

EQUITY: PROPERTY

Initiate at Buy on solid growth outlook

All ingredients in place to rank among the top 5 real estate players in India

Action: Initiate at Buy and a TP of INR3,700, implying 30% upside

We initiate coverage of Aditya Birla Real Estate (ABRE; previously Century Textile and Industries) with a Buy, given: 1) long-term visibility thanks to the development potential of its ~40-acre prime Worli land parcel, which alone could drive cumulative pre-sales of ~INR400bn at +40% EBITDA margins over its lifetime on a conservative basis; 2) large scale, disciplined and quality business development (BD) in Mumbai, the National Capital Region (NCR), Bangalore and Pune provides visibility on future pre-sales and margins; and 3) as part of the Aditya Birla Group, the company benefits from strong brand equity, and has an experienced senior management team with previous professional tenure at key competitors. We peg the cumulative GDV of its project pipeline at +INR900bn (vs to date pre-sales at INR90bn). Thus, ABRE has the ingredients to be among top real estate (RE) players in India in terms of pre-sales. Our TP of INR3,700 is based on SOTP; on an EV/embedded EBITDA basis (for FY25), our TP implies 43-67% premium over peers, which is fair considering its stronger growth outlook vs peers (+87% y-y/33% y-y in FY25/FY26F for ABRE vs 20-25% for peers such as Godrej Properties [GPL IN, Not rated]). The stock trades at 65x FY25F EV/EBITDA. Key risks: Weaker-than-expected execution or a downturn in real estate cycle.

We peg cumulative GDV of project pipeline at +INR900bn (ABRE's share at INR765bn; to date, pre-sales at INR90bn); expect pre-sales growth of +87% y-y/33% y-y in FY25/FY26F

Relative to its pre-sales of INR90bn so far, the GDV of ABRE's potential project pipeline at +INR900bn suggests ample growth potential. For FY25/FY26F, the company should be able to clock growth rates of +87% y-y/33% y-y and cross pre-sales of +INR75bn/INR100bn. For FY25F, the company is launching INR86bn of new inventory, while as of 1QFY25, ABRE had INR30bn in existing inventory, leading to a cumulative inventory pipeline of INR116bn. Given strong demand for its projects due to the brand equity, the company should be able to exceed +INR75bn in presales in FY25F. For FY26F, its key launch would be the last phase of Niyara (0.7msf) in Worli.

RE segment to be OCF-positive from FY25F and FCF-positive from FY27-FY28F; net debt/equity to peak at comfortable 1.1x (vs 0.5x in FY24)

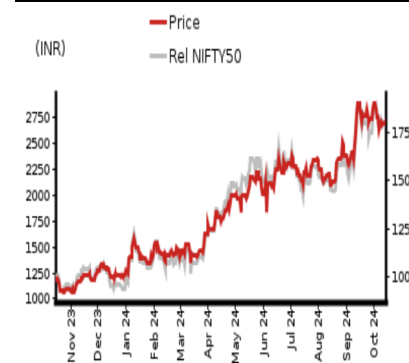
Collections in the RE business recorded significant growth over FY20-FY24 (INR13bn in FY24 vs INR1bn in FY20). Furthermore, most projects are turning cash flow-positive from the beginning, thanks to their strong performance post launch. We expect the RE segment to be OCF-positive from FY25F and FCF-positive from FY27-FY28F. Between FY25 and FY27F, we expect BD to be largely financed via debt, and peak net debt/equity at a comfortable 1.1x (vs 0.5x in FY24). A turnaround in the pulp and paper segment would be a tailwind to our cash flow estimates.

Year-end 31 Mar	FY24	FY25F		FY26F		FY27F	
Currency (INR)	Actual	Old	New	Old	New	Old	New
Revenue (bn)	45	0	49	0	44	0	48
Reported net profit (bn)	1	0	2	0	1	0	2
Normalised net profit (bn)	3	0	2	0	1	0	2
FD normalised EPS	27.29		20.10		11.40		17.33
FD norm. EPS growth (%)	61.5		-26.4		-43.3		52.0
FD normalised P/E (x)	104.7		142.2		250.8		165.0
EV/EBITDA (x)	52.9		65.6		85.6		66.9
Price/book (x)	8.0		7.5		7.2		6.8
Dividend yield (%)	0.2		0.2		0.2		0.2
ROE (%)	1.5		5.5		2.9		4.3
Net debt/equity (%)	53.0		92.3		107.9		97.9

Source: Company data, Nomura estimates

Rating Starts at	Buy
Target price Starts at	INR 3,700
Closing price 15 October 2024	INR 2,858
Implied upside	+29.5%
Market Cap (USD mn)	3,756.8
ADT (USD mn)	16.4

Relative performance chart



Source: LSEG, Nomura

Research Analysts

India Property

Akash Gupta - NFASL
akash.gupta3@nomura.com
+ 91 22 40374043

Key data on Aditya Birla Real Estate

Performance

(%)	1M	3M	12M		
Absolute (INR)	-1.3	36.0	141.2	M cap (USDmn)	3,756.8
Absolute (USD)	-1.5	35.3	139.0	Free float (%)	44.0
Rel to NIFTY50	-0.4	33.8	114.0	3-mth ADT (USDmn)	16.4

Income statement (INRbn)

Year-end 31 Mar	FY23	FY24	FY25F	FY26F	FY27F
Revenue	38	45	49	44	48
Cost of goods sold	-21	-26	-30	-28	-28
Gross profit	18	19	19	17	19
SG&A	-14	-14	-15	-14	-16
Employee share expense					
Operating profit	4	5	3	2	3
EBITDA	6	7	6	4	6
Depreciation	-2	-2	-2	-2	-2
Amortisation					
EBIT	4	5	3	2	3
Net interest expense	0	0	0	-1	-1
Associates & JCEs	0	0	0	0	0
Other income	2	1	0	0	0
Earnings before tax	5	4	3	2	3
Income tax	-2	-1	-1	0	-1
Net profit after tax	3	3	2	1	2
Minority interests					
Other items	-1	0	0	0	0
Preferred dividends					
Normalised NPAT	2	3	2	1	2
Extraordinary items	1	-2	0	0	0
Reported NPAT	3	1	2	1	2
Dividends	0	-1	-1	-1	-1
Transfer to reserves	2	0	2	1	1

Valuations and ratios

Reported P/E (x)	120.5	528.8	142.2	250.8	165.0
Normalised P/E (x)	169.2	104.7	142.2	250.8	165.0
FD normalised P/E (x)	169.2	104.7	142.2	250.8	165.0
Dividend yield (%)	0.2	0.2	0.2	0.2	0.2
Price/cashflow (x)	117.8	—	—	93.8	20.3
Price/book (x)	8.2	8.0	7.5	7.2	6.8
EV/EBITDA (x)	57.7	52.9	65.6	85.6	66.9
EV/EBIT (x)	88.2	78.8	109.9	163.4	111.0
Gross margin (%)	46.4	41.8	38.3	37.4	40.5
EBITDA margin (%)	14.8	14.6	11.3	9.9	11.5
EBIT margin (%)	9.7	10.0	6.8	5.3	7.0
Net margin (%)	6.9	1.3	4.6	2.9	4.0
Effective tax rate (%)	34.8	32.2	25.0	25.0	25.0
Dividend payout (%)	16.9	91.8	24.6	43.9	28.9
ROE (%)	6.7	1.5	5.5	2.9	4.3
ROA (pretax %)	4.4	4.6	2.9	1.7	2.3

Growth (%)

Revenue	-7.2	17.8	7.8	-9.3	8.4
EBITDA	27.9	16.3	-16.7	-20.8	26.6
Normalised EPS	109.5	61.5	-26.4	-43.3	52.0
Normalised FDEPS	109.5	61.5	-26.4	-43.3	52.0

Source: Company data, Nomura estimates

Cashflow statement (INRbn)

Year-end 31 Mar	FY23	FY24	FY25F	FY26F	FY27F
EBITDA	6	7	6	4	6
Change in working capital	-2	-9	-14	-1	11
Other operating cashflow	-1	-1	-1	0	-1
Cashflow from operations	3	-3	-9	3	16
Capital expenditure	-1	-2	-2	-3	-3
Free cashflow	1	-5	-11	0	13
Reduction in investments					
Net acquisitions					
Dec in other LT assets					
Inc in other LT liabilities					
Adjustments	3	-3	0	0	0
CF after investing acts	4	-8	-11	0	13
Cash dividends	0	-1	-1	-1	-1
Equity issue					
Debt issue	5	20	16	8	-1
Convertible debt issue					
Others	-8	-8	-6	-8	-10
CF from financial acts	-4	12	9	0	-11
Net cashflow	0	3	-2	0	2
Beginning cash	0	0	4	2	2
Ending cash	0	4	2	2	3
Ending net debt	10	21	39	48	46

Balance sheet (INRbn)

As at 31 Mar	FY23	FY24	FY25F	FY26F	FY27F
Cash & equivalents	0	4	2	2	3
Marketable securities	0	3	3	3	3
Accounts receivable	2	2	2	2	2
Inventories	33	47	64	68	57
Other current assets	5	5	5	5	5
Total current assets	39	60	75	79	70
LT investments	8	8	8	8	8
Fixed assets	31	29	29	30	31
Goodwill					
Other intangible assets	0	0	0	0	0
Other LT assets	6	8	15	24	34
Total assets	85	105	127	141	142
Short-term debt	6	1	12	15	15
Accounts payable	8	7	9	13	13
Other current liabilities	20	26	27	27	27
Total current liabilities	34	35	49	55	55
Long-term debt	4	24	29	35	34
Convertible debt					
Other LT liabilities	6	6	6	6	6
Total liabilities	44	64	83	95	94
Minority interest	2	1	1	1	1
Preferred stock					
Common stock	1	1	1	1	1
Retained earnings	38	39	41	43	45
Proposed dividends					
Other equity and reserves					
Total shareholders' equity	39	40	42	44	47
Total equity & liabilities	85	105	127	141	142

Liquidity (x)

Current ratio	1.16	1.72	1.53	1.44	1.28
Interest cover	10.9	12.7	7.4	3.2	3.8

Leverage

Net debt/EBITDA (x)	1.74	3.19	7.12	10.94	8.26
Net debt/equity (%)	25.5	53.0	92.3	107.9	97.9

Per share

Reported EPS (INR)	23.72	5.41	20.10	11.40	17.33
Norm EPS (INR)	16.90	27.29	20.10	11.40	17.33
FD norm EPS (INR)	16.90	27.29	20.10	11.40	17.33
BVPS (INR)	347.97	356.23	380.38	395.88	417.32
DPS (INR)	5.00	5.00	5.00	5.00	5.00

Activity (days)

Days receivable	13.4	13.1	12.1	14.1	12.9
Days inventory	461.2	556.0	677.9	874.9	806.5
Days payable	135.7	106.8	102.5	149.5	169.3
Cash cycle	339.0	462.2	587.5	739.5	650.1

Source: Company data, Nomura estimates

Company profile

Aditya Birla Real Estate (previously known as Century Textile and Industries Ltd.), is the real estate arm of the Aditya Birla Group. The company has been present since 1897 in diverse industries such as cement, paper and textile. Post discontinuation of the textile business, the company has two key business segments: 1) real estate under its subsidiary Birla Estates, and 2) pulp and paper segment. The company forayed into the real estate space in 2016. Going forward, the company aims to focus largely on the real estate segment which can be implied post the change in name of the company.

Valuation Methodology

Our TP of INR3,700 is based on SOTP where we add: 1) NAV of the company's RE project pipeline, 2) value of RE annuity assets, 3) value of untapped land bank, and 4) value of the company's paper and pulp business. We add a premium to NAV based on BD potential, based on the premium of other competitors. The benchmark index for the stock is NIFTY 50.

Risks that may impede the achievement of the target price

Key downside risks 1) are poor execution of projects related to the Worli Land Parcel 2) weaker than expected expansion in Pune or Delhi 3) downturn in the real estate cycle.

ESG

Real Estate Segment: Birla Aurora has completed a 100% transition to green energy and and Birla Centurion has achieved a 38% shift to green energy. Pulp ad Paper Segment: Takes every effort to reduce its carbon footprint and impact to the environment by continued improvements and process modification.

Largely legacy Worli land parcel has a GDV of ~INR400bn with +40% margins (to date, utilization of ~INR80bn) on a conservative basis

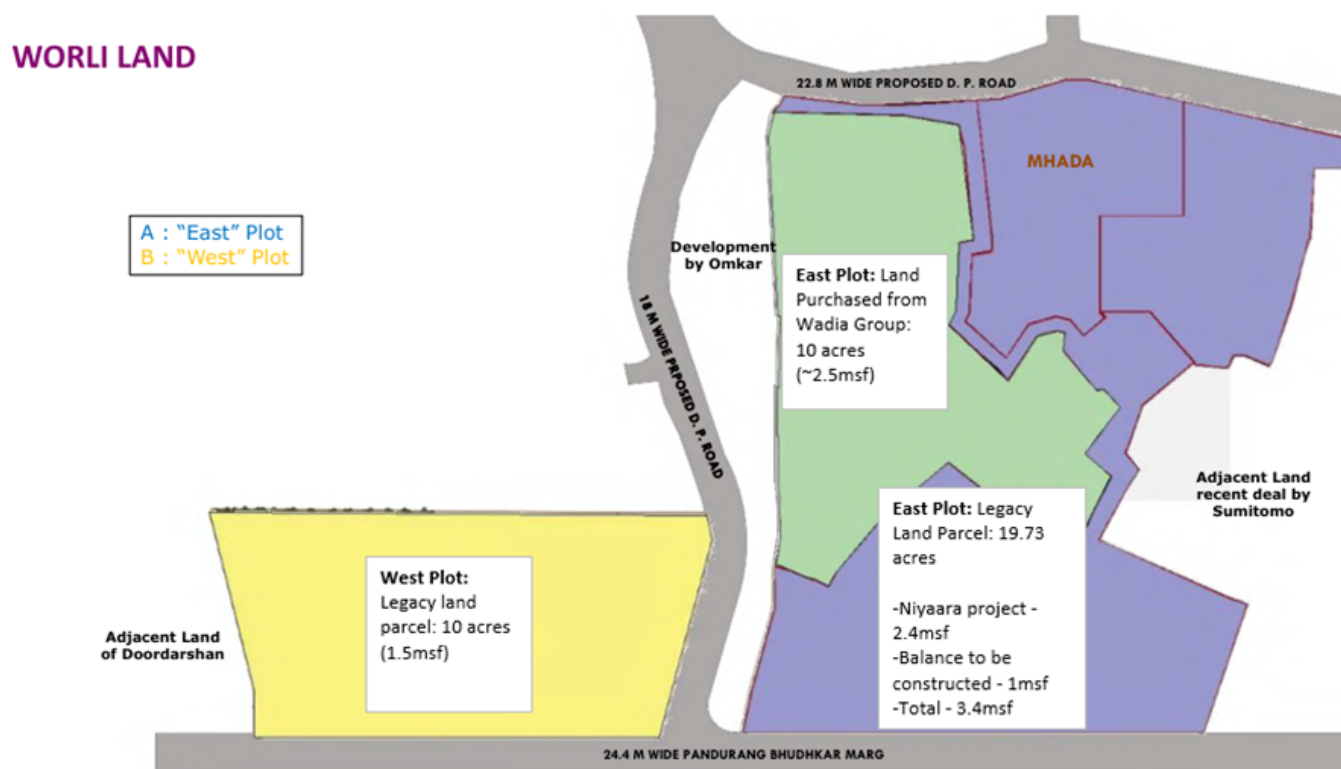
We think the company's key competitive advantage is its ownership of a land parcel in the prime area of South Mumbai in Worli which we believe has a cumulative potential of 7.4msf. The breakdown of the land parcel is as follows:

- **Worli East (30 acres; 6msf potential)** - ABRE owned a ~20-acre legacy land parcel in this prime area; in September 2024, the company acquired another 10-acre land parcel worth INR11bn from Wadia Group, leading to a gross 30-acre contiguous landholding in this particular area.
1. The company has launched a project called Niyaara on a 14-acre land parcel in Worli East as follows:
 - **Phase 1 (0.8 msf)**: Launched in 4QFY22, the project is nearly fully-sold this year. The project has seen ~>65% price appreciation since its launch. The project is slated for completion in FY28.
 - **Phase 2 (0.9 msf)**: Launched in 4QFY24, the company has sold +50% of its inventory by 1QFY25. The project clocked a record sales of INR25bn at launch. The project is slated for completion in FY29.
 - **Phase 3 (0.7 msf)**: This phase of Niyaara is expected to be launched in FY26.
 2. Balance area in Worli East, excluding the 10-acre land parcel bought from the Wadia group, has a **potential of 1msf**.
 3. The 10-acre land parcel bought from the Wadia group has a booking value of INR140bn (**implying a ~2.5msf development potential by our estimate**).
- **Worli West (10 acres; 1.5 msf potential)**: ABRE legacy owned a ~10-acre land parcel here, which the company thinks has a development potential of 1.5msf.

Given the company has only launched 1.7msf so far, we think the project provides a long runway for future earnings. Furthermore, strong response to the Niyaara projects gives us confidence that the company has the ability to extract full potential from this land bank.

Moreover, given this land parcel is largely legacy owned at low cost, we think the company will be able to generate +40% EBITDA margin on this project. Even for the land purchased from Wadia Group, land cost was just 8% of potential GDV, which we think will also contribute to its high margins.

Fig. 1: ABRE: Worli land parcel



Source: Company data, Nomura estimates

Fig. 2: ABRE: Our GDV estimate of Worli land parcel

	Saleable Area (msf)	Saleable Rate (INR)	Potential GDV (INR bn)
East Plot			
Tower A - launched in FY22	0.8	50,000	40
Tower B - launched in FY24	0.9	50,000	45
Tower C - launch planned in FY26	0.7	55,000	39
Balance area potential (ex Wadia group)	1.0	55,000	55
Potential of 10 acres purchased from Wadia group	2.5	55,000	138
West Plot			
Potential	1.5	55,000	83
Total	7.4		399

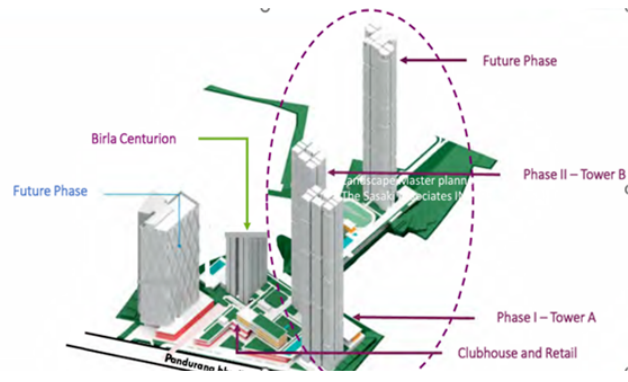
Source: Company data, Nomura estimates

Fig. 3: ABRE: Niyaara Tower under construction



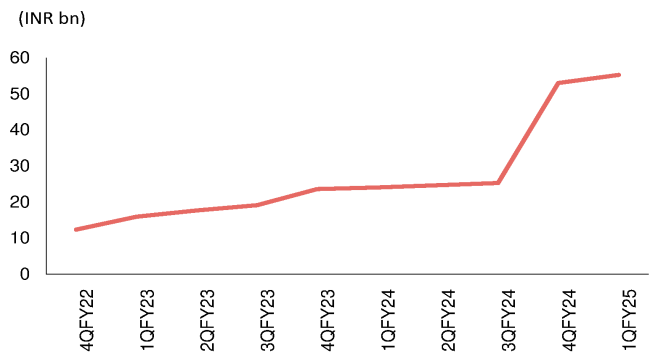
Source: Company data, Nomura research

Fig. 4: ABRE: Current development plan for the 20-acre land parcel on the East plot



Source: Company data, Nomura research

Fig. 5: Birla Niyaara: Cumulative booking value trend



Source: Company data, Nomura research

Strong, disciplined and quality business development gives further visibility on future pre-sales and margins

As part of its strategy, the company has been undertaking business developments in four key cities, namely Mumbai, Pune, Delhi (NCR) and Bangalore. Relative to its presale of INR40bn in FY24, the company was able to add projects worth ~INR450bn between FY24 and 2QFY25 YTD (excluding the deal with Wadia Group), by our estimates.

- In FY24, the company was able to add projects with a GDV of INR167bn. Four projects recorded outright purchase deals while one project was a JDA.
- Until 2QFY25 YTD, the company has added projects with a GDV of INR269bn (including the Wadia deal, through which the company was able to add projects worth INR409bn; GDV details for Sector 150, Noida are not yet disclosed, and are Nomura estimates).
- We like the disciplined nature of business developments, where the company has been able to limit land purchase costs up to 14% for most of its outright deals. Further, for some projects like the one in Thane, the company was able to get the land at 7% of the project GDV, with deferred payment plans which allows the company to limit cash outflow. Similarly, ABRE was able to limit the land cost for the deal with Wadia Group at 8% of project GDV.
- Moreover, we like the fact that the company's project additions have been in strategic locations. For instance:
 - **Thane, Mumbai:** The land in Kalwa is located on Thane-Belapur road, which links Thane and other north-eastern regions of Mumbai like the industrial suburb of Airoli, Kopar Khairane, Mahape, Rabale, and others with Navi Mumbai. A number of technology and advisory firms have presence in the area, especially in Airoli. ([link](#))
 - **Sector 31, Gurugram:** Located in the upscale micro market of Sector 31 Gurugram, this project claims to have exceptional connectivity with Cyber City, Golf Course Road, and Sohna Road. It is also conveniently located close to commercial hubs such as City Centre 29, Signature Towers, 32nd Avenue and Crowne Plaza with easy connectivity via NH-48 as well as the metro line. ([link](#))
 - **Sector 71, Gurugram:** The luxury residential project planned for this site will be strategically located on Southern Peripheral Road (SPR) in Sector 71. This prime location offers excellent connectivity with Delhi and other parts of Gurugram through major routes like the Dwarka Expressway, Sohna Road, and Golf Course Extension Road. ([link](#))
 - **Sector 150, Noida:** The proposed development is situated in the Integrated Sports City and will consist of a golf course of over 50 acres and international standard sports facilities. The proposed site is strategically located along the Noida-Greater Noida Expressway and near the Yamuna Expressway, providing convenient access to Delhi, Noida, and Greater Noida.

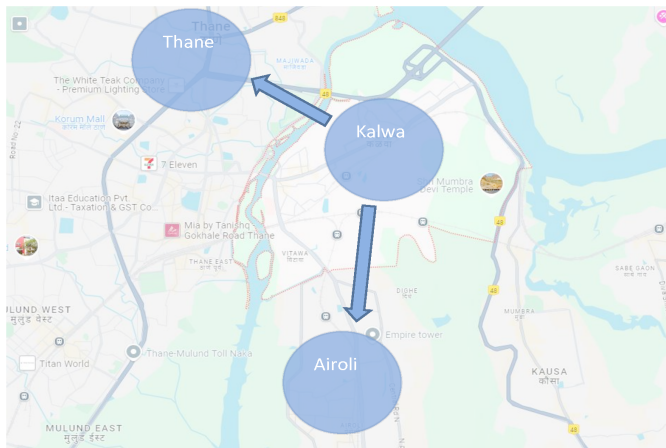
Fig. 6: ABRE: Business development done over the past 1.5 years provides further visibility to drive presales

Business development	Type of deal	Land Area (Acre)	Total Saleable Area (msf)	ABRE Share	Gross Revenue Potential (INR bn)	ABRE Share (INR bn)	Land Cost (INR bn)	Land Cost as % of	When Acquired
R.R Nagar, Bangalore	Outright	10.0	1.00	100%	10	10	1.2	12%	Acquired 4QFY23
Walkeshwar, Mumbai	Outright	0.2	0.06	100%	6	6	1.6	27%	Acquired 1QFY24
Wellesley Road, Pune	Outright	5.8	1.50	100%	25	25	3.5	14%	Acquired 1QFY24
Sarjapur, Bangalore	Outright	29.0	2.90	100%	28	28	3.0	11%	Acquired 1QFY24
Thane, Mumbai	Outright	31.0	5.50	100%	80	80	6.0	7%	Acquired 2QFY24
Mathura Road, NCR	JDA with IHP	6.8	1.40	64%	28	18			Acquired 2QFY24
Sector 31 Gurugram	JDA with Barmalt	13.3	2.40	60%	50	30	1.7		Acquired 1QFY25
Manjri, Pune	Outright	16.5	3.20	100%	25	25	3.3	13%	Acquired 1QFY25
Sector 71, Gurugram	Outright	5.0	1.00	100%	14	14	2.0	14%	Acquired 2QFY25
Sector 150, Noida*	JDA with LGCPL	131.0	10.00	50%	180	90			Acquired 2QFY25
Wadia Land*	Outright	10.0	2.50	100%	140	140	11.0	8%	Acquired 2QFY25
Total (including deal with Wadia group)		259	31		586	466			
Total (excluding deal with Wadia group)		249	29		446	326			

Note: Area and GDV for BD done with LGCPL and Wadia Group are Nomura estimates

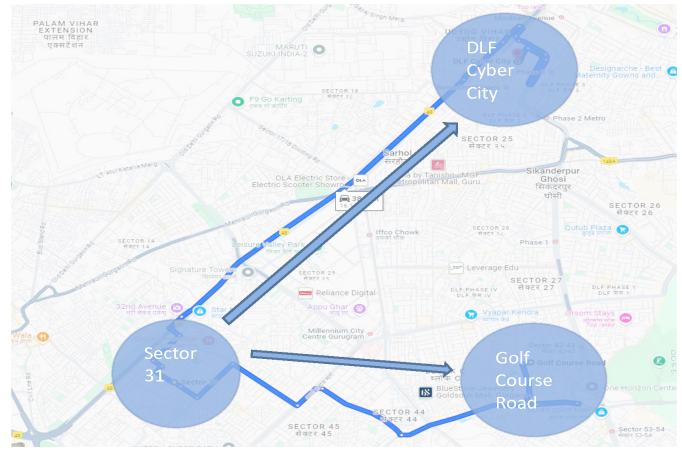
Source: Company data, Nomura estimates

Fig. 7: Project in Kalwa is in close proximity with industrial suburb Airoli



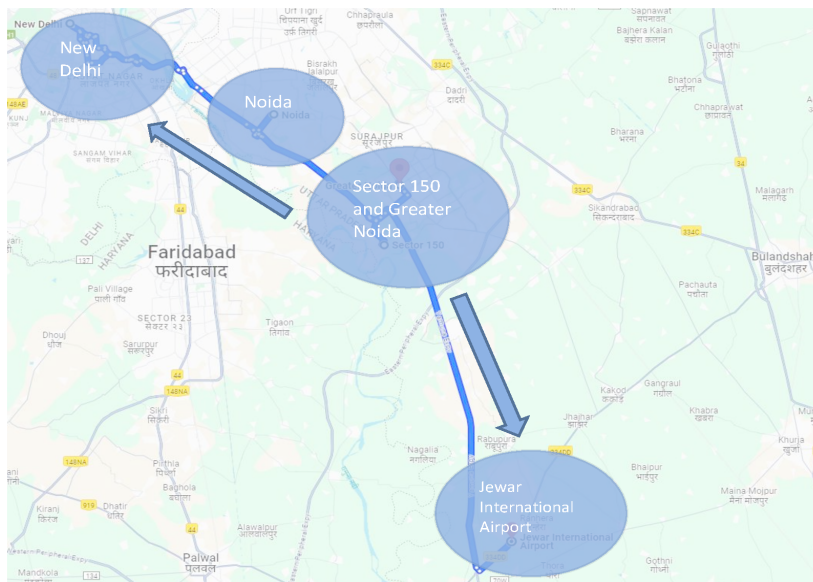
Source: Nomura research

Fig. 8: Project in sector 31 is in close proximity with DLF Cyber City and Golf Course Road



Source: Nomura research

Fig. 9: Project in Sector 150 is in close proximity with upcoming Jewar Airport, Noida and New Delhi



Source: Nomura research

We expect the company to benefit from strong brand equity and experienced senior management team with previous tenure at key competitors

We think the real estate market is consolidating towards branded developers in two ways:

- **Supply side:** With tighter regulatory norms driven by RERA, restrictions on NBFC lending to the real estate sector, financially weak developers are not able to adhere to compliance norms or are financially constrained.
- **Demand side:** In order to avoid execution/ delivery-related risks, customers are more inclined towards branded developers where such risks are lower.

Given this backdrop, we think ABRE will benefit from such tailwinds mainly because:

- **Exceptionally strong brand equity:** As part of the Aditya Birla group, the real estate arm benefits from one of the strongest brands in the country. Moreover, given there is a reputational risk to the whole brand if consumers face issues in the real estate business, we think the company would have relatively higher focus on construction quality and delivery experience for customers.
- **Strong financial profile:** Despite strong business development between FY24-2QFY25, the company's net debt/ equity was around 1x. Further, according to management, the company is has undrawn construction finance. As such, we think

the company has the ability to finance its ongoing projects and growth aspirations.

Moreover, we think the company has developed an experienced management team for Birla estates who have experience from key competitor Godrej Properties (GPL IN, NR):

- **K. T. Jithendran, MD and CEO, Birla Estates** – Has a career spanning 32 years. Under his leadership, the company has established itself as a real estate developer with a pan India footprint across NCR, MMR, Bengaluru and Pune. Prior to joining Birla Estates, Mr. Jithendran was Executive Director of Godrej Properties Limited (GPL) and Director on the board of Godrej Properties. He helped establish GPL as a premier real estate player in the country.
- **Gaurav Jain, Deputy CEO, Birla Estates** – He has over 20 years of work experience in the realty sector. Prior to joining Birla Estates, he served as Business Head - North at Godrej Properties (GPL), overseeing residential and commercial business. This role involved leading the entire value chain of the business. He also has previous experience in Mahindra Lifespace Developers.
- **Sachin Sinnarkar, Head – Liason, Birla Estates:** Commenced career with Godrej Properties in 1996 and exited in 2013 as a GM - Liaison. He has also worked with Raymond Realty and House of Hiranandani.
- **Rakesh Kumar, Head – Design, Birla Estates:** Has +20 years experience. Rakesh was chief design officer at Godrej properties and has also worked with Kalpataru and K Raheja.

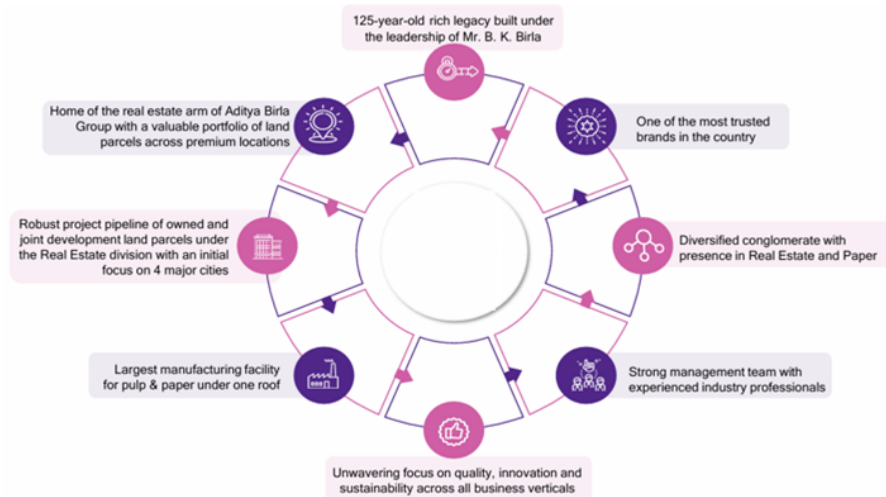
Fig. 10: Aditya Birla Group's diverse footprint across sectors

ADITYA BIRLA GROUP AT A GLANCE



Source: Company data, Nomura research; Note: Sourced from 18 March company PPT

Fig. 11: ABRE: Snapshot



Source: Company data, Nomura research

Support from paper & pulp segment unlikely in FY25F, while turnaround in this segment could be a tailwind for cash flows; management could evaluate demerger in 3-4 years

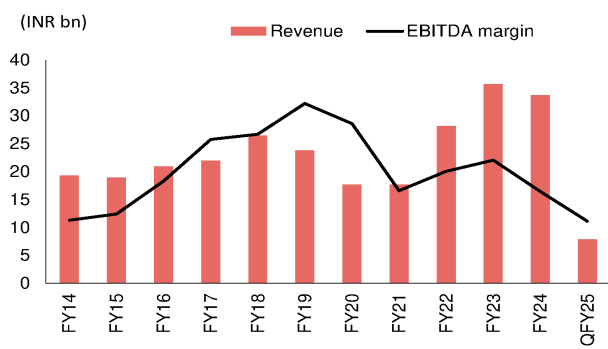
The company's pulp and paper segment has a capacity of 481,000 MTPA while capacity utilization in FY24 was at 97%. The company's products include: 1) printing, writing paper and industrial paper, 2) packaging board, and 3) tissue paper. Historically the segment has generated INR42bn in EBITDA over 10 years, implying roughly ~INR4bn in EBITDA annually.

However, over the past year, industry demand has been fairly sluggish while the segment is also seeing higher competition from imports. As such, in 1QFY25 net sales realization (NSR) was down -14% y-y, which led to EBITDA margins declining to 8% (vs 15%-17% in FY22-FY23). Overall, management thinks it's unlikely that NSR would improve materially in FY25. As such, we think EBITDA margins for the pulp and paper segment would likely be stagnant in the near-term. Further, for FY25, the company is doing capex in the segment to address bottlenecks and improve efficiencies. As such, we expect little to no cash flow support from the paper business in FY25F to support the real estate business.

However, in the event of changes in market dynamics, we believe the paper and pulp segment could provide a tailwind for our cash flow estimates. We believe several factors such as: 1) benefits from cost rationalization, 2) improved volumes, and 3) possible anti-dumping tariffs on imports ([link](#)) could improve the dynamics of the pulp and paper segment.

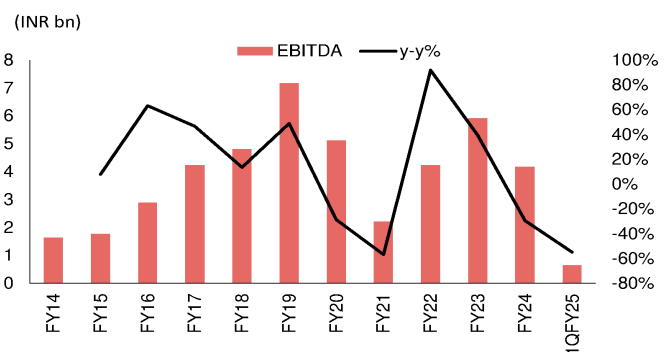
Overall, the company thinks the cash flows from the paper business could support the real estate business to some extent and as such it wants to keep both the segments together under the same company. However, once the real estate business can generate sufficient OCF to fund the business development requirement without much support of debt (which we think it should in 3-4 years), management can think of unlocking value for both the businesses.

Fig. 12: ABRE: Pulp and paper segment: Revenue and EBITDA margin



Source: Company data, Nomura research

Fig. 13: ABRE: Pulp and paper Segment: EBITDA and y-y growth trend



Source: Company data, Nomura research

Financial analysis

Pre-sales to grow at +87% y-y/33% y-y over FY25/FY26F, surpassing +INR100bn by FY26F (vs INR40bn in FY24)

- We believe the company should be able to clock growth rates of +87% y-y/33% y-y and cross pre-sales of +INR75bn/ +INR100bn in FY25/ FY26F.
- In FY24, the company had solid response for some of its newly-launched projects such as Birla Trimaya, Bangalore which were roughly sold out at the time of launch.
- For FY25, the company is launching INR86bn of new inventory while as of 1QFY25, the company had INR30bn in existing inventory, leading to a cumulative inventory pipeline of INR116bn. Given the strong demand for its projects, we think the company should be easily able to cross +INR75bn in presales.
- For FY26, the company will launch the last phase of Niyaara (+0.7msf). This, combined with potential launches of projects in Mumbai (Thane), Noida (Sector 150) and Pune (Manjri, Phase 2), will help drive pre-sales, in our view.

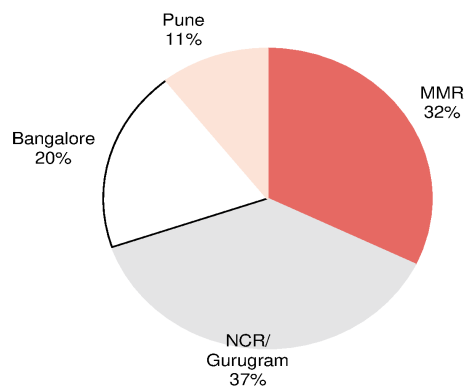
Fig. 14: ABRE: Residential portfolio snapshot

		Share	Gross Development Potential		ABRE Share		Cumulative Launched		Cumulative Sold		% Sold	
			(msf)	(INR bn)	(msf)	(INR bn)	(msf)	(INR bn)	(msf)	(INR bn)	(msf)	(INR bn)
Mumbai Metropolitan Region (MMR)	Vanya, Kalyan	100%	1.3	11	1.3	11	1.3	11	1.1	9	81%	81%
	Total Potential of Worli Land Parcel	100%	7.4	399	7.4	399	1.8	78	1.3	55	71%	71%
	Walkeshwar, Mumbai	100%	0.1	6	0.1	6						
	Thane, Mumbai	100%	5.5	80	5.5	80						
Total			14.3	495	14.3	495	3.1	89	2.4	64		
NCR/ Gurugram	Navya	50%	1.9	25	0.9	13	1.2	16	1.2	16	99%	99%
	Mathura Road, NCR	64%	1.4	28	0.9	18						
	Sector 31 Gurugram	60%	2.4	50	1.4	30						
	Sector 71, Gurugram	100%	1.0	14	1.0	14						
	Sector 150, Noida*	50%	10.0	180	5.0	90						
Total			16.7	297	9.3	165	1.2	16	1.2	16		
Bangalore	Tisya	40%	0.7	6	0.3	3	0.7	6	0.6	6	94%	94%
	Trimaya	47%	3.6	24	1.7	11	0.7	5	0.7	5	100%	99%
	Alokya	100%	0.6	4	0.6	4	0.6	4	0.5	4	96%	97%
	R.R Nagar, Bangalore	100%	1.0	10	1.0	10						
	Sarjapur, Bangalore	100%	2.9	28	2.9	28						
Total			8.7	72	6.4	56	1.9	15	1.9	15		
Pune	Wellesley Road, Pune	100%	1.5	25	1.5	25						
	Manjri, Pune	100%	3.2	25	3.2	25						
Total			4.7	50	4.7	50						
Cumulative			44.4	915	34.7	765	6.2	120	5.4	94		

Note: 1) Sector 150 Noida: Details are yet to be disclosed. Area and revenue potential are our estimates.

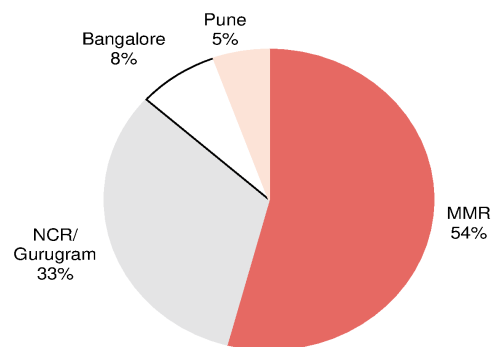
Source: Company data, Nomura estimates

Fig. 15: Area-wise mix of residential portfolio snapshot



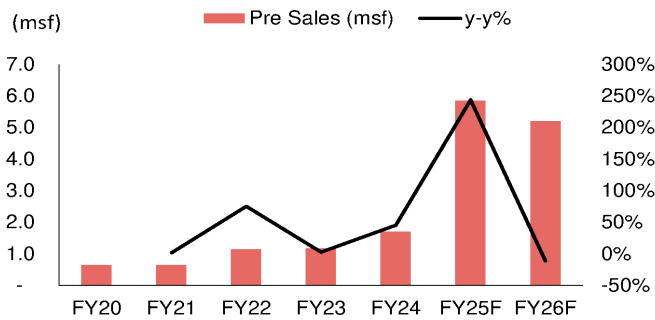
Note: Based on gross development potential
Source: Company data, Nomura research

Fig. 16: Value-wise mix of residential portfolio snapshot



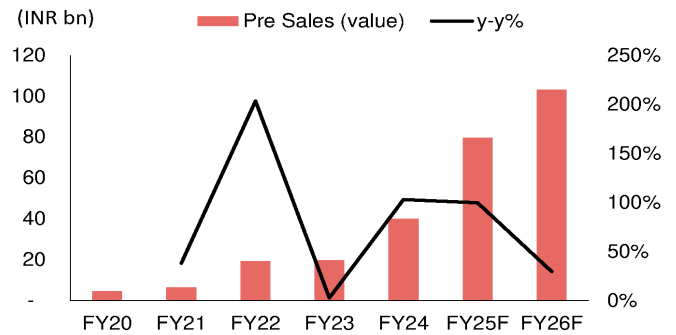
Note: Based on gross development potential
Source: Company data, Nomura estimates

Fig. 17: ABRE: Area sold trend



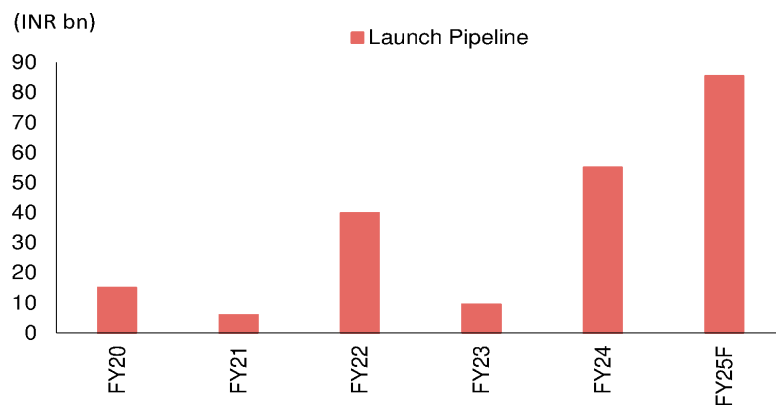
Source: Company data, Nomura estimates

Fig. 18: ABRE: Pre-sales trend



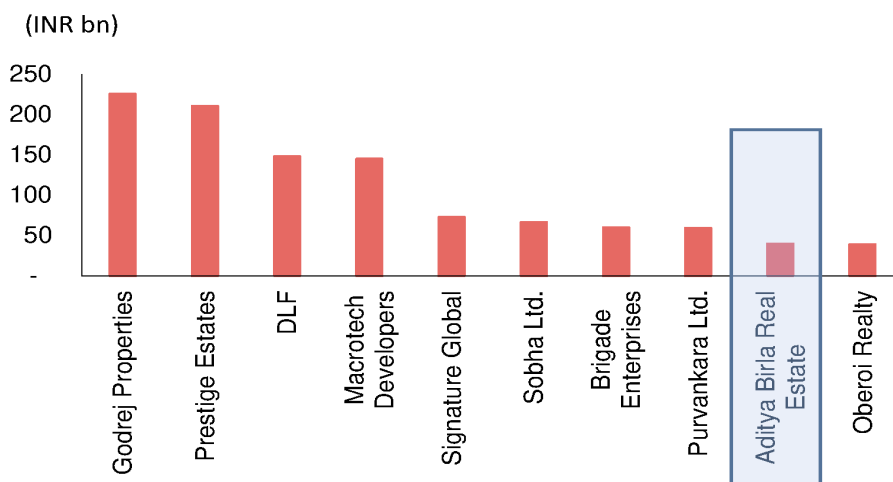
Source: Company data, Nomura estimates

Fig. 19: ABRE: Launch pipeline trend



Source: Company data, Nomura research

Fig. 20: ABRE: Positioning based on FY24 pre-sales



Source: Company data, Nomura estimates

Embedded EBITDA margins on projects at +25%-30%; margins for Niyaara at +40%

- According to management, it does not enter any project where the hurdle rate for EBITDA margins is less than 25%.
- For Niyaara, given the company has historically owned the land, management expects margins could be as high as ~40%-50%.
- Management maintains IRR for JDA projects at +20% and for outright projects at 16-

17%.

- The company has corporate overheads of ~INR2bn for the RE segment. The company expects to cap the corporate overheads at below 4% of pre-sales, in line with industry standards.

The company expects to be OCF-positive in FY25F and FCF-positive by FY27-FY28F

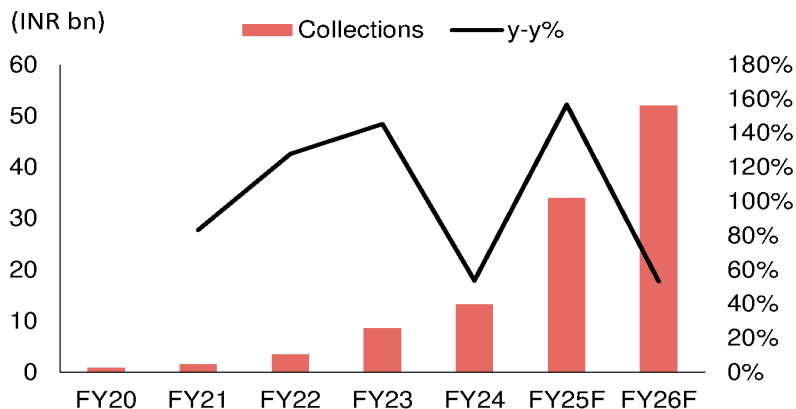
- Collections for the company have improved from INR4bn in FY22 to INR13 bn in FY24. Further, the company had roughly INR62bn in receivables as of end-1QFY25.
- We expect collections to improve further to INR~30bn in FY25F and ~INR50bn in FY26F, driven by receivable, as the company ramps up construction.
- We expect the company to be OCF-positive in FY25 driven by the ramp-up in collections.
- We expect investment of roughly ~INR15bn annually going forward as the company strives to add projects with GDV of roughly ~INR150bn to ~INR200bn through a combination of outright land purchase and JDA.
- By FY27-FY28F, we expect the company to generate enough OCF to sustain BD spends.

Fig. 21: ABRE: Our cash flow estimates

(INR bn)	FY24	FY25F	FY26F	FY27F
Collections	13	34	52	74
Construction and allied expense	(15)	(27)	(41)	(53)
Taxes	(1)	(1)	(1)	(1)
Operating Cash Flow	(3)	6	10	20
Interest Expense	(2)	(2)	(4)	(4)
Cash Flow available for business development	(5)	4	6	16

Source: Company data, Nomura estimates

Fig. 22: ABRE: Collections and y-y growth trend



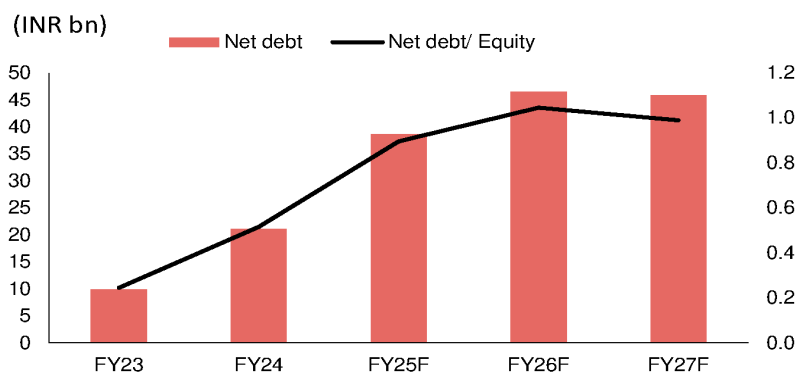
Source: Company data, Nomura estimates

We expect peak net debt/equity at 1.1x by FY26F, driven by aggressive BD plans

- As of FY24, the company had gross debt of INR25bn and net debt of INR21bn with net debt/equity at 52%.
- The company does not expect much cash flow coming from the paper business this year because of capex plans for the paper segment. The company thinks it is still comfortably placed because future financing will come from the subsidiary because they have undrawn construction finance plans.
- While the company will generate OCF, we expect BD spends to exceed OCF. As we assume no support from the paper business, we expect BD spends to be largely financed through debt.
- As such, we expect net debt to equity to reach at 1.1x by FY26F (vs 0.5x by FY25).
- We expect debt to peak out in FY26F mainly because from FY27F we expect OCF to be sufficient to largely support the BD spends as well addition to equity from profit recognition of some projects.
- If cash flow from the paper business improves, it would be a further tailwind to our net

debt assumption.

Fig. 23: ABRE: Net debt and net debt/equity trend



Source: Company data, Nomura estimates

Limited revenue recognition from real estate till FY27F; Niyaara revenue recognition from FY28F

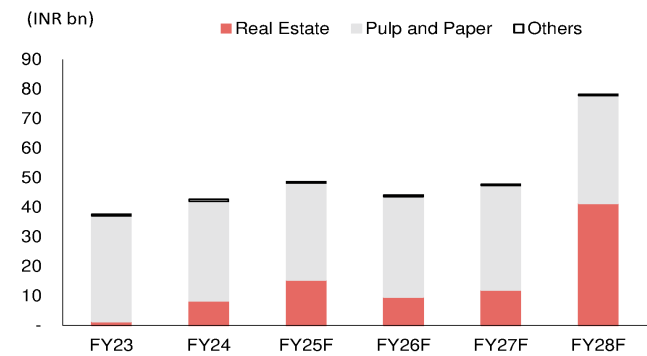
- The company follows project completion method of accounting as such revenues are recognized only after delivery of a particular project.
- As such, revenue recognition will be limited till FY27F where revenues from only the smaller scale projects will be recognized.
- We expect the company to recognize roughly INR13bn from real estate projects in FY25F; however, revenue recognition will be limited in FY26-FY27F as roughly 1-2 projects will be completed annually in these years.
- However, we expect a big jump from FY28F, when revenues and earnings from the Niyaara project will be recognized.
- In 1QFY25, the company generated ~13% EBITDA margin on revenues recognized from the real estate segment. While at the project level EBITDA margins were +25%, the company incurs corporate overheads in the RE segment of roughly ~INR2bn. The company expects operating leverage to kick in as the presales momentum improves.

Fig. 24: ABRE: Our annual earnings forecast

	2023	2024	FY25F	FY26F	FY27F	FY28F
(INRbn)						
Revenue	38	45	49	44	48	78
Operating Profit	4	5	3	2	3	16
EBITDA	6	7	6	4	6	19
Net Profit	3	1	2	1	2	11
Margins						
OPM	9.7%	10.0%	6.8%	5.3%	7.0%	20.7%
EBITDAM	14.8%	14.6%	11.3%	9.9%	11.5%	24.4%
NPM	6.9%	1.3%	4.6%	2.9%	4.1%	14.6%
Growth						
Revenue		17.8%	7.8%	-9.3%	8.4%	63.7%
Operating Profit		21.1%	-26.4%	-29.7%	44.4%	380.2%
EBITDA Growth		16.3%	-16.7%	-20.8%	26.6%	245.4%
Net Profit		-77.2%	271.8%	-43.0%	52.4%	485.5%

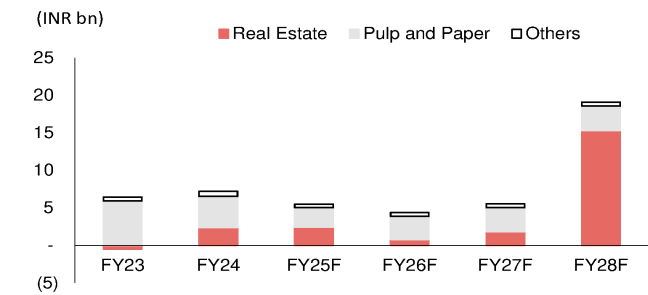
Source: Company data, Nomura estimates

Fig. 25: ABRE: Revenue breakdown by segment



Source: Company data, Nomura estimates

Fig. 26: ABRE: EBITDA breakdown by segment



Source: Company data, Nomura estimates

Valuation: Our TP of INR3,700 is based on SOTP

We value ABRE based on SOTP where we add:

1. NAV of each project based on the development potential of the company's ongoing and forthcoming project pipeline
2. NAV of the company's balance untapped land bank potential and annuity assets
3. Valuation of the paper and pulp segment
4. Considering NAV is a conservative basis of valuation that does not take into account the company's future business development potential, we add an ~80% premium to our NAV estimate, which leads to our TP of INR3,700. We believe our estimate of ~80% premium is fair considering peers such as Godrej Properties (pan-India residential player with presence in Mumbai, Pune, Bangalore and Delhi; Birla Estate's senior management has previous experience of working with Godrej Properties) are trading at ~220% to their NAVs. Our BD premium is roughly 1/3rd of the BD premium of Godrej Properties.

Fig. 27: ABRE — SOTP valuation

	Value (INR mn)	Per Share (INR)	Notes
Residential Portfolio	201,242	1,802	NAV of the company's project pipeline based on discounting end to end cash flows
Annuity Portfolio	18,500	166	Annuity Income of ~INR1.5bn annually with a cap rate of 8%
Other Land Bank	21,648	194	The company has some balance land parcels in Talegaon, Kalyan, Prabhadevi
Pulp and Paper Segment	26,163	234	10x FY25 EV/EBITDA considering the company has plans to improve bottlenecks and improve production capacity to ~600K tons from ~480K tons currently.
Enterprise Value	267,553	2,395	
Net Debt	(39,225)	(351)	Based on FY25F ending net debt
Total NAV	228,328	2,044	
Premium to NAV	80%		Business Development (BD) Premium at roughly 1/3rd of BD premium of Godrej Properties
Target Market Cap	410,990	3,680	Rounded to INR3,700
Current Market Cap	319,224	2,858	
Upside	29%	29%	

Source: Company data, Nomura estimates

Fig. 28: ABRE: Untapped land bank valuation

Talegaon Land Parcel (acre)	43.8
Development Potential (msf)	1.9
FSI	1.5
Total Development Potential (msf)	2.9
Rate (INR saleable)	2,500
GAV (INR bn)	7.2
EBITDA Margin	25%
NAV (INR bn)	1.8
Kalyan Land Parcel (acre)	110.4
Development Potential (msf)	4.8
FSI	1.5
Total Development Potential (msf)	7.2
Rate (INR saleable)	4,000
GAV (INR bn)	28.9
EBITDA Margin	25%
NAV (INR bn)	7.2
Prabhadevi Land Parcel (acre)	1.8
Development Potential (msf)	0.1
FSI	5.0
Total Development Potential (msf)	0.4
Rate (INR saleable)	40,000
GAV (INR bn)	15.7
EBITDA Margin	45%
NAV (INR bn)	7.1
Century Bhavan Land Parcel	
Total Development Potential (msf)	0.4
Rate (INR saleable)	55,000
GAV (INR bn)	22.0
EBITDA Margin	50%
NAV (INR bn)	11.0
Gross Land Bank Value (INR bn)	27
Discount	20%
Net Land Bank Value (INR bn)	22

Source: Company data, Nomura estimates

Fig. 29: NAV premium of Godrej Properties

Residential, Commercial and DM Contract Valuation									
	Inventory Pipeline (msf)	Realizations (INR/sf)	Total remaining GDV (INR mn)	Assumed dev span (yr)	Cost of capital	EBITDA Margin Assumption	Tax rate	NAV Surplus (NPV of future profits) INR mn	
Residential and commercial pipeline									
Residential Pipeline	114.7	12,000	1,376,640	5	11%	27%	25%	206,061	
Commercial Pipeline	5.5	6,000	32,820	5	11%	27%	25%	4,913	
Pending Residual Collections			332,000	3	11%	27%	25%	54,764	
NAV of residential and commercial pipeline (A)			1,741,460						265,737
Development Management									
Vikhroli DM contract (10% DM Fee on realizations of INR18,000 psf)	100	1,800	180,000	30	11%	90%	25%	35,210	
Value of DM Contract (B)									35,210
Rental Portfolio									
Area Leased (msf)	1.97								
Average Lease Rate per month (INR)	166								
Annual Rent (INR mn)	3,924								
NOI assuming 90% Margin	3,532								
Post tax NOI at 25% tax rate	2,649								
Value of annuity portfolio at cap rate of 8% (C)									33,111
The Trees Hotel									
Keys	155								
Tariff Assumed (INR)	15,000								
Total Revenue assuming additional 75% in FB and 70% Occupancy (INR mn)	1,040								
EBITDA margin	55%								
EBITDA (INR mn)	572								
Target EBITDA multiple	30								
Enterprise Value for the Trees Hotel (D)									17,153
						Enterprise Value (A + B + C + D)		351,210	
						Net Debt		74,320	
						Equity Value		276,890	
						Market Cap		880,640	
						Premium to NAV		218%	

Note: Calculations are based on company earnings transcripts and publicly available information.

Source: Company data, Nomura research

Fig. 30: Sensitivity of our TP to WACC and NAV premium (INR)

		WACC			
		9%	10%	11%	12%
Premium to NAV	70%	3,641	3,475	3,279	3,119
	80%	3,855	3,680	3,472	3,302
	90%	4,069	3,884	3,665	3,485
	100%	4,283	4,088	3,857	3,669

Source: Nomura estimates

Based on FY25 residential EV/embedded EBITDA multiple (for FY25), our TP would imply a 43-67% premium over peers, which we consider fair considering stronger growth outlook

Based on residential EV/embedded EBITDA (for FY25), peers such as DLF [DLFU IN, NR] and Macrotech Developers (MDL; [LODHA IN, Buy]) look expensive on EV/embedded EBITDA valuation, mainly because of their large untapped land bank potential (DLF has a large land bank in North India with a development potential of +130msf while MDL has a +4,300-acre land parcel in Palava and Thane which has a +600msf potential). As such, for DLF/MDL while the EV takes into consideration the future development potential of such land parcels, embedded EBITDA is based on the current pre-sales, which in turn leads to the high EV/EBITDA.

As such, we think Godrej Properties (GPL IN, NR; pan-India residential player) and Prestige Estates (PEPL IN, NR; strong presence in Bangalore, Hyderabad and Mumbai) provide a fairer comparison with ABRE. ABRE currently trades roughly at par with peers such as Godrej Properties and ahead of Prestige Estates.

Based on our TP of INR3,700, our implied residential EV/embedded EBITDA (for FY25F and FY26F) multiple would imply 43%/67% (for FY25) and 5%/23% (for FY26F) premium vs Godrej properties/Prestige Estates. Thanks to the low base, we expect ABRE's pre-sales to grow +87% y-y/33% y-y, much faster than Godrej or Prestige (~20% growth rate on the high base). As such, we think the premium is fair considering the strong visibility on the growth outlook.

Fig. 31: Residential EV/embedded EBITDA

Company	Market Cap	Net Debt	EV	Non-Residential	Residential EV	FY25 Presales	Embedded EBITDA margins	FY25 Embedded EBITDA	Residential EV/EBITDA (Based on FY25 Embedded EBITDA)	FY26 Presales	Embedded EBITDA margins	FY26 Embedded EBITDA	Residential EV/EBITDA (Based on FY26 Embedded EBITDA)
(INR bn)	(A)	(B)	(C) = (A) + (B)	(D)	(E) = (C) - (D)	(F)	(G)	(H) = (F) * (G)	(I) = (E) / (H)	(J)	(K)	(L) = (J) * (K)	(M) = (E) / (L)
Aditya Birla Real Estate	319	39	358	45	314	75	30%	23	14	105	35%	37	9
Godrej Properties	881	74	955	50	905	265	27%	72	13	318	27%	86	11
Prestige Estates	817	81	898	277	621	250	23%	58	11	300	23%	69	9
Macrotech Developers	1,220	49	1,269	46	1,223	175	32%	56	22	210	32%	67	18
DLF	2,160	(37)	2,123	537	1,586	170	45%	77	21	204	45%	92	17

Note: For FY26F, we have assumed ~20% growth rate for Godrej, DLF and Prestige

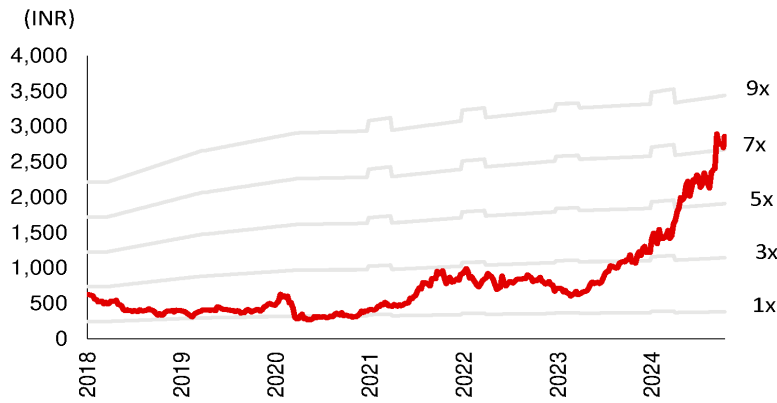
Source: Company data, Nomura estimates' Note: Bloomberg Finance L.P. consensus estimates for not rated stocks. Priced as of 15 October 2024

Fig. 32: RE peer comps

Company	M/Caps (USD mn)	Rating	Local Price 15-Oct	YTD per (%)	Pre-Sales (INR bn)								PBR (x)		EV/EBITDA (x)		PER (x)		EBITDAM (%)		ROE (%)		Net Debt/ Equity		
					FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F
Aditya Birla Real Estate	3,799	Buy	2,858	133.8					5	6	19	22	40	7.5	7.2	65.6	85.6	142.2	250.8	11.3	9.9	5.5	2.9	92.3	107.9
Godrej Properties	10,412	N.R	3,147	56.3	50	20	51	53	59	67	79	122	225	7.7	6.7	105.5	81.6	67.9	58.3	18.7	18.2	11.7	12.6	58.9	73.5
Prestige Estates	9,751	N.R	1,902	61.4	31	25	33	46	44	55	104	129	210	5.7	5.2	28.9	23.7	76.4	56.2	29.5	30.6	8.3	9.9	58.0	60.6
Macrotech Developers	14,508	Buy	1,225	19.7					66	60	90	121	145	6.1	5.3	32.3	24.9	45.7	35.0	28.4	28.9	14.2	16.2	21.3	23.8
DLF Ltd.	25,787	N.R	875	20.5	32	21	17	24	25	31	73	151	148	5.2	4.9	73.6	57.6	63.0	50.8	39.3	40.0	8.5	9.9	(9.1)	(8.2)

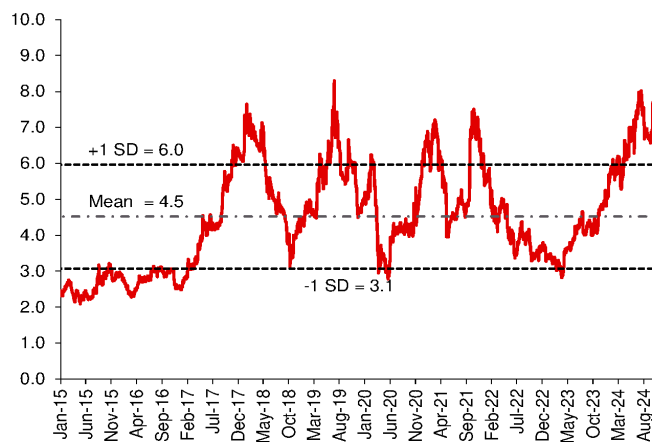
Source: Company data, Nomura estimates. Note: Bloomberg Finance L.P. consensus estimates for Not rated stocks. Priced as of 15 October 2024

Fig. 33: ABRE P/B trend



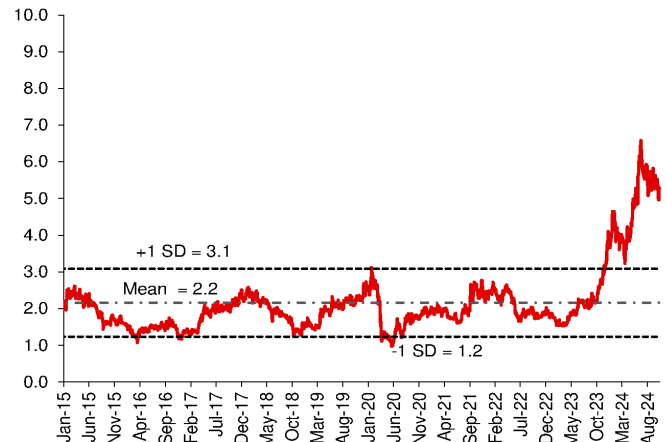
Source: Bloomberg Finance L.P., Nomura estimates

Fig. 34: Godrej Properties price/book trend



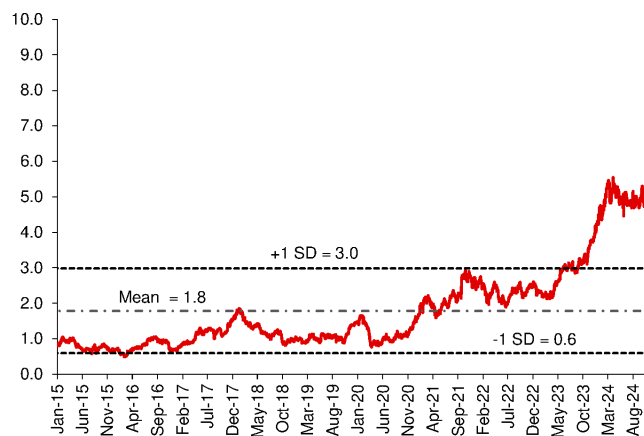
Source: Bloomberg Finance L.P.

Fig. 35: Prestige Estate price/book trend



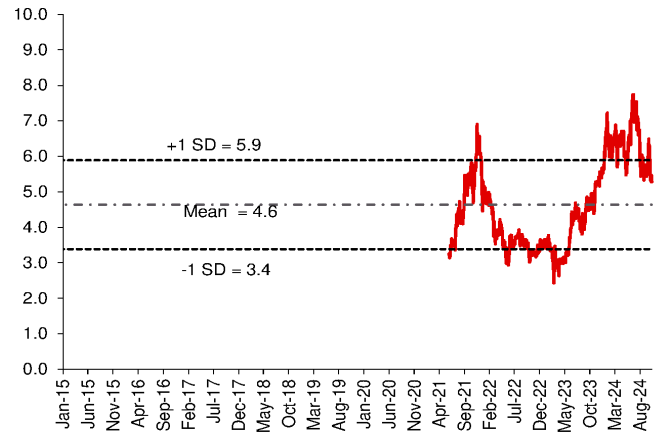
Source: Bloomberg Finance L.P.a

Fig. 36: DLF price/book trend



Source: Bloomberg Finance L.P.

Fig. 37: Lodha price/book trend



Source: Bloomberg Finance L.P.

Key risks

1. Weaker-than-expected execution for projects on the Worli Land Parcel: Given the strong dependency on the project, any delays or unforeseen challenges could have a significant negative impact.
2. Failure to succeed in all micro-markets: While the company has exhibited strong performance so far in Mumbai and Bangalore, its planned entry into the Pune and NCR real estate markets in FY25. Weaker-than-expected performance in these new markets are key risks.
3. Downturn in the RE cycle in India: Given the company is a pan-India play, a downturn in the RE cycle in India is a key risk in our view.

Company profile

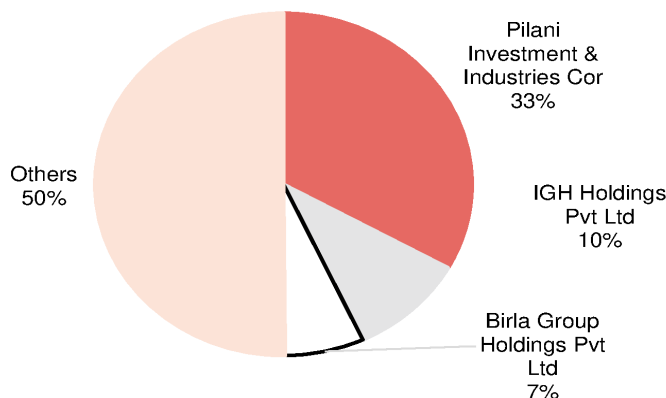
Aditya Birla Real Estate (previously known as Century Textile and Industries Ltd.) is the real estate arm of the Aditya Birla Group. The company has been present since 1897 in diverse industries such as cement, paper, textile etc. After the discontinuation of the textile business, the company has two key business segments: 1) real estate under its subsidiary Birla Estates; and 2) the pulp and paper segment. The company forayed into the real estate space in 2016. Going forward, ABRE aims to focus largely on the real estate segment, which can be inferred from the change in the name of the company.

Fig. 38: ABRE: Company history

Period	Events
1897	Late Shri Nowrosjee N. Wadia founded 'The Century Spinning & Manufacturing Co. Ltd.' as a one-plant company to process cotton
1951	The B.K. Birla Group took over the business of 'The Century Spinning & Manufacturing Co. Ltd.'
1954	The Rayon division was established with a plant in Kalyan, near Mumbai, to manufacture man-made fibres
1974	Entered the cement sector as Century Cements
1984	The Group entered the pulp and paper sector with a plant spread over 400 acres of land in Lalkuan, Uttar Pradesh
1987	To reflect different industrial activities, the company was renamed as 'Century Textiles and Industries Ltd'
1994	Established its first vertically integrated cotton yarn unit with 24,960 spindles
1997	Gross Sales touched INR19.91bn
2008	Established a 100-acre textile mill in Bharuch, Gujarat
2016	Entered the Realty sector with Birla Estates. Launched LifeDesigned workspaces — Birla Aurora and Birla Centurion
2019	Launched Birla Vanya — Birla Estates' first LifeDesigned residential spaces
2019	Demerger of Cement Division to Ultra Tech
2023	Company discontinued operations of Bharuch Textile Business Division
2024	Company renamed to 'Aditya Birla Real Estate'

Source: Company data, Nomura research

Fig. 39: ABRE: Shareholding structure

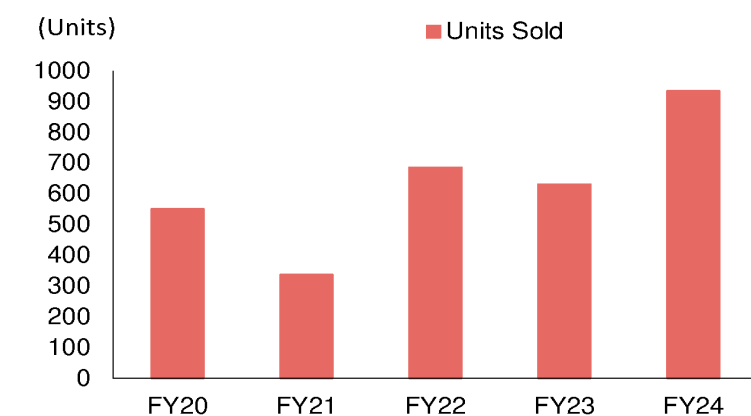


Source: Bloomberg

Below we describe key business segments of the company:

- Real estate segment under subsidiary Birla Estates:** Birla Estates Private Limited, a 100% wholly-owned subsidiary of Century Textiles and Industries Limited (presence in real estate, textiles and pulp & paper) is the real estate venture of the Aditya Birla Group. It forayed into real estate in 2016. Birla Estates focuses on four key markets in India – MMR, Bengaluru, NCR and Pune and aims to develop premium/higher mid-income residential housing. The company is developing owned land parcels (group-owned and bought-out) as well as projects through joint ventures with landowners. In the long term, the company is focused on developing high-end residential, commercial and mixed-use properties and aims to be amongst the top 5 real estate companies in India. The company thinks its focus on efficiency in design, customer centricity, sustainability and execution excellence will differentiate its offerings from those of its competitors.

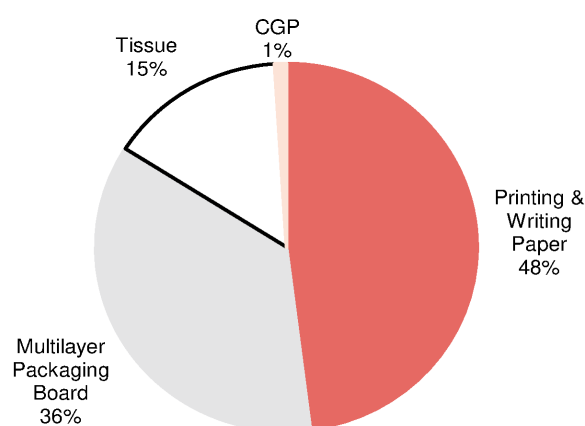
Fig. 40: ABRE: RE segment: Units sold trend



Source: Company data, Nomura research

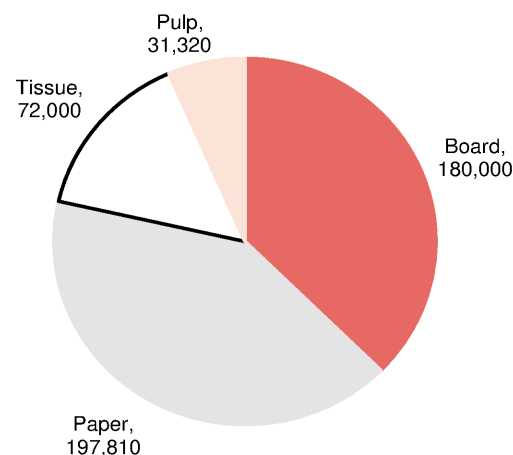
- Pulp and paper segment:** Century Pulp & Paper is among India's largest single-location integrated pulp & paper producers of renewable, recyclable and eco-friendly, excellent quality writing and printing paper, tissue and board, as well as Century Green Pulp (CGP) products. Established in 1984, the company manufactures international-grade products and is now a leading player in India's pulp and paper industry. The company's product portfolio includes: 1) writing and printing paper, 2) multi-layer packaging board, 3) tissue, and 4) century green pulp (CGP). The company aims to invest INR10bn over the next three-five years on growth plans.

Fig. 41: ABRE: Pulp & paper segment revenue mix



Note: As of FY24
Source: Company data, Nomura research

Fig. 42: ABRE: Pulp & paper segment production capacity break-up (Tons/year)



Note: As of FY24
Source: Company data, Nomura research

Key BOD members and KMP profile

Fig. 43: Century Textiles: Key board of directors (BOD) and key managerial personnel (KMP) profile

Key BOD member	Designation	Profile
Kumar Mangalam Birla	Chairman	Spearheads the global conglomerate, Aditya Birla Group (ABG). Mr. Birla is the Chancellor of the Birla Institute of Technology & Science (BITS). He is Chairman of IIT-Delhi, IIM-Ahmedabad and the Rhodes India Scholarship Committee for Oxford University. He serves on the London Business School's Asia Pacific Advisory Board and is an Honorary Fellow of the London Business School. A qualified Chartered Accountant, Mr. Birla also holds a management degree from the London Business School.
R.K. Dalmia	Managing Director, ABRE	A chartered accountant by qualification, Mr. Dalmia has been with the Group for the last four decades. Under his stewardship, the mill went on to win numerous accolades from the textile industry. Mr. Dalmia played a vital role in setting up two new divisions of the Company, i.e. Century Yarn and Century Denim in 1993 and 1997, respectively. As the textiles industry moved out of Mumbai, he was instrumental in the establishment of the current textile plant at Bharuch and also led the development of commercial building 'Birla Centurion' on the erstwhile Century Mill's land at Worli, Mumbai where a new real estate project 'Birla Niyaara' is being developed. He is also a Director on the Board of Birla Estates Private Limited, a wholly owned real estate subsidiary of the Company.
Key Managerial Personnel	Designation	Profile
K. T. Jithendran	Chief Executive Officer & Managing Director, Birla Estates	He has over 26 years of work experience in the realty sector. Prior to joining Birla Estates, he was involved with Godrej Properties Limited (GPL) as an Executive Director. He has led most functions within the company while managing growth as well as building a strong talent team. A civil engineer from IIT Kharagpur, Mr. Jitendran also completed postgraduate diploma in Management from IIM Kolkata and an advanced management programme from Harvard Business School.
Ajay Kumar Gupta	Chief Executive Officer (CEO), Century Pulp & Paper	He is currently the Unit Head, Harihar Polyfibers Division, P&F, Grasim Industries. He started his career in 1987 with Aditya Birla Group at Grasim GCD, Nagda and has worked in multiple roles before moving to PT Indonesia in 2006. Between 2013 and 2017 he worked with other noted organizations like RGE Group, Archean Group Company, and Indo Rama Synthetics (I) Ltd. With 30+ years of experience, he rejoined the Group in 2017 as Unit Head, Harihar Polyfibers Division. He holds Doctor of Philosophy (PhD) from Amity Univ., Rajasthan (AUR), Master of Engineering degree from Birla Inst of Tech & Science, Diploma in Business Management from All India Inst of Management Studies and has completed Senior Management Program from IIM, Bangalore.

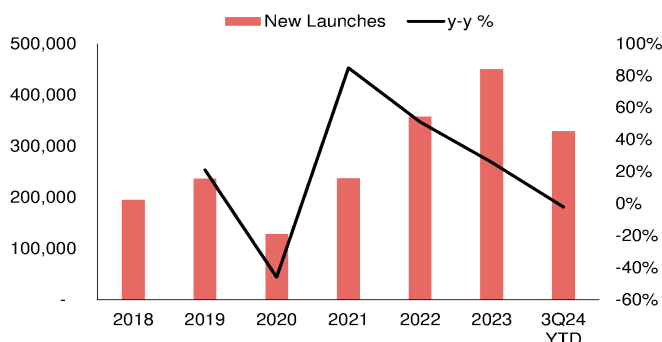
Source: Company data, Nomura research

Appendix: India RE market likely to be resilient going forward

According to Anarock research, between 2020-2023, pan India residential housing supply has grown at a 75% CAGR. However, absorptions have also recorded a 51% CAGR. Despite the high base, we expect the India RE market to remain resilient in the long-term for multiple reasons:

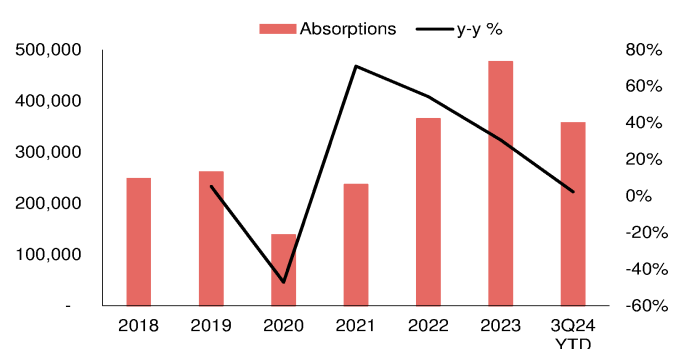
- 1. India GDP growth** – India is among the fastest-growing large economies in the world ([link](#)). Strong domestic fundamentals, financial year policies emphasizing capital expenditure, and structural reforms have bolstered economic stability.
- 2. Improving education levels and per capita income** – Improvement in overall education level leads to better job prospects and enhancement in standards of living. With improvements in socioeconomic parameters, India's gross national income (GNI) has also increased at a CAGR of over 5-6% over the financial years 2014-2023 ([link](#)), and is expected to grow at similar/ faster rates till 2031E and drive demand for real estate development ([link](#)).
- 3. Urbanization and urban housing shortage** – It is a globally established fact that demographic shifts fundamentally affect the demand for real estate. Along with rising population, India's urbanization rate is also increasing at a fast pace. According to UNDP projections, by 2046 approximately 50% of the population in India will be urban. However, rapid urbanization is expected to drive the demand for housing, offices and other real estate asset classes in the medium-to-long term. UNDP has projected that there will be eight cities with a population of 10mn and above by 2035 in India, highlighting the unmet housing demand.
- 4. Growing income levels impacting housing demand in India** – A World Economic Forum report predicts India's transition from a bottom-of-the-pyramid to a middle-class economy, with over 100mn households moving to the upper mid-income and higher income brackets by 2030.
- 5. Improving demographic dividend** - According to a United Nations Population Fund (UNFPA) report, India had 61% of its population aged 15-59 in 2011, a figure set to peak by 2036 at approximately 65%. This increase in the young population has led to a declining dependency ratio, marking India's entry into a demographic dividend phase.
- 6. Reforms in the real estate sector** – Reforms Real Estate (Regulation and Development) Act, 2016 (RERA), GST Implementation, Demonetization have increased transparency in the real estate sector, with most of the industry having adjusted to these reforms over the past few years.

Fig. 44: India - Top 7 cities new residential housing supply trend



Note: Top 7 cities are - NCR, Mumbai, Bengaluru, Pune, Hyderabad, Chennai and Kolkata
Source: Anarock research, Nomura research

Fig. 45: India - Top 7 cities residential housing absorption trend



Note: Top 7 cities are - NCR, Mumbai, Bengaluru, Pune, Hyderabad, Chennai and Kolkata
Source: Anarock research, Nomura research

Appendix A-1

Analyst Certification

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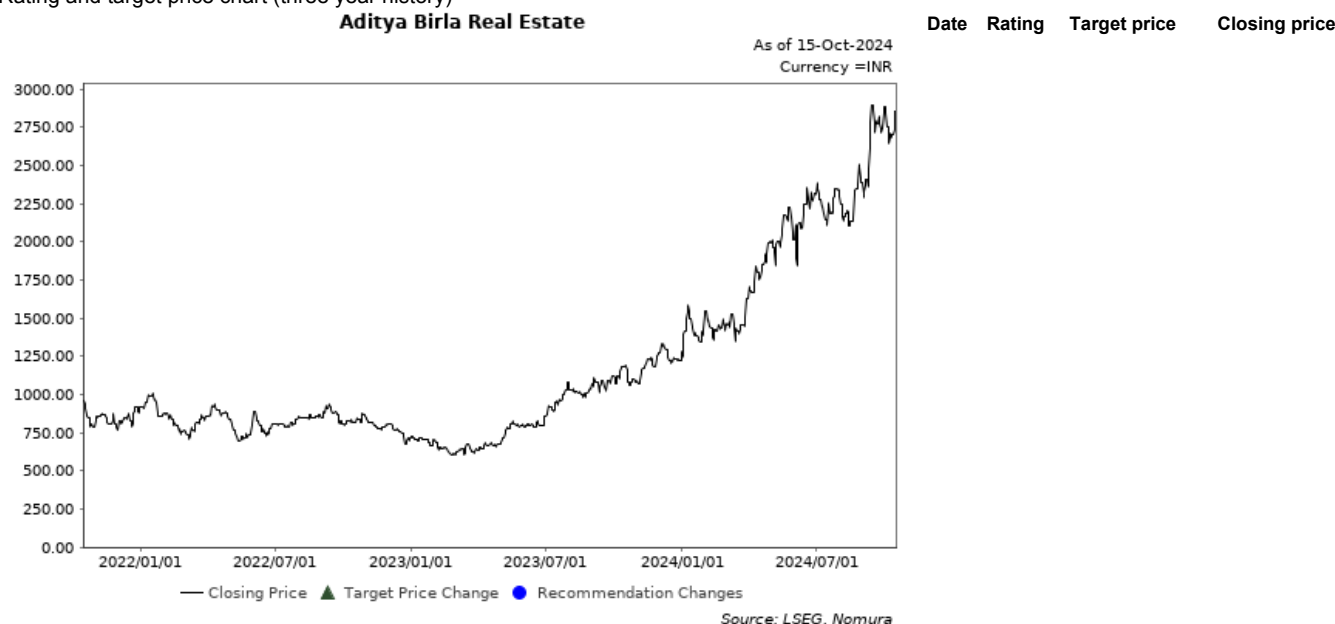
Materially mentioned issuers

Issuer	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
Aditya Birla Real Estate	ABREL IN	INR 2,858	15-Oct-2024	Buy	N/A	

Aditya Birla Real Estate (ABREL IN)

INR 2,858 (15-Oct-2024) Buy (Sector rating: N/A)

Rating and target price chart (three year history)



For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology Our TP of INR3,700 is based on SOTP where we add: 1) NAV of the company's RE project pipeline, 2) value of RE annuity assets, 3) value of untapped land bank, and 4) value of the company's paper and pulp business. We add a premium to NAV based on BD potential, based on the premium of other competitors. The benchmark index for the stock is NIFTY 50.

Risks that may impede the achievement of the target price Key downside risks 1) are poor execution of projects related to the Worli Land Parcel 2) weaker than expected expansion in Pune or Delhi 3) downturn in the real estate cycle.

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As at 30 September 2024.

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