BUY Aditya Birla Real Estate

Century and beyond

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Real Estate ▸ Initiating Coverage ▸ **June 09, 2025**

CMP (Rs): 2,356 | TP (Rs): 3,300

We initiate coverage on Aditya Birla Real Estate (ABREL) with BUY and SoTP-based TP of Rs3,300. ABREL has reported a robust booking CAGR of over 75% during FY20-25. It is set to comfortably surpass the Rs100bn mark within the next two years – a commendable milestone. Backed by a strong launch pipeline exceeding Rs450bn, incremental business development (BD), sustained demand momentum, and brand recall of *Birla Estates*, we expect pre-sales to see 25% CAGR over FY25-27E, reaching Rs126bn. Collections are anticipated to increase at a higher 32% CAGR, to Rs47bn. Paper division divestment will free up capital and management bandwidth, aiding the robust real estate scale-up. The balance sheet is likely to remain sturdy (net debt to reduce), despite rapid growth in the residential business within a short span.

Strong launch pipeline to drive 25% pre-sales CAGR during FY25-27E

ABREL's pre-sales stood at Rs81bn in FY25, registering FY20-25 CAGR of 75%. It has total launchable inventory with gross development value (GDV) potential of over Rs450bn. It has stepped up focus on growth, and targets new business development of Rs150-200bnpa across key markets—MMR, NCR, Bengaluru, and Pune (~Rs400bn added in the past two years). This would build a healthy launch pipeline over the medium term. On the back of this, ABREL expects bookings to nearly double to Rs150bn by FY28. We expect ABREL to log pre-sales at Rs126bn by FY27E – at 25% CAGR over FY25-27E.

Paper division divestment to provide growth capital for real estate

ABREL recently executed a business transfer agreement with ITC for slump sale of the paper business, for Rs35bn (completion likely in FY26). Of the proceeds, Rs20bn will be used to repay debt linked to paper assets, while the rest will fund the growth in the real estate business. We view this as a prudent move that will enable more efficient capital allocation and channelize management focus on scaling the core real estate business.

Sturdy balance sheet despite robust scale-up in real estate within a short span

Following the cement business demerger, net debt sharply fell to Rs10bn in FY19 from Rs60bn in FY15. Subsequently, despite exponential growth in the real estate business, the net debt increase was limited to Rs36bn (FY25), led by sharp rise in collections (to Rs27bn in FY25; ~100% CAGR). Collections from the real estate business are likely to see 32% CAGR over FY25-27E, while the paper business sale would generate additional cash flows, and help reduce net debt to Rs20bn by FY27E despite new project additions.

We initiate coverage on ABREL with BUY

We value ABREL's residential business at 11.5x embedded EV/EBITDA (~5Y average) and its commercial business at 8% cap rate; we factor in FY27E net debt at ~Rs20bn. The valuation implies 75% premium to residential NAV, justified by the expected continuation of project additions over the mid-term (further boosting NAV). We initiate coverage with BUY and SoTP-based TP of Rs3,300. We see scope for upward re-rating with sustained project additions and more asset-light platform deals (eg Mitsubishi) in the medium term.

Target Price – 12M	Mar-26
Change in TP (%)	**NA**
Current Reco.	BUY
Previous Reco.	NA
Upside/(Downside) (%)	40.1

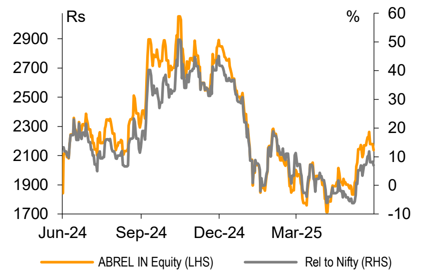
Stock Data	**ABREL IN**
52-week High (Rs)	3,142
52-week Low (Rs)	1,638
Shares outstanding (mn)	111.7
Market-cap (Rs bn)	263
Market-cap (USD mn)	3,073
Net-debt, FY26E (Rs mn)	23,126.5
ADTV-3M (mn shares)	0
ADTV-3M (Rs mn)	393.1
ADTV-3M (USD mn)	4.6
Free float (%)	0.0
Nifty-50	25,003.1
INR/USD	85.6

Shareholding, Mar-25	
Promoters (%)	50.2
FPIs/MFs (%)	9.3/15.9

Price Performance

(%)	1M	3M	12M
Absolute	25.6	20.2	11.9
Rel. to Nifty	22.5	8.4	2.1

1-Year share price trend (Rs)



Aditya Birla Real Estate: Financial Snapshot (Consolidated)					
Y/E FY25 (Rs mn)	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**
Revenue	38,318	45,135	12,189	5,446	17,297
EBITDA	5,687	6,612	296	(52)	4,213
Adj. PAT	1,377	505	(373)	(646)	1,011
Adj. EPS (Rs)	12.3	4.5	(3.3)	(5.8)	9.1
EBITDA margin (%)	14.8	14.6	2.4	(1.0)	24.4
EBITDA growth (%)	27.9	16.3	(95.5)	0	0
Adj. EPS growth (%)	(17.3)	(63.3)	0	0	0
RoE (%)	3.6	1.3	(1.0)	(1.6)	2.4
RoIC (%)	4.2	6.4	(0.2)	(0.9)	4.8
P/E (x)	96.8	520.6	(163.1)	78.5	260.3
EV/EBITDA (x)	47.8	42.5	950.0	(5,404.3)	66.7
P/B (x)	6.8	6.6	6.9	6.4	6.3
FCFF yield (%)	0.6	(1.7)	(5.0)	6.5	0.5

Source: Company, Emkay Research

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Exhibit 1: Real estate segment overview

Source: Company, Emkay Research; Note: Project potential includes Rs173bn cumulative sales recorded as of FY25 and Rs60-70bn unsold inventory

Exhibit 2: Projects already launched

Region	Project	Launch Period	Land Area (acres)	Saleable area (msf)	Area launched (msf)	Area sold (msf)	% Area sold	Booking value (Rs bn)	Collections (Rs bn)	% Collected	Share (%)
MMR	Birla Vanya (Kalyan)	Q1FY20	22.0	1.3	1.3	1.2	86%	9.2	8.1	87%	100%
	Birla Niyaara (Worli)	**P-1:** Q4FY22 **P-2:** Q4FY24	14.0	2.5	1.8	1.4	79%	63.8	20.6	32%	100%
	Birla Anayu (Walkeshwar)	Q2FY25	0.2	0.1	0.1	0.0	57%	2.8	0.5	19%	100%
Pune	Birla Punya (Sangamwadi)	Q4FY25	5.8	1.6	0.3	0.2	71%	3.1	0.2	6%	100%
Bengaluru	Birla Alokya (Whitefield)	Q3FY20	8.0	0.6	0.6	0.5	98%	3.9	3.9	100%	100%
	Birla Tisya (Rajajinagar)	Q3FY22	5.0	0.7	0.7	0.7	100%	6.5	4.6	71%	40%
	Birla Trimaya (Devanahalli)	**P-1:** Q2FY24 **P-2:** Q2FY25 **P-3:** Q4FY25	52.0	3.6	2.3	2.0	87%	16.4	3.4	21%	47%
	Birla Ojasvi (RR Nagar)	Q2FY25	10.4	1.0	1.0	0.8	79%	8.0	1.4	17%	100%
	Birla Evara (Sarjapur)	Q4FY25	28.6	2.9	2.9	0.8	29%	8.7	0.4	5%	51%
Gurugram (NCR)	Birla Navya (GCER)	Q3FY21	48.0	1.9	1.6	1.3	82%	18.5	9.5	51%	50%
	Birla Arika (Sector-31)	Q4FY25	13.3	2.4	1.4	1.4	97%	31.5	2.0	6%	63.5%
Total			**207.2**	**18.5**	**14.0**	**10.4**	**74%**	**172.6**	**54.7**	**32%**	

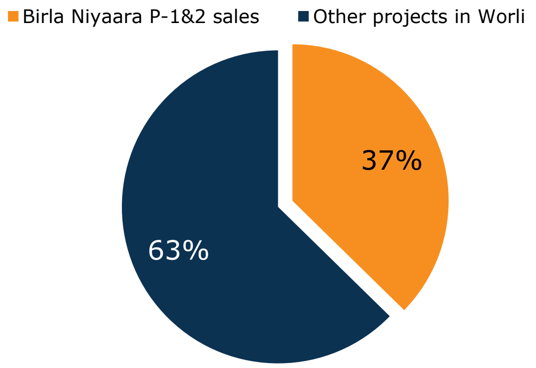
Source: Company, Emkay Research

Exhibit 3: Size in terms of pre-sales is now more than that of several industry veterans, only lagging Godrej Properties, Prestige Estates, DLF, Macrotech, and Signatureglobal

Pre-sales (Rs bn)	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Aditya Birla Real Estate						4.6	6.2	19.1	21.8	39.9	80.9
Oberoi Realty	17.6	23.5	15.2	13.1	17.5	12.6	32.8	38.9	32.2	39.4	52.6
Brigade	14.2	12.5	9.6	9.0	16.4	23.8	27.7	30.2	41.1	60.1	78.5
DLF	38.5	31.5	11.6	10.0	24.4	24.9	30.8	72.7	150.6	147.8	212.2
Godrej properties	26.8	50.4	20.2	50.8	53.2	59.2	67.3	78.6	122.3	225.3	294.4
Macrotech Developers	78.0	64.0	85.0	81.3	71.6	65.7	60.0	90.0	120.1	145.2	176.3
Prestige Estates	50.1	31.5	24.6	33.1	45.6	45.6	54.6	103.8	129.3	210.4	170.2
Purvankara	14.7	9.1	11.7	18.8	21.0	17.1	22.0	24.1	31.1	59.1	50.1
Sobha	22.3	21.5	20.1	28.6	31.2	28.8	31.4	38.7	52.0	66.4	62.8
Sunteck Realty	5.1	5.5	6.5	5.9	12.0	12.2	10.2	13.0	16.0	19.2	25.3
Mahindra Lifespace	7.1	8.4	5.4	6.1	10.2	6.7	7.0	10.3	18.1	23.3	28.0
Kolte Patil	16.8	12.6	12.2	12.0	14.3	13.3	12.0	17.4	22.3	28.2	27.9
Arvind Smartspaces		0.7	0.9	1.1	2.8	2.9	5.3	6.0	8.0	11.1	12.7
Signatureglobal India							16.9	25.9	34.3	72.7	102.9

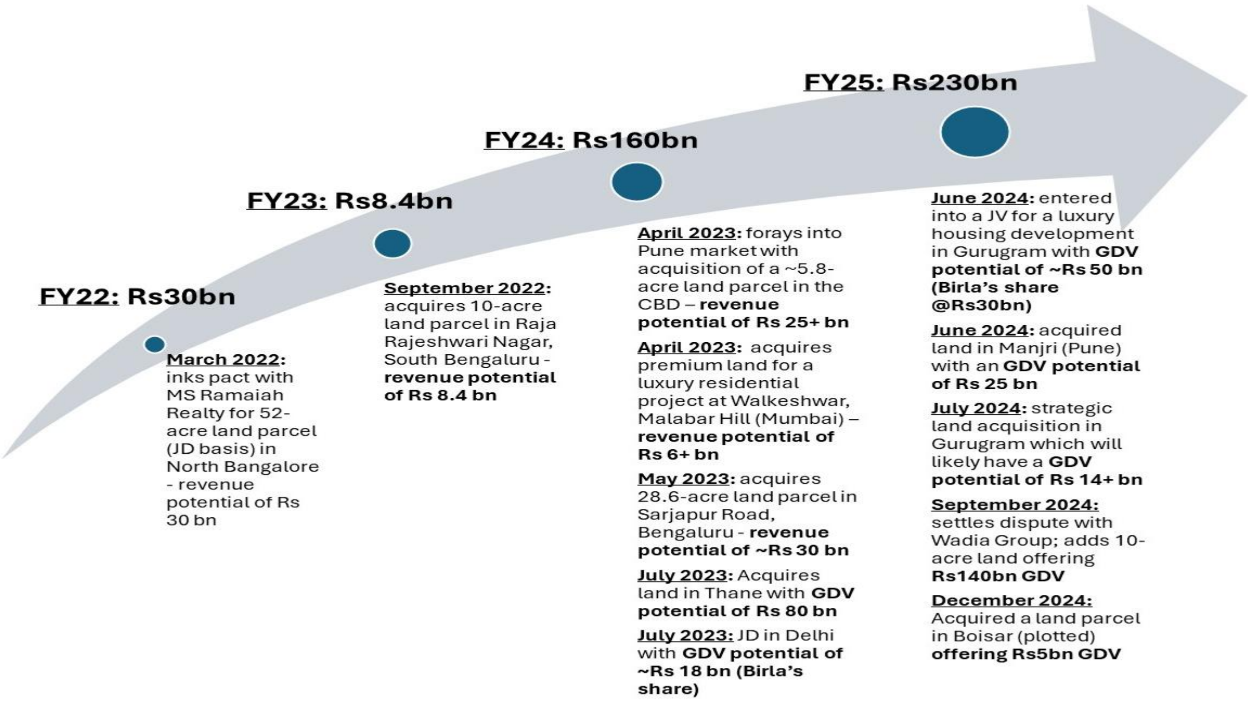
Source: Company, Emkay Research; Note: FY15/16/17 pre-sales for Macrotech taken from media articles

Exhibit 4: Share of Niyaara in total units sold in Worli during CY22-Q1CY25



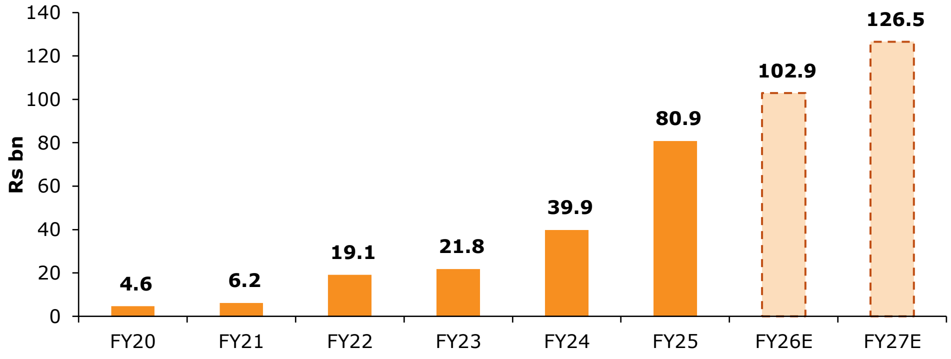
Source: Company, PropEquity, Emkay Research

Exhibit 5: Quantum of new business development stepped up



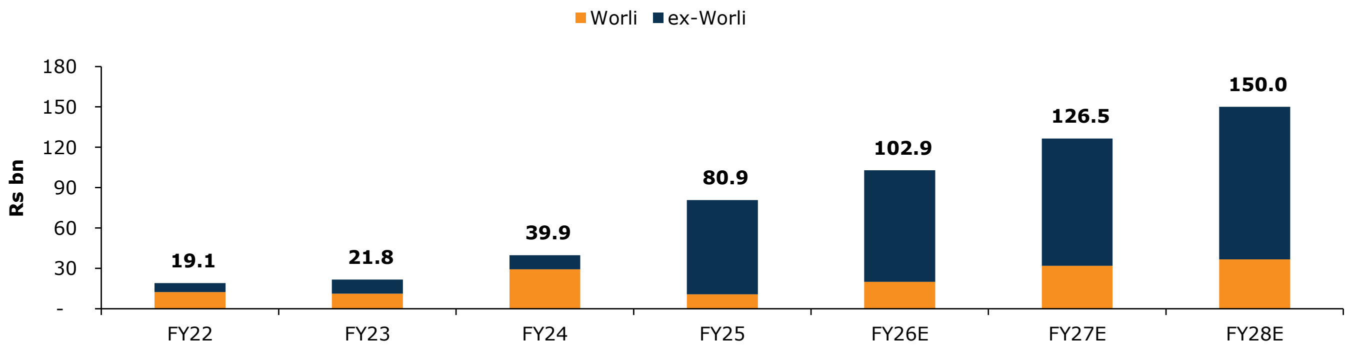
Source: Company, Emkay Research

Exhibit 6: Pre-sales expected to clock CAGR of 25% during FY25-27E, growing to Rs126bn



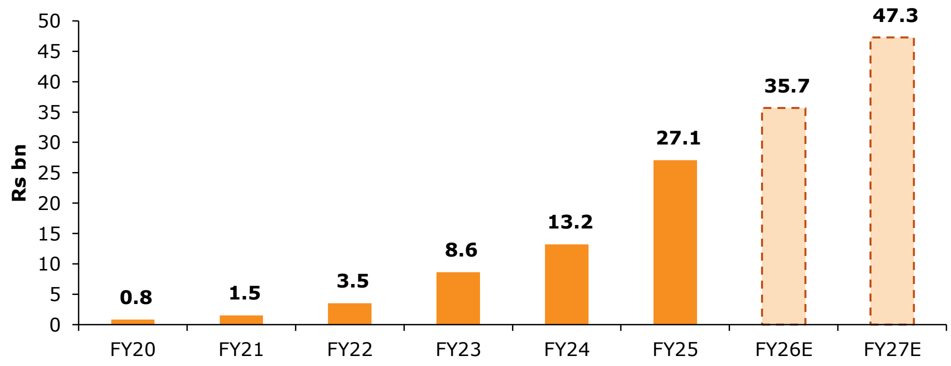
Source: Company, Emkay Research

Exhibit 7: Pre-sales mix to be more broad-based with Worli's contribution envisaged at <30% over the next 2-3 years



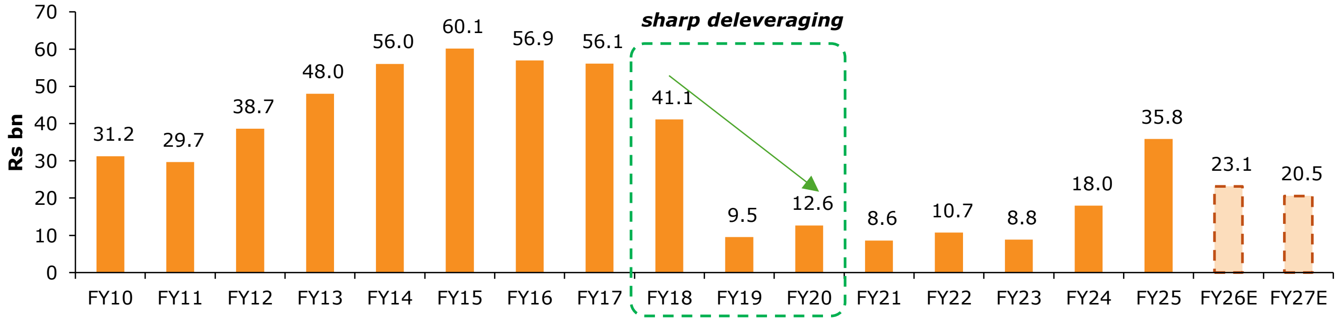
Source: Company, Emkay Research; Note: FY28E pre-sales indicated in the chart are the company's target (not Emkay estimate) and the share of Worli is arrived at based on sales assumptions, considering the launch timelines of projects by ABREL in this micro-market

Exhibit 8: Collections CAGR expected at 32% over FY25-27E



Source: Company, Emkay Research

Exhibit 9: Net debt to reduce from FY26E, with the paper division divestment as well as strong collections from the real estate business



Source: Company, Emkay Research

Investment thesis

We initiate coverage on Aditya Birla Real Estate (ABREL) with a BUY and a SoTP-based TP of Rs3,300. The company has shown an impressive performance, delivering a robust bookings CAGR of >75% during FY20-25. It is poised to comfortably surpass the Rs100bn mark over the next two years—a remarkable milestone. Driven by a strong >Rs450bn launch pipeline, continued incremental business development (BD), sustained demand momentum, and strong brand recall of *Birla Estates*, we expect bookings to grow to Rs126bn, at 25% CAGR; collections are anticipated to see a higher CAGR of 32% over FY25-27E, growing to Rs47bn. The paper division divestment is expected to aid the rapid real estate scale-up (by making funds available and freeing up management bandwidth). Despite the strong growth in the residential business within a short span of time, ABREL's balance sheet is expected to remain sturdy, with net debt projected to decline from FY26E.

Robust scale-up in residential business: Despite being a relatively new entrant in the residential segment, ABREL has strongly ramped up operations, with bookings seeing an impressive >75% CAGR over FY20-25, growing to ~Rs81bn. The company has witnessed strong demand for projects across all its core markets—MMR, NCR, Bengaluru, and Pune. Response has been overwhelming, with some projects fully sold-out at launch. *Birla Niyaara*, ABREL's flagship uber-luxury project in Worli (Mumbai), has received a stellar response, with ~80% of the launched inventory already sold across two phases.

Strong launch pipeline to drive 25% CAGR in pre-sales over FY25-27E: ABREL's pre-sales stood at Rs81bn in FY25, registering FY20-25 CAGR of 75%. It has total launchable inventory with gross development value (GDV) potential of over Rs450bn. It has stepped up focus on growth, and targets new business development of Rs150-200bnpa across key markets—MMR, NCR, Bengaluru, and Pune (~Rs400bn added in the past two years). This would build a healthy launch pipeline over the medium term. On the back of this, ABREL expects bookings to nearly double to Rs150bn by FY28. We expect ABREL to log pre-sales at Rs126bn by FY27E – at 25% CAGR over FY25-27E.

Paper business divestment to unlock growth capital for real estate business: ABREL recently executed a business transfer agreement with ITC for slump sale of the paper business, for Rs35bn (completion likely in FY26). Of the proceeds, Rs20bn will be used to repay debt linked to paper assets, while the rest will fund the growth in the real estate business. We view this as a prudent move that will enable more efficient capital allocation and channelize management focus on scaling the core real estate business.

Sturdy balance sheet despite rapid real estate scale-up: Following the cement business demerger, net debt sharply fell to Rs10bn in FY19 from Rs60bn in FY15. Subsequently, despite exponential growth in the real estate business, the net debt increase was limited to Rs36bn (FY25), led by sharp rise in collections (to Rs27bn in FY25; ~100% CAGR). Collections from the real estate business are likely to see 32% CAGR over FY25-27E, while the paper business sale would generate additional cash flows, and help reduce net debt to Rs20bn by FY27E despite new project additions.

We initiate coverage on ABREL with BUY

We value the residential business at 11.5x embedded EV/EBITDA (~5Y average) and the commercial business using 8% cap rate, while factoring in net debt of ~Rs20bn as of FY27E. The valuation implies a ~75% premium to the residential NAV which we believe is justified, given the expected continued momentum in new project additions, providing further upside to NAV in the medium term. **We initiate coverage with BUY and SoTP-based target price of Rs3,300. We believe there is potential for an upward re-rating, driven by sustained growth in the project pipeline and more asset-light platform deals (akin to Mitsubishi) in the medium term.**

Residential business: We consider embedded EBITDA margin of 30%, given the better product mix and operations in the premium and luxury segment. Accordingly, we arrive at embedded EBITDA of Rs32.7bn for FY27E (calculated on ABREL's economic share of pre-sales). Assigning a 11.5x embedded EV/EBITDA multiple (~5Y average), we derive an EV of Rs376bn for the residential business as of FY27E (refer to Exhibit 12 for the valuation trend of ABREL's residential business).

NAV calculation: We apply WACC rate of 11.4% to discount cash flows from projects that have already been launched or are ongoing. For projects yet to be launched, we use a slightly higher discount rate of 11.9%. Accordingly, for the current set of projects in the portfolio, we arrive at NAV of Rs172bn. Further, we have already factored in Rs40bn, earmarked for new project acquisitions over the next two years. We expect these projects to be launched post-FY27E and generate net cash flows of ~Rs100bn, contributing an additional Rs42bn to the NAV. **Overall, this brings the total NAV for the residential business to Rs211bn.**

Implied NAV premium: Our NAV calculations do not factor in the going concern, except new project acquisitions funded by the Rs40bn deployment already included in our FY26/27 estimates. The value of the residential business based on the 11.5x embedded EV/EBITDA multiple is Rs376bn, implying ~75% premium over the NAV. We believe this is justified as our assumptions of project additions and cash flow growth continuing suggest that the company can command 70-75% premium to the NAV (Exhibit 11).

Commercial business: For the two operational commercial assets, we have assigned a cap rate of 8.0% to the FY27E EBITDA, which gives us an EV of Rs15bn.

Based on the 11.5x embedded EV/EBITDA multiple for the residential segment, an 8.0% cap rate for commercial assets, and net debt of ~Rs20bn as of FY27E, we arrive at target price of Rs3,300.

Exhibit 10: ABREL – Valuation

SoTP-based method (on FY27E)		(Rs bn)
Birla Estates		
Pre-sales		126.5
ABREL's share in pre-sales	Based on economic share	109.0
EBITDA margin	Taken conservatively	30%
Embedded EBITDA		**32.7**
Embedded EV/EBITDA multiple		11.5x
EV		**376.1**
Lease rentals division		
Lease EBITDA		1.2
Cap rate		8.0%
EV		**15.0**
Total EV – ABREL		**391.1**
Less: Net debt		20.5
Implied market cap		**370.6**
Per share value - rounded off (Rs)		**3,300**

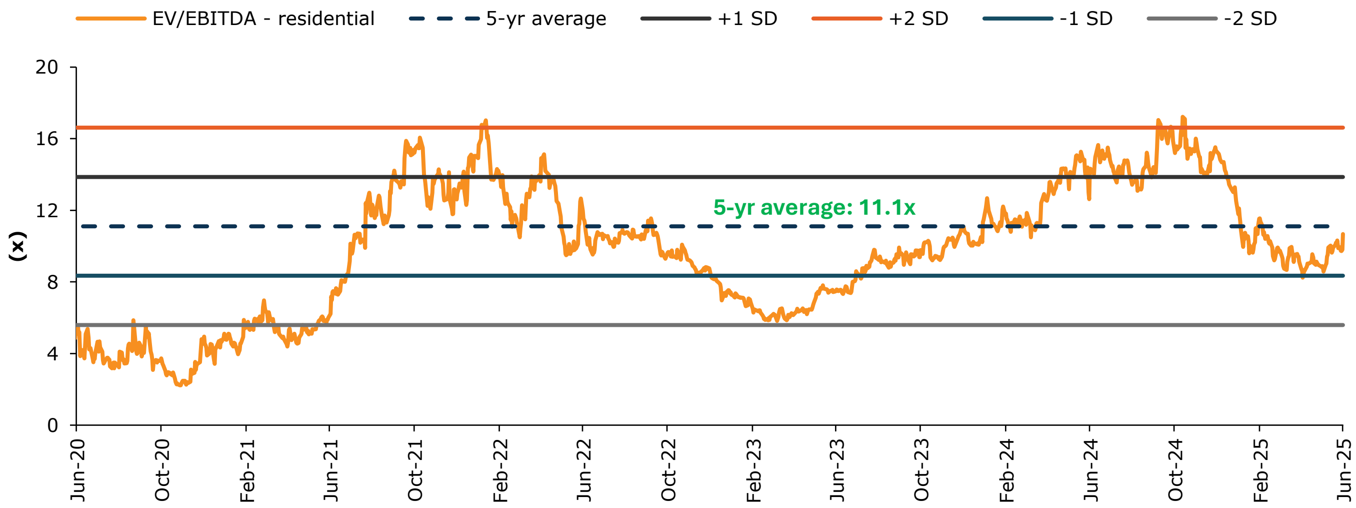
Source: Emkay Research

Exhibit 11: Our calculations suggest ABREL can command 70-75% premium over NAV

NAV premium calculation	(Rs bn)
Residential NAV on existing portfolio (A)	**211.1**
Normalized periodic NAV	36.4
Terminal growth of normalized NAV	3%
Terminal value	447.8
Discounted terminal value (B)	**152.5**
NAV premium based on expected growth = B/A	**72%**

Source: Emkay Research

Exhibit 12: Residential division valuation trend – One-year forward embedded EV/EBITDA for ABREL's real estate business



Source: Company, Bloomberg, Emkay Research; Note: Considered 30% embedded EBITDA margin for the residential business

A real estate behemoth in the making

Despite being a relatively new entrant in the residential business, ABREL has strongly ramped up operations with bookings/collections CAGR of >75%/~100% over FY20-25. In absolute terms, *Birla Estates* (ABREL's wholly-owned subsidiary) achieved annual bookings worth Rs81bn in FY25, surpassing that of several well-established real estate brands that have been operational for over two decades. This highlights the company's focused approach toward scaling up. The ramp up has come on the back of consolidation at the Group level vis-à-vis renewed focus on the real estate sector. This included the divestment of non-core, loss-making or slow-moving businesses. The market response to its residential projects across core markets (MMR, NCR, Bengaluru, and Pune) has been exceptional, with some projects fully sold out at launch. Further, given the strong launch pipeline, we expect bookings to see CAGR of 25% over FY25-27E, growing to Rs126bn.

Built a strong foundation

ABREL set up *Birla Estates* in FY16 (incorporated as a wholly-owned subsidiary in FY18) with a view to undertake property development of land parcels already available with the company (Mumbai, Kalyan, and Pune) as well as purchase/acquisition of new land to expand its presence. The regularization of the residential sector with implementation of RERA in CY16 set the stage for the company to efficiently strategize its growth plans. Further, finalization of 'DCPR 2034' made its growth plans more concrete, as it gave the company even more clarity around development of the existing land bank.

In terms of team management, it created a strong foundation for the residential business by setting up a dedicated team with on-boarding of KT Jithendran (as CEO and MD, *Birla Estates*) who has ~20 years of industry experience, and subsequent hiring of Keyur Shah (as CFO, *Birla Estates*) who was earlier with HDFC Ventures.

Capitalizing on the strong brand image as well as parentage of the Aditya Birla Group, its dedicated team, and well-planned strategy, the company launched its first residential project—Birla Vanya (Kalyan, MMR) —in Apr-19 (Q1FY20). Following this, it launched 10 new projects, with pre-sales seeing CAGR of >75% during FY20-25, growing to ~Rs81bn (cumulative pre-sales of Rs173bn) over the same period.

Exhibit 13: Real Estate segment overview

Source: Company, Emkay Research; Note: Project potential includes Rs173bn cumulative sales recorded as of FY25 and Rs60-70bn unsold inventory

Exhibit 14: Projects already launched

Region	Project	Launch Period	Land Area (acres)	Saleable area (msf)	Area launched (msf)	Area sold (msf)	% Area sold	Booking value (Rs bn)	Collections (Rs bn)	% Collected	Share (%)
MMR	Birla Vanya (Kalyan)	Q1FY20	22.0	1.3	1.3	1.2	86%	9.2	8.1	87%	100%
	Birla Niyaara (Worli)	**P-1:** Q4FY22 **P-2:** Q4FY24	14.0	2.5	1.8	1.4	79%	63.8	20.6	32%	100%
	Birla Anayu (Walkeshwar)	Q2FY25	0.2	0.1	0.1	0.0	57%	2.8	0.5	19%	100%
Pune	Birla Punya (Sangamwadi)	Q4FY25	5.8	1.6	0.3	0.2	71%	3.1	0.2	6%	100%
Bengaluru	Birla Alokya (Whitefield)	Q3FY20	8.0	0.6	0.6	0.5	98%	3.9	3.9	100%	100%
	Birla Tisya (Rajajinagar)	Q3FY22	5.0	0.7	0.7	0.7	100%	6.5	4.6	71%	40%
	Birla Trimaya (Devanahalli)	**P-1:** Q2FY24 **P-2:** Q2FY25 **P-3:** Q4FY25	52.0	3.6	2.3	2.0	87%	16.4	3.4	21%	47%
	Birla Ojasvi (RR Nagar)	Q2FY25	10.4	1.0	1.0	0.8	79%	8.0	1.4	17%	100%
	Birla Evara (Sarjapur)	Q4FY25	28.6	2.9	2.9	0.8	29%	8.7	0.4	5%	51%
Gurugram (NCR)	Birla Navya (GCER)	Q3FY21	48.0	1.9	1.6	1.3	82%	18.5	9.5	51%	50%
	Birla Arika (Sector-31)	Q4FY25	13.3	2.4	1.4	1.4	97%	31.5	2.0	6%	63.5%
Total			**207.2**	**18.5**	**14.0**	**10.4**	**74%**	**172.6**	**54.7**	**32%**	

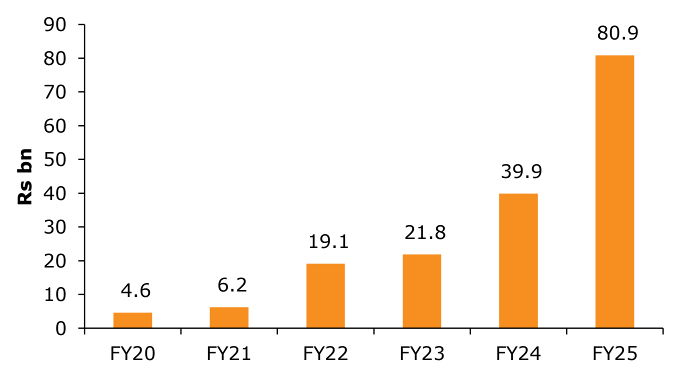
Source: Company, Emkay Research

Making strong inroads in core markets

ABREL is well-positioned for sustainable scale-up in the medium term, backed by several key strengths: the credible parentage of the Aditya Birla Group, an experienced management team, quality land parcels, prudent project selection (~18% IRR and ~30% EBITDA margin), strong focus on execution, and a robust balance sheet. **In a short span, it has achieved impressive growth, with pre-sales seeing a robust >75% CAGR during FY20-25, led by timely launches and strong traction. Collections have grown at an even faster pace, at ~100% CAGR,** reflecting the company's sharp focus on execution (as collections are linked to progress in construction activity).

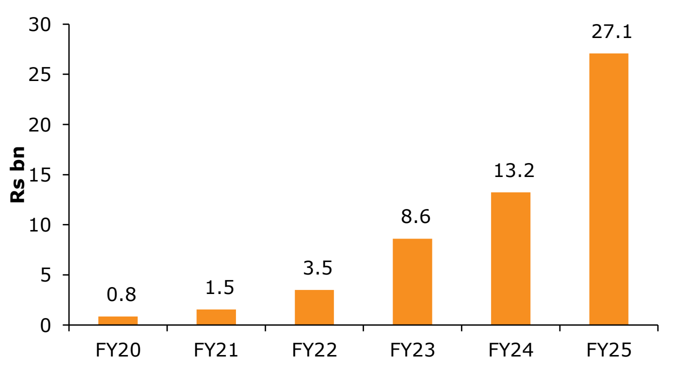
Birla Estates has differentiated itself through a distinguished product offering, thoughtful design, optimum price points aligned with larger customer base in respective micro-markets, superior customer experience, and on-time delivery. These strengths have helped establish the brand as the preferred choice among prospective homebuyers. The company's initial projects in MMR, Bengaluru, and NCR received strong response. Success of these projects has improved traction and led to significantly higher sales at subsequent launches.

Exhibit 15: Pre-sales CAGR at >75% over FY20-25



Source: Company, Emkay Research

Exhibit 16: Collections CAGR at ~100% over FY20-25



Source: Company, Emkay Research

Exhibit 17: Size in terms of pre-sales is now more than that of several industry veterans, only lagging Godrej Properties, Prestige Estates, DLF, Macrotech, and Signatureglobal

Pre-sales (Rs bn)	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Aditya Birla Real Estate						4.6	6.2	19.1	21.8	39.9	80.9
Oberoi Realty	17.6	23.5	15.2	13.1	17.5	12.6	32.8	38.9	32.2	39.4	52.6
Brigade	14.2	12.5	9.6	9.0	16.4	23.8	27.7	30.2	41.1	60.1	78.5
DLF	38.5	31.5	11.6	10.0	24.4	24.9	30.8	72.7	150.6	147.8	212.2
Godrej properties	26.8	50.4	20.2	50.8	53.2	59.2	67.3	78.6	122.3	225.3	294.4
Macrotech Developers	78.0	64.0	85.0	81.3	71.6	65.7	60.0	90.0	120.1	145.2	176.3
Prestige Estates	50.1	31.5	24.6	33.1	45.6	45.6	54.6	103.8	129.3	210.4	170.2
Purvankara	14.7	9.1	11.7	18.8	21.0	17.1	22.0	24.1	31.1	59.1	50.1
Sobha	22.3	21.5	20.1	28.6	31.2	28.8	31.4	38.7	52.0	66.4	62.8
Sunteck Realty	5.1	5.5	6.5	5.9	12.0	12.2	10.2	13.0	16.0	19.2	25.3
Mahindra Lifespace	7.1	8.4	5.4	6.1	10.2	6.7	7.0	10.3	18.1	23.3	28.0
Kolte Patil	16.8	12.6	12.2	12.0	14.3	13.3	12.0	17.4	22.3	28.2	27.9
Arvind Smartspaces		0.7	0.9	1.1	2.8	2.9	5.3	6.0	8.0	11.1	12.7
Signatureglobal India							16.9	25.9	34.3	72.7	102.9

Source: Company, Emkay Research; Note: FY15/16/17 pre-sales for Macrotech taken from media articles

MMR: The company launched its first residential project—Birla Vanya (Kalyan, MMR)—in Apr-19 (Q1FY20); of the inventory opened for sale (Phase-1), ~80% was booked in the first quarter. This was impressive, considering it was ABREL's maiden launch. However, the game changer was the successful launch of Birla Niyaara (Worli), which significantly increased the company's brand appeal of Birla Estates. Niyaara has been one of the best performing projects in Worli in the past three years, in terms of sales velocity. **So far, the company has launched two phases of this project and these comprised ~35% of the total units sold in Worli during CY22-Q1CY25.** It is scouting for redevelopment projects in South Mumbai to be acquired in coming quarters.

As of FY25, the company has launched ~14msf across its focus markets (MMR, NCR, Bengaluru, and Pune); of this, 10.4msf has been sold

Bengaluru: The company's second launch in Q3FY20 was Birla Alokya at Whitefield, Bengaluru. The initial response was positive, with ~30% of the inventory sold in the first quarter and ~45% sold in the first year. With timely progress on execution and growing traction for the Birla brand post-Covid, ~90% of the project was sold by Q3FY23; it is now fully sold out and handed over to homebuyers. The next launch in Bengaluru was Birla Trimaya (Devanahalli) wherein it launched three phases; 87% has already been sold. The most recent launch (in Q4FY25)—Birla Evara in Sarjapur—received strong response in the early weeks of launch.

Launched inventory already sold in MMR is 82%, in Bengaluru is 65%, in NCR 90%, and in Pune 71%

NCR: The initial set of projects in NCR has been on joint development basis, beginning with Birla Navya—a 50:50 JV with Anant Raj. The project was launched in Q3FY21 and ~95% of the inventory was sold within the first year. Subsequently, all remaining phases were launched and >80% of the total inventory has been sold to date. The project has given a cumulative price appreciation of >100%. Gaining confidence from the initial success and rising brand recognition of Birla Estates, the company signed two more joint development projects in FY24/25 (company's share: Rs48bn GDV potential). One of these JD projects, located in Sector-31 Gurugram, was launched in Q4FY25. The initial phase (P-1), with a GDV of Rs32bn is almost fully sold out. Further, it acquired a land parcel in Gurugram on outright basis (>Rs14bn GDV potential) in FY25.

Exhibit 18: Residential portfolio mix

Region	Ongoing		Upcoming	
	Saleable area (msf)	GDV (Rs bn)	Saleable area (msf)	GDV (Rs bn)
MMR	3.2	104.7	11.6	325.8
Bengaluru	7.5	70.6	1.3	12.6
NCR	3.0	56.8	3.8	73.8
Pune	0.3	4.4	4.4	50.1
Total	**14.0**	**236.5**	**21.1**	**462.2**

Source: Company, Emkay Research

Growth becoming more broad-based from FY25

In the first year of operations, ie FY20, the company clocked Rs4.6bn in pre-sales, whereas in FY21, it witnessed 34% YoY growth to Rs6.2bn. In FY22, it witnessed a multifold increase in scale with the launch of flagship project Birla Niyaara in Worli. Pre-sales saw CAGR of >85% over FY21-24, growing to ~Rs40bn.

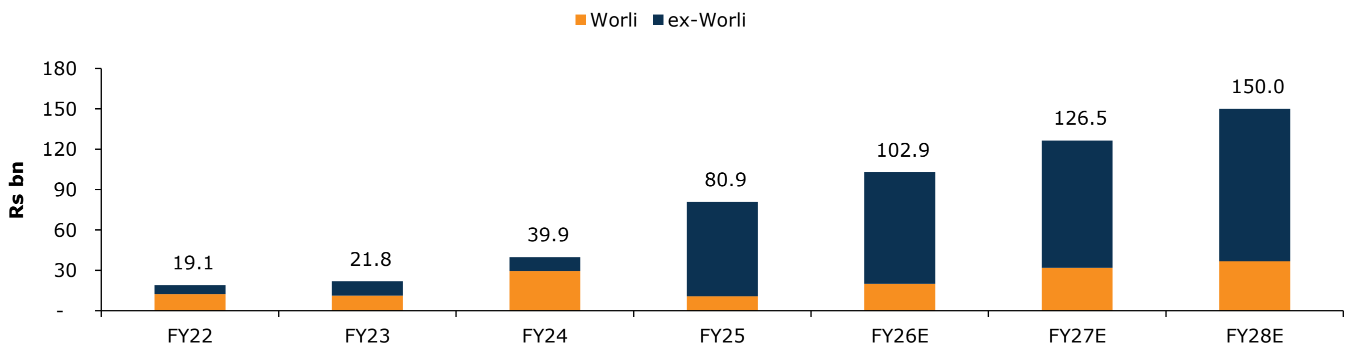
Birla Niyaara has been a game changer for the company in terms of scale, cash flow visibility, and creation of brand recognition in the real estate market. Phase-1 (P-1) of this uber-luxury project in Worli (Mumbai) was launched in Q4FY22 and received a strong response, with 80% of the project sold within two years. Subsequently, P-2 was launched in Q4FY24 and between both phases, ~80% of the launched inventory was already sold out as of Q4FY25. **Together, Phases 1 and 2 of Birla Niyaara contributed 65% of the company's cumulative sales during FY22-24.**

As of FY25, the company has sold 401 of the 414 units in Phase-1 and 96 of the 148 units in Phase-2 of Birla Niyaara which is commendable.

While the stellar pre-sales growth during FY22-24 was highly dependent on this single project, sustainability of the growth could have been at a risk. However, this scenario changed in FY25 wherein pre-sales grew >100% YoY, though contribution from Birla Niyaara was only 13%. **The lower contribution from Worli was due to two main factors:** lower unsold inventory remaining at Niyaara (~68% of total inventory sold as of Q4FY24) and new sizeable launches by ABREL in other regions (mainly Bengaluru and NCR).

A new phase of Birla Niyaara (Tower-3) is planned for launch in FY26. However, we expect overall contribution from Worli to remain at <30% over the next three years. On the other hand, we expect pre-sales to see 25% CAGR during FY25-27E. **Hence, despite growth expectation on a high base, operational performance would be de-risked, which is comforting.**

Exhibit 19: Pre-sales mix to be more broad-based, with Worli's contribution envisaged at <30% over the next 2-3 years



Source: Company, Emkay Research; ***Note:*** *FY28E pre-sales indicated in the chart are the company's target (not Emkay estimate), and share of Worli has been arrived at on the basis of sales assumptions, considering the launch timelines of projects by ABREL in this micro-market*

Birla Niyaara – The crown jewel of Birla Estates

ABREL owns a sizable prime land parcel (freehold and fully paid) measuring ~33-acres in Worli, offering ~Rs300bn residential GDV and Rs3-4bn annuity income potential. The flagship project—Birla Niyaara—is being developed on the eastern portion of this land parcel, and has received overwhelming response. Phase-1 of this uber-luxury project was launched in Feb-22 and 70% inventory was sold in the first year. This was followed by P-2 with launch of *Silas,* which saw sale of ~45% at the time of launch despite premium pricing and higher ticket size (>Rs250mn/unit). Overall, ABREL has sold 80% of the launched inventory as of FY25, resulting in ~35% share of projects sold in Worli during CY22-Q1CY25. This scale-up is encouraging, considering Birla Niyaara was ABREL's first project in Mumbai city, catapulting the company's image as one of the prime branded developers.

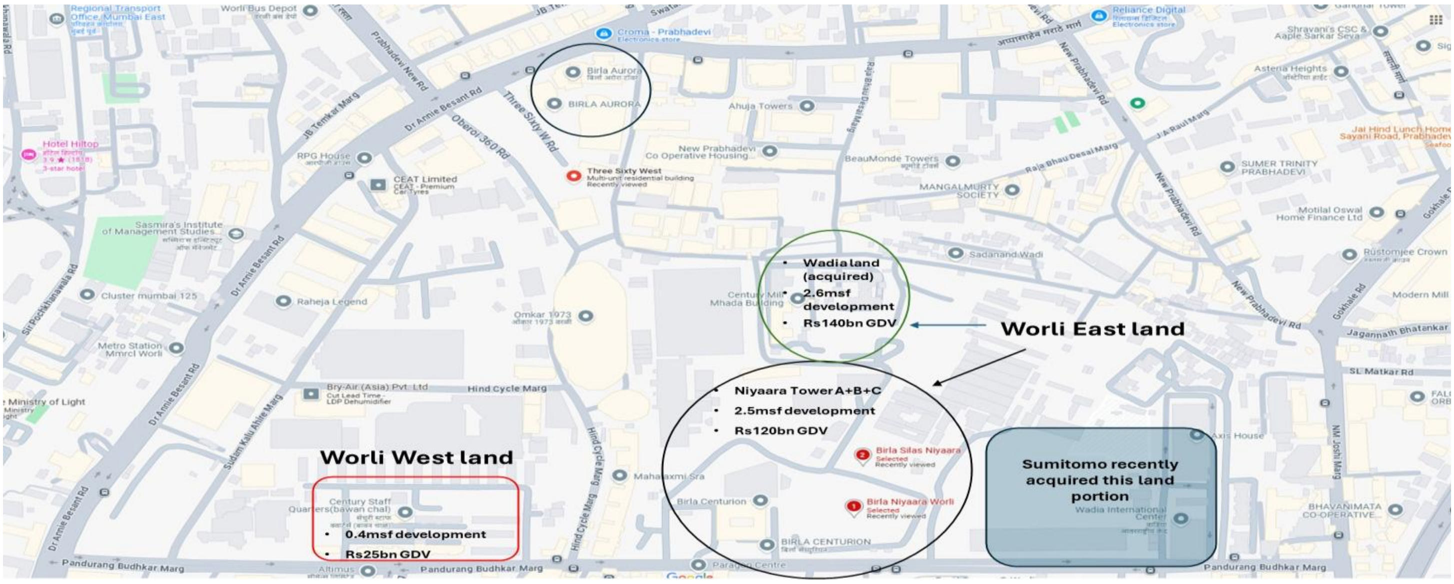
Although Birla Niyaara has been largely end-user driven, prices have appreciated by ~90% over the past three years. The project attracted strong bookings despite ABREL being a new entrant in a location which already had the presence of Oberoi Realty, Lodha, Raheja Group, Kalpataru, Runwal Group, Naman, Rustomjee, etc. Further, despite this competition and supply from other branded players in the Worli micro-market, there is scope for ABREL to competitively increase market share, given its differentiated product offering and availability of land parcels.

Fully paid legacy land parcel in high-catchment area of Worli

ABREL has ~33 acres of freehold, fully paid land in Worli of which ~30 acres is in Worli East, where it is developing uber-luxury project *Birla Niyaara*. The remaining 3.5 acres are in West Worli. The Worli East land parcel is a legacy asset that previously housed the company's textile mills (Century Mills). These factories in Worli had become unviable because of technical machinery limitations, high labor costs, government levies, and high water and electricity charges, and eventually discontinued operations in CY07-08. This land has been one of Mumbai's iconic landmarks in terms of location and value, and the company eventually decided to undertake residential and commercial development on the site.

As per the current plans, the 33-acre development would comprise 5.5msf of residential and 1-1.4msf of leasable commercial space. The residential component will have a total GDV of ~Rs290-300bn, while the commercial development could potentially generate annuity income of Rs3-4bn per annum. The unique product offering, attractive location, and probable development of Sumitomo's commercial asset adjacent to the Niyaara project would keep attracting homebuyer interest, in our view.

Exhibit 20: Location of the 33-acre Worli land parcel



Source: Google Maps, Emkay Research

Acquisition of contiguous land in Worli has significantly boosted development potential

As of FY24-end, ABREL owned 20 acres of land in Worli East (the Birla Niyaara site), while an adjacent 10-acre contiguous land was on lease basis with ABREL, and under dispute with Bombay Dyeing (Wadia Group). However, in Sep-24, the company settled the issue and acquired ownership of this entire disputed land parcel for Rs11bn which has boosted the development potential by 2.6msf.

The deal appears to be attractive as it translates into a rate of Rs1.1bn/acre, which is at a 50% discount compared with Sumitomo Realty & Development's acquisition of an adjacent 22 acres land from the Wadia Group for Rs52bn (Rs2.3bn/acre) in Sep-23. Also, **ABREL's acquisition of this contiguous land parcel has boosted its GDV potential by Rs140bn, significantly improving growth visibility.**

Development plan for the Worli East land parcel

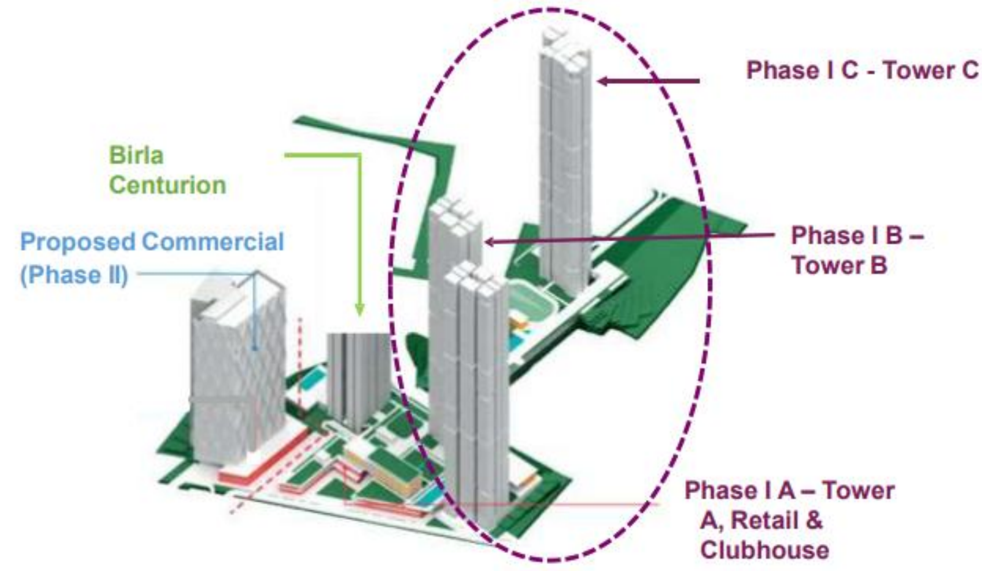
Of the 30 acres in Worli East, the company currently has plans for 20 acres, of which 14 acres will undergo a 3.5msf development comprising three residential towers (2.5msf), retail and clubhouse, and a future phase tower (most likely 1-1.4msf commercial). This land also houses the 0.32msf Birla Centurion commercial tower, which is operational and currently generating rental income. The additional ~6 acres have been handed over to the state government (MHADA and MCGM). As the incremental 10 acres were recently acquired, the company is yet to finalize development plans for it.

The project's appeal lies in the choice of location and design. It is situated at a prime location in Worli and has proximity to key infrastructure, viz access to CBD, schools, the sea link, South Mumbai, etc, and other prime developments like 'Oberoi 360 West' are also nearby.

The design and architect team comprises of:

- **Lead architects and market planners:** Foster + Partners (London, UK)
- **Landscape master planners:** The Sasaki Associates Inc (Boston, US)
- **Landscape designers:** Coopers Hill Singapore Pte (Singapore)
- **Master contractor:** Leighton, CIMIC Group company (Australia)

Exhibit 21: Development plan on the 20-acre land in Worli East (Birla Niyaara site)



Source: Company, Emkay Research

Birla Niyaara Phase 1 and 2 received encouraging response

Of the three towers planned across 2.5msf, two have already been launched. The response has been overwhelming, with 80% of the total launched inventory sold within three years. This has enabled the project to command 35% share of total sales in the Worli micro-market during CY22-Q1CY25.

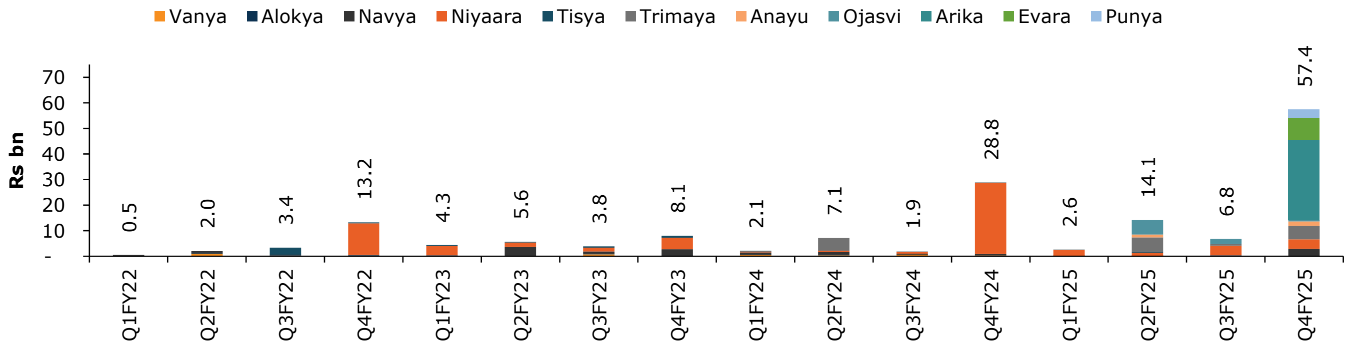
- **Phase-1:** ABREL launched the first phase of Birla Niyaara in Feb-22 at Rs54,000/sqft. This 77-storey tower is a 0.9msf development and comprises of 414 residential units, including 2/3/4/5 BHK apartments, duplexes, and penthouses. Within the first year of launch, ~70% of the launched inventory was sold. While the 'per sqft' rate was broadly in line with competing projects in the vicinity, the ticket sizes were attractively planned, which pushed strong sales velocity. Notably, it had priced the larger configurations (4BHK and above) at a premium (on a per-sqft basis), which led to better blended realization for the project. As of FY25, 401 units have been sold.
- **Phase-2:** Birla Niyaara Silas (P-2) was launched in Feb/Mar-24 at a higher rate than P-1, priced at Rs85,000/sqft. This phase received an overwhelming response, generating sales of ~Rs24bn at the time of launch (total potential of ~Rs49bn). At the Worli land parcel, FSI incentive savings—earlier provided by the Maharashtra government—will be utilized in P-2, contributing to better margins in this phase. As of FY25, 96 of the 148 units have already been sold.

Experience Centre, a standout: Apart from a different positioning and brand name, initial sales at Birla Niyaara were also driven by its innovative Experience Centre. Prospective buyers were assisted by VR technology that offered floor-wise exterior views (for units facing different directions) and interior layouts of the respective flats. This gave the potential buyer a clear visualization and encouraged sales conversion, as other competing projects (by other developers) lacked such technologically advanced facilities.

The cumulative topline potential of Phases 1 and 2 exceeds Rs80bn, of which Rs64bn in sales has already been achieved as of FY25. Birla Niyaara has been one of the best-selling projects in Worli since the launch of Phase 1 in Q4FY22, followed by Phase 2 in Q4FY24. **The project commanded a 35% share of total sales in the Worli micro-market during CY22-Q1CY25**. The strong response at Birla Niyaara has catapulted the company's positioning as a leading branded developer, significantly enhancing both, cash flow visibility and pre-sales growth, over the medium term.

Phases 1 and 2 have generated cumulative collections worth ~Rs21bn, while an additional ~Rs60bn is expected to be generated over the next 3-4 years; this would provide a strong and steady stream of cash flows for the company.

Exhibit 22: Birla Niyaara's contribution to pre-sales (first phase launched in Q4FY22)



Source: Company, Emkay Research

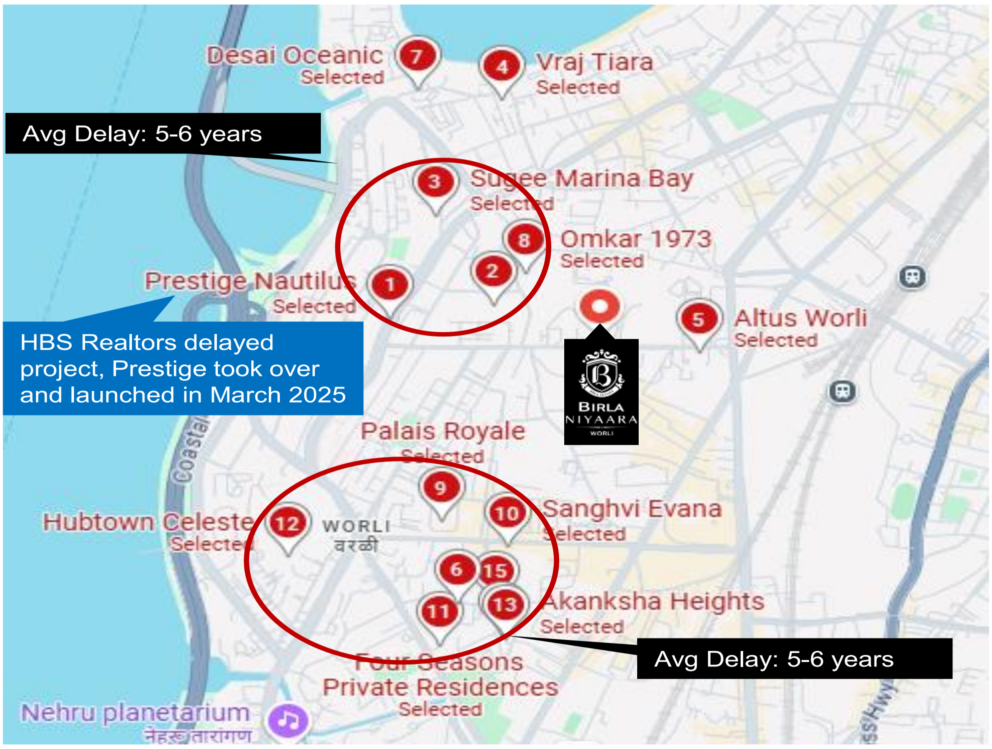
Niyaara launch – The rise and dominance of brand *Birla*

Currently, a sizable value (~45% contribution to NAV) of the company is derived from the Worli land parcel. Given its importance, we deep dive into the micro-market and analyze how ABREL's prudent strategy drove instant success and established the Birla brand in the real estate market. Further, strong pre-sales performance and timely project execution have laid a solid foundation for the company to continue outperforming in the Worli micro-market in coming years.

Earlier pain in Worli due to delayed projects, dwindling of homebuyer confidence

A deep dive into the Worli market suggests that large-size projects launched 10 years before Birla Niyaara were, on average, delayed by five years. This led to erosion of homebuyer confidence and left a substantial inventory overhang. Projects of several sought-after developers or those with unique propositions faced issues related to working capital constraints, legal challenges, fund mismanagement, etc. Some of these remain incomplete even a decade after their initial launch. Amid a broader housing downcycle and a series of stuck projects, homebuyer confidence and sentiment in the Worli micro-market was severely impacted. As a result, absorption levels remained muted between CY14 and CY20, before the cycle turned, and the market began to recover from CY21.

Exhibit 23: Average delay in projects in Worli (proximity to Birla Niyaara)



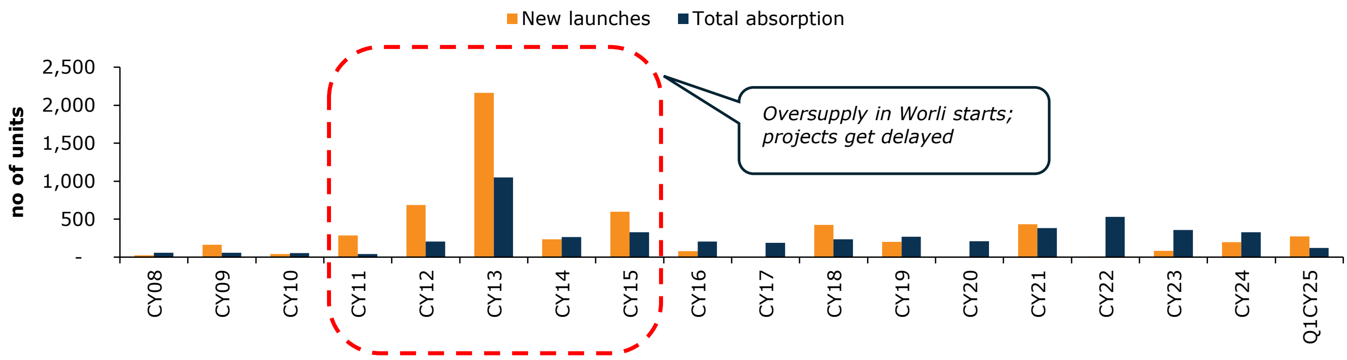
Source: Google Maps, PropEquity, Emkay Research

Demand pick-up strong in Worli over past 3-4 years

Absorption trends in the Worli market suggest that average annual demand in this micro-market was ~400 units during CY21-24, and this has continued with ~120 units already absorbed in Q1CY25. This is much higher than the average rate of ~240units/annum seen during CY14-20. The increased absorption has been driven by homebuyer confidence coming back post implementation of RERA, broader housing cycle recovery, completion of some large projects by reputed developers (Lodha, Oberoi) in the Worli micro-market that were slightly delayed as well as new good quality launches happening after a long pause (note that before Niyaara P-1, a sizeable project in the vicinity with >100 housing units that was timely completed was last launched in CY18).

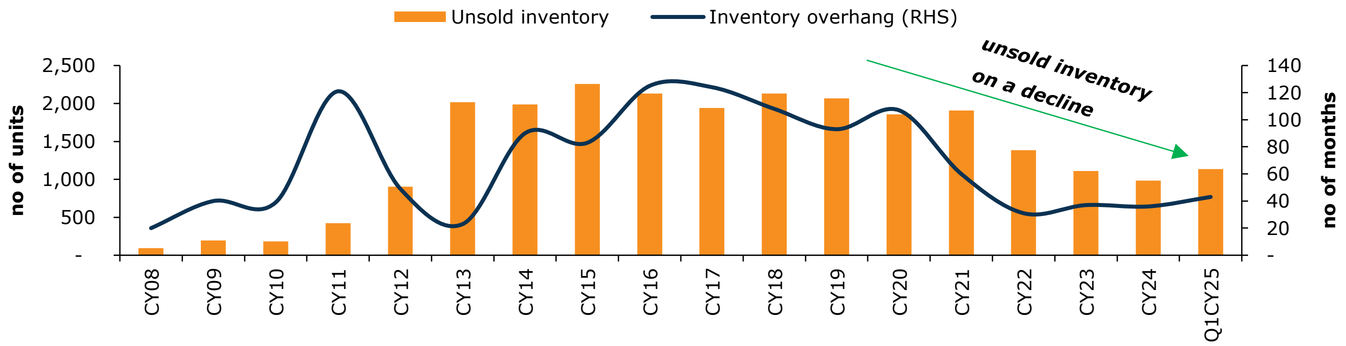
Also, the pick-up in demand has led to sharp reduction in unsold inventory levels in Worli which are currently among the lowest in the past 11-12 years.

Exhibit 24: Demand and supply trends in Worli indicate oversupply starting from CY11; demand pick up witnessed from CY19



Source: PropEquity, Emkay Research

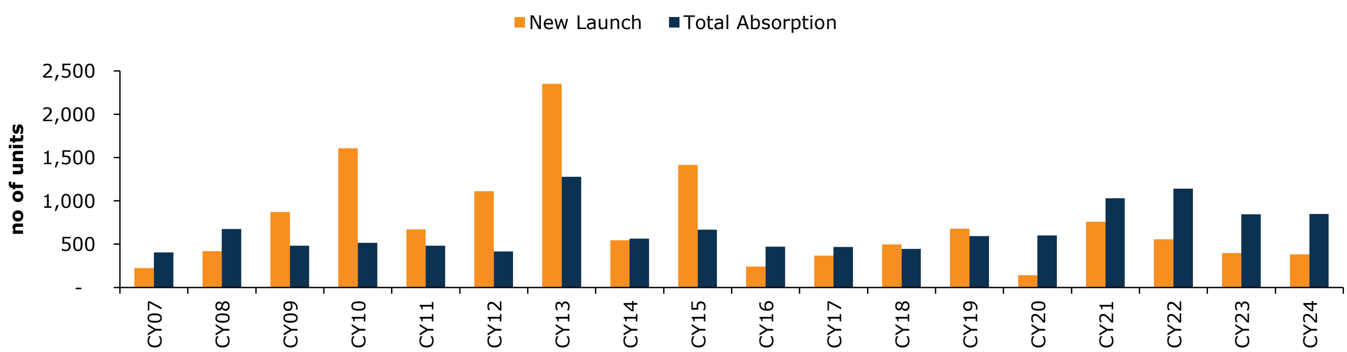
Exhibit 25: Inventory overhang in Worli started declining post-CY20, paving the way for new supply to enter the market



Source: PropEquity, Emkay Research

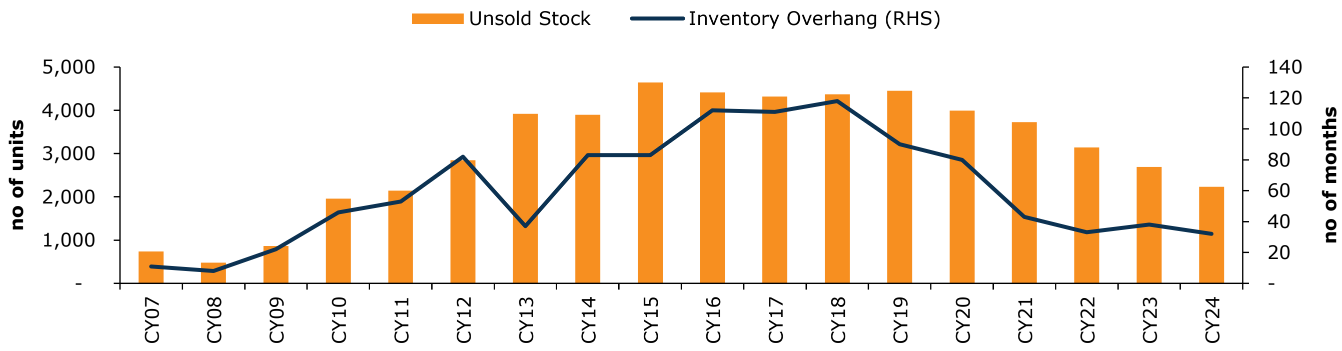
Along with Worli, we also assess the demand-supply dynamics in 1km radius area of Birla Niyaara which covers portion of Lower Parel and Prabhadevi micro-markets (likely to have direct impact on sales velocity). We note that these areas combined exhibited a similar demand-supply dynamics and inventory overhang in the housing market. Trends indicate that these areas witnessed significant oversupply during CY09-15 as new supply was much ahead of demand, leading to sharp increase in inventory overhang. However, dynamics changed post CY19 as demand picked up strongly (largely more of new supply), leading to decline in unsold inventory levels, creating room for incremental supply to get added.

Exhibit 26: Trends in Worli + Prabhadevi + Lower Parel indicate oversupply starting from CY10; demand pick up witnessed from CY19



Source: PropEquity, Emkay Research; Note: data for Prabhadevi and Lower Parel account for only projects within 1km radius of Birla Niyaara

Exhibit 27: Inventory overhang in Worli + Prabhadevi + Lower Parel started declining post-CY19



Source: PropEquity, Emkay Research; Note: data for Prabhadevi and Lower Parel account for only projects within 1km radius of Birla Niyaara

The rise: Niyaara was launched when Worli needed a fresh relook and a reliable brand

Some large-scale projects of well-known developers like Lodha (Macrotech Developers) and Oberoi Realty, which were slightly delayed earlier or grappling with certain issues, had started getting delivered. This, along with implementation of RERA, brought back homebuyer interest in the Worli market, albeit at a gradual rate, and mainly toward branded players. **We highlight that barring these two developers, most of the sizable projects launched in Worli 10-15 years prior to Birla Niyaara (P-1 in CY22) had been facing delays.**

The Worli micro-market had a deep requirement for a credible, branded developer who could offer a high-quality product with reliable delivery timelines. Birla Niyaara's entry was timely—when Worli needed a fresh relook and a trustworthy brand, adequate to restore homebuyer confidence and reset expectations in the market.

Phase-1: The right product at the right time

An analysis of the Worli micro-market shows that while a 2BHK unit has consistently seen traction, 3/4 BHK configurations remain the sweet spot in terms of absorption (Exhibit 29). In terms of size, homes ranging from 500-1,500sqft have historically recorded high volumes in Worli (Exhibit 28).

Keeping in view its new entry into the market, ABREL designed an optimal mix of housing unit configurations and sizes for Birla Niyaara P-1. It featured a higher share of 2 and 3 BHK homes, with unit sizes ranging at 850-1,800sqft. This led to strong traction during the launch phase. The parentage and the brand image of Aditya Birla group and assistance at the sales gallery further strengthened buyer interest.

Of the projects launched in Worli after CY12, several were delayed by ~5 years on average (Exhibit 23). Due to the dwindling of homebuyer confidence, the micro-market had not seen a sizable new launch post-CY18. Against this backdrop, the launch of Birla Niyaara in Q4FY22, coinciding with early signs of housing cycle pick-up, offered a compelling proposition – a fresh, well-conceived project by a trusted brand.

As a result of the right mix of configurations and unit sizes, Birla Niyaara saw strong sales velocity at launch. This allowed the company to implement several price hikes. Consequently, the project became one of the top-selling in the Worli residential market, generating more price appreciation than any other project in the vicinity.

Exhibit 28: Worli market – Absorption trend (in terms of units) across various size ranges

no. of units	CY09	CY10	CY11	CY12	CY13	CY14	CY15	CY16	CY17	CY18	CY19	CY20	CY21	CY22	CY23	CY24	Q1CY25	Comments
<500 sqft						1	1			5	20	1	5	13	50	46	7	
501-1,000 sqft				7	462	12	117	37	34	62	106	62	159	179	62	39	8	High
1,001-1,500 sqft	9	13	8	6	406	114	85	48	47	85	64	57	116	194	89	64	13	volume/traction
1,501-2,000 sqft	10	6	4	11	71	53	34	26	23	23	24	31	42	42	35	17	3	
2,001-2,500 sqft		10	5	7	9	15	17	13	8	15	14	14	17	29	10	8	3	
2,501-3,000 sqft	2	2	2	18	8	5	9	4	3	1	4	5	3	3	8	6	1	
3,001-3,500 sqft	2		1	82	42	19	24	21	22	14	10	8	2	5	15	51	51	Again started
3,501-4,000 sqft	13	3	2	5	3	2	2	7	5	4	7	8	4	8	25	34	3	gaining traction
>4,000 sqft	23	21	20	70	47	45	38	49	46	27	19	24	32	55	63	62	29	post CY20/21

Source: PropEquity, Emkay Research

Exhibit 29: Worli market – Absorption trend (in terms of units) across various configurations

no. of units	CY09	CY10	CY11	CY12	CY13	CY14	CY15	CY16	CY17	CY18	CY19	CY20	CY21	CY22	CY23	CY24	Q1CY25	Comments
1 BHK											9	1	6	14	16	15	2	
2 BHK	9	13	8	12	336	19	93	32	26	52	99	48	140	162	96	70	13	Largely in traction
3 BHK	23	28	20	122	565	141	145	74	75	111	94	86	142	220	113	84	17	Sweet
4 BHK	26	13	12	58	138	94	70	75	66	60	57	67	76	84	87	82	59	spot
5 BHK	1	1	3	11	8	11	19	23	21	13	8	7	16	43	43	73	26	Gaining traction
6 BHK				2	1			1	1				3	7	3	2	2	post CY20/21

Source: PropEquity, Emkay Research

Higher proportion of 2 and 3 BHK apartments included in Phase-1; this is a high-traction segment in Worli and generated higher velocity in the initial quarters for Niyaara, helping sustain momentum for the remaining large-size units vis-à-vis enabled higher pricing/hikes for the balance inventory as well as for Phase-2

Exhibit 30: Birla Niyaara – Phase 1

Type	Carpet area		Launch	Current	Ticket size	Curr. ticket		Total
	min	max	price	price	at launch	min	max	units
	sqft		Rs/sqft		Rs mn	Rs mn		
2 BHK	849	854			46	72	85	170
3 BHK	1,151	1,841			62	98	184	172
4 BHK	1,864	1,864	54,000	85,000	101	161	186	11
5 BHK	2,089	4,062			113	181	406	48
6 BHK	3,744	11,914			202	320	1,191	6

Source: PropEquity, Maharashtra RERA, Emkay Research

The dominance: Niyaara tops Worli market over past three years

The initial success of P-1 instilled confidence among homebuyers and served as a strong demand driver for higher-ticket homes of 4/5/6BHK configurations, contributing to strong pricing growth. **Consequently, Birla Niyaara became one of the top-selling projects in Worli in the first year of launch, with Phase-1 selling 80% of the inventory within the first two years.**

The strong success of P-1 increased the demand for additional high-value inventory from ABREL, giving the company the confidence to launch P-2 after two years in Q4FY24. This phase received an overwhelming response, with ~45% of the inventory sold in the first week of launch. Overall, P-1 and P-2 combined have seen ~80% of the inventory sold (total GDV potential of >Rs80bn). Specifically in P-1, the company sold 401 of the 414 units, while in Phase-2 it sold 96 of the 148 units as of FY25. Cumulatively, the project accounted for over 35% of total housing sales in Worli during CY22-Q1CY25 (PropEquity).

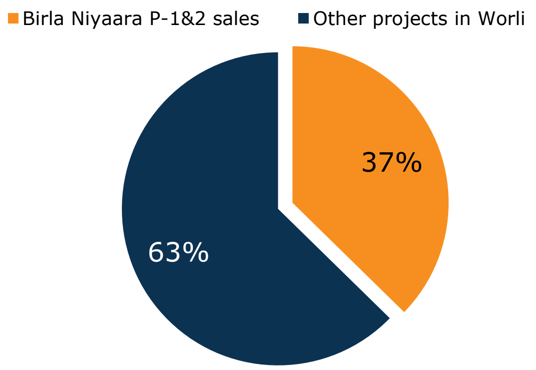
Exhibit 31: Birla Niyaara – Phase 2 (Silas)

Type	Carpet area		Launch	Current	Ticket size	Curr. ticket		Total
	min	max	price	price	at launch	min	max	units
	sqft		Rs/sqft		Rs mn	Rs mn		
3 BHK	2,500	2,500	85,000	1,05,000	213	225	268	5
4 BHK	3,028	3,231			257	318	346	66
5 BHK	3,973	8,300			338	417	888	77

Source: PropEquity, Maharashtra RERA, Emkay Research

As per PropEquity, a total of 1,332 units were sold in Worli during CY22-Q1CY25. ABREL sold total 497 units of Birla Niyaara (P-1 and P-2) during this period, which suggests >35% share in the total absorption

Exhibit 32: Share of Niyaara in total units sold in Worli during CY22-Q1CY25



Source: Company, PropEquity, Emkay Research

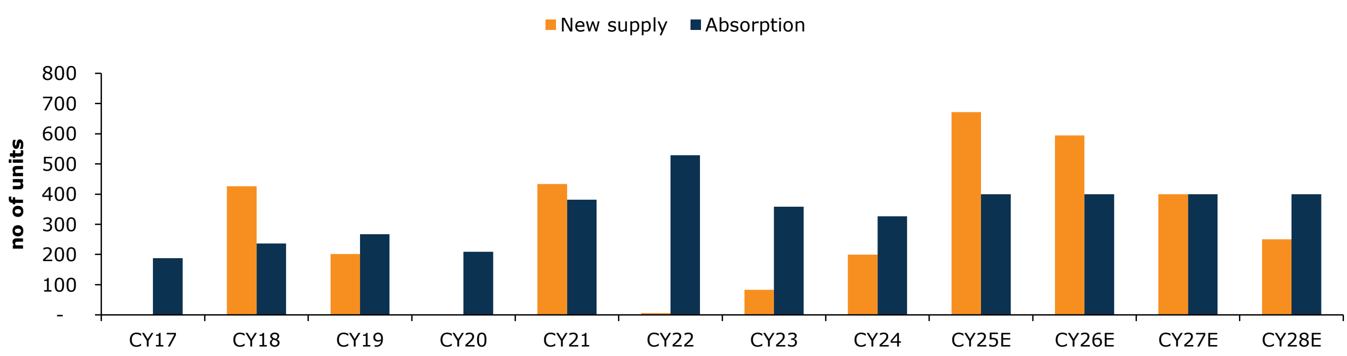
Well-placed to tackle supply-side pressure in Worli

Based on our channel checks, including interactions with brokers and other channel partners, Worli is likely to see a supply of ~1,650 apartments from branded developers during CY25-28E (excluding the 270 units already launched in 4MCY25). This upcoming supply includes projects by Birla Estates, Oberoi Realty, K Raheja, Godrej Properties, the BDD Chawl project, and Runwal. Nonetheless, considering the average annual absorption of 400 housing units, a meaningful supply-side pressure in this micro-market is unlikely, as launches are expected to be spread over the next three years. Despite this medium-term supply pipeline, inventory levels are expected to remain in check (Exhibit 34).

While our estimates for the upcoming housing supply in Worli are based on market feedback, we believe the ticket sizes, in terms of value and square feet, will vary across projects. Also, we anticipate developers to remain disciplined and calibrate supply in line with market absorption (as observed so far in the ongoing upcycle). Consequently, supply-side pressures should remain limited. Accordingly, we anticipate Birla Niyaara's future phases to witness healthy sales momentum. Further, the success of Niyaara P-1 and P-2 is also likely to support pricing as well as demand momentum for the upcoming phases.

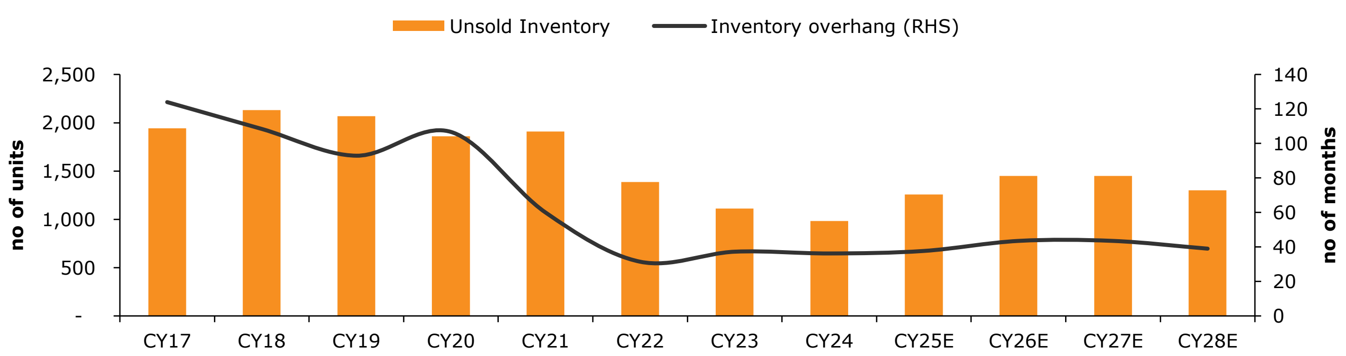
As per the launch feedback, we have built in supply of 672/594/400/250units for CY25/26/27/28E. On the absorption front, we have maintained an annual rate of 400 units, aligned with the trends observed during CY21-24 (Exhibit 33). As a result, unsold inventory would remain broadly in the 1,260-1,450units range, with inventory overhang of 40-44 months; this is much lower than levels witnessed before CY21 (Exhibit 34).

Exhibit 33: Supply, absorption trend, and estimates for Worli



Source: PropEquity, Emkay Research

Exhibit 34: Unsold inventory, overhang trend, and estimates for Worli



Source: PropEquity, Emkay Research

Better price appreciation across projects

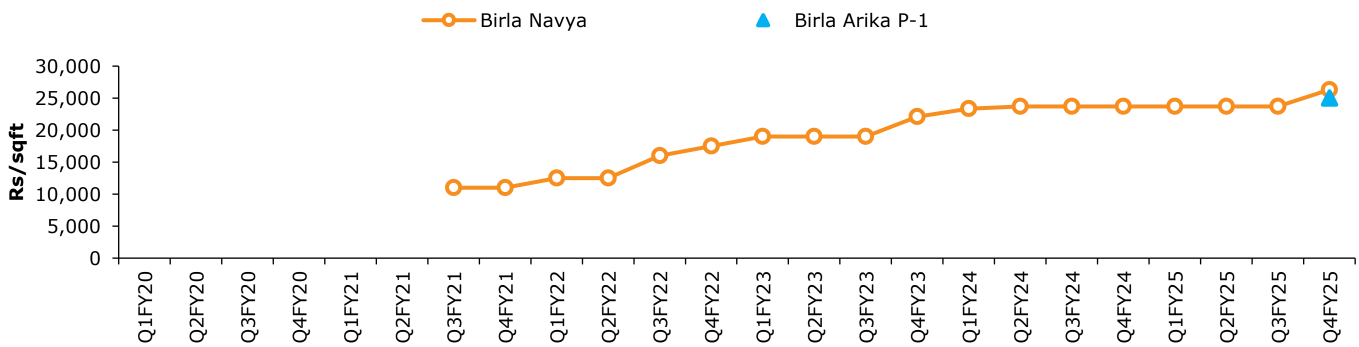
Timely progress in housing construction, coupled with high-quality products, has enhanced ABREL's brand appeal, which is reflected in premium realizations as well as superior pricing growth in all its projects. Across most of its projects, the company has been able to capture 30-100% cumulative pricing growth over a 4-5-year period. Further, the timely delivery of Alokya as well as initial phase of Navya and Vanya from Q4FY24 has strengthened homebuyer confidence in their respective markets, as the product quality of delivered projects started becoming evident. This has also increased footfalls at the company's newly launched projects.

ABREL's phase-wise launch strategy has enabled it to capture better price discovery. For 2-3 years since inception, the company introduced early phases of projects at prevailing market rates (on a per-sqft basis). With better conversion of homebuyer interest and stronger bookings, subsequent phases were launched at higher rates, which were well absorbed by the market due to the brand's growing premium and consistent superior construction quality. **This track record has set the tone for upcoming launches, with newer projects at new locations already receiving better response from their very first phases.**

Encouraging performance in initial set of launches leads to strong sales velocity in recent projects

In NCR, the company's maiden project—Birla Navya—has generated cumulative price appreciation of ~100% since the launch of its first phase in Q3FY21. The success of the initial two phases, along with timely construction progress, contributed to strong demand traction. These factors, coupled with brand pull and robust housing activity in the NCR market, drove strong pricing appreciation. Further, the delivery of P-1 of Navya project beginning in FY24 served as a strong confidence booster and a good pull for prospective homebuyers, in a market (NCR) grappled with issues of stressed projects. This has played a vital role in attracting homebuyers to the company's newly launched project, Arika, in Sector 31 Gurugram, where P-1 (Rs32bn) was fully sold out within the month of launch.

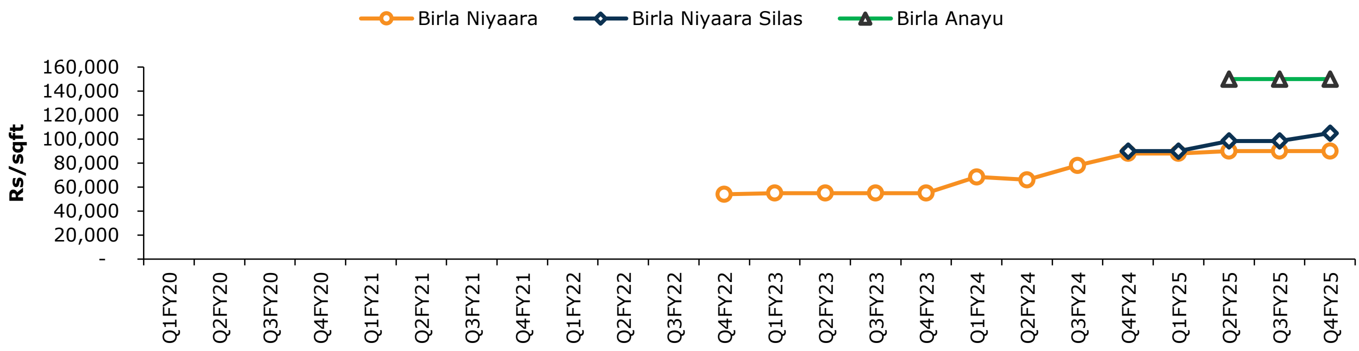
Exhibit 35: Pricing trend at Birla Estates's NCR projects



Source: Company, PropEquity, Emkay Research

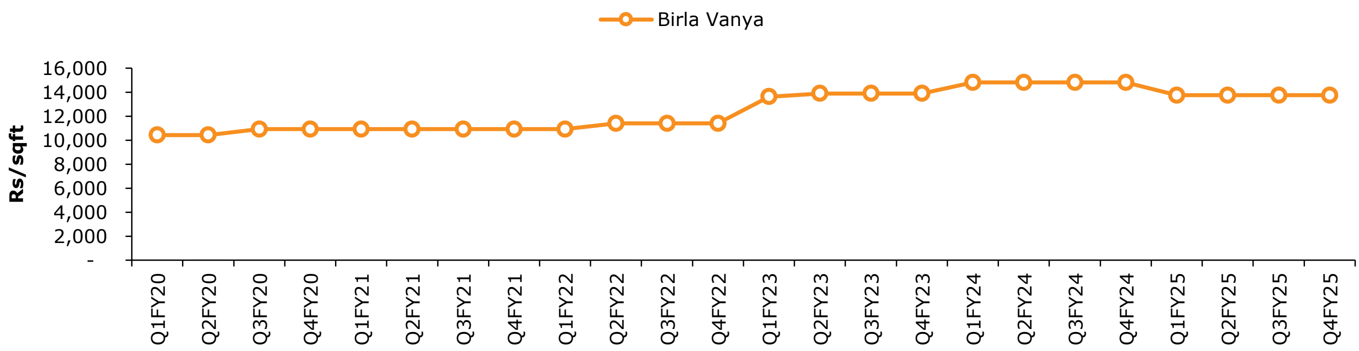
In Mumbai, Birla Niyaara's P-1 was launched at ~Rs54,000/sqft. The initial response was robust—remarkable, considering the project's entry into Worli, a micro-market with large, stressed projects in the vicinity (afore-mentioned). As the response improved and homebuyer confidence in brand Birla strengthened, the project (including P-1 and P-2) saw price appreciation of ~90%. Today, it is one of the best-performing projects in terms of sales velocity and price appreciation in Worli. On the other hand, in MMR, even in slower-moving markets like Kalyan, the company's project Birla Vanya has delivered ~30% price appreciation.

Exhibit 36: Pricing trend at Birla Estates's Mumbai projects



Source: Company, PropEquity, Emkay Research

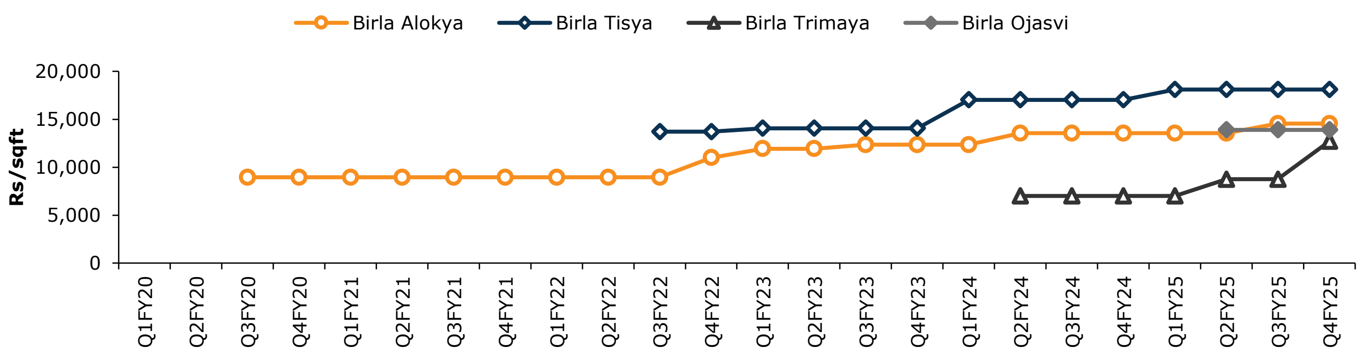
Exhibit 37: Pricing trend at Birla Estates's MMR (ex-Mumbai) projects



Source: Company, PropEquity, Emkay Research

In Bengaluru, four projects have been launched of which three have sales history of more than two quarters. Across these projects, the company has delivered pricing appreciation of 30-80%, with the highest increase seen in Birla Trimaya (between P-1, P-2, and P3). Birla Alokya, the first project, has been completely delivered and handed over, and has seen a 60% price appreciation over the past four years.

Exhibit 38: Pricing trend at Birla Estates's Bengaluru projects



Source: Company, PropEquity, Emkay Research

Birla Navya P-1 was launched in Q3FY21 and has now been delivered. This is a 50% JV with Anant Raj and part of the 47-acre development being undertaken at Golf Course Extension Road in Gurugram

Exhibit 39: Birla Navya – Units launched in Phase 1 already handed over

Source: Emkay Research

Birla Alokya was the company's first project in Bengaluru, launched in Q3FY20. The project is now complete and delivered. Homebuyers have already started living at the premises and the project is well-maintained. It includes a wide range of amenities like swimming pool, gymnasium, squash court, mini theatre, children's playing area, amphitheater, etc

Exhibit 40: Birla Alokya in Whitefield (Bengaluru) – Delivered

Source: Emkay Research

Exhibit 41: Birla Niyaara – Phase 1 construction on schedule; 53 floors constructed

Source: Emkay Research

Exhibit 42: Birla Niyaara's P-2 – Basement construction complete; execution progressing well

Source: Emkay Research

Launch pipeline lends comfort on growth visibility

ABREL has maintained discipline in new project additions, despite having easy access to capital through the strong parentage of the Aditya Birla Group. The step up in pace of new project additions started mainly after FY22, as the company started gaining traction in the residential market and confidence increased on the back of strong response across projects. Over the past two years, significant business development (BD) has added ~Rs400bn to its GDV potential.

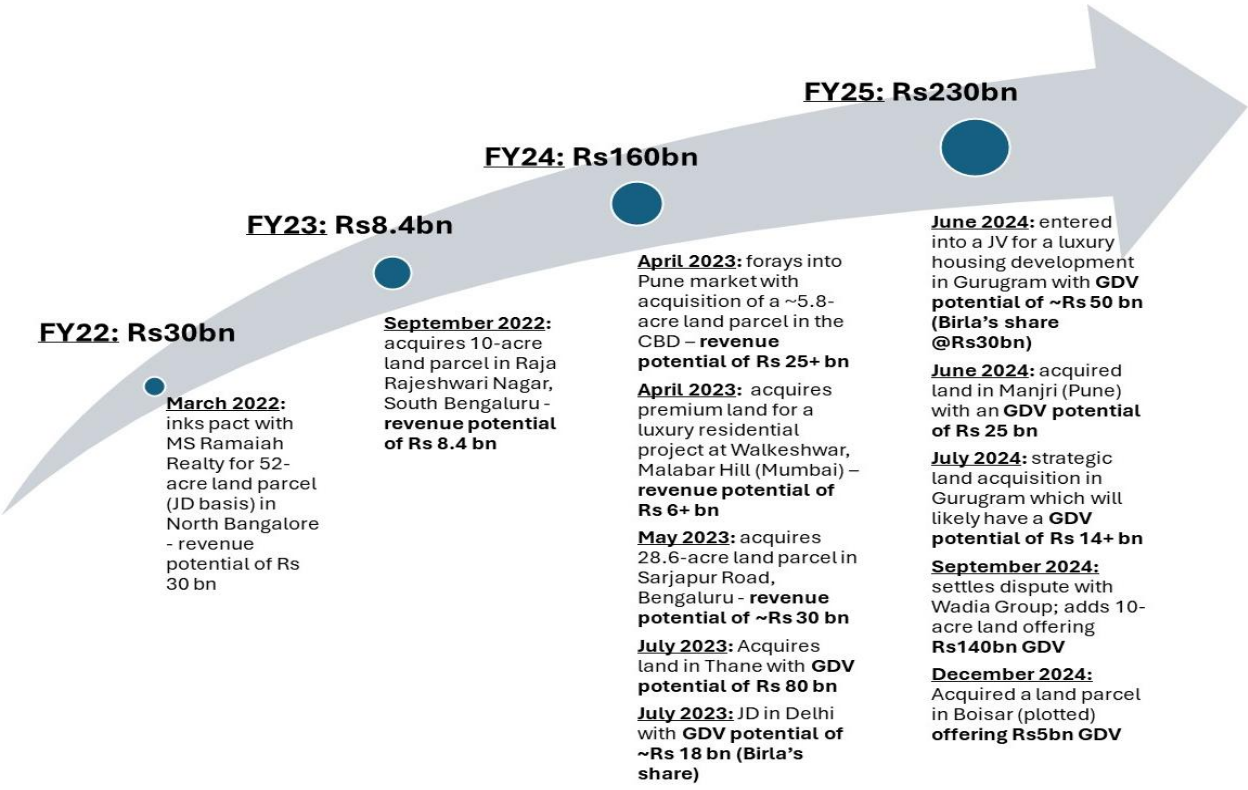
It has a cumulative launchable inventory pipeline with a GDV potential of >Rs450bn across its focus markets—MMR, NCR, Bengaluru, and Pune. ABREL aims to add new projects annually with GDV potential of Rs150-200bn, which will replenish its launch pipeline and provide strong growth visibility over the medium term. Further, its partnership with Mitsubishi would provide an asset-light model, enabling continued growth with lower capital requirements and improved return ratios.

Disciplined and gradual scale-up of new business development

ABREL remains focused on growing residential business in MMR, NCR, Bengaluru, and Pune. The initial set of projects was on already owned land and on a joint development model, as the company was a new player in the housing market and still establishing its scale up strategy. As it received an encouraging response for these projects, it gained confidence and gradually increased the quantum of new BD on an outright basis after FY22.

In the initial stages of the business, Birla Estates took more time to finalize project acquisitions, with careful evaluation of opportunities. As its scale-up became more prominent and given the backing of its strong parent brand, it started receiving new deals for joint development as well as on outright sale basis. However, rather than becoming aggressive in the nascent stages, the company employed due diligence and took measured steps to close a deal. With steady progression, more deal closures materialized which led to BD activity picking up after FY22. Also, with rising scale-up, the management gained more confidence for outright deals (capital intensive), which were subsequently added to the portfolio.

Exhibit 43: Quantum of new business development stepped up; new projects with ~Rs400bn GDV potential added in the last two years



Source: Company, Emkay Research

Bombay Dyeing land dispute resolution boosts Worli potential

As of FY24-end, ABREL owned 20 acres of land in Worli East (the Birla Niyaara site), while an adjacent 10-acre contiguous land was on lease basis with ABREL, and under dispute with Bombay Dyeing (The Wadia Group). However, in Sep-24, the company settled the issue and acquired ownership of this entire disputed land parcel for Rs11bn.

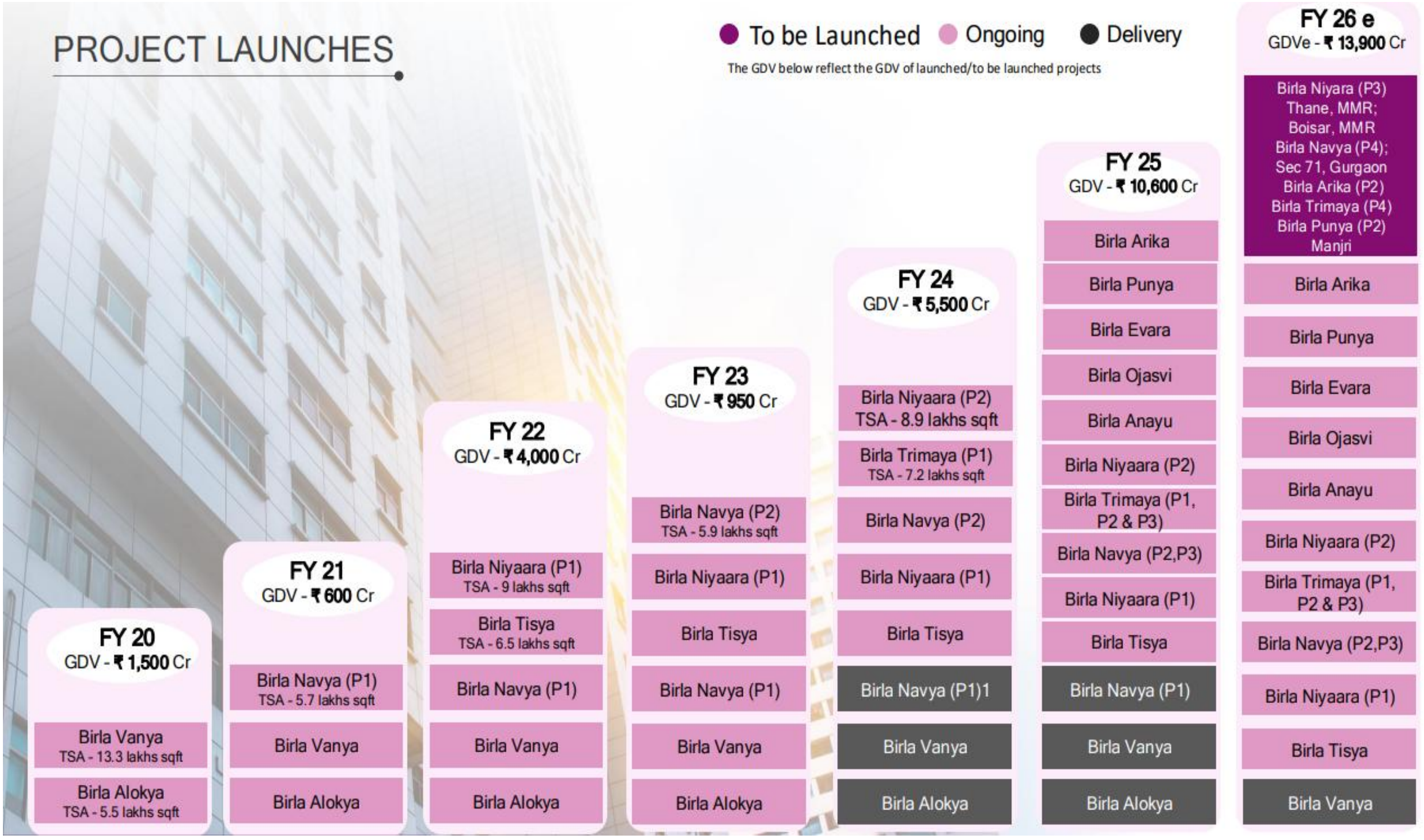
The deal appears to be attractive as it translates into a rate of Rs1.1bn/acre, which is at a 50% discount to Sumitomo Realty & Development's acquisition of 22 acres adjacent land from the Wadia Group for Rs52bn (Rs2.3bn/acre) in Sep-23. Also, ABREL's acquisition of this contiguous land parcel has boosted its GDV potential by Rs140bn, significantly improving growth visibility.

New BD of ~Rs400bn in past two years enhances launch pipeline

ABREL has seen strong growth since inception (first project launched in FY20) as pre-sales CAGR stood at >75% during FY20-25. Also, the scale-up of operations has significantly increased which requires the company to replenish its launchable inventory to keep growing. Consequently after FY23, ABREL's endeavor has been to keep adding new projects with GDV potential of Rs150-200bn every year. This target has largely been fulfilled, as the company concluded new BD worth Rs160bn in FY24, while adding five projects in FY25 with total GDV potential of ~Rs230bn in NCR, MMR, Boisar, and Pune, thus meeting its annual guidance (includes the deal with the Wadia Group).

In the past two years, the company has added new projects with potential GDV of ~Rs400bn, which highlights the increase in focus on sustainable growth. **Overall, ABREL has projects with total GDV of >Rs450bn which are yet to be launched. Additionally, the company's target of adding Rs150-200bn GDV every year would build a healthy inventory pipeline, which lends comfort on growth visibility over the medium term.**

Exhibit 44: Projects to be launched in FY26



Source: Company, Emkay Research

Capital-light model with Mitsubishi; more such arrangements likely

In Jan-25, Birla Estates entered a joint venture with Mitsubishi Estate Co (MEC) for a Rs5.6bn investment in a residential housing development in Sarjapur (South-East Bengaluru), through a special purpose vehicle (SPV). Under the partnership, Birla Estates and MJR Investment Pte (MIPL), an affiliate of MEC, will hold 51:49 economic interest, respectively, in the SPV. The SPV would hold the Sarjapur land parcel (committed by Birla Estates), while Mitsubishi will infuse capital to the tune of Rs2.8bn (49% stake). This would comprise development of premium residential project spanning a salable area of 3msf and GDV potential of Rs30bn.

As part of the deal, the company will earn development management (DM) fees in addition to 51% economic interest in the project. The Sarjapur land was acquired on outright basis in May-23 for Rs3.1bn. With creation of this SPV with Mitsubishi, infusion of Rs2.8bn by the latter would largely free up a significant portion of ABREL's invested capital. The development of this land parcel is expected to generate additional income for the company, significantly boosting the project's return profile.

The company's ability to strike such deals (more in the pipeline) positions it well for healthy growth over the medium term with limited capital requirement.

25% pre-sales CAGR expected over FY25-27E

ABREL has rapidly scaled up its residential operations as pre-sales grew to ~Rs81bn, at >75% CAGR during FY20-25, on the back of availability of a robust launch pipeline as well as brand pull. While 75% of the company's launched inventory is already sold, the balance portion and a sizable pipeline of >Rs450bn can maintain the sales momentum for the next 3-4 years at least. Further, it targets adding Rs150-200bn as part of new BD every year, to replenish the launch pipeline which would lead to pre-sales growth over the medium term.

The company is well poised to achieve or surpass the Rs100bn mark in the next two years, as we expect bookings to log 25% CAGR over FY25-27E, growing to Rs126bn. Further, we highlight that during FY22-24, most of the scale-up came from the Worli project, which contributed 50-75% of the pre-sales over the same period. However, this has changed, with only 13% pre-sales contribution from Worli in FY25. Based on the launch pipeline and our projections, we expect <30% annual pre-sales contribution from Worli in the next 2-3 years, thereby de-risking geographical concentration and providing a more broad-based growth in the medium term.

ABREL has rapidly scaled up its residential operations as pre-sales clocked CAGR of >75% during FY20-25 (growing to ~Rs81bn), on the back of availability of a robust launch pipeline as well as brand pull. This is impressive, considering that a number of real estate players operating for the last 20-25 years are yet to reach this mark. This reinforces ABREL's focus toward growth in the housing market. In MMR, its brand recall has significantly increased with the success of Birla Niyaara in Worli.

Exhibit 45: Size in terms of pre-sales is now more than that of several industry veterans, only lagging Godrej Properties, Prestige Estates, DLF, Macrotech, and Signatureglobal

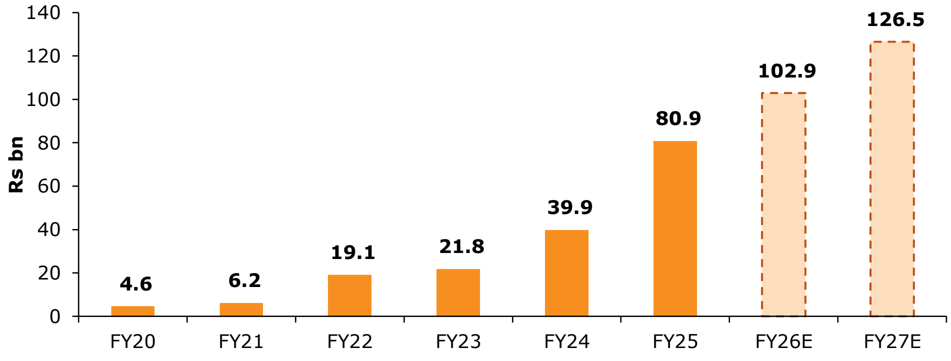
Pre-sales (Rs bn)	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Aditya Birla Real Estate						4.6	6.2	19.1	21.8	39.9	80.9
Oberoi Realty	17.6	23.5	15.2	13.1	17.5	12.6	32.8	38.9	32.2	39.4	52.6
Brigade	14.2	12.5	9.6	9.0	16.4	23.8	27.7	30.2	41.1	60.1	78.5
DLF	38.5	31.5	11.6	10.0	24.4	24.9	30.8	72.7	150.6	147.8	212.2
Godrej properties	26.8	50.4	20.2	50.8	53.2	59.2	67.3	78.6	122.3	225.3	294.4
Macrotech Developers	78.0	64.0	85.0	81.3	71.6	65.7	60.0	90.0	120.1	145.2	176.3
Prestige Estates	50.1	31.5	24.6	33.1	45.6	45.6	54.6	103.8	129.3	210.4	170.2
Purvankara	14.7	9.1	11.7	18.8	21.0	17.1	22.0	24.1	31.1	59.1	50.1
Sobha	22.3	21.5	20.1	28.6	31.2	28.8	31.4	38.7	52.0	66.4	62.8
Sunteck Realty	5.1	5.5	6.5	5.9	12.0	12.2	10.2	13.0	16.0	19.2	25.3
Mahindra Lifespace	7.1	8.4	5.4	6.1	10.2	6.7	7.0	10.3	18.1	23.3	28.0
Kolte Patil	16.8	12.6	12.2	12.0	14.3	13.3	12.0	17.4	22.3	28.2	27.9
Arvind Smartspaces		0.7	0.9	1.1	2.8	2.9	5.3	6.0	8.0	11.1	12.7
Signatureglobal India							16.9	25.9	34.3	72.7	102.9

Source: Company, Emkay Research; Note: FY15/16/17 pre-sales for Macrotech is taken from media articles

The company has clocked Rs81bn in bookings in FY25 on the back of strong launches worth Rs80bn in Q4FY25 across various projects–Sector 31, Gurugram (Rs30bn); Sarjapur (Rs30bn); Navya P-4 (Rs10bn); Trimaya P-3 (Rs6-7bn); and Sangamwadi P-1 (Rs4bn). At this scale, it is now larger than several industry veterans, only lagging Godrej Properties, Prestige Estates, DLF, Macrotech, and Signatureglobal (in terms of annual pre-sales).

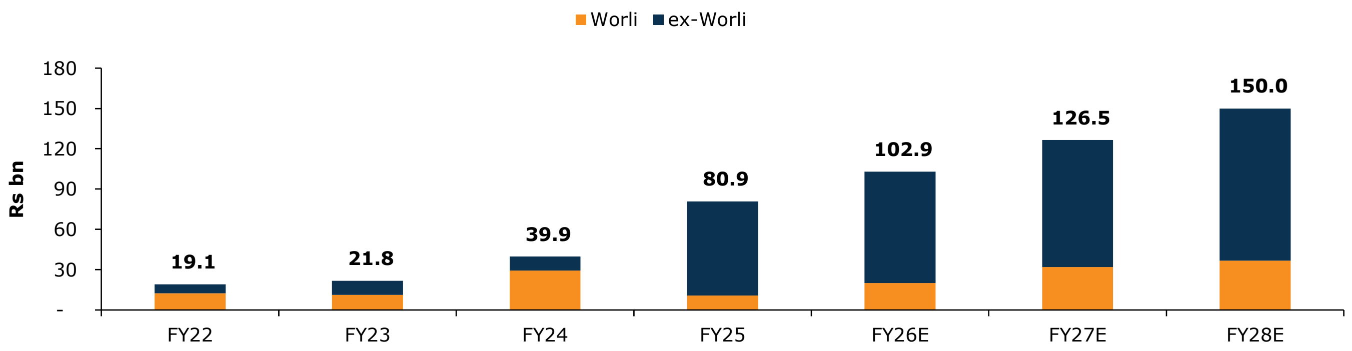
ABREL has yet to sell Rs60-70bn of the launched inventory; also, it has a pipeline of forthcoming projects with GDV potential of >Rs450bn, spread across its four core markets–MMR, NCR, Bengaluru, and Pune. This can keep the sales momentum healthy at least for the next 3-4 years. Further, it aims to keep adding Rs150-200bn annually as part of the new BD to replenish the launch pipeline. On the back of a comfortable launch pipeline, strong brand recall, and demand sustaining in the housing market, **we expect 25% CAGR in bookings, which are likely to reach Rs126bn by FY27E.**

Exhibit 46: Pre-sales expected to clock 25% CAGR over FY25-27E, growing to Rs126bn



Source: Company, Emkay Research

Exhibit 47: Pre-sales mix to be more broad-based, with Worli's contribution envisaged at <30% over the next 2-3 years



Source: Company, Emkay Research; Note: FY28E pre-sales indicated in the chart are the company's target (not Emkay estimate) and the share of Worli is arrived at on the basis of sales assumptions, considering the launch timelines of projects by ABREL in this micro-market

Paper business sale to provide growth capital for real estate

ABREL is one of India's leading and only integrated paper mills producing three types of paper—Writing and Printing (W&P), Packaging Board, and Tissue Paper—as well as Century Green Pulp (CGP) products. It recently executed a business transfer agreement with ITC for the slump sale of its pulp and paper business for Rs35bn, which we believe is a fair valuation. The transaction is likely to be completed in FY26.

We estimate post-tax proceeds of Rs31-32bn, of which Rs20bn debt associated with the paper business will be repaid, while the balance is likely to be utilized toward new business development in the real estate segment. We find this step to be prudent one, as it would also channelize management focus on the core business.

Integrated plant in North India, albeit faces logistics challenges

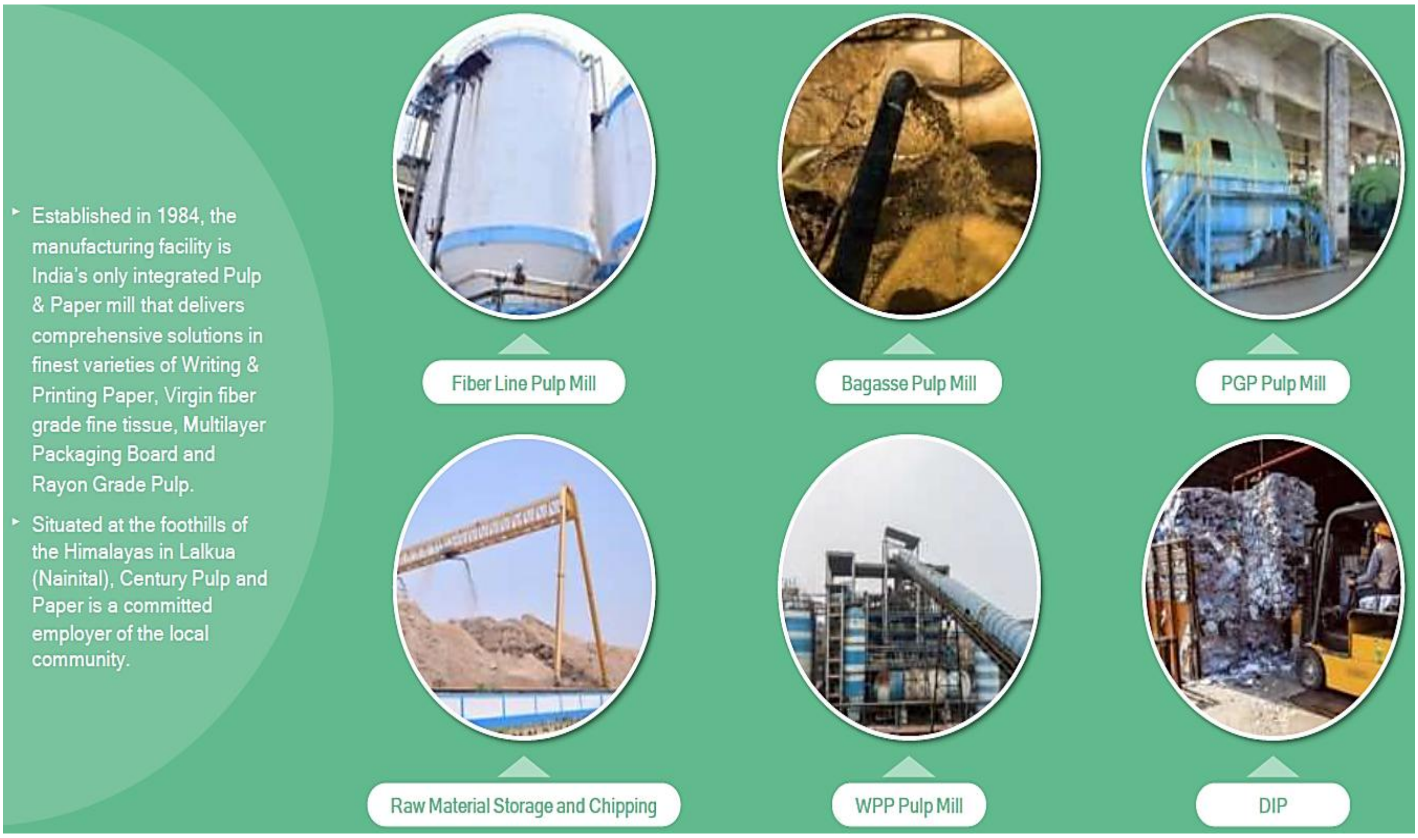
ABREL's paper division was established in 1984 in Nainital (Uttarakhand), and has an installed paper manufacturing capacity of ~481,000MTPA (single location on 400-acre land), which comprises of 198,000MT W&P, 180,000 Boards, 72,000 Tissue, and 31,300 Pulp. The facility's average utilization rate stood at >95% during FY16-24.

The plant is well equipped with operational infrastructure, comprising of own machinery, captive power (87MW), water availability (closer to river), etc. However, due to the location of the plant, it currently faces logistical challenges resulting in higher transportation costs. Key raw materials are wood pulp, wheat stray, bagasse (green pulp), and recycled paper for the manufacture of paper. Typically, 85-90% input materials are procured from the domestic market, whereas 10-15% of the pulp requirement (essentially soft wood) for the special grade of paper is imported (Canada, Europe). Currently, pulp imports are higher due to shortage of availability in domestic markets.

Exhibit 48: Paper manufacturing site

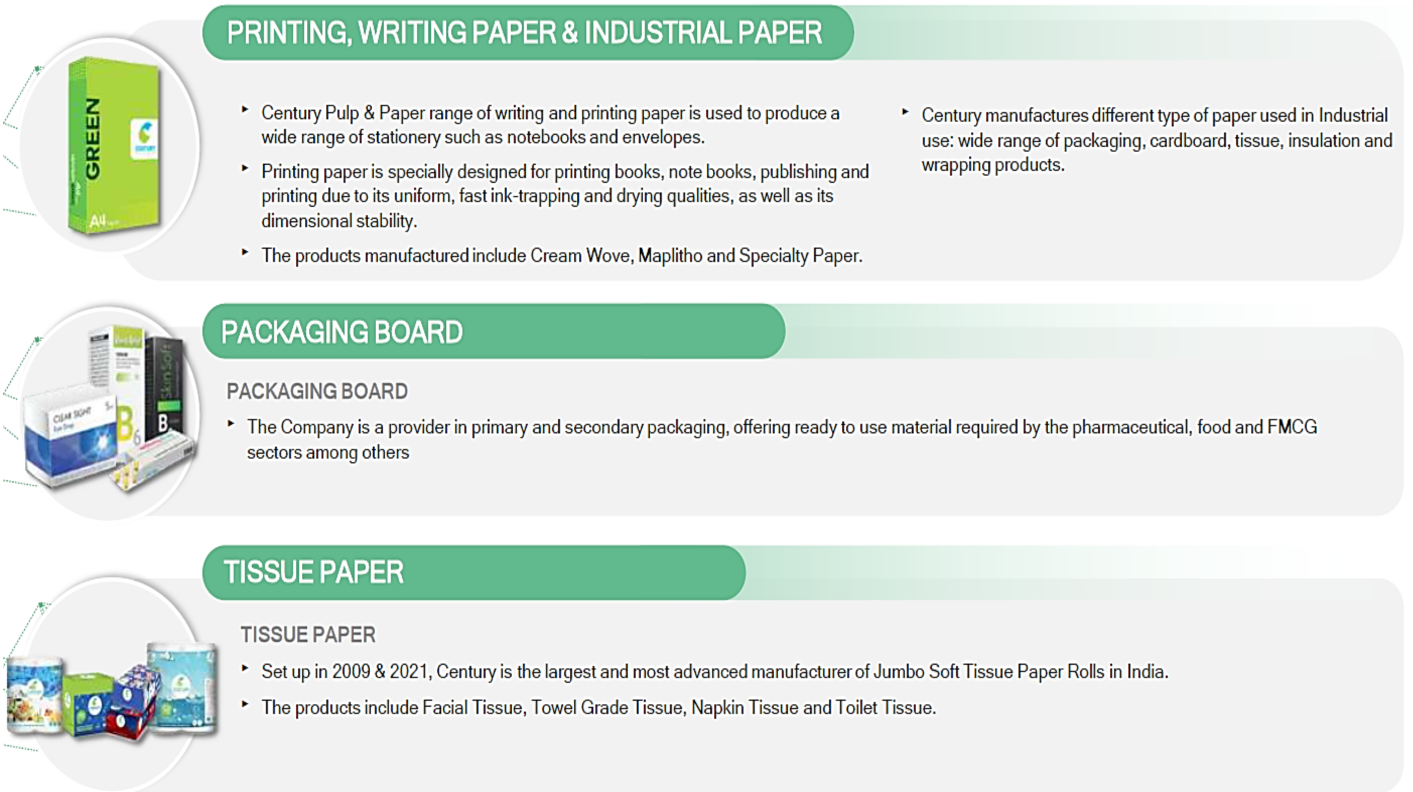
Source: Company, Emkay Research

Exhibit 49: Paper division – Manufacturing facilities



Source: Company, Emkay Research

Exhibit 50: Paper division – Product portfolio



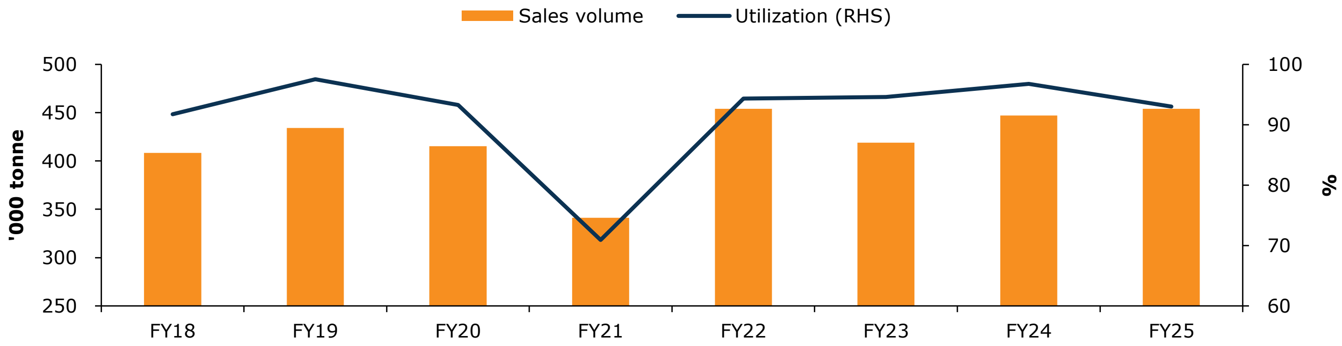
Source: Company, Emkay Research

Divestment at fair value; to boost cash flows

In Mar-25, ABREL executed a business transfer agreement with ITC for the slump sale of its pulp and paper business, for Rs35bn. This values the division at ~5x EV/EBITDA, based on higher profitability of Rs15/kg that could have been realized under the normal course of business. However, given the current situation of depressed profitability, at our estimates of Rs10-12 EBITDA/kg for FY27E, this deal implies an EV/EBITDA multiple of 6x. Hence, despite the prevailing business conditions, exiting the business at superior profitability and valuation can be seen as a prudent move.

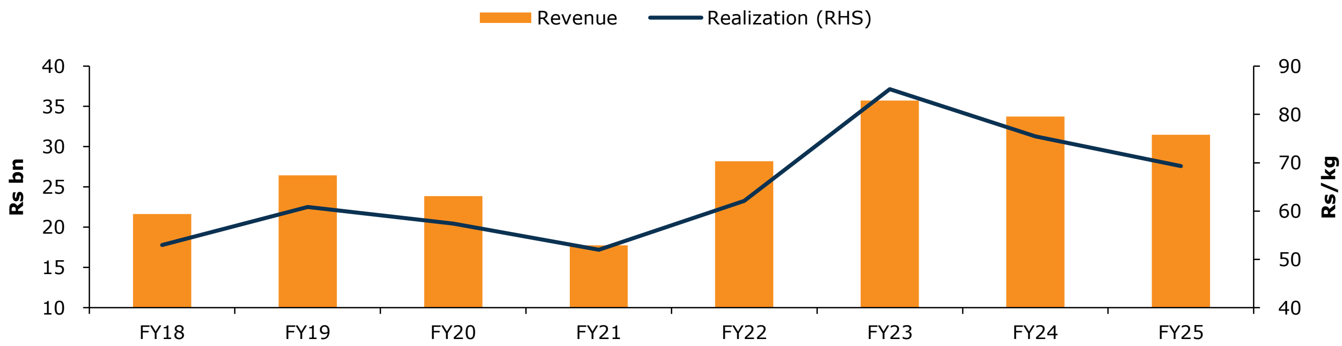
This transaction would free up Rs31-32bn in post-tax cash, which can be deployed toward deleveraging and expansion of the real estate business. Conservatively, the surplus balance after Rs20bn debt repayment would enable the company to undertake business development of Rs60-70bn (outright), which can generate an EBITDA of Rs18-21bn (considering a 30% blended embedded EBITDA margin). In our view, this represents a sound capital allocation strategy and effectively channels the management's focus toward the growth of its core business, which is clearly a positive development.

Exhibit 51: Paper plant has largely operated at higher utilization rates



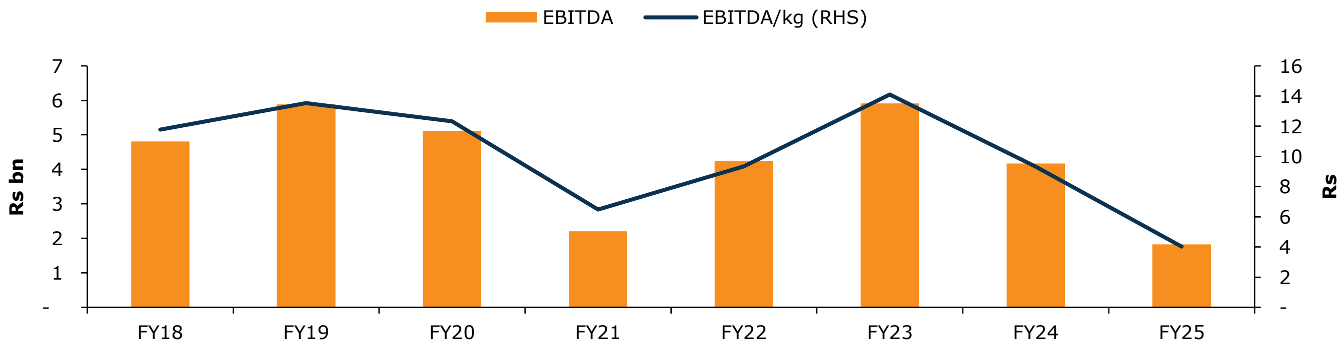
Source: Company, Emkay Research

Exhibit 52: Realization in recent quarters impacted by cost pressures as well as by the inability to take price hikes amid higher supply



Source: Company, Emkay Research

Exhibit 53: Profitability in FY25 was among the lowest in the last seven years



Source: Company, Emkay Research

Prudent capital allocation; legacy issues resolved

As part of rationalization of the company's operations and consolidation of businesses at the Group level, the cement and textiles businesses were demerged from ABREL and transferred to UltraTech Cement and Grasim Industries, respectively. Some of the assets in the textiles division were also sold. Further, the announced sale of the paper division would free up management bandwidth to enable increased focus on core real estate business. This move will also strengthen the balance sheet, supporting the scale-up of the real estate division.

On the other hand, a long-standing dispute with Bombay Dyeing (The Wadia Group) over a section of the Worli land was resolved in Sep-24. This resolution not only ended the legal tussle but also enhanced the company's growth visibility. ABREL's real estate GDV potential got enhanced by Rs140bn along with the resolution, as it acquired the disputed land parcel at a lucrative rate (~8% of the GDV). As the land is contiguous, it has further enhanced the appeal of Birla Niyaara—the company's flagship project.

Exhibit 54: Timeline of various demergers and business transfers

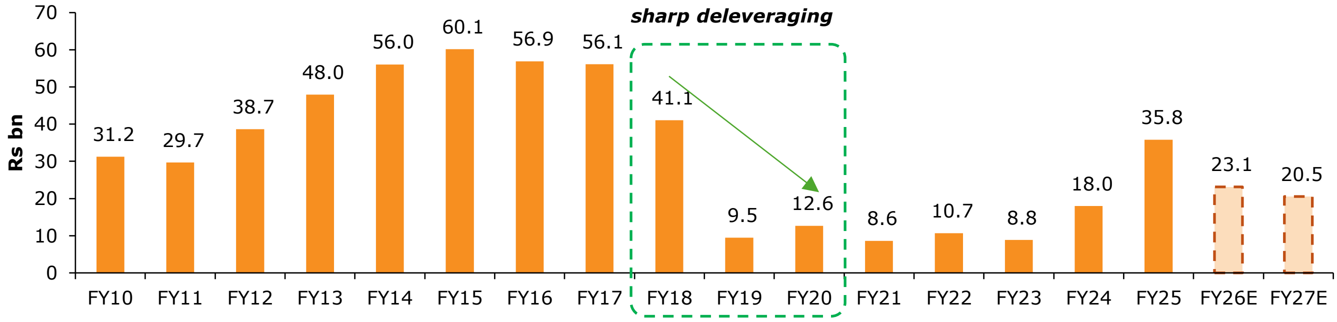
Timeline	Segment	Product	Transferred/sold to	Details
Aug-17	Textiles	Century Yarn and Century Denim	Wearit Global	In Aug-18, the company sold its Century Yarn and Century Denim divisions (<5% contribution to revenue) on lumpsum basis to Wearit Global, for Rs25mn
Feb-18	Textiles	Viscose Filament Yarn business (Century Rayon Division)	Grasim Industries	Effective 1-Feb-18, it granted Grasim Industries the right and responsibility to manage, operate, use, and control the viscose filament yarn business of Century Rayon Division of the company for 15 years, for an upfront Royalty of Rs6bn, carrying value of NWC, and interest free security deposit of Rs2bn
Oct-19	Cement	Cement	UltraTech Cement	In FY19, it entered a scheme of demerger with UltraTech Cement under which the latter acquired 13.4mtpa capacity for an EV of ~Rs86bn. Also, as part of the transaction, Rs30bn of ABREL's debt was transferred to UltraTech Cement. The demerger was completed in FY20
Jan-25	Textiles	Textiles	e-auction/negotiation with various parties	In Q1FY24, the company had initiated restructuring of operations at its Bharuch Textile division. Subsequently, the Board approved complete discontinuation of the operations of this division, which was eventually sold in Jan-25 for Rs410mn
Mar-25	Paper	Paper	ITC	In Mar-25, ABREL executed a business transfer agreement with ITC for slump sale of the pulp and paper business for Rs35bn. The sale is expected to be completed in FY26

Source: Company, Emkay Research

Cement business demerger led to substantial debt reduction

In FY19, ABREL (erstwhile Century Textiles) entered a demerger scheme with UltraTech Cement under which the latter acquired ABREL's cement business comprising total capacity of 13.4mtpa for an EV of ~Rs86bn. This was a share-swap deal and as part of the transaction, Rs30bn of ABREL's debt was transferred to UltraTech. This demerger was completed in FY20 and resulted in a substantial reduction of ABREL's net debt—from Rs41bn in FY18 to Rs13bn in FY20, thus paving the way for the scaling up of its real estate business.

Exhibit 55: Balance sheet deleveraged post-demerger of the cement business



Source: Company, Emkay Research; Note: FY19 numbers were restated as a result of the demerger (concluded in FY20)

Textiles business eventually discontinued

ABREL discontinued the textiles business in a staggered manner. It exited the loss-making Century Yarn and Century Denim textile units in FY17. Further, in FY18, it transferred the right to manage and operate the Viscose Filament Yarn (VFY) business for a 15-year period (upfront Royalty of Rs6bn, carrying value of NWC, and interest free security deposit of Rs2bn). Finally in Q4FY24, the Board approved the proposal to completely discontinue textiles operations. Consequently, the assets were sold in FY25.

Resolution of land dispute with Bombay Dyeing in Worli

As of FY24-end, ABREL owned 20 acres of land in Worli East (Birla Niyaara site), while an adjacent 10-acre contiguous land was on lease basis with ABREL and under dispute with Bombay Dyeing (The Wadia Group). However in Sep-24, the company settled the issue and acquired ownership of this entire disputed land parcel for Rs11bn.

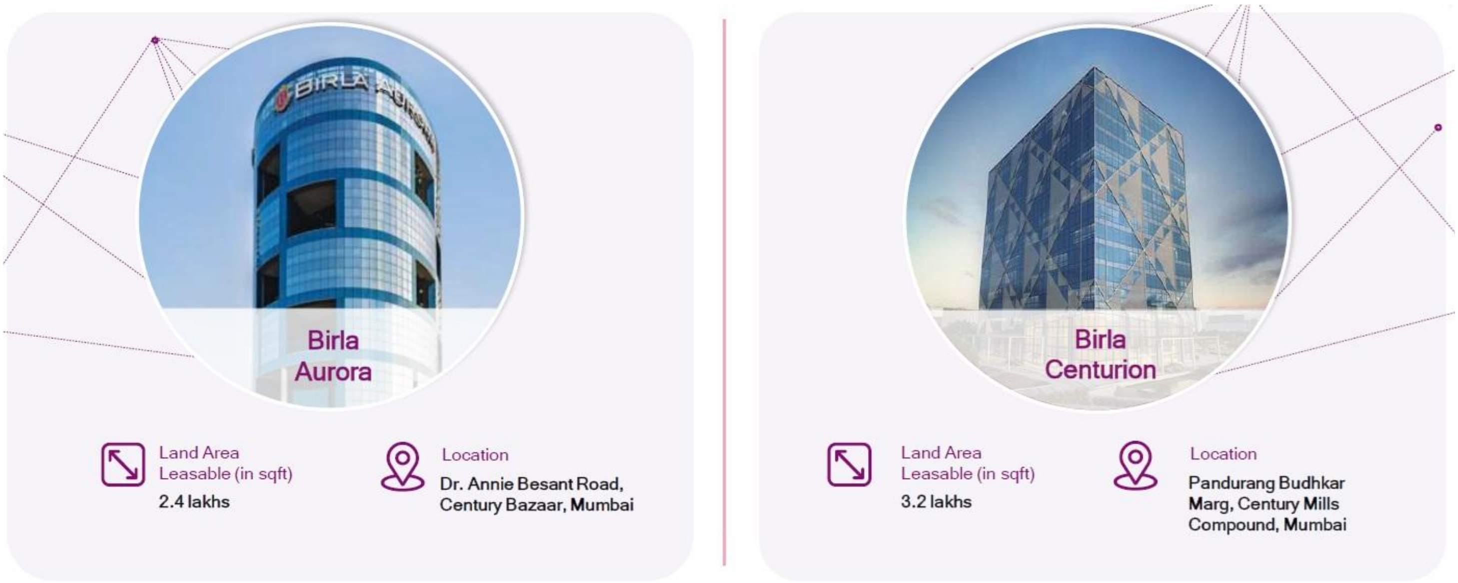
The deal appears to be attractive as it translates into a rate of Rs1.1bn/acre, which is at a 50% discount to Sumitomo Realty & Development's acquisition of 22 acres adjacent land from the Wadia Group for Rs52bn (Rs2.3bn/acre) in Sep-23. Also, ABREL's acquisition of this contiguous land parcel has boosted its GDV potential by Rs140bn, significantly improving growth visibility.

Rental portfolio to generate annuity income

ABREL has two rental assets in its portfolio—Birla Centurion and Birla Aurora—with total leasable area of ~0.6msf, and generating net leasing income of ~Rs1.2bnpa. Currently, the assets are fully leased, and growth is anticipated to be largely from rental escalations and space churn. Further, the company has indicated plans to add 1-1.4msf commercial asset in the Worli East land (beside the Niyaara project). This can potentially generate annual rental income of Rs3-4bn (our estimate). While plans on new this asset addition are yet to be finalized, annual rental income from the current operational assets is expected to see 5% CAGR over FY25-27E (growing to Rs1.3bn).

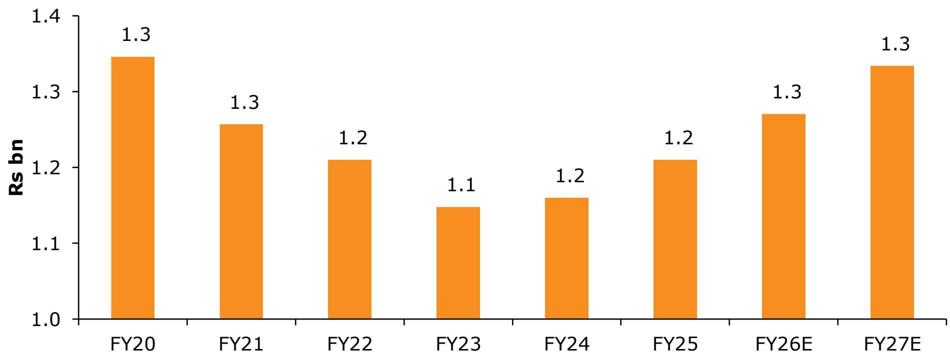
ABREL is likely to take up more asset additions in the rental portfolio in coming years.

Exhibit 56: Rental assets in Worli (Mumbai)



Source: Company; Note: Rs1lakh = Rs0.1million

Exhibit 57: Rental income expected to see 5% CAGR during FY25-27E



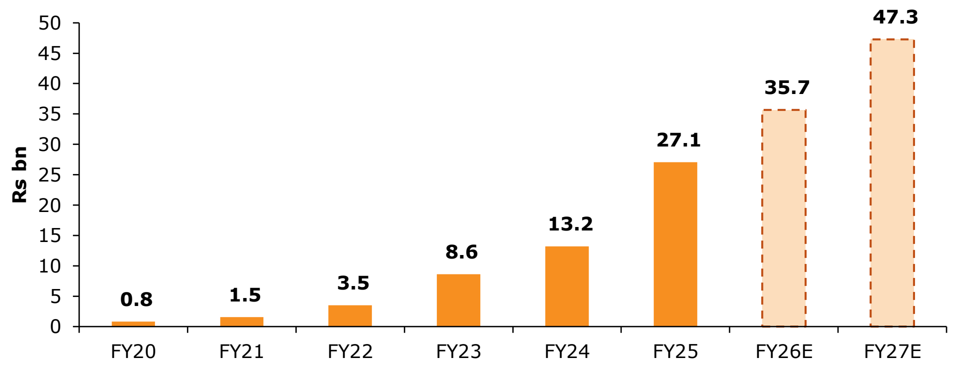
Source: Company, Emkay Research

Strong collections to aid growth, lower leverage

Collections CAGR over FY25-27E likely to be 32%

Collections saw a stellar 100% CAGR over FY20-25, reaching Rs27bn, driven by strong pre-sales after FY22 and healthy execution (collections are milestone-based and tied to construction activity progress). **On the back of healthy pre-sales growth and steady progress in construction activity, we expect the company to clock 32% CAGR in collections over FY25-27E, reaching Rs47bn by FY27.** Also, in absolute terms, the strong cash flow position provides comfort and positions the company well to sustain new business development and build its inventory pipeline over the medium term.

Exhibit 58: Collections CAGR expected at 32% over FY25-27E



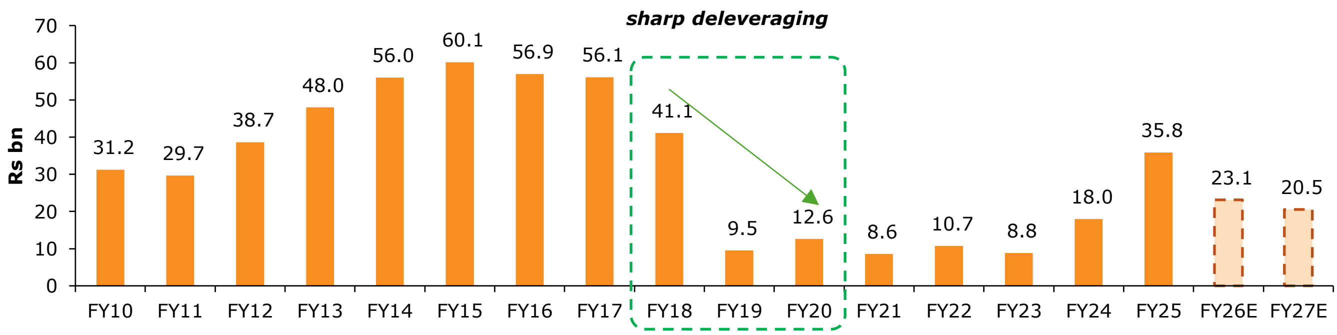
Source: Company, Emkay Research

Net debt expected to decline from FY26E

In FY19, the company demerged its cement business, resulting in net debt declining sharply from Rs41bn in FY18 to Rs13bn in FY20, enabling the scale-up of the residential business. Despite significant ramp-up in the real estate business over the past five years, net debt stands at ~Rs36bn, as of FY25.

Overall, led by strong collections, we expect net cash inflows (after construction, approval/liaison, and SG&A costs) of Rs11-12bn during FY26-27E. The planned divestment of the paper business is likely to generate after-tax cash proceeds of Rs31-32bn in the current year. As a result, net debt would be miniscule in FY26E. However, it plans to repay Rs20bn debt associated with the paper business, while also allocating more funds toward new business development in the real estate division. Considering the Rs20bn deployed toward BD in both, FY26 and FY27, we expect net debt to reduce to Rs20bn in FY27E.

Exhibit 59: Net debt to decline from FY26E on the back of paper division divestment as well as strong collections from the real estate business



Source: Company, Emkay Research

Financials

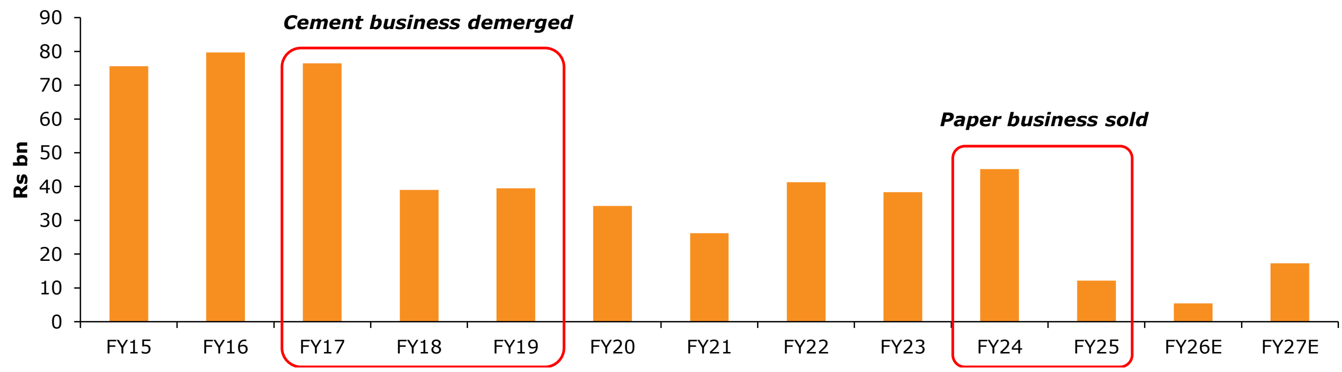
Major revenue recognition expected after FY27

In the residential business, the company follows the project completion method (PCM) for revenue recognition. Accordingly, even though projects are being sold, revenue is recognized only on project completion, depending on the time taken for construction. Over the next two years, revenue is expected to remain muted, as only select under-construction projects such as the remaining phase of Vanya, Tisya, and Navya Phase-2 will meet revenue recognition conditions. A meaningful uptick in revenue is expected in FY28E, when projects like Niyaara (Tower-1), Trimaya Phase-1, and Navya Phase-3 are slated to reach recognition milestones.

In the commercial segment, the company reported rental income of Rs1.2bn in FY25, and we expect a steady 5% CAGR over FY25-27E, with rental income reaching Rs1.3bn by FY27E.

Overall, we expect total revenue of Rs5.4bn/Rs17.3bn in FY26E/E27E, respectively.

Exhibit 60: Rs5.4bn/Rs17.3bn revenue expected in FY26E/FY27E, respectively

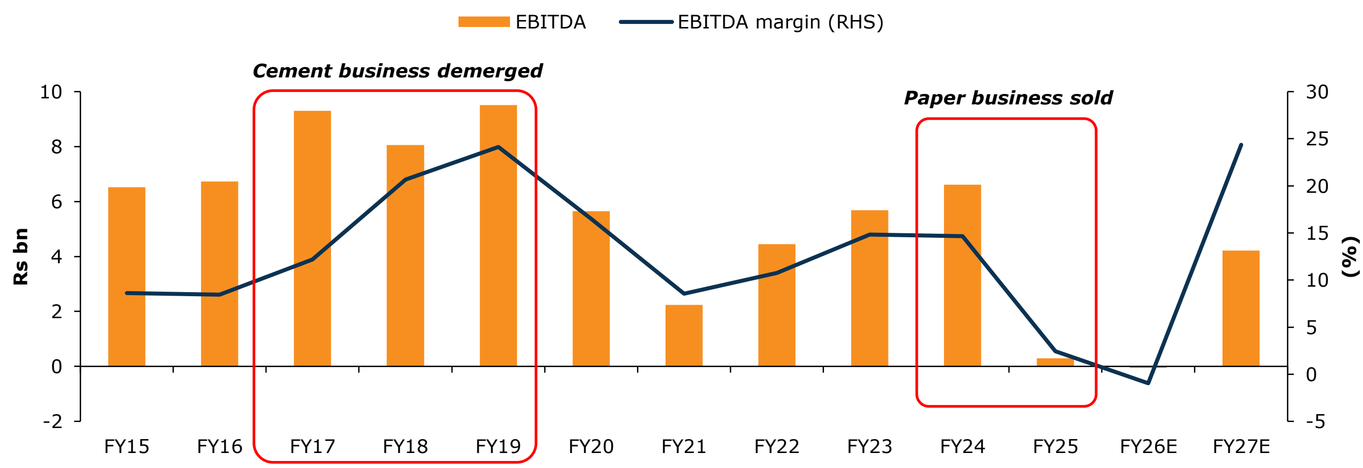


Source: Company, Emkay Research

Profitability to depend on revenue recognition

The company largely operates in the premium and ultra-luxury segments with blended EBITDA margin of ~30% (in the Worli project, margins are much higher, at ~45%). Further, the commercial segment generates higher EBITDA margin of ~90%, although the contribution is much less currently. On the back of the project hitting revenue recognition and owing to contribution from the commercial segment, we expect EBITDA of -Rs52mn in FY26E and Rs4.2bn in FY27E.

Exhibit 61: EBITDA expected at -Rs52mn in FY26E and at Rs4.2bn in FY27E



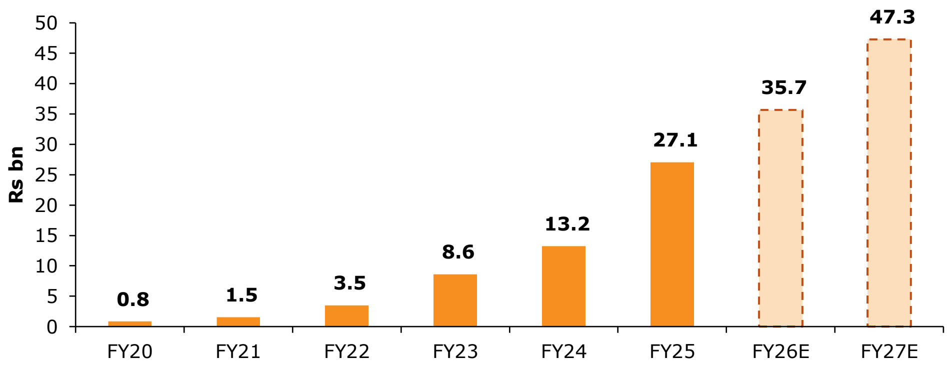
Source: Company, Emkay Research

Balance sheet likely to deleverage from FY26E

Collections have reached Rs27bn by FY25, seeing a stellar CAGR of 100% (FY20-25) and driven by strong pre-sales momentum after FY22 along with healthy project execution (as collections are milestone-based, they depend on progress in construction activity of a project). **On the back of continued healthy pre-sales growth and progress in construction activity, we expect collections to see 32% CAGR, and reach Rs47bn by FY27E.** In absolute terms, cash flow generation remains strong, which is comforting and positions the company well to pursue new business development and strengthen the inventory pipeline over the medium term.

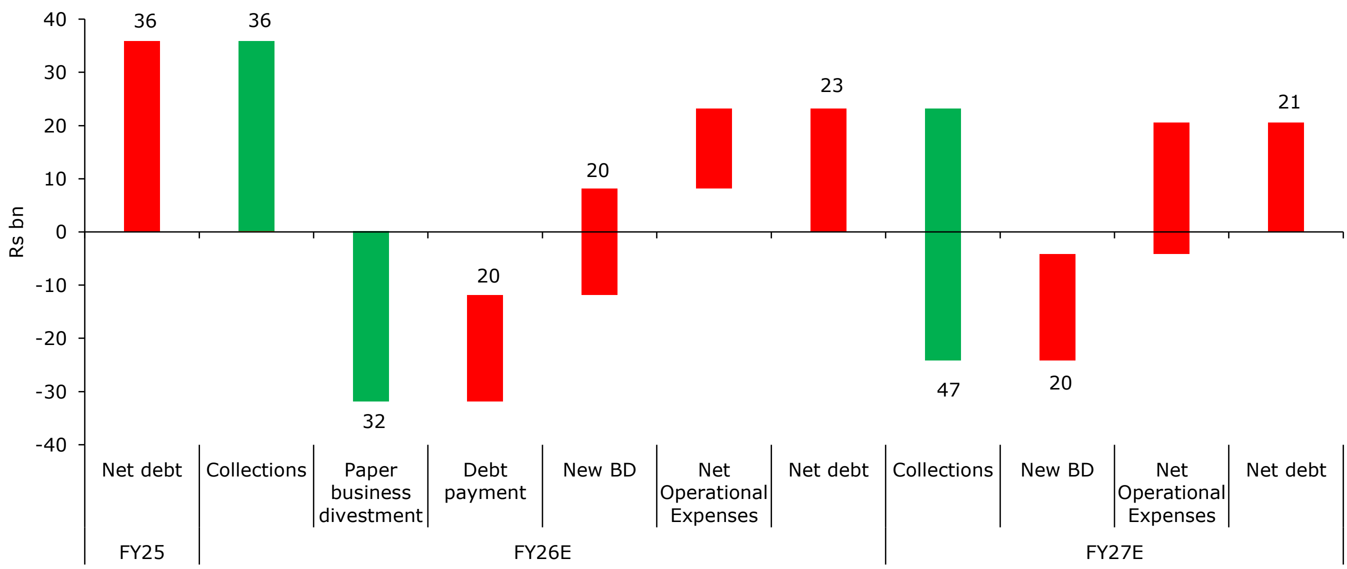
Overall, led by strong collections, we expect net cash inflows (after construction, approval/liaison, and SG&A costs) of Rs11-12bn during FY26-27E. The planned divestment of the paper business is likely to generate after-tax cash proceeds of Rs31-32bn in the current year. As a result, net debt would be miniscule in FY26E. However, it plans to repay Rs20bn debt associated with the paper business, while also deploying more funds toward new business development in the real estate division. Considering Rs20bn is deployed toward new BD in both, FY26E and FY27E, we expect net debt to reduce to Rs20bn in FY27E.

Exhibit 62: Collections CAGR of 32% expected over FY25-27E



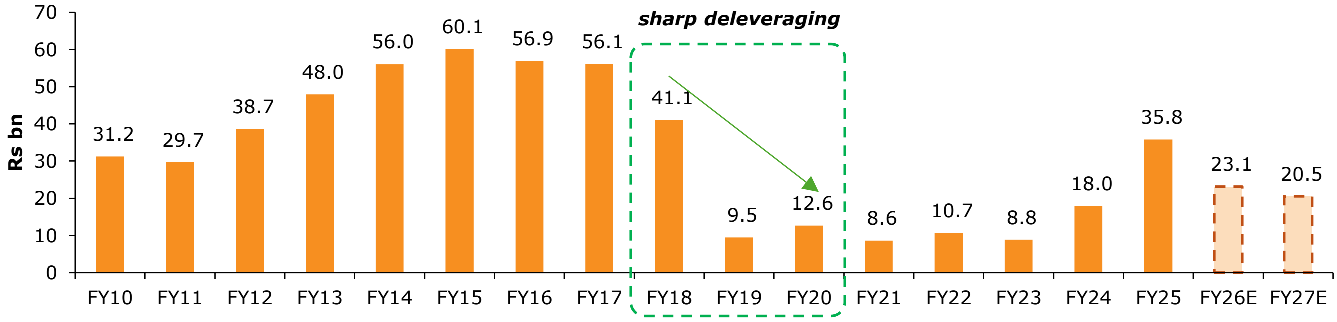
Source: Company, Emkay Research

Exhibit 63: Cash flow and debt movement expectation over the next two years



Source: Emkay Research

Exhibit 64: Net debt to reduce from FY26E due to paper division divestment and strong collections from the real estate business



Source: Company, Emkay Research

Valuation

We value the residential business at 11.5x embedded EV/EBITDA (~5Y average), and the commercial business at 8.0% cap-rate. We also account for net debt of ~Rs20bn in FY27E. Our valuation implies a ~75% premium to the residential NAV which we believe is justified as the pace of new project additions is expected to continue over the medium term (further boost to the NAV). **We initiate coverage on ABREL with BUY and SoTP-based target price of Rs3,300. We believe there is scope for an upward re-rating, with continuation of project additions and execution of more asset-light platform deals (similar to Mitsubishi) over the medium term.**

Residential business: We consider embedded EBITDA margin of 30%, given the better product mix and the company's strong presence in the premium and luxury segments. Accordingly, we arrive at an embedded EBITDA of Rs32.7bn for FY27E (pre-sales considered on ABREL's economic share). Assigning a 11.5x embedded EV/EBITDA (5Y average), we derive EV of Rs376bn for FY27E (refer to Exhibit 67 for the valuation trend).

NAV: We use WACC rate of 11.4% to discount the cash flows from launched and ongoing projects, while projects yet to be launched are discounted at 11.9%. Accordingly, for the current project portfolio, we arrive at NAV of Rs172bn. Further, we factor in Rs40bn deployed toward new project acquisition over the next two years, expected to be launched post-FY27E and generate net cash flows of Rs100bn—contributing an additional Rs42bn to the NAV. **Overall, we arrive at residential business NAV of Rs211bn.**

Implied NAV premium: Our NAV calculation does not factor in going-concern value, except for the Rs40bn in new project acquisitions that we have already included in our FY26/27 estimates. The residential business, valued at Rs376bn based on 11.5x embedded EV/EBITDA, implies ~75% premium to the NAV. In our opinion, this is justified as our assumptions of project addition continuity and cash flow growth suggest that the company can command a 70-75% premium to NAV over the medium term (Exhibit 66).

Commercial business: For the two commercial assets that are already operational, we have assigned a cap rate of 8.0% on FY27E EBITDA, which results in an EV of Rs15bn.

Based on the 11.5x embedded EV/EBITDA multiple for residential, 8.0% cap rate for commercial, and net debt of ~Rs20bn on FY27E, we arrive at TP of Rs3,300.

Exhibit 65: SoTP-based valuation for ABREL

SoTP-based method (on FY27E)		Rs bn
Birla Estates		
Pre-sales		126.5
ABREL's share in pre-sales	Based on economic share	109.0
EBITDA margin	Taken conservatively	30%
Embedded EBITDA		**32.7**
Embedded EV/EBITDA multiple		11.5x
EV		**376.1**
Lease rentals division		
Lease EBITDA		1.2
Cap rate		8.0%
EV		**15.0**
Total EV - ABREL		**391.1**
Less: Net debt		20.5
Implied market cap		**370.6**
Per share value - rounded off (Rs)		**3,300**

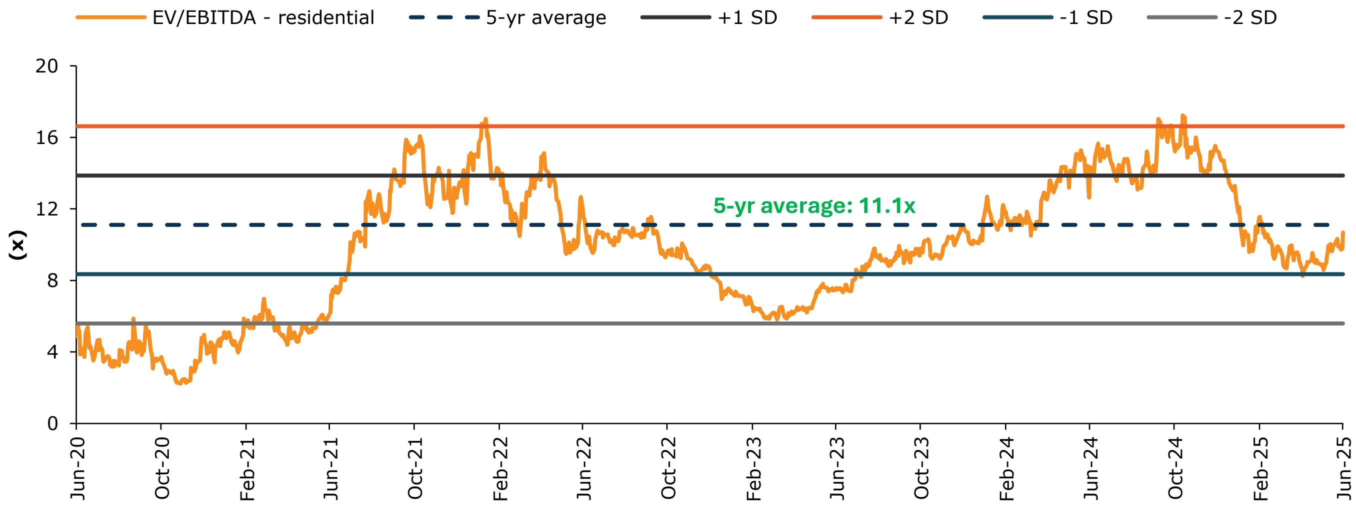
Source: Emkay Research

Exhibit 66: NAV premium calculation suggests ABREL can command a 70-75% premium to the existing portfolio's NAV

NAV premium calculation	Rs bn
Residential NAV on existing portfolio (A)	**211.1**
Normalized periodic NAV	36.4
Terminal growth of normalized NAV	3%
Terminal value	447.8
Discounted terminal value (B)	**152.5**
NAV premium based on expected growth = B/A	**72%**

Source: Emkay Research

Exhibit 67: Residential division valuation trend – One-year forward embedded EV/EBITDA for ABREL's real estate business



Source: Company, Bloomberg, Emkay Research; Note: Considered 30% embedded EBITDA margin for the residential business

Exhibit 68: Scenario analysis of ABREL's valuation

Rs bn	Bear Case		Base Case		Bull Case	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Pre-sales	80.0	101.4	102.9	126.5	114.4	141.6
Collections	32.9	41.8	35.7	47.3	37.3	52.4
Net debt	25.9	28.8	23.1	20.5	21.5	13.7
ABREL's share in pre-sales	61.0	86.1	81.6	109.0	93.4	126.8
Embedded EBITDA margin		30%		30%		30%
Embedded EBITDA		25.8		32.7		38.1
EV/EBITDA multiple (x)		11.5		11.5		11.5
EV - residential		297.0		376.1		437.6
EV - commercial		15.0		15.0		15.0
Total EV - ABREL		**312.0**		**391.1**		**452.6**
Less: Net debt		28.8		20.5		13.7
Implied market cap		**283.2**		**370.6**		**438.9**

Source: Emkay Research

Management overview

Kumar Mangalam Birla, Chairman

- Kumar Mangalam Birla spearheads conglomerate Aditya Birla Group.
- He is the Chancellor of the Birla Institute of Technology & Science (BITS) and 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 CA, he also holds a management degree from the London Business School.

RK Dalmia, Managing Director (ABREL)

- RK Dalmia has been with the Group for the last four decades.
- He played a vital role in setting up two new divisions of the company, ie Century Yarn and Century Denim, in 1993 and 1997, respectively.
- He was also instrumental in the establishment of a new ultramodern textile mill near Bharuch in Gujarat in 2008, with 300 looms and over 0.1million spindles.

KT Jithendran, Chief Executive Officer and Managing Director (Birla Estates)

- KT Jithendran has over 27 years of work experience in the realty sector.
- Prior to joining Birla Estates, he was involved with Godrej Properties as an Executive Director.
- He has led most functions within the company, while managing growth as well as building a strong talent team.
- He is a civil engineer from IIT Kharagpur, has completed PGDM from IIM Kolkata, and an advanced management program from Harvard Business School.

Snehal Shah, Chief Financial Officer (ABREL)

- Shah specializes in business strategy and has cumulative experience of over 30 years in operations, business processes, risk management, MIS, administration, vendor management, and team building.
- His expertise spans financial services, metals, cement, carbon black, textiles, chemicals, and refineries.
- A CA by qualification, he has headed the Corporate Management Services division at Aditya Birla Group for over four years, before taking charge as the CFO at ABREL.

Risks and concerns

- General slowdown in residential real estate market can impact bookings growth as well as collections.
- Muted response to the Worli project or oversupply within a short period in this micro-market can impact bookings growth, collections, as well as NAV estimates. Also, inability to monetize the Worli land parcel in a timely manner would lead to bulk-up of unsold inventory on the balance sheet.
- Sharp increase in construction costs due to unforeseen situations can impact profitability of ongoing projects, wherein a sizable portion has already been sold.
- Failure to add new projects (business development) can impact launch visibility and slow down bookings growth.
- Sharp increase in net debt can impact project additions/growth aspirations.

Aditya Birla Real Estate: Consolidated Financials and Valuations

Profit & Loss

Y/E FY25 (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Revenue	**38,318**	**45,135**	**12,189**	**5,446**	**17,297**
Revenue growth (%)	(7.2)	17.8	(73.0)	(55.3)	217.6
EBITDA	**5,687**	**6,612**	**296**	**(52)**	**4,213**
EBITDA growth (%)	27.9	16.3	(95.5)	0	0
Depreciation & Amortization	1,959	2,099	638	664	702
EBIT	**3,728**	**4,513**	**(342)**	**(716)**	**3,511**
EBIT growth (%)	74.3	21.1	0	0	0
Other operating income	633	2,496	155	163	171
Other income	246	565	385	411	440
Financial expense	342	355	458	511	482
PBT	**3,632**	**4,723**	**(415)**	**(815)**	**3,469**
Extraordinary items	1,342	0	(1,240)	4,000	0
Taxes	1,729	1,450	(303)	(204)	867
Minority interest	73	(99)	(38)	(35)	(1,591)
Income from JV/Associates	(18)	(224)	(135)	0	0
Reported PAT	**2,719**	**505**	**(1,613)**	**3,354**	**1,011**
PAT growth (%)	107.5	(10.6)	0	0	(69.9)
Adjusted PAT	**1,377**	**505**	**(373)**	**(646)**	**1,011**
Diluted EPS (Rs)	**12.3**	**4.5**	**(3.3)**	**(5.8)**	**9.1**
Diluted EPS growth (%)	(17.3)	(63.3)	0	0	0
DPS (Rs)	**5.0**	**5.0**	**2.0**	**3.0**	**3.0**
Dividend payout (%)	**20.5**	**110.5**	**(13.9)**	**10.0**	**33.1**
EBITDA margin (%)	14.8	14.6	2.4	(1.0)	24.4
EBIT margin (%)	9.7	10.0	(2.8)	(13.1)	20.3
Effective tax rate (%)	47.6	30.7	72.9	25.0	25.0
NOPLAT (pre-IndAS)	**1,953**	**3,127**	**(93)**	**(537)**	**2,633**
Shares outstanding (mn)	112	112	112	112	112

Source: Company, Emkay Research

Balance Sheet

Y/E FY25 (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Share capital	1,117	1,117	1,117	1,117	1,117
Reserves & Surplus	37,751	38,674	37,286	40,304	40,980
Net worth	**38,868**	**39,791**	**38,403**	**41,421**	**42,097**
Minority interests	1,521	1,156	480	515	2,106
Non-current liab. & prov.	(74)	(833)	(2,048)	(1,948)	(1,848)
Total debt	**10,377**	**24,815**	**49,965**	**34,051**	**32,136**
Total liabilities & equity	**56,634**	**70,393**	**91,494**	**79,333**	**80,385**
Net tangible fixed assets	78,021	77,740	19,900	21,100	22,300
Net intangible assets	290	312	288	298	308
Net ROU assets	356	330	0	0	0
Capital WIP	2,261	960	494	794	1,094
Goodwill	-	-	-	-	-
Investments [JV/Associates]	2,248	4,090	6,721	7,393	8,133
Cash & equivalents	**1,541**	**6,842**	**14,133**	**10,924**	**11,599**
Current assets (ex-cash)	34,132	49,420	120,234	131,788	169,178
Current Liab. & Prov.	27,402	33,760	71,291	91,175	130,874
NWC (ex-cash)	**6,730**	**15,661**	**48,944**	**40,613**	**38,304**
Total assets	**56,634**	**70,392**	**91,494**	**79,333**	**80,385**
Net debt	8,836	17,974	35,833	23,126	20,537
Capital employed	56,634	70,393	91,494	79,333	80,385
Invested capital	**45,533**	**52,289**	**63,087**	**55,303**	**53,503**
BVPS (Rs)	348.0	356.3	343.8	370.9	376.9
Net Debt/Equity (x)	0.2	0.5	0.9	0.6	0.5
Net Debt/EBITDA (x)	1.6	2.7	121.1	(444.6)	4.9
Interest coverage (x)	11.6	14.3	0.1	(0.6)	8.2
RoCE (%)	**7.7**	**8.7**	**0.1**	**(0.4)**	**5.2**

Source: Company, Emkay Research

Cash flows

Y/E FY25 (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
PBT (ex-other income)	3,367	3,934	(935)	(1,226)	3,029
Others (non-cash items)	(140)	(525)	2,065	3,965	(1,591)
Taxes paid	(747)	(1,361)	(966)	204	(867)
Change in NWC	167	(9,689)	(34,498)	8,430	2,409
Operating cash flow	**2,710**	**(3,153)**	**(12,934)**	**(9,962)**	**2,989**
Capital expenditure	(1,180)	(1,746)	(1,200)	28,182	(1,575)
Acquisition of business	533	(1,842)	(2,631)	(672)	(739)
Interest & dividend income	506	579	367	0	0
Investing cash flow	**1,385**	**(5,241)**	**(4,380)**	**26,921**	**(2,874)**
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	(2,779)	14,438	25,150	(15,915)	(1,915)
Payment of lease liabilities	239	11	152	0	0
Interest paid	(342)	(355)	(458)	(511)	(482)
Dividend paid (incl tax)	(447)	(554)	(553)	(335)	(335)
Others	(398)	74	(2,107)	(4,406)	2,291
Financing cash flow	**(3,727)**	**13,614**	**22,184**	**(21,167)**	**(441)**
Net chg in Cash	368	5,219	4,870	(4,208)	(326)
OCF	2,710	(3,153)	(12,934)	(9,962)	2,989
Adj. OCF (w/o NWC chg.)	2,542	6,536	21,564	(18,393)	581
FCFF	1,530	(4,900)	(14,134)	18,219	1,414
FCFE	1,694	(4,676)	(14,225)	17,709	932
OCF/EBITDA (%)	47.6	(47.7)	(4,371.2)	19,153.8	71.0
FCFE/PAT (%)	62.3	(925.1)	882.0	528.0	92.2
FCFF/NOPLAT (%)	**78.3**	**(156.7)**	**15,259.2**	**(3,394.9)**	**53.7**

Source: Company, Emkay Research

Valuations and key Ratios

Y/E FY25	FY23	FY24	FY25	FY26E	FY27E
P/E (x)	96.8	520.6	(163.1)	78.5	260.3
EV/CE(x)	5.4	4.3	3.2	3.7	3.7
P/B (x)	6.8	6.6	6.9	6.4	6.3
EV/Sales (x)	7.2	6.6	23.4	53.2	16.4
EV/EBITDA (x)	47.8	42.5	950.0	(5,404.3)	66.7
EV/EBIT(x)	72.9	62.3	(821.9)	(392.8)	80.1
EV/IC (x)	6.0	5.4	4.5	5.1	5.3
FCFF yield (%)	0.6	(1.7)	(5.0)	6.5	0.5
FCFE yield (%)	0.6	(1.8)	(5.4)	6.7	0.4
Dividend yield (%)	0.2	0.2	0.1	0.1	0.1
DuPont-RoE split					
Net profit margin (%)	3.6	1.1	(3.1)	(11.9)	5.8
Total asset turnover (x)	0.7	0.7	0.2	0.1	0.2
Assets/Equity (x)	1.5	1.6	2.1	2.1	1.9
RoE (%)	**3.6**	**1.3**	**(1.0)**	**(1.6)**	**2.4**
DuPont-RoIC					
NOPLAT margin (%)	5.1	6.9	(0.8)	(9.9)	15.2
IC turnover (x)	0.8	0.9	0.2	0.1	0.3
RoIC (%)	**4.2**	**6.4**	**(0.2)**	**(0.9)**	**4.8**
Operating metrics					
Core NWC days	64.1	126.6	1,465.6	2,722.1	808.3
Total NWC days	**64.1**	**126.6**	**1,465.6**	**2,722.1**	**808.3**
Fixed asset turnover	0.5	0.6	0.2	0.3	0.8
Opex-to-revenue (%)	31.6	27.1	36.7	71.0	20.6

Source: Company, Emkay Research

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	>15% upside
ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	<15% downside

Seshadri Kumar Sen

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