

EQUITY: PROPERTY

Lower TP to INR2,700; maintain Buy

Management appears confident of launching INR80bn in projects in 4QFY25

Action: Cut TP to INR2,700; maintain Buy

ABREL's share price has corrected 27% YTD (vs Nifty50's -3%; and roughly at par with peers Godrej Properties (GPL IN, NR), -25%; Oberoi Realty (OBER IN, Buy), -22%; Macrotech Developers (LODHA IN, Buy), -22%; and Prestige Estates (PEPL IN, NR), -20%) amid: (1) delayed project launches, (2) negative SC verdict ([link](#)), and (3) elevated market volatility. Nevertheless, we retain Buy on ABREL as: (1) management appears confident of launching INR80bn in projects in 4QFY25F to meet its FY25F pre-sales guidance of INR70bn; (2) the company has a robust FY26F pipeline to reach INR90-100bn in presales; and (3) we believe ABREL has bandwidth to support new business development (BD) well into FY26F due to its resilient collection momentum. We cut our FY25F/FY26F EPS by 30%/22% owing to the weakness in the Pulp and paper segment where 3QFY25 EBITDA declined -79% y-y on higher-than-expected cost pressure and lower-than-expected sales realizations. We reduce TP to INR2,700 (from INR3,100) as we cut our target premium to residential NAVs to 45% (from 70%) to account for the heightened volatility.

Management maintains ~INR70bn pre-sales target for FY25F; five projects to be launched in 4QFY25F (three in February) with cumulative GDV of ~INR80bn

Management maintains its INR70bn pre-sales target for FY25E (vs INR40bn in FY24, and INR24bn in 9MFY25). This would imply INR46bn in presales for 4QFY25F. While the company had planned to launch the Sangamwadi (Pune) in 3QFY25, the project was delayed due to regulation changes in Pune. ABREL now aims to begin the launch momentum from February 2025 with the Pune project, Trimaya (Phase 3) and Sec 31 (NCR). This would be followed by projects in Sarajapur (Bangalore) and Navya (Gurugram; Phase 3). For FY26F, the company has Niyaara (Phase3), Thane project, IHP (NCR), Manjri (Pune) to help it reach presales of INR90-100bn.

We believe company has bandwidth to support new BD of upto +INR200bn GDV into FY26F without stretching balance sheet more than 1.1x net debt/ equity

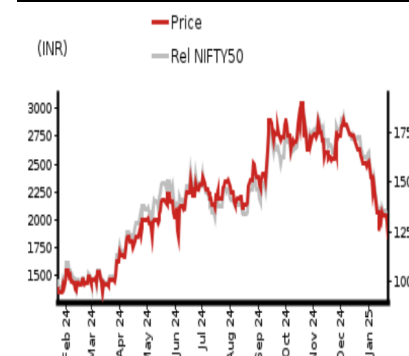
We expect ABREL to end FY25F with net debt/equity of 0.9x, with net debt at INR39bn. Management expects to maintain peak net debt/equity at 1.1x. At 1.1x FY26F net debt/equity, the company could stretch net debt to ~INR50bn. This, combined with OCF of +INR10bn in FY26F, offers a war chest of ~INR20bn for BD, with ABREAL still sitting at comfortable net debt/equity levels. Assuming 10% land cost, we estimate that it can do roughly ~INR200bn of GDV to maintain its growth outlook for future years.

Year-end 31 Mar	FY24		FY25F		FY26F		FY27F	
Currency (INR)	Actual	Old	New	Old	New	Old	New	
Revenue (bn)	45	49	44	44	45	48	46	
Reported net profit (bn)	1	2	1	1	1	2	1	
Normalised net profit (bn)	3	2	1	1	1	2	1	
FD normalised EPS	27.29	17.67	12.39	9.91	7.35	16.09	11.31	
FD norm. EPS growth (%)	61.5	-35.3	-54.6	-43.9	-40.7	62.4	53.9	
FD normalised P/E (x)	67.6	—	149.0	—	251.3	—	163.3	
EV/EBITDA (x)	35.4	—	59.9	—	66.7	—	56.5	
Price/book (x)	5.2	—	5.0	—	4.8	—	4.6	
Dividend yield (%)	0.3	—	0.3	—	0.3	—	0.3	
ROE (%)	1.5	4.8	3.4	2.6	1.9	4.0	2.9	
Net debt/equity (%)	53.0	102.7	93.2	111.4	112.4	102.6	108.2	

Source: Company data, Nomura estimates

Rating Remains	Buy
Target price Reduced from INR 3,100	INR 2,700
Closing price 22 January 2025	INR 1,846
Implied upside	+46.3%
Market Cap (USD mn)	2,363.1
ADT (USD mn)	6.9

Relative performance chart



Source: LSEG, Nomura

Research Analysts

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Key data on Aditya Birla Real Estate

Performance

(%)	1M	3M	12M		
Absolute (INR)	-29.8	-32.6	33.2	M cap (USDmn)	2,363.1
Absolute (USD)	-30.9	-34.3	28.2	Free float (%)	44.0
Rel to NIFTY50	-27.4	-26.7	26.4	3-mth ADT (USDmn)	6.9

Income statement (INRbn)

Year-end 31 Mar	FY23	FY24	FY25F	FY26F	FY27F
Revenue	38	45	44	45	46
Cost of goods sold	-21	-26	-28	-29	-28
Gross profit	18	19	16	16	18
SG&A	-14	-14	-14	-15	-15
Employee share expense					
Operating profit	4	5	2	2	3
EBITDA	6	7	4	4	5
Depreciation	-2	-2	-2	-2	-2
Amortisation					
EBIT	4	5	2	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	2	1	2
Income tax	-2	-1	0	0	0
Net profit after tax	3	3	1	1	1
Minority interests					
Other items	-1	0	0	0	0
Preferred dividends					
Normalised NPAT	2	3	1	1	1
Extraordinary items	1	-2	0	0	0
Reported NPAT	3	1	1	1	1
Dividends	0	-1	-1	-1	-1
Transfer to reserves	2	0	1	0	1

Valuations and ratios

Reported P/E (x)	77.8	341.5	149.0	251.3	163.3
Normalised P/E (x)	109.2	67.6	149.0	251.3	163.3
FD normalised P/E (x)	109.2	67.6	149.0	251.3	163.3
Dividend yield (%)	0.3	0.3	0.3	0.3	0.3
Price/cashflow (x)	76.1	—	—	63.1	14.8
Price/book (x)	5.3	5.2	5.0	4.8	4.6
EV/EBITDA (x)	38.0	35.4	59.9	66.7	56.5
EV/EBIT (x)	58.1	52.7	116.7	147.2	104.5
Gross margin (%)	46.4	41.8	36.4	36.1	39.0
EBITDA margin (%)	14.8	14.6	9.4	8.6	10.0
EBIT margin (%)	9.7	10.0	4.9	4.0	5.5
Net margin (%)	6.9	1.3	3.1	1.8	2.8
Effective tax rate (%)	34.8	32.2	25.0	25.0	25.0
Dividend payout (%)	16.9	91.8	40.0	68.1	44.2
ROE (%)	6.7	1.5	3.4	1.9	2.9
ROA (pretax %)	4.4	4.6	1.8	1.3	1.8

Growth (%)

Revenue	-7.2	17.8	-2.4	2.6	1.4
EBITDA	27.9	16.3	-37.2	-6.1	17.7
Normalised EPS	109.5	61.5	-54.6	-40.7	53.9
Normalised FDEPS	109.5	61.5	-54.6	-40.7	53.9

Source: Company data, Nomura estimates

Cashflow statement (INRbn)

Year-end 31 Mar	FY23	FY24	FY25F	FY26F	FY27F
EBITDA	6	7	4	4	5
Change in working capital	-2	-9	-13	0	10
Other operating cashflow	-1	-1	0	0	0
Cashflow from operations	3	-3	-9	3	14
Capital expenditure	-1	-2	-2	-3	-3
Free cashflow	1	-5	-11	0	11
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	11
Cash dividends	0	-1	-1	-1	-1
Equity issue					
Debt issue	5	20	21	6	-1
Convertible debt issue					
Others	-8	-8	-6	-9	-10
CF from financial acts	-4	12	15	-3	-12
Net cashflow	0	3	3	-3	-1
Beginning cash	0	0	4	7	4
Ending cash	0	4	7	4	3
Ending net debt	10	21	39	48	48

Balance sheet (INRbn)

As at 31 Mar	FY23	FY24	FY25F	FY26F	FY27F
Cash & equivalents	0	4	7	4	3
Marketable securities	0	3	3	3	3
Accounts receivable	2	2	1	2	2
Inventories	33	47	68	66	57
Other current assets	5	5	5	5	5
Total current assets	39	60	84	79	69
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	35
Total assets	85	105	135	141	143
Short-term debt	6	1	14	16	15
Accounts payable	8	7	15	13	13
Other current liabilities	20	26	26	26	27
Total current liabilities	34	35	55	55	55
Long-term debt	4	24	32	37	36
Convertible debt					
Other LT liabilities	6	6	6	6	6
Total liabilities	44	64	93	97	97
Minority interest	2	1	1	1	1
Preferred stock					
Common stock	1	1	1	1	1
Retained earnings	38	39	41	42	44
Proposed dividends					
Other equity and reserves					
Total shareholders' equity	39	40	42	43	45
Total equity & liabilities	85	105	135	141	143

Liquidity (x)

Current ratio	1.16	1.72	1.53	1.45	1.26
Interest cover	10.9	12.7	4.9	2.2	2.7

Leverage

Net debt/EBITDA (x)	1.74	3.19	9.35	12.36	10.51
Net debt/equity (%)	25.5	53.0	93.2	112.4	108.2

Per share

Reported EPS (INR)	23.72	5.41	12.39	7.35	11.31
Norm EPS (INR)	16.90	27.29	12.39	7.35	11.31
FD norm EPS (INR)	16.90	27.29	12.39	7.35	11.31
BVPS (INR)	347.97	356.23	372.67	384.12	399.53
DPS (INR)	5.00	5.00	5.00	5.00	5.00

Activity (days)

Days receivable	13.4	13.1	13.0	13.2	13.1
Days inventory	461.2	556.0	748.5	841.8	799.6
Days payable	135.7	106.8	145.7	174.5	168.1
Cash cycle	339.0	462.2	615.8	680.5	644.7

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 INR2,700 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.

3QFY25: Operational review – soft quarter in the absence of launches

- The company did ~INR7bn in presales with no projects launched during the quarter. Niyara presales came in at INR3.75bn (55% of presales), while Birla Ojasvi came in at INR1.95bn (29% of presales)
- Collections continued at a run rate of INR5bn per quarter. We expect to see a step-up in collections from 4QFY25 on the back of new launches.

Fig. 1: ABREL: 3QFY25 operational review

(INR bn)	3QFY25	3QFY24	y-y%	2QFY25	q-q%	3QFY25YTD	3QFY24YTD	y-y%
Pre Sales	6.8	1.9	252%	14.1	-52%	23.5	11.1	112%
Collections	5.0	1.8	173%	6.4	-23%	16.3	8.0	103%

Source: Company data, Nomura research

3QFY25: Earnings review

- 3QFY25 EBITDA in the Pulp and paper segment declined -79% y-y on higher-than-expected cost pressure and lower than expected sales realizations.
- Residential segment EBITDA turned red mainly on delivery of lower-margin units, while the company continues to have corporate overheads. The company follows project completion method of accounting. As such, revenue from key projects such as the Niyara will be recognized only in FY29F.

Fig. 2: 3QFY25: ABREL – earnings review

(INR bn)	3QFY25	3QFY24	y-y%	2QFY25	q-q%
Revenue	9.6	9.8	-3%	11.2	-15%
Real Estate	1.8	0.9	114%	2.5	-28%
Pulp and Paper	7.4	8.8	-16%	8.5	-13%
EBITDA	0.1	2.2	-94%	1.0	-87%
Real Estate	(0.2)	0.6	T.R	0.3	T.R
Pulp and Paper	0.3	1.3	-79%	0.6	-53%
PAT (Continuing Operations)	(0.4)	1.0	T.R	0.1	T.R
Margins					
EBITDA	1.3%	22.7%		8.8%	
Real Estate	-12.5%	73.3%		11.0%	
Pulp and Paper	3.8%	15.0%		6.9%	

Source: Company data, Nomura estimates

Fig. 3: ABREL: Launch pipeline

Project	Location	Period	msf	GDV (INR bn)
Birla Ojasvi, RR Nagar	Bangalore	2QFY25	1.01	10
Birla Anayu, Walkeshwar	Mumbai	2QFY25	0.06	5
Trimaya P2	Bangalore	2QFY25	0.73	6
2QFY25 Total				21
3QFY25 Total				-
Wellesley Road (Sangamwadi)	Pune	4QFY25	0.75	11
Sec 31	NCR	4QFY25	1.00	20
Sarjapur	Bangalore	4QFY25	2.90	27
Trimaya P3	Bangalore	4QFY25	0.80	7
Navya P3	Gurugram	4QFY25	0.55	14
Thane	Mumbai	4QFY25/ 1QFY26 (more likely in 1QFY26)	1.00	15
4QFY25 Total (ex. Thane)				79
4QFY25 Total (with Thane)				94

Source: Company data, Nomura estimates

Fig. 4: ABREL: Real estate 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	83%	83%
	Total Potential of Worli Land Parcel	100%	6.5	357	6.5	357	1.8	78	1.3	56	72%	72%
	Walkeshwar, Mumbai	100%	0.1	6	0.1	6	0.1	6	0.0	1.1	22%	19%
	Thane, Mumbai	100%	5.5	80	5.5	80						
Total			13.4	454	13.4	454	3.2	95	2.4	66		
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	98%	100%
	Trimaya	47%	3.6	24	1.7	11	1.5	11	1.4	11	96%	96%
	Alokya	100%	0.6	4	0.6	4	0.6	4	0.5	4	96%	98%
	R.R Nagar, Bangalore	100%	1.0	10	1.0	10						
	Sarjapur, Bangalore	100%	2.9	28	2.9	28	1.0	10	0.6	6	55%	55%
Total			8.7	72	6.4	56	3.7	31	3.1	26		
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			43.5	873	33.8	724	8.0	142	6.7	108		

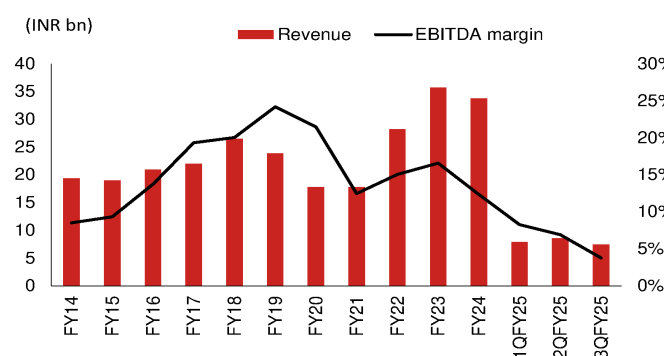
Source: Company data, Nomura estimates

Fig. 5: ABREL: Quarterly pre-sales and collection momentum

		(INR bn)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25
Total	Booking Value		2	7	2	29	3	14	7
	y-y%						27%	99%	252%
	Collections		4	3	2	5	5	6	5
	y-y%						32%	157%	173%
Vanya (Kalyan)	Booking Value		0.5	0.4	0.7	0.3	0.2	0.2	0.2
	Collections		-	-	4.3	0.9	0.5	0.3	1.0
Alokya, Bangalore	Booking Value		0.1	0.1	0.0	0.1	(0.1)	0.0	0.1
	Collections		-	-	2.2	0.6	0.2	0.7	0.2
Navya, Gurugram	Booking Value		0.8	1.1	0.4	0.5	0.0	-	-
	Collections		-	-	-	1.5	1.7	0.6	0.4
Niyaara, Worli	Booking Value		0.4	0.6	0.6	27.7	2.3	1.1	3.8
	Collections		-	-	-	1.9	2.0	3.8	1.1
Tisya, Bangalore	Booking Value		0.2	0.2	0.2	0.1	0.2	0.4	0.2
	Collections		-	-	-	0.2	0.4	0.6	0.6
Trimaya, Bangalore	Booking Value		-	4.7	0.1	0.1	-	5.7	0.5
	Collections		-	0.7	0.2	0.1	0.2	0.9	-
Birla Anayu (Walkeshwar, Mumbai)	Booking Value		-	-	-	-	-	1.1	-
	Collections		-	-	-	-	-	0.1	-
Birla Ojasvi (RR Nagar, Bengaluru)	Booking Value		-	-	-	-	-	5.6	2.0
	Collections		-	-	-	-	-	0.1	0.7

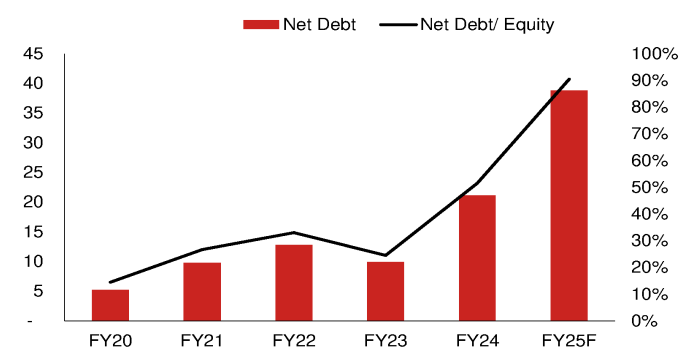
Source: Company data, Nomura research

Fig. 6: ABREL: Pulp and paper segment: Revenue and EBITDA margin trend



Source: Company data, Nomura research

Fig. 7: ABREL: Net debt and net debt/equity trend



Source: Company data, Nomura estimates

Fig. 8: ABREL: Our Direct method cash flow estimates

(INR bn)	FY24	FY25F	FY26F	FY27F
Collections	13	31	52	72
Construction and allied expense	(15)	(20)	(37)	(50)
Taxes	(1)	(1)	(1)	(1)
Operating Cash Flow	(3)	10	14	20
Interest Expense	(2)	(2)	(4)	(4)
Cash Flow available for business development	(5)	8	10	16

Source: Company data, Nomura estimates

Fig. 9: ABREL: Changes to our annual earnings forecasts

	FY25F			FY26F			FY27F		
(INRbn)	New	Old	Change	New	Old	Change	New	Old	Change
Revenue	44.04	48.67	-10%	45.20	44.14	2%	45.86	47.85	-4%
Operating Profit	2.17	2.96	-27%	1.82	2.20	-17%	2.53	3.23	-22%
EBITDA	4.15	5.15	-19%	3.90	4.23	-8%	4.59	5.39	-15%
Net Profit	1.38	1.97	-30%	0.82	1.11	-26%	1.26	1.80	-30%
Margins									
OPM	4.9%	6.1%		4.0%	5.0%		5.5%	6.8%	
EBITDAM	9.4%	10.6%		8.6%	9.6%		10.0%	11.3%	
NPM	3.1%	4.0%		1.8%	2.5%		2.8%	3.8%	
Growth									
Revenue	-2.4%			2.6%			1.4%		
Operating Profit	-51.9%			-16.1%			38.8%		
EBITDA Growth	-37.2%			-6.1%			17.7%		
Net Profit	129.1%			-40.7%			53.9%		

Source: Company data, Nomura estimates

Valuation: Cut TP to INR2,700; maintain Buy

We reduce our TP to INR2,700 (from INR3,100 previously) as we cut our target premium to residential NAVs to 45% (from 70% previously) to account for the heightened volatility.

Fig. 10: ABREL: Our SOTP valuation

	Value (INR mn)	Per Share (INR)	Notes
Residential Portfolio	188,687	1,689	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	20,362	182	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	249,197	2,231	
Net Debt	(38,813)	(347)	Based on FY25F ending net debt
Total NAV	210,384	1,883	
Premium to NAV	45%		
Target Market Cap	305,057	2,731	Rounded to INR2,700
Current Market Cap	206,198	1,846	
Upside	48%	48%	

Source: Company data, Nomura estimates

Fig. 11: MMR developers: Premium to residential NAV

Company	Rating	Net Debt	Market Cap (22 Jan)	Target Market Cap	Current EV	Target EV	Non-Residential EV	Current Residential EV	Target Residential EV	Residential NAV (including untapped land bank potential)	Current Premium to Residential NAV	Target Premium to Residential NAV
(INR bn)		(A)	(B)	(C)	(D) = (A) + (B)	(E) = (A) + (C)	(F)	(G) = (D) - (F)	(H) = (E) - (F)	(I)	(J) = (G)/(I)-1	(K) = (H)/(I)-1
Aditya Birla Real Estate	Buy	39	219	305	258	344	40	218	304	210	4%	45%
Macrotech Developers	Buy	43	1,070	1,560	1,113	1,603	46	1,067	1,557	1,057	1%	47%
Oberoi Realty	Buy	-2	641	858	639	856	210	429	646	285	50%	126%

Source: Company data, Nomura estimates

Appendix A-1

Analyst Certification

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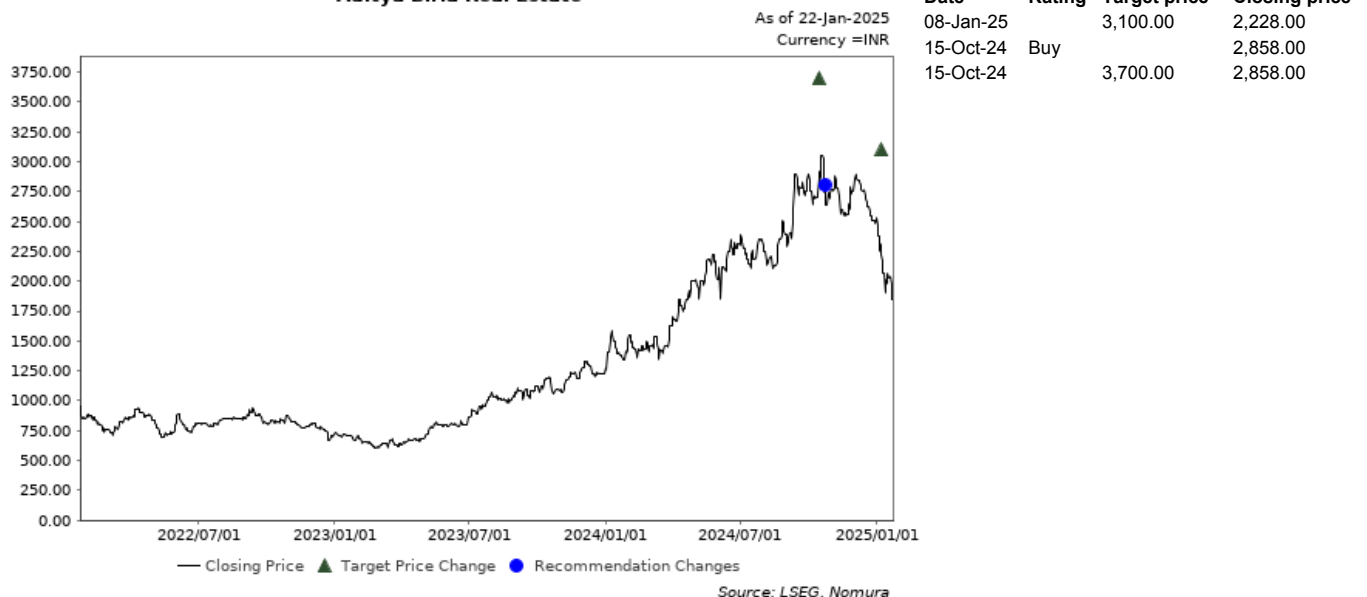
Issuer	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
Aditya Birla Real Estate	ABREL IN	INR 1,846	22-Jan-2025	Buy	N/A	

Aditya Birla Real Estate (ABREL IN)

INR 1,846 (22-Jan-2025) Buy (Sector rating: N/A)

Rating and target price chart (three year history)

Aditya Birla Real Estate



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

Valuation Methodology Our TP of INR2,700 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 31 December 2024.

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