

DLF

A transformational year

DLF in FY23 recorded its highest-ever annual presales of INR 150.6bn (+107% YoY), beating its annual guidance of INR 80bn. This was mainly due to strong demand for its luxury project—The Arbour—which recorded presales of more than INR 80bn. For FY24, it expects to achieve INR 120-130bn in presales, backed by 11.2msf of launches with a sale potential of INR 197bn. Net debt reduced significantly to INR 7.2bn (vs INR 20.9bn as in Dec'22) on the back of a strong collection of INR 53bn (+19%YoY) during FY23 and the company expects to grow residential collections by 20-25% in FY24 with free cash earmarked for growth, dividend pay-out, and debt reduction. We have increased our TP to factor in better-than-expected presale velocity and sales realisation. We build in 100bps improvement in WACC to factor in the peaking cost of capital. We have re-calibrated our land prices higher, given the 15-20% price uptick in the NCR market. Further, DLF benefits from limited competition in the NCR market owing to well-located land parcels. We maintain BUY with NAV-based TP of INR 576/sh.

- **Key operational highlights:** DLF registered INR 150bn worth of presales (+106% YoY), of which 90% was from new launches (10.1msf during FY23, +58% YoY). The top selling projects are The Arbour, Sector 63, Gurugram, which registered INR 80bn worth of booking; the Grove in DLF5, Gurugram, registering a booking of INR 18bn; the Valley Gardens in Panchkula, registering a booking of INR 11.5bn and; Garden City Enclave, New Gurgaon, registering a booking of INR 10.7bn. For FY24, 11.2msf is planned for launch with a sale potential of INR 197bn. As of Mar-23, DLF has INR 31bn of completed unsold inventory and INR 43bn of ongoing unsold inventory.
- **Management discussion and analysis:** Management believes that residential demand has sustained despite the steep hike in mortgage rates on the back of improving affordability, aspirational lifestyle i.e. the desire to own larger homes with better amenities, rising urbanization, and consolidation in favour of larger and credible developers. Another important trend seen across the industry is the growing preference for premium and luxury products. Growth in this segment is estimated to have doubled in the last five years. In the office segment, the global macro headwind has caused corporates to delay their leasing decision. Dependence on IT/ITes sector is lowering and demand for flexible workspaces is increasing.
- **Outlook and growth drivers:** Within the residential segment, consolidation of market share in favour of large developers is expected to continue with them commanding a 30.5% share by FY24 from 29.3% in FY22. The office segment is expected to grow on the back of the attractiveness of the Indian market i.e. young talent at a competitive cost, strong growth prospect of Global Capability Centres (GCC), upgradation of digital ecosystem across the country and competitive cost for Grade A workspaces. Within the retail space, DLF expects to double its presence in the next few years, mainly by increasing its presence in Delhi, Gurugram and Goa. The company is in the advanced stages of designing one of its largest retail malls in Gurugram.

Consolidated financial summary

YE March (INR mn)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	83,661	60,828	54,141	57,174	56,948	68,395	73,267	88,359
EBITDA	21,415	11,350	14,178	17,426	17,259	21,899	22,912	29,235
APAT	11,919	9,925	11,538	16,664	20,339	24,185	26,880	32,986
Diluted EPS (INR)	6.0	(2.4)	4.4	6.1	8.2	9.8	10.9	13.3
P/E (x)	80.0	(203.7)	108.6	79.2	58.4	49.1	44.2	36.0
EV / EBITDA (x)	55.1	109.7	87.5	69.9	69.3	54.2	51.2	40.0
RoE (%)	3.8	(1.7)	3.1	4.2	5.5	6.3	6.7	7.8

Source: Company, HSIE Research

BUY

CMP (as on 25 Jul 2023)	INR 480
Target Price	INR 576
NIFTY	19,681

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 504	INR 576
	FY24E	FY25E
EPS Change %	-	-

KEY STOCK DATA

Bloomberg code	DLFU IN
No. of Shares (mn)	2,475
MCap (INR bn) / (\$ mn)	1,188/14,528
6m avg traded value (INR mn)	2,081
52 Week high / low	INR 518/337

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	17.0	36.3	34.3
Relative (%)	6.7	26.1	15.3

SHAREHOLDING PATTERN (%)

	Mar-23	Jun-23
Promoters	74.95	74.95
FIs & Local MFs	5.22	4.87
FPIs	14.66	15.30
Public & Others	5.17	4.88
Pledged Shares	-	-

Source : BSE

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FY23 operational highlights

Residential business: FY23 booking value was INR 150bn (vs. INR 72.7bn in FY22, +106% YoY). 90% plus contribution came from newly launched products. Collections were at INR 56.5bn (vs. INR 46.5bn in FY22). As of March 2023, the company has INR 31bn of completed unsold inventory and INR 43bn of ongoing unsold inventory.

Rental business: For FY23, DCCDL's operational portfolio stands at ~40msf with rental revenue recorded at INR 40bn (vs. INR 33.5bn in FY22), with annual increase due to increased occupancy and higher rental rate. Collections remained strong at 100%. Average office occupancy level stood at 89% (vs 88% in FY22) whereas retail stood at 98% (vs 97% in FY22).

Project launches: DLF launched a total of 10.1msf (vs 6.4msf in FY22) with noteworthy launches like The Arbour, Sector 63, Gurugram, which registered INR 80bn worth of booking; the Grove in DLF5, Gurugram, registering booking of INR 18bn; the Valley Gardens in Panchkula registering booking of INR 11.5bn; and Garden City Enclave New Gurgaon registering booking of INR 10.7bn. For FY24, 11.2msf is planned for launch with a sale potential of INR 197bn.

Land and approval related outflow: INR 4.5bn (vs. INR 4.6bn in FY22)

Management discussion and analysis

- **Residential segment:** The demand trend has demonstrated sustained momentum despite the rise in the mortgage rates on the back of multiple factors such as improving affordability; desire to own homes; aspirational lifestyle and need to upgrade to larger homes with better amenities; rising urbanisation; limited supply of quality products; and increasing consolidation in favour of larger and credible developers. One of the significant trends seen is the consolidation of market share. As a result, it is expected that the overall share of large developers should move up to 30.5% during FY24, from 29.3% in FY22. Another notable trend across the industry has been the growing preference of consumers for the premium and luxury segment. Growth in demand for the premium/ luxury segment is estimated to have doubled during the last five years.

Future outlook: Consolidation amongst credible and large developers; increased preference for larger homes with best-in-class amenities; and higher affordability levels.

- **Office segment:** The recovery in this segment has been delayed due to global macro headwinds causing corporates to delay decisions. The demand momentum has remained broad-based with lowering dependence on the IT/ITes sector. Flexible workplace demand was the key contributor to demand. The top demand drivers were: IT (38.9%), flexible workspaces (14.1%), BFSI (12.2%), and engineering & manufacturing (8.2%).

Future outlook: The segment will grow on the back of the attractiveness of the Indian market (young talent at competitive cost); competitive cost for Grade A workspaces; upgradation of the digital ecosystem across the country; strong growth prospect of Global Capability Centre (GCC) etc.

- **Retail segment:** The retail segment outperformed with growth momentum in consumption. The entertainment category helped in most. The key theme for both mall operators and retailers was to upgrade their offerings.

Future outlook: The segment will grow on the back of increased demand for global brands; integration of physical and digital ecosystems; tech upgradation and innovation in malls and demand shift towards superior retail properties backed by strong brands.

Landbank in key markets

Total land bank – 187msf

Gurugram: The development potential of DLF City is 24msf and that of New Gurugram is 81msf.

Chandigarh: The tri-city region has a development potential of 16msf.

Maharashtra: Mumbai, Pune and Nagpur have a combined development potential of 16msf.

Delhi Metropolitan Region: Has development potential of 13msf.

Chennai: Has development potential of 12msf.

Statement analysis:**Income statement for FY23**

Year ending March (INR mn)	FY21	FY22	FY23	Comments
Net Sales	54,141	57,174	56,948	Since FY19, company is following IND AS115 completed contracted methodology of revenue recognition. Company has contract liability of INR 60.8bn which will be converted to revenue when performance obligation under completed contract method will be achieved. Rental revenue is 4.1% of overall revenue.
<i>Growth (%)</i>	<i>(11.0)</i>	<i>5.6</i>	<i>(0.4)</i>	
Material Expenses	28,492	27,450	24,340	Cost of land, plots, development and construction forms 80% of material expenses and was down 17% YoY mainly on account of lower inflation in raw material prices. Other costs viz. service and maintenance/food, beverages and facility maintenance were up +15%/+34% YoY.
Employee Expenses	3,138	3,540	5,479	An increase of +55% YoY, on account of +8% increase in total employee and +34% YoY increase in average remuneration.
Other Operating Expenses	8,333	8,759	9,871	Commission and brokerage charges increased to INR 2.3bn (vs INR 2bn in FY22). Expected credit loss for trade receivables, loans and doubtful advances increased to INR 1.17bn (vs INR 669mn in FY22)
EBIDTA	14,178	17,426	17,259	
<i>EBIDTA (%)</i>	<i>26.2</i>	<i>30.5</i>	<i>30.3</i>	Slight reduction in EBITDA margin on account of higher annual reduction in net sales than the operating expenditure.
<i>EBIDTA Growth (%)</i>	<i>24.9</i>	<i>22.9</i>	<i>(1.0)</i>	
Other Income	5,308	4,205	3,173	Includes non-operating income of INR 1bn (-47% YoY) and finance income of INR 2bn (-7.5% YoY). Non-operating income decreased mainly on account of lower fair value gain on financial instruments i.e. INR 218mn (vs INR 1.2bn in FY22).
Depreciation	1,595	1,494	1,486	As a percent of average of opening and closing net block was 3.8% (vs 3.8%/3.9%/4.2% in FY22/FY21/FY20)
EBIT	17,891	20,136	18,946	
Interest	8,534	6,246	3,921	Decreased by 37% on account of total borrowing decreasing by INR 8.5bn YoY. The weighted-average interest rate was 8.23% (vs 7.06% in FY22)
Exceptional items	962	2,244	-	
PBT	8,396	11,646	15,024	
Tax	3,623	3,210	4,015	Includes deferred tax of INR 4bn (vs INR 2.6bn in FY22)
PAT	10,826	15,003	20,339	
Minority Interest	(110)	(5)	(19)	
Share of associates	6,053	6,567	9,330	Includes INR 9.5bn of share of profit from DCCDL group (vs INR 6.7bn in FY22).
EO items (net of tax)	962	2,244	-	
APAT	11,538	16,664	20,339	
<i>APAT Growth (%)</i>	<i>16.3</i>	<i>44.4</i>	<i>22.1</i>	
EPS	4	6	8	

Balance sheet as on 31st March, 2023

As at March (INR mn)	FY21	FY22	FY23	Comments
SOURCES OF FUNDS				
Share Capital	4,951	4,951	4,951	
Reserves	348,489	358,672	371,458	63% of the earnings were retained, after dividend payment, and transferred to the reserve
Total Shareholders' Funds	353,439	363,623	376,409	
Minority Interest	203	195	44	
Long Term Debt	32,948	21,895	10,497	Company redeemed INR 5bn worth of NCDs and INR 6.4bn of outstanding loan during FY23.
Short Term Debt	33,686	17,705	20,534	Increase on account of utilization of INR 1.2bn of overdraft facility from bank (vs Nil in FY22). Also, includes INR 735mn (vs INR 680mn in FY22 end) of current maturity of LT loan.
Total Debt	66,634	39,600	31,031	
Deferred Taxes	5,408	8,050	12,186	DTL on FV of equity investment and Mutual funds is INR 40.8bn (vs INR 40.7bn in FY22 end)
TOTAL SOURCES OF FUNDS	425,684	411,468	419,669	
APPLICATION OF FUNDS				
Net Block	39,120	39,181	38,411	Mainly includes INR 7.5bn of PP&E and INR 28.7bn of investment property.
CWIP	942	810	611	
Goodwill	9,443	9,443	9,443	
Investments, LT Loans & Advances	197,455	197,795	194,811	Includes equity investment of INR 178bn and NCD investment of INR 306mn in DCCDL.
Inventories	210,866	201,070	193,612	
Debtors	5,813	5,636	5,492	
Cash & Equivalents	14,069	9,316	22,747	Includes INR 15bn (vs INR 299mn in FY22) held in escrow account for a project under RERA Act.
ST Loans & Advances, Others	57,161	48,417	60,594	Includes loan to related parties at INR 5bn (vs INR 4.3bn outstanding at FY22 end); INR 2.8bn (vs INR 8.9mn in FY22) in other financial assets under advances due from related party; INR 8.5bn (vs INR 7bn in FY22) in advance income tax;
Total Current Assets	287,909	264,439	282,446	
Creditors	12,345	15,287	16,437	Trade payables due to related party is INR 2.5bn (INR 2.6bn as at Mar'22)
Other Current Liabilities & Provns	96,841	84,914	89,616	Increase mainly on account of other financial liabilities of INR 2.4bn (vs INR 167mn in FY22) in DLF Info City Hyderabad, which is held for sale.
Total Current Liabilities	109,185	100,201	106,053	
Net Current Assets	178,724	164,238	176,393	
TOTAL APPLICATION OF FUNDS	425,684	411,468	419,669	

Cash flow during FY23

Year ending March (INR mn)	FY21	FY22	FY23	Comments
PBT before minority	8,396	11,646	15,024	
Non-operating income & EO items	(916.90)	(805.35)	(1,449.62)	
Taxes	4,015	2,198	(858)	P&L tax booked at INR 4bn.
Interest expenses	8,534	6,246	3,921	Decreased by 37% on account of total borrowing decreasing by INR 8.5bn YoY. Weighted-average interest rate was 8.23% (vs 7.06% in FY22)
Depreciation	1,595	1,494	1,486	
Working Capital Change	(7,020)	7,540	5,628	Mainly the effect of current/non-current asset increasing by INR 5.7bn (vs decrease of INR 970mn in FY22)
OPERATING CASH FLOW (a)	14,602	28,318	23,753	
Capex	692	(1,476)	(543)	PP&E related outflow of INR 637mn (vs INR 1.5bn in FY22)
Free cash flow (FCF)	15,294	26,842	23,210	Lower YoY on account of lower CFO
Investments	(5,291)	4,085	1,375	Comparatively lesser proceeds from sale of investments in subs./ other companies;
Others	6,138	21	(5,459)	Dividend received INR 9.5bn (vs INR 3.4bn in FY22). Fixed deposit investment increased to INR 14bn (vs INR 3bn in FY22)
INVESTING CASH FLOW (b)	1,540	2,630	(4,626)	
Share capital Issuance	7	18	2	
Debt Issuance	(12,656)	(27,004)	(9,004)	Lesser repayment than last year
Interest expenses	(7,202)	(6,328)	(3,702)	Decreased on account of total borrowing decreasing by INR 8.5bn YoY (vs 7.06% in FY22)
Dividend	(1,987)	(4,969)	(7,428)	Reflecting INR 3/sh of dividend announced in FY22
FINANCING CASH FLOW (c)	(21,838)	(38,282)	(20,132)	
NET CASH FLOW (a+b+c)	(5,696)	(7,334)	(1,005)	

Auditor remuneration

Auditor Fees (INR mn)	FY20	FY21	FY22	FY23	YoY (%)
Audit fees	38	24	27	31	32

Related-party transactions during FY23

(INR mn)	Holding Company	Fellow subsidiary	JV	KMP and relatives
Rent received	1.0		128.4	
Miscellaneous receipts (income)	0.4		11.6	20.8
Interest paid				
Loans refunded back			335.3	
Advances refunded back			7,368.9	
Purchase of land/ developed plots				
Security deposit paid				
Salaries, wages and bonus (including post-employment benefits paid)				411.5
Interest income			641.2	
Expenses recovered	0.0		621.3	
Cost of services			684.3	
Expenses paid			279.1	11.6
Rent paid			68.0	
Service and maintenance income			361.6	
Royalty income			1.0	
Loans and advances given			57.6	
Dividend received			9,538.7	
Investment redeemed				
Guarantees given/ (released) (net)			(7,617.4)	
Sale of constructed properties/development rights			2,077.1	611.0
Director fees and commission				50.5
Contract liability				81.4
Amount received against investment				80.0

Contingent liabilities

(INR mn)	FY22	FY23	Comment
Under litigation:			
Demand in excess of provisions (pending in appeals):			
Income-tax	70,177	71,884	Income Tax Authorities have raised demands on account of various disallowances pertaining to different assessment years. The Group is contesting these demands, which are pending at various appellate levels. The management is confident that additional tax so demanded will not be sustained on completion of the appellate proceedings and accordingly no provision has been made.
Indirect & other taxes	7,500	7,540	There are various disputes pending with the authorities of customs, service tax, sales tax, VAT etc. The Group is contesting these demands raised by authorities and are pending at various appellate authorities. The management believes that there is a reasonably strong likelihood of succeeding before the various authorities.
Claims against the Group (including unasserted claims) not acknowledged as debts	12,479	14,535	There are various litigations going on against the Group primarily by Competition Commission of India and in Consumer Redressal Forum, which has been contested by the Group. The management believes that there is a reasonably strong likelihood of succeeding before the various authorities.
Others:			
Guarantees on behalf of third parties	7,592	-	
Liabilities under export obligations in EPCG scheme	4	4	

Remuneration of key management personnel

Mr. Rajiv Singh, Chairman: INR 198mn (INR 155mn in FY22)

Mr. Ashok Kumar Tyagi, Co-CEO: INR 106mn (INR 90mn in FY22)

Mr. Devinder Singh, Co-CEO: INR 107mn (INR 91mn in FY22)

Mr. Vivek Anand, CFO: INR 50mn (INR 41mn in FY22)

Change in significant accounting policies: No change in significant accounting policies.

ESG framework

DLF Limited has been a constituent in the Dow Jones Sustainability Index in the Emerging Markets category for its sustainability initiatives and ESG practices for the past three years. It is the only real estate company from India to be included in this index. DLF continues to be a constituent in FTSE4Good Emerging Index as well. The company has maintained rigorous safety standards vetted by world-class independent organisations like the British Safety Council. It is the only group globally that has been conferred 18 'Sword of Honour' awards by them. DLF Buildings have also been conferred with 'Five Star Certifications for Occupational Health and Safety' by the British Safety Council.

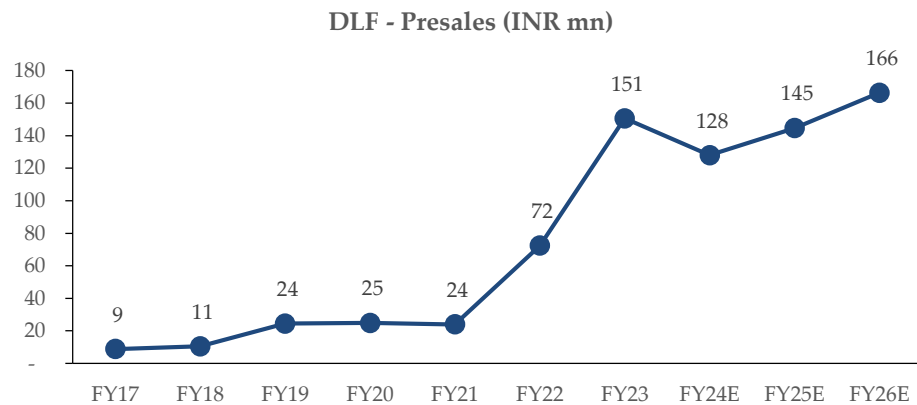
Environmental: DLF's commercial and retail properties are designed to comply with LEED Green Building norms and have received LEED Platinum Certification from the USGBC—the highest recognition for adopting environmentally sustainable practices in building design and operation. The company has also invested in the reduction of energy consumption and Green House Gas (GHG) emissions through the installation of energy-efficient equipment in commercial properties, retail properties (DLF Malls) and hospitality portfolio (DLF Clubs and Hotels), such as automatic tube cleaning system in chillers, LED lights and motion sensors for lighting optimisation, energy efficient HVAC, installation of Variable Frequency Device (VFD) in hydropneumatic pumps, etc.

Social: The company has spent the prescribed CSR expenditure amounting to INR 212mn vs. INR 159mn (FY22). This expenditure has been incurred in the areas of environment sustainability, healthcare promotion & educational initiatives, social welfare promotion of sports, animal care, women empowerment and safety. During the year FY23, DLF invested in fire safety enhancement through measures including Two-Hour-rated fire doors installed in office spaces (commercial properties); basement compartmentation for fire separation between the basement and upper storeys; lift lobby pressurisation that prevents smoke from flowing into elevator shafts; and installation of fire suppression system and LPG gas detection system in DLF Clubs.

Governance: The company not only adopted practices mandated in the SEBI Listing Regulations but also incorporated the relevant non-mandatory compliances, strengthening its position as a responsible corporate citizen. During the year, the company did not receive any complaints under its whistle-blower policy. The board comprises 13 directors, of which six were independent directors including a woman independent director and represents an optimal mix of professionalism, knowledge and experience. The company has an optimal combination of executive, non-executive and independent directors to maintain the independence of the Board from the management, which is in conformity with the rules.

Presales to ramp up on luxury offering

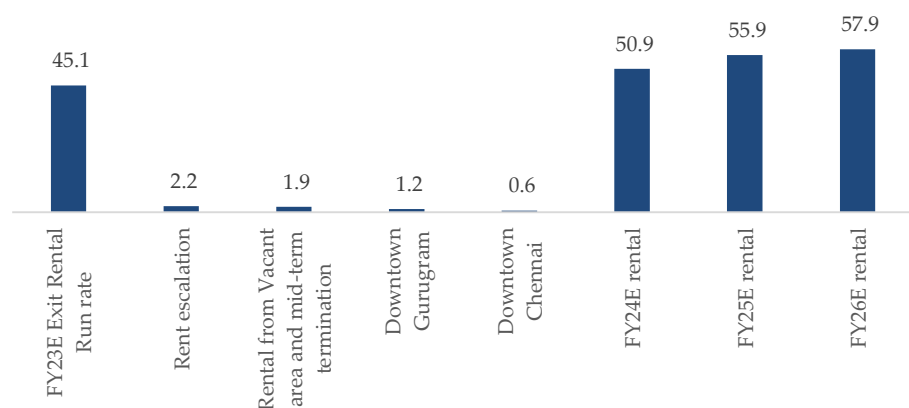
DLF has guided FY24 presales to be in the range of INR 120-130bn on back of 11.2msf of launch pipeline with GDV potential of 190bn. This includes, 3.5msf of Super luxury project in DLF 5; 1.2msf of high rise project in Chennai; 3.5msf of high rise in Gurugram; 1.5msf of low rise in Chandigarh Tricity. The remaining will be a 0.7msf of commercial SCO project and 0.8msf another commercial project in Noida.



Source: HSIE Research, Company

Rental to improve with improving occupancy

DLF standalone FY23 exit rentals was at Rs 2.5bn/annum, of which Rs 1.5bn/annum are from office spaces. The current occupancy has increased over the quarters and now stands at 93% at aggregate level still below its pre-Covid levels. DCCDL portfolio exit rental in FY23 was Rs 45bn. For FY24, exit rental is expected at Rs 50bn and Rs 56-57bn for FY25. Non-SEZ vacancies are expected to reduce to pre-Covid levels by the end of FY24. SEZ portfolio occupancy will improve post implementation of floor-by-floor de-notification law expected in FY24. REIT monetization of the DCCDL portfolio may lead to further cap rate compression and hence, a higher valuation



Source: HSIE Research, Company

SOTP

We have increased our SOTP-based TP for DLF to factor in the better-than-expected pre-sales velocity and sales realisation. We build in 100bps improvement in WACC to factor in the peaking cost of capital. We continue to value office rentals at a 7.5% cap rate, given the slower-than-expected recovery in leasing momentum and softer rental pricing. We have calibrated our land prices higher given the 15-20% price uptick in the NCR market. Further, DLF benefits from limited competition in the NCR market, owing to well-located land parcels. We maintain BUY with NAV-based TP of INR 576/sh.

Details	(INR mn)	INR/share
Devco	127,221	51
Rentco (ex- DCCDL)	38,862	16
DCCDL Rentco (ex-land)	398,531	161
DCCDL land	120,000	48
Total Devco + Rentco	684,614	277
Other businesses	37,720	15
Land Bank	820,024	331
Total GAV	1,542,358	623
Less:		
Net Debt	117,622	48
Equity value	1,424,736	576

Change in Estimates

Particulars (INR mn)	FY24E			FY25E			FY26E		
	New	Old	% Change	New	Old	% Change	New	Old	% Change
Revenues	68,395	68,395	-	73,267	73,267	-	88,359	NA	NA
EBITDA	21,899	21,631	1.24	22,912	23,704	(3.34)	29,235	NA	NA
Margin (%)	32.0	31.6	39.12	31.3	32.4	(108.16)	33.1	NA	NA
APAT	24,185	22,668	6.69	26,880	26,142	2.82	32,986	NA	NA

Peer valuation

Companies	CMP (INR)	TP (INR)	Upside (%)	Total EV (INR mn)	Core EV (INR mn)	Gross Presales (INR mn)			Total EV/ presales (x)			Core EV/Net presales (x)			Core EV/Embedded EBITDA (x)		
						FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
Prestige Estates	555	630	14	270,227	150,341	129,209	148,590	169,393	2.1	1.8	1.6	1.2	1.0	0.9	6.1	5.3	4.6
Sobha	579	935	61	77,611	69,592	51,889	59,685	68,652	1.5	1.3	1.1	1.3	1.2	1.0	6.5	5.7	4.9
Kolte Patil	383	380	(1)	32,297	32,297	22,187	24,530	27,964	1.5	1.3	1.2	1.5	1.3	1.2	8.1	7.4	6.4
Brigade Enterprises	562	632	12	172,223	74,956	40,939	47,489	54,613	4.2	3.6	3.2	1.8	1.6	1.4	9.3	8.0	7.0
Mahindra Lifespaces	478	521	9	76,579	60,448	18,120	25,000	28,750	4.2	3.1	2.7	3.3	2.4	2.1	17.8	10.3	8.5
Oberoi Realty	1,064	1,158	9	394,020	222,910	51,020	59,532	67,271	7.7	6.6	5.9	4.4	3.7	3.3	11.9	9.4	8.7
DLF	480	571	20	1,218,265	623,152	150,600	128,010	144,651	8.1	9.5	8.4	4.1	4.9	4.3	11.4	13.4	11.8
Godrej Properties	1,652	1,418	(14)	469,034	385,243	122,200	140,530	157,394	3.8	3.3	3.0	3.2	2.7	2.4	18.1	15.8	14.1
Macrotech Developers	728	625	(14)	773,384	661,756	120,600	132,660	145,926	6.4	5.8	5.3	5.5	5.0	4.5	19.7	17.9	16.2
Phoenix Mills	1,652	1,800	9	316,672	661,756	3,757	4,132	4,545	84.3	76.6	69.7	176.2	160.1	145.6	440.4	400.4	364.0

Financials

Consolidated Income Statement

Year ending March (INR mn)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	83,661	60,828	54,141	57,174	56,948	68,395	73,267	88,359
Growth (%)	24.7	(27.3)	(11.0)	5.6	(0.4)	20.1	7.1	20.6
Material Expenses	49,511	33,804	28,492	27,450	24,340	29,075	31,411	38,285
Employee Expenses	3,516	3,567	3,138	3,540	5,479	6,465	7,112	7,823
Other Operating Expenses	9,219	12,106	8,333	8,759	9,871	10,957	11,833	13,017
EBIDTA	21,415	11,350	14,178	17,426	17,259	21,899	22,912	29,235
EBIDTA (%)	25.6	18.7	26.2	30.5	30.3	32.0	31.3	33.1
EBIDTA Growth (%)	(9.9)	(47.0)	24.9	22.9	(1.0)	26.9	4.6	27.6
Other Income	6,633	8,054	5,308	4,205	3,173	3,205	3,365	3,533
Depreciation	2,246	2,003	1,595	1,494	1,486	1,635	1,717	1,803
EBIT	25,802	17,401	17,891	20,136	18,946	23,468	24,560	30,965
Interest	20,619	14,269	8,534	6,246	3,921	2,972	2,982	3,452
Exceptional items	(1,273)	15,757	962	2,244	-	-	-	-
PBT	6,456	(12,625)	8,396	11,646	15,024	20,497	21,578	27,514
Tax	2,774	2,167	3,623	3,210	4,015	5,575	5,891	7,511
PAT	13,192	(5,832)	10,826	15,003	20,339	24,185	26,880	32,986
Minority Interest	(51)	(65)	(110)	(5)	(19)	-	-	-
Share of associates	9,458	8,895	6,053	6,567	9,330	9,264	11,193	12,984
EO items (net of tax)	(1,273)	15,757	962	2,244	-	-	-	-
APAT	11,919	9,925	11,538	16,664	20,339	24,185	26,880	32,986
APAT Growth (%)	(594)	(17)	16	44	22	19	11	23
EPS	6.0	(2.4)	4.4	6.1	8.2	9.8	10.9	13.3

Source: Company, HSIE Research

Consolidated Balance Sheet

As at March (INR mn)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
SOURCES OF FUNDS								
Share Capital	4,414	4,951	4,951	4,951	4,951	4,951	4,951	4,951
Reserves	331,351	339,517	348,489	358,672	371,458	388,570	407,587	430,925
Total Shareholders' Funds	335,766	344,467	353,439	363,623	376,409	393,520	412,538	435,876
Minority Interest	406	184	203	195	44	44	44	44
Long Term Debt	91,637	38,901	32,948	21,895	10,497	10,997	11,997	12,997
Short Term Debt	80,587	42,124	33,686	17,705	20,534	20,534	20,534	20,534
Total Debt	172,225	81,025	66,634	39,600	31,031	31,531	32,531	33,531
Deferred Taxes (net liability)	(19,372)	2,465	5,408	8,050	12,186	12,186	12,186	12,186
Long Term Provisions & Others	-	-	-	-	-	-	-	-
TOTAL SOURCES OF FUNDS	489,024	428,142	425,684	411,468	419,669	437,280	457,298	481,636
APPLICATION OF FUNDS								
Net Block	53,125	42,426	39,120	39,181	38,411	46,776	55,060	63,257
CWIP	1,029	887	942	810	611	1,611	2,611	3,611
Goodwill	10,092	9,443	9,443	9,443	9,443	9,443	9,443	9,443
Investments, LT Loans & Advances	210,047	185,658	197,455	197,795	194,811	194,711	194,611	194,511
Inventories	220,086	224,862	210,866	201,070	193,612	183,932	174,735	178,230
Debtors	8,323	7,204	5,813	5,636	5,492	6,558	6,022	7,747
Cash & Equivalents	48,554	24,204	14,069	9,316	22,747	33,468	47,960	52,044
ST Loans & Advances, Others	94,201	64,220	57,161	48,417	60,594	61,617	62,741	63,978
Total Current Assets	371,163	320,491	287,909	264,439	282,446	285,575	291,458	301,999
Creditors	20,714	10,562	12,345	15,287	16,437	18,738	18,066	19,366
Other Current Liabilities & Provns	135,717	120,201	96,841	84,914	89,616	82,098	77,818	71,818
Total Current Liabilities	156,431	130,763	109,185	100,201	106,053	100,836	95,884	91,185
Net Current Assets	214,732	189,728	178,724	164,238	176,393	184,739	195,573	210,814
Misc Expenses & Others	-	-	-	-	-	-	-	-
TOTAL APPLICATION OF FUNDS	489,025	428,142	425,684	411,468	419,669	437,280	457,298	481,636

Source: Company, HSIE Research

Consolidated Cash Flow

Year ending March (INR mn)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
PBT before minority	6,456	6,535	8,396	11,646	15,024	29,760	32,771	40,498
Non-operating income & EO items	(6,306)	(8,184)	(917)	(805)	(1,449)	(2,705)	(2,865)	(3,033)
Taxes	(2,344)	(422)	4,015	2,198	(858)	(5,575)	(5,891)	(7,511)
Interest expenses	20,619	14,269	8,534	6,246	3,921	2,972	2,982	3,452
Depreciation	2,246	2,003	1,595	1,494	1,486	1,635	1,717	1,803
Working Capital Change	(241)	(10,950)	(7,020)	7,540	5,628	2,375	3,657	(11,156)
OPERATING CASH FLOW (a)	20,430	3,250	14,602	28,318	23,753	28,462	32,371	24,051
Capex	(5,687)	(1,386)	692	(1,476)	(543)	(11,000)	(11,000)	(11,000)
Free cash flow (FCF)	14,743	1,864	15,294	26,842	23,210	17,462	21,371	13,051
Investments	7,325	50,912	(5,291)	4,085	1,375	100	100	100
Others	(1,590)	15,643	6,138	21	(5,459)	3,205	3,365	3,533
INVESTING CASH FLOW (b)	48	65,168	1,540	2,630	(4,626)	(7,695)	(7,535)	(7,367)
Share capital Issuance	30,917	22,459	7	18	2	-	-	-
Debt Issuance	(3,693)	(85,474)	(12,656)	(27,004)	(9,004)	-	500	500
Interest expenses	(16,775)	(23,819)	(7,202)	(6,328)	(3,702)	(2,972)	(2,982)	(3,452)
Dividend	(1,696)	(8,077)	(1,987)	(4,969)	(7,428)	(6,046)	(6,720)	(8,247)
FINANCING CASH FLOW (c)	8,754	(94,911)	(21,838)	(38,282)	(20,132)	(10,046)	(10,345)	(12,600)
NET CASH FLOW (a+b+c)	29,233	(26,492)	(5,696)	(7,334)	(1,005)	10,721	14,491	4,084

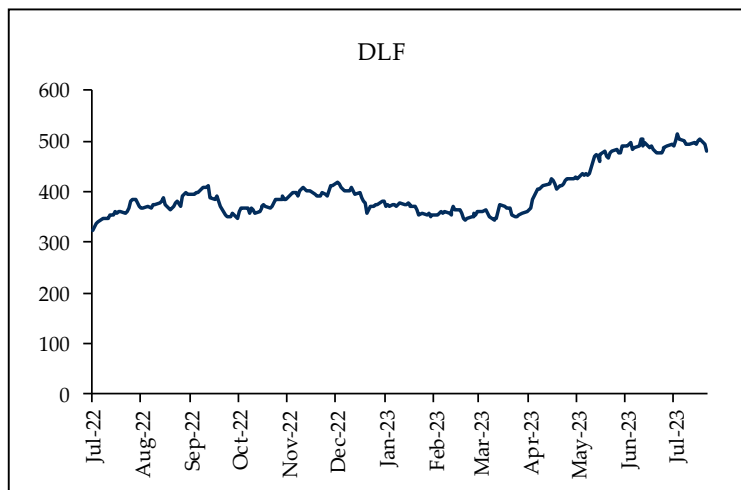
Source: Company, HSIE Research

Key Ratios

	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
PROFITABILITY (%)								
GPM	40.8	44.4	47.4	52.0	57.3	57.5	57.1	56.7
EBITDA Margin	25.6	18.7	26.2	30.5	30.3	32.0	31.3	33.1
APAT Margin	14.2	16.3	21.3	29.1	35.7	35.4	36.7	37.3
RoE	3.8	(1.7)	3.1	4.2	5.5	6.3	6.7	7.8
Core RoCE	8.6	6.7	7.6	9.1	8.6	10.0	9.7	11.3
RoCE	8.6	6.7	7.6	9.1	8.6	10.0	9.7	11.3
EFFICIENCY								
Tax Rate (%)	43.0	(17.2)	43.2	27.6	26.7	27.2	27.3	27.3
Asset Turnover (x)	0.3	0.3	0.2	0.3	0.3	0.3	0.3	0.3
Inventory (days)	911	1,335	1,469	1,315	1,265	1,007	893	729
Debtors (days)	46	47	44	37	36	32	31	28
Payables (days)	89	94	77	88	102	94	92	77
Cash Conversion Cycle (days)	868	1,288	1,435	1,263	1,199	946	833	680
Debt/EBITDA (x)	8.0	7.1	4.7	2.3	1.8	1.4	1.4	1.1
Net D/E	0.4	0.2	0.1	0.1	0.0	(0.0)	(0.0)	(0.0)
Interest Coverage	1.3	1.2	2.1	3.2	4.8	7.9	8.2	9.0
PER SHARE DATA								
EPS (Rs/sh)	6.0	(2.4)	4.4	6.1	8.2	9.8	10.9	13.3
CEPS (Rs/sh)	6.4	4.8	5.3	7.3	8.8	10.4	11.6	14.1
DPS (Rs/sh)	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
BV (Rs/sh)	152.6	139.2	142.8	146.9	152.1	159.0	166.7	176.1
VALUATION								
P/E	80.0	(203.7)	108.6	79.2	58.4	49.1	44.2	36.0
P/BV	3.1	3.4	3.4	3.3	3.2	3.0	2.9	2.7
EV/EBITDA	55.1	109.7	87.5	69.9	69.3	54.2	51.2	40.0
OCF/EV (%)	0.0	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0
FCF/EV (%)	2.6	(0.2)	1.2	2.4	2.6	1.7	2.1	1.4
FCFE/Market Cap (%)	0.6	(3.7)	(0.3)	0.2	1.3	1.4	1.8	1.1
Dividend Yield (%)	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6

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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