Source: MOFSL, Company

Exhibit 4: SOBHA has pipeline of 19msf (including 3msf of inventory) and it can increase to over 50msf if we consider the addition from captive land



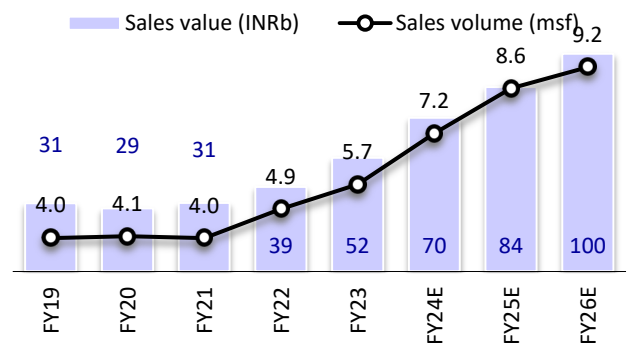
Source: MOFSL, Company

Exhibit 5: Expect SOBHA to release 8-10msf annually over the next two-to-three years



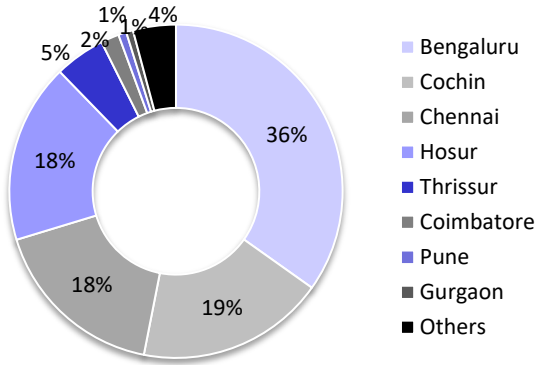
Source: Company, MOFSL

Exhibit 6: Pre-sales can increase to over INR100b by FY26



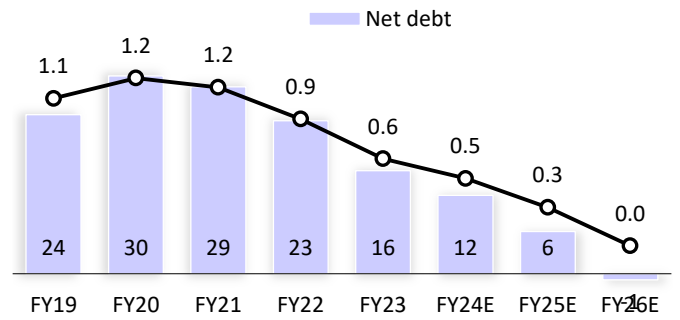
Source: Company, MOFSL

Exhibit 7: SOBHA owns large land parcels in key markets such as Bengaluru, Kochi, Chennai, and Hosur



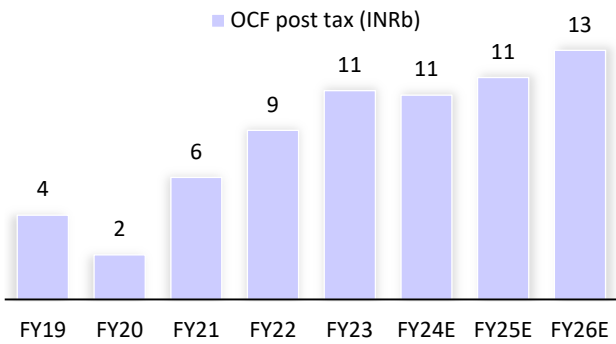
Source: Company, MOFSL

Exhibit 8: Expect net debt to reduce to INR7b by FY25 or 0.3x of equity



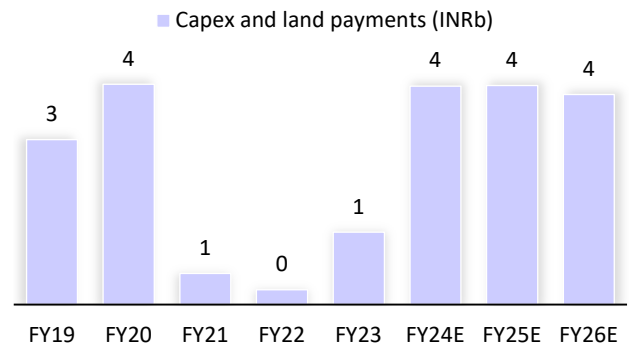
Source: Company, MOFSL

Exhibit 9: Expect SOBHA to generate OCF of INR13b by FY26



Source: Company, MOFSL

Exhibit 10: Land spends can increase to INR3-4b/year



Source: Company, MOFSL

Financials and Valuation

Consolidated Profit & Loss

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Total Income from Operations	34,421	37,539	21,098	25,613	33,101	35,563	41,991	50,333
Change (%)	23.5	9.1	-43.8	21.4	29.2	7.4	18.1	19.9
Project Cost & Subcontractor Charges	20,865	20,183	9,281	14,129	21,022	22,760	26,035	27,683
Employees Cost	2,359	2,464	1,771	2,512	2,945	3,378	3,359	3,695
Other Expenses	4,464	3,740	3,294	3,644	5,440	5,334	6,299	7,550
Total Expenditure	27,688	26,386	14,346	20,285	29,407	31,473	35,693	38,929
% of Sales	80.4	70.3	68.0	79.2	88.8	88.5	85.0	77.3
EBITDA	6,733	11,152	6,752	5,328	3,694	4,090	6,299	11,405
Margin (%)	19.6	29.7	32.0	20.8	11.2	11.5	15.0	22.7
Depreciation	623	723	794	719	678	753	787	829
EBIT	6,110	10,429	5,958	4,609	3,016	3,337	5,511	10,576
Int. and Finance Charges	2,362	6,816	6,012	3,083	2,490	2,466	1,607	1,340
Other Income	735	718	807	840	923	1,245	1,470	1,762
PBT bef. EO Exp.	4,482	4,331	752	2,366	1,449	2,115	5,374	10,998
EO Items	0	0	0	0	0	0	0	0
PBT after EO Exp.	4,482	4,331	752	2,366	1,449	2,115	5,374	10,998
Total Tax	1,512	1,515	129	634	407	567	1,440	2,947
Tax Rate (%)	33.7	35.0	17.2	26.8	28.1	26.8	26.8	26.8
Minority Interest	0	0	0	0	0	0	0	0
Reported PAT	2,970	2,816	623	1,732	1,042	1,548	3,934	8,051
Adjusted PAT	2,970	2,816	623	1,732	1,042	1,548	3,934	8,051
Change (%)	37.0	-5.2	-77.9	177.8	-39.8	48.6	154.1	104.7
Margin (%)	8.6	7.5	3.0	6.8	3.1	4.4	9.4	16.0

Consolidated Balance Sheet

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	949	949	949	949	949	949	949	949
Total Reserves	21,343	23,364	23,329	24,157	23,999	25,215	28,817	36,536
Net Worth	22,291	24,312	24,277	25,106	24,948	26,164	29,766	37,485
Minority Interest	0	0	0	0	0	0	0	0
Total Loans	26,039	31,308	30,031	24,630	20,269	16,269	13,769	11,269
Deferred Tax Liabilities	-935	291	342	151	0	0	-826	-494
Capital Employed	47,395	55,911	54,650	49,887	45,217	42,433	42,709	48,260
Gross Block	8,713	11,737	11,892	12,384	12,488	12,940	13,648	14,332
Less: Accum. Deprn.	2,063	2,764	3,558	4,277	4,955	5,708	6,496	7,324
Net Fixed Assets	6,650	8,973	8,334	8,107	7,533	7,232	7,153	7,008
Goodwill on Consolidation	127	222	0	0	0	0	0	0
Capital WIP	0	0	701	65	86	400	468	403
Total Investments	1,128	1,143	1,143	1,149	1,149	1,149	1,149	1,149
Curr. Assets, Loans&Adv.	98,557	99,765	1,01,924	1,04,779	1,15,596	1,14,890	1,16,546	1,23,402
Inventory	65,173	67,045	71,246	74,271	87,610	88,124	91,921	90,656
Account Receivables	3,271	3,605	2,361	4,069	2,375	2,923	2,876	2,758
Cash and Bank Balance	1,772	884	2,041	1,783	4,514	4,284	2,853	2,304
Loans and Advances	28,341	28,231	26,275	24,656	21,097	19,560	18,896	27,683
Curr. Liability & Prov.	59,067	54,191	57,452	64,214	80,541	84,347	85,715	86,810
Account Payables	11,369	9,578	7,318	6,753	5,987	9,485	10,757	11,732
Other Current Liabilities	46,872	44,048	49,844	57,131	74,122	74,403	74,417	74,429
Provisions	826	565	290	330	432	458	541	649
Net Current Assets	39,490	45,573	44,473	40,565	36,449	33,163	33,450	39,211
Misc Expenditure	0	0	0	0	0	0	0	0
Appl. of Funds	47,395	55,911	54,650	49,886	45,217	41,944	42,220	47,770

Financials and valuations

Ratios								
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)								
EPS	30.8	29.2	6.5	18.0	10.8	16.1	40.8	83.6
Cash EPS	37.3	36.7	14.7	25.4	17.9	23.9	49.0	92.2
BV/Share	231.5	252.4	252.1	260.7	259.0	271.7	309.1	389.2
DPS	7.0	7.0	7.0	3.5	3.0	3.5	3.5	3.5
Payout (%)	23.7	25.0	106.5	19.2	27.3	21.4	8.4	4.1
Valuation (x)								
P/E	33.4	35.2	159.0	57.2	95.1	64.0	25.2	12.3
Cash P/E	27.6	28.0	69.9	40.4	57.6	43.1	21.0	11.2
P/BV	4.4	4.1	4.1	3.9	4.0	3.8	3.3	2.6
EV/Sales	3.5	3.4	6.0	4.7	3.4	3.1	2.6	2.1
EV/EBITDA	18.1	11.5	18.6	22.6	30.7	26.8	17.2	9.3
Dividend Yield (%)	0.7	0.7	0.7	0.3	0.3	0.3	0.3	0.3
FCF per share	10.8	-4.2	60.3	99.7	108.3	58.9	16.1	19.5
Return Ratios (%)								
RoE	11.9	12.1	2.6	7.0	4.2	6.1	14.1	23.9
RoCE	9.1	13.9	10.2	7.7	6.0	7.7	11.9	19.6
RoIC	8.5	13.8	9.4	6.9	5.0	6.4	10.8	18.7
Working Capital Ratios								
Fixed Asset Turnover (x)	4.0	3.2	1.8	2.1	2.7	2.7	3.1	3.5
Asset Turnover (x)	0.7	0.7	0.4	0.5	0.7	0.8	1.0	1.1
Inventory (Days)	691	652	1,233	1,058	966	904	799	657
Debtor (Days)	35	35	41	58	26	30	25	20
Creditor (Days)	121	93	127	96	66	97	94	85
Leverage Ratio (x)								
Current Ratio	1.7	1.8	1.8	1.6	1.4	1.4	1.4	1.4
Interest Cover Ratio	2.6	1.5	1.0	1.5	1.2	1.4	3.4	7.9
Net Debt/Equity	1.1	1.3	1.2	0.9	0.6	0.5	0.4	0.2

Consolidated Cash flow

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
OP/(Loss) before Tax	4,482	4,332	752	2,366	1,449	2,115	5,374	10,998
Depreciation	623	723	652	719	678	753	787	829
Interest & Finance Charges	1,760	6,165	6,012	7,497	2,490	2,466	1,607	1,340
Direct Taxes Paid	-882	-1,063	-266	-515	-679	-1,737	-2,266	-2,615
(Inc)/Dec in WC	-3,942	-7,785	-789	-409	7,635	3,999	-1,731	-6,322
CF from Operations	2,043	2,372	6,361	9,658	11,573	7,597	3,771	4,230
Others	18	244	-231	-661	-71	-1,245	-1,470	-1,762
CF from Operating incl EO	2,061	2,616	6,130	8,997	11,502	6,352	2,301	2,468
(Inc)/Dec in FA	-1,040	-3,011	-414	461	-1,234	-766	-777	-618
Free Cash Flow	1,021	-395	5,716	9,458	10,268	5,587	1,525	1,849
(Pur)/Sale of Investments	-111	-19	0	-6	-1,327	0	0	0
Others	529	371	82	-85	192	1,245	1,470	1,762
CF from Investments	-621	-2,659	-332	370	-2,369	479	693	1,143
Issue of Shares	0	0	0	0	0	0	0	0
Inc/(Dec) in Debt	2,706	3,255	-756	-5,595	-5,198	-4,000	-2,500	-2,500
Interest Paid	-2,768	-3,299	-3,391	-2,916	-2,247	-2,185	-1,593	-1,328
Dividend Paid	-663	-664	-664	-332	-285	-332	-332	-332
Others	-137	-137	-23	0	0	0	0	0
CF from Fin. Activity	-862	-844	-4,834	-8,843	-7,730	-6,517	-4,425	-4,159
Inc/Dec of Cash	578	-887	964	524	1,403	314	-1,431	-548
Opening Balance	1,194	1,772	1,078	2,042	2,566	3,969	4,284	2,853
Closing Balance	1,772	884	2,042	2,566	3,969	4,284	2,853	2,304

BSE SENSEX 70,701
S&P CNX 21,353



Bloomberg	DLFU IN
Equity Shares (m)	2475
M.Cap.(INRb)/(USDb)	1877.9 / 22.6
52-Week Range (INR)	816 / 337
1, 6, 12 Rel. Per (%)	6/50/96
12M Avg Val (INR M)	2500

Financials & Valuations (INR b)

Y/E MARCH	FY24E	FY25E	FY26E
Sales	62.2	73.8	79.6
EBITDA	19.9	26.7	30.5
EBITDA Margin (%)	32.0	36.2	38.3
Adj PAT	25.5	40.1	44.7
Cons. EPS (INR)	10.3	16.2	18.1
EPS Growth (%)	53.2	42.0	75.5
BV/Share (INR)	221.4	239.7	260.6

Ratios

Net D:E	-0.1	-0.1	-0.1
RoE (%)	6.6	9.7	10.0
RoCE (%)	4.2	5.3	5.5
Payout (%)	29.1	18.5	16.6

Valuations

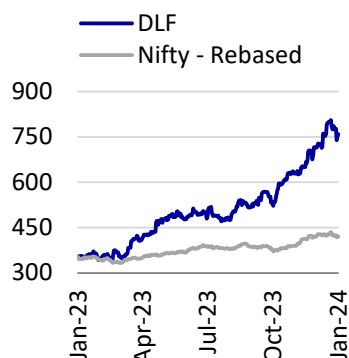
P/E (x)	73.7	46.8	42.0
P/BV (x)	3.4	3.2	2.9
EV/EBITDA (x)	91.9	69.4	60.1
Div. Yield (%)	0.4	0.4	0.4

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	74.1	74.1	75.0
DII	5.5	5.3	5.1
FII	15.8	15.9	14.8
Others	4.7	4.9	5.1

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR759

TP: INR740 (-2%)

Neutral

Strong launch pipeline to drive near term growth...

...but valuations already factor in growth and healthy price CAGR

Pre-sales to be flat in FY24; launch pipeline provides growth visibility

- DLF reported the highest ever quarterly sales in 3QFY24 with bookings of INR90.5b, up four-fold YoY/QoQ. With this, the cumulative bookings for 9MFY24 stood at INR133b, surpassing the company's full-year guidance of INR130b. In the absence of any new launches in 4QFY24, we expect pre-sales to end FY24 with YoY flat pre-sales of INR155b.
- However, the company has scaled up its launch pipeline and expects to launch 26msf of residential projects worth INR700b over the next 2-3 years. With the majority of these launches in Gurugram, we anticipate a healthy sales traction and expect pre-sales to reach INR250b by FY26, achieving a 27% CAGR over FY24-26.
- Our last interaction with the management indicated that the company aims for a 12-15% CAGR in pre-sales over the near term and it is unlocking its 187msf land pipeline accordingly.

Amendment to SEZ de-notification would drive a rise in occupancy

- DLF has 1.7msf of vacant SEZ space (excluding Silokhera), which constitutes 50% of the total vacant space in the portfolio. With the non-SEZ portfolio being 97% occupied, the recent amendment to the SEZ Act, which allows floor-by-floor de-notification of SEZ space, would lead to a rise in near-term occupancy.
- The first phase of Downtown Chennai (2.3msf), which is fully leased (including 0.4msf of hard option), will commence rentals beginning in FY25. The second phase has been leased to Standard Chartered, which will be delivered at the end of FY25, along with the second phase of Downtown Gurugram.
- Thus, exit rentals are expected to reach INR57b for DCCDL's rental portfolio, leading to an 11% CAGR in rentals over FY24-26E.

Valuation and view

- We raise our FY25E pre-sales by 46% to INR200b and expect FY26E pre-sales to be INR250b as we incorporate the upcoming launch pipeline.
- Its vast land reserves continue to provide growth visibility. However, our assumption of 12-13 years of monetization timeline for its balance 160msf of land bank (including TOD potential) sufficiently incorporates this growth.
- We estimate a 8-10% CAGR in prices across its key markets of Gurugram, New Gurugram, Delhi, and Chandigarh. Based on above assumptions we value the land at INR790b. The current valuation already implies INR 835b of value for its land indicating limited upside potential.
- We incorporate higher realization for its New Gurugram land and tweak our monetization assumption to incorporate its aggressive launch pipeline as indicated by the company. We revise our TP to INR740, indicating 2% downside potential. **Reiterate our Neutral rating.**

Exhibit 1: Our SoTP-based valuation approach for DLF implies fair valuation

Segment	Rationale	Value (INR b)	Per share	as % of NAV
DLF - Devco		1,250	505	68%
Residential - Completed projects	❖ Inventory of 32bn + Receivables of 6bn - pending construction cost of 1-2bn discounted over two years at WACC of 12.5%	42	17	2%
Upcoming launches	❖ 41msf of launch pipeline with revenue potential of INR 560bn (DLF stake) at 50-55% cash flow margin discounted over 5-6 years at 12.5% WACC	319	129	17%
Commercial - Operational	❖ Mar'26E EBITDA of ~INR2.7bn at cap rate of 8%	41	16	2%
Commercial - Ongoing/Upcoming	❖ Value of upcoming office and retail assets based on DCF at 12.5% WACC	62	25	3%
Land bank - development	❖ Carries a book value of ~INR150bn and recorded in inventory	787	318	43%
DCCDL	❖	675	273	37%
Commercial - Operational	❖ Mar'26E EBITDA of ~INR48bn at cap rate of 8%	474	192	26%
Commercial - Upcoming	❖ Based on DCF with terminal value calculated using rental at stabilized state, discounted using WACC of 10%	36	14	2%
Land bank - DCCDL	❖ Carries a book value of ~INR77bn at DLF stake	166	67	9%
Total GAV		1,926	778	105%
Less: Net debt		(96)	(39)	(5%)
Total NAV		1,830	739	100%
No.of shares (mn)		2475		
NAV per share		740		
CMP		759		
Upside potential		-2%		

Source: MOFSL, Company

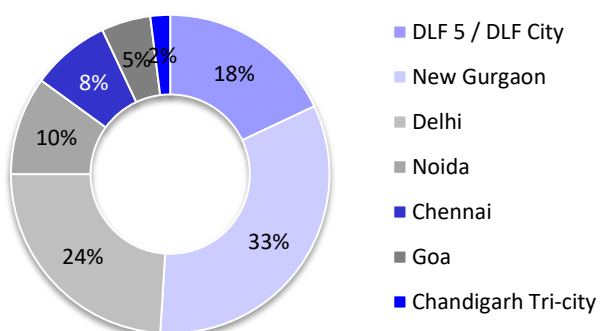
Key exhibits

Exhibit 1: Company has unveiled additional 16msf of pipeline and plans to launch 10msf worth INR320b in FY25

Projects	Initial Guidance		Launched till FY23		Planned FY24		Total till FY24		Planned FY25		Beyond FY25	
	Size (msf)	Value (INRb)	Size (msf)	Value (INRb)	Size (msf)	Value (INRb)	Size (msf)	Value (INRb)	Size (msf)	Value (INRb)	Size (msf)	Value (INRb)
Luxury Segment	10	125	10	152	0	0	10	152	6	242	5	150
Midtown, DLF-GIC JV	8	175	2	44	-	-	2	44	0	0	3	75
Premium/value homes	9	50	5	31	5	84	10	114	4	73	9	150
Commercial	2	25	1	13	1	15	2	28	0	5	0	5
Atrium Place (Hines JV)	3	70	-	-	-	-	-	-	0	0	3	70
NOIDA IT Park	4	25	-	-	1	7	1	7	0	0	3	19
Total	35	470	18	240	7	105	25	346	10	320	22	469
Cumulative									35	666	57	1134

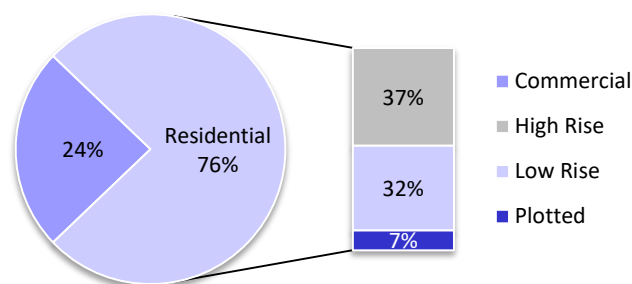
Source: Company, MOFSL

Exhibit 1: Around 85% of its projects are in its home market of Delhi NCR, with launches planned in Chennai, Chandigarh, and Goa



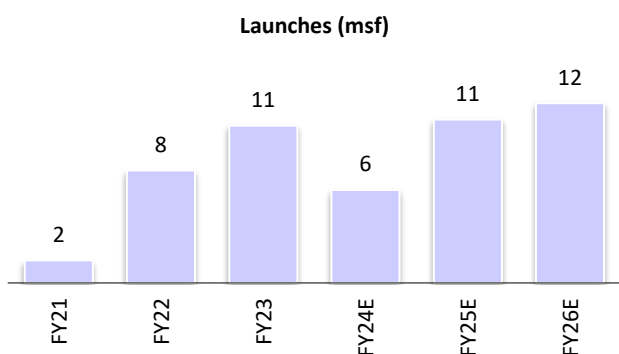
Source: Company, MOFSL

Exhibit 2: Diverse products across fast turnaround low-rise projects as well as flagship premium high-rise projects



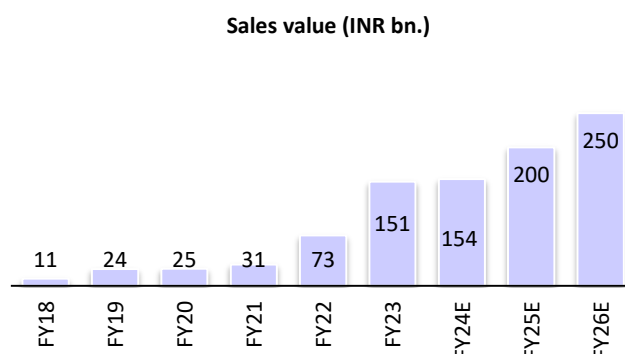
Source: Company, MOFSL

Exhibit 3: DLF will launch 11msf of projects in FY24...



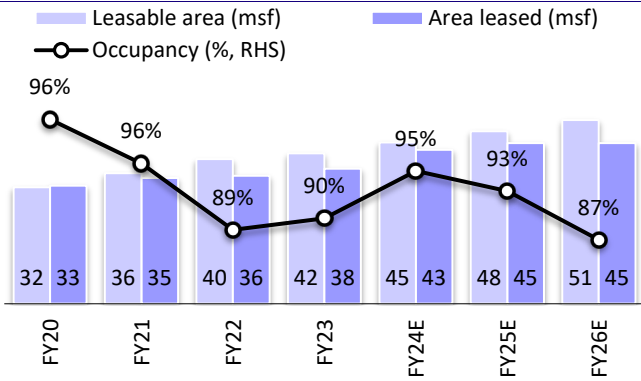
Source: MOFSL, Company

Exhibit 4: ...and we expect it to sustain its sales momentum



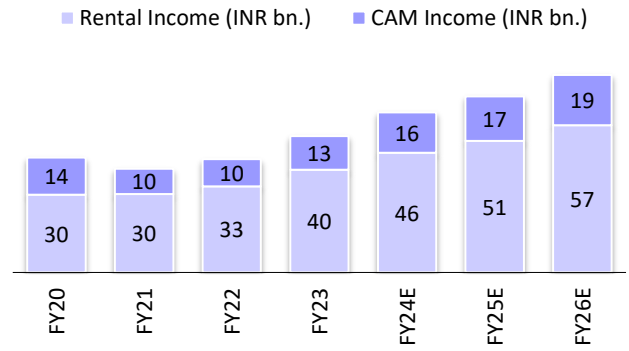
Note: FY25E will be revised post the pipeline visibility beyond FY24
Source: MOFSL, Company

Exhibit 5: Portfolio to expand to ~50msf by FY26



Source: Company, MOFSL

Exhibit 6: Expect rentals to post 11% CAGR to INR57b through FY24-FY26



Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Total Income from Operations	60,828	54,141	57,174	56,948	62,180	73,767	79,557
Change (%)	-27.3	-11.0	5.6	-0.4	9.2	18.6	7.8
Total Expenditure	49,478	39,963	39,748	39,690	42,293	47,046	49,061
% of Sales	81.3	73.8	69.5	69.7	68.0	63.8	61.7
EBITDA	11,350	14,178	17,426	17,259	19,887	26,720	30,496
Margin (%)	18.7	26.2	30.5	30.3	32.0	36.2	38.3
Depreciation	2,003	1,595	1,494	1,486	1,566	1,616	1,666
EBIT	9,347	12,583	15,932	15,773	18,321	25,104	28,829
Int. and Finance Charges	14,269	8,534	6,246	3,921	3,495	1,843	2,135
Other Income	8,054	5,308	4,205	3,173	4,664	4,795	5,171
PBT bef. EO Exp.	3,131	9,358	13,891	15,024	19,490	28,056	31,865
EO Items	3,403	-962	-2,244	0	0	0	0
PBT after EO Exp.	6,535	8,396	11,647	15,024	19,490	28,056	31,865
Total Tax	21,327	3,623	3,210	4,015	4,904	7,059	8,017
Tax Rate (%)	326.4	43.2	27.6	26.7	25.2	25.2	25.2
Minority Interest	-8,960	-6,163	-6,567	-9,330	-10,896	-19,086	-20,876
Reported PAT	-5,832	10,936	15,004	20,340	25,482	40,083	44,724
Adjusted PAT	1,872	11,483	16,629	20,340	25,482	40,083	44,724
Change (%)	-85.8	513.4	44.8	22.3	25.3	57.3	11.6
Margin (%)	3.1	21.2	29.1	35.7	41.0	54.3	56.2

Consolidated - Balance Sheet

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	4,951	4,951	4,951	4,951	4,951	4,951	4,951
Total Reserves	3,39,517	3,48,489	3,58,672	3,71,925	3,89,981	4,22,638	4,59,936
Net Worth	3,44,467	3,53,439	3,63,623	3,76,875	3,94,931	4,27,589	4,64,887
Minority Interest	184	203	195	44	44	44	44
Total Loans	81,025	66,634	41,818	33,340	13,259	15,102	17,747
Deferred Tax Liabilities	2,465	5,408	21,416	25,743	25,743	25,743	25,743
Capital Employed	4,28,142	4,25,684	4,27,051	4,36,002	4,33,977	4,68,478	5,08,421
Gross Block	23,642	21,313	21,780	20,434	22,034	23,634	25,234
Less: Accum. Deprn.	7,171	7,730	9,224	10,710	12,276	13,892	15,559
Net Fixed Assets	16,472	13,582	12,556	9,723	9,757	9,741	9,675
Investment Property	25,955	25,545	26,626	28,688	28,688	28,688	28,688
Goodwill on Consolidation	9,443	9,443	9,443	9,443	9,443	9,443	9,443
Capital WIP	887	942	811	611	3,230	5,849	8,467
Total Investments	1,85,658	1,96,455	1,97,795	1,94,811	2,05,707	2,24,794	2,45,670
Curr. Assets, Loans&Adv.	3,20,155	2,86,835	2,77,810	2,96,004	2,95,565	3,32,116	3,66,664
Inventory	2,24,862	2,10,866	2,01,075	1,93,612	1,44,803	1,81,890	1,85,269
Account Receivables	7,204	5,813	5,636	5,492	5,997	7,114	7,673
Cash and Bank Balance	24,204	14,069	9,316	22,747	63,801	39,838	62,343
Loans and Advances	63,884	56,087	61,783	74,152	80,964	1,03,273	1,11,379
Curr. Liability & Prov.	1,30,426	1,07,118	97,988	1,03,278	1,18,413	1,42,152	1,60,186
Account Payables	10,563	12,345	23,229	24,379	27,230	30,290	31,587
Other Current Liabilities	1,18,395	93,727	73,820	78,041	90,161	1,10,650	1,27,291
Provisions	1,469	1,046	940	858	1,022	1,212	1,308
Net Current Assets	1,89,728	1,79,717	1,79,822	1,92,726	1,77,152	1,89,964	2,06,479
Misc Expenditure	0	0	0	0	0	0	0
Appl. of Funds	4,28,142	4,25,684	4,27,051	4,36,002	4,33,977	4,68,478	5,08,421

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)							
EPS	1.0	4.6	6.7	11.4	10.3	16.2	18.1
Cash EPS	2.2	7.3	10.2	12.2	15.2	23.4	26.0
BV/Share	193.1	198.1	203.8	211.3	221.4	239.7	260.6
DPS	0.0	2.0	3.0	4.0	3.0	3.0	3.0
Payout (%)	0.0	45.3	49.5	48.7	29.1	18.5	16.6
Valuation (x)							
P/E	537.5	121.6	84.0	49.5	73.7	46.8	42.0
Cash P/E	259.7	76.9	55.5	46.1	50.0	32.5	29.2
P/BV	2.9	2.8	2.8	2.7	3.4	3.2	2.9
EV/Sales	17.5	26.8	25.0	24.7	29.4	25.1	23.0
EV/EBITDA	93.7	102.2	82.0	81.5	91.9	69.4	60.1
Dividend Yield (%)	0.0	0.4	0.5	0.7	0.4	0.4	0.4
FCF per share	1.2	6.2	10.8	9.3	27.2	-8.6	9.8
Return Ratios (%)							
RoE	0.6	3.3	4.6	5.5	6.6	9.7	10.0
RoCE	2.5	2.4	3.5	3.4	4.2	5.3	5.5
RoIC	-8.7	3.3	5.3	5.3	7.2	10.5	11.1
Working Capital Ratios							
Fixed Asset Turnover (x)	2.6	2.5	2.6	2.8	2.8	3.1	3.2
Asset Turnover (x)	0.1	0.1	0.1	0.1	0.1	0.2	0.2
Inventory (Days)	1,349	1,422	1,284	1,241	850	900	850
Debtor (Days)	43	39	36	35	35	35	35
Creditor (Days)	63	83	148	156	160	150	145
Leverage Ratio (x)							
Current Ratio	2.5	2.7	2.8	2.9	2.5	2.3	2.3
Interest Cover Ratio	0.7	1.5	2.6	4.0	5.2	13.6	13.5
Net Debt/Equity	0.2	0.1	0.1	0.0	-0.1	-0.1	-0.1

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
OP/(Loss) before Tax	6,535	8,396	11,646	15,024	19,490	28,056	31,865
Depreciation	2,003	1,595	1,494	1,486	1,566	1,616	1,666
Interest & Finance Charges	9,407	5,562	6,247	3,921	-1,169	-2,951	-3,036
Direct Taxes Paid	-422	4,015	2,198	-858	-4,904	-7,059	-8,017
(Inc)/Dec in WC	-10,644	-7,020	7,540	5,628	56,628	-36,775	5,990
CF from Operations	6,879	12,547	29,124	25,202	71,611	-17,113	28,468
Others	-3,322	2,055	-806	-1,450	0	0	0
CF from Operating incl EO	3,557	14,602	28,318	23,752	71,611	-17,113	28,468
Free Cash Flow	2,170	15,294	26,833	23,115	67,392	-21,332	24,249
(Pur)/Sale of Investments	-9,571	-5,318	4,085	-13,014	0	0	0
Others	76,038	6,131	6,327	9,026	4,664	4,795	5,171
CF from Investments	65,081	1,505	8,928	-4,626	445	576	952
Issue of Shares	32,374	5,087	0	0	0	0	0
Inc/(Dec) in Debt	-95,349	-17,459	-26,785	-8,736	-22,000	0	0
Interest Paid	-23,819	-7,202	-6,328	-3,702	-1,576	0	510
Dividend Paid	-8,077	-1,987	-4,969	-7,428	-7,426	-7,426	-7,426
Others	-347	-276	-200	-266	0	0	0
CF from Fin. Activity	-95,218	-21,838	-38,282	-20,131	-31,002	-7,426	-6,916
Inc/Dec of Cash	-26,580	-5,731	-1,037	-1,005	41,054	-23,963	22,505
Opening Balance	42,663	16,084	10,353	9,316	8,311	49,365	25,402
Closing Balance	16,084	10,353	9,316	8,311	49,365	25,402	47,907

Macrotech Developers

BSE SENSEX
70,701S&P CNX
21,353

CMP: INR1,056

TP: INR1,295 (+23%)

Buy



Bloomberg	LODHA IN
Equity Shares (m)	963
M.Cap.(INRb)/(USDb)	1018.5 / 12.3
52-Week Range (INR)	1228 / 356
1, 6, 12 Rel. Per (%)	13/37/79
12M Avg Val (INR M)	1114

Financials & Valuations (INR b)

Y/E Mar	FY24E	FY25E	FY26E
Sales	100.2	140.6	182.3
EBITDA	24.1	37.3	51.9
EBITDA (%)	24.0	26.5	28.5
Net profit	14.1	24.0	34.8
EPS (INR)	14.7	24.9	36.1
EPS Growth (%)	-8.2	69.9	45.1
BV/Share (INR)	143.2	163.1	192.0

Ratios

Net D/E	0.4	0.2	0.1
RoE (%)	10.7	16.3	20.4
RoCE (%)	8.4	12.5	17.0
Payout (%)	20.0	20.0	20.0

Valuations

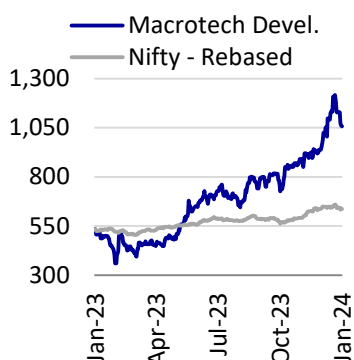
P/E (x)	72.1	42.4	29.2
P/BV (x)	7.4	6.5	5.5
EV/EBITDA (x)	44.8	28.3	20.0
Div Yield (%)	0.3	0.5	0.7

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	74.9	74.9	75.0
DII	3.2	3.6	4.1
FII	21.1	20.5	19.4
Others	0.8	1.1	1.5

FII Includes depository receipts

Stock Performance (1-year)



Making steady inroads in the new markets

Strong BD along with faster turnaround driving market share gains

- LODHA has so far acquired ~28msf of projects with a GDV of ~INR500b spread across the new markets of Eastern (INR175b) and Western (INR52b) suburbs in Mumbai, Pune (INR60b), and Bengaluru (INR12b), as well as its existing markets of South & Central Mumbai (INR177b), and Thane (INR15b).
- Along with a strong BD, the turnaround time for launches has also been relatively fast, and hence, JDAs contributed to INR30b (or 27% of pre-sales) in FY23, up from 6% in FY22. This also led to an increase in the company's market share in Mumbai to 10% now, from 7% in FY21.
- While LODHA will continue to gain share in MMR given that 56% of the new-project GDV is from the markets where it has a minimal presence, we expect Pune and Bengaluru to also follow similar trajectory over the medium term.
- LODHA has already made steady progress in Pune and captured 2% market share over the last two years. The recently launched project in Bengaluru in 3QFY24 has also witnessed strong reception, with the bulk of the inventory being sold at the launch itself.

Sales from township projects to double by FY26E

- The connectivity of Dombivali micro-market with key hubs of MMR will significantly improve with the operationalization of key infra projects, such as the Airoli-Katai Naka tunnel, the Thane-Dombivali link road, the Metro line, the second phase of Samruddhi Mahamarg, et al.
- With the absence of any like-for-like competition around Palava, LODHA will be the biggest beneficiary of this improved connectivity, and thus, it expects the contribution from its township segment to nearly double to INR40b by FY26.
- Even its industrial land in Palava is witnessing a surge in pricing on account of this anticipated connectivity, with recent transactions being closed at a realization of INR50m/acre vs. historical rate of INR30-35m/acre.

On track to achieve sustainable margins and return ratios

- LODHA continues to report an embedded EBITDA margin of 30%+ despite the rise in the share of JDA projects.
- While the reported RoE has declined to 12% in FY23 from 17% in FY20, the indicative RoE on existing pre-sales was at 17% in FY23 and is likely to reach 20% in FY24E.

Valuation and view

- LODHA has been delivering steady performance across its key parameters of pre-sales, cash flows, profitability, and return ratios over the last two years. As it prepares itself to capitalize on the strong growth and consolidation opportunities, we expect this consistency in operational performance to continue going forward.

- Further, its low leverage of 0.5x of equity can provide firepower to target aggressive growth given an opportunity. We incorporate 40msf of new project additions, and forecast a healthy 15-20% growth in pre-sales until FY28, and base our terminal value forecast on FY28. **We revise our TP to INR1,295, indicating a 23% upside potential. Reiterate BUY.**

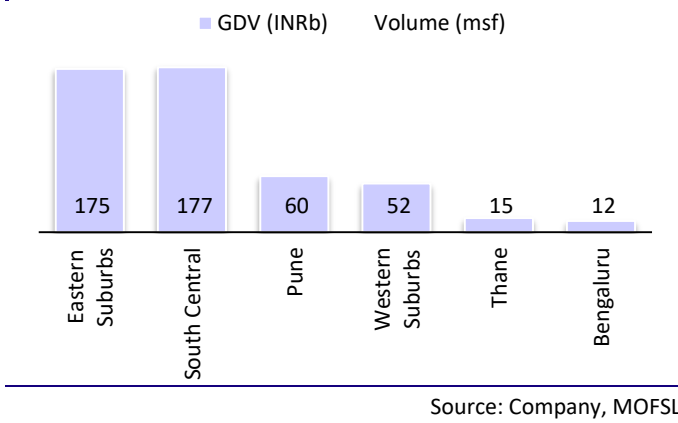
Exhibit 1: Based on our SoTP approach, we arrive at an NAV of INR1247b (or INR1,295 per share), implying a 23% upside potential

Particulars		Value (INR b)	Per share	% contribution	% of CMP
Residential	❖ DCF of 4 years cash flow at WACC of 12% and terminal value assuming 5% long term growth	1,177	1,222	94%	116%
Commercial	❖ Cap rate of 8% for operational assets and DCF for ongoing assets	30	31	2%	3%
Industrial	❖ PV of future cash flows discounted at WACC of 12%	93	97	7%	9%
UK Investment	❖ PV of future cash flow discounted at WACC of 12%	6	6	0%	1%
Gross asset value		1,305	1,355	105%	128%
Net debt	❖ FY24E	(58)	(60)	-5%	-6%
Net asset value		1,247	1,295	100%	123%
No. of share (m)		963.0			
Price Objective		1,295			
CMP		1,056			
Upside (%)		23%			

Source: MOFSL, Company

Story in charts

Exhibit 1: Over last two years, LODHA has added 28msf of JDA projects with GDV of INR500b...



Source: Company, MOFSL

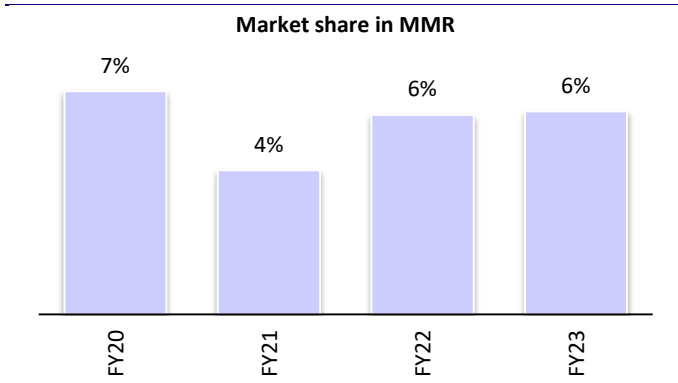
Exhibit 2: ...and has also demonstrated ability of faster turnaround by launching projects with 1-3 quarters of acquisition

Project/Micro-market	Project added	Launched	Turnaround time (qtrs)
MMR-ES - Mulund	2QFY22	2QFY22	1
MMR - ES - Vikhroli	3QFY22	2QFY23	3
MMR - ES - Powai	3QFY22	4QFY22	1
MMR - ES - Matunga	3QFY23	3QFY23	1
MMR - WS - Kandivali	1QFY22	3QFY22	2
MMR - WS - Andheri	2QFY23	4QFY23	2
MMR - SC - Mahalaxmi	3QFY22	2QFY23	3
MMR - Thane	2QFY23	4QFY23	2
Pune - NIBM	4QFY21	2QFY22	2
Pune - West Pune	1QFY23	4QFY23	3
Pune - East Pune	3QFY23	3QFY23	1

Source: Company, MOFSL

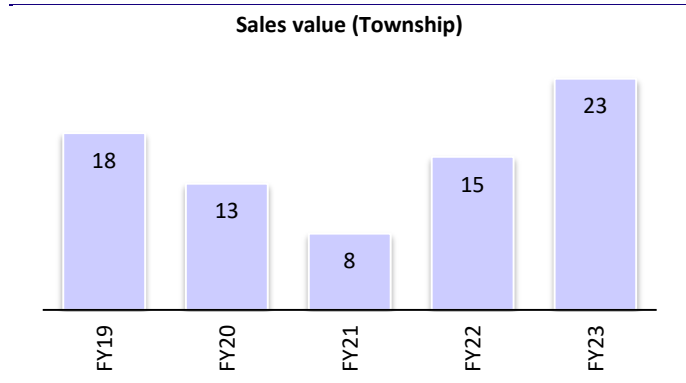
Note: ES = Eastern Suburbs, WS = Western Suburbs and SC = South Central

Exhibit 3: Company gradually gaining market share on the back of success of JDA projects





Source: Company, MOFSL

Exhibit 4: Demand traction at township projects to increase further...



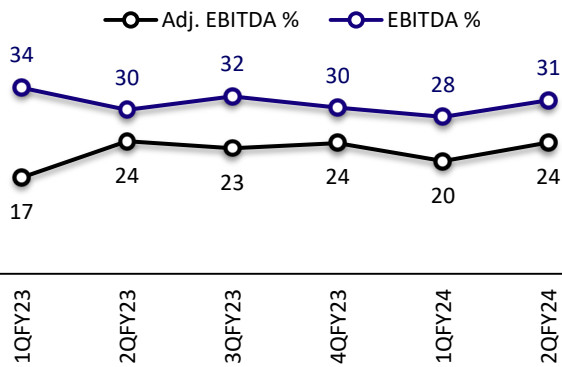
Source: Company, MOFSL

Exhibit 5:aided by completion of key infra projects

Palava		Upper Thane (UT)	
Palava - Airoli travel time to reduce from 40 to 20 mins with the tunnel	UT approachability to improve sharply on de-congestion by Mahamarg	UT to get closer to Dombivli station with TDLR; travel time 8-10 mins	
			
Tunnel entry and exit points near completion	Ph1: Nagpur-Shirdi is live		
			
Elevated Corridor work in full-swing	Ph2: Mumbai-Shirdi Est. Go-live: Dec'2023		
Airoli Tunnel Phase I to be operational in 1H2023	Nagpur-Mumbai Samruddhi Mahamarg: Ph1 Live Ph2 by Dec'23	Thane-Dombivili Link Road (TDLR) To be operational in 1H2023	

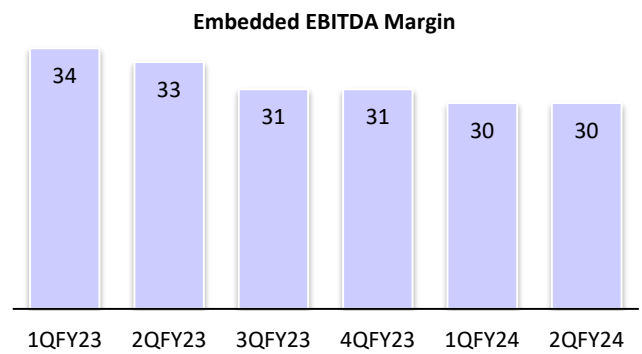
Source: Company, MOSL

Exhibit 6: Margin profile based on reported financials



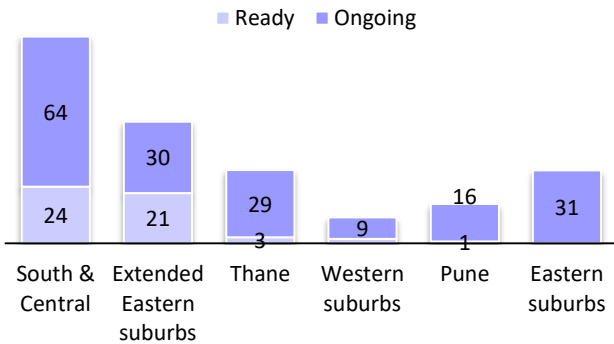
Source: Company, MOFSL

Exhibit 7: The embedded margins on pre-sales stands at an average of ~30%



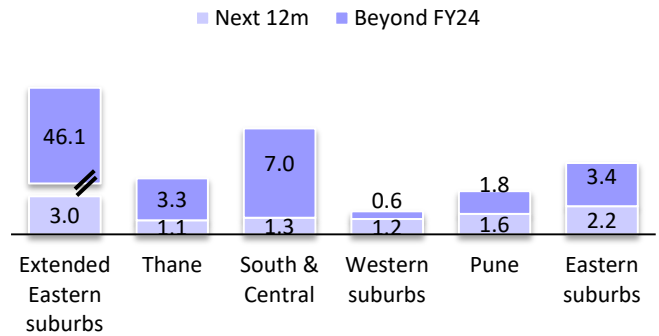
Source: Company, MOFSL

Exhibit 8: Currently has ~INR230b worth of inventory including INR45b of completed stock



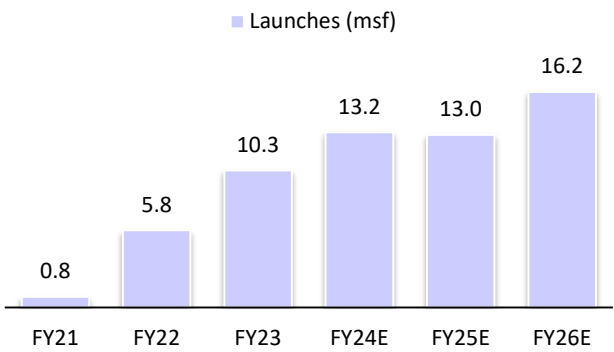
Source: Company, MOFSL

Exhibit 9: The company has a strong ~70msf of pipeline to be launched in the medium term



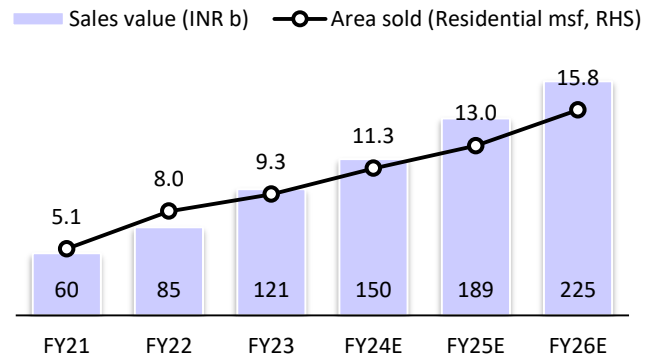
Source: Company, MOFSL

Exhibit 10: Expect launches to further rise from FY24



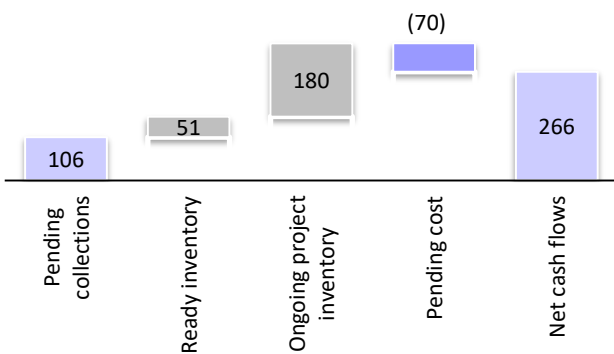
Source: MOFSL, Company

Exhibit 11: The company to report 22% CAGR in pre-sales over FY24-26 to INR225b



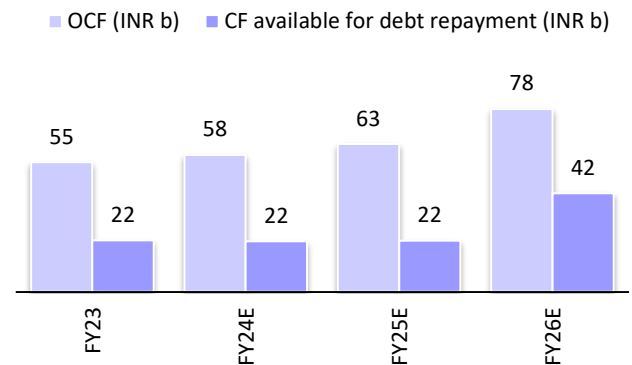
Source: MOFSL, Company

Exhibit 12: Over the next 4-5 years, ongoing and completed project pipeline can generate ~INR266b of net cash inflows



Source: Company, MOFSL

Exhibit 13: Expect the company to generate ~INR80b OCF by FY26E



Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement

	(INR m)						
Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Total Income from Operations	1,24,426	54,486	92,332	94,704	1,00,238	1,40,643	1,82,268
Change (%)	4.5	-56.2	69.5	2.6	5.8	40.3	29.6
Total Expenditure	1,05,353	40,766	71,085	74,042	76,181	1,03,372	1,30,322
% of Sales	84.7	74.8	77.0	78.2	76.0	73.5	71.5
EBITDA	19,073	13,720	21,247	20,661	24,057	37,270	51,946
Margin (%)	15.3	25.2	23.0	21.8	24.0	26.5	28.5
Depreciation	2,924	734	748	928	1,078	1,134	1,192
EBIT	16,149	12,985	20,499	19,733	22,979	36,137	50,755
Int. and Finance Charges	6,544	11,257	6,803	4,791	4,967	3,180	2,180
Other Income	435	3,231	3,460	1,408	910	1,415	1,258
PBT bef. EO Exp.	10,039	4,959	17,156	16,350	18,921	34,372	49,832
EO Items	2	-4,628	0	-11,774	0	0	0
PBT after EO Exp.	10,041	332	17,156	4,576	18,921	34,372	49,832
Total Tax	2,615	-147	5,080	-370	4,730	10,312	14,950
Tax Rate (%)	26.0	-44.4	29.6	-8.1	25.0	30.0	30.0
Minority Interest	139	77	61	80	80	80	80
Reported PAT	7,286	402	12,014	4,866	14,111	23,980	34,803
Adjusted PAT	7,285	7,084	12,014	15,370	14,111	23,980	34,803
Change (%)	-55.5	-2.8	69.6	27.9	-8.2	69.9	45.1
Margin (%)	5.9	13.0	13.0	16.2	14.1	17.1	19.1

Consolidated - Balance Sheet

	(INR m)						
Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	3,959	3,959	4,815	4,815	4,815	4,815	4,815
Total Reserves	41,564	42,031	1,16,235	1,21,809	1,33,097	1,52,282	1,80,124
Net Worth	45,523	45,990	1,21,050	1,26,624	1,37,913	1,57,097	1,84,939
Minority Interest	5,192	5,269	568	596	596	596	596
Total Loans	1,84,232	1,81,669	1,15,367	90,602	73,602	53,602	33,602
Deferred Tax Liabilities	-935	-2,098	1,911	332	1,596	8,687	21,144
Capital Employed	2,34,011	2,30,829	2,38,896	2,18,153	2,13,706	2,19,981	2,40,280
Gross Block							
Less: Accum. Deprn.	17,499	17,608	18,318	19,487	20,565	21,699	22,891
Net Fixed Assets	5,649	6,383	7,130	8,059	9,137	10,270	11,462
Investment Property	11,851	11,226	11,187	11,429	11,429	11,429	11,429
Goodwill on Consolidation	2,882	2,767	2,650	1,539	1,539	1,539	1,539
Capital WIP	5,477	5,471	5,388	5,303	5,303	5,303	5,303
Total Investments	63	63	0	0	0	0	0
Curr. Assets, Loans&Adv.	15,529	15,794	5,740	2,460	2,380	2,300	2,220
Inventory							
Account Receivables	3,70,188	3,55,663	3,59,824	3,70,816	3,88,523	4,28,566	5,01,552
Cash and Bank Balance	2,90,314	2,83,007	2,73,583	3,01,167	3,02,087	3,31,377	3,74,524
Loans and Advances	7,943	6,545	6,461	7,393	4,119	5,780	7,490
Curr. Liability & Prov.	1,870	3,668	12,457	18,242	13,304	17,396	9,525
Account Payables	70,061	62,442	67,322	44,013	69,013	74,013	1,10,013
Other Current Liabilities	1,71,979	1,60,153	1,45,892	1,73,393	1,95,467	2,29,155	2,81,763
Provisions	22,728	16,978	15,087	20,962	19,224	26,973	34,956
Net Current Assets	1,49,012	1,42,963	1,30,581	1,52,129	1,75,942	2,01,881	2,46,505
Misc Expenditure	239	212	224	302	302	302	302
Appl. of Funds	1,98,210	1,95,509	2,13,932	1,97,422	1,93,055	1,99,411	2,19,790

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)								
EPS	20.7	9.2	8.9	12.5	16.0	14.7	24.9	36.1
Cash EPS	23.1	12.9	9.9	13.3	16.9	15.8	26.1	37.4
BV/Share	48.5	57.5	58.1	125.7	131.5	143.2	163.1	192.0
DPS	0.0	0.0	0.0	0.0	0.0	2.9	5.0	7.2
Payout (%)	0.0	0.0	0.0	0.0	0.0	20.0	20.0	20.0
Valuation (x)								
P/E	36.6	82.2	84.5	60.6	47.4	72.1	42.4	29.2
Cash P/E	32.7	58.6	76.6	57.0	44.7	67.0	40.5	28.3
P/BV	15.6	13.1	13.0	6.0	5.7	7.4	6.5	5.5
EV/Sales	7.1	6.3	14.3	9.0	8.5	10.7	7.5	5.7
EV/EBITDA	26.8	40.9	56.6	39.1	38.7	44.8	28.3	20.0
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.3	0.5	0.7
FCF per share	-7.1	47.3	32.0	27.4	28.7	23.9	35.1	23.0
Return Ratios (%)								
RoE	54.0	17.4	15.5	14.4	12.4	10.7	16.3	20.4
RoCE	7.4	4.2	10.2	7.3	10.1	8.4	12.5	17.0
RoIC	7.9	4.8	8.8	6.7	10.2	8.7	12.7	16.6
Working Capital Ratios								
Fixed Asset Turnover (x)	6.7	7.1	3.1	5.0	4.9	4.9	6.5	8.0
Asset Turnover (x)	0.4	0.5	0.2	0.4	0.4	0.5	0.6	0.8
Inventory (Days)	1,273	852	1,896	1,082	1,161	1,100	860	750
Debtor (Days)	15	23	44	26	28	15	15	15
Creditor (Days)	69	67	114	60	81	70	70	70
Leverage Ratio (x)								
Current Ratio	2.3	2.2	2.2	2.5	2.1	2.0	1.9	1.8
Interest Cover Ratio	5.4	2.5	1.2	3.0	4.1	4.6	11.4	23.3
Net Debt/Equity	6.5	4.0	3.9	0.9	0.6	0.4	0.2	0.1

Consolidated - Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
(INR m)								
OP/(Loss) before Tax	24,889	10,007	4,959	17,156	4,576	18,921	34,372	49,832
Depreciation	1,944	3,064	734	748	928	1,078	1,134	1,192
Interest & Finance Charges	30,032	31,119	25,246	19,923	13,890	9,031	6,360	4,360
Direct Taxes Paid	-3,116	-821	857	-1,778	-2,110	-3,466	-3,220	-2,493
(Inc)/Dec in WC	-59,476	-4,112	-1,218	-7,271	-1,091	-571	-2,263	-28,250
CF from Operations	-5,726	39,257	30,579	28,778	16,194	24,993	36,382	24,641
Others	1,095	-1,525	-5,339	-2,500	11,306	-910	-1,415	-1,258
CF from Operating incl EO	-4,632	37,732	25,239	26,278	27,499	24,084	34,967	23,384
(Inc)/Dec in FA	-991	-292	65	78	149	-1,078	-1,134	-1,192
Free Cash Flow	-5,622	37,439	25,304	26,356	27,648	23,005	33,833	22,192
(Pur)/Sale of Investments	-300	-2,822	-176	1,491	6,817	0	0	0
Others	-552	5,231	4,310	9,820	10,812	910	1,415	1,258
CF from Investments	-1,843	2,117	4,199	11,389	17,778	-169	282	66
Issue of Shares	0	0	0	63,466	100	0	0	0
Inc/(Dec) in Debt	37,050	-11,362	-10,325	-72,916	-25,393	-17,000	-20,000	-20,000
Interest Paid	-29,691	-30,534	-18,027	-19,427	-11,756	-9,031	-6,360	-4,360
Dividend Paid	0	0	0	0	0	-2,822	-4,796	-6,961
Others	0	0	0	0	-6	0	0	0
CF from Fin. Activity	7,359	-41,896	-28,351	-28,878	-37,054	-28,853	-31,156	-31,321
Inc/Dec of Cash	885	-2,047	1,087	8,789	8,223	-4,938	4,092	-7,871
Opening Balance	2,552	6,575	1,870	3,668	12,457	20,680	15,742	19,834
Closing Balance	3,437	4,529	2,956	12,457	20,680	15,742	19,834	11,963

Godrej Properties

BSE SENSEX 70,701 S&P CNX 21,353



Bloomberg	GPL IN
Equity Shares (m)	278
M.Cap.(INRb)/(USDb)	647 / 7.8
52-Week Range (INR)	2357 / 1005
1, 6, 12 Rel. Per (%)	18/32/75
12M Avg Val (INR M)	1183

Financials & Valuations (INR b)

Y/E Mar	FY24E	FY25E	FY26E
Sales	21.9	35.3	36.5
EBITDA	1.6	7.3	8.7
EBITDA (%)	7.2	20.5	23.8
Net profit	7.4	12.0	13.5
EPS (INR)	26.7	43.0	48.5
EPS Growth (%)	111.7	92.5	81.8
BV/Share (INR)	356.1	399.1	447.7

Ratios

Net D/E	0.6	0.4	0.2
RoE (%)	8	11	11
RoCE (%)	5	7	7
Payout (%)	0.0	0.0	0.0

Valuations

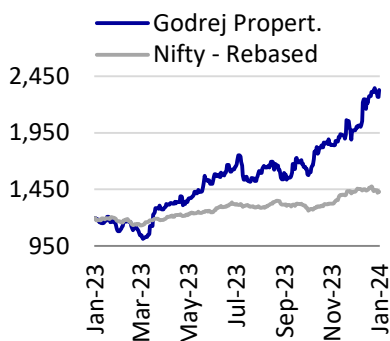
P/E (x)	87	54	48
P/BV (x)	7	6	5
EV/EBITDA (x)	447	96	78
Div Yield (%)	0	0	0

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	58.5	58.5	58.5
DII	4.7	4.6	4.6
FII	29.7	29.3	27.4
Others	7.1	8.4	9.6

FII Includes depository receipts

Stock's performance (one-year)



CMP: INR2,327 TP: INR2,855 (+23%) Buy

On track to surprise in terms of growth & profitability

EBITDA margin to expand to over 30%

Pre-sales to surpass the FY24 guidance

- GPL reported bookings of INR73b in 1HFY24, which were 52% of its full-year guidance. With 17msf of projects lined up for launch in 2H, GPL remains on track to beat its INR140b guidance handsomely.
- We expect GPL to report a pre-sales of INR50b in 3Q, aided by a strong response to the launch of a project in Sector 49, Gurugram, where it clocked bookings of INR26b. This led to cumulative bookings of INR123b for the company.
- We expect 4Q to be equally strong as the company gears up to launch some of its marquee projects in MMR (Kandivali and Vikhroli), Gurugram, and phased launches in Pune, resulting in a pre-sales of INR173b for FY24, up 40% YoY.
- During our recent interaction, the management laid its focus on launching all its recently acquired projects, which will drive a 25% CAGR in pre-sales over FY23-26E.

Launches at 15% above the underwriting price; should aid margins

- GPL went aggressive on acquiring land at a time when the industry was at an initial stage of upcycle. It signed projects with a saleable area of 48msf and a revenue potential of INR500b since FY21.
- The aggression is now paying off as the company has launched projects at a 15% higher average realization than the underwriting price. With all these projects being fully owned, the differential will flow down to EBITDA, resulting in better margins for the company.
- Our analysis (see Exhibit 9) based on the acquisition price of land and estimated other costs indicates that if GPL sustains this realization, it can potentially generate an EBITDA margin of 30-35%. This is a sharp improvement over its historical performance.

Cash flows to improve; lower BD spending to drive FCF

- As pre-sales rise, we expect a significant improvement in operating cash flows, which will double to INR67b by FY27. With a focus on unlocking the existing pipeline, the company now aims to bring down its BD spending to the extent needed.
- Therefore, we expect GPL to generate free cash flows from FY25 onwards, limiting the net debt to INR80-85b at the end of FY24.

Valuation and view

- We believe GPL will surprise on growth, cash flows, and margins, given its strong pipeline and healthy realizations, which have been the key investor concerns.
- We incorporate additional projects to account for a 15-20% pre-sales growth until FY28E, and calculate the terminal value on FY28E FCF assuming a long-term growth rate of 5%. Our revised TP stands at INR2855, indicating 23% upside potential. We reiterate our BUY rating on the stock.

Exhibit 1: Our SoTP-based approach denotes 23% upside for GPL based on CMP; reiterate BUY

Particulars	Rationale	Value (INR b)	Per share	Contribution
Own and JV/JDA projects	❖ DCF for four years, expected cash flow at WACC of 10%, and terminal value assuming 3% long-term growth	861	3,098	109%
DM projects	❖ PV of future cash flows discounted at WACC of 10%	3	11	0%
Commercial projects	❖ PV of future cash flows discounted at WACC of 10%	14	52	2%
Gross asset value		879	3,161	111%
Net debt	❖ FY24E	(85)	(306)	-11%
Net asset value		794	2,855	100%
No. of shares (m)		278		
NAV per share		2,855		
CMP		2,327		
Upside		23%		

Source: MOFSL

Story in charts

Exhibit 1: Project additions over last five years at ~100msf

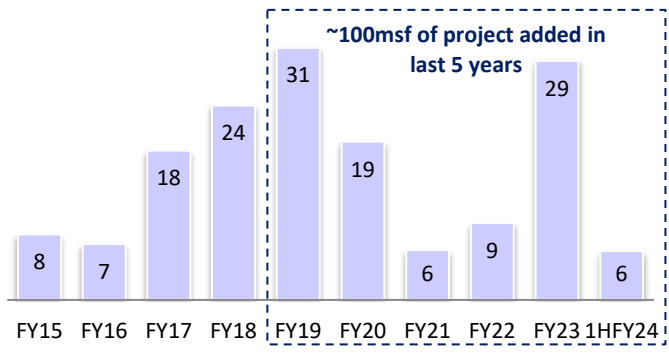


Exhibit 2: GPL has ~80msf of executable pipeline

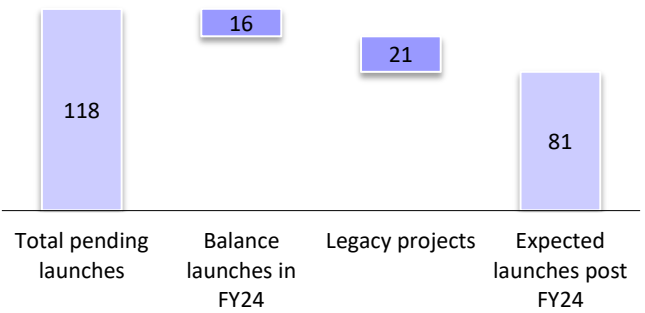


Exhibit 3: Expect launch run-rate to sustain at over 15-20msf from FY24

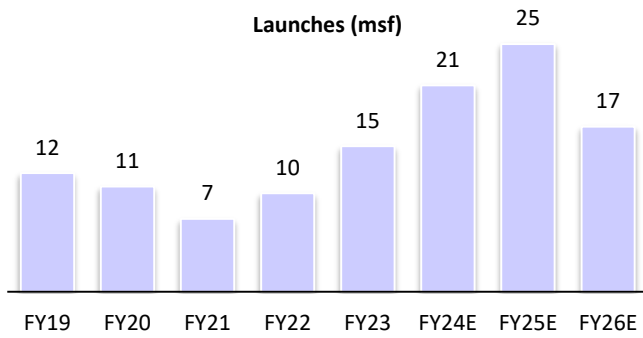


Exhibit 4: Expect 17% CAGR in pre-sales over FY24-26

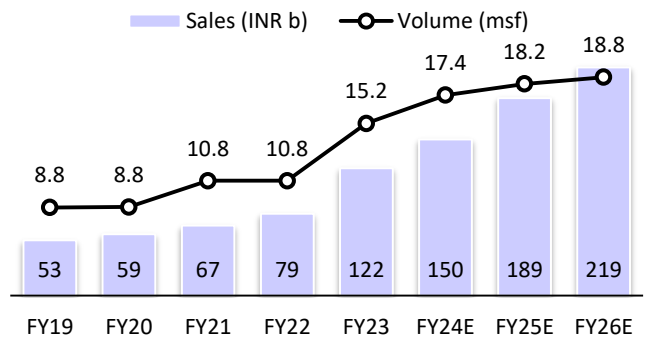
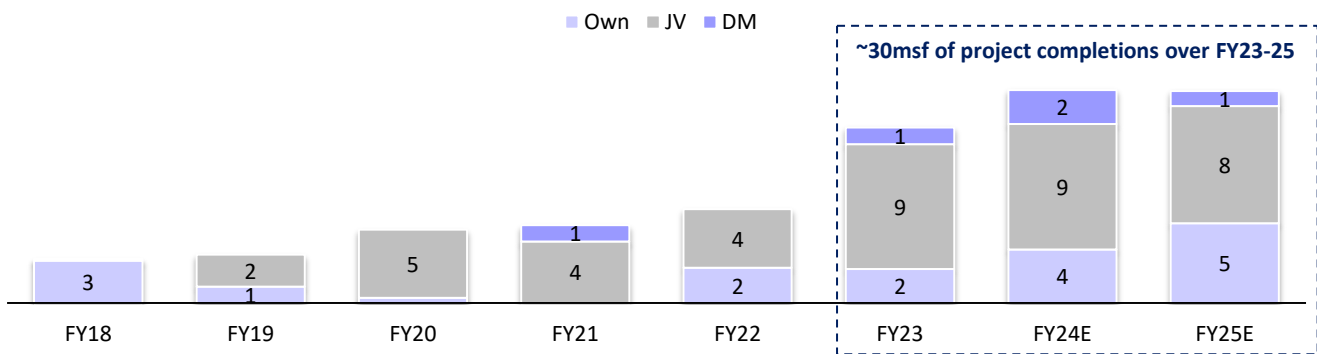
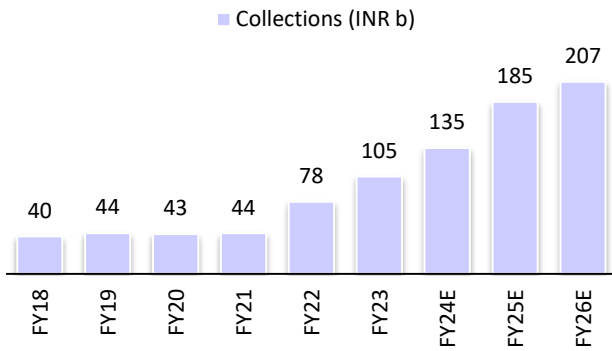


Exhibit 5: Expect to complete more than 30msf of projects over FY23-25; 60% of these are JVs, 25% are own projects, and the rest are DM projects



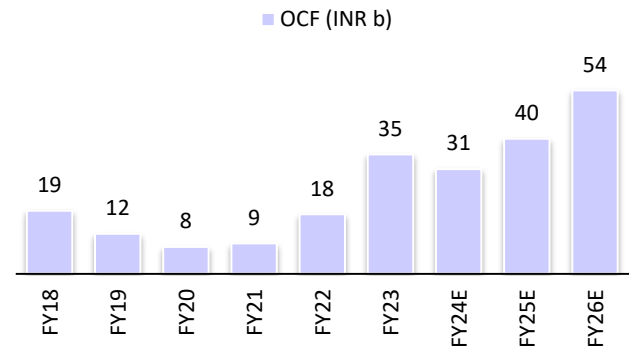
Source: Company, MOFSL

Exhibit 6: Collections to increase to INR200b by FY26E



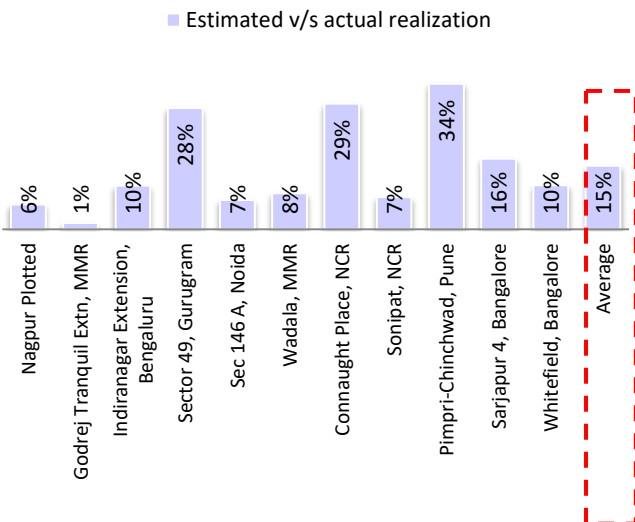
Source: Company, MOFSL

Exhibit 7: Consequently, OCF will improve to INR50b+



Source: Company, MOFSL

Exhibit 8: Company has launched project at average 15% higher realization



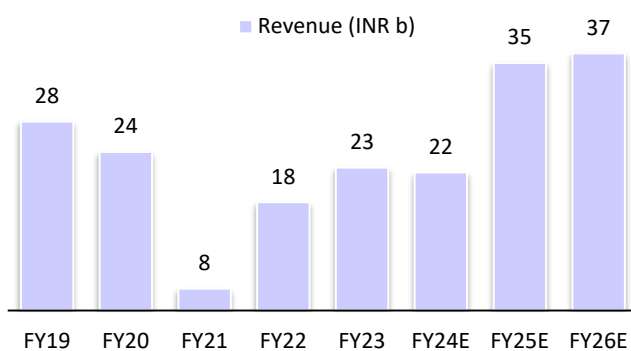
Source: Company, MOFSL

Exhibit 9: Potential to generate 30-35% EBITDA margin from recent projects

	INR/sqft	Comments
Realization	10,600	❖ average realization of projects acquired since FY21 till date
Land cost	(2,544)	❖ INR125b of acquisition cost paid from FY21 till FY24 for acquired value of INR510b
Approval cost	(500)	❖ Not many Mumbai projects hence approval cost will be low
Construction cost	(4,028)	❖ construction cost of 4000/sqft
Overheads	(1,060)	❖ 10% of realization
Realization benefit	1,557	❖ 15% higher realization as calculated in previous sheet
EBITDA	4,025	
Margin	33%	

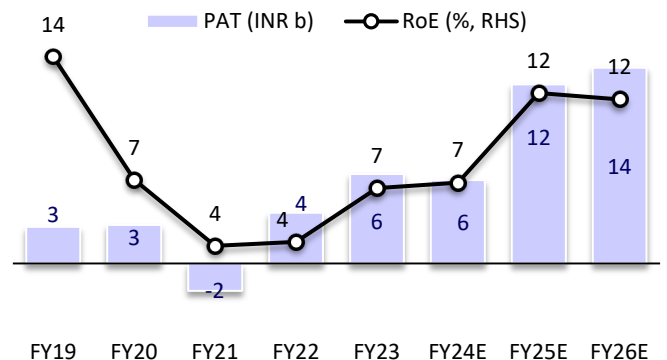
Source: Company, MOFSL

Exhibit 10: Expect revenue recognition to increase to FY19-20 levels, with pick-up in own project completions



Source: Company, MOFSL

Exhibit 11: Profit recognition to improve to INR14b in FY26E



Source: Company, MOFSL

Financials and valuations

Consolidated Profit and Loss (INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Total Income from Operations	24,414	7,649	18,249	22,523	21,900	35,339	36,535
Change (%)	-13.3	-68.7	138.6	23.4	-2.8	61.4	3.4
Cost of Sales	15,633	4,751	11,939	12,413	11,723	17,785	17,529
Employees Cost	1,847	1,785	1,103	2,184	2,621	3,145	3,774
Other Expenses	3,480	3,236	3,876	5,443	5,983	7,148	6,548
Total Expenditure	20,960	9,772	16,917	20,040	20,327	28,078	27,851
% of Sales	85.9	127.7	92.7	89.0	92.8	79.5	76.2
EBITDA	3,454	-2,123	1,332	2,482	1,573	7,261	8,684
Margin (%)	14.1	-27.7	7.3	11.0	7.2	20.5	23.8
Depreciation	205	195	214	241	280	280	280
EBIT	3,249	-2,318	1,117	2,241	1,293	6,981	8,404
Int. and Finance Charges	2,220	1,849	1,675	1,742	2,324	2,839	2,839
Other Income	4,732	5,684	7,608	7,867	10,439	10,468	11,036
PBT after EO Exp.	5,761	-767	7,051	8,366	7,858	14,610	16,600
Total Tax	2,203	734	1,658	1,747	2,357	3,653	4,150
Tax Rate (%)	38.2	-95.7	23.5	20.9	30.0	25.0	25.0
MI & Profit from Assoc.	-885	-401	-1,887	-407	834	1,004	1,037
Reported PAT	2,672	-1,902	3,506	6,212	6,335	11,961	13,487
Adjusted PAT	2,672	2,568	3,506	6,212	7,420	11,961	13,487
Change (%)	5.6	-3.9	36.5	77.2	19.4	61.2	12.8
Margin (%)	10.9	33.6	19.2	27.6	33.9	33.8	36.9

Consolidated Balance Sheet (INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	1,260	1,390	1,390	1,390	1,390	1,390	1,390
Total Reserves	46,785	81,805	85,364	91,252	97,587	1,09,548	1,23,036
Net Worth	48,045	83,195	86,754	92,642	98,977	1,10,938	1,24,426
Minority Interest	0	0	-18	230	230	230	230
Total Loans	37,101	45,131	51,698	64,118	81,118	81,118	81,118
Deferred Tax Liabilities	-3,640	-2,906	0	0	946	2,407	4,067
Capital Employed	81,506	1,25,420	1,38,434	1,56,989	1,81,270	1,94,693	2,09,840
Gross Block	1,875	2,606	2,912	3,501	3,781	4,061	4,341
Less: Accum. Deprn.	746	860	1,075	1,316	1,596	1,876	2,156
Net Fixed Assets	1,129	1,745	1,837	2,185	2,185	2,185	2,185
Goodwill on Consolidation	0	0	0	1	1	1	1
Capital WIP	1,629	2,293	3,395	6,524	6,524	6,524	6,524
Total Investments	35,710	52,426	48,830	25,345	10,345	10,345	10,345
Curr. Assets, Loans&Adv.	58,947	1,03,097	1,23,974	1,96,999	2,26,444	2,72,012	2,95,566
Inventory	21,253	48,014	56,683	1,20,734	1,44,598	1,81,535	1,87,680
Account Receivables	4,328	3,101	3,649	5,197	1,521	1,960	2,461
Cash and Bank Balance	5,070	7,729	13,385	20,159	29,416	37,607	54,516
Loans and Advances	28,297	44,253	50,256	50,909	50,909	50,909	50,909
Curr. Liability & Prov.	15,910	34,140	39,602	74,064	62,678	94,824	1,03,231
Account Payables	7,197	19,017	22,541	33,566	18,256	23,523	29,537
Other Current Liabilities	8,354	14,642	16,498	39,875	43,799	70,678	73,070
Provisions	360	481	563	623	623	623	623
Net Current Assets	43,037	68,956	84,372	1,22,935	1,63,766	1,77,188	1,92,336
Misc Expenditure	0	0	0	0	0	0	0
Appl. of Funds	81,506	1,25,420	1,38,434	1,56,989	1,81,270	1,94,693	2,09,840

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)							
EPS	9.6	9.2	12.6	22.4	26.7	43.0	48.5
Cash EPS	10.4	9.9	13.4	23.2	27.7	44.0	49.5
BV/Share	172.9	299.3	312.1	333.3	356.1	399.1	447.7
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)							
P/E	205.6	213.9	156.8	88.5	87.2	54.1	48.0
Cash P/E	191.0	198.8	147.7	85.1	84.0	52.8	47.0
P/BV	11.4	6.6	6.3	5.9	6.5	5.8	5.2
EV/Sales	23.8	76.7	30.4	25.9	32.1	19.7	18.5
EV/EBITDA	162.4	-259.0	416.2	234.7	446.7	95.6	78.0
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	-10.5	-28.7	-21.3	-113.7	-101.5	14.4	43.7
Return Ratios (%)							
RoE	7.3	3.9	4.1	6.9	7.7	11.4	11.5
RoCE	6.8	6.2	5.0	5.4	4.9	7.0	7.3
RoIC	6.4	-8.9	1.3	2.0	0.8	3.8	4.5
Working Capital Ratios							
Fixed Asset Turnover (x)	13.0	2.9	6.3	6.4	5.8	8.7	8.4
Asset Turnover (x)	0.3	0.1	0.1	0.1	0.1	0.2	0.2
Inventory (Days)	318	2,291	1,134	1,957	2,410	1,875	1,875
Debtor (Days)	65	148	73	84	25	20	25
Creditor (Days)	108	907	451	544	304	243	295
Leverage Ratio (x)							
Current Ratio	3.7	3.0	3.1	2.7	3.6	2.9	2.9
Interest Cover Ratio	1.5	-1.3	0.7	1.3	0.6	2.5	3.0
Net Debt/Equity	0.2	0.0	0.1	0.4	0.6	0.4	0.2

Consolidated Cash flow (INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
OP/(Loss) before Tax	4,909	-857	5,163	7,959	10,243	15,614	17,638
Depreciation	205	195	214	241	280	280	280
Interest & Finance Charges	-1,273	1,849	1,675	1,742	2,324	2,839	2,839
Direct Taxes Paid	-232	154	-1,912	-1,690	-1,411	-2,192	-2,490
(Inc)/Dec in WC	-6,219	-3,566	-5,439	-30,342	-28,929	-1,783	5,208
CF from Operations	-2,610	-2,225	-299	-22,090	-17,494	14,758	23,475
Others	312	-4,487	-4,218	-6,517	-10,439	-10,468	-11,036
CF from Operating incl EO	-2,297	-6,712	-4,517	-28,606	-27,933	4,290	12,439
(Inc)/Dec in FA	-631	-1,253	-1,403	-2,999	-280	-280	-280
Free Cash Flow	-2,928	-7,965	-5,920	-31,605	-28,213	4,010	12,159
(Pur)/Sale of Investments	-10,991	-24,016	4,366	23,668	15,000	0	0
Others	-498	-7,949	-1,725	4,211	10,439	10,468	11,036
CF from Investments	-12,120	-33,219	1,238	24,881	25,159	10,188	10,756
Issue of Shares	20,659	36,909	0	0	0	0	0
Inc/(Dec) in Debt	2,081	9,412	6,041	12,279	17,000	0	0
Interest Paid	-3,014	-3,731	-3,585	-3,854	-4,969	-6,287	-6,287
Dividend Paid	0	0	0	0	0	0	0
Others	-4	-1	-104	-103	0	0	0
CF from Fin. Activity	19,722	42,590	2,352	8,322	12,031	-6,287	-6,287
Inc/Dec of Cash	5,305	2,659	-926	4,596	9,257	8,191	16,908
Opening Balance	-235	5,070	7,729	13,385	17,981	27,238	35,429
Closing Balance	5,070	7,729	13,385	17,981	27,238	35,429	52,337

Oberoi Realty

BSE SENSEX 70,701
S&P CNX 21,353



Bloomberg	OBER IN
Equity Shares (m)	364
M.Cap.(INRb)/(USDb)	474.1 / 5.7
52-Week Range (INR)	1586 / 790
1, 6, 12 Rel. Per (%)	-7/14/42
12M Avg Val (INR M)	830

Financials & Valuations (INR b)

Y/E MARCH	FY24E	FY25E	FY26E
Sales	42.1	47.1	64.2
EBITDA	21.4	24.4	30.9
EBITDA Margin %	50.8	51.8	48.2
Adj PAT	14.8	16.4	22.0
Cons. EPS (INR)	40.7	45.2	60.4
EPS Growth (%)	-22.3	10.9	33.7
BV/Share (INR)	374.5	417.7	476.1

Ratios

Net D:E	0.2	0.1	0.0
RoE (%)	11.5	11.4	13.5
RoCE (%)	10.0	10.4	12.8
Payout (%)	4.9	4.4	3.3

Valuations

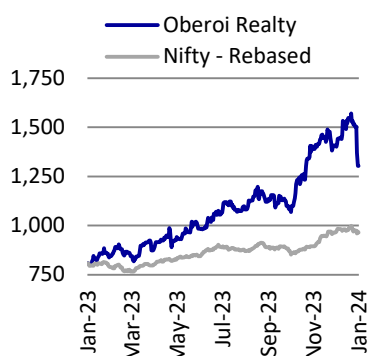
P/E (x)	32.0	28.9	21.6
P/BV (x)	3.5	3.1	2.7
EV/EBITDA (x)	23.3	20.0	15.6
Div. yield (%)	0.2	0.2	0.2

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	67.7	67.7	67.7
DII	12.1	11.6	12.5
FII	17.4	17.8	17.3
Others	2.8	2.8	2.5

FII Includes depository receipts

Stock performance (one-year)



CMP: INR1,304 **TP: INR1,200 (-8%)** **Neutral**

Near-term growth visibility intact

Valuations building in high growth expectations

Thane and Gurugram provide near-term visibility

- After witnessing a subdued FY23, the company is on track to deliver 23% YoY jump in pre-sales in FY24. This growth is attributed to the launch of a new project at Kolshet road, Thane; the introduction of a new tower at Elysian Goregaon; and the revival of sales momentum at its ultra-luxury project, 360-west, Worli.
- Additionally, the company is set to launch projects at Pokhran Road, Thane, and a recent addition in Gurugram in FY25E and FY26E, respectively. The Pedder road and Tardeo projects are also in the pipeline, which should drive 43% CAGR in pre-sales over FY24-26E.

...but new acquisition unlikely to materialize in the near term

- Oberoi forayed into the NCR through the acquisition of a 15-acre land parcel in Sector 58, Gurugram, marking a key milestone. Furthermore, discussions are underway for the potential signing of a MHADA redevelopment project at Versova, Andheri, which not only enhances growth prospects but also serves as a potential near-term catalyst for the company.
- While the current portfolio is expected to generate strong cash flows, we believe with seven new projects (two projects in Thane, GSK-Worli, Peddar Road, Tardeo redevelopment, potential MHADA redevelopment in Andheri and Gurugram) underway, we anticipate that the management is unlikely to pursue aggressive acquisitions of new projects in the near term.
- Moreover, given the limited inventory in key projects like Skycity, Mulund, and 360 West, any new acquisition could only serve as a replenishment of existing projects.

Commercial scale-up on track

- Commerz-III is currently 50% leased to Morgan Stanley and rentals will commence in Apr'24. The asset's occupancy could gradually improve to 75% by the end of CY24.
- At full occupancy, Commerz-III has the potential to generate INR6.0-6.5b of annual rentals (including CAM) beginning in FY26. The Borivali mall is likely to stabilize in FY25 and it has the potential to generate annual rentals of INR2.5b.
- Overall, the company's annuity rentals are projected to surge to INR12b by FY26 from INR3b in FY23.

Valuation and view

- Given the slowdown in traction at existing projects along with an already large project pipeline of seven projects, we believe the company would focus on scaling up the run-rate in the current portfolio before venturing out for additional land parcels.

- At current valuations, ORL's residential business implies a value of INR360-370b, while estimated value of existing pipeline, including the Gurugram project is INR230b, implying 50-60% of going concern premium.
- Thus, the current price already accounts for near-term growth visibility. We incorporate Gurugram project into our estimates and revise our TP to INR1,350, indicating 4% upside potential. **We reiterate our Neutral rating** on stock.

Exhibit 1: Based on our SoTP approach, we arrive at a NAV of INR491b, or INR1,350 per share, indicating fair valuation

NAV calculation	Rationale	INR b	Per share (INR)	(%)
Residential	❖ DCF of five-year cash flow at WACC of 11.5% and terminal value assuming 5% long-term growth	352	969	72%
Leasing – Offices and Malls	❖ Cap rate of 8.5% for operational assets and DCF for ongoing and planned assets	143	394	29%
Hospitality	❖ FY24E EBITDA at 17.5x EV/EBITDA	15	42	3%
Gross Asset Value		511	1405	104%
Less: Net Debt	❖ FY24 estimate	(20)	(54)	(4%)
Net Asset Value		491	1350	100%
CMP			1304	
Up/down (%)			4%	

Source: MOFSL, Company

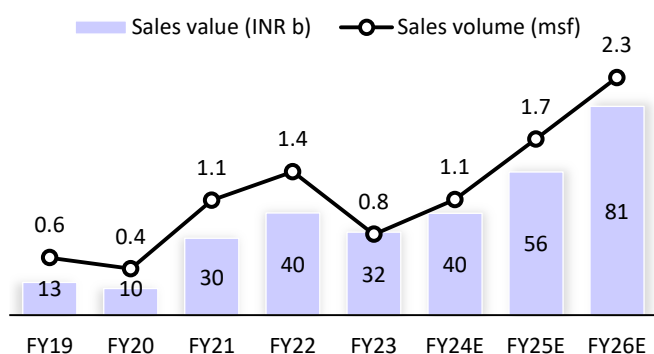
Story in Charts

Exhibit 2: OBER has a pipeline of 18msf across four projects

Project	Pending area to be launched	Comment
Sky City	0.8	❖ The company expects to launch the next phase at Sky-City in the next 12 months.
Worli	0.0	❖ The company is still contemplating between residential and commercial projects at this site. Being adjacent to 360-west, the launch is expected only after FY24.
Elysian	1.4	❖ Two more towers are to be launched at Elysian.
Pokhran Rd - Thane	15	❖ The company is looking to launch the first phase of Thane project by 4QFY24.
Total	17	

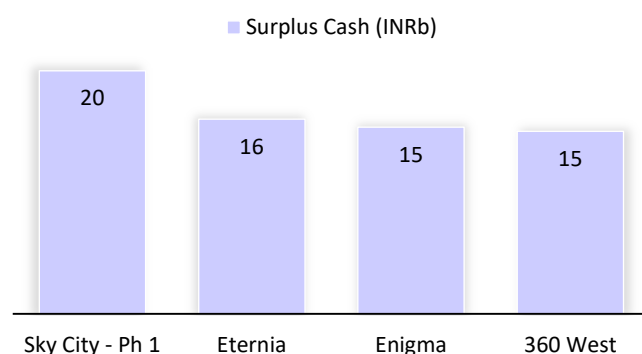
Source: MOFSL, Company

Exhibit 3: OBER to deliver strong growth in sales bookings over FY24–26, aided by the launch of key projects



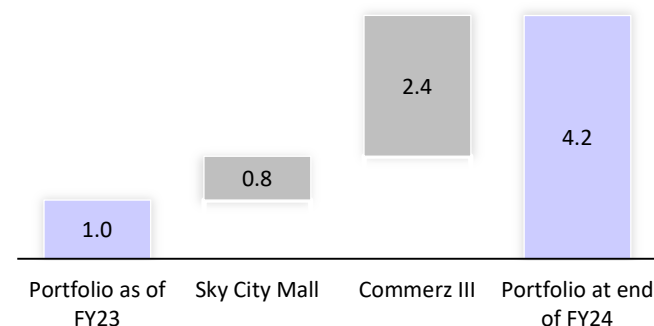
Source: Company, MOFSL

Exhibit 4: Completed projects can generate INR65b of surplus cash



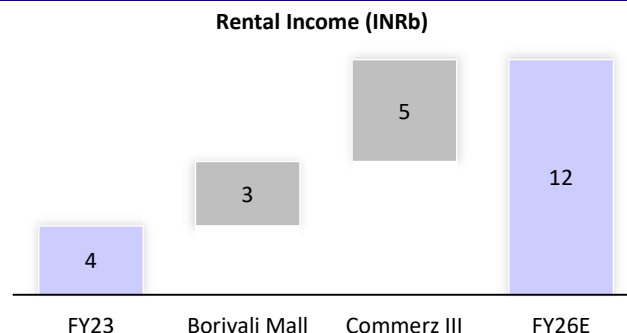
Source: Company, MOFSL

Exhibit 5: Commercial portfolio set to expand to 4.2msf by FY24E...



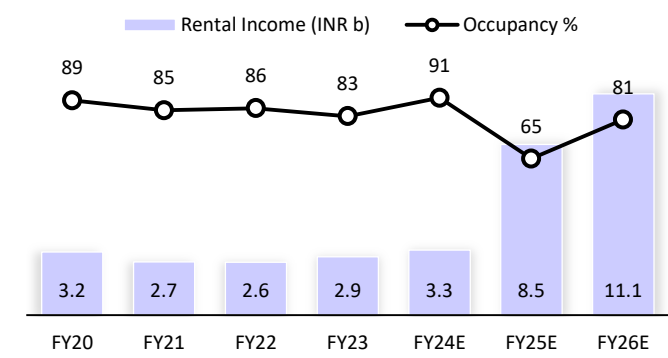
Source: Company, MOFSL

Exhibit 6: ...and generate INR12b rental income by FY26E



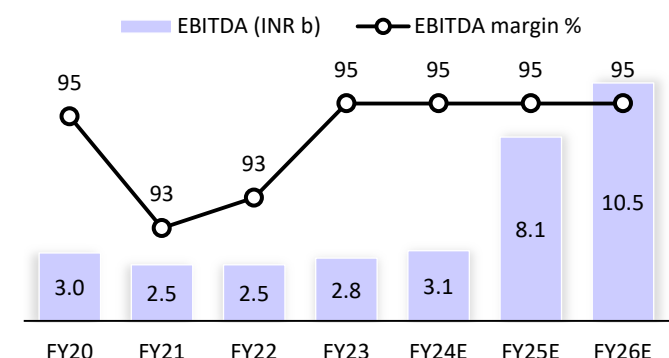
Source: Company, MOFSL

Exhibit 7: Expect rental income to surge 3x over FY24–26



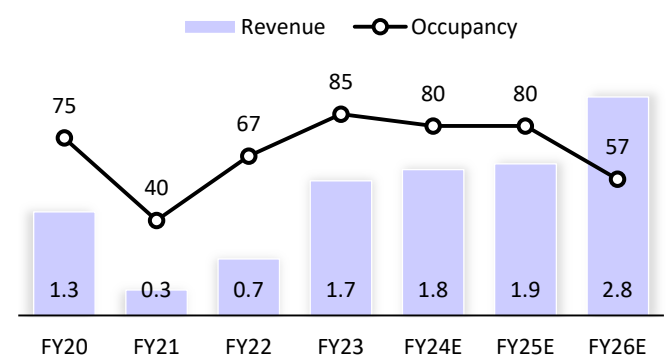
Source: MOFSL, Company

Exhibit 8: EBITDA margin to remain at 95%+



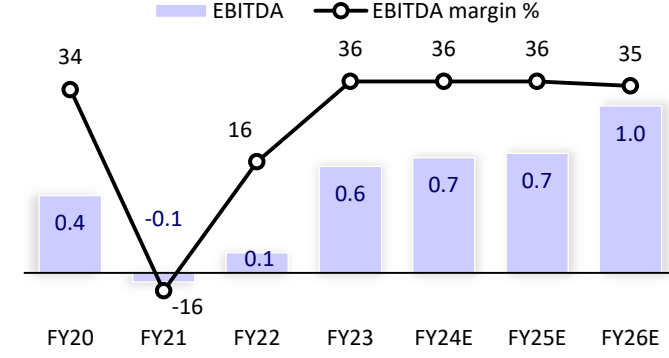
Source: MOFSL, Company

Exhibit 9: Steady occupancy coupled with a gradual rise in ARR to support hospitality sales (INRb)



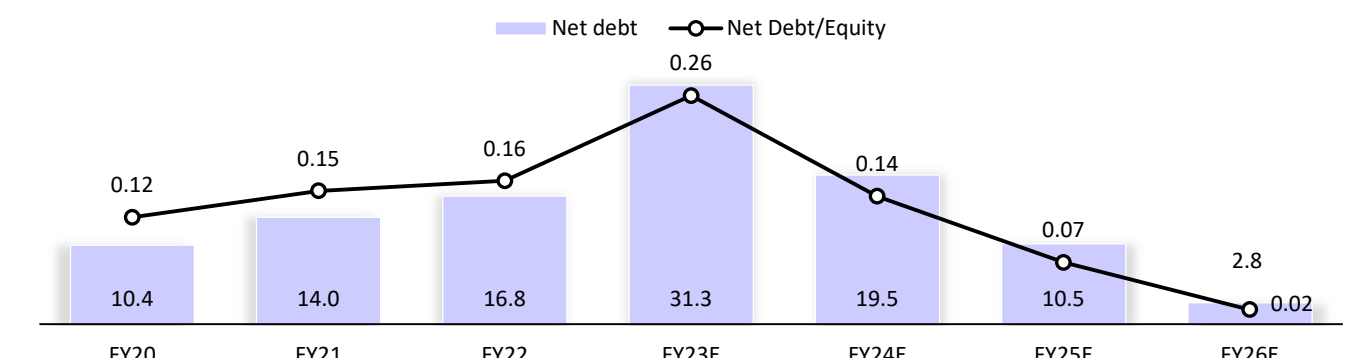
Source: Company, MOFSL

Exhibit 10: EBITDA margin to sustain at 35%+



Source: Company, MOFSL

Exhibit 11: Annual post-tax cash flow run-rate of INR15-30b over the next three to four years to provide OBER with financial strength to focus on business development



Source: MOFSL, Company

Financials and valuations

Consolidated Income Statement							(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Total Income from Operations	22,376	20,526	26,940	41,926	42,066	47,142	64,182
Change (%)	-13.4	-8.3	31.2	55.6	0.3	12.1	36.1
Total Expenditure	11,897	10,522	15,126	20,808	20,701	22,715	33,249
As a percentage of Sales	53.2	51.3	56.1	49.6	49.2	48.2	51.8
EBITDA	10,480	10,004	11,813	21,117	21,365	24,427	30,933
Margin (%)	46.8	48.7	43.9	50.4	50.8	51.8	48.2
Depreciation	449	412	398	398	460	1,817	1,817
EBIT	10,031	9,592	11,416	20,720	20,905	22,610	29,117
Int. and Finance Charges	885	760	860	1,691	2,170	1,466	866
Other Income	484	380	585	1,006	1,052	896	1,219
PBT bef. EO Exp.	9,630	9,212	11,140	20,036	19,787	22,039	29,470
EO Items	0	0	0	0	0	0	0
PBT after EO Exp.	9,630	9,212	11,140	20,036	19,787	22,039	29,470
Total Tax	2,796	1,851	3,065	3,193	5,046	5,620	7,515
Tax Rate (%)	29.0	20.1	27.5	15.9	25.5	25.5	25.5
Minority Interest/Profit from JV	59	32	2,396	2,204	60	0	0
Reported PAT	6,893	7,393	10,471	19,046	14,801	16,419	21,955
Adjusted PAT	6,893	7,393	10,471	19,046	14,801	16,419	21,955
Change (%)	-15.6	7.2	41.6	81.9	-22.3	10.9	33.7
Margin (%)	30.8	36.0	38.9	45.4	35.2	34.8	34.2

Consolidated Balance Sheet							(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	3,636	3,636	3,636	3,636	3,636	3,636	3,636
Total Reserves	82,659	90,055	1,00,525	1,18,465	1,32,539	1,48,231	1,69,459
Net Worth	86,295	93,691	1,04,161	1,22,101	1,36,175	1,51,867	1,73,095
Minority Interest	0	0	0	0	0	0	0
Total Loans	11,439	15,338	28,555	39,441	29,441	19,441	9,441
Deferred Tax Liabilities	284	348	247	155	155	155	155
Capital Employed	98,018	1,09,378	1,32,964	1,61,697	1,65,771	1,71,463	1,82,690
Gross Block	12,824	12,907	12,965	13,055	60,555	60,555	60,555
Less: Accum. Deprn.	2,359	2,771	3,169	3,566	4,026	5,843	7,660
Net Fixed Assets	10,465	10,136	9,796	9,488	56,528	54,712	52,895
Goodwill on Consolidation	0	0	0	0	0	0	0
Capital WIP	3,055	19,799	32,975	40,312	4,275	14,034	17,850
Total Investments	24,062	16,196	26,794	7,027	7,087	7,087	7,087
Curr. Assets, Loans, and Adv.	74,632	74,405	87,340	1,29,584	1,19,544	1,13,747	1,29,682
Inventory	53,173	46,626	50,361	85,431	86,140	87,192	92,169
Account Receivables	1,153	1,280	1,246	10,983	1,152	1,292	1,758
Cash and Bank Balance	1,083	1,331	2,932	5,129	4,909	3,906	1,618
Loans and Advances	19,223	25,168	32,802	28,040	27,343	21,356	34,136
Curr. Liability and Prov.	14,196	11,158	23,942	24,713	21,664	18,116	24,823
Account Payables	859	938	4,247	2,423	1,418	1,556	2,277
Other Current Liabilities	13,294	10,194	19,108	21,817	20,192	16,500	22,464
Provisions	43	26	587	474	54	60	82
Net Current Assets	60,436	63,247	63,398	1,04,870	97,881	95,631	1,04,859
Appl. of Funds	98,018	1,09,378	1,32,964	1,61,697	1,65,771	1,71,463	1,82,691

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)							
EPS	19.0	20.3	28.8	52.4	40.7	45.2	60.4
Cash EPS	20.2	21.5	29.9	53.5	42.0	50.2	65.4
BV/Share	237.3	257.7	286.5	335.8	374.5	417.7	476.1
DPS	2.3	0.0	3.0	2.0	2.0	2.0	2.0
Payout (%)	14.3	0.0	10.4	3.8	4.9	4.4	3.3
Valuation (x)							
P/E	59.0	55.0	38.8	21.3	32.0	28.9	21.6
Cash P/E	55.4	52.1	37.4	20.9	31.1	26.0	19.9
P/BV	4.7	4.3	3.9	3.3	3.5	3.1	2.7
EV/Sales	18.6	20.5	16.0	10.5	11.9	10.4	7.5
EV/EBITDA	39.8	42.0	36.6	20.9	23.3	20.0	15.6
Dividend Yield (%)	0.2	0.0	0.3	0.2	0.2	0.2	0.2
FCF per share	-14.0	-17.1	-7.0	-82.1	35.0	33.3	28.9
Return Ratios (%)							
RoE	8.3	8.2	10.6	16.8	11.5	11.4	13.5
RoCE	8.0	7.7	7.2	12.4	10.0	10.4	12.8
RoIC	11.5	10.8	11.6	19.4	12.0	11.4	14.3
Working Capital Ratios							
Fixed Asset Turnover (x)	1.7	1.6	2.1	3.2	0.7	0.8	1.1
Asset Turnover (x)	0.2	0.2	0.2	0.3	0.3	0.3	0.4
Leverage Ratio (x)							
Net Debt/Equity	0.1	0.1	0.2	0.3	0.2	0.1	0.0

Consolidated Cash Flow Statement

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
(INR m)							
OP/(Loss) before Tax	9,689	9,244	13,536	22,240	19,847	22,039	29,470
Depreciation	449	412	398	398	460	1,817	1,817
Interest and Finance Charges	885	760	860	1,691	2,170	1,466	866
Direct Taxes Paid	-2,221	-2,031	-2,911	-4,779	-5,046	-5,620	-7,515
(Inc.)/Dec. in WC	-11,205	-998	1,765	-40,226	6,769	1,247	-11,516
CF from Operations	-2,404	7,387	13,648	-20,678	24,200	20,950	13,121
Others	-416	-362	-2,961	-3,154	-1,112	-896	-1,219
CF from Operations incl. EO	-2,820	7,025	10,687	-23,831	23,089	20,054	11,902
(Inc.)/Dec. in FA	-2,261	-13,241	-13,241	-6,018	-10,361	-7,953	-1,410
Free Cash Flow	-5,081	-6,216	-2,554	-29,850	12,727	12,100	10,492
(Pur.)/Sale of Investments	5,863	39	171	342	0	0	0
Others	-857	6,687	-7,438	24,616	1,052	896	1,219
CF from Investments	2,745	-6,515	-20,509	18,941	-9,310	-7,058	-191
Issue of Shares	0	0	0	0	0	0	0
Inc./(Dec.) in Debt	-508	317	13,250	10,817	-10,000	-10,000	-10,000
Interest Paid	-1,711	-1,480	-1,628	-2,637	-3,272	-3,272	-3,272
Dividend Paid	-877	0	0	-1,091	-727	-727	-727
Others	0	-1	-199	0	0	0	0
CF from Fin. Activity	-3,095	-1,164	11,422	7,088	-13,999	-13,999	-13,999
Inc./Dec. in Cash	-3,169	-654	1,601	2,198	-220	-1,003	-2,288
Opening Balance	4,253	1,985	1,331	2,932	5,129	4,909	3,906
Closing Balance	1,083	1,331	2,932	5,129	4,909	3,906	1,618

Brigade Enterprise

BSE SENSEX
70,701S&P CNX
21,353

CMP: INR975

TP: INR1,150 (+18%)

Buy



Bloomberg	BRGD IN
Equity Shares (m)	230
M.Cap.(INRb)/(USDb)	225.1 / 2.7
52-Week Range (INR)	1015 / 442
1, 6, 12 Rel. Per (%)	12/65/97
12M Avg Val (INR M)	219

Financials & Valuations (INR b)

Y/E MARCH	FY24E	FY25E	FY26E
Sales	40.8	49.4	49.5
EBITDA	10.4	15.0	16.7
EBITDA Margin (%)	25.5	30.5	33.8
Adj PAT	3.5	7.3	8.2
Cons. EPS (Rs)	17.3	35.7	40.2
EPS Growth (%)	42.6	106.7	12.8
BV/Share (Rs)	174.0	207.7	247.9

Ratios

Net D:E	1.0	0.7	0.4
RoE (%)	10.4	18.7	17.7
RoCE (%)	7.8	12.1	12.5
Payout (%)	11.6	5.6	5.0

Valuations

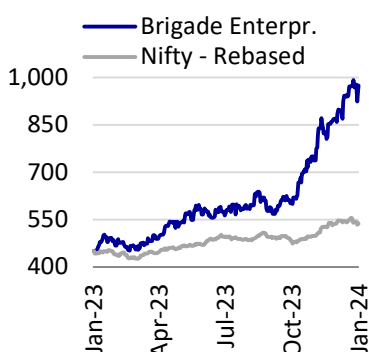
P/E (x)	56	27	24
EV/EBITDA (x)	5.6	4.7	4.0
Div. Yield (%)	22.4	15.1	13.0
FCF Yield (%)	0.2	0.2	0.2
EV/Sales (x)	5.7	4.6	4.4

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	43.8	43.8	43.8
DII	25.0	25.4	24.6
FII	13.7	13.4	14.2
Others	17.5	17.1	17.4

FII Includes depository receipts

Stock Performance (1-year)



Set to witness growth across all segments

Chennai and Hyderabad to drive near-term growth

- With a stronghold in Bengaluru, Brigade Enterprises (BEL) is now aggressively expanding its presence in Chennai and Hyderabad. The company expects these markets to drive the majority of growth in bookings going ahead.
- BEL has acquired 20msf of land in the last two years, of which 17msf is in Chennai and Hyderabad. It continues to churn and add projects in Bengaluru (5msf of projects net), with an intention to scale up while monetizing projects in non-core markets like Thiruvananthapuram and Mysore.
- Overall, the company now has INR160b worth of residential projects in Chennai and Hyderabad, which are expected to generate INR25-30b of pre-sales annually by FY26 vs. INR6-7b in FY23. Thus, with incremental INR20-25b of pre-sales from Chennai and Hyderabad, we expect BEL's bookings to rise to INR84b by FY26, implying a CAGR of 23%.

Commercial: Scaling up gradually

- BEL owns ~7msf of office assets across Bengaluru and Chennai. Despite concerns around SEZ space, it has improved the occupancy of its commercial portfolio to 89% from 80% in 1QFY23. It is expected to be fully leased in the next two quarters and generate INR10b of rental income (including retail).
- Brigade Twin Towers (1.3msf) are expected to be delivered by Mar'25. This development is expected to generate rental income of INR1-1.2b.
- Beyond this, the segment's growth will be driven by 64 acres of land owned by the company, which has development potential of ~9msf.

Hospitality: 2x expansion on cards

- The current portfolio of ~1,500 keys had 77% occupancy in 2Q and posted ARR growth of ~50% to INR6100 from INR4000 in FY22.
- BEL is on track to generate EBITDA of INR1.5b in FY24. We expect van 8% CAGR over FY24-26E, aided by steady growth in occupancy and ARR.
- In the recent earnings call, the management highlighted that given the tailwind in the sector, it sees potential to add ~1,300 keys to its existing large mixed-use projects in Bengaluru and Chennai.

Valuation and view

- BEL continues to provide strong growth visibility till FY26 given the progress on BD over the last few years. Beyond FY26, growth on a high base in each of its core markets will be constrained as the company is focusing on only these three markets (Bengaluru, Chennai and Hyderabad) in the near term.
- We incorporate new project additions, which will help BEL sustain 10-15% pre-sales growth until FY28, and base our terminal growth (5%) assumption on FY28 after investment cash flows. We roll forward our commercial and hospitality valuations to FY26 and arrive at a revised TP of INR1,150, indicating 18% upside. **Reiterate BUY.**

Exhibit 1: Our SoTP-based approach denotes 18% upside potential for BEL; reiterate Buy

Segment	Valuation metric	Value (INR b)	Per share	As a percentage of NAV
Residential	❖ DCF of three-year cash flow at a WACC of 11.3% and terminal value assuming cash flow sustain in FY23-25	173	752	66%
Commercial	❖ Based on the cap rate of 8.5% for Office and Retail assets on Mar'25E EBITDA	80	346	30%
Hotel	❖ FY24E EV/EBITDA of 15x	27	117	10%
Gross asset value		280	1,216	106%
Net debt (BRGD's share)		(15)	(66)	-6%
Net asset value		265	1,150	100%
No. of shares		230		
Target price		1,150		
CMP		975		
Upside		18%		

Source: MOFSL

Story in charts

Exhibit 1: BEL scaled up its Residential business and clocked the highest-ever sales of 6.3msf in FY23

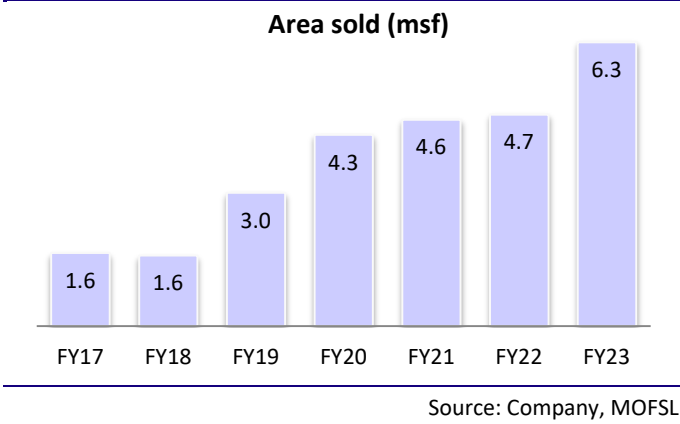


Exhibit 2: Pre-sales posted 32% CAGR over FY18-23, led by an acceleration in launches

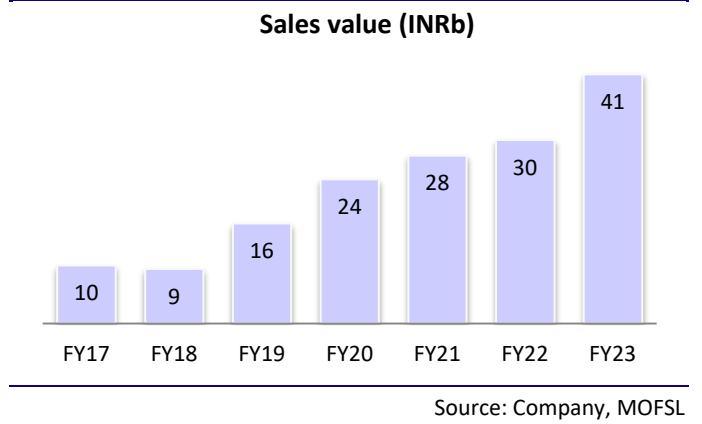


Exhibit 3: New launches to increase to 8msf+

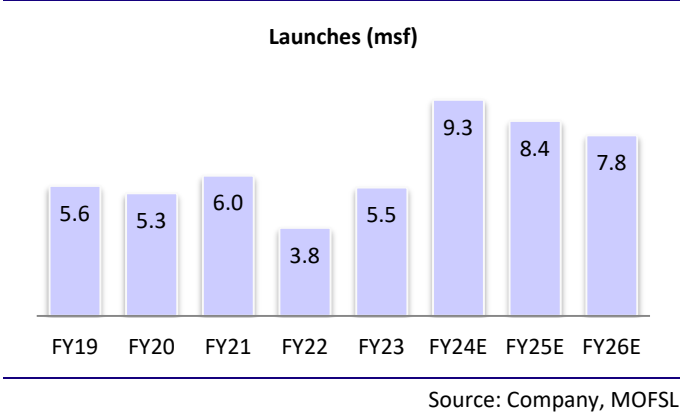


Exhibit 4: Expect bookings to touch INR84b by FY26

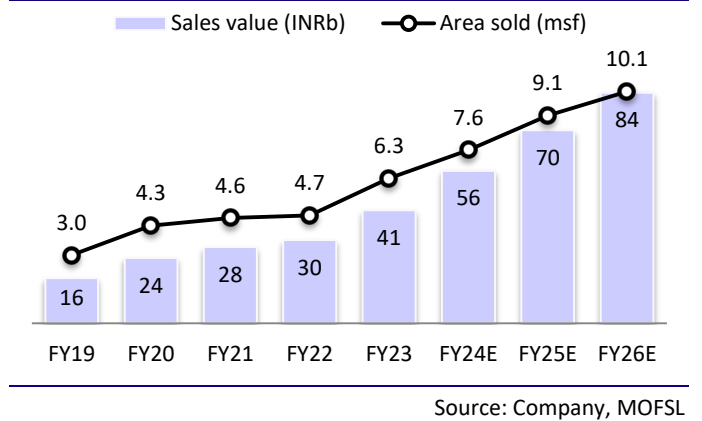


Exhibit 5:aided by completion of key infra projects

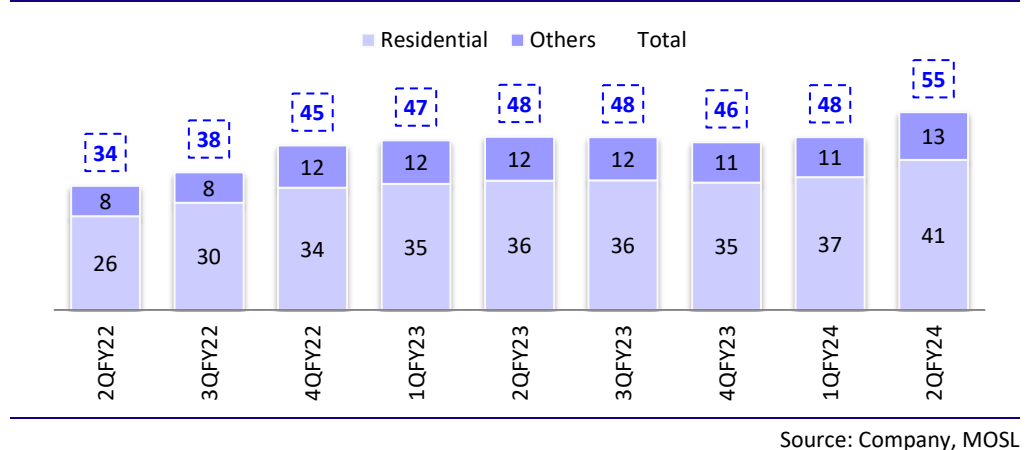
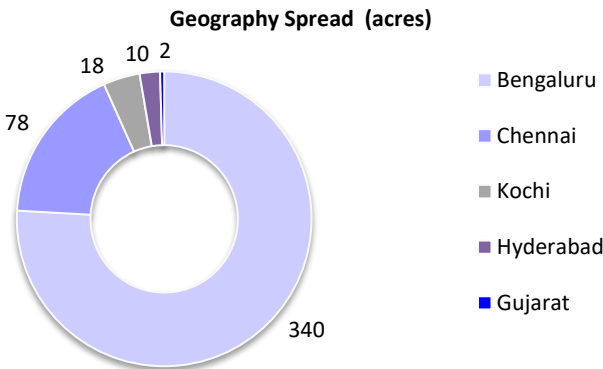
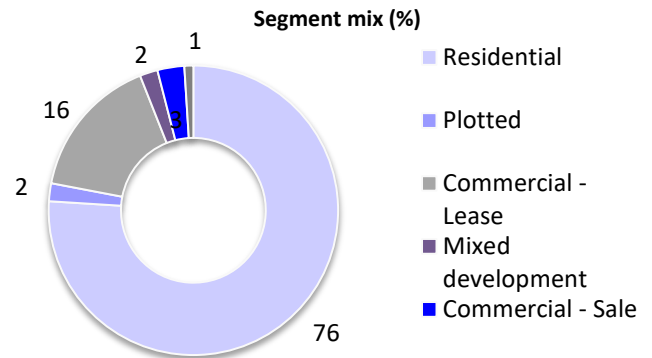


Exhibit 6: Margin profile based on reported financials



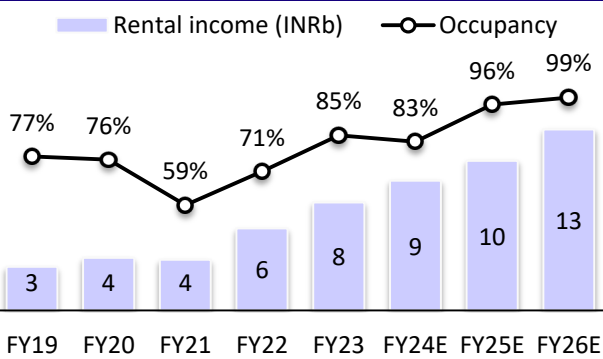
Source: Company, MOFSL

Exhibit 7: The embedded margins on pre-sales stands at an average of ~32%



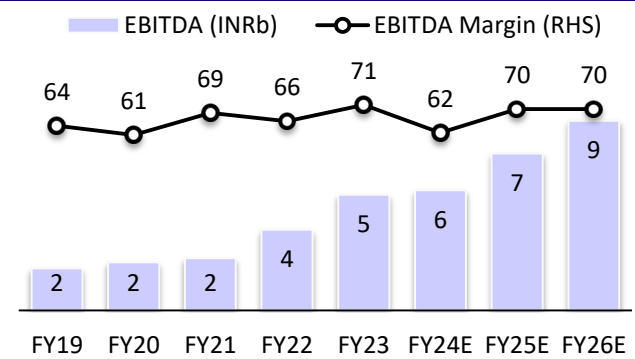
Source: Company, MOFSL

Exhibit 8: Expect occupancy in Annuity assets to gradually improve...



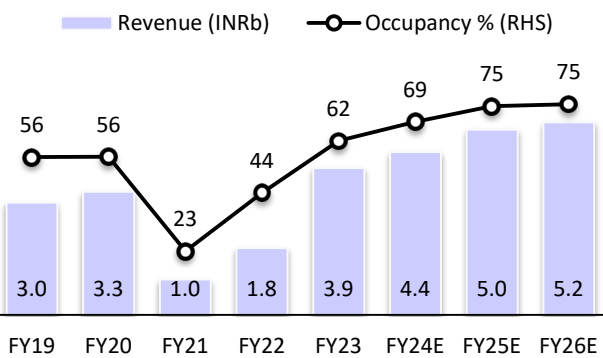
Source: MOFSL, Company

Exhibit 9: Expect BEL's commercial portfolio to report INR9b EBITDA



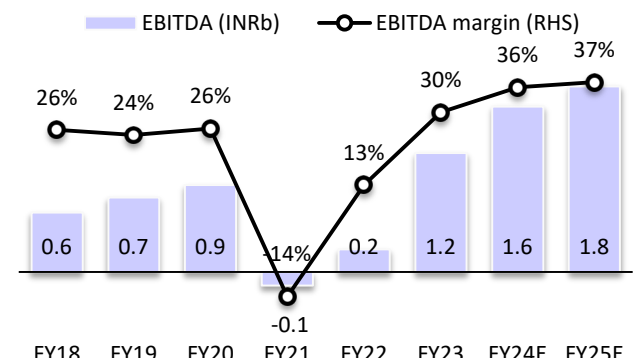
Source: MOFSL, Company

Exhibit 10: The Hospitality portfolio witnessed a sharp rise in occupancy over the last two years



Source: Company, MOFSL

Exhibit 11: It can report EBITDA of 1.8b by FY26



Source: Company, MOFSL

Financials and valuations

Consolidated Profit & Loss

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Total Income from Operations	26,322	19,500	29,988	34,446	40,803	49,374	49,453
Change (%)	-11.5	-25.9	53.8	14.9	18.5	21.0	0.2
Total Expenditure	19,689	14,780	22,325	25,856	30,397	34,326	32,730
% of Sales	74.8	75.8	74.4	75.1	74.5	69.5	66.2
EBITDA	6,632	4,719	7,663	8,590	10,406	15,048	16,722
Margin (%)	25.2	24.2	25.6	24.9	25.5	30.5	33.8
Depreciation	1,920	2,369	3,505	3,146	3,030	3,463	3,906
EBIT	4,712	2,350	4,158	5,444	7,376	11,585	12,817
Int. and Finance Charges	3,403	3,468	4,436	4,342	4,534	3,756	3,531
Other Income	494	604	667	1,186	1,364	1,432	1,504
PBT bef. EO Exp.	1,803	-514	389	2,289	4,206	9,261	10,789
EO Items	-205	-763	-567	450	0	0	0
PBT after EO Exp.	1,598	-1,277	-177	2,739	4,206	9,261	10,789
Total Tax	474	-287	497	558	1,262	2,331	2,716
Tax Rate (%)	29.6	22.5	-280.3	20.4	30.0	25.2	25.2
Minority Interest	-150	-475	-1,448	-651	-583	-361	-150
Reported PAT	1,274	-515	774	2,832	3,527	7,291	8,224
Adjusted PAT	1,418	77	1,739	2,474	3,527	7,291	8,224
Change (%)	-40.9	-94.6	2,165.4	42.2	42.6	106.7	12.8
Margin (%)	5.4	0.4	5.8	7.2	8.6	14.8	16.6

Consolidated Balance Sheet

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	2,044	2,109	2,303	2,303	2,303	2,303	2,303
Total Reserves	20,768	21,368	26,797	30,143	33,261	40,143	48,367
Net Worth	22,811	23,477	29,099	32,445	35,564	42,446	50,669
Minority Interest	1,659	1,156	-323	-1,013	-1,596	-1,957	-2,107
Total Loans	44,218	43,897	48,327	45,488	42,988	40,488	37,988
Deferred Tax Liabilities	0	-2,155	-2,642	-3,317	-3,317	-3,317	-3,317
Capital Employed	68,688	66,374	74,461	73,604	73,639	77,660	83,233
Gross Block	36,874	59,464	61,822	62,567	72,082	81,813	91,766
Less: Accum. Deprn.	6,939	9,308	12,814	15,960	18,989	22,452	26,357
Net Fixed Assets	29,935	50,156	49,008	46,608	53,093	59,362	65,409
Goodwill on Consolidation	43	43	43	203	203	203	203
Capital WIP	20,975	4,949	5,407	7,405	1,655	-5,863	-13,863
Total Investments	721	890	5,086	617	617	617	617
Curr. Assets, Loans&Adv.	70,935	79,942	88,825	1,05,500	1,06,626	1,24,686	1,31,786
Inventory	52,094	59,020	62,228	73,273	74,340	83,868	84,002
Account Receivables	4,306	5,272	5,042	4,616	6,707	8,116	8,129
Cash and Bank Balance	3,049	5,594	9,448	14,781	9,105	12,767	19,689
Loans and Advances	11,486	10,056	12,108	12,830	16,474	19,935	19,967
Curr. Liability & Prov.	53,921	69,606	73,908	86,729	88,556	1,01,346	1,00,919
Account Payables	5,005	5,770	6,491	7,347	10,826	12,226	11,657
Other Current Liabilities	48,811	63,747	67,333	79,278	77,526	88,873	89,015
Provisions	105	89	83	105	204	247	247
Net Current Assets	17,014	10,336	14,917	18,770	18,070	23,341	30,867
Misc Expenditure	0	0	0	0	0	0	0
Appl. of Funds	68,688	66,374	74,462	73,603	73,638	77,659	83,233

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)							
EPS	6.9	0.4	8.5	12.1	17.3	35.7	40.2
Cash EPS	16.3	12.0	25.7	27.5	32.1	52.6	59.3
BV/Share	111.6	114.9	142.4	158.8	174.0	207.7	247.9
DPS	1.0	0.0	1.0	3.0	2.0	2.0	0.0
Payout (%)	19.3	0.0	26.4	21.6	11.6	5.6	0.0
Valuation (x)							
P/E	100.7	1,860.6	82.1	57.8	56.5	27.3	24.2
Cash P/E	42.8	58.4	27.2	25.4	30.4	18.5	16.4
P/BV	6.3	6.1	4.9	4.4	5.6	4.7	3.9
EV/Sales	7.0	9.3	6.1	5.0	5.7	4.6	4.4
EV/EBITDA	27.7	38.4	23.7	20.2	22.4	15.1	13.0
Dividend Yield (%)	0.1	0.0	0.1	0.4	0.2	0.2	0.0
FCF per share	-13.1	16.4	40.3	29.9	2.0	43.5	56.0
Return Ratios (%)							
RoE	6.4	0.3	6.6	8.0	10.4	18.7	17.7
RoCE	5.9	3.4	25.3	6.8	7.8	12.1	12.5
RoIC	8.2	3.7	28.9	8.2	9.1	13.1	13.1
Working Capital Ratios							
Fixed Asset Turnover (x)	0.7	0.3	0.5	0.6	0.6	0.6	0.5
Asset Turnover (x)	0.4	0.3	0.4	0.5	0.6	0.6	0.6
Inventory (Days)	722	1,105	757	776	665	620	620
Debtor (Days)	60	99	61	49	60	60	60
Creditor (Days)	69	108	79	78	97	90	86
Leverage Ratio (x)							
Current Ratio	1.3	1.1	1.2	1.2	1.2	1.2	1.3
Interest Cover Ratio	1.4	0.7	0.9	1.3	1.6	3.1	3.6
Net Debt/Equity	1.8	1.6	1.3	0.9	1.0	0.7	0.4

Consolidated Cash flow

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
OP/(Loss) before Tax	1,614	-1,251	-150	2,780	4,206	9,261	10,789
Depreciation	1,920	2,369	3,505	3,146	3,030	3,463	3,906
Interest & Finance Charges	3,403	3,468	4,436	4,342	4,534	3,756	3,531
Direct Taxes Paid	-642	-536	-1,039	-558	-1,262	-2,331	-2,716
(Inc)/Dec in WC	-1,643	3,814	4,047	1,480	-4,976	-1,608	-605
CF from Operations	4,652	7,864	10,799	11,189	5,532	12,541	14,906
Others	-4	165	-478	-1,186	-1,364	-1,432	-1,504
CF from Operating incl EO	4,649	8,029	10,321	10,003	4,168	11,109	13,402
(Inc)/Dec in FA	-7,328	-4,670	-2,084	-3,887	-3,765	-2,213	-1,953
Free Cash Flow	-2,679	3,359	8,237	6,116	403	8,895	11,449
(Pur)/Sale of Investments	237	-342	-4,036	4,469	0	0	0
Others	-75	-2,473	-3,594	1,186	1,364	1,432	1,504
CF from Investments	-7,166	-7,484	-9,714	1,768	-2,401	-781	-449
Issue of Shares	320	883	5,028	0	0	0	0
Inc/(Dec) in Debt	7,406	3,032	-831	-2,839	-2,500	-2,500	-2,500
Interest Paid	-3,859	-3,943	-3,511	-4,342	-4,534	-3,756	-3,531
Dividend Paid	-575	0	-276	-613	-409	-409	0
Others	52	2,029	-78	0	0	0	0
CF from Fin. Activity	3,344	2,000	333	-7,793	-7,443	-6,665	-6,031
Inc/Dec of Cash	827	2,545	940	3,978	-5,676	3,662	6,921
Opening Balance	2,222	3,049	2,804	3,745	7,723	2,047	5,709
Closing Balance	3,049	5,594	3,745	7,723	2,047	5,709	12,631

Mahindra Lifespace

BSE SENSEX 70,701
S&P CNX 21,353

Mahindra Lifespaces

Bloomberg	MLIFE IN
Equity Shares (m)	155
M.Cap.(INRb)/(USDb)	86.2 / 1
52-Week Range (INR)	599 / 316
1, 6, 12 Rel. Per (%)	4/8/38
12M Avg Val (INR M)	138

Financials & Valuations (INR b)

Y/E MARCH	FY24E	FY25E	FY26E
Sales	2.9	4.0	4.9
EBITDA	-1.1	-1.1	-1.1
EBITDA Margin (%)	NM	NM	NM
Adj PAT	0.1	1.2	0.9
Cons. EPS (INR)	0.5	7.5	6.0
EPS Growth (%)	NM	NM	-19.6
BV/Share (INR)	117.3	124.7	130.7

Ratios

Net D:E	-0.4	-0.2	-0.2
RoE (%)	0.4	6.2	4.7
RoCE (%)	NM	NM	NM
Payout (%)	0.0	0.0	0.0

Valuations

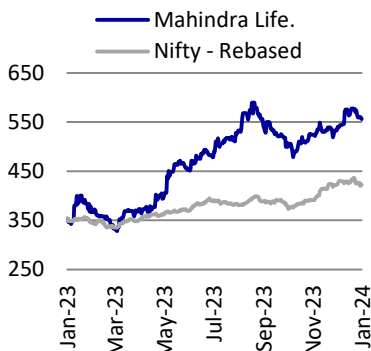
P/E (x)	NM	67.0	83.3
P/BV (x)	4.3	4.0	3.8
EV/EBITDA (x)	NM	NM	NM
Div. Yield (%)	0.0	0.0	0.0

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	51.2	51.2	51.3
DII	23.2	20.2	19.0
FII	8.5	11.9	11.1
Others	17.1	17.5	18.7

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR559 TP: INR575 (+4%) Downgrade to Neutral

Valuations factoring in growth prospects

Scale-up of business development key to justify growth expectations

On track to surpass its FY25 business targets

- In FY23, Mahindra Lifespace (MLDL) delivered a healthy 77% growth in pre-sales to INR18b, driven by over 3msf of new launches vs. historical run-rate of ~1msf.
- However, pre-sales dipped 20% YoY in 1HFY24 to INR8b in the absence of any major launches. As the company gears up for some key launches in Kandivali, we expect its pre-sales to recover in 2HFY24. MLDL is likely to clock INR20-22b of pre-sales in FY24, a growth of 10-20% YoY.
- With INR85b of ongoing and upcoming inventories, and an expected launch of the Thane project, the company appears on track to exceed its FY25E pre-sales target of INR25b.
- In its IC&IC business, the company leased ~160 acres in FY23, which were valued at INR4.6b (in line with its FY25 annual target).

Project additions need to pickup to justify growth expectations

- The pace of business development activity picked up from FY22 as MLDL added INR35-40b of new projects annually. While it has slowed down recently with new management undergoing a transition, we expect the company to clock similar project additions in future.
- However, as the company aims to grow its sales by five-fold in five years, its project additions need to scale up significantly from here on. We estimate that MLDL would need INR260b of new projects or INR60-80b annually in order to achieve its targeted growth over the next five years.

IC&IC will continue to support business growth requirement

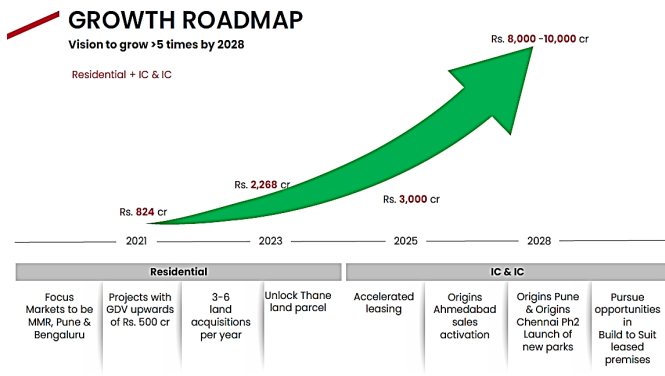
- MLDL has ~750 acres of ongoing land inventory at Jaipur and Chennai. Origins Chennai Phase-II and Origins Pune will add another 750 acres to the IC&IC inventory.
- With an estimated annual leasing run-rate of 150-170 acres, MLDL will generate INR3.5-4.0b of surplus cash flows from the IC&IC segment. Coupled with surplus cash flows from residential business, we expect the annual OCF run-rate to improve to INR10-12b in FY26-27, vs. INR7b in FY24.
- Thus, cash flows appear to be the least of trouble, but the conversion of the cash flows into new project additions remains a key monitorable.

Valuation and view: Growth priced in; downgrade to Neutral

- We estimate the value of the existing pipeline at INR31b, while at CMP, its residential segment is valued at INR66b, which is in line with our DCF-based value of INR69b. This indicates that the near-term growth potential is already priced in.
- While announcements on new project additions can lead to some positive triggers, they should not be more than short-term triggers. Further, MLDL has been dismal in terms of margin performance, and this is unlikely to improve until FY26E. Even the recent projects are not expected to generate EBITDA margins of more than 15-18%
- Therefore, we downgrade the stock to Neutral with an unchanged TP of INR575, indicating a 3% upside potential.

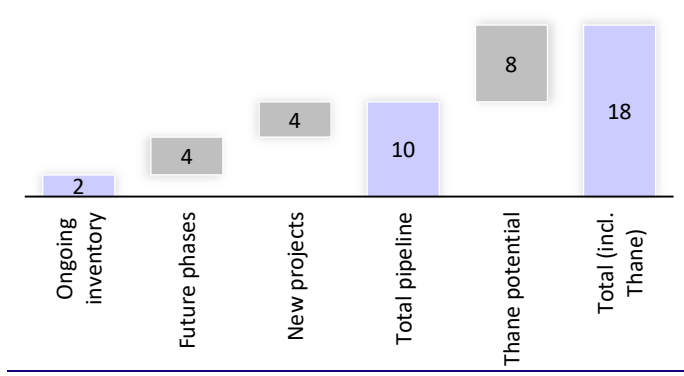
Key exhibits

Exhibit 1: Targets residential pre-sales of INR80-90b



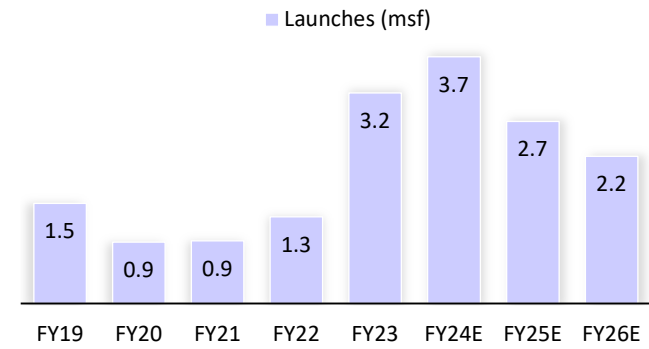
Source: MOFSL, Company

Exhibit 2: The company's current pipeline of 10msf has a revenue potential of INR100b+



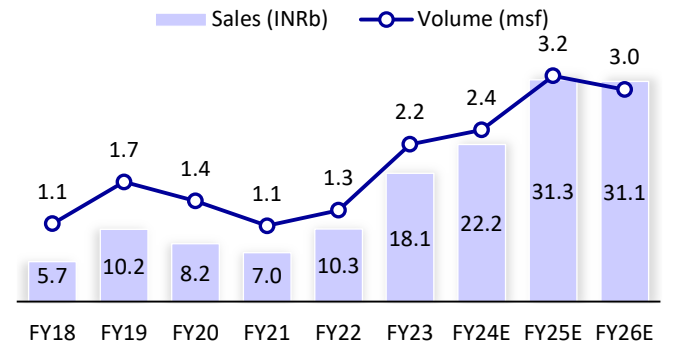
Source: MOFSL, Company

Exhibit 3: Aided by a strong pipeline, MLDL will scale up its launches...



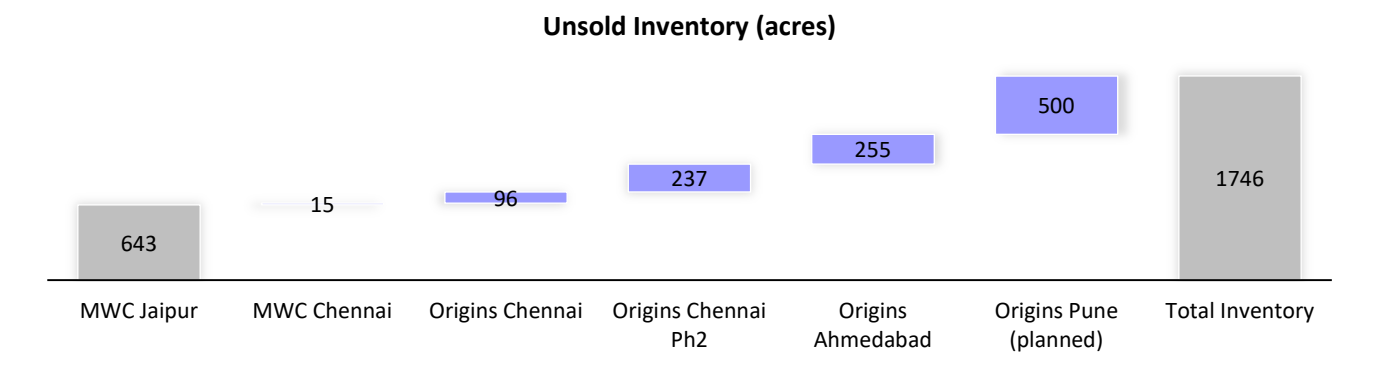
Source: MOFSL, Company

Exhibit 4: ...leading to a 30% CAGR in sales over FY23-25E



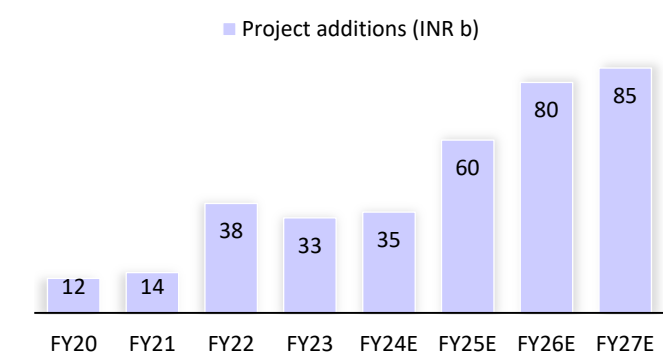
Source: MOFSL, Company

Exhibit 5: Including its operating and planned assets, MLDL's IC segment has an unsold inventory of ~1,750 acres



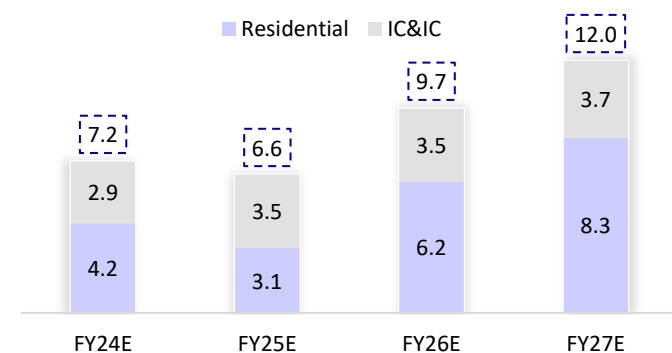
Source: Company, MOFSL

Exhibit 6: MLDL Need to double its project addition from hereon



Source: MOFSL, Company

Exhibit 7: OCF will support growth investments; conversion remains key



Source: MOFSL, Company

Exhibit 8: Based on our SoTP approach, we arrive at a NAV of INR89b (or INR575 per share), implying a 4% downside potential

Particulars	Rationale	Value (INR b)	Per share	% contribution
Residential	DCF of 5 years cash flow at WACC of 14% and terminal value assuming 3% long term growth	69	445	77%
IC & IC	PV of future cash flows discounted at WACC of 14%	15	95	16%
Land bank	~1650 acres of land bank valued at market price	4	28	5%
Annuity	8.5% Cap rate on FY24E NOI	4	27	5%
Gross Asset value		92	595	103%
Net debt	FY24E	(3)	(19)	-3%
Net Asset value		89	576	100%
No. of shares (m)		155		
NAV per share		575		
CMP		556		
Upside		4%		

Source: MOFSL, Company

Financials and valuations

Consolidated – Profit & Loss (INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Total Income from Operations	6,109	1,662	3,936	6,066	2,883	3,999	4,915
Change (%)	3.1	-72.8	136.7	54.1	-52.5	38.7	22.9
Operating Expenses	4,830	1,173	3,031	5,138	2,018	2,999	3,686
Employees Cost	822	757	836	792	831	856	882
Other Expenses	1,025	668	963	1,238	1,176	1,293	1,423
Total Expenditure	6,678	2,598	4,830	7,167	4,025	5,149	5,991
% of Sales	109.3	156.3	122.7	118.2	139.6	128.8	121.9
EBITDA	-568	-935	-895	-1,101	-1,142	-1,150	-1,076
Margin (%)	-9.3	-56.3	-22.7	-18.2	-39.6	-28.8	-21.9
Depreciation	77	70	65	122	121	148	181
EBIT	-645	-1,005	-960	-1,223	-1,263	-1,298	-1,257
Int. and Finance Charges	76	110	65	109	132	148	157
Other Income	105	216	147	530	432	160	197
PBT bef. EO Exp.	-617	-899	-878	-803	-963	-1,286	-1,217
EO Items	-1,346	0	968	678	0	0	0
PBT after EO Exp.	-1,963	-899	90	-124	-963	-1,286	-1,217
Total Tax	-17	-63	-624	28	-241	-321	-304
Tax Rate (%)	0.9	7.0	-695.2	-22.7	25.0	25.0	25.0
Minority Interest	-11	118	830	1,167	802	2,118	1,841
Reported PAT	-1,957	-718	1,545	1,014	80	1,154	928
Adjusted PAT	-623	-718	172	461	80	1,154	928
Change (%)	-152.9	15.2	-123.9	168.7	-82.7	1,348.6	-19.6
Margin (%)	-10.2	-43.2	4.4	7.6	2.8	28.9	18.9

Consolidated - Balance Sheet

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	514	514	1,545	1,547	1,547	1,547	1,547
Total Reserves	16,499	15,797	16,340	16,511	16,591	17,745	18,672
Net Worth	17,013	16,311	17,885	18,058	18,137	19,291	20,219
Minority Interest	420	420	491	2	2	2	2
Total Loans	2,319	2,443	2,805	2,681	3,181	3,381	3,581
Deferred Tax Liabilities	77	152	0	0	0	0	0
Capital Employed	19,829	19,326	21,181	20,740	21,320	22,674	23,802
Gross Block	320	222	423	545	666	814	995
Less: Accum. Deprn.	260	184	249	371	492	640	821
Net Fixed Assets	60	38	174	174	174	174	174
Goodwill on Consolidation	660	660	660	0	0	0	0
Capital WIP	122	146	34	51	51	51	51
Total Investments	5,743	5,786	6,424	9,253	9,253	9,253	9,253
Curr. Assets, Loans&Adv.	18,777	19,249	23,083	26,637	18,758	23,979	25,797
Inventory	12,043	13,447	14,419	20,976	8,688	12,600	15,484
Account Receivables	1,144	564	919	1,291	673	934	1,148
Cash and Bank Balance	1,324	1,355	2,255	774	7,235	6,846	4,742
Loans and Advances	4,267	3,883	5,490	3,596	2,162	3,599	4,423
Curr. Liability & Prov.	5,534	6,553	9,193	15,367	6,909	10,776	11,465
Account Payables	1,276	1,349	1,733	1,918	1,444	1,848	2,150
Other Current Liabilities	3,972	5,049	7,294	13,288	5,343	8,760	9,109
Provisions	286	155	166	161	121	168	207
Net Current Assets	13,244	12,696	13,890	11,270	11,850	13,203	14,331
Appl. of Funds	19,830	19,327	21,181	20,748	21,327	22,681	23,809

Financials and valuations

Ratios							
Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)							
EPS	-12.1	-14.0	1.1	3.0	0.5	7.5	6.0
Cash EPS	-10.6	-12.6	1.5	3.8	1.3	8.4	7.2
BV/Share	331.2	317.4	115.7	116.7	117.3	124.7	130.7
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)							
P/E	-41.2	-35.8	449.8	167.6	970.9	67.0	83.3
Cash P/E	-47.1	-39.7	326.2	132.5	385.1	59.4	69.7
P/BV	1.5	1.6	4.3	4.3	4.3	4.0	3.8
EV/Sales	4.4	16.1	19.8	13.1	25.4	18.5	15.5
EV/EBITDA	-46.9	-28.6	-86.9	-72.0	-64.2	-64.2	-70.8
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	-12.8	-13.8	-4.2	-10.5	36.6	-3.9	-15.2
Return Ratios (%)							
RoE	-3.4	-4.3	1.0	2.6	0.4	6.2	4.7
RoCE	-2.6	-3.9	-32.8	-4.1	-3.0	-3.9	-3.4
RoIC	-5.2	-7.6	-62.3	-13.0	-12.3	-17.2	-11.6
Working Capital Ratios							
Fixed Asset Turnover (x)	19.1	7.5	9.3	11.1	4.3	4.9	4.9
Asset Turnover (x)	0.3	0.1	0.2	0.3	0.1	0.2	0.2
Inventory (Days)	719	2,952	1,337	1,262	1,100	1,150	1,150
Debtor (Days)	68	124	85	78	85	85	85
Creditor (Days)	76	296	161	115	183	169	160
Leverage Ratio (x)							
Current Ratio	3.4	2.9	2.5	1.7	2.7	2.2	2.2
Interest Cover Ratio	-8.5	-9.2	-14.7	-11.2	-9.6	-8.8	-8.0
Net Debt/Equity	0.1	0.1	0.0	0.1	-0.2	-0.2	-0.1

Consolidated – Cash Flow Statement

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
OP/(Loss) before Tax	-617	-778	24	379	-161	832	624
Depreciation	77	70	65	122	121	148	181
Interest & Finance Charges	-57	-21	-65	-109	132	148	157
Direct Taxes Paid	-132	-128	-180	-117	241	321	304
(Inc)/Dec in WC	-36	332	354	-520	5,882	-1,743	-3,233
CF from Operations	-764	-525	199	-246	6,215	-293	-1,967
Others	136	-155	-718	-1,238	-432	-160	-197
CF from Operating incl EO	-628	-680	-520	-1,484	5,782	-453	-2,164
(Inc)/Dec in FA	-31	-29	-133	-141	-121	-148	-181
Free Cash Flow	-659	-709	-653	-1,625	5,661	-601	-2,345
(Pur)/Sale of Investments	0	0	550	757	0	0	0
Others	911	1,133	815	-338	432	160	197
CF from Investments	881	1,104	1,232	278	311	12	16
Issue of Shares	0	0	25	5	0	0	0
Inc/(Dec) in Debt	37	124	362	293	500	200	200
Interest Paid	-292	-271	-207	-109	-132	-148	-157
Dividend Paid	-356	-4	-4	-311	0	0	0
Others	-64	-47	-55	-148	0	0	0
CF from Fin. Activity	-674	-198	122	-270	368	52	43
Inc/Dec of Cash	-421	226	834	-1,476	6,462	-389	-2,105
Opening Balance	156	924	1,150	1,984	508	6,970	6,581
Closing Balance	-265	1,150	1,984	508	6,970	6,581	4,476

Sunteck Realty

BSE SENSEX 70,701
S&P CNX 21,353

CMP: INR448**TP: INR640 (+43%)****Buy**

Sunteck

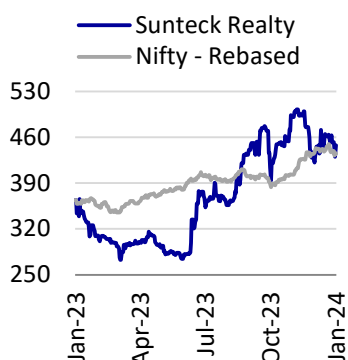
Bloomberg	SRIN IN
Equity Shares (m)	140
M.Cap.(INRb)/(USDb)	65.6 / 0.8
52-Week Range (INR)	512 / 271
1, 6, 12 Rel. Per (%)	4/14/4
12M Avg Val (INR M)	293

Financials & Valuations (INR b)

Y/E Mar	FY24E	FY25E	FY26E
Sales	8.5	14.1	18.3
EBITDA	1.9	3.5	4.9
EBITDA (%)	22.2	24.8	26.5
PAT	1.3	2.4	3.3
EPS (INR)	9.1	16.4	22.8
EPS Gr. (%)	NA	80.9	39.4
BV/Sh. (INR)	197.9	212.7	234.1
Ratios			
Net D/E	0.0	0.1	0.0
RoE (%)	4.7	8.0	10.2
RoCE (%)	5.2	8.0	9.9
Payout (%)	16.6	9.2	6.6
Valuations			
P/E (x)	49.9	27.6	19.8
P/BV (x)	2.3	2.1	1.9
EV/EBITDA (x)	35.2	19.8	14.0
Div Yield (%)	0.3	0.3	0.3

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	63.3	67.2	67.1
DII	7.3	7.0	6.7
FII	20.3	16.7	19.0
Others	9.2	9.3	7.2

Stock's performance (one-year)**Revival in growth a key re-rating trigger****Expect pre-sales CAGR of 24% over FY24-26**

- After a slight delay, the company has successfully launched its Kalyan project in 3Q. Additionally, a new tower at Mira Road, along with a new phase at Naigaon, is scheduled for launch in 4Q.
- With an overall INR57b of launches lined up over the next two to three years, we expect Sunteck to report 24% CAGR in pre-sales to reach INR31b over FY24-26E.
- A large part of this growth is driven by projects that have already been signed up, and Sunteck has a total GDV potential of INR300b, likely to be monetized over the next 10-12 years.

Cash flows likely to remain healthy

- Sunteck has an outstanding receivable of INR21b from the completed and ongoing projects, which is expected to be recovered in five to six years, after incurring costs of INR10b.
- It further has a balance inventory of INR32b. Excluding corporate overheads, these projects are likely to generate INR40b in surplus cash flows over the next five to six years.
- The existing project portfolio, coupled with INR57b of new launches, is expected to generate a surplus cash flow of INR16b over FY24-26. This surplus will primarily be allocated for new project additions.

Profitability to increase significantly

- The company's key projects such as Naigaon and ODC are set for phase-wise completion over FY24-26E. The P&L is expected to improve beginning 4QFY24 with the delivery of the Maxx World project, which would contribute INR7.5-8b to the topline.
- We expect revenue to register a CAGR of 47% over FY24-26E and EBITDA margin to gradually improve to 24-27%, resulting in 60% CAGR over the same period.
- Consequently, PAT is expected to improve significantly to INR3.3b in FY26 vs. INR15m reported in FY23.

Valuation and view

- We expect Sunteck to deliver a healthy 24% pre-sales CAGR over FY24-26, fueled by a ramp-up in launches from both new and existing projects. Further, its sound balance sheet, strong cash flows, and recent partnership with IFC would spur project additions and drive sustainable growth.
- We value its residential segment based on the NPV of existing pipelines and its commercial segment based on an 8% cap rate on FY25E EBITDA. We also assign INR14b of value to future project additions through the IFC platform to arrive at our TP of INR640, indicating a 43% upside potential.

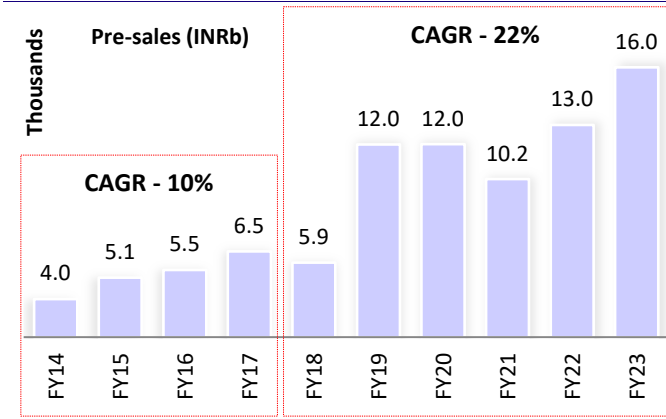
Exhibit 1: Our SoTP-based TP of INR640 indicates an upside potential of 43%

NAV Summary		INR b	Per Share	as % of NAV
Completed Projects	INR16b of net cash surplus, excluding overheads discounted at a WACC of 13% over the next four years	15	102	16%
Ongoing Projects	INR22b of net cash surplus, excluding overheads discounted at a WACC of 13% over the next four years	23	157	24%
Upcoming projects	Around 12msf of pipeline with GDV of INR200b discounted at a WACC of 13%	36	248	39%
Commercial	Operational assets valued at a cap rate of 8% and ongoing projects through DCF	5	36	6%
Value of Existing Pipeline		80	543	85%
New project additions	Value of expected new project additions of INR150b with cash flow potential of INR40b	14	98	15%
Gross Asset value		94	641	100%
Net debt	FY24E net debt	0	0	0%
Net Asset value		94	641	100%
No. of share		146		
NAV per share		640		
CMP		448		
Upside Potential		43%		

Source: MOFSL

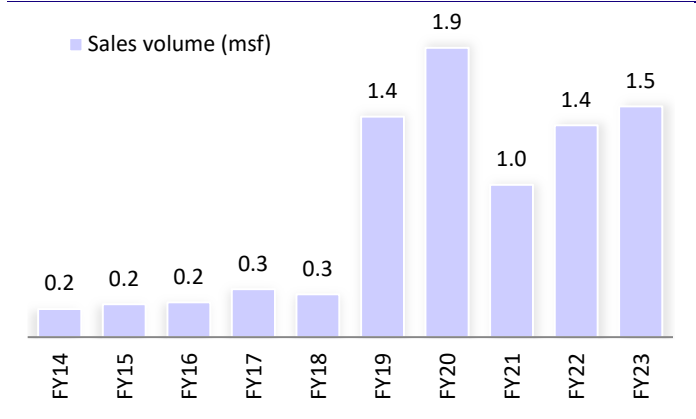
Story in charts

Exhibit 1: Pre-sales reported 22% CAGR over CY18-23



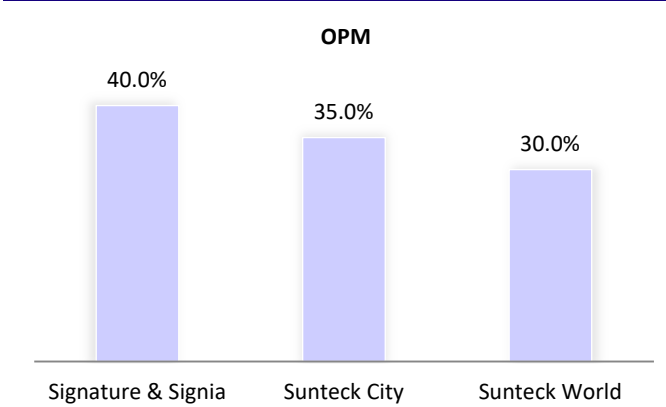
Source: Company, MOFSL

Exhibit 2: Volume rose to 1.5msf in FY23 vs. 0.3msf in FY18



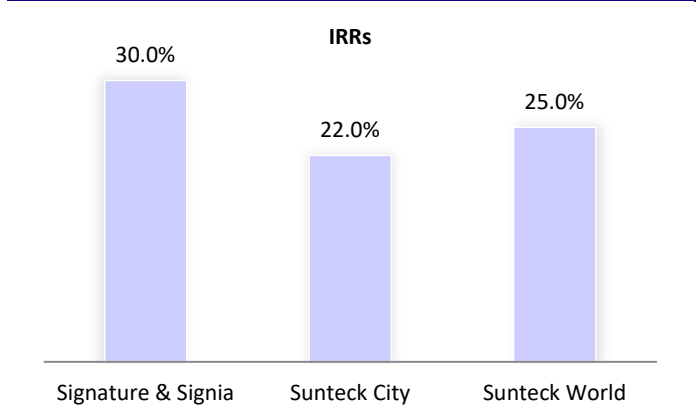
Source: Company, MOFSL

Exhibit 3: Targets 30-40% OPM...



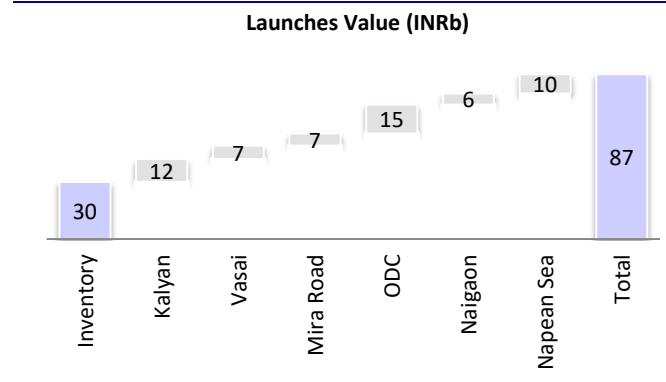
Source: Company, MOFSL

Exhibit 4: ...and generates healthy IRRs



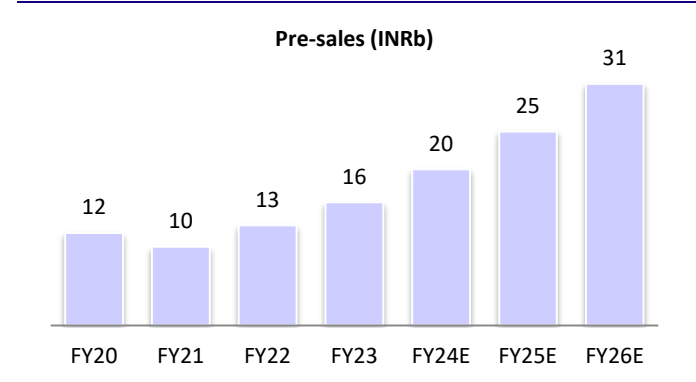
Source: Company, MOFSL

Exhibit 5: Gearing up for INR57b of launches from the ongoing and new projects over the next two years



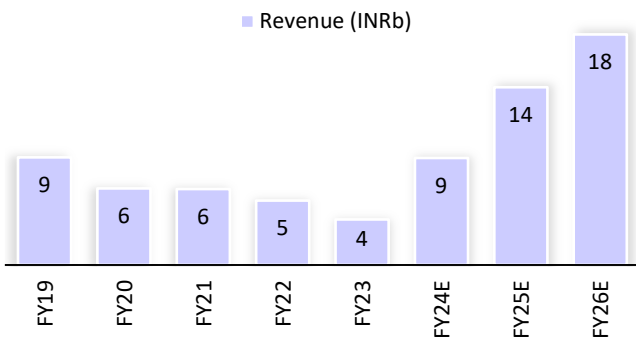
Source: MOFSL, Company

Exhibit 6: We expect SRIN to post 24% pre-sales CAGR over FY24-26



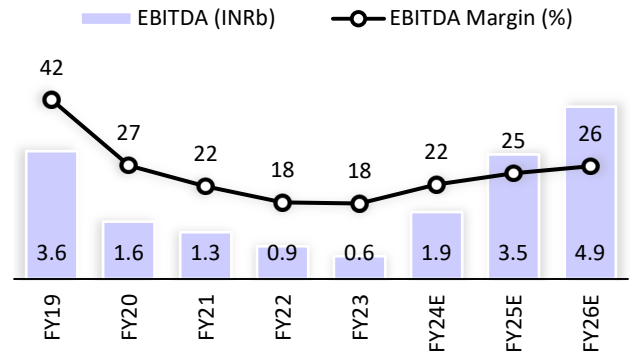
Source: MOFSL, Company

Exhibit 7: Expect 72% CAGR over FY23-26



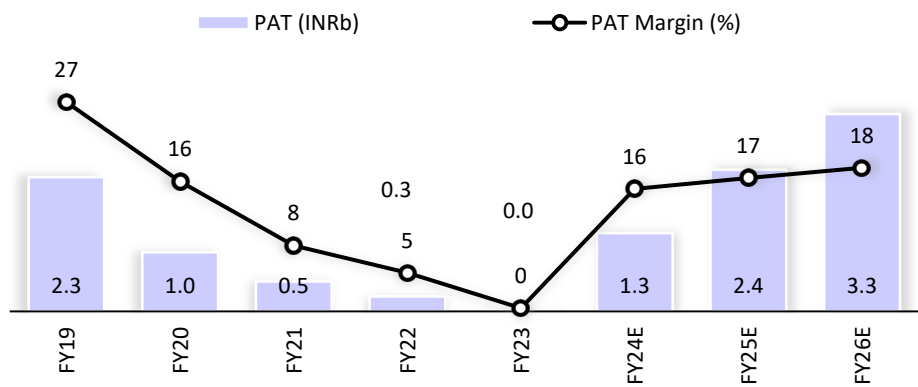
Source: Company, MOSL

Exhibit 8: EBITDA margin to recover to >20% from FY24



Source: Company, MOSL

Exhibit 9: PAT to increase to INR3.3b with a margin of 18%



Source: Company, MOFSL

Financials and Valuation

Consolidated - Income Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Total Income from Operations	8,558	6,078	6,046	5,132	3,624	8,513	14,138	18,334
Change (%)	-3.7	-29.0	-0.5	-15.1	-29.4	134.9	66.1	29.7
Total Expenditure	4,960	4,460	4,730	4,211	2,982	6,627	10,627	13,478
% of Sales	58.0	73.4	78.2	82.1	82.3	77.8	75.2	73.5
EBITDA	3,598	1,618	1,316	921	642	1,886	3,510	4,856
Margin (%)	42.0	26.6	21.8	17.9	17.7	22.2	24.8	26.5
Depreciation	22	36	51	73	92	72	94	98
EBIT	3,576	1,583	1,265	848	550	1,814	3,417	4,757
Int. and Finance Charges	408	435	802	778	859	644	522	510
Other Income	525	237	211	244	284	584	289	197
PBT bef. EO Exp.	3,693	1,385	674	314	-24	1,755	3,184	4,444
PBT after EO Exp.	3,693	1,385	674	314	-24	1,755	3,184	4,444
Total Tax	1,284	378	173	75	31	439	796	1,111
Tax Rate (%)	34.8	27.3	25.6	23.8	-125.6	25.0	25.0	25.0
Minority Interest	133	4	-3	-12	-70	-10	-10	-10
Reported PAT	2,275	1,003	505	251	15	1,326	2,398	3,343
Adjusted PAT	2,275	1,003	505	251	15	1,326	2,398	3,343
Change (%)	6.2	-55.9	-49.6	-50.3	-94.1	NA	80.9	39.4
Margin (%)	26.6	16.5	8.4	4.9	0.4	15.6	17.0	18.2

Consolidated - Balance Sheet

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	140	140	140	140	140	140	140	140
Total Reserves	28,197	29,061	27,347	27,764	27,738	28,844	31,023	34,146
Net Worth	28,337	29,201	27,487	27,904	27,878	28,985	31,163	34,287
Total Loans	6,346	9,217	6,512	7,882	6,854	4,854	4,854	4,854
Deferred Tax Liabilities	12	0	0	7	9	9	9	9
Capital Employed	35,606	38,418	34,000	35,793	34,741	33,847	36,026	39,150
Gross Block	200	442	460	660	787	858	952	1,050
Less: Accum. Deprn.	49	77	125	186	264	336	429	528
Net Fixed Assets	150	365	334	474	522	522	522	522
Investment Property	254	221	186	750	967	967	967	967
Capital WIP	0	0	0	67	1,012	1,012	1,012	1,012
Total Investments	287	319	319	17	99	109	119	129
Curr. Assets, Loans&Adv.	38,230	40,786	40,852	53,681	69,985	70,238	74,902	80,272
Inventory	26,321	27,203	27,438	40,419	57,251	55,391	61,973	65,300
Account Receivables	4,101	3,587	3,698	2,703	1,496	1,399	1,743	1,758
Cash and Bank Balance	1,479	1,662	1,662	970	1,582	4,701	1,503	3,168
Loans and Advances	6,329	8,334	8,054	9,589	9,656	8,746	9,683	10,046
Curr. Liability & Prov.	3,664	3,556	7,722	19,196	37,845	39,001	41,496	43,753
Account Payables	1,492	1,654	2,122	1,936	2,114	1,633	2,711	3,516
Other Current Liabilities	2,136	1,857	5,571	17,214	35,679	37,316	38,733	40,185
Provisions	36	45	30	46	52	52	52	52
Net Current Assets	34,595	37,195	33,160	34,485	32,141	31,237	33,405	36,519
Appl. of Funds	35,606	38,418	34,000	35,793	34,741	33,848	36,026	39,150

E: MOFSL Estimates

Financials and valuations

Ratios								
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)								
EPS	15.5	6.8	3.4	1.7	0.1	9.1	16.4	22.8
Cash EPS	15.7	7.1	3.8	2.2	0.7	9.5	17.0	23.5
BV/Share	193.5	199.4	187.7	190.5	190.3	197.9	212.7	234.1
DPS	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Payout (%)	9.7	21.9	43.5	87.6	NA	16.6	9.2	6.6
Valuation (x)								
P/E	29.2	66.3	131.7	NA	NA	49.9	27.6	19.8
Cash P/E	28.9	64.0	119.6	NA	NA	47.4	26.6	19.2
P/BV	2.3	2.3	2.4	2.4	2.4	2.3	2.1	1.9
EV/Sales	8.3	12.2	11.8	14.3	19.8	7.8	4.9	3.7
EV/EBITDA	19.8	45.8	54.2	79.7	111.7	35.2	19.8	14.0
Dividend Yield (%)	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
FCF per share	-0.8	-3.7	18.4	-3.3	16.7	36.9	-19.0	14.8
Return Ratios (%)								
RoE	8.3	3.5	1.8	0.9	0.1	4.7	8.0	10.2
RoCE	8.0	3.6	3.0	2.4	1.8	5.2	8.0	9.9
RoIC	7.1	3.3	2.7	1.9	3.7	4.5	8.3	10.5
Leverage Ratio (x)								
Current Ratio	10.4	11.5	5.3	2.8	1.8	1.8	1.8	1.8
Interest Cover Ratio	8.8	3.6	1.6	1.1	0.6	2.8	6.5	9.3
Net Debt/Equity	0.2	0.3	0.2	0.2	0.2	0.0	0.1	0.0

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
OP/(Loss) before Tax	3,693	1,385	584	326	-24	1,755	3,184	4,444
Depreciation	22	36	52	73	92	72	94	98
Interest & Finance Charges	408	435	846	776	859	644	485	485
Direct Taxes Paid	-1,203	-420	-231	-152	-68	-439	-796	-1,111
(Inc)/Dec in WC	-2,862	-1,834	1,699	-1,129	2,022	4,023	-5,367	-1,449
CF from Operations	59	-398	2,950	-106	2,880	6,054	-2,400	2,468
Others	-138	43	-88	-198	-260	-584	-289	-197
CF from Operating incl EO	-79	-355	2,861	-305	2,620	5,470	-2,689	2,272
(Inc)/Dec in FA	-43	-192	-164	-183	-181	-72	-94	-98
Free Cash Flow	-122	-548	2,697	-487	2,439	5,398	-2,783	2,173
(Pur)/Sale of Investments	-360	-121	139	248	7	0	0	0
Others	1,125	-311	170	115	12	584	289	197
CF from Investments	723	-624	145	181	-162	513	196	98
Issue of Shares	7	11	7	13	7	0	0	0
Inc/(Dec) in Debt	666	1,952	-2,328	1,331	-1,647	-2,000	0	0
Interest Paid	-640	-807	-860	-743	-762	-644	-485	-485
Dividend Paid	-256	-256	-142	-142	-211	-220	-220	-220
Others	-423	864	-413	0	0	0	0	0
CF from Fin. Activity	-647	1,765	-3,736	459	-2,614	-2,864	-705	-705
Inc/Dec of Cash	-3	785	-729	335	-156	3,119	-3,199	1,665
Opening Balance	49	47	832	103	438	282	3,401	203
Closing Balance	47	832	103	438	282	3,401	203	1,868

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NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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