

Aditya Birla Real Estate

Gearing for a record year

Pre-sales at Rs14bn/1.3msf was 41%/64% above Ambit; average realization stood at Rs10,800psf and total collections stood at Rs6.4bn. Outperformance was primarily driven by higher-than-expected pre-sales in Birla Ojasvi-RR Nagar (Rs5.5bn); Bengaluru (Ojasvi 40%, Trimaya 40%) and MMR (Anayu 8%, Niyara 8%) were key contributors. ABREL has a strong upcoming GDV pipeline of ~Rs531bn; MMR-62%, NCR-20%, Bengaluru-9% and Pune-9%. YTD Business development (ex-Noida) stood at ~Rs229bn, surpassing management annual guidance of Rs150-200bn. In remainder 2HFY25, ABREL is expected to launch projects with revenue potential of Rs126bn. Management reiterated FY25 pre-sales guidance of Rs70-80bn. We trim our estimates for pulp and paper, whilst keeping real-estate estimates largely unchanged: Rs73bn/Rs96bn (1HFY25: Pre-sales at Rs16.6bn) for FY25/FY26 already building in recent BD additions (Noida/Worli); SOTP TP of Rs3,275 implies 7.8x 1-year fwd P/B; reiterate [top BUY in mid-cap](#) real estate.

Key highlights from the earnings call:

- **Pulp and Paper business:** Management highlighted paperboard and tissue prices continued their downward trajectory, with average net sales realization down by 4% YoY. Demand for writing and printing paper remained subdued in 2QFY25. On the market outlook, Writing and Printing Paper demand is expected to improve in 3QFY25, driven by publishing season, and anticipated release of government's tender.
- **NCR Market:**
 - **Delhi:** Management has noted that the Mathura Road project with Indian Hume Pipe has been delayed and is now expected to launch in FY26, instead of the previously planned timeline (FY25).
 - **Gurugram:** The Sector 31 project with Barmlat is set to launch in 4QFY25, although there is a possibility it could be delayed until 1QFY26.
 - **Noida:** Details regarding the 131 acres in Noida Sector 150 have not been released due to a binding agreement, but further information is expected by December of this year. Additionally, management highlighted strong demand in Noida, coupled with constrained supply in the market.
- **Worli land parcel potential:** Birla Niyara Phase 3 is anticipated to launch in FY26, whilst the first phase on the recently acquired land from the Wadia family is also set to be launched.
- **Guidance:**
 - **Launch:** Expected launches in 2HFY25 to be ~126bn (refer to Exhibit 1).
 - **FY25 pre-sales guidance:** Management reiterated FY25 pre-sales guidance of Rs70-80bn.
- **Leverage:** Acceleration in business development could lead to a Debt-to-Equity ratio of 1x, a level that management considers comfortable due to strong collections from launched projects.

BUY

Results Update

Stock Information

Bloomberg Code:	ABREL IN
CMP (Rs):	2,738
TP (Rs):	3,275
Mcap (Rs bn/US\$ bn):	306/3.6
3M MDV (Rs mn/US\$ mn):	698/8.3

Stock Performance (%)

	1M	3M	12M	YTD
Absolute	(1.4)	24.9	153	124
Rel. to Sensex	3.7	25.2	130	113

Source: ICE, Ambit Capital research

Ambit Estimates (Rs mn)

	FY24	FY25E	FY26E
Revenue	45,535	44,856	55,137
EBITDA	7,012	8,127	11,103
EPS (basic) (Rs)	3.9	17.2	27

Source: Ambit Capital research, Company

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Where do we go from here?

RE sales momentum pan-India is expected to remain healthy in 2HFY25 coupled with strong demand and ASP resilience. With continued business development, leverage likely to increase (1.1x; FY25-26E) whilst acceleration in launches (Rs126bn in 2HFY25) will continue fuelling next leg of growth. We trim our estimates for pulp and paper, whilst keeping real-estate estimates largely unchanged: Rs73bn/Rs96bn (1HFY25: Pre-sales at Rs16.6bn) for FY25/FY26 already building in recent BD additions (Noida and Worli); SOTP TP of Rs3,275 implies 7.8x 1-year fwd P/B; reiterate top BUY in mid-cap real estate.

Exhibit 1: Expected Launches in 2HFY25: Rs126bn

Project/Area	Revenue Potential (mn)	% Contribution
Sec 31, Gurugram	50,000	40%
Sarjapur, Bengaluru	27,000	21%
Thane, MMR	18,000	14%
Birla Navya (P3)	14,000	11%
Sangamwadi, Pune	10,500	8%
Birla Trimaya (P3)	7,000	6%
Total	126,500	100%

Source: Company, Ambit Capital research

Exhibit 2: 2QFY25 Pre-sales, primarily driven by Birla Ojasvi and Birla Trimaya

Project Name	Area	Pre-sales (mn)	% Contribution
Birla Ojasvi	RR Nagar, Bengaluru	5,580	40%
Birla Trimaya	Devanahalli, Bengaluru	5,670	40%
Birla Anayu	Walkeshwar, Mumbai	1,140	8%
Birla Niyaara	Worli, Mumbai	1,130	8%
Birla Tisya	Rajajinagar, Bengaluru	380	3%
Birla Vanya	Kalyan, MMR	200	1%
Birla Alokya	Whitefield, Bengaluru	20	0%
Total		14,120	100%

Source: Company, Ambit Capital research

Exhibit 3: Consolidated quarterly snapshot

Rs mn	2QFY25	2QFY24	YoY	1QFY25	QoQ (%)	2QFY25E	Divergence (%)
Pre- Sales (mn)	14,120	4,133	242%	2,620	439%	10,000	41%
Pre-sales (msf)	1.31	0.8	56%	0.1	1771%	0.8	64%
Revenue (Rs mn)	9,235	11,031	-16%	11,492	-20%	10,125	-9%
COGS	5,870	7,126	-18%	7,380	-20%	11,000	-47%
Employee benefits expense	570	1,005	-43%	829	-31%	900	-37%
Other expenses	1,895	2,561	-26%	2,218	-15%	2,500	nmf
EBITDA	899	338	nmf	1,065	-16%	(4,275)	nmf
Depreciation and amortisation expense	531	592	-10%	546	-3%	550	-3%
EBIT	368	(254)	-245%	519	-29%	(4,825)	nmf
Finance costs	396	170	133%	122	224%	150	164%
Other Income	406	118	243%	184	121%	200	103%
Profit before tax	378	(305)	-224%	501	-25%	(4,875)	nmf
Total tax expense of continuing operations	139	(33)	-519%	222	-37%	(1,225)	nmf
Profit After Tax	143	(329)	-143%	174	-18%	(3,650)	nmf
EPS - Continuing operations	2	(28)	-108%	2	30%	(33)	nmf
Employee expenses (% of revenue)	6%	9%	(294)	7%	-104	9%	nmf
Other Expenses (% of revenue)	21%	23%	(269)	19%	122	25%	nmf
EBITDA margin (%)	10%	3%	nmf	9%	nmf	nmf	nmf
Profit before tax (%)	4%	-3%	nmf	4%	nmf	nmf	nmf
Tax rate (% of PBT)	37%	11%	nmf	44%	nmf	25%	nmf
PAT (%)	2%	-3%	nmf	2%	nmf	nmf	nmf

Source: Company, Ambit Capital research

Exhibit 4: Change in estimates

	New estimates		Old estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Rating	BUY		BUY		UNCHANGED	
TP (Rs)	3,275		3,300		-1%	
Revenue	44,856	55,137	55,231	61,851	-19%	-11%
- Pre-sales (Rs mn)	72,296	95,502	77,099	99,712	-6%	-4%
- Pre-sales (msf)	4.1	5.4	4.0	6.0	1%	-9%
EBITDA	8,127	11,103	9,683	12,110	-16%	-8%
EBITDA margin (%)	18%	20%	18%	20%	0%	0%
PBT	2,561	4,082	4,221	5,156	-39%	-21%
PAT	1,918	3,056	3,161	3,861	-39%	-21%
EPS (Rs)	17.2	27.4	28.3	34.6	-39%	-21%

Source: Company, Ambit Capital research

Aditya Birla Real Estate (ABREL IN, BUY)

Valuation Methodology

- We use a project-based NAV methodology (for residential portfolio and Build in recent business additions), DCF (for annuity and pulp & paper portfolios) to arrive at our SOTP valuation.
- We assume CoE of 13.5%, a target debt ratio of 45% and terminal growth rate of 5%.

Risks

- Failure to execute flagship project Niyaara on time.
- Owing to its recent entry into real estate development, the inability to get into the right set of JDA/JVs can challenge scale-up of Birla Estate's real estate business.

Financials - Consolidated

Income statement

Year to March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	47,997	45,535	44,856	55,137	49,265
-growth (Rev)	16.2%	(5.1%)	(1.5%)	22.9%	(10.6%)
EBITDA	5,273	7,012	8,127	11,103	9,580
Depreciation	2,271	2,099	2,089	2,149	2,224
Other income	275	-	449	551	-
Finance costs	539	355	3,625	5,124	5,311
Profit before tax	4,062	4,334	2,561	4,082	2,237
PAT	2,053	438	1,918	3,056	1,675
EPS (basic) (Rs)	24	3.9	17.2	27	15.0
EPS (diluted)	24	3.9	17.2	27	15.0

Source: Ambit Capital research, Company

Balance sheet

Year to March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Property, plant and equipment	40,979	37,436	36,426	35,976	35,952
Inventories	32,561	47,258	83,576	142,420	229,366
Current investments	2,016	4,082	4,082	4,082	4,082
Cash and cash equivalents	1,511	4,015	22,255	19,030	12,950
Other current assets	40,010	59,568	95,001	153,845	240,791
Total assets	84,516	105,102	157,765	212,934	293,776
Total equity	40,390	40,947	42,865	45,921	47,596
Long-term borrowings	10,377	24,815	65,815	70,815	70,815
Other non-current liabilities	33,750	39,339	49,085	96,197	175,364
Total equity and liabilities	84,516	105,102	157,765	212,934	293,776

Source: Ambit Capital research, Company

Cash flow statement

Year to March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Profit before tax	4,062	738	2,561	4,082	2,237
Interest expense	539	355	3,625	5,124	5,311
Working capital changes	(2,073)	(7,655)	(26,573)	(11,731)	(7,780)
Cash flow from operations	2,709	(3,153)	(18,641)	(1,101)	1,731
(Net) capital expenditure	(720)	2,296	(1,952)	(2,000)	(2,500)
Cash flow from investments	1,385	(5,241)	(494)	(2,000)	(2,500)
Net long-term borrowings	(923)	15,488	41,000	5,000	-
Cash flow from financing	(5,535)	12,722	37,375	(124)	(5,311)
Free cash flow to firm	1,989	(857)	(20,592)	(3,101)	(769)

Source: Ambit Capital research, Company

Preferred Ratios

Year to March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
EBITDA margin	11.0%	15.4%	18.1%	20.1%	19.4%
Net profit margin	4.3%	1.0%	4.3%	5.5%	3.4%
ROE (%)	5.5%	1.1%	4.7%	7.3%	3.8%
pre-tax RoCE	4.2%	0.9%	3.3%	3.5%	1.5%
Net debt/equity	0.2	0.5	1.0	1.1	1.2
pre-tax CFO/EBITDA	65.6%	(25.6%)	(221%)	(0.7%)	23.9%

Source: Ambit Capital research, Company

Ratio analysis

Year to March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
EBITDA margin	11.0%	15.4%	18.1%	20.1%	19.4%
Net profit margin	4.3%	1.0%	4.3%	5.5%	3.4%
Net debt/equity	0.2	0.5	1.0	1.1	1.2
pre-tax CFO/EBITDA	65.6%	(25.6%)	(221%)	(0.7%)	23.9%
pre-tax RoCE	4.2%	0.9%	3.3%	3.5%	1.5%
ROE (%)	5.5%	1.1%	4.7%	7.3%	3.8%

Source: Ambit Capital research, Company

Valuation parameters

Year to March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
P/B	7.9	7.6	7.5	7.1	6.7
PE	113	698	159	100	183
EV/EBITDA	60	47	43	32	38

Source: Ambit Capital research, Company

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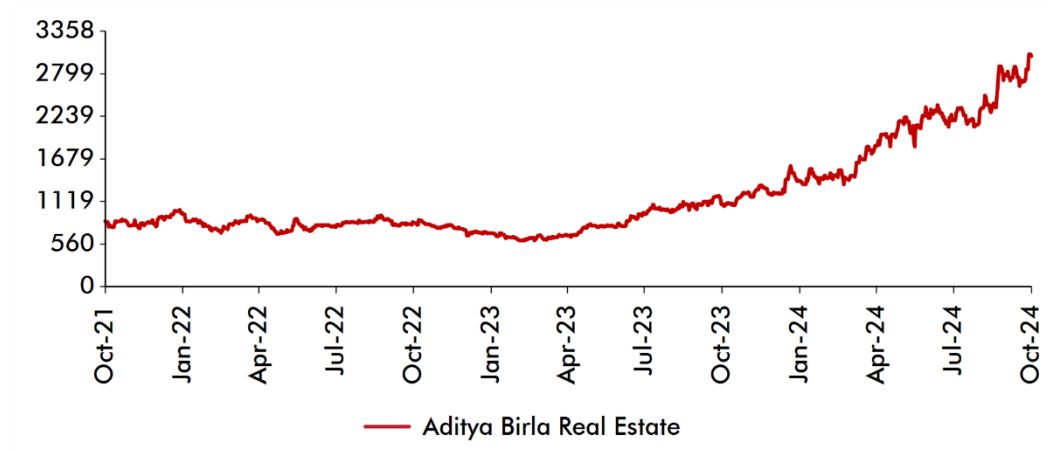
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Aditya Birla Real Estate (ABREL IN, BUY, CMP: Rs 2,738)



Source: ICE, Ambit Capital research

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