Retail Equity Research

Prestige Estates Projects Ltd

Real Estate

BSE CODE : 533274 NSE CODE: PRESTIGE
BLOOMBERG CODE: PEPL:IN SENSEX : 60,347

BUY

12Months Investment Period Rating as per Mid Cap

CMP Rs. 484 TARGET Rs. 611 RETURN 26%

(Closing: 14-09-22)

Has emerged as the largest realty company

Prestige Estates Projects Ltd (PEPL) is India's largest developer in terms of booking value for FY22. Much of PEPL's growth is fueled by the projects in Bengaluru and Hyderabad. The company has embarked in to Mumbai and NCR region, and targeting aggressive growth in these geographies.

- **Pre-sales increased from 1.1 msf in Q1FY22 to 3.6 msf in Q1FY23 (+230% YoY) and we expect these healthy sales to continue.**
- **Management expects total annuity income to reach Rs. 1,000 crores in the next 2-3 years, up from Rs. 250 crores now, and to triple in the long term.**
- **Hospitality segment witnessed a turn around(-49% EBITDA margin in Q1FY22 vs +35% in Q1FY23), aided by new additions and higher operating margins. We expect this trend to continue given opening up of economy and strong uptick in tourism & travel.**
- **Real estate is on a healthy base, led by strong demand and higher realisation. Declining inventory levels and softening commodity prices are expected to outweigh rising mortgage rates.**
- **We have a positive view on PEPL on the back of strong projects under pipeline(46 msf), strong pre-sales momentum and a healthy balance sheet (debt-to-equity of 0.40).**
- **Hence, we assign BUY rating on the stock with a target price of Rs. 611 based on 2.3x FY24E adj. book value.**

Robust residential pipeline

PEPL clocked a pre-sale of Rs.3,012 crs in Q1FY23, Up by 310% YoY. Area sold increased to 3.63 msf from 1.1msf in Q1FY22 and collection doubled to Rs. 2,146 crs during the same period. The company has 29 ongoing (40.3msf) and 31 upcoming projects (60msf), that are expected to drive the sales momentum and have the potential to generate free cash flow of ~Rs.20,000 crs.

Steady cashflow backed by increased annuity

Annuity income is expected to reach Rs.1,000 crs (Rs.250crs in FY22) in next 2-3 years by adding 7.18 msf to the lease portfolio (~3msf in FY22). Bengaluru and Mumbai hold the major development share, being IT/ Finance hub. In the near future, Rs. 860crs of rental income is likely to be added from its 15 ongoing projects, and the share in the sales mix will increase from 4% to 9%. Higher leased assets will improve the EBITDA margin and provide steady cashflows to PEPL. Mumbai projects will start construction by Q2FY23 and are expected to be completed in 4 years. The annuity potential of these projects is Rs. 1,300 PA.

Healthy Balance sheet

PEPL strengthened its balance sheet by reducing the Net debt ratio to 0.35 (FY22) from the average level of 1.13 during FY19-21.The improvement is primarily attributed to the debt deduction for the assets sold to Blackstone in FY20 and used this cash inflow to settle a few other debts. PEPL has stated that it intends to keep its debt-to-equity ratio around 0.5 in the future.

Valuation

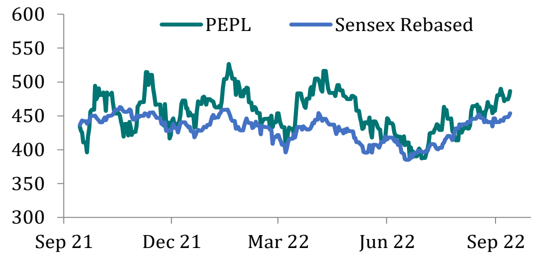
Given its strong balance sheet, robust launch pipeline, industry consolidation, best affordability in the last two and half decades, weak residential cycle in the recent years has provide solid foundation for a rebound. Hence, we value the company at 2.3x FY24E adjusted book value and recommend to BUY with a target price of Rs. 611.

Company Data	
Market Cap (Rs.cr)	19,502
Enterprise Value (Rs.cr)	22,069
Outstanding Shares (Rs.cr)	40.09
Free Float	35%
Dividend Yield	0.00
52 week high (Rs.)	553
52 week low (Rs.)	375
6m average volume (Rs.cr)	0.06
Beta	0.90
Face value (Rs.)	10

Shareholding (%)	Q3FY22	Q4FY22	Q1FY23
Promoters	65.5	65.5	65.5
FII's	24.7	24.3	23.7
MFs/Insti	6.4	6.8	7.6
Public	3.5	3.4	3.2
Total	100.0	100.0	100.0

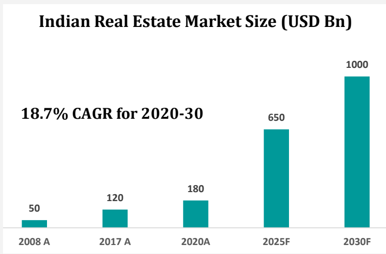
Price Performance	3 month	6 Month	1 Year
Absolute Return	15.8%	0.7%	11.6%
Absolute Sensex	15.2%	4.6%	4.1%
Relative Return	0.6%	-4.0%	7.5%

*over or under performance to benchmark index



Y.E Mar (cr)	FY22A	FY23E	FY24E
Sales	6,390	7,558	8,173
Growth (%)	-12	18	8
EBITDA	1,534	1,788	1,880
EBITDA Margin (%)	24.0	23.7	23.0
PAT Adjusted	496	607	644
Growth (%)	19	22	6
Adjusted EPS	12.4	15.1	16.1
Growth (%)	19	22.3	6.2
P/E	35.1	28.7	27.0
P/B	1.8	1.7	1.6
EV/EBITDA	14.2	12.2	11.8
ROE (%)	5.5	6.2	6.2
D/E	0.5	0.4	0.5

Yadhu Ramachandran
Research Analyst

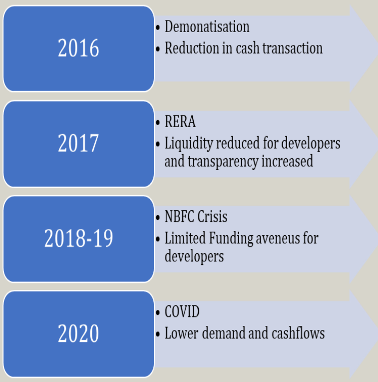


Source: IBEF, Geojit Research

Indian real estate is poised for expansion...

In India, the real estate sector is the second-highest employment generator, after agriculture. It comprises of four sub-sectors: housing, retail, hospitality, and commercial. Real estate sector in India is expected to reach US$ 1 trillion in market size by 2030, up from US$ 200 billion in 2021, and will contribute 13% to the country's GDP by 2025 from the current level of 6-7%.

Multiple disruptions in the past 5-6 years.



Real estate has gone through multiple disruptions in the past 5-6 years like RERA, NBFC crisis, demonetization etc., which made weaker players difficult to sustain and boost the industry consolidation.

- Demonetization - Demand reduced due to lower cash transaction.
- RERA - Lower liquidity leads working capital constraints for un organized players. Transparency has improved in the industry.
- GST - Shift towards organized supply chain increased the cost of unorganized developers.
- NBFC - Lower funding avenues for developers.

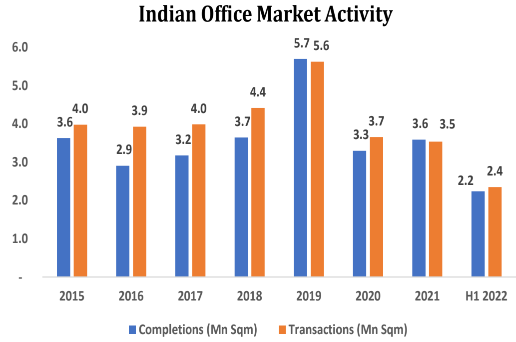
Residential Segment : According to the Economic Times Housing Finance Summit, about three houses are built for every 1,000 people per year, compared to the required five houses per 1,000 population. The current shortage of housing in urban areas is estimated to be ~10 million units. An additional 25 million units of affordable housing are required by 2030 to meet the growth in the country's urban population. . Over 40% of India's population is expected to be concentrated in its major cities by this decade.

Residential property sector has been under prolonged downcycle for the past 5-6 years. It is a highly fragmented industry, with organized developers accounting for ~20-25% of addressable market in top cities. Multiple disruptions in this sector have triggered consolidation as weaker players face funding and transparency issues. This has opened the runway for organized players for multi-year growth and a disproportionate gain.

Covid-19 has made a shift in customer preferences as people started preferring projects that are spacious, developers with long track record, self sustaining societies, best –in-class amenities etc. Hybrid work cultures become an undercurrent in shaping the preferences.

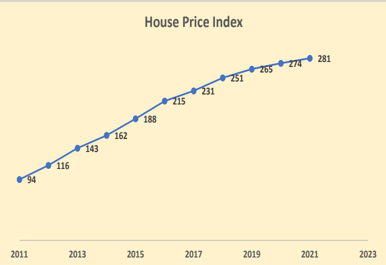
Share of top listed developers in the Indian residential market is expected to increase up to 29% in FY24, driven by strong pipeline of projects.

Commercial Segment *:* Owing to the aggressive economic policies, expansion plan of companies, evolving new business eco system, office space is expected to have a surge in demand. In the first-half of 2021, India registered investments worth US$ 2.4 billion in real estate assets, a growth of 52% YoY. Of the total PE investment in real estate in Q4 FY21, the office segment attracted 71% of the share.



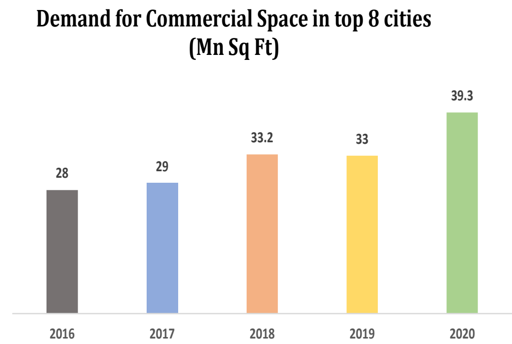
- For H1 FY22, completions and transactions grew by +61% and +7% YoY respectively.

Source: Knight Frank, Geojit Research



Source: RBI, Geojit Research

Average per year return in all India House Price Index (HPI) is 10.1% during 2010-22.



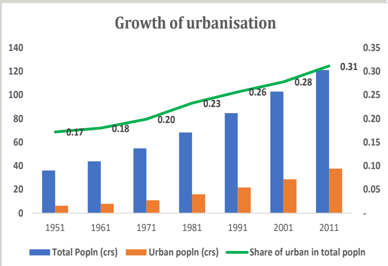
Source: IBEF, Geojit Research

Demand revival and consolidation catalyzed by …….

The urban population is growing twice as fast as the total population.

Fast pacing urbanization

Cities in India occupy just 3.0% of the nation's land, but their contribution to Gross Domestic Product (GDP) is a massive 60% . Due to economic growth, urban centers continuously attracts migrants from rural and semi rural areas. Between 1951 and 2011, the urban population increased sixfold while the total population increased only threefold. The proportion of urban residents in the total population has risen from 17% to 31% over the same time period. With the recent sharp increase in the urbanization, the cities are falling short in meeting the demand of incremental population where they fit more into affordable housing segment.

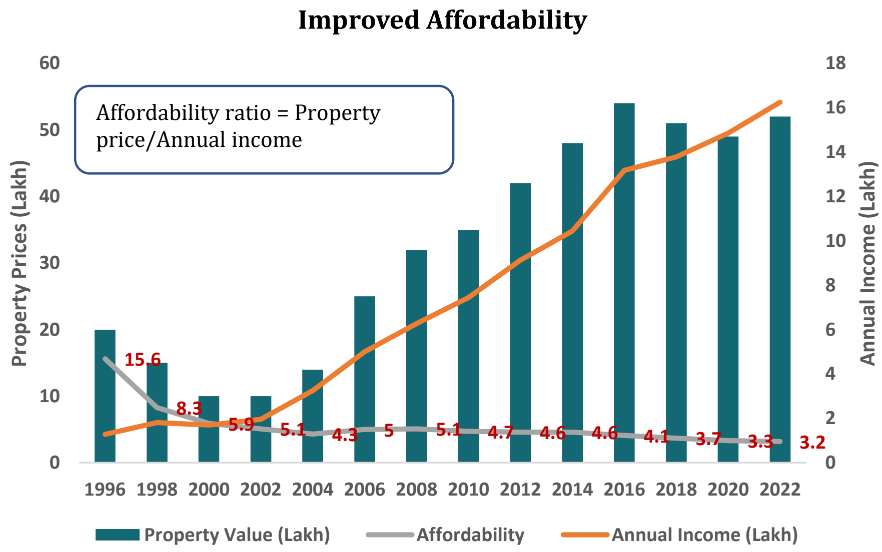


Source: Knight Frank, Geojit Research

Highest Affordability in last 25 years

The lower residential price inflation compared to income growth over the past few years and the recent low interest rate regime(~11% in 2013 to 7-8% now) provides improvement in affordability for home buyers. As per HDFC, based on their customer data, the affordability ratio is the lowest in last 25 years.

The major portion of Indian Residential sector is still untapped by the organised segment.



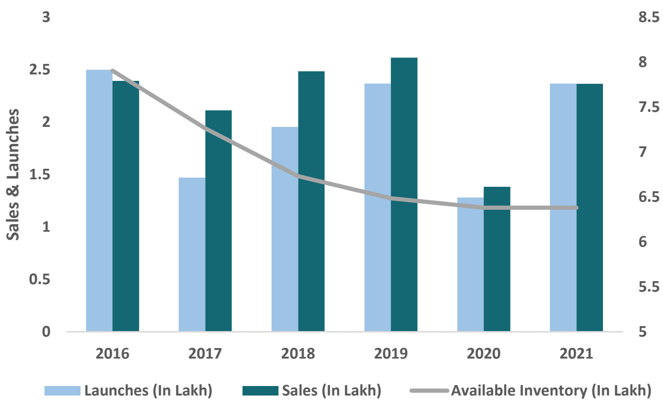
Source: HDFC, Geojit Research

- Affordability ratio is at record low levels.
- Interest rates hikes are expected to have lower impact in the medium terms as it is not a surprise and have been factored in the market sentiments.

Inventory—lowest in many years

Sales exceeding launches led to a southward movement of inventories. Inventory overhang reduced significantly in the recent past. Inventory overhang is inter linked as customers avoid purchasing incomplete apartments, putting pressure on builders' cash flow for project completion.

- *Reduction in Inventory over hang.*
- *Quarters to sell reduced from 10.2 in FY2018 to 7.8 in H1FY2022.*



- Inventory of housing units reduced from ~ 8 Lakh in 2016 to ~6.5 Lakh in 2021

Source: Anarock, Geojit Research

A broad hike in limit of home loan interest for tax deduction might see more demand. Hike in the exemption limit to 150K triggered a residential upcycle from FY2003.

Change in regulation, customer preferences and developer balance sheet are driving sector consolidation.

Edge for organized developers

Real estate sector has been facing the funding crisis for the past 2-3 years, with the NBFC crisis being the trigger. Adding to that, Real Estate Regulatory Act (RERA) has tightened the ability of developers to diversify cashflows to other projects/uses. Weak developers with high leverage will find it difficult to fund their balance sheet. Whereas Grade-A developers with prior-track record, good quality portfolio, moderate leverage can attract multiple source of funding such as lower debt, private equity support etc.

Fiscal support to revive demand

Being second largest employment generator after agriculture, any support in this sector could be the revival of growth for the government. The major initiatives taken by government are:

- Tax deduction up to Rs. 2 lakh on interest and Rs.1.5 lakh on principal for housing loan.
- Interest subsidy under affordable housing schemes. Credit linked subsidy scheme has helped to reduce the housing cost by 5-10% in small ticket segment.
- GST for affordable houses reduced to 1% (8% earlier) and 5% for residential properties (12% earlier).

Sector consolidation would be a catalyst

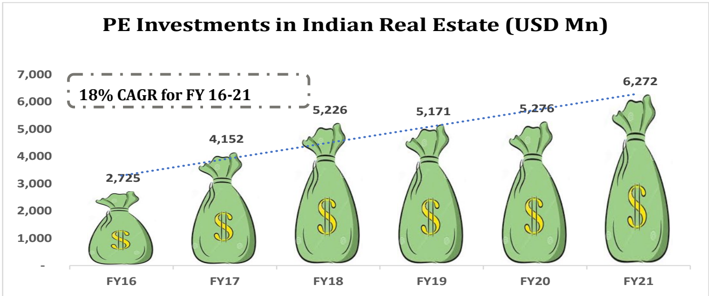
Residential market is highly fragmented with organized players accounted only ~ 20-25% of market share. The series of disruption over the past few years made the weaker players difficult to sustain. Change in customer preferences such as more amenities, larger township developments etc are also challenging for the unorganized developers, as it raises working capital requirements. This also lead weaker players shedding their assets and start partnering with large organized developers who has better access to market and low finance. This will help the organized players for a substantial gain in market share.

Access to micro market

Developers are gradually moved away from land-banking as liquidity issues start mounted. Several land holders are start partnering with developed players to access bigger markets. Lenders are also pushing for Joint Development (JD)/ Joint Venture (JV) models to reduce the leverage in Balance sheet.. This gives the location flexibility to organized developers. Players who are able acquire these assets and churn quickly realizes higher ROE.

Increasing investments

There is a surge in private investment in the sector, driven by increased transparency and returns. Construction is the third-largest sector in terms of FDI inflow. FDI in the sector (including construction development & activities) stood at US$ 52.48 billion between April 2000 to December 2021.



Source: Anarock, Geojit Research

Company Overview

Prestige Estate Projects (PEPL) commenced operations as a partnership firm in 1986 under the name and style of Prestige Estates and Properties. The name then changed to Prestige Estates Projects Private Limited as a private company in 1997 and went public on November 2009 with the name Prestige Estates Projects Limited.

The company has 25 years of experience in real estate development, and is one of the leading real estate development companies in south India. It has completed 271 real estate projects of approximately 151 million Sqft. PEPL has developed a diversified portfolio of real estate development projects focusing on the projects in residential (including apartments, villas, plotted developments and integrated townships), commercial (including corporate office blocks, built–to–suit facilities, technology parks and campuses and SEZs), hospitality (including hotels, resorts and serviced accommodation) and retail (including shopping malls) segments of the real estate industry.

Prestige Liberty Towers

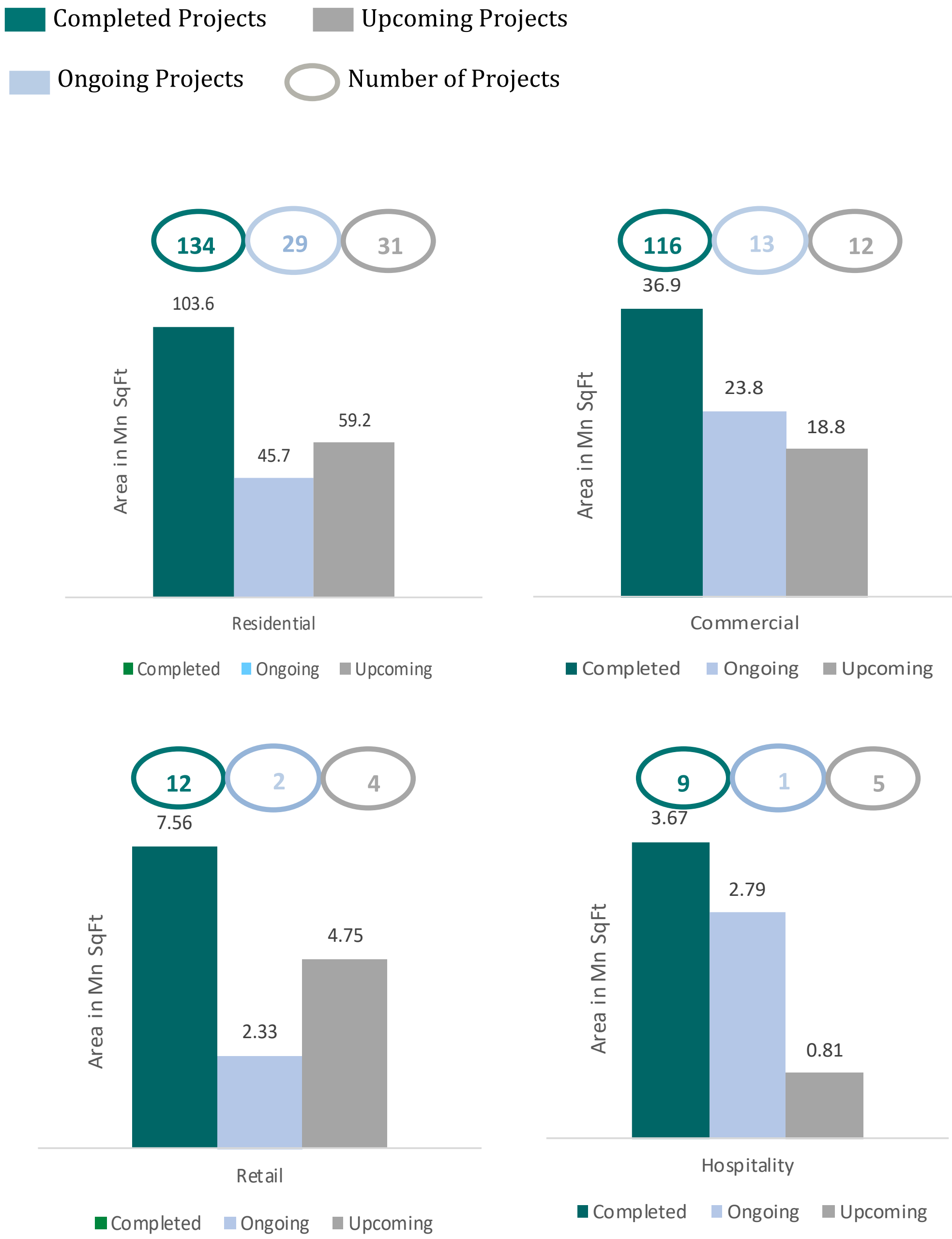
Meridian Park at Prestige City, Bengaluru comprises villa plots, apartments, villas and a proposed Forum retail mall. Area 4.15msf

Prestige Ocean Crest, Goa
Area - 2.05 Acres
Units -106
Bedrooms – 3,4

Prestige White Meadows, Ultra luxury villas in Whitefield. Units-294

Operations in a nutshell

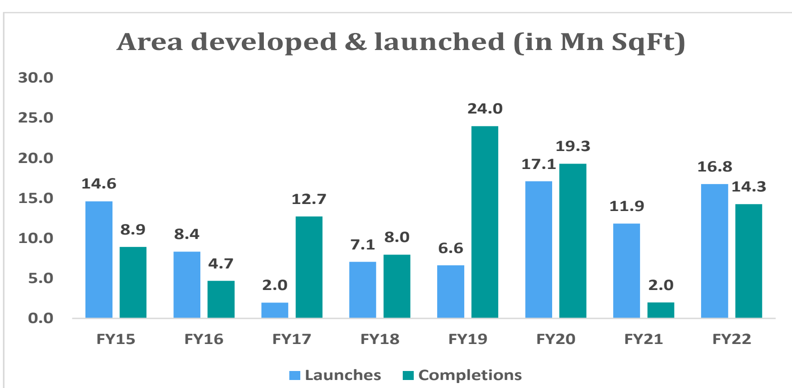
Across segment, so far, PEPL completed 271 projects with an area of 152msf and it had 45 projects under work in progress with a total area of 75 msf. The company has presence in 15 cities. Total landbank of 375 acres with a potential developable area of 27msf (Prestige share 24msf)



Source: Company, Geojit Research.

Improved execution

PEPL has shifted its focus to completions from new launches, 80 msf completed in the last 7 years against the launch of 60 msf.



Investment rationale

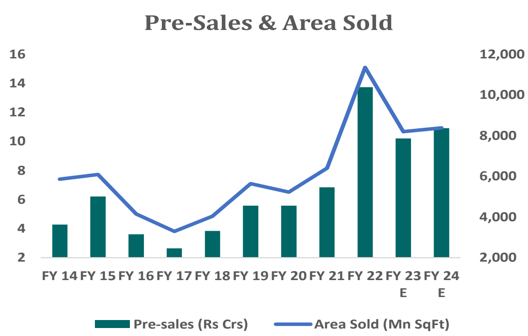
A strong pipeline

Residential segment contribute more than 70% of total income of Prestige. PEPL has a robust pipeline of ongoing (45.7 msf) and upcoming (59.2msf) projects. Prestige already sold 78% of ongoing and completed projects and the remaining area is expected to sell in next 12-18 months, if the company is able to maintain their run rate for pre-sales. The expected free cash flow from ongoing and completed project is Rs. 8,312 crs and from up-coming project is Rs. 12,358 crs.

Prestige maintained very low price inflation (~ <2% CAGR for FY 17-22) which helps PEPL for a high top line growth (31% CAGR for the same period), which is a higher growth compared to its peers. Low price inflation also makes it difficult for weak players to com-pete.

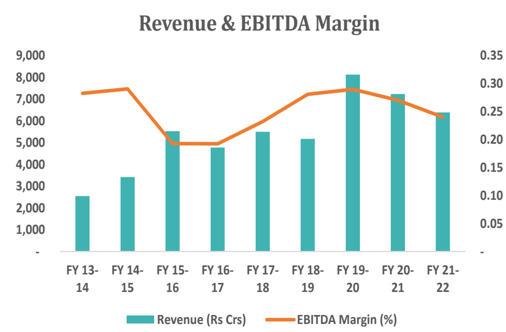
PEPL has tie-ups with HDFC capital for Rs. 2500 crs to strengthen their affordable housing platform.

PEPL has started to look out-side South India and forayed into Mumbai & NCR. This might bring challenges to PEPL even though these are Joint Development Agree-ments (JDAs).



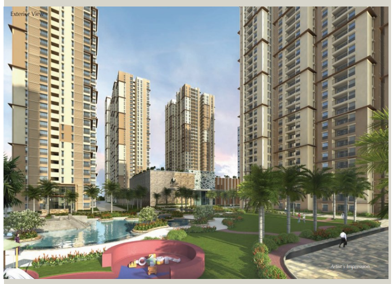
Source: Company, Geojit Research.

- 14% pre-sales CAGR for FY14-22 . 7msf is the average area sold for the period.



Source: Company, Geojit Research.

- Maintained average EBITDA margin of 25% during FY14-22.

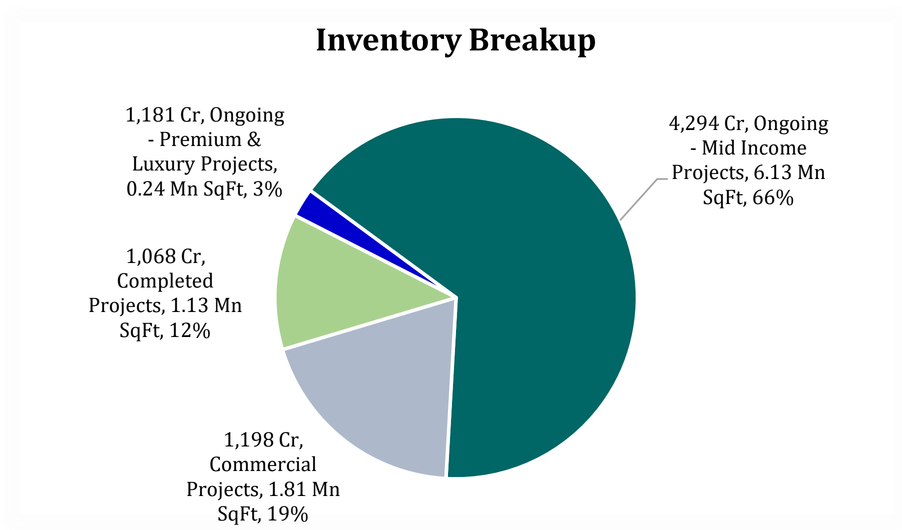


Prestige High Fields, Hyderabad,
Residential community,
Area-21.85 Acres
No of Units - 2240
Bedrooms –2,3,4

Ease of working capital funding.

The total area of closing inventory is 9.31msf with a value of Rs. 7,742 crs. Out of which, completed project is only 1.13msf (value Rs.1,068 crs). This lower share will help PEPL to avoid working capital constraints. Furthermore, the company has a surplus cash of ~Rs. 4,000 crs and a lower net debt to equity ratio (0.35). This is expected to rise the company's churn rate and give confidence for aggressive growth.

Prestige Panorama,Kochi
Area - 2.82 Acres
No of Units -136
Bedrooms - 2,3



Source: Company, Geojit Research.

Lease Income is expected to increase from Rs. 250 crs to ~ Rs. 1,000 crs in 2-3 years.

Scaleup in lease business likely to improve portfolio mix.

PEPL's has 2.78 msf of office and 0.64 msf of retail space under operation. Their lease portfolio was around 13.6 msf, with which they raised around Rs. 9,000 crs through a stake sale in FY20. The office spaces are mainly in Bengaluru and Chennai and the occupancy rate is nearly 98%. The current share of annuity in total income is ~4% which is expected to become ~10% in next couple of years. For offices, 12 msf is under construction and 15 msf is under planning. For retail this number is 1.61 msf and 2.93 msf respectively.

High annuity potential to strengthen the cashflow

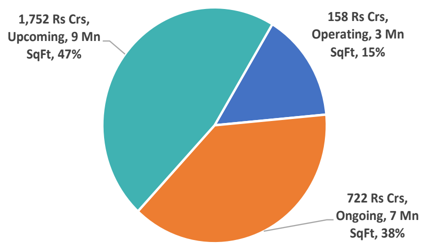
Annuity potential of PEPL is ~ Rs. 3,000 crs (current rental income is Rs. 250 crs). The average EBITDA for annuity portfolio is ~70% while it is ~17% for residential portfolio. A higher proportion of annuity leads to better margins. Ongoing projects of 8msf for Rs. 860 crs are expected to start revenue generation in the near future.

Substantial reduction in retail portfolio in FY21. PEPL reduced its share by 85% to 0.6msf from 4.4 msf.

Description	Operating	Ongoing	Upcoming	Total
Office (GLA msf)	3 msf	7 msf	9 msf	19 msf
Rentals p.a (Rs crs)	158 Rs crs	722 Rs crs	1,752 Rs crs	2,631 Rs crs
Retail (GLA msf)	1 msf	1 msf	2 msf	4 msf
Rentals p.a (Rs crs)	79 Rs crs	139 Rs crs	173 Rs crs	390 Rs crs

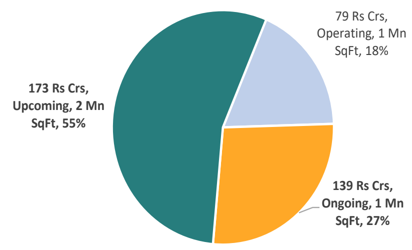
High annuity share will improve the portfolio mix, EBITDA margins, helps in lower working capital funding and increase the confidence for inorganic growth.

Office Lease Pipeline & Rent Potential

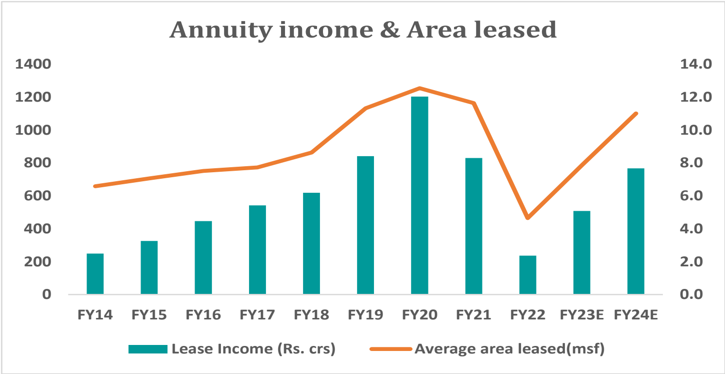


Source: Company, Geojit Research.

Retail Lease Pipeline & Rent Potential



Source: Company, Geojit Research.



Source: Company, Geojit Research.

Prestige Tech Cloud Business park, Bengaluru
Size - 33Acres
Towers – 7
No of Floors - 2B+G+9 Floors

- FY14-20 CAGR of 30% for Lease income.
- Reduction in rental income starting FY21 is due to the stake sale to Blackstone for Rs. 9,000 crs

Prestige Blue chip Business park, Bengaluru
Size - 1Acre
No of Floors - B+G+4 Floors

Hospitality and property management

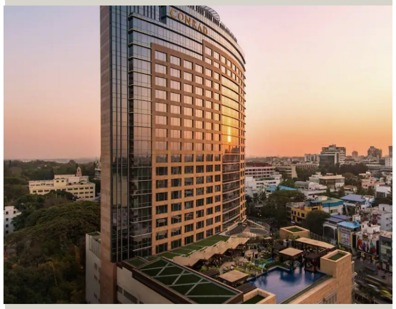
The combined revenue share of hospitality and property management is ~12%. The total area under service is 101 msf (with 169 projects) for property management and an additional 153 msf (98 projects) is under pipeline.

There are 9 hospitality projects in operation (total area of 4 msf) with 1,211 keys. A three million square foot project is currently underway, and another five are in the planning stages (0.8 msf). The current occupancy rate is less than 70%, and we expect it to rise to 80% in the coming years if the company takes a more accommodating stance on room rates.

Description	Operating	Ongoing	Upcoming	Total
Total Keys (Nos)	1,211	390	442	2,043
Total Revenue (Rs crs)	556	164	117	837

PEPL expects to generate Rs. 1,000 crore in revenue from property management over the next few years. (Current Revenue Rs. 600 crs).

Sheraton Grand, Whitefield



Conard Bengaluru

Golfshire Club

Project details (city wise)

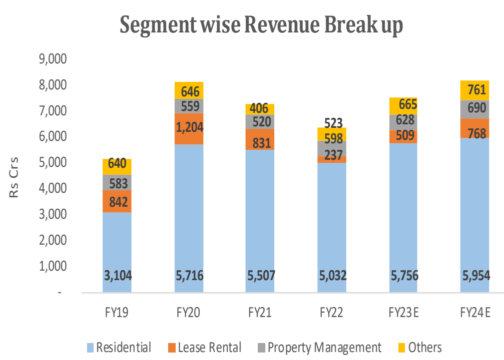
Area in Mn SqFT (PEPL Share)

	Residential			Office			Retail			Hospitality			Total		
City	On Going	Upcoming	Completed	On Goin	Upcomi	Operatic	On Going	Upcoming	Operational	On Going	Upcoming	Operational	On Going	Upcoming	Operational
Bengaluru	17.5	15.0		11.8	3.7	1.8	0.8	1.7	0.2	-	0.5	-	30.1	20.9	2.0
Kochi	1.6	-	-	0.9	0.6	0.1	0.5	0.5	-	-	0.0	-	3.0	1.1	0.1
Ooty	0.1	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-
Goa	0.2	-	-	-	-	-	-	-	-	-	-	-	0.2	-	-
Mangaluru	1.0	-	-	-	-	-	-	-	0.1	-	-	-	1.0	-	0.1
Chennai	0.6	3.5	-	-	-	1.0	-	0.9	0.0	-	0.1	-	0.6	4.6	1.0
Mumbai	3.9	8.1	-	-	5.0	-	-	-	-	-	-	-	3.9	13.1	-
Hyderabad	3.3	6.9	-	1.8	-	0.0	-	-	0.1	-	-	-	5.1	6.9	0.1
Calicut	-	1.1	-	-	-	-	-	-	-	-	-	-	-	1.1	-
Noida	-	2.2	-	-	-	-	-	-	-	-	-	-	-	2.2	-
Kolar	-	-		-	1.5	-	-	-	-	-	-	-	-	1.5	-
Pune	-	-		0.9	-	-	-	-	-	-	-	-	0.9	-	-
Delhi	-	-		0.4	-	-	-	-	-	1.4	-	-	1.8	-	-
Udaipur	-	-		-	-	-	-	-	0.1	-	-	-	-	-	0.1
Mysore	-	-		-	-	-	-	-	0.1	-	-	-	-	-	0.1

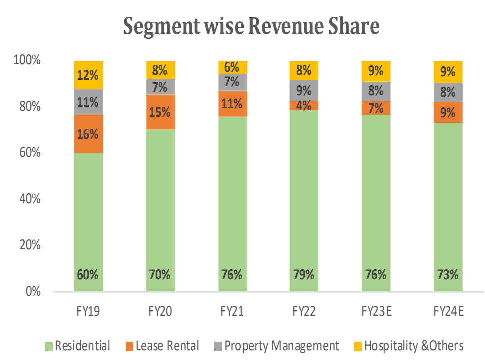
Note : Operational details of hospitality and completed details of Residential segment is not provided

- ♦ PEPL is expanding its presence in the northern region. 32% of upcoming projects are in Mumbai and NCR, three of which are lease assets.
- ♦ Company is expecting ~Rs. 2500 crs from its ongoing residential projects in Mumbai. The commercial projects will start construction in Q2FY23 and expected to complete in 4 years. The annuity potential of these projects are Rs. 1,300 PA.
- ♦ The malls in Kochi and Bengaluru will commence operation by second half of the financial year and would add Rs. 180 crs PA to rental income.
- ♦ PEPL is launching multiple residential projects in Bengaluru and Mumbai, as well as one each in Chennai and NCR in the next 1-2 quarters.

Segment wise revenue



Source: Company, Geojit Research.



Source: Company, Geojit Research.

- ♦ Total annuity share is expected to increase from 4% to 10% in 2 years.
- ♦ Aggressive expansion in rental assets will provide steady cashflows.
- ♦ Given the residential segment is holding major share in the revenue mix, PEPL is expected to maintain its leverage position under control aided by its strong cash-flow from residential projects.

Key risks

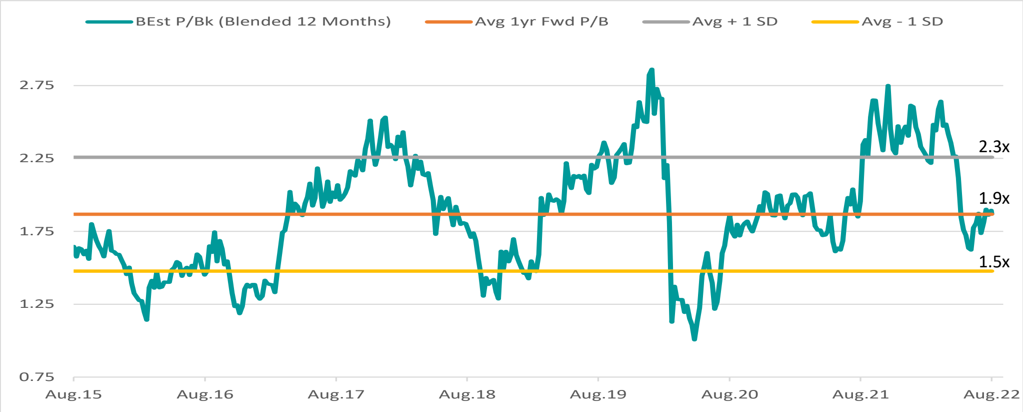
- Slowdown of overall economy (Real estate is highly correlated with overall economic activities).
- Higher input cost may impact margin.
- Delay in project cashflows will increase interest cost.
- Delay in fund raising of capex and monetization of lease assets will impact leverage.
- Projects in Mumbai are expensive to develop, risk mitigation is that the projects are JVs.
- Increase in policy rate by central bank coupled with high inflation may defer the purchase decision of customers.

Source: Company, Geojit Research.

Valuations

PEPL is India's largest developer in terms of booking value for FY22. The residential business has outperformed the industry, backed by the success of Prestige City Bengaluru and the projects in Hyderabad. For FY23 and 24, the sales are expected to be driven by projects in Bengaluru, Mumbai, Hyderabad, and Noida along with the strong pipeline of upcoming projects. PEPL is also doing a major expansion on its annuity portfolio as the group is targeting the rental income of Rs. 2,500-3,000 crs in the near future. PEPL is trading at an average P/BV multiple of 2x for the past 4-5 years on account of multiple disruptive events in the sector. Now the sector is showing signs of revival, propelled by industry consolidation, government initiatives, lower mortgage rates related to 2015-18 levels etc. PEPL's significant reduction in debt (0.35x FY22 vs. Average of 1.13x for FY19-21) and the high growth potential of residential and lease businesses is certainly warrant a higher valuation. Hence, we value PEPL at 1 year forward multiple of 2.3x FY24E adjusted book value.

P/BV band chart on 1 year Forward



Source: Geojit Research.

Market cap to pre-sales

1.3x

On a 1 year trailing basis, the market cap to pre-sales for Prestige is 1.69 which is at 31% and 48% discount to Sobha and Brigade respectively.

Description	FY17	FY18	FY19	FY20	FY21	FY22
Prestige						
Avg Market Cap	7,438	10,226	8,931	10,118	10,354	17,528
Pre-Sales	2,459	3,314	4,557	4,561	5,461	10,382
Mkt Cap/Pre-sales	3.0	3.1	2.0	2.2	1.9	1.7
Sobha						
Avg Market Cap	2,937	4,481	4,294	3,713	3,084	6,788
Pre-Sales	2,012	2,861	3,123	2,881	3,137	2,761
Mkt Cap/Pre-sales	1.5	1.6	1.4	1.3	1.0	2.5
Brigade						
Avg Market Cap	2,029	3,630	2,963	3,760	4,297	9,757
Pre-Sales	956	896	1,644	2,377	2,767	3,023
Mkt Cap/Pre-sales	2.1	4.1	1.8	1.6	1.6	3.2

Q1 Performance

Given the Q1FY23 pre-sales numbers, PEPL is likely to surpass it's FY23 guidance of Rs. 10,000 crs of pre-sales. It's strong launch pipeline in Mumbai, Hyderabad and Bengaluru markets is expected to maintain sales momentum. Mumbai contributes ~25% of the Q1FY23 pre-sale. The sharp turn around in its hospitality segment, with an average room rate of Rs. 10,000 with 65% occupancy yielding an average EBITDA of 35% for Q1FY23, is likely to support earnings growth in the future. The expansion in its rental portfolio will provide a steady cashflow and a multi-fold increase in rental income. Strong cashflows from residential and annuity sales will aid PEPL to maintain its debt -light balance sheet.

Consolidated Financials

PROFIT & LOSS

Y.E March (Rs cr)	FY20A	FY21A	FY22A	FY23E	FY24E
Sales	**8,125**	**7,242**	**6,390**	**7,558**	**8,173**
% change	*57%*	*-11%*	*-12%*	*18%*	*8%*
EBITDA	**2,356**	**1,958**	**1,534**	**1,788**	**1,880**
% change	*62%*	*-17%*	*-22%*	*17%*	*5%*
Depreciation	667	593	471	582	676
EBIT	1,850	1,584	1,257	1,423	1,428
Interest	1023	979	555	**664**	**622**
Other Income	119	244	211	217	224
PBT	**827**	**605**	**701**	**759**	**806**
% change	*29%*	*-27%*	*16%*	*8%*	*6%*
Tax	278	92	140	152	161
Tax Rate (%)	34%	15%	20%	20%	20%
Reported PAT	**549**	**513**	**561**	**607**	**644**
Adj.*	146	96	65	0	0
Adj. PAT	**403**	**417**	**496**	**607**	**644**
% change	-3%	3%	19%	22%	6%
No. of shares (cr)	37.93	40.09	40.09	40.09	40.09
Adj EPS (Rs)	10.6	10.4	12.4	15.1	16.1
% change	-4%	-2%	-66%	22%	6%
DPS (Rs)	3	0	1.5	1.7	2.0

BALANCE SHEET

Y.E March (Rs cr)	FY20A	FY21A	FY22A	FY23E	FY24E
Cash	951	2401	2171	660	502
Account Receivable	1,477	1,374	1,420	1,553	1,679
Inventories	11,375	9,581	11,567	12,942	14,219
Other Cur. Assets	1,265	2,226	4,414	3,765	3,883
Investments	2,116	1,795	2,102	2,356	2,653
Gross Fixed Assets	10,105	5,014	7,561	9,388	10,422
Net Fixed Assets	8,462	3,722	5,798	7,044	7,402
CWIP	2,143	2,740	1,725	1,790	2,827
Intangible Assets	524	59	60	60	60
Def. Tax (Net)					
Other Assets	1,459	1,364	1,189	1,246	1,170
Total Assets	**29,772**	**25,261**	**30,444**	**31,416**	**34,397**
Current Liabilities	13,769	11,552	12,589	14,691	16,675
Provisions	509	481	810	524	576
Debt Funds	8,627	3,983	6,513	5,042	5,324
Other Liabilities	1,278	823	985	1,075	1,174
Equity Capital	401	401	401	401	401
Reserves & Surplus	5,188	8,020	9,146	9,683	10,247
Shareholder's Fund	5,589	8,421	9,547	10,084	10,648
Total Liabilities	**29,772**	**25,261**	**30,444**	**31,416**	**34,397**
BVPS	147	210	238	252	266

CASH FLOW

Y.E March	FY20A	FY21A	FY22A	FY23E	FY24E
Net inc. + Depn.	1,070	3,375	967	1,189	1,320
Non-cash adj.	139	2,978	974	0	0
Other adjustments					
Changes in W.C	143	55	814	460	623
C.F. Operation	**2,226**	**1,839**	**2,140**	**2,313**	**2,565**
Capital exp.	-1,545	-749	-2,270	-1,893	-2,071
Change in inv.	-929	1,154	-1,889	-312	-221
Other invest.CF	124	90	114	0	0
C.F - Investment	**-2,350**	**494**	**-4,045**	**-2,205**	**-2,292**
Issue of equity	894	0	0	0	0
Issue/repay debt	552	481	2,136	-885	272
Dividends paid	-140	0	-60	-70	-80
Other finance.CF	-1,064	-1,116	-566	-664	-622
C.F - Finance	**242**	**-634**	**1,509**	**-1,620**	**-431**
Chg. in cash	118	1,699	-396	-1511	-157
Closing cash	786	2,346	2,069	557	400

RATIOS

Y.E March	FY20A	FY21A	FY22A	FY23E	FY24E
Profitab & Return					
EBITDA margin (%)	29.0	27.0	24.0	23.7	23.0
EBIT margin (%)	22.8	60.4	32.3	18.8	17.5
Net profit mgn.(%)	4.96	38.42	18.00	8.03	7.89
ROE (%)	8.1	39.7	12.8	6.2	6.2
ROCE (%)	18.5	37.9	17.3	11.0	11.0
W.C & Liquidity					
Receivables (days)	70	72	80	72	72
Inventory (days)	1,073	914	1,190	1,020	1,028
Payables (days)	108	101	116	98	110
Current ratio (x)	0.9	1.1	1.2	1.1	1.0
Quick ratio (x)	0.2	0.4	0.5	0.3	0.3
Turnover &Leverage					
Gross asset T.O (x)	0.9	1.0	1.0	0.9	0.8
Total asset T.O (x)	0.3	0.3	0.2	0.2	0.2
Int. covge. ratio (x)	1.8	4.5	3.7	2.1	2.3
Adj. debt/equity (x)	1.4	0.2	0.5	0.4	0.5
Valuation					
EV/Sales (x)	3.0	2.6	3.4	2.9	2.7
EV/EBITDA (x)	10.2	9.7	14.2	12.2	11.8
P/E (x)	40.8	11.9	15.1	28.7	27.0
P/BV (x)	2.9	2.1	1.8	1.7	1.6

PRICE HISTORY

Source: Bloomberg, Geojit Research.

Dates	Rating	Target
14-Sep-2022	BUY	611

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	**Upside is above 10%**	**Upside is above 15%**	**Upside is above 20%**
Accumulate	**-**	**Upside is between 10%-15%**	**Upside is between 10%-20%**
Hold	**Upside is between 0% - 10%**	**Upside is between 0%-10%**	**Upside is between 0%-10%**
Reduce/sell	**Downside is more than 0%**	**Downside is more than 0%**	**Downside is more than 0%**
Not rated/Neutral			

Definition:
Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note.
Accumulate: Partial buying or to accumulate as CMP dips in the future.
Hold: Hold the stock with the expected target mentioned in the note.
Reduce: Reduce your exposure to the stock due to limited upside.
Sell: Exit from the stock.
Not rated/Neutral: The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.
The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.
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