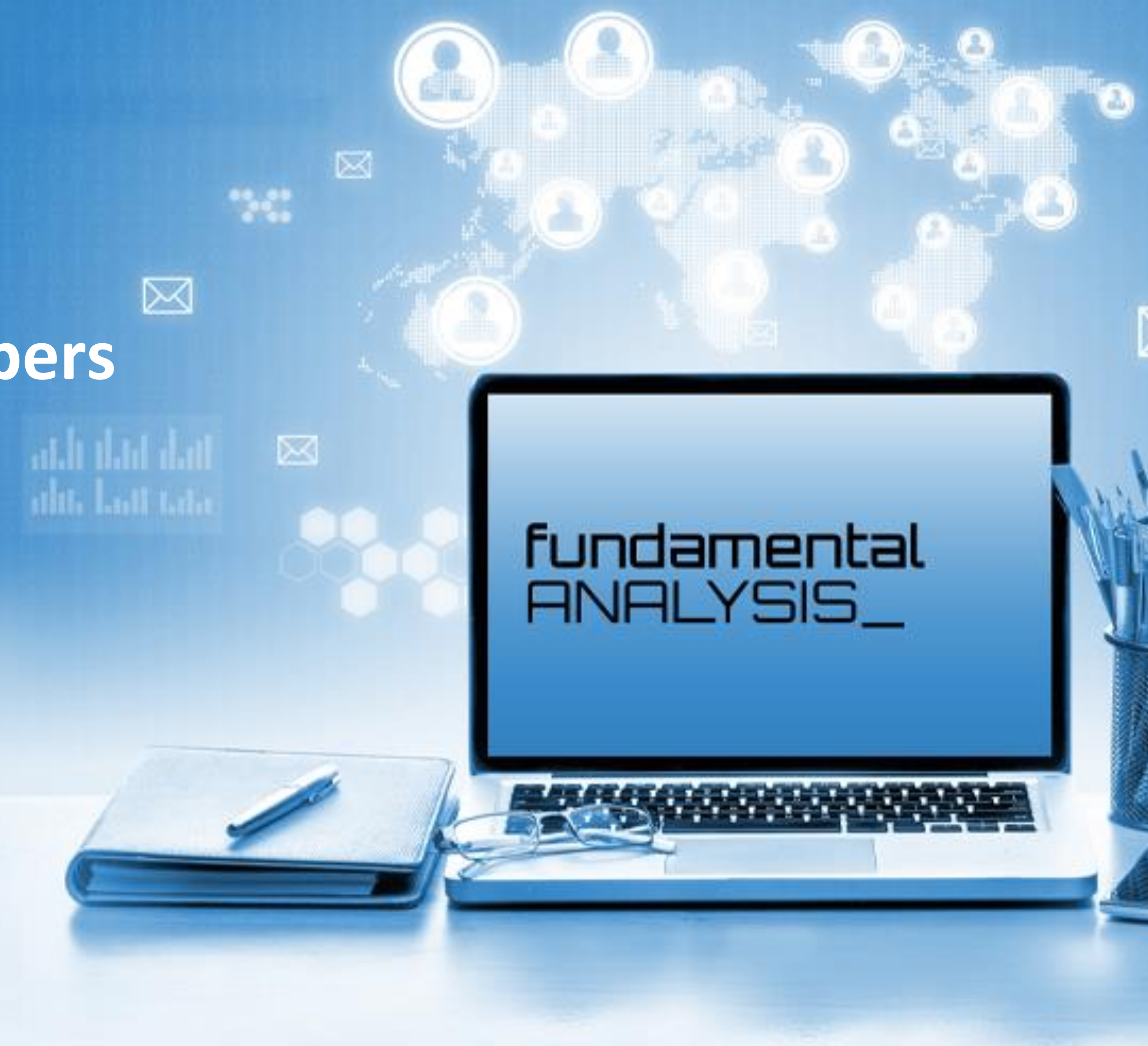
Stock Update

Mahindra Lifespace Developers Ltd.

Feb 09, 2023



RETAILRESEARCH

Mahindra Lifespace Developers Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Real Estate	Rs 386.2	Buy in the band of Rs 382-390 & add more on dips to Rs 330-337 band	Rs 438	Rs 459	2-3 quarters

HDFC Scrip Code	MAHLIFEQNR
BSE Code	532313
NSE Code	MAHLIFE
Bloomberg	MLIFE IN
CMP Feb 08, 2023	386.2
Equity Capital (Rs cr)	154.6
Face Value (Rs)	10
Equity Share O/S (cr)	15.4
Market Cap (Rs cr)	5,971
Book Value (Rs)	118.1
Avg. 52 Wk Volumes	287182
52 Week High	550.7
52 Week Low	252.4

Share holding Pattern % (Dec 2022)	
Promoters	51.3
Institutions	30.0
Non Institutions	18.7
Total	100.0

HDFCsec Retail research stock rating meter

for details about the ratings, refer at the end of the report

* Refer at the end for explanation on Risk Ratings

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Our Take:

Mahindra Lifespace Developers Ltd (MLDL) is the real estate and infrastructure development arm of the Mahindra Group. The company follows a mixed strategy of real estate development viz. industrials clusters, integrated cities, mid luxury, affordable housing. The company's development footprint spans 32.97 million sq. ft. (msft) of completed, ongoing and forthcoming residential projects across seven Indian cities; and over 5000 acres of ongoing and forthcoming projects under development/management at its integrated developments / industrial clusters across four locations. MLDL has an established track record, backed by a strong brand, focus on timely execution and high saleability of projects.

MLDL has a healthy launch pipeline planned across projects in Mumbai, Pune and Bengaluru. It has a diversified portfolio across regions that augurs well for business development. It has a healthy pipeline of land deals. It will continue to evaluate further opportunities through asset light model including joint development and JVs with landowners. The company closed deals having GDV of Rs 3200cr in YTDFY23 and has a robust business development pipeline of Rs 5500cr, of which Rs 1000-1500cr are at advanced stage of discussion. On the back of strong visibility and focused growth strategy in Mumbai, Pune and Bengaluru; the company is targeting Rs 3000-4000cr of GDV additions in the near term vs Rs 2000cr guided earlier. The management is actively looking at society redevelopment projects in MMR region.

Industrial business is expected to see momentum buoyed by a slew of government measures coupled with the global realignment of manufacturing, supply chains and support lent from better infrastructure & related activities – which bodes well for this segment in the years to come. The IC&IC (Integrated Cities and Industrial Clusters) business has a huge inventory that provides long term visibility. A large part of the land and supporting infrastructure cost is already paid out for, which could lead to healthy annual cash generation as leasing activity further scales up. Stable cash flows would fund land acquisition for residential business.

We had issued initiating coverage report on the stock on Aug 16, 2022; and both the targets were achieved within our investment horizon. The stock has corrected sharply in the recent months because of rising interest rates, weak revenue booking and posting operating losses. We think that the correction provides a buying opportunity, as we are positive on the company's project additions, launch pipeline and healthy collections.

Valuation & Recommendation:

Mahindra Lifespace Developers is well placed to leverage the tailwinds in industrial business and plug-and-play infrastructure across multiple corridors and upcycle in residential business with strong additions in land bank for residential projects. MLDL is one of the few organised players with a strong balance sheet and benefits from attractive cost of capital which enhances its competitive position. With presence in both residential and industrial sectors, coupled with prudent financial and professional management, track record of execution, healthy collections and robust business development pipeline; the company is set to improve its reported revenue and earnings. Given minimal inventory, negligible debt (considering deferred land payments); the company is well placed to acquire new projects to ride the upcycle. **We are positive on the company and have arrived at NAV-based base case target price of Rs 438 and bull case target of Rs 459 over the next two-three quarters. Investors can buy the stock in the band of Rs 382-390 and add more on dips to Rs 330-337 band.**

Financial Summary

Particulars (Rs cr)	Q3FY23	Q3FY22	YoY-%	Q2FY23	QoQ-%	FY21	FY22	FY23E	FY24E	FY25E
Total Operating Income	186.9	24.3	667.9	69.8	167.8	166.3	393.6	766.3	1,017.1	1,424.0
EBITDA	-11.4	-38.8	-70.6	-39.4	-71.0	-93.5	-89.5	14.3	38.4	105.7
PAT	-1.4	-8.0	-82.8	-6.7	-79.7	-83.6	-25.4	-2.0	5.5	47.3
Adjusted PAT	33.2	25.0	32.7	-7.7	-529.1	-71.7	17.3	120.0	158.3	156.9
Diluted EPS (Rs)	2.2	1.6	32.7	-0.5	-530.0	-4.6	1.1	7.8	10.2	10.2
RoE-%						-4.3	9.5	6.7	8.1	7.5
P/E (x)						NA	344.5	52.2	39.5	39.9
EV/EBITDA (x)						NA	NA	449.3	168.9	62.0

(Source: Company, HDFC sec)

Q3FY23 Result Review:

Mahindra Lifespace Developers Ltd (MLDL) reported healthy presales of Rs 451cr (+79.7%/+13% YoY/QoQ) with volume of 0.61 msft (+90.6%/+29.8% YoY/QoQ) led by four new launches across existing/new projects. The company clocked pre-sales of Rs 1452cr during 9MFY23 vs Rs 1027cr in FY22. During the quarter, it launched 1.11 msft of saleable area (RERA carpet area – 0.77 msft) across projects, viz. Mahindra Citadel at Pune, Mahindra Happinest MWC (Ph II) at Chennai and Mahindra Eden at Bengaluru. Collections continued to remain strong at Rs 304cr during the quarter.

MLDL had acquired 11.5 acres land in Pune in Apr'22 having estimated sales potential of Rs 1700cr which was enhanced to Rs 2300cr due to further development potential. In Jan'23, the company added Rs 500cr of GDV from a society redevelopment project in Santacruz, Mumbai and Rs 400cr from land in Hosur road, Bengaluru; taking the FYTD23 GDV additions to Rs 3200cr. The business development pipline remains robust at Rs 5500cr. The Integrated cities and Industrial clusters (IC&IC) segment saw decent performance, as it leased 24.5 acres (-52.1%/10% YoY/QoQ) to six customers for Rs 69cr; much of which was in Origins Chennai and MWC Jaipur.

MLDL reported strong topline of Rs 186.9cr (+667.9%/+167.8% YoY/QoQ). It posted negative EBITDA of Rs 11.4cr as against negative EBITDA of Rs 38.8cr in the corresponding quarter in the previous year. The company posted profit of Rs 33.2 (+32.7% YoY) mainly led by profits in associate and extraordinary income. There was an exceptional gain of Rs 33.8cr during the quarter on account of reversal of impairment loss in a JV (Mahindra Homes Pvt Ltd) due to accelerated sales velocity and prices in its project.

Concall Highlights:

- Gross development value in FY23: The company had acquired 11.5-acre of land at Pimpri, Pune in April’22 that saw increase in gross development value from Rs 1700cr to Rs 2300cr due to enhancement in the development potential. MLDL was selected as the preferred partner to redevelop two adjacent residential societies in Santacruz West, Mumbai, with a revenue potential of around Rs 500cr. It also acquired 4.25-acre of land at Bengaluru with estimated sales potential of ~Rs 400cr. In FY23 till date, its GDV stands at Rs 3200cr.

- Launches & Price increases in second phase: Strong presales during the quarter was on the back of 4 launches. Mahindra Citadel in Pimpri in Pune, which was acquired in April’22, was pre-launched in Nov’22. Phase II of Mahindra Eden in Bangalore was launched during the quarter after receiving good response from first phase. It also took price increases of 14% in the second phase. The company also did the formal launch of Mahindra Happinest-Kalyan 2 (pre-launched in Feb’22). Phase II of Mahindra Happinest at in World City, Chennai was launched and it took price increase of 20%.

- Upcoming launches: In Q4FY23, the company targets to launch phase II of Nestalgia, Pune and plotted development in MWC, Chennai. In H1FY24, the Kandivali project and Pune Citadel's main launch would happen. It is also planning to bring new acquisition at Hosur Road, Bangalore in market in H1FY24. Apart from these, Dahisar project and Santacruz redevelopment project launches would happen in FY24.

- Business Development (BD) pipeline: BD pipeline for the company is robust at Rs 5500cr with significant conversion expected in the next two quarters. Out of the total GDV pipeline, Rs 1000-1500cr are at advanced stage and is expected to close within H1FY24. It expects to add Rs 3000-4000cr of GDV annually for the next few years.
  Region wise BD break up - Mumbai Rs. 2,500cr, Pune is Rs. 2,000cr and Bangaluru Rs. 1,000cr.
  Business model wise BD break-up - the outright purchase Rs. 3,500cr, joint development is Rs. 1,000cr, and redevelopment/plotted development is Rs. 1,000cr.

- Update on Key projects:
  - Thane update: MLDL has completed the conveyance for Ghodbunder road, Thane land parcel. The company intends to develop a mixed-use project (5+msft) and planning to bring it into the market in early FY25.
  - The company has also received conveyance of the Kandivali land.
- IC &IC Business: The management expects the momentum to pick up considerably for its Jaipur and Chennai IC&IC location. The management highlighted that it is in active discussion for another 50 acre of leasing, which is expected to close over the next two quarters. Traction in Origins Ahmedabad is currently subdued as MLDL is scouting for a right anchor client.
- Land cost: The land cost varies between 15% -24% of total cost depending on the geography.

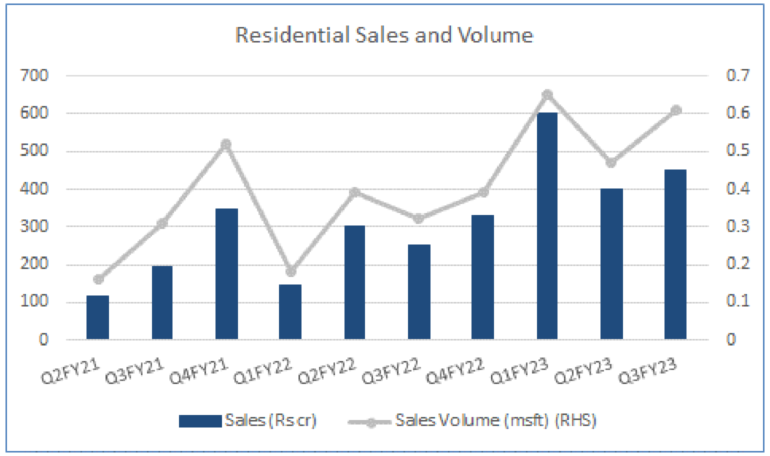
Key Triggers:

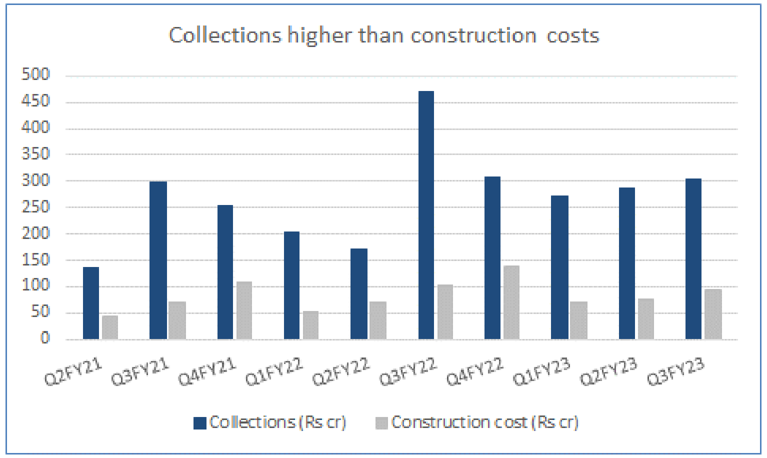
Residential business – on healthy footing; launches to gain momentum:

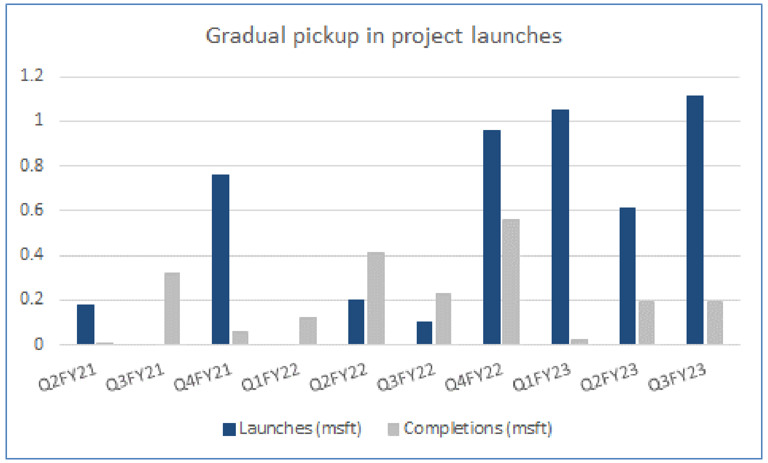
MLDL has defined a clear strategy to scale up its business and is committed to grow its pre-sales by 2.5x over FY22-25E by ramping up launches at existing projects and increasing its project pipeline. In FY22, the company registered pre-sales of Rs 1028cr (up 48% YoY) and saw considerable increase in area sold from 1.07 msft to 1.28 msft. The company clocked sales booking of Rs 1452cr in 9MFY23. MLDL has a strong business development pipeline of Rs 5500cr across new land parcels, of which Rs 1500-2000cr worth of projects are in advanced stages of discussion. The company, recently, announced acquisition of land parcel of 4.25 acres in South Bengaluru, having developable potential of approximately 4.6 lakh sq ft and estimated GDV of Rs 400cr, and society redevelopment project in Mumbai having GDV of Rs 500cr. On the back of strong visibility and focused growth strategy in Mumbai, Pune and Bengaluru; the company is targeting Rs 3000-4000cr of GDV additions in the near term vs Rs 2000cr guided earlier. The Gross Development Value (GDV) of Rs 3800cr in FY22 and Rs 3200cr in FY23 (till date), supports medium term growth.

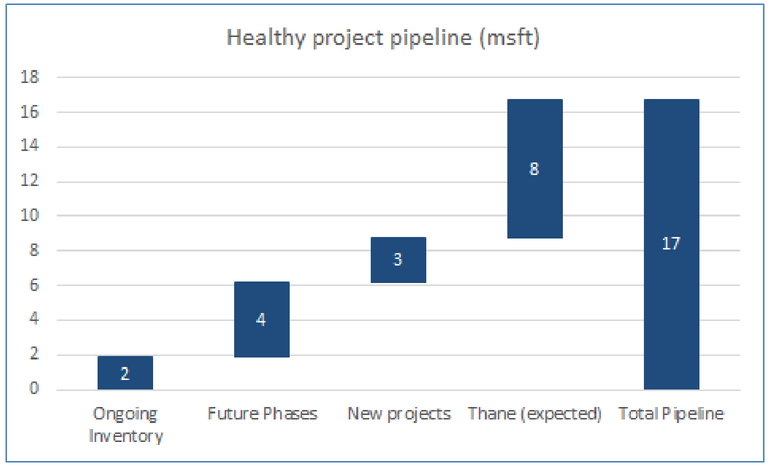
MLDL has the option to acquire land parcels from the promoter group. It announced acquisition of 9.24 acres of parent M&M's Kandivali land for consideration of Rs 365cr. The project has ~1 msft of carpet area and is expected to be launched by H1FY24. The company also finalized the terms to purchase 11.5 acres of land in Pimpri, Pune. MLDL is also in the process to unlock a large 68-acre parcel on Ghodbunder Road (Thane) and aims to launch it in early FY25. The project has development potential of over 5 mn sq ft and would be a mixed-use development. Its existing land bank in Chennai (100 acres of residential development) also have significant growth potential. Apart from outright purchase and joint development/joint venture (JDA/JV) agreements with landowners; the management is evaluating opportunities in society redevelopment and stressed assets. Preference for trusted and established developers has opened opportunities in society redevelopment space in Mumbai (market estimated to be worth over Rs 30,000 cores). In Jan'23, the company was selected as the preferred partner to develop two adjacent residential societies in Santacruz West, Mumbai having revenue potential of Rs 500cr and is hopeful of winning more such redevelopment projects.

MLDL has a healthy pipeline with launches planned across projects in Mumbai, Pune, Bangalore. The company plans to launch phase II of Nestalgia, Pune and plotted development in MWC, Chennai in Q4FY23; apart from sustenance sales from existing projects. The company launched Mahindra Nestalgia in Pimpri, Pune during Q2FY23, which received strong response with 70% getting sold within a quarter. It also launched Citadel Phase at Pimpri, Pune in mid-Nov. Phase II of Mahindra Eden, Mahindra Happinest Kalyan 2, new phase of Mahindra Happinest at MWC Chennai were all launched in Q3FY23 and saw substantial price hikes compared to the previous phase. MLDL is likely to see bookings to the tune of Rs 1800-1900cr in FY23E driven by these launches, new phases and balance inventory.







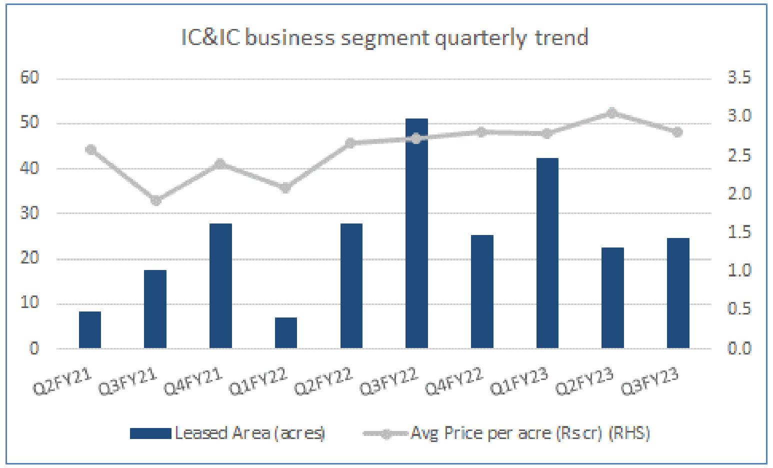


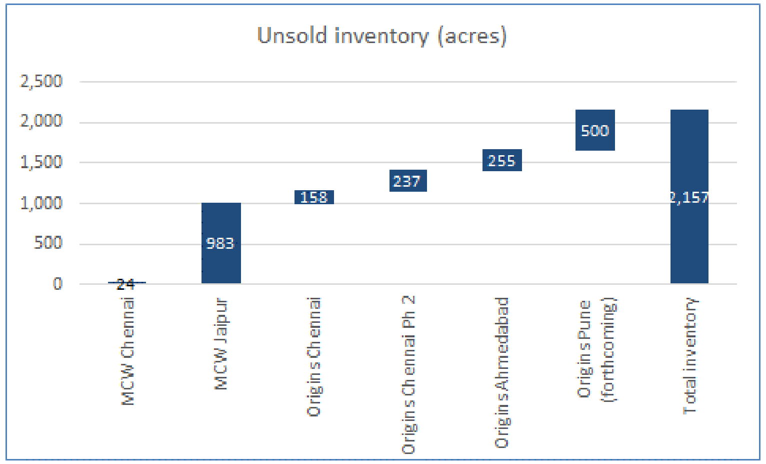
(Source: Company, HDFC sec)

MLDL is scaling up its land acquisitions and approvals pipeline; building the organizational muscle for significant growth in the residential business. With superior execution and timely delivery, MLDL created a strong brand recall among customers leading to its sales outperforming construction. Its track record of higher properties sales upon launch; collections higher than construction costs outflow results in better operating cash flows. By leveraging its professional management, track record of execution and robust visibility on the deal front; the company is set to improve its reported revenue and earnings. Given minimal inventory, negligible debt; the company is well placed to acquire new projects to ride the upcycle.

IC&IC Business - near term performance is muted; but provides long term visibility

MLDL real estate exposure to Industrial customers is through Mahindra World Cities (MWC) in Chennai and Jaipur and Origins in Chennai and Ahmedabad. Two MWCs in Chennai and Jaipur and Origins Chennai — have over 200 companies as lessees from over 20 countries. These industrial projects have a combined gross area of over 5,000 acres and a leasable potential of over 3,600 acres. Development work is currently in progress in an industrial cluster project - Origins Ahmedabad. The business would be further bolstered with another cluster project in Pune which is at the land aggregation and planning stage. The company saw a pick-up in leasing in its IC&IC segment as it leased 110 acres in FY22 (v/s 46 acres in FY21) and generated an income of Rs 297cr (up 130% YoY).





(Source: Company, HDFC sec)

The IC&IC business has a huge inventory of over 2000 acres which provide long term visibility. MWC Chennai is almost sold out, while in MWC Jaipur almost half of area is sold under lease. MWC Jaipur saw decent traction in 9MFY23. Traction in Origins Ahmedabad is currently subdued as it is looking to onboard an anchor tenant which could take some more quarters. Origins Pune and Chennai Phase-II are under the land aggregation stage, and will add ~750 acres to the inventory. The company is at the approval stages to launch IC&IC

business in Pune and is likely to take another two years to commence operations. Given its superior offerings, the IC segment can significantly benefit from the government's thrust on manufacturing and a global shift in the supply chain. There is a growing demand from domestic manufacturing clients as well as in warehousing and logistics. MLDL offers scalable and sustainable master plans with better access, connectivity and infrastructure. It has set target of achieving Rs 500cr of annual leasing by FY25. A large part of the land and supporting infrastructure cost is already paid out, which would lead to healthy annual cash generation as leasing further scales up. Stable cash flows would fund land acquisition for residential business (lower gestation and lower risk).

New joint venture with Actis – provides land monetization:
MLDL announced a JV with Actis to build specialized real estate for industrial and logistics facilities. The company would hold a minority stake of 26%. Given the capital intensive nature, this will be operated as a separate JV with separate leadership team supervised by the Board. This is a growing asset class with strong value creation opportunities, as there has been lot of investment coming in this space. Moreover, it would complement the existing IC&IC business and offers an annuity business opportunity.

Concerns:

Risks and cyclicality inherent in the real estate sector: Risk and cyclicality in the real estate sector could impact both its segments – residential and IC&IC segment. Scalability and realisation could impact residential business given the cyclical nature of the sector. Slowdown in personal incomes growth could affect the demand for residential homes. In its commercial segment (IC&IC segment), total leasing of area depends on the local demand, state government policies for prompting business growth and industrial activity.

Delay in ongoing and planned projects: The company's current and forthcoming projects may be subject to changes in terms of timelines, realisations, completions as a result of factors outside its control. There are considerable procedural delays with respect to approvals related to acquisition and use of land, environment approval, etc. Defects or challenges to land titles, failure or delay in obtaining consent from current occupants, non-renewal or pre-mature termination of leases, failure or delay in securing necessary regulatory approvals and permits to develop some of its projects would impact its topline and operational performance. The company could take longer than expected time to launch and monetise its large land banks (Thane - 68 acres, Murud 1291 acres).

Delay in monetisation of Industrial parks: In the IC&IC segment, company has 50% unleased land in MWC Jaipur, only 53 acres leased area out of 209 acres in Origins Chennai. Launches for Origins, Ahmedabad and Pune are expected to be live from FY24 and FY25 respectively. There are expectations of manufacturing pick-up in India, owing to government incentives and benefit like PLI and tax concessions, which could benefit the company. Any delay in sustained demand given global recessionary fears may impact monetisation potential of these land parcels.

Inflationary pressures: Significant increases in prices or shortages of, or delay or disruption in supply of labour and key building materials could impact its profitability. MLDL has in place value engineering and design efficiency, efficient procurement methods and takes price hikes to reflect market realities and to mitigate inflationary risks. The company follows a more dynamic pricing (yield-based prices); increase in prices as velocity of sales picks up. Also price hikes of 1-1.5% per quarter is considered due to inflationary pressures.

Policy and Regulatory Risks: The real estate industry is often affected by changes in government policies and regulations. Unfavourable changes in the government policies, environmental related regulations and others may adversely impact the performance of the company.

Operational Risks: There are a number of operational risks associated with real estate business – inability to complete and deliver projects according to the timelines leading to incremental costs, difficulties in the appointment and retention of quality contractors, shortage of manpower, non-compliances with laws and regulations leading to fines and penalties, delay in approvals and lengthy litigations.

About the company:

Mahindra Lifespace Developers Ltd (MLDL), established in 1994, is the real estate and infrastructure development business of the Mahindra Group. It operates mainly in two major segments - residential development and integrated business cities. MLDL follows a mixed strategy of real estate development viz. industrials clusters, integrated cities, mid luxury, affordable housing. The company operates in residential developments under the ‘Mahindra Lifespaces’ and ‘Mahindra Happinest’ brands; and its integrated cities and industrial clusters under the ‘Mahindra World City’ and ‘Origins by Mahindra World City’ brands. The company’s development footprint spans 32.97 million sq. ft. (msft) of completed, ongoing and forthcoming residential projects across seven Indian cities; and over 5000 acres of ongoing and forthcoming projects under development/management at its integrated developments / industrial clusters across its locations.

The company’s focus on the residential business remains in the key Tier 1 Indian markets of Mumbai Metropolitan Region (MMR), National Capital Region (NCR), Pune, Bengaluru and Chennai. It has completed 19.63 msft of residential projects and has 13.34 msft of ongoing and forthcoming projects as at Dec’22. In its Integrated Cities and Industrial Clusters (IC & IC) business, the company targets corporates or industrial customers through its Mahindra World Cities in Chennai and Jaipur and Origins in Chennai, Ahmedabad and Pune. Two MWCs in Chennai and Jaipur and Origins Chennai — have over 200 companies from over 20 countries. These industrial projects have a combined gross area of over 5,000 acres and a leasable potential of over 3,600 acres. MLDL is scaling up its land acquisitions and approvals pipeline; building the organizational muscle for significant growth in the residential business.

SOTP Valuation:

Scenario	Segment	Equity Value (Rs cr)	Value/share - Rs
SOTP - 1Year - FY23E	Devco residential	954	62
	Industrial Parks & SEZs	1,225	79
	Rental Income	388	25
	Land Bank - 20% discount to market value	1,348	87
	Add: New land BD NPV and Ghodbunder development value	1,469	95
	Add: M&M Kandivali land NPV	458	30
	Add: Dahisar land NPV	217	14
	Add: Pimpri land NPV	382	25
	Base Gross NAV	**6,442**	**417**
SOTP - 2Year - FY24E	**Add: NAV Premium of 10%***	644	42
	Base Gross NAV (Rs /sh)	**7,086**	**459**

(*Premium of 5% considered to arrive at Base case Target of Rs 438)

Peer Comparison:

	Mcap (Rs cr)	Revenue				EBITDA Margin (%)				APAT			
		FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E
Mahindra Lifespace Developers	5,971	394	766	1,017	1,424	-22.7	1.9	3.8	7.4	17	120	158	158
Godrej Properties	32,922	1,825	2,099	2,350	2,586	7.3	15.9	18.4	18.3	352	529	671	612
Sobha Developers	5,476	2,731	2,954	3,314	3,840	16.9	14.8	19.8	20.0	117	92	232	362

	RoE (%)				P/E			
	FY22	FY23E	FY24E	FY25E	FY22	FY23E	FY24E	FY25E
Mahindra Lifespace Developers	9.5	6.7	8.1	8.1	344.5	52.2	39.5	39.5
Godrej Properties	4.1	6.0	7.1	5.6	94.0	62.3	49.1	53.8
Sobha Developers	4.7	3.6	8.6	12.2	46.9	59.5	23.6	15.2

(Source: Company, HDFC sec)

Financials

Income Statement

(Rs Cr)	FY21	FY22	FY23E	FY24E	FY25E
Net Revenues	**166.3**	**393.6**	**766.3**	**1017.1**	**1424.0**
Growth (%)	**-72.8**	**136.7**	**94.7**	**32.7**	**40.0**
Operating Expenses	259.8	483.0	752.0	978.7	1318.3
EBITDA	**-93.5**	**-89.5**	**14.3**	**38.4**	**105.7**
Growth (%)	**64.6**	**-4.3**	**-116.0**	**167.8**	**175.1**
EBITDA Margin (%)	**-56.2**	**-22.7**	**1.9**	**3.8**	**7.4**
Depreciation	7.0	6.5	9.9	9.9	11.1
EBIT	**-100.5**	**-96.0**	**4.4**	**28.5**	**94.6**
Other Income	21.6	14.7	20.0	19.8	22.5
Interest expenses	11.0	6.5	26.4	41.0	54.2
PBT	**-89.9**	**-87.8**	**-2.0**	**7.3**	**63.0**
Tax	-6.3	-62.4	0.0	1.8	15.8
RPAT	**-83.6**	**-25.4**	**-2.0**	**5.5**	**47.3**
Share of profit of JV/associates	12.1	90.3	125.5	155.4	112.7
APAT	**-71.7**	**17.3**	**120.0**	**158.3**	**156.9**
Growth (%)	**-52.8**	**-124.1**	**592.7**	**32.0**	**-0.9**
EPS	-4.6	1.1	7.8	10.2	10.2

Balance Sheet

As at March (Rs Cr)	FY21	FY22	FY23E	FY24E	FY25E
SOURCE OF FUNDS					
Share Capital	51.4	154.5	154.5	154.5	154.5
Reserves	1579.7	1634.0	1754.0	1912.3	2069.2
Shareholders' Funds	**1631.1**	**1788.5**	**1908.5**	**2066.8**	**2223.8**
Minority's Interest	42.0	49.1	49.1	49.1	49.1
Long Term Debt	75.2	60.1	300.1	500.1	700.1
Net Deferred Taxes	-2.5	-78.9	-78.9	-78.9	-78.9
Long Term Provisions & Others	17.4	21.4	22.4	23.4	24.4
Total Source of Funds	**1763.1**	**1840.2**	**2201.2**	**2560.5**	**2918.5**
APPLICATION OF FUNDS					
Net Block & Goodwill	90.9	103.5	103.6	103.6	102.5
CWIP	14.6	3.4	3.4	3.4	3.4
Other Non-Current Assets	640.5	715.1	794.4	874.6	955.8
Total Non-Current Assets	**746.0**	**822.0**	**901.3**	**981.6**	**1061.7**
Inventories	1344.7	1441.9	1668.3	1835.1	2018.6
Trade Receivables	56.4	91.9	87.3	82.9	78.8
Cash & Equivalents	135.5	225.5	332.6	488.7	623.3
Other Current Assets	287.6	377.3	547.1	765.9	1072.3
Total Current Assets	**1824.1**	**2136.6**	**2635.3**	**3172.6**	**3793.0**
Short-Term Borrowings	169.1	220.4	220.4	220.4	220.4
Trade Payables	134.9	173.3	260.0	390.0	585.0
Other Current Liab & Provisions	503.0	724.6	855.0	983.3	1130.8
Total Current Liabilities	**807.0**	**1118.3**	**1335.4**	**1593.7**	**1936.2**
Net Current Assets	1017.1	1018.3	1299.9	1579.0	1856.8
Total Application of Funds	**1763.1**	**1840.2**	**2201.2**	**2560.5**	**2918.5**

Mahindra Lifespace Developers Ltd.

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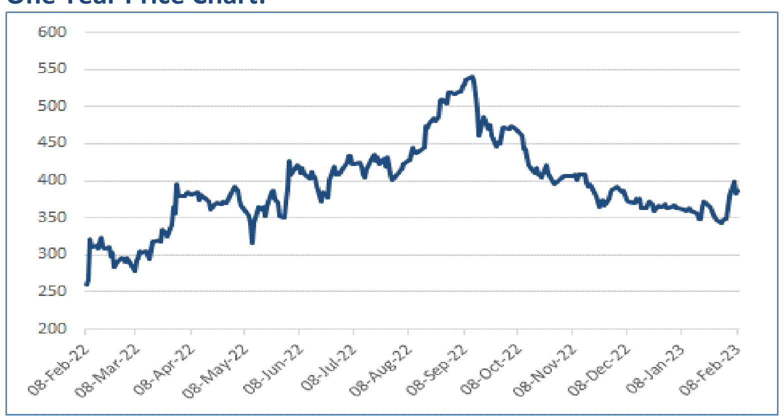
Cash Flow Statement

(Rs Cr)	FY21	FY22	FY23E	FY24E	FY25E
Reported PBT	-77.8	2.4	123.5	162.6	175.7
Non-operating & EO items	-28.6	-84.9	-3.5	-2.5	-3.0
Interest Expenses	11.0	6.5	26.4	41.0	54.2
Depreciation	7.0	6.5	9.9	9.9	11.1
Working Capital Change	33.2	35.4	-182.7	-132.2	-153.4
Tax Paid	-12.8	-18.0	0.0	-1.8	-15.8
OPERATING CASH FLOW (a)	**-68.0**	**-52.0**	**-26.4**	**77.0**	**68.8**
Capex	-2.9	-1.2	-10.0	-10.0	-10.0
Free Cash Flow	-70.9	-53.2	-36.4	67.0	58.8
Investments	113.3	124.5	-70.0	-70.0	-70.0
INVESTING CASH FLOW (b)	**110.4**	**123.2**	**-80.0**	**-80.0**	**-80.0**
Debt Issuance / (Repaid)	7.7	30.7	240.0	200.0	200.0
Interest Expenses	-27.1	-20.7	-26.4	-41.0	-54.2
FCFE	-90.4	-43.2	-62.8	26.0	4.6
Share Capital Issuance	0.0	2.5	0.0	0.0	0.0
Dividend	-0.4	-0.4	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
FINANCING CASH FLOW (c)	**-19.8**	**12.2**	**213.6**	**159.0**	**145.8**
NET CASH FLOW (a+b+c)	**22.6**	**83.4**	**107.2**	**156.0**	**134.6**

One Year Price Chart:



(Source: Company, HDFC sec)

Key Ratios

	FY21	FY22	FY23E	FY24E	FY25E
PROFITABILITY RATIOS (%)					
EBITDA Margin	-56.2	-22.7	1.9	3.8	7.4
APAT Margin	-43.2	4.4	15.7	15.6	11.0
RoE	-4.3	9.5	6.7	8.1	7.5
RoCE	-3.2	1.0	6.4	7.1	6.6
Solvency Ratio (x)					
Debt/EBITDA	-2.6	-3.1	36.3	18.7	8.7
Net D/E	0.1	0.0	0.1	0.1	0.1
PER SHARE DATA (Rs)					
EPS	-4.6	1.1	7.8	10.2	10.2
CEPS	-4.2	1.5	8.4	10.9	10.9
Dividend	0.0	0.0	0.0	0.0	0.0
BVPS	105.6	115.7	123.5	133.8	143.9
Turnover Ratios (days)					
Debtor days	187	69	43	31	21
Inventory days	2798	1292	741	629	494
Creditors days	288	143	103	117	125
VALUATION					
P/E (x)	NA	344.5	52.2	39.5	39.9
P/BV (x)	3.7	3.3	3.3	3.0	2.8
EV/EBITDA (x)	NA	NA	449.3	168.9	62.0
EV/Revenues (x)	36.5	15.3	8.4	6.4	4.6
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0
Dividend Payout (%)	0.0	0.0	0.0	0.0	0.0

(Source: Company, HDFC sec)

HEMANSHU VIJAY PARMAR

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RETAILRESEARCH

HDFC Sec Retail Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicality of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

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