

# Sobha

## Presales run rate reset

In our Sobha (SDL) deep dive note **'R'eset, 'R'estart, 'R'efocus = 'R'erating**, we had premised our investment thesis on a strong demand undercurrent in the Bengaluru market and SDL hitting the Reset-Restart button. There is a clear focus on deleveraging, tying up new business development (15msf new launch pipeline, 20msf advance stage tie-up), and ramping up new launches (with minimal incremental INR 8-10bn of residual capex). Q2FY24 operational data further strengthens our thesis as Sobha reported lifetime high presales of INR 17.2bn (+48.1%/+17.7% YoY/QoQ). In terms of area, it sold 1.7msf (+26.1%/+21.0% YoY/QoQ). The average price realisation stood at INR 10,223 psf (+17.4%/-2.7% YoY/QoQ). Valuation comfort, robust FCF generation, and likely deleveraging are the main near-term triggers for rerating. We maintain BUY with an NAV-based TP of INR 1,024/sh.

- **Strong operational performance, largely sustenance sales driven:** Sobha registered its highest-ever quarterly presales, which in value terms came to INR 17.2bn (+48.1%/+17.7% YoY/QoQ). In terms of area, it sold 1.7msf (+26.1%/+21.0% YoY/QoQ). The average price realisation stood at INR 10,223 psf (+17.4%/-2.7% YoY/QoQ). This is entirely driven by sustenance sales as there were no launches in the quarter. Sobha's share of sales in the mix stood at 74% as a large part of sales was recorded from JV/JDA projects. With the launch of Sobha Neopolis, Bengaluru, the company's share in the sales mix is expected to increase. Bengaluru contributed 59.7% to total sales, followed by NCR and Kerala at 13.5% and 15.8% respectively. NCR and Kerala have driven YoY/QoQ growth for Sobha.
- **New presales run rate of INR 17bn/quarter lends visibility to INR 80bn+ annual presales:** Q2FY24 presales performance surprised us positively as it was largely driven by sustenance sales. With a launch pipeline of 18.5 msf/INR 200bn, we expect Sobha to scale up presales to INR15-20bn/quarter or INR 80bn+ annually. This shall result in the OCF growing from INR 10bn/annum to INR 15-18bn, which may result in the company becoming net cash over the next two to three years. Sobha soft-launched the Greek-themed luxury apartment Sobha Neopolis in the first week of Oct-23 with INR 40bn+ GDV, which is expected to drive H2FY24 presales. Besides this, another INR 30bn worth of projects may be launched in Q4FY24.
- **Customer-centricity, brand pull, in-house construction and high-value delivery help retain pricing premium:** Over the years, SDL has standardised delivery of high-quality homes at a 15-25% premium over competitors. Despite setbacks, the demand for its products has not slowed down. Financial institutions continue to support it and ably so as the company has significantly deleveraged and is on course to become net cash positive (largely residential developer, upcycle to accelerate FCF, and no major commercial capex) in the absence of any major land capex.
- **Valuation supportive, discount to long-term averages, risk-reward favourable:** SDL is trading at the highest NAV discount of -18% vs. the long-term average of -14%. We believe that rerating will be contingent on presales outperformance, robust cash flow generation, achieving net cash status, and acceleration of new launches from captive and new land capex/tie-ups. A robust rerating may result from the rerating equation's shrinking headwinds on the denominator and expanding tailwinds on the numerator.

### Consolidated Financial Summary

YE March (INR mn)	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E	FY26E
Net Sales	34,421	37,539	21,098	25,613	33,101	33,573	39,155	45,692
EBITDA	6,733	7,593	4,102	5,328	3,695	5,103	7,244	8,453
APAT	2,970	2,815	623	1,732	1,042	1,743	3,187	4,054
Diluted EPS (INR)	31.3	29.7	6.6	18.3	11.0	18.4	33.6	42.7
P/E (x)	22.6	23.8	107.7	38.7	64.4	38.5	21.0	16.5
EV / EBITDA (x)	13.6	12.8	23.2	17.0	22.4	14.4	8.6	5.7
RoE (%)	11.9	12.1	2.6	7.4	4.2	6.8	11.4	13.0

Source: Company, HSIE Research

## BUY

CMP (as on 05 Oct 23)	INR 707
Target Price	INR 1,024
NIFTY	19,546

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,024	INR 1,024
EPS Change %	FY24E	FY25E
	-	-

### KEY STOCK DATA

Bloomberg code	SOBHA IN
No. of Shares (mn)	95
MCap (INR bn) / (\$ mn)	67/820
6m avg traded value (INR mn)	510
52 Week high / low	INR 750/412

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	6.8	7.6	(13.9)
Relative (%)	2.1	(2.4)	(24.9)

### SHAREHOLDING PATTERN (%)

	Mar-23	Jun-23
Promoters	52.26	52.28
FIs & Local MFs	13.63	12.22
FPIs	13.76	12.75
Public & Others	20.35	22.75
Pledged Shares	10.54	10.54

Source: BSE

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## Operational update

Sobha registered its highest-ever quarterly presales of INR 17.2bn in value terms (+48.1%/+17.7% YoY/QoQ). In terms of area, it sold 1.7msf (+26.1%/+21.0% YoY/QoQ). The average price realisation stood at INR 10,223 psf (+17.4%/-2.7% YoY/QoQ). This is entirely driven by sustenance sales as there were no new launches in the quarter. Sobha's share of sales in the mix stood at 74% as large part of sales was recorded from JV/JDA projects. With the new launch in Sobha Neopolis, Bengaluru, the share of Sobha in the sales mix is expected to increase.

Bengaluru contributed 59.7% to total sales, followed by NCR and Kerala at 13.5% and 15.8% respectively. NCR and Kerala have driven YoY/QoQ growth for Sobha.

Sales Data	FY19	FY20	FY21	FY22	2QFY23	FY23	1QFY24	2QFY24	YoY %	QoQ %
<b>Volumes (sq ft):</b>										
Bengaluru	2,767,789	3,002,161	2,702,120	3,353,250	1,037,368	3,917,411	839,373	1,007,103	(2.9)	20.0
NCR (Gurgaon)	351,242	237,383	373,058	682,755	71,458	778,381	212,986	227,795	218.8	7.0
Chennai	176,341	212,091	125,072	115,547	30,132	129,459	36,927	40,742	35.2	10.3
Thrissur	66,380	101,049	150,156	131,021		0				
Pune	11,865	65,375	93,580	166,044	18,704	62,022	10,346	11,238	(39.9)	8.6
Coimbatore	112,805	73,980	56,517	41,014	18,746	31,253				
Kochi	318,155	155,626	395,527	241,747		0				
Kochi (incl. Thrissur, Calicut and Thiruvananthapuram)				384,022	128,839	423,745	211,890	265,876	106.4	25.5
Kozhikode	39,505	33,857	16,452	11,254						
Mysore	180,662	63,608	34,056							
GIFT City	5,036	126,573	66,843	166,935	31,581	209,367	65,400	107,725	241.1	64.7
Hyderabad						98,227	17,195	25,717		49.6
<b>Total</b>	<b>4,029,780</b>	<b>4,071,703</b>	<b>4,013,381</b>	<b>4,909,567</b>	<b>1,336,828</b>	<b>5,649,865</b>	<b>1,394,117</b>	<b>1,686,196</b>	<b>26.1</b>	<b>21.0</b>
Bengaluru as %sales	68.7%	73.7%	67.3%	68.3%	77.6%	69.3%	60.2%	59.7%		
Non - Bengaluru as %sales	31%	26%	33%	32%	22%	31%	40%	40%		
<b>Average Price realisation (Rs/sf)</b>										
	<b>7,749</b>	<b>7,075</b>	<b>7,817</b>	<b>7,883</b>	<b>8,709</b>	<b>9,200</b>	<b>10,506</b>	<b>10,223</b>	<b>17.4</b>	<b>(2.7)</b>
<b>Overall Sales Value (Rs mn)</b>										
	<b>31,225</b>	<b>28,806</b>	<b>31,372</b>	<b>38,701</b>	<b>11,642</b>	<b>51,978</b>	<b>14,647</b>	<b>17,238</b>	<b>48.1</b>	<b>17.7</b>
<b>Sobha Share of Sales Value (Rs mn)</b>										
	<b>25401</b>	<b>23827</b>	<b>24759</b>	<b>32684</b>	<b>9610</b>	<b>42313</b>	<b>11304</b>	<b>12756</b>	<b>32.7</b>	<b>12.8</b>
<b>Sobha Share as % of overall Sales</b>										
	<b>81.3</b>	<b>82.7</b>	<b>78.9</b>	<b>84.5</b>	<b>82.5</b>	<b>81.4</b>	<b>77.2</b>	<b>74.0</b>		

Source: Company

## Sobha Neopolis launch—INR 40bn GDV+, 3.5mn sq ft

Sobha has soft-launched the Greek-themed luxury apartment **Sobha Neopolis** at Panathur, Off Marathahalli-ORR, Bengaluru. The configuration is 1,611 to 2,481 sq ft, 3 & 4 BHK. We expect total project sales potential of INR 40bn+ with starting price at INR 12,300/sq ft++. According to our channel checks, there is a strong demand for this product. The sales momentum for Neopolis may follow a similar pattern to that of other developers' recent blockbuster launches in Bengaluru.

Since Sobha has lagged peers Brigade and Prestige in launches and with 15 msf of launch pipeline and 3.3 msf of unsold inventory (post Q2FY24), we expect sales momentum to grow from current INR 17.2bn per quarter to INR 20bn/quarter. In base case, we expect presales to reach INR 80bn+ in FY24 and INR 95bn in FY25. Sobha has earlier guided for 6-7 msf of new launches in FY24 and FY25. Besides this, from captive land bank and new BD efforts, another 20-30 msf of new launches may be added over the course of the next 3-5 years. Due to this, the company will generate strong FCF and become net cash within the next two to three years.

Forthcoming Projects			Total Residential Inventory – Ongoing and Forthcoming	
Location	SBA (Mn sft)	No. of Projects	Inventory status	Mn sft
<b>Residential</b>	<b>15.09</b>	<b>17</b>		
Bangalore	6.52	5	Unsold Area - Completed projects	0.11
NCR	4.32	3	Unsold Area - Ongoing projects - offered for sale	3.83
GIFT City	0.77	1	Unsold area - Ongoing projects - not offered for sale	1.23
Kochi	1.37	2	Forthcoming projects	15.09
Trivandrum	0.46	1		
Thrissur	0.40	1		
Calicut	0.80	1		
Coimbatore	0.25	2		
Chennai	0.21	1		
<b>Commercial</b>	<b>1.08</b>	<b>4</b>		
Bangalore	0.29	1		
NCR	0.76	2		
Thrissur	0.03	1		
<b>Grand Total</b>	<b>16.17</b>	<b>21</b>	<b>Total inventory visibility</b>	<b>20.26</b>

**Note:** Saleable / Leasable area for the forthcoming projects may vary based on approvals

Source: Company 1QFY24 results presentation

## RE upcycle generates strong cash flow; SDL may be debt-free by FY25

The real estate upcycle has helped SDL accelerate its presales momentum and generate robust cash flow from operations. This has led to the company generating INR 10.5bn of CFO during FY23. With SDL primarily a residential-focused developer with a large captive land bank, it stands to benefit as sales velocity increases. We envisage SDL CFO to increase to INR 15.3/17.4bn during FY24/25 and net cash generation INR 8.9/11bn. With cumulative FY24-25 cash generation of INR 19.8bn, SDL may become debt-free (1QFY24 gross/net debt of INR 20.8/15.7bn). Prestige has also been generating strong free cash flow but with higher upcoming commercial/retail/hospitality and land capex, the net cash flow will be negative. Brigade on the other hand has been seeing higher cash outflow towards its land acquisition, given low levels of land inventory and investments towards annuity assets. Sobha largely being a residential-focused developer will see surplus cash generation which may be returned to shareholders or deployed towards higher growth/business development.

### Sobha cash flow

INR mn	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Operating cash flow inflow:</b>											
Residential	15,591	18,409	20,930	25,384	23,642	22,169	31,728	43,058	58,100	68,425	79,615
Others	6,958	7,252	9,152	10,584	12,829	8,600	8,094	9,765	9,863	9,961	10,061
<b>Total Operational cash inflow</b>	<b>22,549</b>	<b>25,661</b>	<b>30,082</b>	<b>35,968</b>	<b>36,471</b>	<b>30,769</b>	<b>39,822</b>	<b>52,823</b>	<b>67,963</b>	<b>78,386</b>	<b>89,675</b>
<b>Operating cash flow outflow:</b>											
Construction cost - Residential	(9,545)	(9,490)	(12,633)	(17,310)	(18,658)	(13,605)	(18,151)	(25,550)	(35,074)	(42,750)	(49,454)
All other costs	(8,867)	(10,564)	(11,164)	(14,484)	(15,709)	(10,966)	(13,080)	(16,714)	(17,597)	(18,241)	(19,674)
<b>Total Operational cash outflow</b>	<b>(18,412)</b>	<b>(20,054)</b>	<b>(23,797)</b>	<b>(31,794)</b>	<b>(34,367)</b>	<b>(24,571)</b>	<b>(31,231)</b>	<b>(42,264)</b>	<b>(52,671)</b>	<b>(60,991)</b>	<b>(69,129)</b>
<b>Net cash flow from operations</b>	<b>4,137</b>	<b>5,607</b>	<b>6,285</b>	<b>4,174</b>	<b>2,104</b>	<b>6,198</b>	<b>8,591</b>	<b>10,559</b>	<b>15,292</b>	<b>17,396</b>	<b>20,547</b>
<b>Investing Activities:</b>											
Construction cost - Capex	(1,180)	(255)	(348)	(881)	(1,157)	(150)	(349)	(328)	(400)	(400)	(400)
Investment in Land/JD/JV/TDR	(1,670)	(1,365)	(3,605)	(1,963)	(2,641)	(382)	94	(918)	(3,500)	(3,500)	(3,500)
Others	-	-	-	-	-	-	-	-	-	-	-
<b>Net cash flow from investing</b>	<b>(2,850)</b>	<b>(1,620)</b>	<b>(3,953)</b>	<b>(2,844)</b>	<b>(3,798)</b>	<b>(532)</b>	<b>(255)</b>	<b>(1,246)</b>	<b>(3,900)</b>	<b>(3,900)</b>	<b>(3,900)</b>
<b>Net cash flow from financing</b>	<b>(3,583)</b>	<b>(3,575)</b>	<b>(3,586)</b>	<b>(3,676)</b>	<b>(4,199)</b>	<b>(3,957)</b>	<b>(3,182)</b>	<b>(2,341)</b>	<b>(2,528)</b>	<b>(2,577)</b>	<b>(2,633)</b>
<b>Net cash flow</b>	<b>(2,296)</b>	<b>412</b>	<b>(1,254)</b>	<b>(2,346)</b>	<b>(5,893)</b>	<b>1,709</b>	<b>5,154</b>	<b>6,972</b>	<b>8,864</b>	<b>10,919</b>	<b>14,013</b>

Source: Company, HSIE Research

### Brigade cash flow

INR mn	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Operating cash flow inflow:</b>											
Residential	14,645	15,633	13,442	16,812	19,039	20,339	30,620	40,679	45,072	51,833	59,607
Others	4,882	5,211	4,481	5,604	6,346	6,780	10,207	13,560	18,410	20,157	23,181
<b>Total Operational cash inflow</b>	<b>19,526</b>	<b>20,844</b>	<b>17,922</b>	<b>22,416</b>	<b>25,385</b>	<b>27,119</b>	<b>40,827</b>	<b>54,238</b>	<b>63,481</b>	<b>71,990</b>	<b>82,788</b>
<b>Operating cash flow outflow:</b>											
Construction cost - Residential	(11,807)	(11,843)	(10,449)	(12,128)	(14,072)	(12,985)	(20,547)	(28,662)	(37,422)	(43,036)	(49,491)
All other costs	(4,196)	(4,373)	(5,885)	(5,784)	(6,291)	(4,964)	(9,031)	(10,409)	(11,601)	(12,932)	(14,419)
<b>Total Operational cash outflow</b>	<b>(16,003)</b>	<b>(16,216)</b>	<b>(16,334)</b>	<b>(17,912)</b>	<b>(20,363)</b>	<b>(17,949)</b>	<b>(29,578)</b>	<b>(39,071)</b>	<b>(49,023)</b>	<b>(55,968)</b>	<b>(63,911)</b>
<b>Net cash flow from operations</b>	<b>3,523</b>	<b>4,628</b>	<b>1,588</b>	<b>4,504</b>	<b>5,022</b>	<b>9,170</b>	<b>11,249</b>	<b>15,167</b>	<b>14,458</b>	<b>16,022</b>	<b>18,877</b>
<b>Investing Activities:</b>											
Construction cost - Capex	(2,085)	(3,094)	(6,017)	(5,327)	(7,618)	(5,200)	(2,388)	(2,314)	(2,893)	(3,616)	(4,520)
Investment in Land/JD/JV/TDR	(6,957)	(1,486)	(4,355)	(952)	(314)	(1,856)	(1,541)	(7,077)	(9,167)	(7,167)	(7,167)
Others	294	275	(1,721)	2,016	141	(2,615)	(7,593)	37	(1,000)	(1,000)	(1,000)
<b>Net cash flow from investing</b>	<b>(8,748)</b>	<b>(4,305)</b>	<b>(12,093)</b>	<b>(4,263)</b>	<b>(7,791)</b>	<b>(9,671)</b>	<b>(11,522)</b>	<b>(9,354)</b>	<b>(13,059)</b>	<b>(11,782)</b>	<b>(12,686)</b>
<b>Net cash flow from financing</b>	<b>5,656</b>	<b>(495)</b>	<b>10,025</b>	<b>597</b>	<b>3,374</b>	<b>920</b>	<b>639</b>	<b>(6,552)</b>	<b>(5,692)</b>	<b>(6,188)</b>	<b>(7,151)</b>
<b>Net cash flow</b>	<b>431</b>	<b>(172)</b>	<b>(480)</b>	<b>838</b>	<b>605</b>	<b>419</b>	<b>366</b>	<b>(739)</b>	<b>(4,293)</b>	<b>(1,949)</b>	<b>(959)</b>

Source: Company, HSIE Research

**Prestige cash flow**

INR mn	FY23	FY24E	FY25E	FY26E
<b>Operating cash flow inflow:</b>				
Residential	98,055	132,430	156,267	167,879
Others	12,105	16,349	19,314	20,749
<b>Total Operational cash inflow</b>	<b>110,160</b>	<b>148,779</b>	<b>175,581</b>	<b>188,628</b>
<b>Operating cash flow outflow:</b>				
Construction cost - Residential	(42,624)	(67,830)	(81,945)	(80,209)
All other costs	(27,905)	(33,486)	(40,183)	(48,220)
<b>Total Operational cash outflow</b>	<b>(70,529)</b>	<b>(101,316)</b>	<b>(122,128)</b>	<b>(128,429)</b>
<b>Net cash flow from operations</b>	<b>39,631</b>	<b>47,463</b>	<b>53,453</b>	<b>60,200</b>
<b>Investing Activities:</b>				
Construction cost – Capex	(19,260)	(28,890)	(36,113)	(45,141)
Investment in Land/JD/JV/TDR	(37,691)	(40,000)	(40,000)	(40,000)
Others	(291)	-	-	-
<b>Net cash flow from investing</b>	<b>(57,242)</b>	<b>(68,890)</b>	<b>(76,113)</b>	<b>(85,141)</b>
<b>Net cash flow from financing</b>		<b>(5,250)</b>	<b>(4,750)</b>	<b>(3,250)</b>
<b>Net cash flow</b>		<b>(26,677)</b>	<b>(27,409)</b>	<b>(28,191)</b>

Source: Company, HSIE Research

## Sobha has higher replacement value than peers

Sobha had about 205mn sq ft of land bank as of FY20 end (it stopped giving land bank after this). It has recorded 15mn sq ft of sales over FY21-23, considering that the land bank could be 190mn sq ft. At the implied residential value of INR 34bn, this implies ~INR 180/sq ft of FSI land value. Industrial land sells at INR 700-800/sq ft and residential sells at 1,000-1,100/sq ft when a corporate/developer buys the same. So replacement value is 4-6x.

Similarly, for Brigade, FSI land value comes out to be ~INR 962/sq ft and the replacement value is 0.8x-1.1x; and for Prestige, the FSI land value comes out to be ~INR 3,188/sq ft and the replacement value is 0.25-0.35x.

### Sobha's land bank

Land bank as of FY20	Land (Acre)	Developable area (msf)	Sobha share (msf)
Gurugram	46	2.5	1.4
GIFT City	4	0.8	0.8
Pune	66	1.9	1.7
Hyderabad	4	0.5	0.3
Bangalore	746	75.8	73.9
Mysore	12	0.3	0.3
Thrissur	84	10.4	10.4
Kochi	434	39.9	38.8
Trivandrum	7	0.6	0.6
Coimbatore	57	3.7	3.7
Hosur	533	38.3	37
Chennai	507	37.2	36.5
<b>Total</b>	<b>2,502</b>	<b>212</b>	<b>205</b>
Sale recorded from FY21-23 (msf)	15		
<b>Remaining land – Sobha share (msf)</b>	<b>190</b>		

### Brigade's land bank

Land bank as of Q1FY24	Acres	Developable area (msf)	Brigade share (msf)
Bengaluru	340	33.8	26.8
Chennai	85	12.5	8.7
Kochi, Hyderabad and Gujarat	30	1.3	0.9
<b>Total</b>	<b>455</b>	<b>48</b>	<b>36</b>

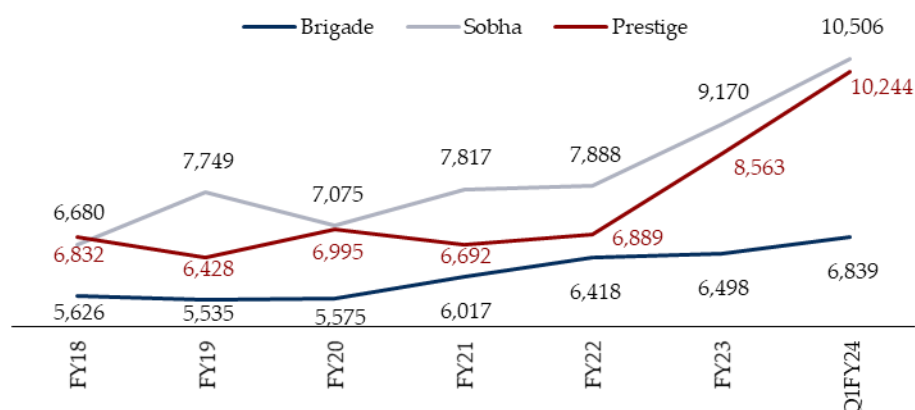
### Prestige's land bank

In Acres	As of Q1FY24	PEPL share (Acre)	Implied PEPL share - developable area(msf)
Bengaluru	445	380	45
Chennai	20	13	1
Mangalore	17	17	2
Goa	224	114	6
Mysuru	4	4	0
<b>Total</b>	<b>710</b>	<b>528</b>	<b>54</b>

## Sobha has been a price leader with premium positioning

Over the years, Sobha has changed its product mix and has been tilting more towards premium products. As a result, the average price realized (APR) has touched an all-time high of INR 10,506psf. Sobha's APR is the highest among its peers with Prestige and Brigade APR at INR 10,244/6,839psf resp. Our channel checks suggest that SDL has been able to create this branding intangible, which helps it achieve a 15-25% premium for its product vs. peers. This is reflective of in-house captive capability as contractor and, hence, better control on quality, better value engineering and loading efficiency, and brand trust. Despite regulatory headwinds, this has helped Sobha, as brand loyalty and timely delivery helped drive its presale momentum.

### Average price realisation trend (INR per sq ft)



Source: HSIE Research

## Sobha's SOTP valuation – INR 1,024/sh

Details	Amount (Rs mn)	Rs/share
<b>Development Properties</b>		
Bangalore	21,160	223
Gurgaon	6,558	69
Thrissur	173	2
Pune	-	-
Rest of South India	6,218	66
<b>Total Devco</b>	<b>34,109</b>	<b>360</b>
Land Bank	67,985	717
Contractual/Manufacturing	7,957	84
Rental assets/APMC	-	-
Refundable JDA Deposits	4,182	44
<b>Total GAV</b>	<b>114,233</b>	<b>1,204</b>
Less:		
Net Debt - FY24E	15,521	164
Unpaid land cost	1,613	17
<b>Equity value</b>	<b>97,099</b>	<b>1,024</b>

Source: HSIE Research



## Financial Statement:

## INCOME STATEMENT (INR mn)

Year ending March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	34,421	37,539	21,098	25,613	33,101	33,573	39,155	45,692
Growth (%)	23.5	9.1	(43.8)	21.4	29.2	1.4	16.6	16.7
Material Expenses	20,561	19,910	9,282	14,129	21,021	22,695	22,651	26,433
Employee Expenses	2,359	2,464	1,771	2,512	2,945	2,753	3,211	3,747
Other Operating Expenses	4,768	7,572	5,943	3,644	5,440	3,022	6,049	7,059
EBIDTA	6,733	7,593	4,102	5,328	3,695	5,103	7,244	8,453
EBIDTA (%)	19.6	20.2	19.4	20.8	11.2	15.2	18.5	18.5
EBIDTA Growth (%)	29.6	12.8	(46.0)	29.9	(30.6)	38.1	41.9	16.7
Other Income	735	718	806	840	923	1,246	269	58
Depreciation	623	723	794	718	678	792	870	888
EBIT	6,845	7,588	4,114	5,450	3,940	5,558	6,643	7,623
Interest	2,362	3,258	3,362	3,083	2,490	3,227	2,394	2,218
Exceptional items	-	-	-	-	-	-	-	-
PBT	4,482	4,330	752	2,366	1,450	2,331	4,249	5,406
Tax	1,512	1,515	129	634	408	587	1,062	1,351
PAT	2,970	2,815	623	1,732	1,042	1,743	3,187	4,054
EO items (net of tax)	-	-	-	-	-	-	-	-
APAT	2,970	2,815	623	1,732	1,042	1,743	3,187	4,054
APAT Growth (%)	27.9	(5.2)	(77.9)	178.0	(39.8)	67.3	82.8	27.2
EPS	31.3	29.7	6.6	18.3	11.0	18.4	33.6	42.7
EPS Growth (%)	27.9	(5.2)	(77.9)	178.0	(39.8)	67.3	82.8	27.2

Source: Company, HSIE Research

## BALANCE SHEET (INR mn)

As at March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>SOURCES OF FUNDS</b>								
Share Capital	948	948	948	948	948	948	948	948
Reserves	21,343	23,364	21,890	23,281	23,998	25,554	28,425	31,905
Total Shareholders' Funds	22,291	24,312	22,838	24,229	24,947	26,502	29,374	32,853
Minority Interest	-	-	-	-	-	-	-	-
Long Term Debt	26,039	31,137	26,816	21,389	13,901	13,401	11,901	10,401
Short Term Debt	-	-	3,504	3,648	6,135	5,635	5,135	4,635
Total Debt	26,039	31,137	30,321	25,037	20,035	19,035	17,035	15,035
Deferred Taxes	-	311	126	117	126	151	181	217
Long Term Provisions & Others	121	206	370	377	434	477	525	577
TOTAL SOURCES OF FUNDS	48,451	55,966	53,655	49,761	45,542	46,165	47,115	48,683
<b>APPLICATION OF FUNDS</b>								
Net Block	2,848	4,991	4,728	4,314	4,233	3,942	3,272	2,584
CWIP	1,900	2,323	701	65	68	68	68	68
Goodwill	-	-	180	176	192	192	192	192
Investments	1,128.3	1,143.0	1,142.7	1,149.0	1,149.5	1,149.5	1,149.5	1,149.5
Investment Property	2,029	1,881	3,956	3,962	4,519	5,106	5,770	6,520
Other Non-Current Assets	6,395	5,618	6,707	6,134	10,916	11,167	11,424	11,686
Inventories	65,173	67,045	74,984	76,516	87,610	82,387	71,988	74,229
Debtors	3,272	3,603	1,935	3,503	1,578	1,562	2,143	2,502
Cash & Equivalents	1,772	884	2,041	1,783	4,514	12,629	22,051	33,732
ST Loans & Advances, Others	22,881	22,634	18,772	17,816	11,103	12,053	13,003	13,953
Total Current Assets	93,098	94,166	97,733	99,618	1,04,805	1,08,631	1,09,185	1,24,415
Creditors	11,328	9,567	4,987	4,470	5,987	9,262	10,803	12,606
Other Current Liabilities & Provns	47,621	44,590	56,508	61,189	74,354	74,828	73,142	85,326
Total Current Liabilities	58,948	54,157	61,495	65,659	80,341	84,090	83,945	97,932
Net Current Assets	34,150	40,009	36,238	33,959	24,464	24,541	25,240	26,483
Misc Expenses & Others	0	1	2	1	1	1	1	1
TOTAL APPLICATION OF FUNDS	48,451	55,966	53,655	49,761	45,542	46,165	47,115	48,683

Source: Company, HSIE Research

**CASH FLOW STATEMENT (INR mn)**

Year ending March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
PBT before minority and Share of profits	4,482	4,330	752	1,582	1,450	2,331	4,249	5,406
Non-operating & EO items	(369)	(186)	(420)	(576)	(923)	(1,246)	(269)	(58)
Taxes	(882)	(1,063)	(266)	(515)	(360)	(587)	(1,062)	(1,351)
Interest expenses	2,147	6,595	6,012	7,497	2,490	3,227	2,394	2,218
Depreciation	623	723	794	721	678	792	870	888
Working Capital Change	(3,942)	(7,783)	(788)	(411)	7,510	7,856	8,543	10,264
<b>OPERATING CASH FLOW ( a )</b>	<b>2,061</b>	<b>2,616</b>	<b>6,084</b>	<b>8,298</b>	<b>10,845</b>	<b>12,372</b>	<b>14,725</b>	<b>17,366</b>
Capex	(1,150)	(3,011)	(395)	462	(600)	(500)	(200)	(200)
Free cash flow (FCF)	910	(395)	5,689	8,760	10,244	11,872	14,525	17,166
Investments	152	(161)	(50)	(109)	(557)	(587)	(664)	(750)
Others	388	430	112	30	923	1,246	269	58
<b>INVESTING CASH FLOW ( b )</b>	<b>(610)</b>	<b>(2,742)</b>	<b>(333)</b>	<b>383</b>	<b>(234)</b>	<b>159</b>	<b>(594)</b>	<b>(892)</b>
Share capital Issuance	-	-	-	-	-	-	-	-
Debt Issuance	2,706	3,254	(757)	(5,565)	(5,002)	(1,000)	(2,000)	(2,000)
Interest expenses	(2,768)	(3,299)	(3,414)	(2,945)	(2,490)	(3,227)	(2,394)	(2,218)
Dividend	(800)	(800)	(664)	(332)	(313)	(188)	(315)	(575)
<b>FINANCING CASH FLOW ( c )</b>	<b>(862)</b>	<b>(845)</b>	<b>(4,835)</b>	<b>(8,841)</b>	<b>(7,805)</b>	<b>(4,415)</b>	<b>(4,709)</b>	<b>(4,793)</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>589</b>	<b>(971)</b>	<b>916</b>	<b>(160)</b>	<b>2,806</b>	<b>8,115</b>	<b>9,421</b>	<b>11,681</b>

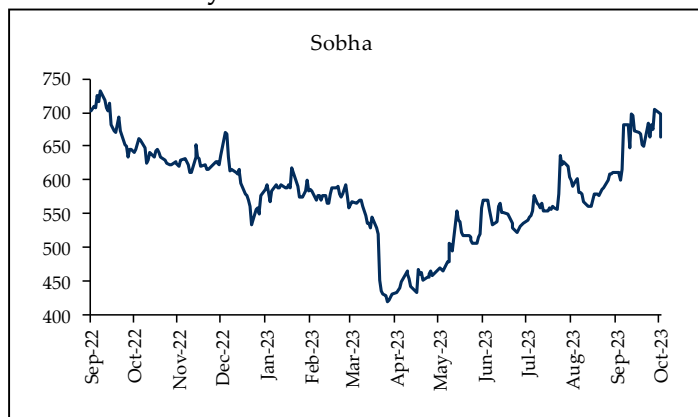
Source: Company, HSIE Research

**KEY RATIOS**

	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>PROFITABILITY (%)</b>								
GPM	40.3	47.0	56.0	44.8	36.5	32.4	42.2	42.2
EBITDA Margin	19.6	20.2	19.4	20.8	11.2	15.2	18.5	18.5
APAT Margin	8.6	7.5	3.0	6.8	3.1	5.2	8.1	8.9
RoE	11.9	12.1	2.6	7.4	4.2	6.8	11.4	13.0
Core RoCE	13.7	14.9	7.7	10.8	8.5	12.4	14.6	16.3
RoCE	9.1	9.5	6.3	7.8	6.0	9.2	10.8	12.1
<b>EFFICIENCY</b>								
Tax Rate (%)	33.7	35.0	17.2	26.8	28.1	25.2	25.0	25.0
Asset Turnover (x)	0.7	0.7	0.4	0.5	0.7	0.7	0.9	1.0
Inventory (days)	602	643	1,229	1,079	905	924	720	584
Debtors (days)	35	33	48	39	28	17	17	19
Payables (days)	98	102	126	67	58	83	94	93
Cash Conversion Cycle (days)	538	575	1,151	1,051	875	858	643	509
Debt/EBITDA (x)	3.9	4.1	7.4	4.7	5.4	3.7	2.4	1.8
Net D/E	1.1	1.2	1.2	1.0	0.6	0.2	(0.2)	(0.6)
Interest Coverage	2.9	2.3	1.2	1.8	1.6	1.7	2.8	3.4
<b>PER SHARE DATA</b>								
EPS (Rs/sh)	31.3	29.7	6.6	18.3	11.0	18.4	33.6	42.7
CEPS (Rs/sh)	37.9	37.3	14.9	25.8	18.1	26.7	42.8	52.1
DPS (Rs/sh)	7.0	7.0	7.0	3.5	2.7	1.6	2.8	5.0
BV (Rs/sh)	235.0	256.3	240.8	255.4	263.0	279.4	309.7	346.4
<b>VALUATION</b>								
P/E	22.6	23.8	107.7	38.7	64.4	38.5	21.0	16.5
P/BV	3.0	2.8	2.9	2.8	2.7	2.5	2.3	2.0
EV/EBITDA	13.6	12.8	23.2	17.0	22.4	14.4	8.6	5.7
OCF/EV (%)	2.3	2.7	6.4	9.2	13.1	16.8	23.7	35.9
FCF/EV (%)	1.0	(0.4)	6.0	9.7	12.4	16.2	23.4	35.5
FCFE/Market Cap	5.4	4.3	7.4	4.8	7.8	16.2	18.7	22.6
Dividend Yield (%)	1.0	1.0	1.0	0.5	0.4	0.2	0.4	0.7

Source: Company, HSIE Research

## 1 Yr Price History



## 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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