

Prestige Estates

Gaining traction across all verticals

Prestige Estates (PEPL) registered the highest-ever annual presales in FY23, at INR 129bn (+24% YoY), on the back of 16msf of new launches and robust presales in MMR at INR 27bn. Non-Bengaluru sales climbed to 41%, from 20% in FY22. In FY24, it expects annual presales to grow by 25% YoY growth to INR 160-180bn. It expects to achieve this with a strong launch pipeline of INR 275bn. This includes Prestige city in Hyderabad and Prestige Park Grove Bengaluru, each having a GDV of INR 70bn. In addition, Prestige Ocean Towers and Prestige Nautilus in MMR will also be launched, with total GDV potential of INR 90bn. In FY24, it will launch its first project in NCR, Prestige Bougainvillea Gardens, with a saleable area of 3.1msf. To maintain the growth momentum, PEPL is targeting residential BD capex of INR 40bn annually. We have increased our residential pricing assumption, increased the value of MMR office assets and increased our hotel valuation. We maintain BUY, with an increased SOTP-based TP of INR 786/sh.

- **Key operational highlights:** Prestige registered FY23 presales of INR 129bn (+25% YoY) with area booked at 15.09msf (0% YoY). As a result, the average price realized increased to INR 8,548psf (+25%YoY). During the year, the company launched 14 new residential projects with a saleable area of 16.5msf (15.5msf in FY22) and six commercial project with a saleable area of 9.9msf (1.3msf in FY22). Of these projects, seven residential projects were in Bengaluru admeasuring 6.7msf of saleable area, and five commercial projects in Bengaluru with 5.8msf of leasable area. Collections during the year were the highest ever at INR 98bn (+31% YoY).
- **Management discussion and analysis:** The Indian real estate industry is currently in a phase of significant transformation, driven by the entry of new participants, technological advancements, and regulatory changes. As economic activities regain momentum and employees return to workplaces, there's a concurrent rise in demand for office spaces. The supportive measures introduced by the Central government in the budget are expected to provide an additional boost to the sector's growth. NITI Aayog envisions that the Indian real estate sector will reach a market size of USD 1trn by 2030 and contribute around 13% to India's GDP by 2025.
- **Outlook and growth drivers: Residential sector:** Demand in housing market might be dampened by the inflation coupled with potential rate hikes. However, housing demand is expected to maintain its momentum over the long term, as these repercussions are primarily short-term in nature. **Commercial sector:** Developers have added steady office space supplies. This increase in supply has also been driven by the relative outperformance of the Indian office market compared to other global markets. The supply pipeline remains robust, and a more positive outlook is emerging due to decreasing recession probabilities in Western economies.

Consolidated financial summary

YE March (INR mn)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	51,719	81,248	72,419	63,895	83,150	89,106	96,567	113,069
EBITDA	14,538	23,560	19,583	15,335	20,863	22,245	27,236	34,774
APAT	3,926	4,815	3,809	4,764	5,592	6,038	8,347	12,107
Diluted EPS (INR)	10.5	12.0	9.5	11.9	13.9	15.1	20.8	30.2
P/E (x)	57.8	50.4	63.7	50.9	43.4	40.2	29.1	20.0
EV / EBITDA (x)	21.0	13.9	13.2	18.6	14.6	14.1	11.7	9.2
RoE (%)	8.8	10.0	5.7	5.6	5.9	5.9	7.7	10.3

Source: Company, HSIE Research

BUY

CMP (as on 29 Sep 2023)	INR 603
Target Price	INR 786
NIFTY	19,638

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 700	INR 786
EPS Change %	FY24E FY25E FY26E	- - -

KEY STOCK DATA

Bloomberg code	PEPL IN
No. of Shares (mn)	401
MCap (INR bn) / (\$ mn)	242/2,956
6m avg traded value (INR mn)	426
52 Week high / low	INR 692/391

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	4.4	50.5	34.4
Relative (%)	1.4	37.0	17.7

SHAREHOLDING PATTERN (%)

	Mar-23	Jun-23
Promoters	65.48	65.48
FIs & Local MFs	10.50	11.27
FPIs	21.19	20.69
Public & Others	2.83	2.56
Pledged Shares	-	-

Source : BSE

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FY23 operational highlights

Presales value: Net sales booking for FY23 increased to INR 129bn from INR 103bn in FY22. In terms of volume, sales booking increased to 15.09msf in FY23 from 15.07msf in FY22. Prestige share of booking value was INR 118bn (vs. INR 88bn in FY22) with volume of 13.57msf (vs. 13.37msf in FY22).

Annuity portfolio: Exit rentals of rent yielding commercial asset is INR 2.1bn (projected at INR 23.7bn by FY28); and for retail assets is INR 1.9bn (projected at INR 5.7bn by FY27).

Project launches: PEPL launched 26.4msf of projects across segments and geographies (vs 16.8msf in FY22).

Collections: Collection increased to INR 98bn from INR 75bn in FY22.

Debt: Prestige reported gross/net debt at INR 81.2/60.6bn as of Mar'23 vs INR 65.1/41.1bn for FY22. Net D/E stood at 0.59x vs 0.43x during FY22. The increase in borrowings can be attributable to the company's strategy to venture into new geographies and acquisition of land parcels to ensure its future growth.

Management discussion and analysis

Residential sector: There's an anticipation that the recent layoffs by both large and small corporates could potentially impact demand in the remaining quarters of CY23. Concerns over ongoing inflation, coupled with the potential for a rate hike by the RBI in the near future, might also dampen growth within the housing market. However, housing demand is expected to maintain its momentum over the long term, as these repercussions are primarily short-term in nature. **Commercial sector:** Indian developers have been adding speculative supply, given the steady recovery of demand. This increase in supply has also been driven by the relative outperformance of the Indian office market compared to some other markets, particularly in the US and Europe. The supply pipeline for 2023 remains robust, and while market sentiment remains cautious, a more positive outlook is emerging due to decreasing recession probabilities in Western economies.

The Indian real estate industry is currently in a phase of significant transformation, driven by the entry of new participants, technological advancements, and regulatory changes. As economic activities regain momentum and employees return to workplaces, there's a concurrent rise in demand for office spaces. The supportive measures introduced by the Central government in the budget are expected to provide an additional boost to the sector's growth. NITI Aayog envisions the Indian real estate sector reaching a market size of USD 1tn by 2030 and contributing around 13% to India's GDP by 2025.

Related party transaction

Major transactions were:

Inter-corporate deposit given to: Pinnacle investment—INR 2bn (Nil in FY22); Bamboo Hotel and Global Centre (Delhi) Pvt. Ltd. —INR 2.2bn (INR 1.3bn in FY22)

Inter-corporate deposits given recovered from: Thomsun Realtors Pvt. Ltd. – INR 2.3bn (Nil in FY22)

Guarantees and collaterals received from: Directors—INR 1.1bn (Nil in FY22)

Release of guarantees and collaterals provided to: Pandora Projects Pvt. Ltd.—INR 5.25bn (nil in FY22); Prestige Beta Projects Pvt. Ltd. INR 1bn (nil in FY22)

Outstanding Inter Corporate Deposit receivable: Bamboo Hotel and Global Centre (Delhi) Pvt. Ltd. – INR 4.9bn (INR 2.6bn in FY22); Pinnacle Investments – INR 2bn (Nil as of FY22); Prestige (BKC) Realtors Pvt. Ltd. – INR 4.3bn (INR 4bn as of FY22)

Trade receivables: Dashanya Tech Parkz Pvt. Ltd. – INR 1.8bn (Nil as of FY22)

Loans and advances recoverable: Lokhandwala DB Realty LLP – INR 1.7bn (INR 50mn as of FY22)

Current account in partnership firms: Turf Estate Joint Venture LLP – INR 11.9bn (INR 4.5bn as of FY22)

Remuneration of key management personnel

Mr. Irfan Razack, Chairman & MD: INR 86mn (INR 74mn in FY22)

Mr Rezwan Razack, Joint MD: INR 86mn (INR 74mn in FY22)

Mr Noaman Razack, WTD: INR 12mn (INR 5.4mn in FY22)

Ms Uzma Irfan, Director: INR 12mn (INR 6mn in FY22)

Auditors fees: Payment to auditors increased slightly to INR 17mn in FY23 (vs. INR 16mn in FY22).

Significant changes in accounting

- No significant change in accounting policy.
- Actuarial assumptions: Overall, discount rate range decreased to 6.9-7.2% from 6.7-7.7% in FY22. Salary escalation was unchanged at 5-10%.

Consolidated segmental review

During FY23, business performance of segments was:

- **Residential:** Overall revenue share— 74%; Completion—15.7msf; Ongoing projects—48msf; Upcoming projects—76msf. Free cash flow from completed inventory and under-construction projects—INR 78bn and from upcoming projects—INR 198bn.
- **Offices:** Overall revenue share—8%; Exit rental—INR 2.1bn; GLA of ongoing projects—23msf; GLA of under planning projects—14msf; FY28 exit rental—INR 24bn.
- **Retails:** Overall revenue share—1%; exit rental—INR 1.9bn; GLA of ongoing projects—2msf; GLA of under planning projects—5msf; FY27 Exit rental—INR 5.7bn.

- **Hospitality:** Overall revenue share—8%; revenue—INR 8bn; ongoing keys — 1,217; under planning keys—553; potential revenue—INR 21bn.
- **Property management:** Overall revenue share—9%; revenue—INR 6bn; area under management: 117msf; pipeline projects—155msf; incremental revenue—INR 10bn

Consolidated Profit & Loss Statement:

Year ending March (INR mn)	FY21	FY22	FY23	Comments
Sale of Real Estate Developments	54,995	52,292	63,606	Residential and Commercial projects sale increased by 21.6% YoY mainly on account of higher unit handover
Sale of Services	5,008	4,809	9,756	Increase on account of Room revenue and F&B revenue growing by 3.3x and 2.3x YoY resp. Also, Facility and Hire charges increased by 26% YoY.
Revenue from Property Rental	10,867	5,085	6,387	
Other Operating Revenue	1,549	1,709	3,401	
Net Sales	72,419	63,895	83,150	
<i>Growth (%)</i>	<i>(11)</i>	<i>(12)</i>	<i>30</i>	
Material Expenses	44,673	38,904	47,244	Material expense as a percentage of sales decreased to 53% from 61% in FY22 on account of revenue mix
Employee Expenses	4,203	4,510	6,034	Median remuneration of employees increased by 2.5% YoY to INR 0.75mn with permanent employees increasing by 15%
Other Operating Expenses	3,960	5,146	9,009	High mainly on account of higher Repairs and maintenance expenses and selling expenses
EBIDTA	19,583	15,335	20,863	Margin improved slightly to 25% from 24% in FY22
<i>EBIDTA (%)</i>	<i>27</i>	<i>24</i>	<i>25</i>	
<i>EBIDTA Growth (%)</i>	<i>(17)</i>	<i>(22)</i>	<i>36</i>	
Other Income	2,435	2,107	4,570	Growth of 116% mainly due to increase in net gain recognized on financial assets designated at FVPL to INR 2.7bn (vs INR 171mn in FY22). This financial asset is the companies remaining holding in assets sold to Blackstone in FY21. Post FY23, these holdings were converted to units of listed REIT of Nexus Select Trust
Depreciation	5,926	4,710	6,471	Higher on account of higher gross asset
EBIT	16,092	12,732	18,962	
Interest	9,793	5,553	8,066	Higher on account of increase in gross debt to INR 81bn (vs. INR 65bn in FY22). Borrowing cost capitalized was at INR 601mn (vs INR 1.3bn in FY22)
Exceptional items	27,926	8,079	3,079	Company entered into a definitive agreement of sale of some of its properties and subsidiaries with Blackstone. During FY23, INR 3.6bn of deferred payment was received which was shown as exceptional item net of tax
PBT	34,225	15,258	13,975	Lower on account of higher interest expense
Tax	5,193	2,945	3,475	Higher on account of higher deferred tax of INR 884mn (vs. INR 184mn in FY22). Current tax was INR 2.6bn (vs. INR 2.8bn in FY22)
PAT	27,823	11,500	9,418	
Minority Interest	959	648	1,250	
Share of associates	(250)	(165)	168	
APAT	3,809	4,764	5,592	Profit after adjusting for exceptional item
<i>APAT Growth (%)</i>	<i>(21)</i>	<i>25</i>	<i>17</i>	
Adj. EPS	10	12	14	

Consolidated Balance Sheet Statement

As at March (INR mn)	FY21	FY22	FY23	Comments
<u>SOURCES OF FUNDS</u>				
Share Capital	4,009	4,009	4,009	
Reserves	76,005	86,937	95,744	Higher on account of profit accretion
Total Shareholders' Funds	80,014	90,946	99,753	
Minority Interest	4,198	4,523	2,832	Decrease on account of repayment to Non-Controlling Interests and no acquisition of subsidiary during the year FY23
Long Term Debt	36,112	63,010	73,532	Bank term loan increased by INR 21bn. NCD decreased by INR 11bn
Short Term Debt	3,713	2,120	7,676	One of the subsidiary raised funds through Unsecured Commercial Papers worth INR 1.6bn, having discounted rate of 10%, repayable within 270 days from the date of issue
Total Debt	39,825	65,130	81,208	The increase in borrowings can be attributable to Company's strategy to venture in new geographies and acquisition of land parcels to ensure future growth of the Company.
Deferred Taxes	(3,320)	(3,136)	(2,464)	
TOTAL SOURCES OF FUNDS	120,717	157,463	181,329	
<u>APPLICATION OF FUNDS</u>				
Net Block	37,219	57,981	67,224	Increase on account of increase in Investment Property by INR 10.4bn YoY to INR 42bn. This in turn was higher mainly because of addition in land of INR 3.3bn, Buildings of INR 3.4bn and right of use assets of INR 7bn
CWIP	27,396	17,246	23,987	Investment property under construction is INR 22.5bn (vs. INR 16.3bn in FY22)
Goodwill	534	534	534	
Investments, LT Loans & Advances	9,072	7,724	10,228	Increase in unquoted equity investment
Inventories	95,805	115,667	143,671	The increase is attributable to increase in construction activities coupled with new land purchase during the year. Carrying amount of inventory pledged for borrowing forms 60% of total inventory (vs. 38% in FY22)
Debtors	13,740	14,196	13,286	37% of receivables are pledged for borrowing (vs. 42% in FY22)
Cash & Equivalents	24,012	21,712	18,146	Includes INR 1.6bn of FD with bank and INR 2bn held as margin money which was INR 500/526mn resp. in FY22
ST Loans & Advances, Others	38,820	63,514	83,171	Refundable deposit increased by INR 1.8bn YoY to INR 9.3bn. Also, advances paid to suppliers increased by INR 2.2bn YoY and unbilled revenue increased by INR 1.7bn
Total Current Assets	172,377	215,089	258,274	
Creditors	10,820	9,800	14,514	
Other Current Liabilities & Provisions	115,061	131,311	164,404	
Total Current Liabilities	125,881	141,111	178,918	
Net Current Assets	46,496	73,978	79,356	
TOTAL APPLICATION OF FUNDS	120,717	157,463	181,329	

Consolidated cash flow statement

Year ending March (INR mn)	FY21	FY22	FY23	Comments
PBT incl. minority	33,975	15,093	14,143	
Non-operating & EO items	(29,776)	(9,737)	(7,579)	Includes exception gains from sale of subsidiaries
Taxes	(2,069)	(2,361)	(3,288)	
Interest expenses	9,793	5,553	8,066	
Depreciation	5,926	4,710	6,471	Higher on account of addition in net block during the year
Working Capital Change	545	8,141	(2,418)	Mainly on account of increase in inventory
OPERATING CASH FLOW (a)	18,394	21,399	15,395	
Capex	(8,388)	(21,578)	(16,006)	Includes INR 16.5bn of capex on PP&E
Free cash flow (FCF)	10,006	(179)	(611)	Higher capex and lower OCF
Investments	13,327	(18,876)	(11,555)	Investment in bank deposit of INR 2.7bn and increase in partnership current account by INR 7bn
INVESTING CASH FLOW (b)	4,939	(40,454)	(27,561)	
Share capital Issuance	-	-	-	
Debt Issuance	3,397	21,926	13,468	Secured loan availed was more than repaid
Interest expenses	(9,741)	(5,341)	(7,412)	Higher on account of higher debt
Dividend	0	(601)	(601)	Dividend declared for FY23 was 15%. Cash outgo expected for FY24 would be same as INR 601mn
FINANCING CASH FLOW (c)	(6,344)	15,984	5,455	
NET CASH FLOW (a+b+c)	16,989	(3,071)	(6,711)	

ESG

Environment: Prestige has mapped its energy consumption, water management, waste management, and material sourcing practices to meet the standards set by the ISO 14001:2015 Environmental Management System. The company achieves energy and emission management by using effective designs, appropriate materials, and energy-efficient equipment, significantly reducing overall energy consumption and CO2 emissions, and thus taking steps against the climate crisis. As a result, 140t of carbon dioxide equivalent was reduced in FY23. Towards Green building - 90% of the office pipeline is LEED Gold, LEED Platinum and WELL Certified. In terms of waste management, it recycled 782t in FY23.

Projects are built on the green housing concept with sustainable design and maximum utilisation of renewable natural resources, including solar energy harnessing, energy-efficient water pumps and rainwater harvesting, thus reducing long-term carbon footprint. Some of the measures that are continued to be used are as follows: (1) use of STP-treated water for flushing, landscaping and air conditioning; (2) harvesting rainwater in the form of deep well recharging, collection, treatment and use of terrace storm water etc.; (3) increased use of water-cooled chillers; (4) use of centralized LPT reticulation system with piped gas supply to individual flats; (5) use of low flow toilet fixtures with sensors, concealed valves, etc.

Social: PEPL spent INR 90mn on CSR (INR 38mn brought forward from the previous year) as against the obligation of INR 43mn. CSR projects undertaken include Ulsoor Lake Development & Maintenance, St. Marks Road - both side garden and water body maintenance, and Prestige Pinewood surrounding parks.

Corporate governance: Governance strategy at Prestige—accountability, transparency, and shareholder engagement. PEPL Board has a proper mix of executive and independent directors to maintain its independence and separate its functions of governance and management. The Board has four executive directors (one woman) and five independent directors (one woman).

SOTP target of INR 786/sh

We have increased our SOTP-based TP for PEPL to INR 786/sh largely driven by higher valuation of hospitality segment (multiple increased from 15x to 20x, still lower than industry multiples of 20-25x for pure plays), 0-5% increase in residential pricing/residential valuation and consolidation of 100% stake in Mumbai assets acquired from DB. We have assumed WACC at 11% and a cap rate of 8% for both the retail and commercial portfolios.

Segment	INR mn	Rs/share
Residential - for sale	163,650	408
Commercial - lease	31,404	78
Incremental office lease	81,058	202
Retail – lease	19,775	49
Hospitality	44,712	112
Project management	4,823	12
Capital work in progress	-	-
Land bank/new JVs	25,934	65
Total GAV	371,356	926
Less: FY22 Net Debt - Economic interest	56,125	140
Equity value	315,231	786

Peer valuation

Companies	CMP (Rs)	TP (Rs)	Upside (%)	Total EV (Rs mn)	Core EV (Rs mn)	Gross Presales (Rs mn)				Total EV/ presales (x)				Core EV/Net presales (x)			
						FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E
Sobha	673	1,024	52	80,234	65,077	51,889	70,000	80,500	88,550	1.5	1.1	1.0	0.9	1.3	0.9	0.8	0.7
Brigade Enterprises	586	739	26	156,601	43,878	40,939	47,444	54,561	60,017	3.8	3.3	2.9	2.6	1.1	0.9	0.8	0.7
Prestige Estates	603	786	31	298,202	178,315	129,209	161,500	190,570	186,533	2.3	1.8	1.6	1.6	1.4	1.1	0.9	1.0
Kolte Patil	453	464	2	35,548	35,548	22,187	24,631	28,079	28,449	1.6	1.4	1.3	1.2	1.6	1.4	1.3	1.2
Mahindra Lifespaces	534	622	16	84,469	68,424	18,120	25,143	30,943	33,251	4.7	3.4	2.7	2.5	3.8	2.7	2.2	2.1
Oberoi Realty	1,133	1,298	15	442,461	256,701	51,020	55,102	62,265	63,642	8.7	8.0	7.1	7.0	5.0	4.7	4.1	4.0
DLF	523	575	10	1,301,788	706,675	150,600	128,010	144,651	147,852	8.6	10.2	9.0	8.8	4.7	5.5	4.9	4.8
Godrej Properties	1,581	1,664	5	475,928	392,137	122,200	140,530	165,825	162,312	3.9	3.4	2.9	2.9	3.2	2.8	2.4	2.4
Macrotech Developers	787	750	(5)	830,235	711,075	120,600	138,087	161,562	159,490	6.9	6.0	5.1	5.2	5.9	5.1	4.4	4.5
Phoenix Mills	1,857	2,000	8	340,683	711,075	3,757	4,132	4,545	4,773	90.7	82.4	75.0	71.4	189.3	172.1	156.4	149.0

Financials

Consolidated Income Statement

Year ending March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	51,719	81,248	72,419	63,895	83,150	89,106	96,567	113,069
Growth (%)	(6)	57	(11)	(12)	30	7	8	17
Material Expenses	28,599	47,516	44,673	38,904	47,244	43,548	44,728	52,303
Employee Expenses	3,986	4,601	4,203	4,510	6,034	8,448	9,292	10,222
Other Operating Expenses	4,596	5,571	3,960	5,146	9,009	14,865	15,311	15,770
EBIDTA	14,538	23,560	19,583	15,335	20,863	22,245	27,236	34,774
EBIDTA (%)	28.1	29.0	27.0	24.0	25.1	25.0	28.2	30.8
EBIDTA Growth (%)	33	62	(17)	(22)	36	7	22	28
Other Income	1,122	1,185	2,435	2,107	4,570	4,616	4,754	4,897
Depreciation	3,229	6,667	5,926	4,710	6,471	8,205	8,958	9,783
EBIT	12,431	18,078	16,092	12,732	18,962	18,656	23,032	29,888
Interest	7,228	10,233	9,793	5,553	8,066	8,956	9,897	10,837
Exceptional items	(894)	(380)	(27,926)	(8,079)	(3,079)	-	-	-
PBT	6,097	8,225	34,225	15,258	13,975	9,699	13,135	19,051
Tax	1,985	2,783	5,193	2,945	3,475	3,395	4,597	6,668
RPAT	4,156	4,031	27,823	11,500	9,418	6,038	8,347	12,107
Minority Interest	263	1,455	959	648	1,250	378	341	495
Share of associates	307	44	(250)	(165)	168	112	151	219
EO items (net of tax)	894	380	27,926	8,079	3,079	-	-	-
APAT	3,926	4,815	3,809	4,764	5,592	6,038	8,347	12,107
APAT Growth (%)	(9)	23	(21)	25	17	8	38	45
EPS	10.5	12.0	9.5	11.9	13.9	15.1	20.8	30.2

Source: Company, HSIE Research

Consolidated Balance Sheet

As at March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
SOURCES OF FUNDS								
Share Capital	3,750	4,009	4,009	4,009	4,009	4,009	4,009	4,009
Reserves	38,516	49,593	76,005	86,937	95,744	100,844	108,253	119,421
Total Shareholders' Funds	42,266	53,602	80,014	90,946	99,753	104,853	112,262	123,430
Minority Interest	1,120	2,284	4,198	4,523	2,832	3,210	3,552	4,047
Long Term Debt	82,108	86,269	36,112	63,010	73,532	82,532	91,532	100,532
Short Term Debt	2,761	6,446	3,713	2,120	7,676	7,676	7,676	7,676
Total Debt	84,869	92,715	39,825	65,130	81,208	90,208	99,208	108,208
Deferred Taxes	(4,083)	(2,685)	(3,320)	(3,136)	(2,464)	(2,464)	(2,464)	(2,464)
TOTAL SOURCES OF FUNDS	124,172	145,916	120,717	157,463	181,329	195,807	212,557	233,222
APPLICATION OF FUNDS								
Net Block	64,139	84,617	37,219	57,981	67,224	65,525	63,072	48,497
CWIP	16,450	21,431	27,396	17,246	23,987	49,487	74,987	111,785
Goodwill	3,069	5,167	534	534	534	534	534	534
Investments, LT Loans & Advances	7,784	7,893	9,072	7,724	10,228	10,228	10,228	10,228
Inventories	131,501	113,750	95,805	115,667	143,671	139,361	1,35,180	1,36,532
Debtors	16,544	14,765	13,740	14,196	13,286	13,950	14,648	15,380
Cash & Equivalents	6,530	7,857	24,012	21,712	18,146	18,662	22,526	26,074
ST Loans & Advances, Others	34,591	36,596	38,820	63,514	83,171	86,181	89,191	92,201
Total Current Assets	189,166	172,968	172,377	215,089	258,274	258,154	261,545	270,187
Creditors	12,530	12,249	10,820	9,800	14,514	14,659	14,806	14,954
Other Current Liabilities & Provisions	143,906	133,911	115,061	131,311	164,404	173,461	183,003	193,056
Total Current Liabilities	156,436	146,160	125,881	141,111	178,918	188,121	197,809	208,010
Net Current Assets	32,730	26,808	46,496	73,978	79,356	70,033	63,736	62,177
TOTAL APPLICATION OF FUNDS	124,172	145,916	120,717	157,463	181,329	195,807	212,557	233,222

Source: Company, HSIE Research

Consolidated Cash Flow

Year ending March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
PBT incl. minority	6,404	8,269	33,975	15,093	14,143	9,699	13,135	19,051
Non-operating & EO items	(2,106)	(1,306)	(29,776)	(9,737)	(7,579)	(4,504)	(4,603)	(4,678)
Taxes	(2,330)	(3,033)	(2,069)	(2,361)	(3,288)	(3,395)	(4,597)	(6,668)
Interest expenses	7,228	10,233	9,793	5,553	8,066	8,956	9,897	10,837
Depreciation	3,229	6,667	5,926	4,710	6,471	8,205	8,958	9,783
Working Capital Change	(4,804)	1,433	545	8,141	(2,418)	9,838	10,162	5,107
OPERATING CASH FLOW (a)	7,621	22,263	18,394	21,399	15,395	28,801	32,952	33,432
Capex	(9,846)	(21,991)	(8,388)	(21,578)	(16,006)	(32,006)	(32,006)	(32,006)
Free cash flow (FCF)	(2,225)	272	10,006	(179)	(611)	(3,205)	946	1,426
Investments	3,570	(1,505)	13,327	(18,876)	(11,555)	4,616	4,754	4,897
INVESTING CASH FLOW (b)	(6,276)	(23,496)	4,939	(40,454)	(27,561)	(27,390)	(27,252)	(27,109)
Share capital Issuance	-	8,939	-	-	-	-	-	-
Debt Issuance	8,550	5,133	3,397	21,926	13,468	9,000	9,000	9,000
Interest expenses	(7,137)	(10,149)	(9,741)	(5,341)	(7,412)	(8,956)	(9,897)	(10,837)
Dividend	(543)	(1,403)	-	(601)	(601)	(938)	(938)	(938)
FINANCING CASH FLOW (c)	870	2,520	(6,344)	15,984	5,455	(895)	(1,835)	(2,776)
NET CASH FLOW (a+b+c)	2,215	1,287	16,989	(3,071)	(6,711)	516	3,865	3,548

Source: Company, HSIE Research

Key Ratios

	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
PROFITABILITY (%)								
GPM	44.7	41.5	38.3	39.1	43.2	51.1	53.7	53.7
EBITDA Margin	28.1	29.0	27.0	24.0	25.1	25.0	28.2	30.8
APAT Margin	7.6	5.9	5.3	7.5	6.7	6.8	8.6	10.7
RoE	8.8	10.0	5.7	5.6	5.9	5.9	7.7	10.3
Core RoCE	10.5	14.2	12.9	9.7	11.8	10.5	11.9	14.1
RoCE	10.5	14.2	12.9	9.7	11.8	10.5	11.9	14.1
EFFICIENCY								
Tax Rate (%)	32.6	33.8	15.2	19.3	24.9	35.0	35.0	35.0
Asset Turnover (x)	0.4	0.6	0.6	0.4	0.5	0.5	0.5	0.5
Inventory (days)	666	551	528	604	569	580	519	430
Debtors (days)	92	70	72	80	60	56	54	48
Payables (days)	92	56	58	59	53	60	56	48
Cash Conversion Cycle (days)	666	566	542	625	576	576	517	430
Debt/EBITDA (x)	5.8	3.9	2.0	4.2	3.9	4.1	3.6	3.1
Net D/E	1.85	1.58	0.2	0.5	0.6	0.7	0.7	0.7
Interest Coverage	1.7	1.8	1.6	2.3	2.4	2.1	2.3	2.8
PER SHARE DATA								
EPS (INR/sh)	10.5	12.0	9.5	11.9	13.9	15.1	20.8	30.2
CEPS (INR/sh)	19.1	28.6	24.3	23.6	30.1	35.5	43.2	54.6
DPS (INR/sh)	4.3	5.4	5.7	2.3	2.3	2.3	2.3	2.3
BV (INR/sh)	112.7	133.7	199.6	226.9	248.8	261.5	280.0	307.9
VALUATION								
P/E	57.8	50.4	63.7	50.9	43.4	40.2	29.1	20.0
P/BV	5.4	4.5	3.0	2.7	2.4	2.3	2.2	2.0
EV/EBITDA	21.0	13.9	13.2	18.6	14.6	14.1	11.7	9.2
OCF/EV (%)	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
FCF/EV (%)	(0.7)	0.1	3.9	(0.1)	(0.2)	(1.0)	0.3	2.1
FCFE/Market Cap (%)	(0.4)	(2.0)	1.5	6.8	2.2	(1.3)	0.0	2.1
Dividend Yield (%)	0.7	0.9	0.9	0.4	0.4	0.4	0.4	0.4

Source: Company, HSIE Research

1 Yr Price movement



Rating Criteria

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: > 10% Downside return potential

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