

## EFC(I) Ltd.

January 27, 2025

CMP: INR 515 | Target Price: INR 730 | Potential Upside: 42%

BUY

Change in Estimates	✓
Target Price Change	✓
Change in Recommendation	✗

## Company Info

BB Code	EFCIL IN EQUITY
Face Value (INR)	2
52 W High/Low (INR)	717/303
Mkt Cap (Bn)	INR 25.64 / \$0.29
Shares o/s (Mn)	49.78
3M Avg. Daily Volume	1,35,240

## Change in CEBPL Estimates

INR Bn	FY26E			FY27E		
	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenue	8504	13480	(37)	12048	NA	NA
EBITDA	2324	4067	(43)	3423	NA	NA
EBITDAM %	27	30	(9)	28.4	NA	NA
PAT	991	2126	(53)	1823	NA	NA
EPS	20	42.7	(53)	47.4	NA	NA

## Actual vs Consensus

INR Bn	Q3FY25A	Consensus	Dev. %
Revenue	1,772.4	NA	-
EBITDA	926.5	NA	-
EBITDAM %	52.3	NA	-
PAT	404.7	NA	-

## Key Financials

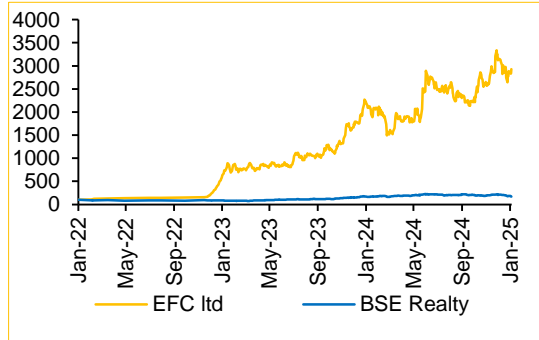
INR Bn	FY23	FY24	FY25E	FY26E	FY27E
Revenue	1.0	4.2	6.4	8.5	12.0
YoY (%)	0%	306.4	51.8	33.5	41.7
EBITDA	0.6	1.8	1.6	2.3	3.4
EBITDAM %	53.7	43.5	25.7	27.3	28.4
Adj PAT	0.0	0.6	0.5	1.0	1.8
EPS	8.3	5.5	5.5	5.5	5.5
RoE %	5.2	14.7	10.1	17.1	24.0
ROCE %	15.7	19.6	13.9	20.7	29.6
PE(x)	59.6	40.5	58.9	28.7	15.6
EV/EBITDA	31.7	16.1	16.5	11.3	7.3
BVPS	21.9	86.7	96.3	116.2	152.8
FCF	(4.5)	(0.9)	0.8	0.5	1.1

## Shareholding Pattern (%)

	Dec-24	Sep-24	Jun-24
Promoters	45.58	45.58	45.58
FIs	4.59	5.36	5.45
DIs	3.72	2.03	1.78
Public	46.11	47.05	47.2

## Relative Performance (%)

YTD	3Y	2Y	1Y
BSE REALTY	73	103	7
EFC(I)	2826	338	37



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## FY25 revenue guidance revised downwards, however growth story remains intact:

- Earlier EFCIL had guided to double their revenue in FY25, however missed the guidance and are now anticipating a revenue growth of 50% YoY in FY25.
- Q3FY25 consolidated revenues at INR 1772 Mn, up 3.0% YoY and 6.5% QoQ (vs CEBPL est. INR 1688 Mn)
- EBITDA for Q3FY25 was reported at INR 927 Mn, up 5% YoY 16.8% QoQ (vs CEBPL est. INR 775 Mn)
- Net profit for Q3FY25 stood at INR 405 Mn, up 91.1% YOY and 10.7% QoQ. (vs CEBPL est. INR 353 Mn)
- Number of seats added was 5,650 in Q3FY25 (vs 3600 in Q2FY25) and average rent per seat per month stood at INR 6,250 per seat.

## Capitalising on the rising demand for Flex working spaces by almost doubling its seat capacity :

Revenue for the quarter rose by 31% YoY to INR 963 Mn. Increasing Demand for flexible working spaces is supported by the rise of GCCs, start up ecosystem, hybrid work models and preference for Opex-led cost models by businesses. Management has guided to increase from 57,000 seats currently to 1,10,000 seats in the next 3 years, however we have considered that they would reach a total capacity of 1,00,000 seats only.

**D&B (Design & Build) Vertical to show maximum growth:** Revenue for the quarter increased 27% YoY to INR 676 Mn. Robust demand for managed, hybrid and flexible office spaces along with a growing orderbook will support growth in the D&B vertical.

**Furniture Manufacturing to scale up, management targeting to do a revenue of INR 3000 Mn in FY27 :** The Furniture Manufacturing Unit has begun operations, contributing INR 133.3 Mn in Q3FY25 entirely from third-party orders. A strong order pipeline includes INR 85.7 Mn to be completed within 30 days and INR 143.5 Mn in the next 30-60 days. Management is optimistic about achieving 30% EBITDA margins as their capacity scales up. Operating leverage to play out as capex for its manufacturing unit has already been incurred.

**View and Valuation:** We revise our FY25/26E EPS estimates by -36.5%/-54.3% due to lower revenue guidance for FY25. We remain positive on EFCIL's long-term growth story with plans to scale up all 3 business verticals – Managed Office Space, D&B and Furniture Manufacturing, establishing itself as an integrated player with diverse revenue streams capitalizing on the cross synergies from these 3 verticals. We maintain a “BUY” rating with a **target price (TP) of INR. 730, valuing it at our earlier 20x FY27E EPS.** We have not factored in any income from its SM REIT in our valuation.

EFCIL Particulars	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)
Net Sales (incl OOI)	1,772	1,721	3.0	1,664	6.5
Material Exp	672	984	(31.7)	601	11.8
Gross Profit	1,100	737	49.3	1,063	3.5
Employee Exp	80	37	113.8	59	34.5
Other Exp	94	89	5.3	211	(55.4)
EBITDA	927	611	51.7	793	16.8
Depreciation	263	200	31.5	210	25.2
EBIT	(169)	(110)	52.8	1	(17,403.3)
Other Income	43	16	165.9	46	(8.1)
Interest Cost	184	113	62.4	73	150.7
PBT	523	314	66.6	557	(6.1)
Tax	118	102	15.7	191	(38.2)
RPAT	405	212	91.1	366	10.7
APAT	405	212	91.1	366	10.7
Adj EPS (INR)	8.13	4.16	95.3	7.35	10.7

Margin Analysis	Q3FY25	Q3FY24	YoY (bps)	Q2FY25	QoQ (bps)
Gross Margin (%)	62.1	42.8	1,924	63.9	(181)
Employee Exp. % of Sales	4.5	2.2	233	3.6	94
Other Op. Exp % of Sales	5.3	5.2	11	12.7	(736)
EBITDA Margin (%)	52.3	35.5	1,679	12.7	3,961
Tax Rate (%)	22.6	32.5	(992)	34.3	(1,174)
APAT Margin (%)	22.8	12.3	1,053	22.0	87

- SM REIT IPO: The company aims to file the DRHP with SEBI in mid to third week of February, and the IPO will follow after SEBI approval. This is the third registration in India and the first of its kind for an office operator.

## Management Call - Highlights

### Office Rental Segment

- Assets under management (AUM) now exceeds 2.6 million square feet across 70 sites.
- The average site size is 35,000 to 40,000 square feet.
- Seating capacity has reached 57,000 seats with an average occupancy rate of 90%.
- During the quarter, 200,000 square feet were added to the AUM, and capacity was enhanced by 5,650 seats.

### D&B Segment

- Projects were executed spanning over 400,000 square feet across key sectors such as real estate, education, IT, and ITES.
- The total project pipeline stands at 92 crores, with 32 crores of projects under execution and an additional 60 crores in progress in the next one year

### Furniture Manufacturing Vertical

- Product lines have been established, and standards have been achieved to increase turnover.
- The order pipeline remains robust, with projects worth 8.57 crores slated for completion within 30 days and an additional 14.35 crores within 30 to 60 days.

### SM REIT

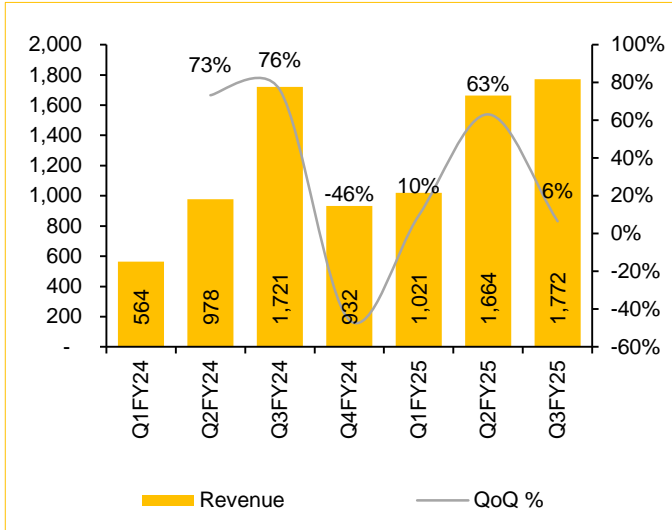
- The company aims to file the DRHP with SEBI in mid to third week of February, and the IPO will follow after SEBI approval.
- The SM REIT will be managed by their subsidiary, EXC Investment Management Private Limited.
- The company is in the final stages of preparing the offer document, with CBRE as their industry research partner.
- The SM REIT will add to the bottom line through service fees for management and operation of the REIT.

**Interest Costs:** The increase in finance costs is attributed to a property acquisition in Vakra Pune, and the impact of Ind AS 116.

**Other Expenses:** The dip in other expenses is because of certain one-time costs booked in the previous quarter related to research, AIF, legal and financial fees

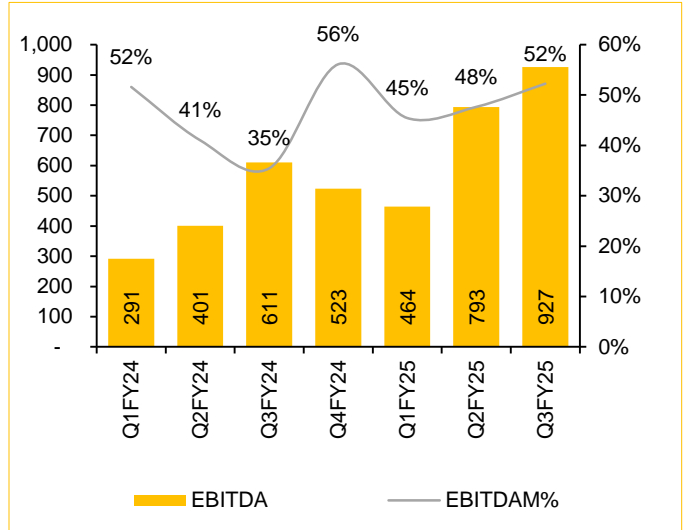
**Strategic Investment:** The acquisition of Master and Flat is for strategic purposes, with potential synergies in the renewable energy sector.

**Revenues improved modestly by 6% QoQ**



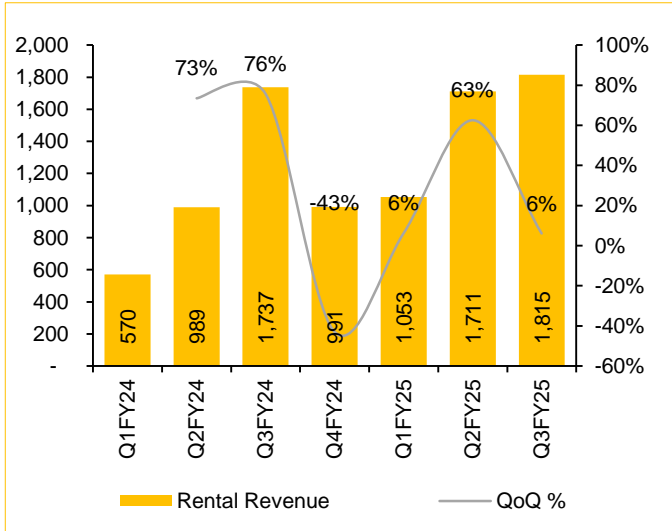
Source: Company, CEBPL

**EBITDAM improved to 52%**



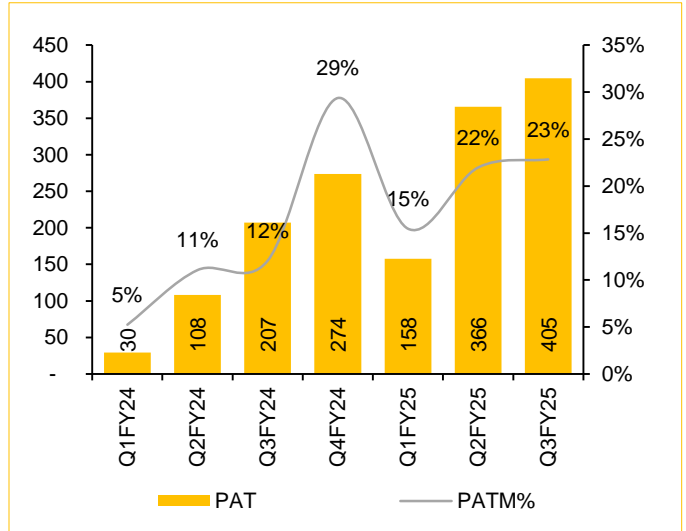
Source: Company, CEBPL

**Rental Revenues increased by 6% QoQ**



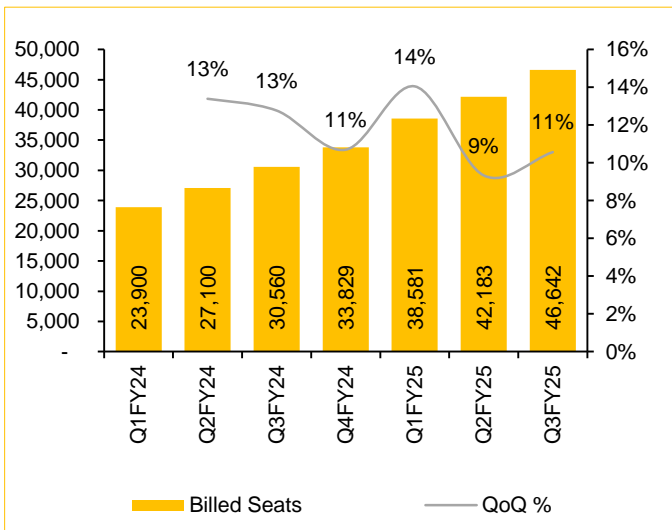
Source: Company, CEBPL

**PAT increased by 23% QoQ**



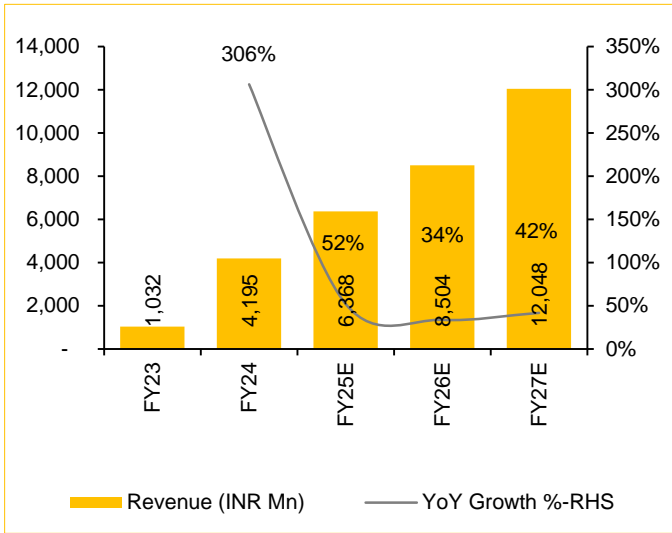
Source: Company, CEBPL

**Seat Capacity consistently increasing**



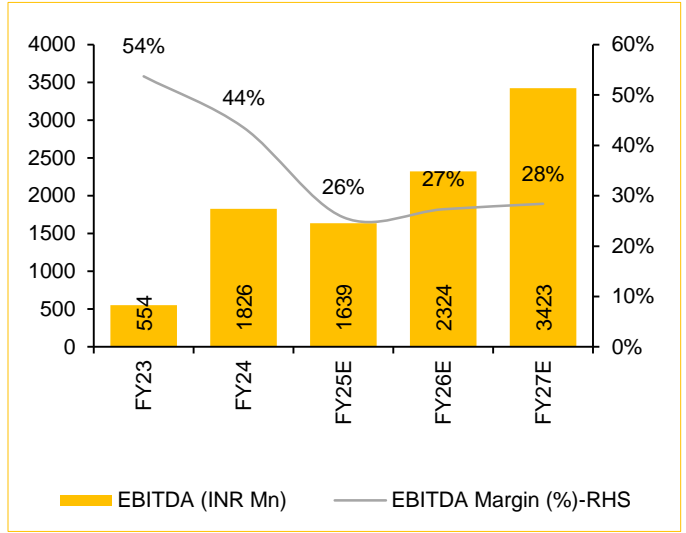
Source: Company, CEBPL

**Revenue to grow by 43% CGAR**



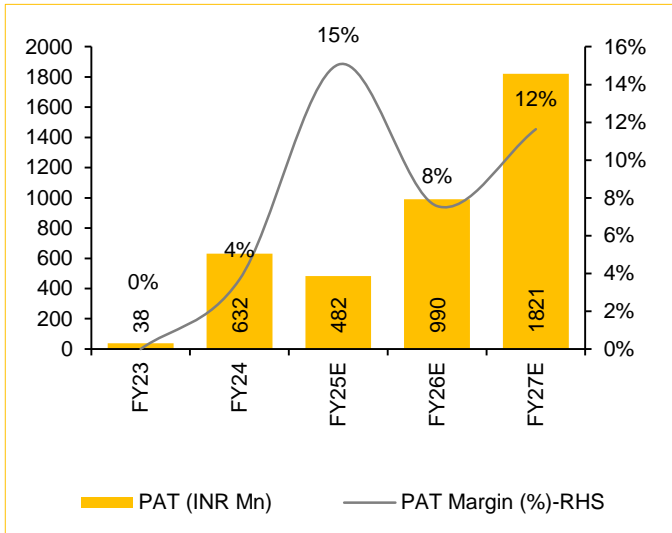
Source: Company, CEBPL

**EBITDA to grow by 28% CAGR.**



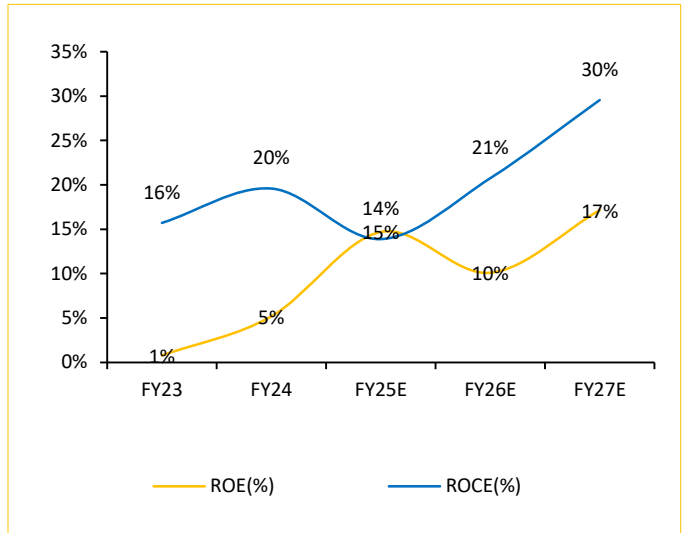
Source: Company, CEBPL

**PAT to grow by 40% CAGR**



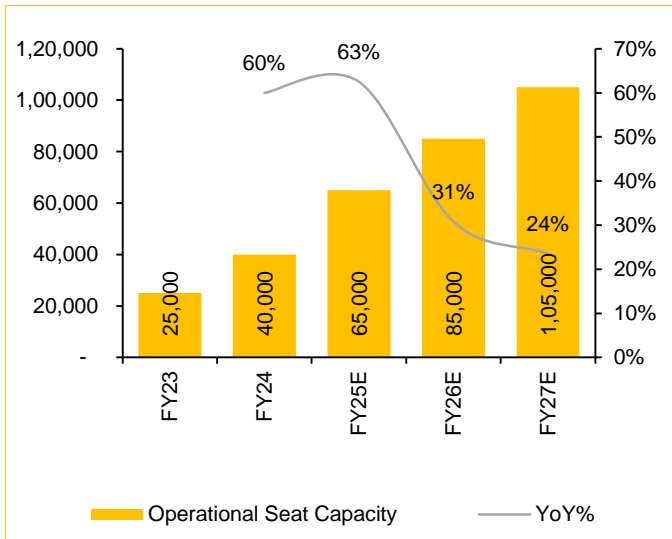
Source: Company, CEBPL

**ROE & ROCE to improve over time**



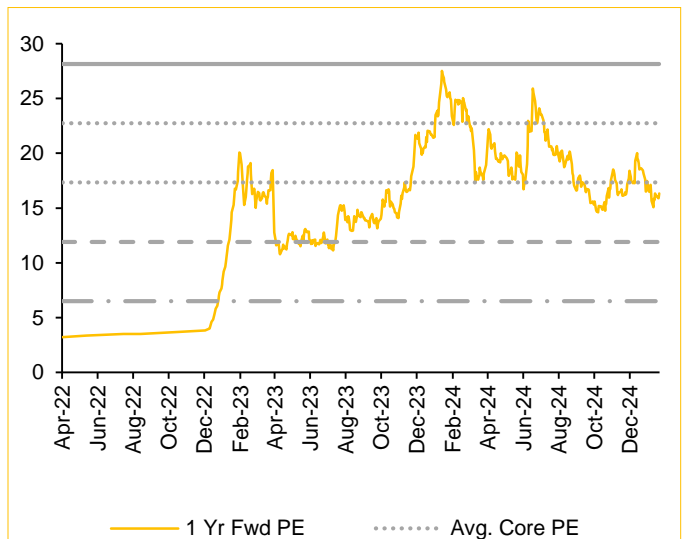
Source: Company, CEBPL

**Operational Seats to grow by 38% CAGR**



Source: Company, CEBPL

**1 Year Forward PE Band**



Source: Company, CEBPL

## Income statement (Consolidated in INR Mn)

Particular	FY23	FY24	FY25E	FY26E	FY27E
Revenue	1,032	4,195	6,368	8,504	12,048
Gross profit	1,032	3,367	4,075	5,442	7,711
EBITDA	554	1,826	1,639	2,324	3,423
Depreciation	345	756	720	870	1,020
EBIT	209	1,070	918	1,454	2,403
Interest expense	146	353	395	233	44
Other Income (Including EO Items)	8	93	150	160	180
Reported PAT	38	632	482	990	1,821
<b>Minority Interest</b>					
Adjusted PAT	39	633	483	991	1,823
EPS (INR)	8.3	14.06	10	20	37
NOPAT	112	836	659	1,044	1,725

Source: Company, CEBPL

## Balance sheet (Consolidated in INR Mn)

Particular	FY23	FY24	FY25E	FY26E	FY27E
Net worth	748	4,313	4,795	5,785	7,607
Total debt	584	1,152	1,824	1,224	524
Other liabilities & provisions	22	45	45	45	45
Total Net Worth & liabilities	3,774	8,254	9,755	10,544	12,125
Net Fixed Assets	3,636	5,057	5,758	6,288	6,767
Capital Work in progress	190	279	200	100	100
Investments	197	4	4	4	4
Cash & bank balance	28	129	3,254	3,271	4,114
Loans & Advances & other assets	38	501	501	501	501
Net Current Assets	(60)	3,193	3,994	4,253	5,354
Total Assets	3,774	8,253	9,755	10,544	12,125
Capital Employed	1,332	5,465	6,619	7,009	8,131
Invested Capital	2,475	6,563	9,726	10,121	11,720
Net Debt	556	1,022	(1,430)	(2,047)	(3,590)
FCFF	(4,490)	(916)	777	451	1,129

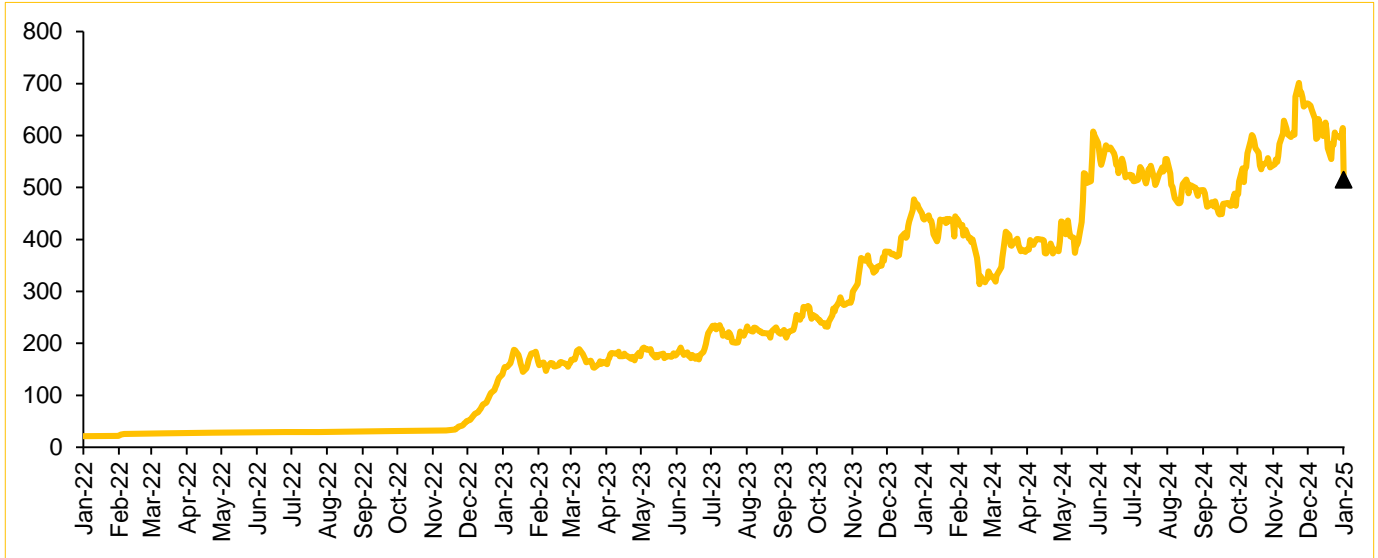
Source: Company, CEBPL

Cash Flows (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
CFO	(509)	291	2,198	1,851	2,629
Capex	(3,981)	(1,207)	(1,421)	(1,400)	(1,500)
FCF	(4,490)	(916)	777	451	1,129
CFI	(355)	(1,101)	(1,074)	(1,001)	(1,041)
CFF	976	2,635	277	(833)	(744)

Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
<b>Growth Ratios (%)</b>					
Revenue	0%	306%	52%	34%	42%
EBITDA	-64012%	230%	-10%	42%	47%
PAT	30030%	1564%	-24%	105%	84%
<b>Margin ratios (%)</b>					
EBITDA	53.7%	43.5%	25.7%	27.3%	28.4%
PAT	3.7%	15.1%	7.6%	11.7%	15.1%
<b>Performance Ratios (%)</b>					
OCF/EBITDA (X)	(0.9)	0.2	1.3	0.8	0.8
OCF/IC	(20.6)	4.4	22.6	18.3	22.4
RoE	5.2%	14.7%	10.1%	17.1%	24.0%
ROCE	15.7%	19.6%	13.9%	20.7%	29.6%
<b>Turnover Ratios (Days)</b>					
Inventory	-	22	22	22	22
Debtor	52	104	90	90	90
Payables (days)	52	41	90	85	85
Net Working Cycle (days)	(1)	85	22	27	27
<b>Financial Stability ratios (x)</b>					
Net debt to Equity	0.7	0.2	(0.3)	(0.4)	(0.5)
Net debt to EBITDA	1.0	0.6	(0.9)	(0.9)	(1.0)
Interest Cover	1.4	3.0	2.3	6.2	54.4
<b>Valuation metrics</b>					
Fully diluted shares (mn)	34	50	50	50	50
Price (INR)	570	570	570	570	570
Market Cap(INR Mn)	19,456	28,373	28,373	28,373	28,373
PE(x)	68	41	59	29	16
EV (INR.mn)	20,034	29,440	26,988	26,371	24,828
EV/EBITDA (x)	36	16	16	11	7
Book value (INR/share)	22	87	96	116	153
Price to BV (x)	26.0	6.6	5.9	4.9	3.7
EV/OCF (x)	-39	101	12	14	9

Source: Company, CEBPL

## Historical Price Chart: EFC (I) Ltd



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BUY	The security is expected to generate upside of 15% or more over the next 12 months
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