

**BSE SENSEX**  
65,953

**S&P CNX**  
19,597

**CMP: INR489**
**TP: INR455 (-7%)**
**Neutral**

## Scaling new heights aided by demand tailwinds

DLF in its FY23 annual report highlighted a) its plan to sustain sales momentum in DevCo, b) continued expansion in the office segment with an aim to double the retail portfolio in 4-5 years, and c) consistent improvement in cash flows.

### Takeaways from Director's letter – Expansion across segments

- Housing segment continues to witness strong demand, supported by tailwinds from fundamental demand drivers.
- Consolidation among larger and credible brands continues to be a key trend in the housing segment, primarily driven by rising confidence toward developers with strong execution legacy.
- In FY23, DLF's pre-sales doubled YoY to INR155b, driven by a strong response to a new luxury project launched in Gurugram. Its identified launch pipeline will help the company sustain the momentum.
- Expansion of new global captives, R&D and the technology sector will boost demand for office space. In Retail, there has been a significant rebound with improved footfalls. This resurgence is primarily supported by a recovery in the luxury segment.
- DLF maintains a positive outlook on the rental business and is consequently deploying capital to grow the office portfolio (developing 5.3msf across Gurugram and Chennai).
- Given a recovery in the retail segment and consumption trends in the country, DLF has also initiated the development of new sets of malls across geographies, with an aim of doubling its retail presence in the next 4-5 years.
- DLF continue to strengthen its sales, CRM and project execution teams, and its upgraded ERP system has significantly enhanced the company's digital capabilities.

### Healthy project pipeline; aims to sustain increased sales run rate

- In FY23, DLF's pre-sales grew 136% YoY to INR155b, the highest ever in the last 10 years. The luxury project in Gurugram, which was sold out during the launch, contributed INR80b to overall sales.
- For FY24, the company expects to sustain its pre-sales at INR120-130b, primarily driven by 11msf launch pipeline, which includes a 3.5msf luxury high-rise project in DLF5, Gurugram.
- Additionally, DLF will also launch a 1.2msf high-rise luxury project in Chennai, mid/high-rise project in sector 76/77 of Gurugram, and a low-rise project in Chandigarh. The company plans to launch Tower D at One Midtown by end-2QFY24 and has already received bookings for ~80% of inventory.



Bloomberg	DLFU IN
Equity Shares (m)	2475
M.Cap.(INRb)/(USDb)	1210.4 / 14.6
52-Week Range (INR)	522 / 337
1, 6, 12 Rel. Per (%)	-4/26/20
12M Avg Val (INR M)	1996

#### Financials & Valuations (INR b)

Y/E MARCH	FY23	FY24E	FY25E
Sales	56.9	79.8	84.3
EBITDA	17.3	24.9	28.0
EBITDA Margin (%)	30.3	31.2	33.2
Adj PAT	20.3	30.3	45.2
Cons. EPS (Rs)	11.4	12.2	18.2
EPS Growth (%)	145.8	82.3	60.0
BV/Share (Rs)	211.3	224.1	245.2

#### Ratios

Net D:E	0.0	0.0	-0.1
RoE (%)	5.5	7.8	10.8
RoCE (%)	3.4	5.0	5.5
Payout (%)	48.7	24.5	16.4

#### Valuations

P/E (x)	43.3	40.3	27.1
P/BV (x)	2.3	2.2	2.0
EV/EBITDA (x)	71.5	48.8	42.6
Div. Yield (%)	0.8	0.6	0.6

**Pritesh Sheth - Research Analyst** (Pritesh.Sheth@MotilalOswal.com)

**Sourabh Gilda – Research Analyst** (Sourabh.Gilda@motilaloswal.com)

**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

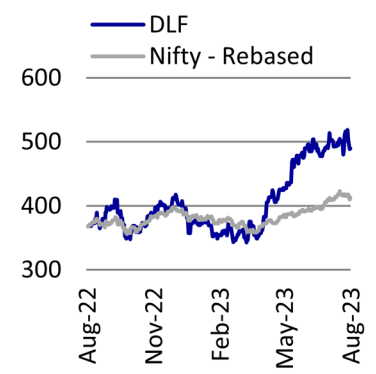
Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

## Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	75.0	75.0	75.0
DII	4.9	5.2	4.6
FII	15.3	14.7	14.9
Others	4.9	5.2	5.6

FII Includes depository receipts

## Stock Performance (1-year)



## Key Financial highlights

■ **P&L highlights:** Revenue remained flat YoY at INR54b and EBITDA stood at INR17b with a margin of 30%. Income from JV (DCCDL) was up 42% YoY at INR9b and reported PAT was up 22% YoY at INR20b.

■ **Debt:** Gross debt of INR33b include: LT borrowings of INR13b and ST borrowings of INR20b

**Liquidity:** In addition to cash and bank balance of INR22b, DLF also has liquid investments of INR3b. Thus, net debt stood at INR7.0b (as of Mar'23).

## Valuation and view

■ While we remain confident about the growth outlook of its Residential and Commercial businesses, we believe the valuation already seems to price in this positive outlook. Thus, the implied value of land remains the only key metric for a further upside in the stock.

■ The current valuation indicates that the company's 146msf land in DLF (DevCo.) and 24msf land in DCCDL (RentCo.) are valued at INR620b. This valuation incorporates a ~15 years of monetization timeline for the land bank, which we believe is fair. We value the land at ~INR530b, implying that there is limited upside potential from the current valuation.

■ **Maintain NEUTRAL with a TP of INR455.**

## Exhibit 1: Our SoTP-based valuation approach for DLF implies fair valuation

Segment	Rationale	Value (INR b)	Per share	as % of NAV
<b>DLF - Devco</b>		<b>579</b>	<b>234</b>	<b>51%</b>
Residential - Completed projects	❖ Inventory of INR26bn + Receivables of INR8bn - pending construction cost of INR1-2bn discounted over two years at WACC of 12.5%	26	11	2%
Upcoming launches	❖ 41msf of launch pipeline with revenue potential of INR680b (DLF stake) at 50-55% cash flow margin discounted over 7-8 years at 12.5% WACC	201	81	18%
Commercial - Operational	❖ Mar'25E EBITDA of ~INR2.7b at cap rate of 8%	39	16	3%
Land bank - development	❖ Carries a book value of ~INR150b and recorded in inventory	313	126	28%
<b>DCCDL</b>		<b>650</b>	<b>263</b>	<b>58%</b>
Commercial - Operational	❖ Mar'25E EBITDA of ~INR48b at cap rate of 8%	405	163	36%
Commercial - Upcoming	❖ Based on DCF with terminal value calculated using rental at stabilized state, discounted using WACC of 10%	33	14	3%
Land bank - DCCDL	❖ Carries a book value of ~INR77b at DLF stake	212	86	19%
<b>Total GAV</b>		<b>1,230</b>	<b>497</b>	<b>109%</b>
Less: Net debt		<b>(104)</b>	<b>(42)</b>	<b>(9%)</b>
<b>Total NAV</b>		<b>1,125</b>	<b>455</b>	<b>100%</b>
No. of shares (mn)		2475		
<b>NAV per share</b>		<b>455</b>		
CMP		489		
<b>Upside potential</b>		<b>-7%</b>		

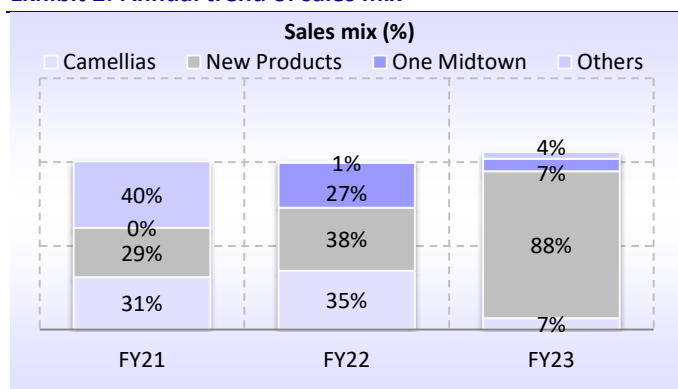
## Segment Review – Residential and retail drive strong performance

- During the year, DLF reported bookings of 10msf, aided by healthy launches, which included The Arbour (at Gurugram) and independent floors at Gurugram and Chandigarh.
- It achieved pre-sales of INR155b in the residential business, up 100% YoY, as the The Arbour contributed INR80b to overall sales.
- On the annuity side, rental income increased 19% YoY to INR39b on the back of the commencement of rent at Downtown Gurugram, MTM at existing assets and a 65% increase in retail income.

## Residential business – consecutive year of decadal best performance

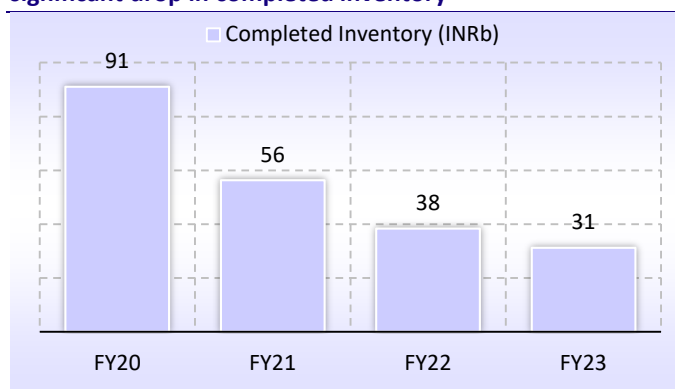
- While Camellias and One Midtown stole the show in FY22, the significant growth of over 100% in DLF's pre-sales in FY23 can be attributed to the successful launch of its premium project – The Arbour, which was sold out during the launch generating sales of INR80b+.
- Smaller launches at Gurugram and Chandigarh also witnessed strong demand with significant inventory getting sold at the launch.
- As of Jun'23, receivables stood at INR160b (including One Midtown JV) and inventory of INR56b.
- Realization growth, especially in Camellia, has been strong as highlighted by the management in the recent earnings call. Pricing at Camellia has improved from INR35-40k/sft to INR60k/sft and the company expects it to further increase to INR100k/sft.
- A new tower at One Midtown in 2QFY24 will also be launched at a healthy premium to existing inventory.

**Exhibit 2: Annual trend of sales mix**



Source: Company, MOFSL

**Exhibit 3: Strong demand in the RTM segment led to significant drop in completed inventory**



Source: Company, MOFSL

### 23msf of medium-term launch pipeline; largely concentrated in existing core markets

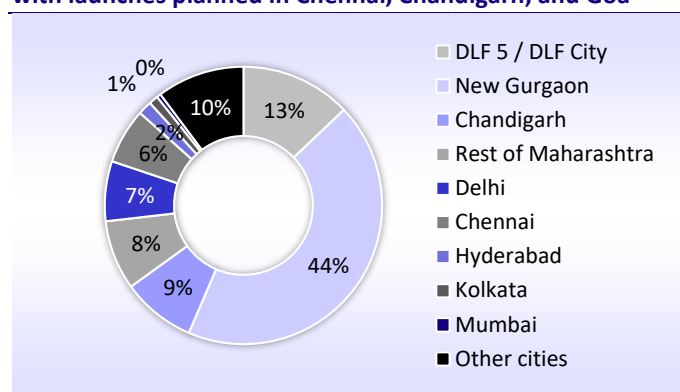
- As of Jun'23, the company has a project pipeline of 23msf to be launched over the next few years.
- Including the existing ready and ongoing unsold inventory of INR56b, the total revenue potential is INR500b, which should suffice for targeted pre-sales growth in the near term.
- Existing core markets of Delhi and Gurugram account for 60% of volume.
- While the new project pipeline remains strong in the near term, the company has more than enough land parcels across geographies to replenish the 35msf pipeline identified 18 months ago.

**Exhibit 4: Strong launch pipeline to help maintain the sales momentum**

Projects	Initial Guidance		Launched till FY23		Planned FY24		Total till FY24		Beyond FY24	
	Size (msf)	Value (INRb)	Size (msf)	Value (INRb)	Size (msf)	Value (INRb)	Size (msf)	Value (INRb)	Size (msf)	Value (INRb)
Luxury Segment	10	125	10	152	5	124	15	276	-	-
Midtown, DLF-GIC JV	8	175	2	44	-	-	2	44	6	131
Premium/value homes	9	50	5	31	5	60	10	91	-	-
Commercial	2	25	1	13	1	7	2	20	1	20
Atrium Place (Hines JV)	3	70	-	-	-	-	-	-	3	70
NOIDA IT Park	4	25	-	-	1	7	1	7	3	19
<b>Total</b>	<b>35</b>	<b>470</b>	<b>18</b>	<b>240</b>	<b>12</b>	<b>197</b>	<b>29</b>	<b>437</b>	<b>12</b>	<b>239</b>
<b>Cumulative</b>									<b>41</b>	<b>676</b>

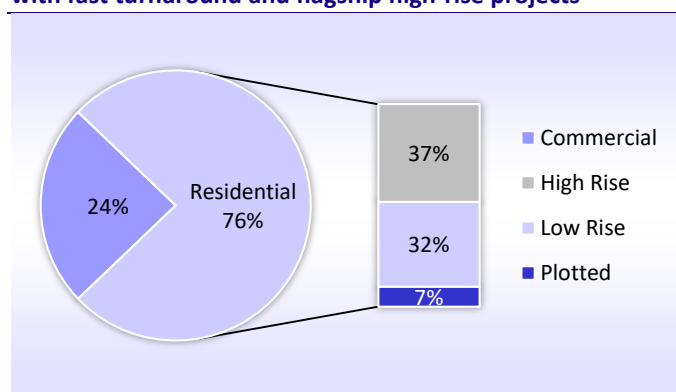
Source: Company, MOFSL

**Exhibit 5: Around 85% of projects are based in Delhi NCR, with launches planned in Chennai, Chandigarh, and Goa**



Source: Company, MOFSL

**Exhibit 6: Product range is diverse across low-rise projects with fast turnaround and flagship high-rise projects**

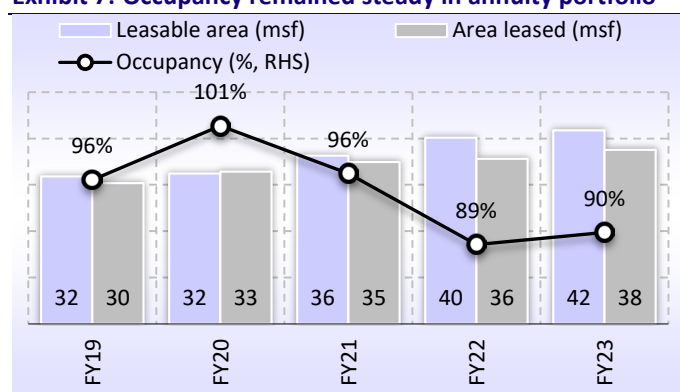


Source: Company, MOFSL

### Annuity business – Sharp growth in retail portfolio

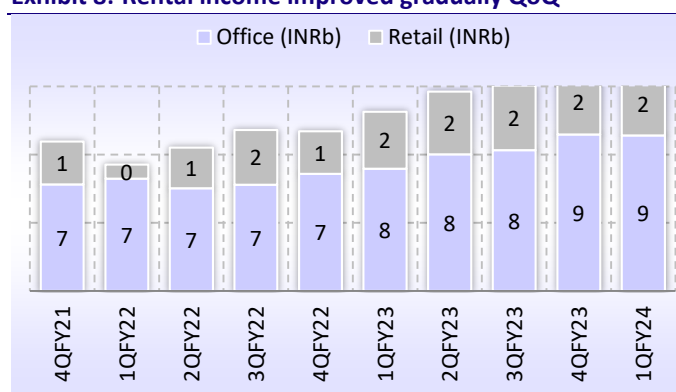
- The recovery in the office segment remains gradual on account of persistent global macro-headwinds. As per Savills Research, the gross absorption for CY22 was up 48% YoY at 55msf, while the new supply was up 45% YoY at 53msf.
- One notable trend in this segment was the lower-than-anticipated growth in the second half owing to global economic uncertainties.
- Occupancy in DLF's existing portfolio improved 89% and rental income grew 12% YoY to INR32b, aided by rent escalations and rental commencement at Downtown, Gurugram.
- On the other hand, retail malls continue to operate at high occupancy, with rental income witnessing a sharp rise of 65% YoY to INR7b
- As per CBRE research, the retail segment in India recorded 21% YoY growth in leasing with 4.7msf of absorption in CY22. Industry research expects a robust demand and supply for organized malls in coming years with an expected supply of 10msf next year.
- Given the recovery in the retail segment and consumption trends in the country, DLF has also initiated the development of new set of malls across geographies with an aim to double its retail presence in the next 4-5 years.

**Exhibit 7: Occupancy remained steady in annuity portfolio**



Source: MOFSL, Company

**Exhibit 8: Rental income improved gradually QoQ**



Source: MOFSL, Company

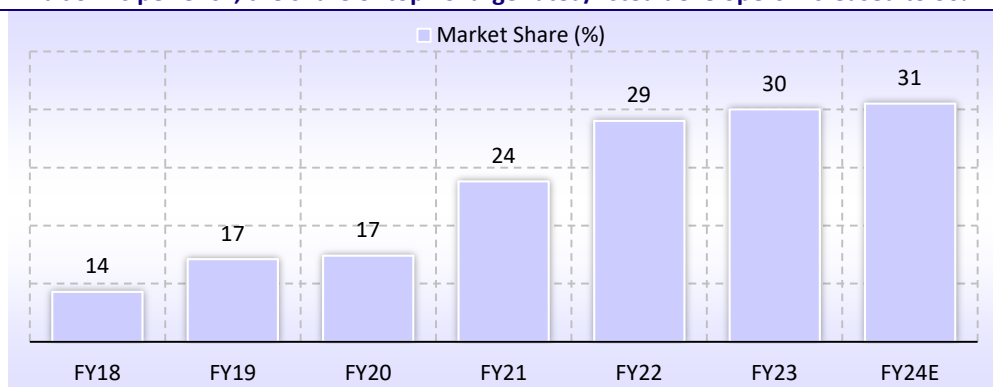
## Management discussion and analysis

- Despite the steep rise in the mortgage rates, demand remained intact as it was supported by multiple factors including (1) improving affordability, 2) homeownership intent, 3) aspirational lifestyle and need to upgrade to larger homes, 4) rising urbanization, 5) limited supply of quality products, and 6) increasing consolidation in favor of large and credible developers.
- As per Crisil, the market share of large developers has sharply increased from 14% in FY18 to 30% in FY23.
- The Gurugram market witnessed strong demand, leading to the lowest inventory levels. Inventory months (excluding projects on hold) for this market stood at just 10 months (CY22) as compared to a high of almost 60 months (CY17).
- DLF has received strong responses to its new product offerings over the last 18 months. While the overall housing demand remains buoyant, there has been growing preference for the premium and luxury segments and demand in this segment is estimated to have doubled over the last five years.
- The company's identified launch pipeline for FY24 will help it to sustain and build on the recent scale-up in the sales run rate.

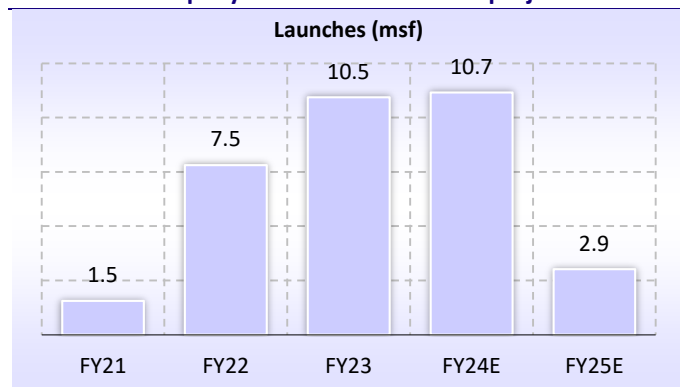
### Scaling up new product offerings

- It has identified a strong pipeline of 11 msf, with a sales potential of INR197b, to be launched in FY24. The pipeline is well diversified across locations, including core markets of Gurugram, Delhi NCR and other key markets of Chennai, Chandigarh, Tri-city and Goa.
- Beyond this, the company has a launch pipeline of 12msf with GDV of INR240b, primarily comprising the subsequent phases of its luxury project – One Midtown in Delhi.
- DLF achieved 2x growth in pre-sales in FY23, and aided by strong launches and we expect the company to sustain its sales run rate in FY24.

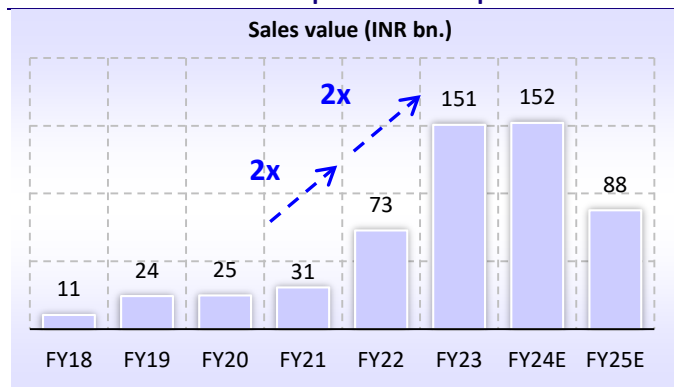
**Exhibit 9: As per Crisil, the share of top 13 large rated/listed developers increased to 30%**



Source: Company, MOFSL

**Exhibit 10: Company will launch ~11msf of projects in FY24...**

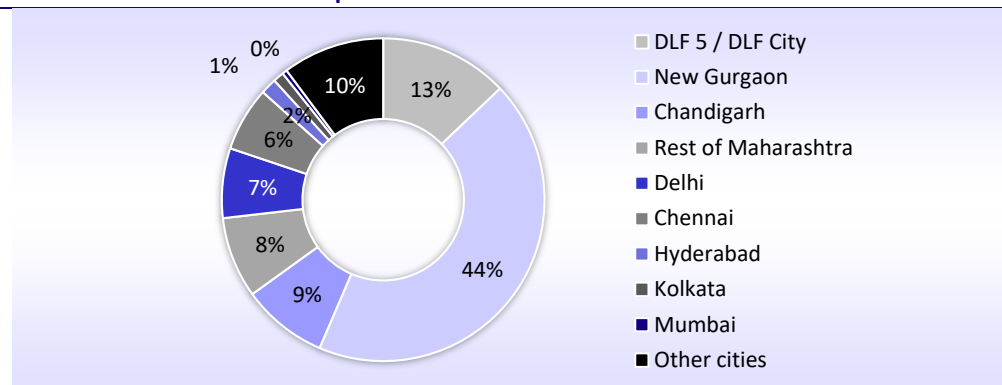
Source: MOFSL, Company

**Exhibit 11: ... which will help sustain FY23 pre-sales run-rate**

Source: MOFSL, Company

### Monetizing captive land bank and tapping new markets

- DLF's low-cost fully-paid land bank (146 msf) enables it to generate healthy margins and a rapid ramp-up without much need of inorganic growth. It also helps in launching products at diverse price points addressing multiple target segments. The company is monetizing 22% of its land bank through the identified project pipeline of 41msf.
- The company is looking ahead to tap multiple geographies in addition to its core markets in this upcycle. It has recently forayed in Mumbai by signing a development agreement with local developer for execution of first phase of SRA project in Andheri.

**Exhibit 12: DLF's land bank is spread across various cities**

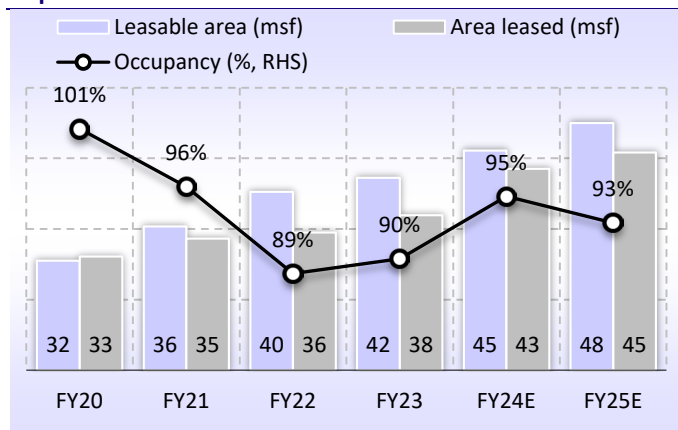
Source: Company, MOFSL

### Steady growth in rental business

- Occupancy levels across DLF's office portfolio inched up to 90% at the end of the fiscal and the company is targeting pre-Covid level vacancy by the end of FY24 in the non-SEZ portfolio.
- Progress on its Downtown projects in Gurugram (2msf) and Chennai (3.3msf) remains on track as the OC for first two towers in Gurugram is expected soon and full rentals will commence from FY25.
- Similarly, rents from the first two towers in Chennai in should commence by FY24-end and the third tower will become income generating from FY26.
- Demand traction in these assets remains strong as DLF achieved 82% pre-leasing (54% in FY22) in this 5.5msf under-construction portfolio.

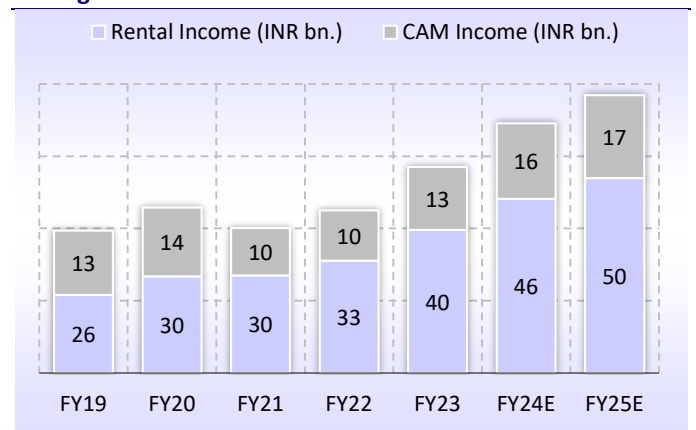
- In the retail segment, footfalls and consumption growth remain strong with higher trading density compared to pre-Covid levels. The management intends to double its retail presence over the next 4-5 years.
- Driven by the commencement of rentals from new assets, the rise in occupancy in office assets and sustained consumption at retail malls, we expect DLF's annuity portfolio to deliver a 13% CAGR in rental income over FY23-25E.
- The management highlighted that the exit rent run rate by FY24 would be INR50b.

**Exhibit 13: Occupancy in annuity portfolio to gradually improve over FY23-25E**



Source: Company, MOFSL

**Exhibit 14: Expect rentals to post 13% CAGR to INR50b through FY23-FY25**



Source: Company, MOFSL



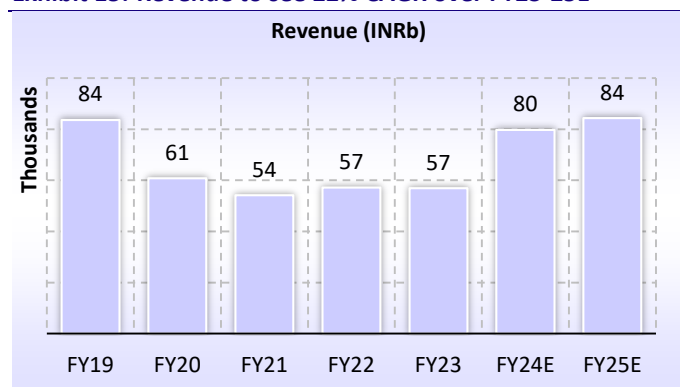
## Financial Analysis – Profitability to increase significantly

- DLF reported revenue of INR57b, flat YoY, and EBITDA of INR17b. PAT grew 35% YoY to INR20b, aided by a contribution of INR9b from the JV entity (DCCDL).
- A significant ramp-up in sales and collections in the residential business lead to INR53b OCF generation over the last two years. As a result, net debt declined from INR57b in FY21 to INR57m as of 1QFY24.
- Given the strong balance sheet and robust demand across key projects, the board has increased the dividend to INR4/share (vs. INR3 earlier).

## Revenue/PAT to clock 22%/49% CAGRs over FY23-25

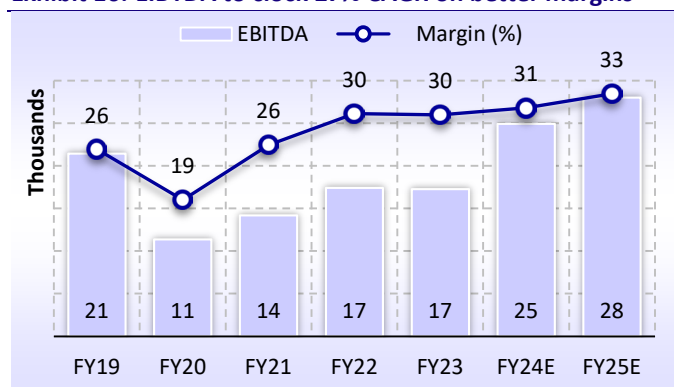
- DLF's revenue remained flat YoY in FY23 at INR57b and we expect a 22% CAGR over the next two years on the back of the completion of 1.7msf of new products launched over FY21-22.
- EBITDA stood at INR17b, flat YoY, with margin of 30% (similar to FY22). EBITDA growth is expected to marginally exceed revenue growth and reach INR28b by FY25E, implying a CAGR of 27%.

**Exhibit 15: Revenue to see 22% CAGR over FY23-25E**



Source: Company, MOFSL

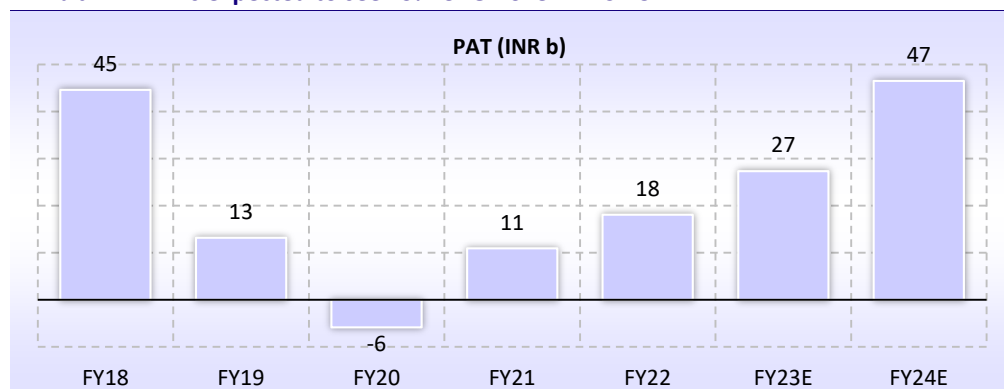
**Exhibit 16: EBITDA to clock 27% CAGR on better margins**



Source: Company, MOFSL

- PAT is expected to see a strong 49% CAGR over FY23-25, driven by the commencement of revenue recognition at its JV project One Midtown and an improved contribution from its rental business (DCCDL JV) on the back of rising occupancy and income from new assets.

**Exhibit 17: PAT is expected to see 49% CAGR over FY23-25E**

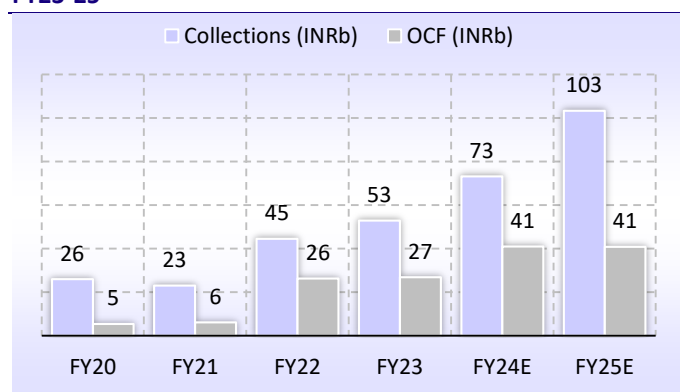


Source: Company, MOFSL

**Improving cash flows; declining debt**

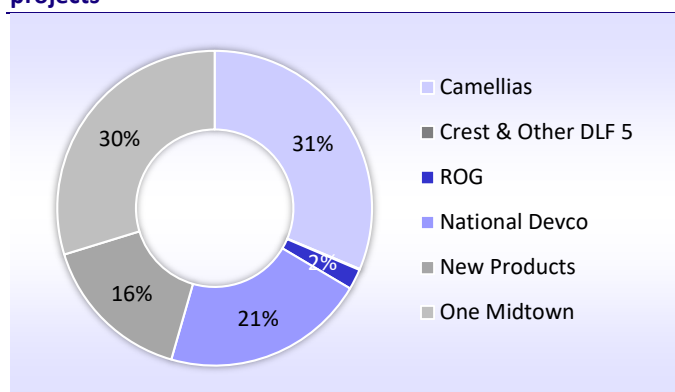
- Aided by a significant ramp-up in sales and collections, DLF has consistently generated INR53b in OCF in the last eight quarters. During the same period, the company's net debt has declined from ~INR50b to almost zero.
- As of Jun'23, receivables stood at INR160b (including One Midtown JV) and inventory of INR56b. This, along with incremental bookings in new launches, will help DLF sustain surplus cash flows in the medium term.
- Apart from making dividend payouts, DLF expects to utilize excess cash largely toward the construction outflow for the annuity portfolio and growing DevCo business by investing in existing land and acquiring new projects – similar to its recent project addition in Mumbai, where DLF's peak investment would be ~INR4b.

**Exhibit 18: DLF witnessed sharp scale-up in OCF in last two years and will further generate INR40b+ OCF each year over FY23-25**



Source: Company, MOFSL

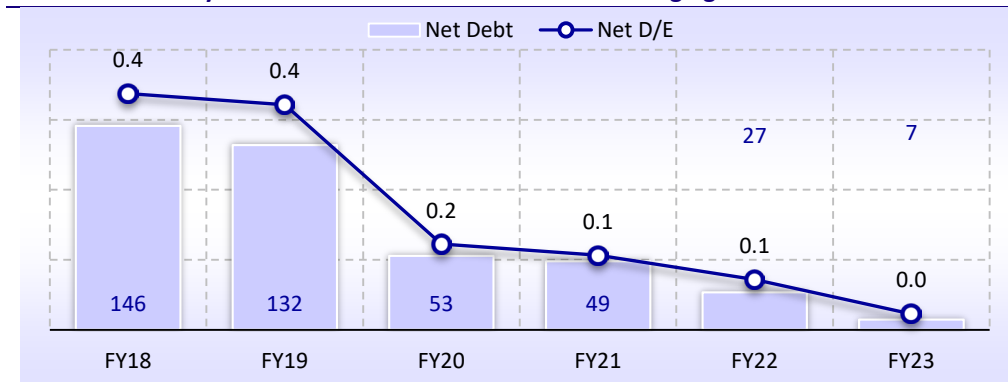
**Exhibit 19: Unsold inventory of INR64b spread across key projects**



Source: Company, MOFSL

- Robust cash flows from the residential business over the last three years helped the company significantly reduce its debt from INR47b in FY22 to INR57m in FY23. DLF will continue to generate INR40b+ OCF over the next two years.
- The management intends to utilize surplus cash in funding growth through organic development, along with selective opportunities in new and existing markets. It aims to enhance shareholder return via dividends and strengthen the balance sheet by further deleveraging.

**Exhibit 20: Healthy cash flows enabled accelerated deleveraging**

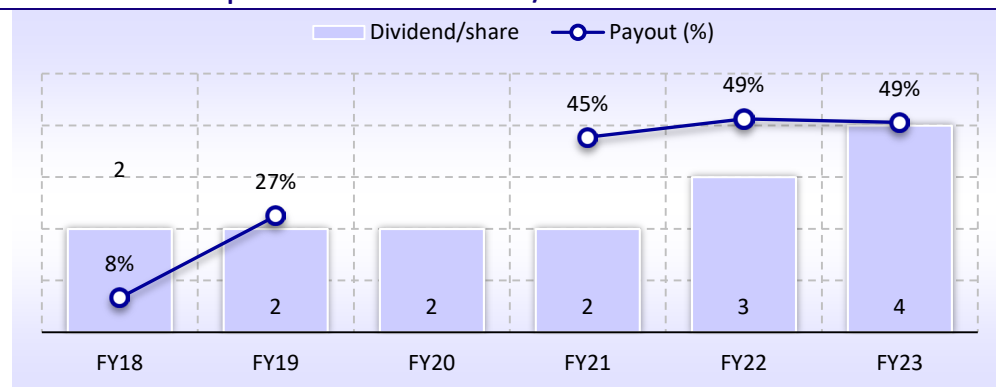


Source: Company, MOFSL

### Increased dividend payout

- While the company has no targeted payout ratio in its distribution policy, it has consistently made dividend payments and the payout has remained in the range of 30-50% historically.
- In line with growth in profitability, DLF has increased the dividend payment from INR3/share to INR4/share in FY23 – thus maintaining its historical payout ratio.
- The enhancement in payout is also in line with DLF's dividend income (largely from JV for annuity business), which increased from INR3.3b in FY22 to INR9.7b in FY23.

**Exhibit 21: Dividend per share increased to INR4/share in FY23**



Source: Company, MOFSL

### Contingent Liabilities

- Within contingent liabilities, these cases are sub-judice under various forums/authorities where the company has already filed appropriate appeals. The outflows will only be determined on receipt of judgment.
- DLF also has claims of INR14.5b against the group by the Competition Commission of India (CCI) and customers/suppliers, which will be payable as and when the outcome of the related matters are finally determined.

**Exhibit 22: Details of contingent liabilities**

Contingent liabilities (INR m)	FY23	FY22
<b>Demand in excess of provisions:</b>		
Income tax demands	71884.3	70177
Indirect and other taxes	7539	7500
Claims against the group	14535	12479
<b>Others</b>		
Guarantees on behalf of third parties	0	7592
<b>Total</b>	<b>93959</b>	<b>97748</b>
<b>% of Net Worth</b>	<b>25%</b>	<b>27%</b>

Source: Company, MOFSL

### Remuneration

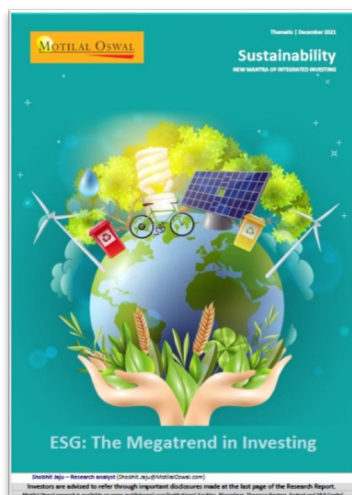
- In FY23, remunerations to directors and key management personnel increased 21% YoY and as a percentage of PAT, it remained in line with last year.

**Exhibit 23: Details of contingent liabilities**

Salary details (INR m)	FY18	FY19	FY20	FY21	FY22	FY23
Remuneration to Directors and KMPs	579	598	403.1	207.9	431.4	520
% PAT	1%	5%	NA	2%	3%	3%
Auditor's fee	20.1	35.9	31.4	78.7	68.5	79.6
% PAT	0.0%	0.3%	NA	0.7%	0.5%	0.4%

Source: Company, MOFSL

## ESG, CSR & Diversity



### Environment

- DLF was recognized globally for its sustainability performance as a member of the Dow Jones Sustainability Index (DJSI) by S&P Global in the emerging markets category.
- By 2025, it aims to increase renewable energy intensity in rental assets by 20% using FY 2019-20 as the baseline.
- By 2030, it plans to reduce energy intensity in rental Assets (energy consumption per square foot of rental portfolio) by 15% using FY 2019-20 as the baseline and ensure that at least 90% of total rental portfolio is Green Building certified.
- 40msf or 99% of rental portfolio is LEED Platinum Certified as of Mar'23.

### Governance Pointers

- As on the date of this report, the board comprised 14 directors - three Executive Directors (23%), 11 Non-executive Directors (77%), including seven Independent Directors (46%)
- As per the auditor report, DLF has complied with all the statutory and regulatory compliances.

### CSR and Social

- An amount of INR213m has been spent on CSR during FY23 for the activities mentioned in Schedule VII of the Companies Act 2013.
- The amount was largely spent on Covid relief and its flagship DLF Cares program, which aims to educate, empower and groom underprivileged children by sponsoring their education in quality schools. The company implement its CSR initiatives through DLF Foundation.

## Financials and valuations

## Consolidated - Income Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Total Income from Operations</b>	<b>83,661</b>	<b>60,828</b>	<b>54,141</b>	<b>57,174</b>	<b>56,948</b>	<b>79,785</b>	<b>84,324</b>
Change (%)	24.7	-27.3	-11.0	5.6	-0.4	40.1	5.7
<b>Total Expenditure</b>	<b>62,246</b>	<b>49,478</b>	<b>39,963</b>	<b>39,748</b>	<b>39,690</b>	<b>54,862</b>	<b>56,328</b>
% of Sales	74.4	81.3	73.8	69.5	69.7	68.8	66.8
<b>EBITDA</b>	<b>21,415</b>	<b>11,350</b>	<b>14,178</b>	<b>17,426</b>	<b>17,259</b>	<b>24,924</b>	<b>27,996</b>
Margin (%)	25.6	18.7	26.2	30.5	30.3	31.2	33.2
Depreciation	2,246	2,003	1,595	1,494	1,486	1,566	1,616
<b>EBIT</b>	<b>19,169</b>	<b>9,347</b>	<b>12,583</b>	<b>15,932</b>	<b>15,773</b>	<b>23,358</b>	<b>26,380</b>
Int. and Finance Charges	20,619	14,269	8,534	6,246	3,921	2,634	1,515
Other Income	7,906	8,054	5,308	4,205	3,173	3,989	5,481
<b>PBT bef. EO Exp.</b>	<b>6,457</b>	<b>3,131</b>	<b>9,358</b>	<b>13,891</b>	<b>15,024</b>	<b>24,713</b>	<b>30,346</b>
EO Items	0	3,403	-962	-2,244	0	0	0
<b>PBT after EO Exp.</b>	<b>6,457</b>	<b>6,535</b>	<b>8,396</b>	<b>11,647</b>	<b>15,024</b>	<b>24,713</b>	<b>30,346</b>
Total Tax	2,774	21,327	3,623	3,210	4,015	6,218	7,635
Tax Rate (%)	43.0	326.4	43.2	27.6	26.7	25.2	25.2
Minority Interest	-9,509	-8,960	-6,163	-6,567	-9,330	-11,813	-22,441
<b>Reported PAT</b>	<b>13,192</b>	<b>-5,832</b>	<b>10,936</b>	<b>15,004</b>	<b>20,340</b>	<b>30,308</b>	<b>45,152</b>
<b>Adjusted PAT</b>	<b>13,192</b>	<b>1,872</b>	<b>11,483</b>	<b>16,629</b>	<b>20,340</b>	<b>30,308</b>	<b>45,152</b>
Change (%)	-70.4	-85.8	513.4	44.8	22.3	49.0	49.0
Margin (%)	15.8	3.1	21.2	29.1	35.7	38.0	53.5

## Consolidated - Balance Sheet

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	4,414	4,951	4,951	4,951	4,951	4,951	4,951
Total Reserves	3,23,850	3,39,517	3,48,489	3,58,672	3,71,925	3,94,807	4,32,533
<b>Net Worth</b>	<b>3,35,765</b>	<b>3,44,467</b>	<b>3,53,439</b>	<b>3,63,623</b>	<b>3,76,875</b>	<b>3,99,758</b>	<b>4,37,483</b>
Minority Interest	406	184	203	195	44	44	44
Total Loans	1,72,225	81,025	66,634	41,818	33,340	12,398	13,913
Deferred Tax Liabilities	-19,372	2,465	5,408	21,416	25,743	25,743	25,743
<b>Capital Employed</b>	<b>4,89,024</b>	<b>4,28,142</b>	<b>4,25,684</b>	<b>4,27,051</b>	<b>4,36,002</b>	<b>4,37,942</b>	<b>4,77,183</b>
Gross Block	58,295	23,642	21,313	21,780	20,434	22,034	23,634
Less: Accum. Deprn.	5,170	7,171	7,730	9,224	10,710	12,276	13,892
<b>Net Fixed Assets</b>	<b>53,125</b>	<b>16,472</b>	<b>13,582</b>	<b>12,556</b>	<b>9,723</b>	<b>9,757</b>	<b>9,741</b>
<b>Investment Property</b>	<b>36,958</b>	<b>25,955</b>	<b>25,545</b>	<b>26,626</b>	<b>28,688</b>	<b>28,688</b>	<b>28,688</b>
Goodwill on Consolidation	10,092	9,443	9,443	9,443	9,443	9,443	9,443
Capital WIP	1,029	887	942	811	611	2,986	5,361
<b>Total Investments</b>	<b>1,73,089</b>	<b>1,85,658</b>	<b>1,96,455</b>	<b>1,97,795</b>	<b>1,94,811</b>	<b>2,06,624</b>	<b>2,29,065</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>3,71,163</b>	<b>3,20,155</b>	<b>2,86,835</b>	<b>2,77,810</b>	<b>2,96,004</b>	<b>3,32,765</b>	<b>3,67,456</b>
Inventory	2,20,086	2,24,862	2,10,866	2,01,075	1,93,612	2,02,195	1,96,372
Account Receivables	8,323	7,204	5,813	5,636	5,492	7,695	8,133
Cash and Bank Balance	48,554	24,204	14,069	9,316	22,747	18,988	44,898
Loans and Advances	94,201	63,884	56,087	61,783	74,152	1,03,887	1,18,054
<b>Curr. Liability &amp; Prov.</b>	<b>1,56,431</b>	<b>1,30,426</b>	<b>1,07,118</b>	<b>97,988</b>	<b>1,03,278</b>	<b>1,52,322</b>	<b>1,72,571</b>
Account Payables	12,772	10,563	12,345	23,229	24,379	35,322	36,266
Other Current Liabilities	1,42,874	1,18,395	93,727	73,820	78,041	1,15,688	1,34,919
Provisions	785	1,469	1,046	940	858	1,311	1,386
<b>Net Current Assets</b>	<b>2,14,732</b>	<b>1,89,728</b>	<b>1,79,717</b>	<b>1,79,822</b>	<b>1,92,726</b>	<b>1,80,444</b>	<b>1,94,885</b>
Misc Expenditure	0	0	0	0	0	0	0
<b>Appl. of Funds</b>	<b>4,89,024</b>	<b>4,28,142</b>	<b>4,25,684</b>	<b>4,27,051</b>	<b>4,36,002</b>	<b>4,37,942</b>	<b>4,77,183</b>

## Financials and valuations

## Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Basic (INR)</b>							
<b>EPS</b>	<b>7.4</b>	<b>1.0</b>	<b>4.6</b>	<b>6.7</b>	<b>11.4</b>	<b>12.2</b>	<b>18.2</b>
Cash EPS	8.7	2.2	7.3	10.2	12.2	17.9	26.2
BV/Share	188.2	193.1	198.1	203.8	211.3	224.1	245.2
DPS	0.0	0.0	0.0	3.0	4.0	3.0	3.0
Payout (%)	0.0	0.0	0.0	49.5	48.7	24.5	16.4
<b>Valuation (x)</b>							
P/E	49.1	345.7	78.2	74.4	43.9	40.8	27.4
Cash P/E	41.9	167.0	49.5	49.2	40.9	28.0	19.1
P/BV	1.9	1.9	1.8	2.5	2.4	2.2	2.0
EV/Sales	9.2	11.6	17.6	22.2	21.9	15.4	14.3
EV/EBITDA	36.0	62.0	67.0	72.9	72.3	49.4	43.1
Dividend Yield (%)	0.0	0.0	0.0	0.6	0.8	0.6	0.6
FCF per share	8.3	1.2	6.2	10.8	9.3	9.4	11.3
<b>Return Ratios (%)</b>							
RoE	3.8	0.6	3.3	4.6	5.5	7.8	10.8
RoCE	3.0	2.5	2.4	3.5	3.4	5.0	5.5
RoIC	3.5	-8.7	3.3	5.3	5.3	8.2	9.7
<b>Working Capital Ratios</b>							
Fixed Asset Turnover (x)	1.4	2.6	2.5	2.6	2.8	3.6	3.6
Asset Turnover (x)	0.2	0.1	0.1	0.1	0.1	0.2	0.2
Inventory (Days)	960	1,349	1,422	1,284	1,241	925	850
Debtor (Days)	36	43	39	36	35	35	35
Creditor (Days)	56	63	83	148	156	162	157
<b>Leverage Ratio (x)</b>							
Current Ratio	2.4	2.5	2.7	2.8	2.9	2.2	2.1
Interest Cover Ratio	0.9	0.7	1.5	2.6	4.0	8.9	17.4
Net Debt/Equity	0.4	0.2	0.1	0.1	0.0	0.0	-0.1

## Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	6,457	6,535	8,396	11,646	15,024	24,713	30,346
Depreciation	2,246	2,003	1,595	1,494	1,486	1,566	1,616
Interest & Finance Charges	17,392	9,407	5,562	6,247	3,921	-1,355	-3,966
Direct Taxes Paid	-2,344	-422	4,015	2,198	-858	-6,218	-7,635
(Inc)/Dec in WC	-241	-10,644	-7,020	7,540	5,628	8,523	11,469
<b>CF from Operations</b>	<b>23,510</b>	<b>6,879</b>	<b>12,547</b>	<b>29,124</b>	<b>25,202</b>	<b>27,229</b>	<b>31,829</b>
Others	-3,080	-3,322	2,055	-806	-1,450	0	0
<b>CF from Operating incl EO</b>	<b>20,430</b>	<b>3,557</b>	<b>14,602</b>	<b>28,318</b>	<b>23,752</b>	<b>27,229</b>	<b>31,829</b>
<b>Free Cash Flow</b>	<b>14,743</b>	<b>2,170</b>	<b>15,294</b>	<b>26,833</b>	<b>23,115</b>	<b>23,254</b>	<b>27,854</b>
(Pur)/Sale of Investments	7,325	-9,571	-5,318	4,085	-13,014	0	0
Others	-5,048	76,038	6,131	6,327	9,026	3,989	5,481
<b>CF from Investments</b>	<b>-3,410</b>	<b>65,081</b>	<b>1,505</b>	<b>8,928</b>	<b>-4,626</b>	<b>14</b>	<b>1,506</b>
Issue of Shares	30,942	32,374	5,087	0	0	0	0
Inc/(Dec) in Debt	-3,693	-95,349	-17,459	-26,785	-8,736	-22,000	0
Interest Paid	-16,775	-23,819	-7,202	-6,328	-3,702	-1,576	0
Dividend Paid	-1,696	-8,077	-1,987	-4,969	-7,428	-7,426	-7,426
Others	-25	-347	-276	-200	-266	0	0
<b>CF from Fin. Activity</b>	<b>8,754</b>	<b>-95,218</b>	<b>-21,838</b>	<b>-38,282</b>	<b>-20,131</b>	<b>-31,002</b>	<b>-7,426</b>
<b>Inc/Dec of Cash</b>	<b>25,775</b>	<b>-26,580</b>	<b>-5,731</b>	<b>-1,037</b>	<b>-1,005</b>	<b>-3,759</b>	<b>25,910</b>
Opening Balance	22,779	42,663	16,084	10,353	9,316	8,311	4,552
<b>Closing Balance</b>	<b>48,554</b>	<b>16,084</b>	<b>10,353</b>	<b>9,316</b>	<b>8,311</b>	<b>4,552</b>	<b>30,462</b>

Investment in securities market are subject to market risks. Read all the related documents carefully before investing



Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

#### Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. MOFSL is a listed public company, the details in respect of which are available on [www.motilaloswal.com](http://www.motilaloswal.com). MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at

<http://online.reports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf>

MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

A graph of daily closing prices of securities is available at [www.nseindia.com](http://www.nseindia.com), [www.bseindia.com](http://www.bseindia.com). Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

#### Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

#### For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg. No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

#### For U.S.

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act") and together with the 1934 Act, the "Acts), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

#### For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co. Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore. As per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisors Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

#### Specific Disclosures

- 1 MOFSL, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
- 2 MOFSL, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company
- 3 MOFSL, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months
- 4 MOFSL, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report
- 5 Research Analyst has not served as director/officer/employee in the subject company
- 6 MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- 7 MOFSL has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
- 8 MOFSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months
- 9 MOFSL has not received any compensation or other benefits from third party in connection with the research report
- 10 MOFSL has not engaged in market making activity for the subject company

The associates of MOFSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report or date of the public appearance.
- received compensation/other benefits from the subject company in the past 12 months
- any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.
- Served subject company as its clients during twelve months preceding the date of distribution of the research report.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

#### Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

#### Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

#### Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 - 71934200 / 71934263;

www.motilaloswal.com. Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000.

Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412 . AMFI: ARN : 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dpgrievances@motilaloswal.com.