

May 09, 2024

RESULT REPORT Q4 FY24 | Sector: Real Estate

# Arvind Smartspaces

## 30-35% growth, achievable with strong pipeline

### Our view

Arvind Smartspaces (ARVSMART) closed the year with best ever annual presales of Rs11.07bn guided by the launch of four projects which contributed ~70% of total presales for FY24. In volume terms, ARVSMART achieved 7.4msf (118% YoY) in FY24. For FY24, the company collected Rs8.76bn (46% YoY). Company added four new projects in Ahmedabad, one in Bengaluru and Surat each, cumulative GDV exceeding Rs41.5bn for FY24. Even with substantial deployment towards the land, the company achieved operating CF of Rs4.58bn and was Rs410mn net cash positive for the FY24. Management reiterated to achieve 30-35% growth across all the matrix (presales, topline, EBITDA, business development, etc.) for FY25E.

ARVSMART has projected strong capability to monetize its projects quickly in all the markets of its presence and is expected to generate strong cashflow in the next 3-4 years. We have removed the 20% discount on future projects as most of them are slated to launch in next 12-15 months and valued it at Rs5.2bn. For HDFC platform, we considered R6bn (earlier Rs5.5bn) yet to deploy which can generate strong cashflow of Rs11.3bn (Cos. Share) with 40% margin. We maintain our bullish stance on the company and continue to assign a higher premium of 50% to the current portfolio to arrive at a SoTP based NAV of Rs44.2bn which translates in price target of Rs974/share.

### Result Highlights:

- ARVSMART achieve best ever annual presales of Rs11.07bn, up by 38% YoY guided by the launch of four projects i.e. Uplands 2.0 & 3.0, Forest Trails, Arvind Orchards and Rhythm of Life. New launches contributed ~70% of total presales for FY24. In FY24, 22% of total presales came from the referral. Company achieved presales of Rs3.23bn (15% QoQ & 32% YoY) for Q4FY24 guided by the strong launch of Arvind Orchard and Rhythm of life.
- In volumes terms, ARVSMART achieved 1.31msf (0.6% QoQ & 38.7% YoY) while for FY24 achieved 7.4msf (118% YoY)
- For FY24, the company collected Rs8.76bn (46% YoY) while for Q4FY24 the company collected Rs2.15bn (11% QoQ & 14% YoY). Collection was lower for Q4FY24 because Rhythm of Life launched in the last two days of the quarter and collected only Rs10mn.
- For FY24, ARVSMART reported Revenue of Rs3.4bn (33.3% YoY), EBITDA of Rs1.1bn (127.8% YoY) with margin 33% (135bps YoY), Adjusted PAT at Rs416mn (62.3% YoY) with margin 12% (218bps YoY)
- For Q4FY24, ARVSMART reported Revenue of Rs1.17bn (39.2% QoQ & 26.6% YoY), EBITDA of Rs313mn (57.2% QoQ & 54.2% YoY) with margin 27% (305bps QoQ & 477bps YoY), Adjusted PAT at Rs155mn (64.8% QoQ & 66.6% YoY) with margin 13% (205bps QoQ & 317bps YoY).

### Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	1,174	2,488	N/A	(52.8)	N/A	Lower than expected horizontal projects came for revenue recognition
EBITDA	313	226	N/A	38.7	N/A	
EBITDA Margin (%)	26.7	9.1	N/A	(1762bps)	N/A	
Adj. PAT	155	328	N/A	(52.7)	N/A	

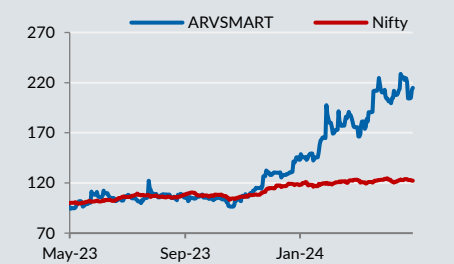
Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 707
Target Price	: Rs 974
Potential Return	: +38%

### Stock data (as on May 08, 2024)

Nifty	22,303
52 Week h/l (Rs)	764 / 305
Market cap (Rs/USD mn)	31770 / 381
Outstanding Shares (mn)	45
6m Avg t/o (Rs mn):	65
Div yield (%)	0.5
Bloomberg code:	ARVSMART IN
NSE code:	ARVSMART

### Stock performance



	1M	3M	1Y
Absolute return	4.2%	19.2%	123.1%

### Shareholding pattern (As of Mar'24 end)

Promoter	50.4%
FII+DII	13.9%
Others	35.7%

### Δ In stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	974	816

### Financial Summary

(Rs mn)	FY24	FY25E	FY26E
Revenues	3,412	7,739	11,573
YoY growth	33.3	126.8	49.5
EBITDA	1,115	1,542	1,963
YoY growth	127.8	38.3	27.3
PAT	416	1,005	1,312
YoY growth	62.3	141.7	30.6
EPS	9.2	22.2	28.9
P/E	77.1	31.9	24.4
P/BV	5.1	4.5	3.8
D/E	0.2	0.1	0.1
EV/EBITDA	28.2	18.0	13.7
RoE (%)	6.6	14.0	15.5
RoCE (%)	14.6	18.1	20.6

### ABHISHEK LODHIYA

Lead Analyst

abhishek.lodhiya@ysil.in



## Exhibit 2: Quarterly snapshot (Console)

Particulars (Rs mn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	q/q %	y/y %	FY23	FY24	y/y %
Revenue	927	668	727	843	1,174	39.2	26.6	2,559	3,412	33.3
EBITDA	203	263	339	199	313	57.2	54.2	489	1,115	127.8
EBITDA Margin %	21.9	39.4	46.6	23.7	26.7	305 bps	477 bps	19.1	32.7	1355 bps
Depreciation	8	9	13	11	12	10.8	46.0	27	45	66.3
EBIT	195	255	325	188	301	59.9	54.5	462	1,070	131.4
EBIT Margin %	21.0	38.1	44.8	22.4	25.7	331 bps	463 bps	18.1	31.3	1329 bps
Interest charges	64	146	192	26	45	69.0	(30.5)	140	409	192.5
Other Income	17	22	26	21	27	28.8	62.2	73	97	32.3
PBT	148	131	159	183	284	55.0	92.3	396	757	91.4
Tax	43	40	51	67	89	33.3	106.8	118	246	109.6
Effective Tax Rate (%)	29.1	30.5	31.8	36.4	31.3	-510 bps	222 bps	29.7	32.5	283 bps
PAT	93	80	86	94	155	64.8	66.6	256	416	62.3
PAT Margin %	10.0	12.0	11.9	11.2	13.2	205 bps	317 bps	10.0	12.2	218 bps
EPS (Rs)	2.1	1.8	1.9	2.1	3.4	64.8	66.5	5.7	9.2	62.2

Source: Company, YES Sec

## Exhibit 3: Operational Performance

Particulars (Rs mn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	q/q %	y/y %	FY23	FY24	y/y %
Sales (msf)	0.9	0.6	4.1	1.3	1.3	0.6	38.7	3.4	7.4	118.5
Sales (Rs mn)	2,440	1,350	3,690	2,800	3,230	15.4	32.4	8,016	11,070	38.1
Collection (Rs mn)	1,880	2,040	2,630	1,940	2,150	10.8	14.4	6,000	8,760	46.0
Net Debt	(300)	(870)	(1,410)	(380)	(410)	N/A	N/A	(300)	(410)	N/A

Source: Company, YES Sec

## Valuations:

### Exhibit 4: SoTP at WACC 10% and Premium to Current Portfolio at 50%

Valuation Breakup	Rs. Mn	Rs./share	(%)	Comments
Current Projects	13,935	307	32	1 year forward NAV
Future Potential	5,188	114	12	Future Value of potential launches
Premium @50% to Current Portfolio	9,562	211	22	Strong Cashflow visibility for next 3-4yrs
HDFC Capital Advisor Deployment	11,256	248	25	Potential CF generated by platform
Net Debt as of FY25	4,244	94	10	Robust cash generation
Total NAV	44,184	974	100	
CMP		707		
Upside/Downside			38%	

Source: Company, YES Sec

1. Removed 20% discount from the future potential as all the projects are slated to launch in 12-15months
2. Removed 20% discount from the potential cashflow from HDFC Platform and took Rs6bn as yet to be deployed towards business development.

## KEY PRESENTATION AND CONFERENCE CALL HIGHLIGHTS

- Company added four new projects in Ahmedabad, one in Bengaluru and Surat each, cumulative GDV exceeding Rs41.5bn for FY24.
- ARVSMART acquired projects in Surat with Rs11bn, spread over 300 acres under horizontal multi asset township.
- The Board of Directors recommended a final dividend of Rs2.5 per equity share and a special dividend of Rs1 per equity share, totaling to a dividend of Rs3.5 per equity share of face value of Rs10 each.
- ARVSMART has Rs22.3bn unrecognized revenue as of 31st Mar-24.
- ARVSMART is net cash positive at Rs410mn by the end of FY24 while cost of borrowing has inched up to 10.8% from 10.4% in last quarter.
- ARVSMART has 5 projects under approval with total topline potential of Rs10.6bn. While another 5 projects are under planning with a GDV of Rs30bn. Company intends to launch the projects with a total GDV of Rs18-20bn from the available pipeline in FY25.
- As per company, estimated value of inventory along with receivable stands at ~Rs73bn while pending cost is of Rs48bn resulting in surplus of Rs25bn.
- Successfully gave exit to HDFC Capital on the project Arvind Fruits of Life in a year, which was under Platform2.
- Company plans to launch 6-8 projects in FY25 including subsequent phases of existing projects and newly acquired projects. Additionally, the company plans to launch atleast 3 projects under vertical development.
- Company plans to launch 30-40% of Surat projects in phase-I by the Q3FY25.
- ARVSMART targets to grow at 30-35% in terms of presales and business development in FY25. (30-35% for all the major matrix)
- Company plans to invest Rs10-12bn for business development of which Rs6bn is available under HDFC platform and remaining from the internal accruals as well as some debt.
- Management is confident to acquire 1-2 large projects in MMR/Pune in H1FY25.

## FINANCIALS

### Exhibit 5: Balance Sheet (Console)

Y/e 31 Mar (Rs m)	FY22	FY23	FY24	FY25E	FY26E
Equity capital	425	453	453	453	453
Reserves	3,966	4,211	4,492	5,429	6,673
Net worth	4,318	4,664	4,946	5,882	7,126
Debt	302	1,450	1,065	1,050	850
Deferred tax liab (net)	160	407	308	308	308
Other non-current liabilities	400	325	1,391	1,391	1,391
<b>Total liabilities</b>	<b>5,180</b>	<b>6,845</b>	<b>7,710</b>	<b>8,632</b>	<b>9,676</b>
Fixed Asset	560	629	685	689	690
Investments	3	835	1,033	1,033	1,033
Other Non-current Assets	523	602	2,829	2,829	2,829
Net Working Capital	2,585	4,144	2,533	-179	186
Inventories	7,663	9,570	13,620	10,918	11,571
Sundry debtors	11	27	26	61	91
Loans and Advances	0	0	0	0	0
Sundry creditors	573	599	1,236	1,282	1,600
Other current liabilities	12,318	12,318	12,318	12,318	12,318
Cash & equivalents	1,509	636	630	4,260	4,938
<b>Total Assets</b>	<b>5,180</b>	<b>6,845</b>	<b>7,710</b>	<b>8,632</b>	<b>9,676</b>

Source: Company, YES Sec

### Exhibit 6: Cash Flow (Console)

Y/e 31 Mar (Rs m)	FY22	FY23	FY24	FY25E	FY26E
PBIT	376	396	757	1,429	1,866
Depreciation	20	27	45	46	49
Tax paid	(138)	(364)	(152)	(424)	(554)
Working capital Δ	1,218	(1,168)	(703)	2,712	(365)
Other operating items	130	99	358	158	128
Operating cashflow	1,606	(1,010)	305	3,920	1,124
Capital expenditure	(94)	(96)	(154)	(50)	(50)
Free cash flow	1,512	(1,106)	151	3,870	1,074
Equity raised	1,135	738	306	0	0
Investments	387	(719)	(123)	0	0
Debt financing/disposal	(1,722)	513	96	(15)	(200)
Interest Paid	(145)	(48)	(417)	(158)	(128)
Dividends paid	0	0	(149)	(68)	(68)
Other items	(8)	(251)	131	0	0
Net Δ in cash	1,159	(873)	(6)	3,630	678

Source: Company, YES Sec

## Exhibit 7: Income statement (Console)

Y/e 31 Mar (Rs m)	FY22	FY23	FY24	FY25E	FY26E
Revenue	2,568	2,559	3,412	7,739	11,573
Operating profit	491	489	1,115	1,542	1,963
Depreciation	15	27	45	46	49
Interest expense	168	140	409	158	128
Other income	76	73	97	90	80
Profit before tax	376	396	757	1,429	1,866
Taxes	128	118	246	424	554
Adj. PAT	251	256	416	1,005	1,312
Net profit	248	278	511	1,005	1,312

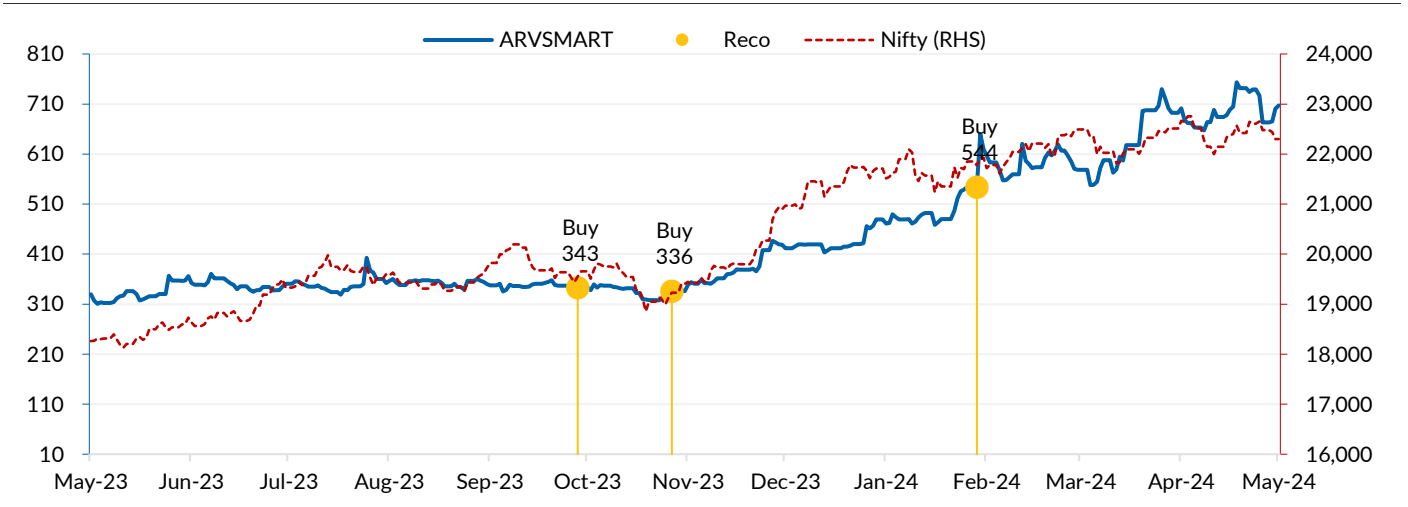
Source: Company, YES Sec

## Exhibit 8: Growth and Ratio matrix

Y/e 31 Mar	FY22	FY23	FY24	FY25E	FY26E
<b>Growth matrix (%)</b>					
Revenue growth	72.1	(0.4)	33.3	126.8	49.5
Op profit growth	20.9	(0.3)	127.8	38.3	27.3
EBIT growth	20.5	(2.9)	131.4	39.9	27.9
Net profit growth	186.4	2.2	62.3	141.7	30.6
<b>Profitability ratios (%)</b>					
OPM	19.1	19.1	32.7	19.9	17.0
EBIT margin	18.5	18.1	31.3	19.3	16.5
Net profit margin	9.8	10.0	12.2	13.0	11.3
RoCE	9.4	7.2	14.6	18.1	20.6
RoNW	5.3	5.2	6.6	14.0	15.5
RoA	0.4	0.4	0.6	1.5	1.9
<b>Per share ratios</b>					
EPS	5.9	5.7	9.2	22.2	28.9
Dividend per share	0.0	0.0	3.5	1.5	1.5
Cash EPS	6.3	6.3	10.2	23.2	30.0
Book value per share	112.3	109.3	138.1	158.7	186.2
<b>Payout (%)</b>					
Dividend payout	0	0	38	7	5
Tax payout	34	30	33	30	30
<b>Liquidity ratios</b>					
Debtor days	2	4	3	3	3
Inventory days	1089	1365	765	515	365
Creditor days	81	85	65	60	50

Source: Company, YES Sec

## Recommendation Tracker



## DISCLAIMER

Investments in securities market are subject to market risks, read all the related documents carefully before investing.

The information and opinions in this report have been prepared by YSL and are subject to change without any notice. The report and information contained herein are strictly confidential and meant solely for the intended recipient and may not be altered in any way, transmitted to, copied or redistributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of YSL.

The information and opinions contained in the research report have been compiled or arrived at from sources believed to be reliable and have not been independently verified and no guarantee, representation of warranty, express or implied, is made as to their accuracy, completeness, authenticity or validity. No information or opinions expressed constitute an offer, or an invitation to make an offer, to buy or sell any securities or any derivative instruments related to such securities. Investments in securities are subject to market risk. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Investors should note that each security's price or value may rise or fall and, accordingly, investors may even receive amounts which are less than originally invested. The investor is advised to take into consideration all risk factors including their own financial condition, suitability to risk return profile and the like, and take independent professional and/or tax advice before investing. Opinions expressed are our current opinions as of the date appearing on this report. Investor should understand that statements regarding future prospects may not materialize and are of general nature which may not be specifically suitable to any particular investor. Past performance may not necessarily be an indicator of future performance. Actual results may differ materially from those set forth in projections. Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Technical Analysis reports focus on studying the price movement and trading turnover charts of securities or its derivatives, as opposed to focussing on a company's fundamentals and opinions, as such, may not match with reports published on a company's fundamentals.

YSL, its research analysts, directors, officers, employees and associates accept no liabilities for any loss or damage of any kind arising out of the use of this report. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject YSL and associates to any registration or licensing requirement within such jurisdiction. The

securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

YES Securities (India) Limited distributes research and engages in other approved or allowable activities with respect to U.S. Institutional Investors through SEC 15a-6 rules and regulations under an exclusive chaperone arrangement with Brasil Plural Securities LLC. The views and sentiments expressed in this research report and any findings thereof accurately reflect YES Securities (India) Limited analyst's truthful views about the subject securities and or issuers discussed herein. YES Securities (India) Limited is not registered as a broker-dealer under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and is not a member of the Securities Investor Protection Corporation ("SIPC"). Brasil Plural Securities LLC is registered as a broker-dealer under the Exchange Act and is a member of SIPC. For questions or additional information, please contact Gil Aikins (gil.aikins@brasilplural.com) or call +1 212 388 5600.

This Research Report is the product of YES Securities (India) Limited. YES Securities (India) Limited is the employer of the research analyst(s) who has prepared the research report. YES Securities (India) Limited is the employer of the YES Securities (India) Limited Representative who is responsible for the report, are responsible for the content of the YES Securities (India) Limited Research Report; any material conflicts of interest of YES Securities (India) Limited in relation to the issuer(s) or securities discussed in the YES Securities (India) Limited Research Report. This YES Securities (India) Limited Research Report is distributed in the United States through Brasil Plural Securities LLC (BPS). The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and is/ are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account. This report is intended for distribution by YES Securities (India) Limited only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a-6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person or entity. Transactions in securities discussed in this research report should be effected through Brasil Plural Securities LLC (BPS) or another U.S. registered broker dealer/Entity as informed by YES Securities (India) Limited from time to time.

### YES Securities (India) Limited

**Registered Address:** 2<sup>nd</sup> Floor, North Side, YES BANK House,  
Off Western Express Highway, Santacruz East,  
Mumbai - 400 055, Maharashtra, India.

**Correspondence Address:** 7<sup>th</sup> Floor, Urmi Estate Tower A, Ganpatrao  
Kadam Marg, Opp. Peninsula Business Park, Lower Parel (West),  
Mumbai - 400 013, Maharashtra, India.

✉ research@ysil.in | Website: www.yesinvest.in

**Registration Nos.:** CIN: U74992MH2013PLC240971 | SEBI Single  
Registration No.: NSE, BSE, MCX & NCDEX : INZ000185632 | Member  
Code: BSE - 6538, NSE - 14914, MCX - 56355 & NCDEX - 1289 | CDSL &  
NSDL: IN-DP-653-2021 | MERCHANT BANKER: INM000012227 |  
RESEARCH ANALYST: INH000002376 | INVESTMENT ADVISER:  
INA000007331 | Sponsor and Investment Manager to YSL Alternates  
Alpha Plus Fund (CAT III AIF) SEBI Registration No.: IN/AIF3/20-21/0818 |  
AMFI ARN Code - 94338.

**Details of Compliance Officer:** Name: Aditya Goenka,  
**Email id:** compliance@ysil.in, **Contact No:** 022- 65078127 (Extn: 718127)

**Grievances Redressal Cell:** customer.service@ysil.in/igc@ysil.in

## DISCLOSURE OF INTEREST

Name of the Research Analyst : Abhishek Lodhiya

The analyst hereby certifies that opinion expressed in this research report accurately reflect his or her personal opinion about the subject securities and no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendation and opinion expressed in this research report.

Sr. No.	Particulars	Yes/No
1	Research Analyst or his/her relative's or YSL's financial interest in the subject company(ies)	No
2	Research Analyst or his/her relative or YSL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report	No
3	Research Analyst or his/her relative or YSL has any other material conflict of interest at the time of publication of the Research Report	No
4	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
5	YSL has received any compensation from the subject company in the past twelve months	No
6	YSL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
7	YSL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
8	YSL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9	YSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10	Research Analyst or YSL has been engaged in market making activity for the subject company(ies)	No

Since YSL and its associates are engaged in various businesses in the financial services industry, they may have financial interest or may have received compensation for investment banking or merchant banking or brokerage services or for any other product or services of whatsoever nature from the subject company(ies) in the past twelve months or associates of YSL may have managed or co-managed public offering of securities in the past twelve months of the subject company(ies) whose securities are discussed herein.

Associates of YSL may have actual/beneficial ownership of 1% or more and/or other material conflict of interest in the securities discussed herein.

## RECOMMENDATION PARAMETERS FOR FUNDAMENTAL REPORTS

Analysts assign ratings to the stocks according to the expected upside/downside relative to the current market price and the estimated target price. Depending on the expected returns, the recommendations are categorized as mentioned below. The performance horizon is 12 to 18 months unless specified and the target price is defined as the analysts' valuation for a stock. No benchmark is applicable to the ratings mentioned in this report.

**BUY:** Upside greater than 20% over 12 months

**ADD:** Upside between 10% to 20% over 12 months

**NEUTRAL:** Upside between 0% to 10% over 12 months

**REDUCE:** Downside between 0% to -10% over 12 months

**SELL:** Downside greater than -10% over 12 months

**NOT RATED / UNDER REVIEW**

## ABOUT YES SECURITIES (INDIA) LIMITED

YES Securities (India) Limited ("YSL") is a wholly owned subsidiary of YES BANK LIMITED. YSL is a Securities and Exchange Board of India (SEBI) registered Stock broker holding membership of National Stock Exchange (NSE), Bombay Stock Exchange (BSE), Multi Commodity Exchange (MCX) & National Commodity & Derivatives Exchange (NCDEX). YSL is also a SEBI-registered Category I Merchant Banker, Investment Adviser and Research Analyst. YSL is also a Sponsor and Investment Manager of Alternate Investment Fund - Category III (YSL Alternates) and AMFI registered Mutual Fund Distributor. The Company is also a registered Depository Participant with CDSL and NSDL. YSL offers, inter alia, trading/investment in equity and other financial products along with various value added services. We hereby declare that there are no disciplinary actions taken against YSL by SEBI/Stock Exchanges.