24th September 2024



# INITIATING COVERAGE

## Arvind Smartspaces Ltd

AXIS SECURITIES

AXIS SECURITIES

**Initiating Coverage**
24th September, 2024

**Arvind Smartspaces (ARVSMART)**
Real Estate

**BUY**
Target Price
**1,085**

## BUILDING A 'SMART SPACE'

**We are initiating coverage on Arvind Smartspaces Ltd. (ARVSMART) with a BUY recommendation and a target price of Rs 1,085/share, which implies an upside of 43% from the CMP. Arvind Smartspaces began operations in 1897 when Lalbhai Dalpatbhai established the company's first textile mill. Over the years, the business portfolio expanded to include textiles, dyes, chemicals, real estate, and engineering ventures, which were later demerged in 2016. Today, Arvind Smartspaces is one of the fastest-growing real estate companies, holding a dominant market share in Ahmedabad and Bangalore.**

## Investment Thesis

**New Launch Visibility:** ASL has significantly expanded its project portfolio since the demerger in FY15 and currently has a planned pipeline of projects spanning 47.97 Mn sq ft, bringing its total book size to 75.47 Mn sq ft. Approximately 72% of its projects follow an asset-light approach. The company's unsold inventory stands at 51 Mn sq ft from completed, ongoing, and planned projects, representing around 69% of its total portfolio, indicating strong launch visibility and booking potential for the upcoming year. ASL has guided for a GDV of Rs 5,000 Cr in FY25. With unutilized funds of Rs 600 Cr from the HDFC platform and the ability to comfortably raise Rs 300 Cr in debt, along with internal cashflows, the company has the total cash visibility of Rs 1,000 Cr. This positions ASL to achieve its guidance of 30%-35% growth in business development.

**Asset-Light Model and Quick Turnaround:** ASL follows a no-land bank strategy, treating land as raw material and acquiring it as needed. Notably, 79% of its total project portfolio consists of horizontal projects, such as villas and plotted developments, which have quicker turnaround times (2-3 years vs. 4-5 years for vertical projects). The company also adopts a JV model, with 72% of its portfolio under Joint Ventures. ASL's strategic partnership with the HDFC platform, with a 33% share in H-CARE III, further diversifies its risk and reduces cash outflows. The company adheres to a build-to-sell strategy, aiming to sell 30% of a project in its first phase, which shortens the monetization time and enhances cost efficiency during execution. ASL boasts a 100% track record of selling projects on time. This combination of a lean organizational structure, build-to-sell approach, JV projects, and horizontal developments enables a quick project turnaround and contributes to the company's healthy financials.

**Geographical Play and Product Innovation:** The company holds a dominant position in Ahmedabad and Bangalore, benefiting from strong brand recall associated with the "Arvind" name. Approximately 40% of collections come from its Bangalore projects, while around 45% are generated from Ahmedabad. In Ahmedabad, the company has secured a significant market share by focusing on product innovation and launching lifestyle and fitness-centric projects that add value for consumers and drive demand. Many of its projects feature large clubhouses, golf courses, jogging tracks, and theme-based developments.

To further de-risk its portfolio, the company is expanding into new markets such as Pune and MMR. It recently entered the Surat market with the NH48 Surat development, targeting the emerging demand for horizontal developments. Surat lacks a listed player in the horizontal development business, positioning the company to capitalize on this opportunity. The company anticipates that 20% of its portfolio will eventually be concentrated in the MMR region.

**Low Leverage plus strong cashflows combined with strategic partnership:** ASL's no-land bank strategy helps it maintain minimal debt on its books, lowering its overall leverage compared to other developers. ASL has achieved a collections CAGR of 37% from FY20 to FY24, and a projected CAGR of 41% for FY24-FY26E. Currently, its net interest-bearing funds stand at Rs (58) Cr, with a net debt (interest-bearing fund) to equity ratio of 0.1, down from 0.3. ASL's relationship with the HDFC platform, which began in 2019, has strengthened, notably with a preferential issue in 2021 under H-Care I (where HDFC holds an 8.8% equity stake in ASL). The current partnership under H-Care III is valued at Rs 900 Cr, with a topline potential of Rs 4,000-5,000 Cr. ASL holds a 33% share of this partnership, responsible for Rs 300 Cr, while the remaining Rs 600 Cr will be infused by HDFC. ASL's low leverage, combined with strong cash flows and strategic partnerships, positions the company for sustainable growth in the coming years.

## Valuation & Recommendation

**We initiate coverage on Arvind Smartspaces (ARVSMART) with a BUY recommendation. Our recommendation is supported by a) New Launch Visibility; b) Asset–light business and Quick turnaround time, c) Geographical Play and Product Innovation, and d) Low leverage plus strong cashflows combined with Strategic partnership. Valuing the company at 8X FY26 EV/EBITDA we arrive at a target price of Rs 1,085/share, implying an upside of 43% from the CMP.**

### Key Financials (Consolidated)

| (Rs Cr) | FY23 | FY24 | FY25E | FY26E |
|---|---|---|---|---|
| Net Sales | 256 | 341 | 563 | 721 |
| EBIDTA | 49 | 111 | 158 | 216 |
| Net Profit | 26 | 42 | 91 | 124 |
| EPS, Rs | 5.6 | 9.2 | 20.0 | 27.2 |
| PER, x | 133.5 | 82.2 | 37.6 | 27.7 |
| EV/EBIDTA, x | 67.0 | 29.2 | 21.2 | 16.0 |
| P/BV, x | 7.3 | 6.9 | 5.9 | 5.0 |
| ROE, % | 5.5 | 8.4 | 15.8 | 17.9 |
| Debt/Equity (%) | 0.3 | 0.2 | 0.3 | 0.4 |

Source: company, Axis Research

| | CMP as of 23rd September, 2024 |
|---|---|
| CMP (Rs) | 758 |
| Upside /Downside (%) | 43% |
| High/Low (Rs) | 826/310 |
| Market cap (Cr) | 3,452 |
| Avg. daily vol. (6m) Shrs. | 116 |
| No. of shares (Cr) | 4.5 |

### Shareholding (%)

| | Dec-23 | Mar-24 | Jun-24 |
|---|---|---|---|
| Promoter Group | 50.4 | 50.4 | 50.3 |
| FII | 0.5 | 0.4 | 1.8 |
| MF's/Banks | 2.8 | 2.6 | 1.3 |
| Others | 46.3 | 46.6 | 46.6 |

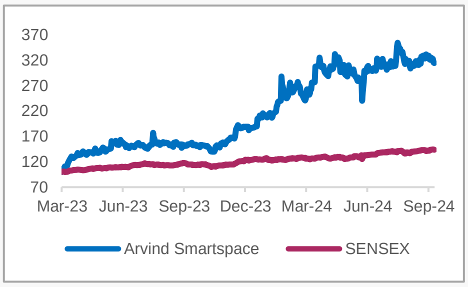
### Financial & Valuations

| Y/E Mar (Rs Cr) | FY23 | FY24 | FY25E | FY26E |
|---|---|---|---|---|
| Net Sales | 256 | 341 | 563 | 721 |
| EBIDTA | 49 | 111 | 158 | 216 |
| Net Profit | 26 | 42 | 91 | 124 |
| EPS, Rs | 5.6 | 9.2 | 20.0 | 27.2 |
| PER, x | 133.5 | 82.2 | 37.6 | 27.7 |
| EV/EBIDTA, x | 67 | 29.2 | 21.2 | 16.0 |
| ROE, % | 5.5 | 8.4 | 15.8 | 17.9 |
| Debt/Equity (%) | 0.3 | 0.2 | 0.3 | 0.4 |

### Key Drivers (%) (Growth in %)

| Y/E Mar | FY23 | FY24 | FY25E | FY26E |
|---|---|---|---|---|
| Net Sales | (0.4) | 33.3 | 65.1 | 28.0 |
| EBITDA | (0.3) | 127.8 | 41.5 | 37.1 |
| Net Profit | 22.7 | 101.7 | 118 | 36.0 |

### Relative performance




Source: Ace Equity, Axis Securities


**Eesha Shah**
*Research Analyst*
Email:Eesha.shah@axissecurities.in

**Preeyam Tolia**
*Research Analyst*
Email:Preeyam.tolia@axissecurities.in

## Financial Story in Charts

**Exhibit 1: Increasing fresh bookings YoY showing sales strength (Rs Cr)**

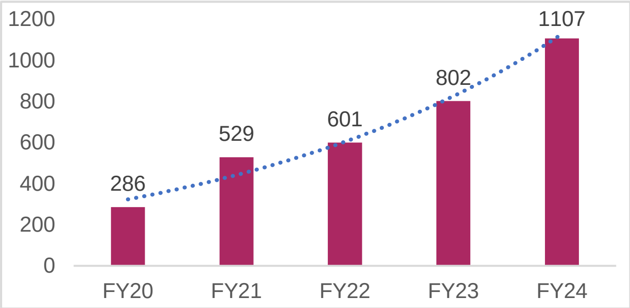
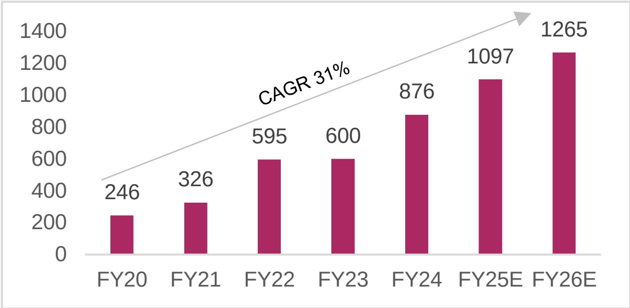



**Exhibit 2: Improving collections from strong booking performance (Rs Cr)**




Source: Company, Axis Securities

**Exhibit 3: Robust bookings leading to better sales performance**

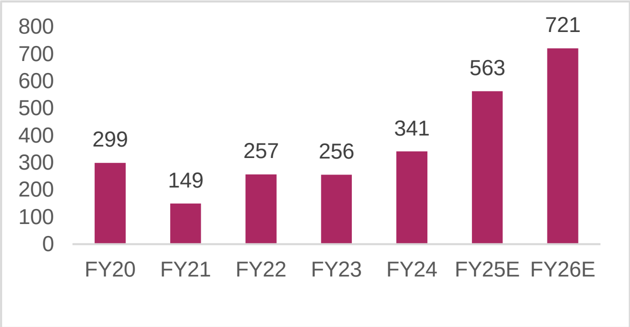
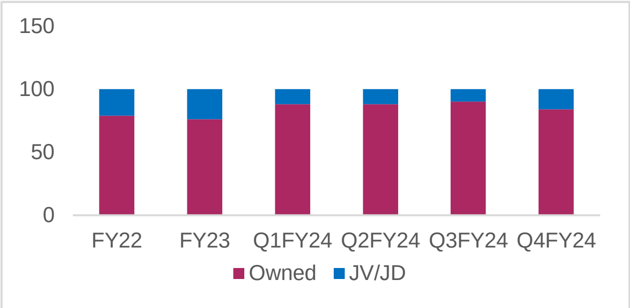



**Exhibit 4: Increasing share of JD/JV projects**




Source: Company, Axis Securities

**Exhibit 5: Increasing asset-light projects leading to better EBITDA**

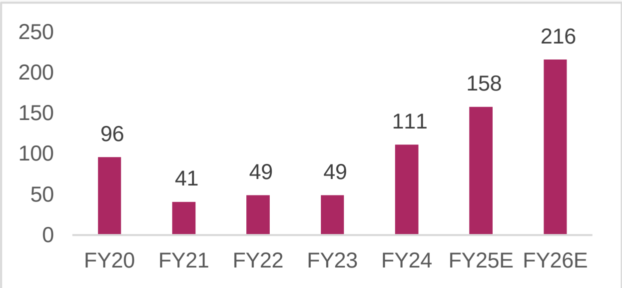
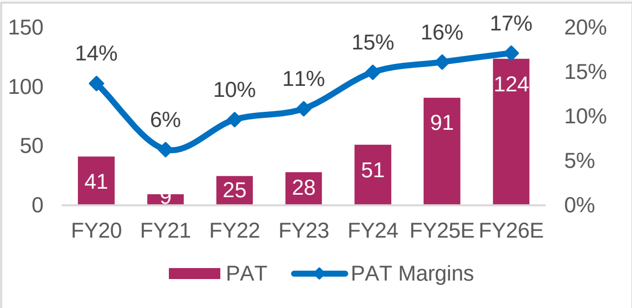
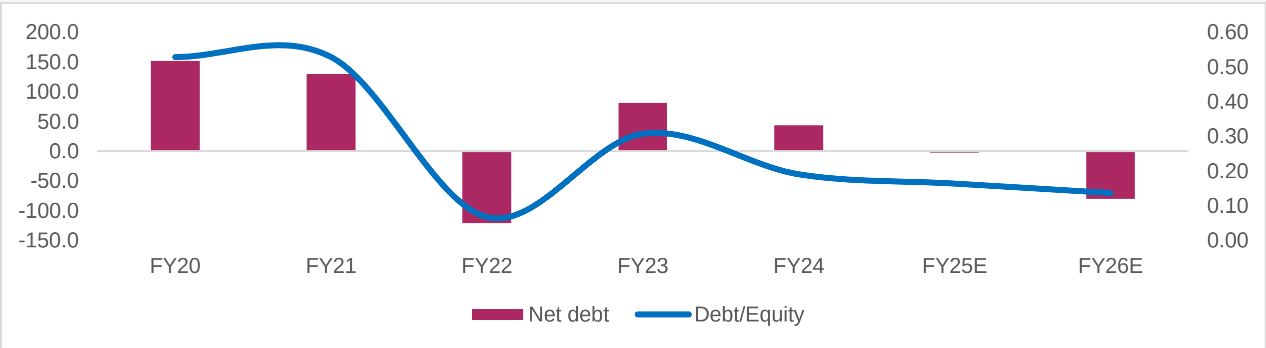



**Exhibit 6: Improving PAT margins due to asset-light strategy**




Source: Company, Axis Securities

**Exhibit 7: Zero debt company with a capacity to capitalize on new debt**




Source: Company, Bloomberg, Axis Securities

## Company Overview

Arvind Smartspaces (ARVSMART) began its operations in 1897 when Lalbhai Dalpatbhai established his first textile mill. Over time, the company's business portfolio expanded to include textiles, dyes, chemicals, real estate, and engineering businesses. Arvind entered the real estate sector in 2009 and later announced its demerger in 2017, separating its branded apparel business, Arvind Fashions, and its engineering business, Anup. Arvind Smartspaces is one of the fastest-growing companies in cities like Ahmedabad and Bangalore, having successfully delivered 4.9 Mn sq ft of completed projects. Leveraging the strong “Arvind” brand, the company has achieved a sales CAGR of 5.4% from FY19 to FY24 and maintains a robust position in these key markets.

*Arvind with a parentage of ‘Arvind Ltd’. was demerged in FY16 and has created a niche space with strong brand recall and timely execution*

## Company Structure

Arvind has adopted an asset-light model, primarily focusing on projects under the JV and DM models. Its de-risked portfolio includes a mix of horizontal (plots, villas) and vertical projects, with a strong concentration of horizontal developments in the Ahmedabad and Bangalore regions. The company holds a dominant position in these markets, benefiting from faster project turnaround times. To further diversify its portfolio and reduce concentration risk, Arvind is expanding into new markets such as Pune, Mumbai, and Surat, aiming to capitalize on the current real estate upcycle. The first project in the MMR region is expected to launch in FY25. With a solid track record of on-time project delivery and a healthy balance sheet.

*Arvind’s model has long-term value creating projects where the margins are good and capital deployment is lean*

## ASL’s Business Model

**Exhibit 8: Arvind’s business model**

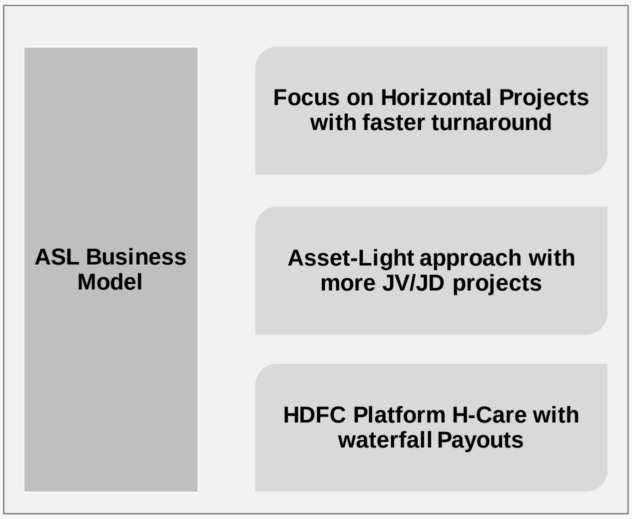



**Exhibit 9: Key business principles of the company**


Source: Company, Axis Securities

## Competitive Strengths & Key Growth Drivers

### New Launch visibility

**Expansive Project Pipeline:** Arvind has completed 4.9 Mn sq ft by FY23, with 22.56 Mn sq ft of ongoing projects in FY24 across 12 projects in Gujarat and Karnataka. The company has significantly ramped up its portfolio post-FY15 (since the demerger) and now has a planned pipeline of projects spanning 47.97 Mn sq ft, bringing the total book size to 75.47 Mn sq ft across multiple geographies. Of this total order book, 72% is focused on an asset-light approach. ASL's unsold inventory stands at 51 Mn sq ft from completed, ongoing, and planned projects, representing approximately 69% of its total portfolio, indicating substantial anticipated bookings in the coming year.

*In FY24, the company launched 4 new projects and plans to do a minimum of 6-8 projects this year. It targets to grow BD by 30%-35% to ~5,500 Cr.*

**Growth Trajectory:** Arvind reported strong collections worth Rs 876 Cr in FY24, generating robust internal accruals. Combined with HDFC Capital's unutilized funds of Rs 600 Cr and the capacity to raise Rs 200-300 Cr in debt, Arvind is well-positioned to boost its GDV by adding new projects. Between these three sources, the company has access to around Rs 1,100 Cr, enabling it to comfortably ramp up its portfolio by 30%-35%. ASL plans to exhaust the HDFC platform by FY25, with the funds expected to be deployed this year. The company remains open to exploring new opportunities and securing financing if projects meet its investment criteria, providing further visibility into a strong pipeline and growth trajectory. In FY24, Arvind achieved Rs 4,150 Cr in projects, and it anticipates increasing this figure to approximately Rs 5,500 Cr in the coming year led by new launches such as Arvind Aqua City (Ahmedabad), Bannerghatta (Bangalore) and Surat. ASL plans to enter the MMR markets post completion of due diligence with projects in the area of Karjat, Khopoli, Bhiwandi etc. These projects could have a topline potential of ~500 Cr.

**Accelerated Project Pipeline and Cash Flow Visibility:** With most of its projects being horizontal with short execution developments cycle, the company benefits from faster cash flow visibility and shorter cycles. Arvind has provided guidance for an additional Rs 5,000 Cr in project visibility for FY25. The company has also added two new projects along NH 47 in Surat and South Ahmedabad, with toplines of Rs 1,100 Cr and Rs 1,450 Cr, respectively, highlighting the growing scale of projects it is undertaking moving forward.

**Exhibit 10: Inventory Launch Visibility**

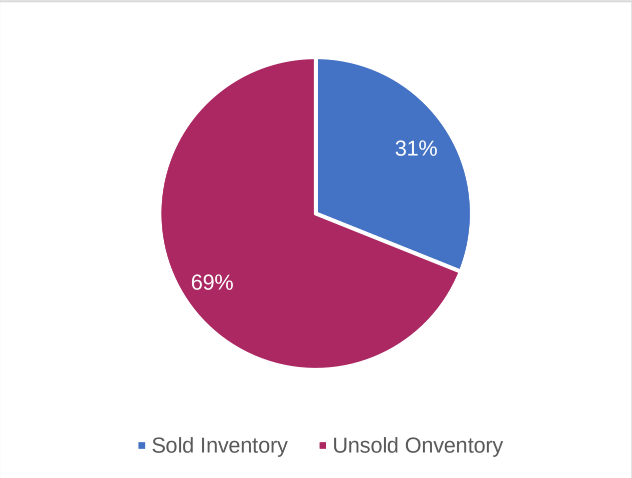
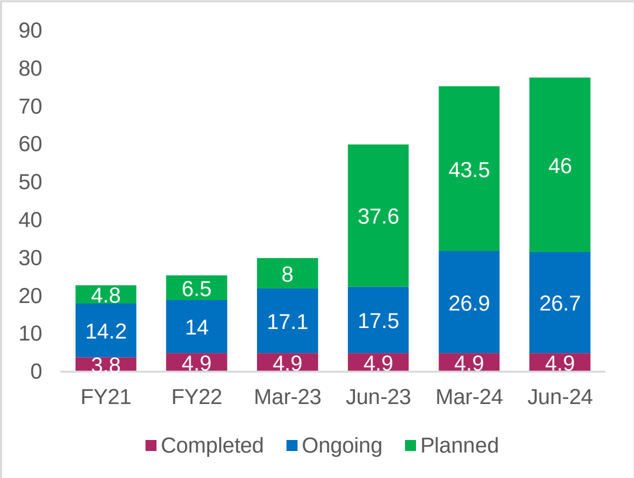



**Exhibit 11: Project Portfolio in Mn Sq Ft.**




Source: Company, Axis Securities

## Asset-Light Model & Quick Turnaround Projects

- Arvind's strategy has primarily focused on an asset-light model. The company's project portfolio mainly consists of JV/JD projects or developments under the H-Care/HDFC platform, which helps diversify risks and yields better IRR on projects. Approximately 72% of Arvind's total project portfolio is structured under the JV model. Within the H-Care III platform, Arvind holds around a 33% share in its projects, with waterfall payment structures in place.
- Arvind has a balanced portfolio of horizontal and vertical projects, with a stronger focus on faster turnaround and quicker execution. Approximately 79% of its portfolio is concentrated on horizontal or mid-market projects, which enables quicker completions and more efficient cashflows.
- These horizontal projects include villas and plottings which is a de-risked product and high on luxury.
- Arvind's track record of timely completions along with strong relations with its channel partners enables it to maintain vigorous project acquisition followed by strong sales momentum.
- Arvind's Uplands 2.0 has sold it's entire Phase I inventory within a week. Their pre launch for Arivnd Aqua City also saw a great traction and an EOI (expression of interest) for more than 40% of the total inventory.
- Arvind follows a no land bank strategy, wherein it treats land as raw material and buys it as per project needs only. This ensures a regulated cash flow cycle leading to an improved collection effeciency.
- Build-to-Sell strategy – The company follows a build-and-sell strategy, focusing on selling nearly 30% of its inventory in the first phase. This approach generates sufficient cash to cover operating costs and significantly reduces risk, helping to maintain stable financial statements.
- Arvind is supported by advanced technology systems like SAP and ERP, which streamline operations and enhance efficiency. The company has strong relationships with its channel partners, who play a critical role in driving sales growth. Currently, more than 25% of Arvind's projects are sold through these channel partners, reflecting the strength of its network.
- The company has a 10-15% cost advantage through their contracting model, a strong in-house technical team, and design optimization.

*ASL's OCF to Pre-sales is higher than other major developers due to its inclination to horizontal projects: high IRR projects.*

*Horizontal projects have front-loaded payments and generate cashflows in absolute sales sooner.*

**Exhibit 12: Arvind's total project mix based on business model**

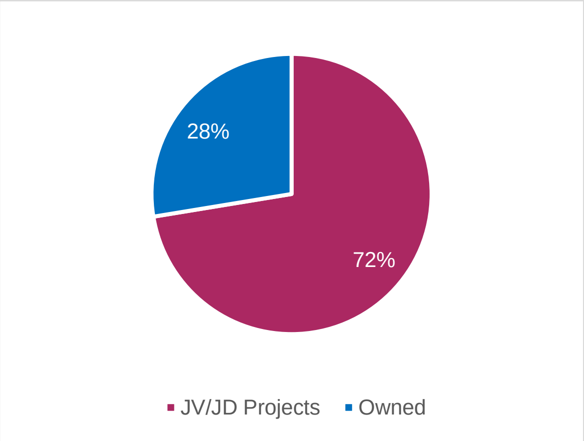
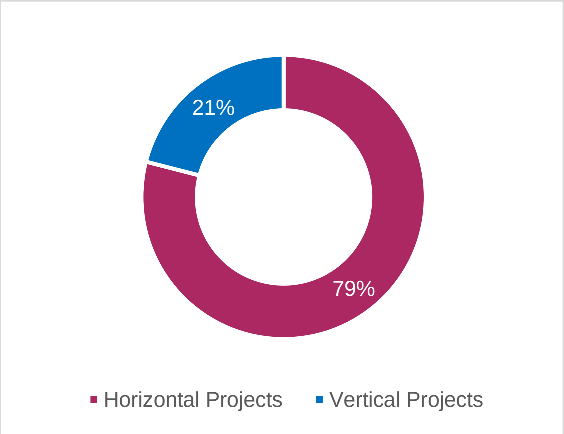
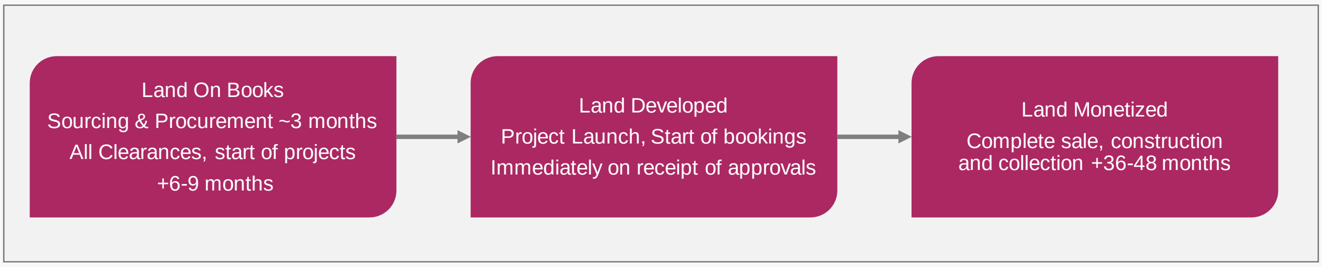



**Exhibit 13: Aligning portfolio towards horizontal projects**




Source: Company, Axis Securities

**Exhibit 14: Land Procurement and Monetization Cycle**




Source: Company, Axis Securities Research

**Exhibit 15: Asset- Light approach**

| Parameter | Traditional Approach | ASL's Asset-light Approach |
|---|---|---|
| Investment Class | Asset | Raw Material |
| Approach | Speculative for Appreciation | Quick Turnaround |
| Value Add | Holding | By quick conversion into value-added finished Goods |
| Monetization Time | ~ 10 Years | 3-5 years, Go to market within 6-9 months |
| Sourcing | By Purchase/ Ownership | Combination of Purchase and Partnerships (JV/JD) |
| Business Model | Speculative returns from land appreciation | Product turnaround as process industry |
| | Reliance on speculative business cycles | Cost efficiency in land and execution |
| | | Brand Premium |
| | | Rely on systems, processes, Innovation and consumer centricity. |

Source: Company, Axis Securities Research

## Geographical Play & Product Innovation

Arvind Smartspaces has strong brand recall in Ahmedabad and Bengaluru and has rapidly expanded its presence in these markets. In 2014, the company ventured into the Bengaluru market, diversifying beyond Ahmedabad/Gandhinagar. Now, it is further expanding into MMR and Pune markets. Arvind has also recently entered the Surat market and continues to scout for opportunities in MMR and Pune. This geographical diversification reduces risk and enhances growth potential. In the near future, the company expects MMR to contribute approximately 20% of its overall portfolio.

**Exhibit 16: Key Decision Parameters**

| Particulars | Bangalore | Ahmedabad | Pune | Remarks |
|---|---|---|---|---|
| MID-INCOME SEGMENT SIZE | High | Mid-Level | High | The strong presence of salaried class |
| MID-INCOME SEGMENT GROWTH | High | Low | High | The high influx of salaried workers makes an attractive market. |
| IT-DRIVEN GROWTH | High | Mid-Level | High | Bangalore and Pune are established IT hubs. |
| MANUFACTURING GROWTH | High | Low | High | The presence of manufacturing clusters in close vicinity to the city |
| SERVICES GROWTH | High | Mid-Level | High | Booming services industry – Finance in Ahmedabad, IT in Pune & Bangalore |
| BRAND RECOGNITION | Low | High | Mid-Level | Recognition of "Arvind" as a brand |
| IMPORTANCE OF HAVING A BRAND | High | High | High | Brand sensitive consumers |
| MARKET POTENTIAL FOR DEEPER GROWTH | High | Mid-Level | Low | Untapped market potential |
| FORMALIZED / ORGANIZED | High | Mid-Level | High | Formalized nature of dealings in land and real estate |
| CURRENT REGULATORY AND LOCAL KNOWLEDGE | High | High | Low | Ease of getting clearances and operating in the regulatory environment |
| PRE-EXISTING ARVIND SETUP | High | High | Mid-Level | Ahmedabad and Bangalore have established Arvind offices and ecosystems. |
| CAPITAL REQUIREMENTS | High | Mid-Level | Low | Favourable land prices allow for quick purchases. |

**AHMEDABAD**

High on Luxury and preference for horizontal

**BANGLORE**

Seeing good traction in the midmarket segment due to growing salaried class in the IT services industry

**PUNE**

High sales and launch velocity for mid-priced housing due to its position as a fast-growing IT services and manufacturing hub

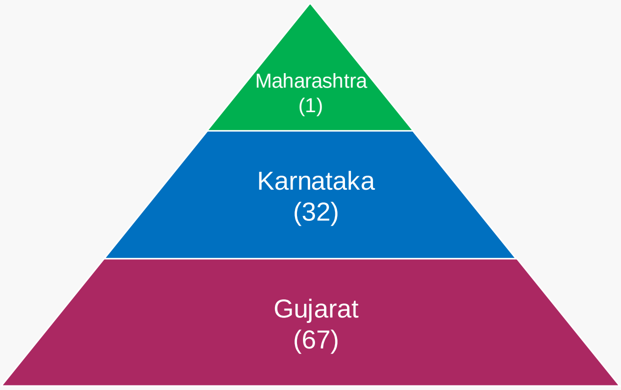
| | | |
|---|---|---|
| High | Mid-Level | Low |

Source: Company, Axis Securities Research

## Strong Local Foothold in Ahmedabad and Bengaluru

Arvind saw its bookings grow at a CAGR of 41% during FY20-FY24, while collections grew at a CAGR of 37% over the same period. This growth has been primarily driven by its presence in the Ahmedabad and Bengaluru markets.

**Exhibit 17: Project Geography as on Mar 2024**




Source: Company, Axis Securities Research

### Ahmedabad Market

Ahmedabad is an unorganised market with few listed players, and Arvind Smartspaces has leveraged its strong brand recall to significantly expand its portfolio in the city. Arvind is able to command a premium over local players due to its powerful brand identity and 100% track record of on-time project completions. In recent years, the company has capitalized on the renewed demand in the sector by increasing its supply, further strengthening its position in the Ahmedabad market.

Arvind has delivered projects with best-in-class amenities and focuses on lifestyle-driven developments. Ahmedabad, characterized by low costs and high demand, is an attractive market where Arvind's premium offerings help accelerate growth. The company is concentrating on more horizontal projects in this market to enhance profitability. ASL is also focuisng on areas that are off-centre markets and are expected to give higher price appreciations to their investors (SP Ring road ,Bavla, Jethlaj). These proejcts have seen a price appreciation CAGR of 15% over 3 years.

Gujarat's infrastructure development, including initiatives like GIFT City and the high-speed rail corridor, has further boosted demand. Additionally, influx of population on account of new industrial hubs such as auto and auto ancillaries (Changodar, GIDC) and urban migration has added boost to the overall larger and premium housing (villas). Moreover, the post-COVID increase in demand for self-owned homes has led to encouraging responses in the Ahmedabad market.

**Exhibit 18: On-site visit of Ongoing / Completed Projects in Ahmedabad**

Source: Company, Axis Securities Research

**Bengaluru Market**

The Bengaluru market has experienced a strong revival in demand over the past 2-3 years. Initially driven by premium and luxury segments, the market is now also expanding into mid-market segments. Arvind Smartspaces is actively seeking opportunities in both horizontal and vertical segments to maintain sales momentum.

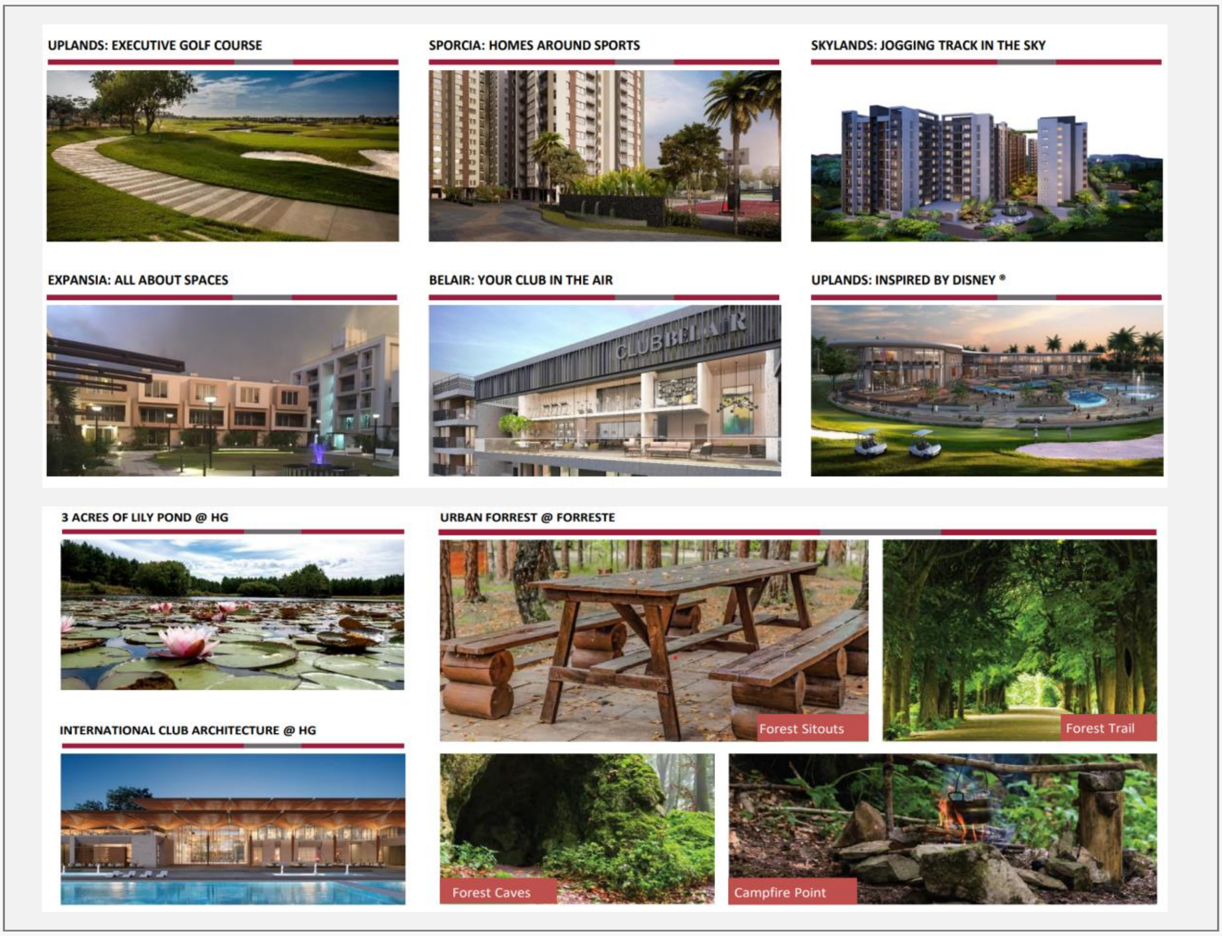
Bengaluru, traditionally known for its tech-driven market, is now also becoming a hub for space, defence, and finance sectors. The city has witnessed one of the highest annual price appreciation of 24% from Q1FY23. Additionally, available inventory in Bengaluru has declined on a YoY basis.

**Product Innovation**

The company has demonstrated strong sales performance in its dominant regions of Ahmedabad and Bengaluru, driven by its product innovation strategies. It specializes in developing projects with first-class amenities, such as large clubhouses, golf courses, jogging tracks, and health-centric spaces, along with other recreational features. This approach has led to significant post-launch traction for each property, resulting in better realizations. ASL also focuses on launching projects in the outer regions of Ahmedabad like off SP Ring road , where the presence of industrial hubs and SMEs have caused a shift from being pre dominantly second homes to becoming primary residences.

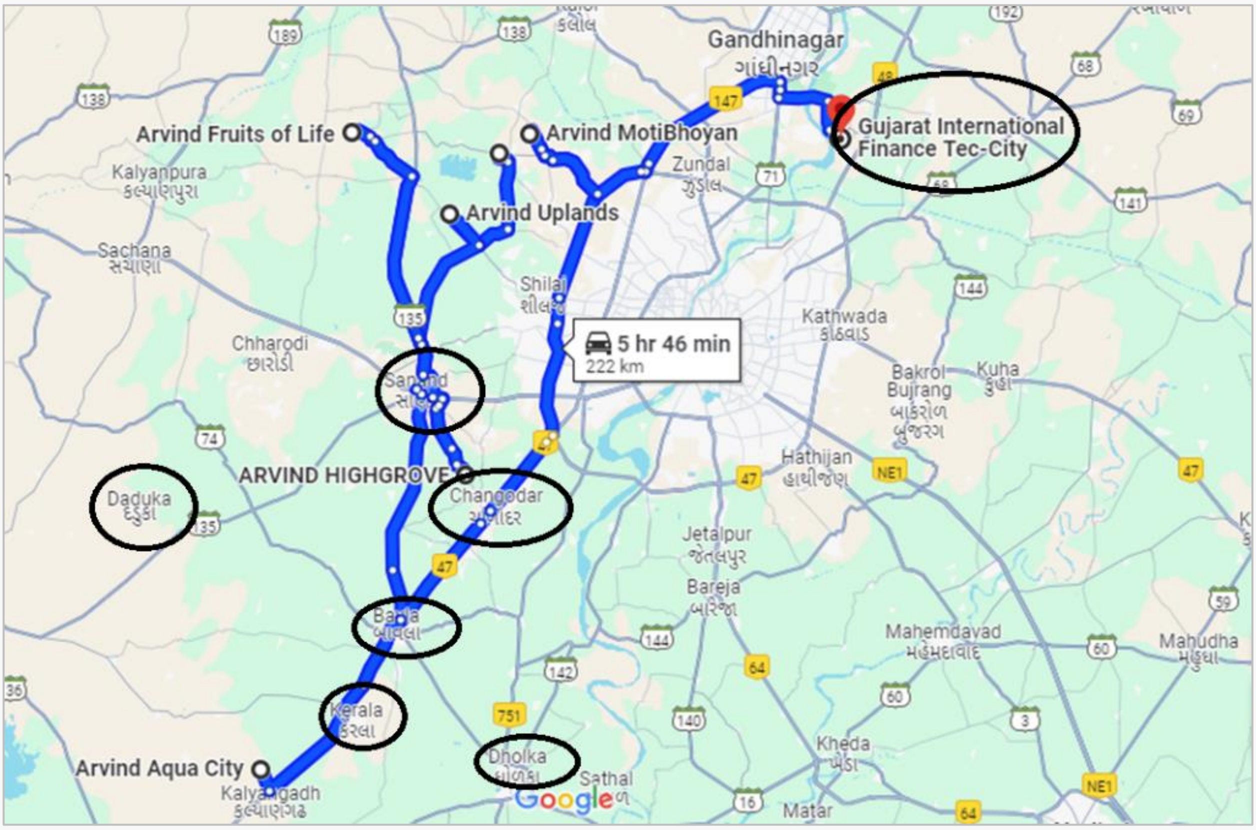
The company’s focus on lifestyle-based products has not only resonated with the market but also turned its customers into key marketing agents. In FY24, 22% of bookings were made through referrals. With a proven track record of 100% on-time completions, the company's emphasis on premium, lifestyle-driven offerings has been successful and well-received.

**Exhibit 19: Product Innovation – a strategic pillar for their sales performance**




Source: Company, Axis Securities Research

**Exhibit 20: Secondary Homes turning into Primary Residences**




Source: Company, Axis Securities Research

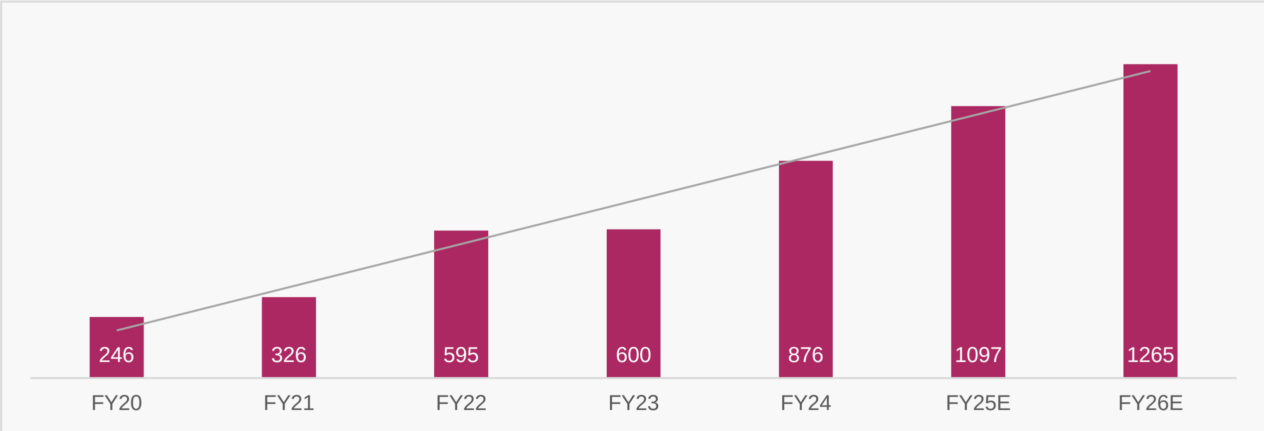
As we can see, ASL is strategically building its portfolio around industrial hubs like Changodar, Kerala, Dholka, Bavla ,Sanand etc. (circled areas). These areas usually see a population influx caused by incoming industrial boom and hence see an impressive price appreciation due to demand. Most of these houses eventually turn into primary use houses instead of a weekend homes/secondary use house.

## Low Leverage & Strong Cashflows along with Strategic Partnerships

- Arvind has adhered to a no-land bank strategy to mitigate stress on the balance sheet, viewing land as a raw material that is acquired as needed for development. Unrecognised revenue grew by 31% from FY20 to FY24.
- The aversion to land acquisition allows for smoother and more stable cash flow generation. This strategy also contributes to higher profitability margins and Return on Equity (ROE), while keeping debt levels lower compared to many capital and debt-heavy real estate developers.
- As of June-24, the company's net debt stands at Rs (58) Cr, reduced from Rs (41) Cr in Mar-24. Strong performance and collections have led to net operating cash flows of Rs 458 Cr in FY24. The company projects an unrealised operating cash flow of Rs 2,563 Cr from its current project pipeline.
- The company views debt as a function of business development. For future development, Arvind plans to first utilise internal accruals and surplus from the H-Care platform before considering additional debt, aiming to make funding for future projects more cost-effective.

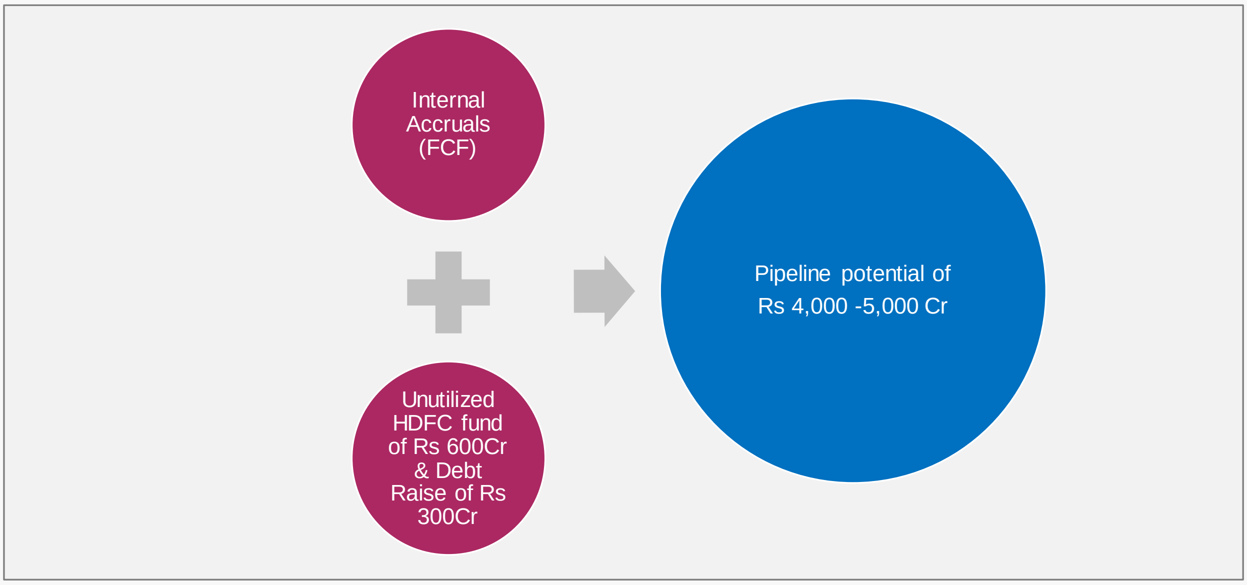
*The company is well equipped to undertake any outsized opportunities that emerge by leveraging its under-borrowed nature of balance sheet.*

**Exhibit 21: Collections Growth over FY20-FY26E**




Source: Company, Axis Securities Research

**Exhibit 22: Operating cashflows to fund future pipeline**




Source: Company, Axis Securities Research

**Exhibit 23: Strategic Partnership with HDFC Platform**

**2019**
**H-Care I**

80:20 SPV Entity
250 Cr platform for mid market/affordable housing development Project - Devanhalli, Bengaluru in 2020
Platform concluded in ~3 years

**2021**
**H-Care I**

Preferential Issue of Rs 50 Cr to HDFC Capital Advisors
Subscribed 8.8% equity stake in Arvind at Rs 124/share on a fully diluted basis.

**2022**
**H-Care III**

900 Cr partnership for residential development with revenue potential of 4,000-5,000 Cr
Arvind has a 33.3% stake ~300 CR and the rest 600 Cr infused by HDFC
As of FY24, Rs 300 Cr has been used for a revenue of Rs 1,000 Cr between Fruits of Life, Arvind Orchards and Bannergatta

Source: Company, Axis Securities Research

**Exhibit 24: GDV Potential of Rs 1,205 Cr with Low Cash Outlays**

| Partner | Project | Location | Arvind Share | Land Area (in acres) | GDV (in Cr) |
|---|---|---|---|---|---|
| H-Care-I | Greatlands | Devanahalli, Bengaluru | 20% | 25 | 220 |
| H-Care-III | Fruits of Life | Bavlu, Bengaluru | 33.33% | 44 | 150 |
| H-Care-III | Arvind Orchards | Dadaballapura, Bengaluru | 33.33% | 46.5 | 435 |
| H-Care-III | Bannerghatta Road | Bengaluru | 33.33% | 4.3 | 400 |

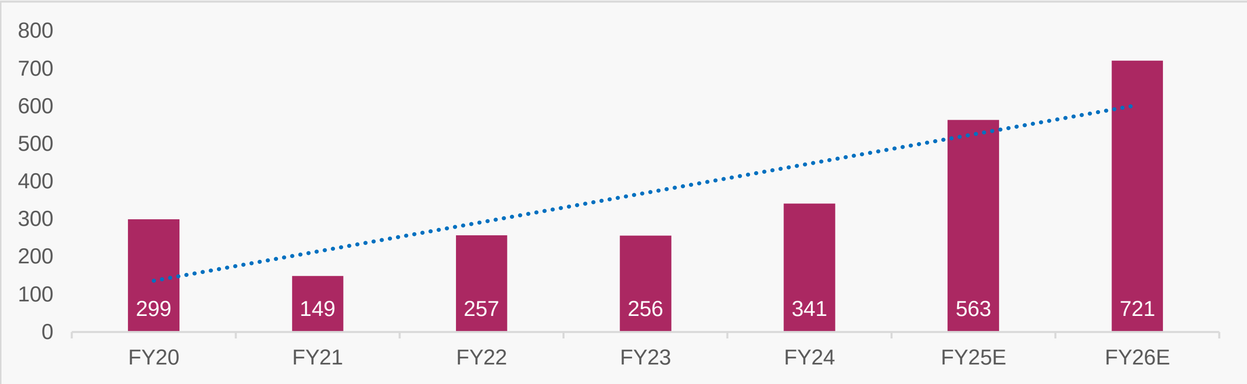
Source: Company, Axis Securities Research

## Key Financial Metrics

### Revenue Performance

Arvind reported a revenue CAGR of 3.3% over FY20-FY24, with a reported revenue of Rs 314 Cr for FY24. The addition of major projects such as Fruits of Life, Belair, Uplands 2 & 3, Adroda, and Chirping Woods is expected to contribute significantly to the topline in the coming years. These projects together have a topline potential of approximately Rs 1,100 Cr (Arvind's share). As of Jun'24, the company has unrecognised revenue of Rs 2,345 Cr, which will be recognised over the next few years. Consequently, revenue is projected to grow at a CAGR of 45% from FY24 to FY26E.

**Exhibit 25: Revenue growth over FY24-FY26E, expect a 45% CAGR growth (Rs Cr)**

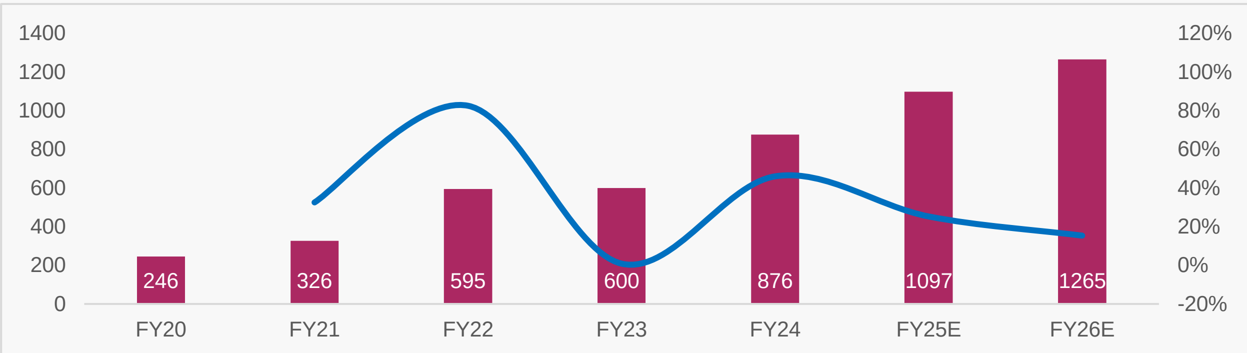



Source: Company, Axis Securities Research

### Collections Driving Strong Cashflows and Balance Sheet

The company's collections grew at a CAGR of 37% over FY20-FY24, reflecting a strong track record in sales and inventory movement. With a robust project pipeline, collections are expected to continue on a strong growth trajectory. Arvind's business model, with a focus on horizontal projects, facilitates quicker turnaround times and more frequent cash cycles, leading to healthy pre-sales and collections. Consequently, a CAGR of 41% is forecasted for collections from FY24 to FY26E. As of FY24, the company holds a net cash position of Rs 41 Cr from interest-bearing funds. This financial stability is reassuring, particularly given the aggressive expansion of their project portfolio while maintaining a positive cash position.

**Exhibit 26: Collections driving strong cashflows**

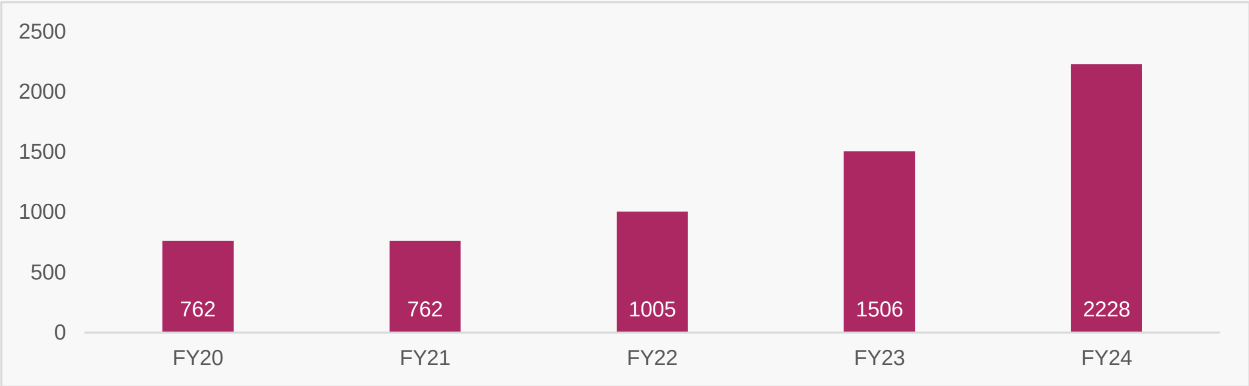



Source: Company, Axis Securities Research

## EBITDA Margins

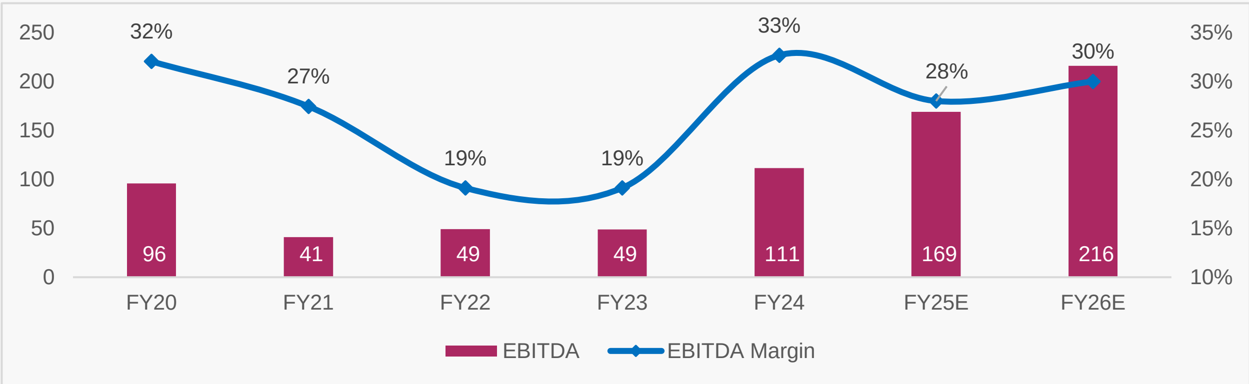
During FY24, the company's EBITDA margin stood at 33%, a 1355bps growth YoY. Although the company has seen exceptional growth, this is mainly due to the dominance of horizontal projects being recognised this year. Even though the company is shifting to a combination of vertical and horizontal projects, we may see an EBITDA CAGR of 39% over FY24- FY26E and EBITDA margins of 25%-30%. For FY25E and FY26E, we are expecting a margin of 28% and 30% respectively.

**Exhibit 27: Unrecognized Revenue to Drive Revenues and EBITDA (Rs Cr)**




Source: Company, Axis Securities Research

**Exhibit 28: EBITDA growth over FY24-FY26E, expect a 39% CAGR growth (Rs Cr)**




Source: Company, Axis Securities Research

## Outlook & Valuation

**We are Initiating Coverage on Arvind Smartspaces Ltd., with a BUY recommendation and a target price of Rs 1,085/share, which implies an upside of 43% from the CMP.**

### Our recommendation is supported by:

1. New Launch Visibility,
2. Asset–light business and Quick turnaround time,
3. Geographical Play and Product Innovation,
4. Low leverage, Strong cashflows and Strategic Partnerships

Valuing the company at a CAGR of 41% on the bookings for FY24-FY26E, we get a booking value of Rs 2,201Cr. We apply an EBITDA margin of 28%, giving an EBITDA of Rs 616 Cr. Applying an 8x FY26E EV/EBITDA multiple we arrive at a target price of Rs 1,085/share, implying an upside of 43% from the CMP.

**Key Assumptions:**

- We have used a WACC of 11% to discount the cash flows.
- Based on the robust pipeline and completion of projects we expect a 41% CAGR growth for our bookings/pre-sales figures
- We have assumed an EBITDA margin of 28%

**Valuation**

| Metrics | Value | Comments |
|---|---|---|
| FY26E PreSales/Bookings | 2,201 | A 41% CAGR on FY24 bookings |
| EBITDA FY26E (based on collections) | 616 | A margin of 28% on bookings |
| Attributable EV/EBITDA Multiple | 8.0 | |
| EV | 4,930 | |
| Less: Net Debt | 42 | |
| Market Cap | 4,888 | |
| **Per Share Value** | **1,085** | |
| **Upside %** | **43%** | |

**Peer Comparison**

| Company Name | CMP (Rs) | Mcap (Rs Cr) | EV (Rs Cr) | Revenue (Rs Cr) | | | | ROE (%) | | | | EV/EBITDA (x) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | FY23 | FY24 | FY25E | FY26E | FY23 | FY24 | FY25E | FY26E | FY23 | FY24 | FY25E | FY26E |
| **Arvind Smartspaces Ltd.** | **758** | **3,452** | **3,237** | **256** | **341** | **563** | **721** | **5.5** | **8.4** | **15.8** | **17.9** | **66** | **29** | **21** | **15** |
| Macrotech Developers Ltd | 1,425 | 1,41,807 | 1,15,367 | 9,470 | 10,316 | 13,395 | 16,057 | 3.9 | 10.3 | 13.6 | 15.5 | 56 | 43 | 30 | 24 |
| Godrej Properties Ltd. | 3,192 | 88,767 | 70,714 | 2,252 | 3,036 | 4,463 | 6,296 | 6.9 | 7.6 | 11.7 | 12.7 | 277 | NA | 98 | 60 |
| Mahindra Lifespace Developers Ltd. | 545 | 8,456 | 9,804 | 607 | 212 | 1,139 | 1,323 | 5.6 | 5.3 | 8.2 | 10.4 | NA | NA | 166 | 94 |
| Oberoi Realty Ltd | 1,900 | 69,072 | 54,866 | 4,193 | 4,496 | 5,860 | 7,150 | 16.8 | 14.8 | 15.6 | 17.0 | 26 | 23 | 18 | 14 |
| DLF Ltd | 910 | 2,25,167 | 2,20,940 | 5,695 | 6,255 | 7,739 | 9,806 | 5.5 | 7.1 | 8.6 | 10.3 | 129 | 115 | 80 | 61 |

Source: LSEG Refinitiv, Axis Securities Research

## Key Risks

- **Geographically Concentrated:** Arvind predominantly operates within Ahmedabad and Banglore. Indications regarding peak absorptions signalling a potential increase in inventory overhang or execution delays could potentially impact sales.
- **Rise in Input Costs & Regulatory Changes:** Fluctuations in input prices have the potential to impact margins, while delays in approval processes could hinder cash flows.
- **Cash Conversion:** Company's ability to utilise it's cash postion or deploy funds effeciently since they are generating cash at a relatively high pace and are leaned towards low cash outlay projects.
- **Labor Intensive Business:** Any hindrance caused by labour shortages or labour-related issues has the potential to disrupt project timelines and increase overall project costs.
- **Property Litigation:** One of the common issues in India that could lead to project delays and adversely impact costs is bureaucratic red tape and regulatory hurdles. Delays in obtaining necessary approvals and permits from various government agencies can significantly prolong project timelines and increase associated costs.

## Management Profile

| Key Management Personnel | Experience |
|---|---|
| **Mr. Kamal Singal**<br>*Managing Director & Chief Executive Officer* | • Associated with Lalbhai group since 2001 in various capacities. He was elevated to head the real estate business of the Lalbhai Group in 2008. He is responsible for giving strategic direction to the real estate business and also identifying new business opportunities and further expanding the product portfolio of the real estate business. He holds an EPGM from the Indian Institute of Management, Indore, with an overall experience of 30 years. |
| **Mr. Jagdish Dalal**<br>*Senior Vice President* | • With over 30 years of experience, he excels in corporate finance. |
| **Mr. Avinash Suresh**<br>*Chief Operating Officer* | • The overall experience of over 19 years with Godrej and Aditya Birla among others. |
| **Mr. Mitanshu Shah**<br>*Chief Financial Officer* | • Overall experience of over 30 years in finance with Alembic Pharma, Schneider Electric, Sun Pharma, etc. With Arvind since 2004. |
| **Mr. Sharvil Shah**<br>*Chief Business Officer, West* | • Overall experience of over 13 years. Worked in real estate companies like BSafal, and Bechtel Corporation Houston, with Arvind since 2004. |
| **Mr. Manoj Chellani**<br>*Chief Business Officer, South* | • Overall experience of over 20 years with Lodha, Runwal, Tech Mahindra and Radius Developers. |
| **Mr. Saurabh Agarwal**<br>*Head – Business development* | • Overall experience of over 20 years in real estate companies like RNA, Raheja, Ashiana Housing and DLF, with ASL since 2010. |
| **Mr. Prakash Makwana**<br>*Company Secretary & Compliance Officer* | • Member of Arvind group for over 25 years |
| **Mr.Pankaj Jain**<br>*Head of CRM* | • The overall experience of over 30 years with more than 20 years in the Arvind Group |

Source: Company

## Industry Overview

### Indian Residential Market

India has been among the fastest-growing economies globally over the past few years. Notably, its GDP witnessed robust growth, with rates of 8.3% in 2016, 6.8% in 2017, and 6.5% in 2018. However, in 2019, the growth rate moderated to 4%. The first quarter of 2021 saw the International Monetary Fund initially estimating a significant decline of approximately 10.3% in India's real GDP growth rate for 2020. Nonetheless, the actual contraction turned out to be -7.3%, indicating an improvement of 3% from the initial estimates.

*Residential demand continues to remain strong. Consumer sentiments are high with timely project completions, mostly by branded developers. Positive sentiment may continue in the upcoming quarters as well.*

### Real Estate Sector in India

In the past three to four years, the Indian real estate sector has undergone significant transformations due to demonetization, liquidity crises, and the enforcement of RERA and GST regulations. The residential market has been on a steep recovery with positive homebuyer sentiment and supportive market demand.

- India's central bank policies have been successful in curtailing the inflation levels without compromising on growth and ended the year 2023 with stable interest rates.
- The residential market has sustained it's momentum in CY24 with sales growing 9% in Q1. Sales grew across all markets except Banglore where we saw a marginal dip of 2%YoY. The highest sales volume growth was seen in Mumbai, a 17% increase on a YoY basis.
- The steady growth in the real estate sector has also led to an exceeding level of units launched. Kolkata saw the highest growth in units launched at 89% YoY.
- Sales of units priced above Rs 1 Cr have experienced substantial growth of 51% and have been a primary driver of overall sales growth in the first quarter of 2024. There has been a noticeable shift towards the premium-priced category from the mid-segment. The decline in mid-segment sales represents a normal correction within an upward long-term trend. Sales of units priced below Rs 50 Lc have decelerated in an otherwise strong market, primarily due to high interest rates and rising prices adversely impacting homebuyers in this segment.
- Homebuyers are increasingly inclined to purchase ready or near-ready inventory to minimize the risk of completion delays. However, due to high demand, the overall inventory overhang has decreased to low levels. This reduction in inventory overhang has led to an increase in new launches and enhanced consumer willingness to invest in newly launched projects.
- Because large developers have undergone a lot of land capex in 2024, we may see a healthy pipeline of projects and new launches in the coming quarters.
- We foresee a significant uptick in the property values on a QoQ basis. This is further enhanced if one looks at the yearly price increase. These escalations are driven by an increase in housing demand and high raw material costs.

**Exhibit 29: Sales Trend in Top Markets**

| Market | Q2FY23 | Q3FY23 | Q4FY23 | Q1FY24 | Q1 YoY Growth % |
|---|---|---|---|---|---|
| Mumbai | 20,498 | 22,308 | 23,765 | 23,743 | 17% |
| NCR | 14,722 | 13,981 | 15,907 | 15,527 | 1% |
| Bengaluru | 12,857 | 13,169 | 14,630 | 13,133 | -2% |
| Pune | 11,302 | 13,079 | 14,517 | 11,832 | 14% |
| Hyderabad | 7,055 | 8,325 | 9,200 | 9,550 | 15% |
| Ahmedabad | 3,757 | 4,108 | 4,023 | 4,673 | 11% |
| Chennai | 3,500 | 3,870 | 3,900 | 3,950 | 8% |
| Kolkata | 3,823 | 3,772 | 3,903 | 3,937 | 12% |
| **Total** | **77,514** | **82,612** | **75,328** | **86,345** | **9%** |

Source: Knight Frank Research

**Exhibit 30: Launch Trend in Top Markets**

| Market | Q2FY23 | Q3FY23 | Q4FY23 | Q1FY24 | Q1 YoY Growth % |
|---|---|---|---|---|---|
| Mumbai | 24,811 | 19,512 | 22,993 | 25,263 | -2% |
| NCR | 15,252 | 16,108 | 16,803 | 14,893 | 3% |
| Bengaluru | 11,469 | 13,353 | 14,231 | 13,135 | 9% |
| Pune | 9,694 | 10,568 | 10,635 | 13,293 | 15% |
| Hyderabad | 11,865 | 11,034 | 13,100 | 11,140 | 1% |
| Ahmedabad | 5,207 | 5,996 | 5,945 | 5,159 | -4% |
| Chennai | 4,170 | 4,000 | 4,150 | 4,350 | 10% |
| Kolkata | 3,598 | 4,978 | 3,976 | 6,021 | 89% |
| **Total** | **86,066** | **85,549** | **91,833** | **93,254** | **7%** |

Source: Knight Frank Research

**Available Inventory Trend**

- Around 60% of the available inventory falls under the mid-end and high-end budget segments (each having a share of 30%). This is followed by the affordable segment at 24% and luxury and ultra-luxury segments combined contribute a significant 16% of the overall available inventory.

- The MMR has the highest available inventory across affordable, mid-range, and even luxury segments due to overall housing stock in MMR compared to other cities. However, in the high-end luxury segment, Hyderabad takes the lead, showcasing a potential oversupply in these properties.

- Taking a closer look at the dominance of available inventory across each of India's top 7 cities, MMR and Kolkata showcase the highest volume of available units concentrated in the affordable segment. Pune and Chennai showcase a different dynamic, with a higher proportion of available units residing in the mid-range segment. Bengaluru stands out with the most significant available inventory in the luxury category. The National Capital Region (NCR) and Hyderabad recorded the highest available inventory within the ultra-luxury segment.

**Exhibit 31: Asset Value and Inventory Overhang**

| City | Avg Selling Price (per sq ft.) | QoQ | YoY | Inventory Overhang (in months) | QoQ Change | YoY Change |
|---|---|---|---|---|---|---|
| NCR | 6,200 | 7% | 19% | 16 | -7% | -30% |
| MMR | 14600 | 7% | 20% | 14 | -9% | -32% |
| Bengaluru | 7200 | 10% | 25% | 8 | -6% | -34% |
| Pune | 7100 | 5% | 15% | 13 | -7% | -34% |
| Hyderabad | 6350 | 10% | 32% | 18 | -5% | -12% |
| Chennai | 6200 | 4% | 15% | 16 | 9% | -21% |
| Kolkata | 5300 | 3% | 10% | 16 | -2% | -24% |

Source: Anarock Research

- Q1FY24 witnessed a significant uptick in property values across the top 7 Indian cities. Compared to the previous quarter, prices rose anywhere between 3% to 10%. This trend is even more pronounced on a YoY basis, with a remarkable 10% to 32% jump compared to Q1FY23. These price escalations can be attributed to two key factors – rising construction raw material costs and a sustained increase in housing demand.
- As Q1FY24 concluded, a reduction in available inventory was evident across the top 7 cities. Considering current inventory levels, it's estimated that selling off the existing stock would take approx.14 months. This suggests a healthy sales velocity, further supported by the robust demand witnessed in Q1.

## Financials (Consolidated)

### Profit & Loss (Rs Cr)

| Y/E Mar | FY23 | FY24 | FY25E | FY26E |
|---|---|---|---|---|
| **Net sales** | **256** | **341** | **563** | **721** |
| Growth, % | (0.4) | 33.3 | 65.1 | 28.0 |
| Other operating income | - | - | - | - |
| Total income | 256 | 341 | 563 | 721 |
| Raw material expenses | (123) | (141) | (225) | (281) |
| Employee expenses | (37) | (54) | (79) | (101) |
| Other Operating expenses | (47) | (35) | (101) | (123) |
| **EBITDA (Core)** | **49** | **111** | **158** | **216** |
| Growth, % | (0.3) | 127.8 | 41.5 | 37.1 |
| Margin, % | 19.1 | 32.7 | 28.0 | 30.0 |
| Depreciation | (3) | (5) | (4) | (4) |
| **EBIT** | **46** | **107** | **154** | **212** |
| Growth, % | (3) | 131 | 44 | 38 |
| Margin, % | 18 | 31 | 27 | 29 |
| Interest paid | (14) | (41) | (28) | (43) |
| Other Income | 7 | 10 | 10 | 15 |
| Share of profits from associates | 0 | 0 | 0 | 0 |
| **Pre-tax profit** | **40** | **76** | **136** | **184** |
| Tax provided | (12) | (25) | (45) | (61) |
| **Profit after tax** | **28** | **51** | **91** | **124** |
| Growth, % | 2.2 | 62.4 | 118.5 | 36.0 |

Source: company, Axis Securities

### Balance Sheet (Rs Cr)

| Y/E Mar | FY23 | FY24 | FY25E | FY26E |
|---|---|---|---|---|
| Cash & bank | 64 | 63 | 25 | 9 |
| Marketable securities at cost | 223 | 199 | 199 | 199 |
| Debtors | 0 | 0 | 0 | 0 |
| Inventory | 957 | 1,362 | 1,791 | 2,254 |
| Loans & advances | - | - | - | - |
| Other current assets | 101 | 89 | 89 | 89 |
| Total current assets | 1,345 | 1,713 | 2,104 | 2,552 |
| Investments | - | - | - | - |
| Gross fixed assets | 56 | 64 | 114 | 134 |
| Less: Depreciation | (8) | (11) | (15) | (19) |
| Net fixed assets | 64 | 72 | 118 | 134 |
| Non-current assets | 21 | 136 | 136 | 136 |
| **Total assets** | **1,510** | **2,102** | **2,539** | **3,003** |
| | | | | |
| Current liabilities | 869 | 1,377 | 1,677 | 1,927 |
| Provisions | 3 | 4 | 4 | 4 |
| Total current liabilities | 872 | 1,381 | 1,682 | 1,932 |
| Non-current liabilities | 143 | 95 | 151 | 251 |
| Total liabilities | 1,015 | 1,476 | 1,832 | 2,182 |
| Paid-up capital | 45 | 45 | 45 | 45 |
| Reserves & surplus | 421 | 449 | 530 | 644 |
| Shareholders' equity | 495 | 626 | 707 | 821 |
| **Total equity & liabilities** | **1,511** | **2,102** | **2,539** | **3,003** |

Source: company, Axis Securities

**Cash Flow** **(Rs Cr)**

| Y/E Mar | FY23 | FY24 | FY25E | FY26E |
|---|---|---|---|---|
| PBT | 40 | 76 | 136 | 184 |
| Add: Depreciation | 3 | 5 | 4 | 4 |
| Interest Paid | 14 | 41 | 28 | 43 |
| Op profit before WC changes | 52 | 116 | 168 | 232 |
| Change in Working Capital | (117) | (70) | (128) | (213) |
| Cash from operations | (65) | 46 | 39 | 18 |
| Taxes paid | (36) | (15) | (45) | (61) |
| Cash from operating activities | (101) | 31 | (5) | (42) |
| | | | | |
| Change in Fixed Assets | (10) | (15) | (50) | (20) |
| Net cash from investing activities | (82) | (28) | (50) | (20) |
| Proceeds from Borrowings | 86 | (40) | 56 | 100 |
| Finance Costs Paid | (5) | (41) | (28) | (43) |
| Dividend paid | (15) | (15) | (10) | (10) |
| Net Cash from Financing | 95 | (3) | 17 | 47 |
| Net cash for the period | (87) | (1) | (38) | (16) |
| Cash at end of period | 64 | 63 | 25 | 9 |

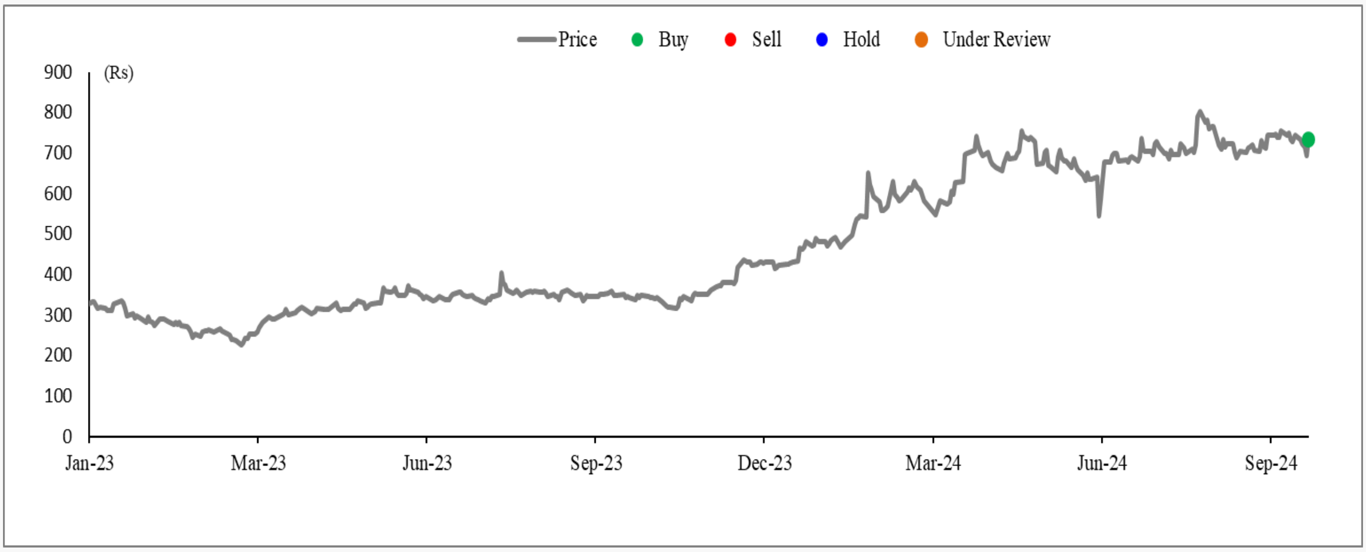
Source: company, Axis Securities

**Ratio Analysis** **(x) / (%)**

| Y/E Mar | FY23 | FY24 | FY25E | FY26E |
|---|---|---|---|---|
| EPS (INR) | 5.6 | 9.2 | 20.0 | 27.2 |
| Growth, % | 2.2 | 62.4 | 118.5 | 36.0 |
| Book NAV/share (INR) | 102.9 | 109.1 | 126.9 | 151.9 |
| FDEPS (INR) | 5.6 | 9.2 | 20.0 | 27.2 |
| DPS (INR) | 3.3 | 3.3 | 2.2 | 2.2 |
| **Return ratios** | | | | |
| Return on assets (%) | 3.2 | 5.1 | 5.1 | 6.0 |
| Return on equity (%) | 5.5 | 8.4 | 15.8 | 17.9 |
| Return on capital employed (%) | 7.3 | 13.4 | 15.0 | 17.2 |
| **Turnover ratios** | | | | |
| Asset turnover (x) | 1.0 | 1.2 | 1.5 | 1.2 |
| Sales/Total assets (x) | 0.2 | 0.2 | 0.2 | 0.3 |
| Sales/Net FA (x) | 4.3 | 5.0 | 5.9 | 5.7 |
| Working capital/Sales (x) | 0.7 | 0.2 | 0.4 | 0.6 |
| **Liquidity ratios** | | | | |
| Current ratio (x) | 1.5 | 1.2 | 1.3 | 1.3 |
| Quick ratio (x) | 0.4 | 0.3 | 0.2 | 0.2 |
| Interest cover (x) | 3.3 | 2.6 | 5.5 | 4.9 |
| Total debt/Equity (%) | 0.3 | 0.2 | 0.3 | 0.4 |
| Net debt/Equity (%) | 0.2 | 0.1 | 0.2 | 0.3 |
| **Valuation** | | | | |
| PER (x) | 133.5 | 82.2 | 37.6 | 27.7 |
| PEG (x) - y-o-y growth | 60.9 | 1.3 | 0.3 | 0.8 |
| Price/Book (x) | 7.3 | 6.9 | 5.9 | 5.0 |
| EV/Net sales (x) | 12.8 | 9.5 | 5.9 | 4.8 |
| EV/EBITDA (x) | 67.0 | 29.2 | 21.2 | 16.0 |
| EV/EBIT (x) | 70.9 | 30.4 | 21.8 | 16.3 |

Source: company, Axis Securities

# Arvind Smartspaces Price Chart and Recommendation History




| Date | Reco | TP | Research |
|---|---|---|---|
| 24-Sep-24 | BUY | 1,085 | Initiating Coverage |
| | | | |

*Source: Axis Securities Research*

Axis Securities Limited is a subsidiary company of Axis Bank Ltd. Axis Bank Ltd. is a listed public company and one of India's largest private sector banks and has its various subsidiaries engaged in businesses of Asset management, NBFC, Merchant Banking, Trusteeship, Venture Capital, Stock Broking, the details in respect of which are available on www.axisbank.com.

Axis Securities Limited, is registered as a

- Stock Broker, Depository Participant, Portfolio Manager, Investment Adviser and Research Analyst with Securities and Exchange Board of India
- Corporate Agent with Insurance Regulatory and Development Authority of India
- Point of Presence with Pension Fund Regulatory and Development Authority
- Distributor for Mutual Funds with AMFI

Registration Details:

SEBI Single Reg. No.- NSE, BSE,MSEI, MCX & NCDEX – INZ000161633 | SEBI Depository Participant Reg. No. IN-DP-403-2019 | Portfolio Manager Reg. No.- INP000000654 | Investment Advisor Reg No. INA000000615 | SEBI-Research Analyst Reg. No. INH000000297 | IRDA Corporate Agent (Composite) Reg. No. CA0073| PFRDA – POP Reg. No. POP387122023 | Mutual Fund Distributor ARN- 64610.

Compliance Officer Details: Name – Mr. Jatin Sanghani, Tel No. – 022-68555574, Email id – compliance.officer@axisdirect.in.;

Registered Office Address – Axis Securities Limited, Unit No.002, Building- A, Agastya Corporate Park, Piramal Realty, Kamani Junction, Kurla (W), Mumbai – 400070.

Administrative office address: Axis Securities Limited, Aurum Q Parć, Q2 Building, Unit No. 1001, 10th Floor, Level – 6, Plot No. 4/1 TTC, Thane – Belapur Road, Ghansoli, Navi Mumbai, Pin Code – 400710.

In case of any grievances please call us at 022-40508080 or write to us helpdesk@axisdirect.in.

We hereby declare that our activities were neither suspended nor we have defaulted with any stock exchange authority with whom we are registered in last five years. However, SEBI, Exchanges, Clearing Corporations and Depositories etc. have conducted the routine inspection and based on their observations have issued advise/warning/show cause notices/deficiency letters/ or levied penalty or imposed charges for certain deviations observed in inspections or in normal course of business, as a Stock Broker / Depository Participant/Portfolio Manager. We have not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has our certificate of registration been cancelled by SEBI at any point of time.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.
By referring to any particular sector, Axis Securities does not provide any promise or assurance of favourable view for a particular industry or sector or business group in any manner.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors. Our research should not be considered as an advertisement or advice, professional or otherwise. This research report and its respective content by Axis Securities made available on this page or otherwise do not constitute an offer to sell or purchase or subscribe for any securities or solicitation of any investments or investment services for the residents of Canada and / or USA or any jurisdiction where such an offer or solicitation would be illegal.

Subject company(ies) may have been client during twelve months preceding the date of distribution of the research report. Derivatives are a sophisticated investment device. The investor is requested to take into consideration all the risk factors before actually trading in derivative contracts.

Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgment of its original date of publication by ASL and are subject to change without notice. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments.

The information and opinions in this report have been prepared by Axis Securities and are subject to change without any notice. 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 of Axis Securities. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite, investment objective or the particular circumstances of an individual investor. The investor is requested to take into consideration all the risk factors including their financial condition, suitability to risk return profile and the like and take professional advice before investing.

While we would endeavour to update the information herein on a reasonable basis, Axis Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Axis Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or Axis Securities policies, in circumstances where Axis Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained in good faith from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall 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. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Axis Securities will not treat recipients as customers by virtue of their receiving this report. 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. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Axis Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Axis Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months. Axis Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction. Axis Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months. Axis Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. Axis Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither Axis Securities nor Research Analysts and / or their relatives have any material conflict of interest at the time of publication of this report. Please note that Axis Securities has a proprietary trading desk. This desk maintains an arm's length distance with the Research team and all its activities are segregated from Research activities. The proprietary desk operates independently, potentially leading to investment decisions that may deviate from research views.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

NEERAJ CHADAWAR

Digitally signed by NEERAJ CHADAWAR
Date: 2024.09.24 08:28:54 +05'30'

Research Analyst may have served as an officer, director or employee of subject company(ies). Axis Securities or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report. Since associates of Axis Securities and Axis Securities as an entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one percent or more or other material conflict of interest in various companies including the subject company/companies mentioned in this report. Axis Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. Certain transactions -including those involving futures, options and other derivatives as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. Reports based on technical analysis centres on studying charts of a stock'sprice movement and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals.

We and our affiliates/associates, officers, directors, and employees, Research Analyst(including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (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 subject company/company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of Research Report or at the time of public appearance. Axis Securities may have proprietary long/short position in the above mentioned scrip(s) and therefore may be considered as interested. This should not be construed as invitation or solicitation to do business with Axis Securities. Axis Securities is also a Portfolio Manager. Portfolio Management Team (PMS) takes its investment decisions independent of the PCG research and accordingly PMS may have positions contrary to the PCG research recommendation.

RATING SCALE: Definitions of ratings

| **Ratings** | **Expected absolute returns over 12 – 18 months** |
|---|---|
| BUY | More than 10% |
| HOLD | Between 10% and -10% |
| SELL | Less than -10% |
| NOT RATED | We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation. |
| UNDER REVIEW | We will revisit our recommendation, valuation and estimates on the stock following recent events |
| NO STANCE | We do not have any forward-looking estimates, valuation or recommendation for the stock |

Note: Returns stated in the rating scale are our internal benchmark.

**List of Research Analyst (Fundamental):**

| Sr. No | Name | Designation | Sector | E-mail |
|---|---|---|---|---|
| 1 | Neeraj Chadawar | Head of Research | All Sectors | neeraj.chadawar@axissecurities.in |
| 2 | Preeyam Tolia | Research Analyst | FMCG and Retail, Real Estate | preeyam.tolia@axissecurities.in |
| 3 | Omkar Tanksale | Research Analyst | IT, Telecom, Internet | omkar.tanksale@axissecurities.in |
| 4 | Uttamkumar Srimal | Research Analyst | Cement, Infra, Railway | uttamkumar.srimal@axissecurities.in |
| 5 | Ankush Mahajan | Research Analyst | Pharmaceutical, Hospital, Hotel | ankush.mahajan@axissecurities.in |
| 6 | Dnyanada Vaidya | Research Analyst | BFSI | dnyanada.vaidya@axissecurities.in |
| 7 | Aditya Welekar | Research Analyst | Metal and Mining, Power Utilities | aditya.welekar@axissecurities.in |
| 8 | Sani Vishe | Research Analyst | Chemicals Capital Goods, Mid-cap | sani.vishe@axissecurities.in |
| 9 | Eesha Shah | Research Analyst | Real Estate, Special Situation | eesha.shah@axissecurities.in |
| 10 | Shridhar Kallani | Research Associate | Auto and Auto ancillaries | shridhar.kallani@axissecurities.in |
| 11 | Shikha Doshi | Research Associate | Cement, Infra, Railway | shikha.doshi@axissecurities.in |
| 12 | Suhanee Shome | Research Associate | FMCG and Retail | suhanee.shome@axissecurities.in |
| 13 | Shivani More | Research Associate | Chemicals Capital Goods, Mid-cap | shivani.more@axissecurities.in |
| 14 | Pranav Nawale | Research Associate | BFSI | pranav.nawale@axissecurities.in |
| 15 | Darsh Solanki | Research Associate | Metal and Mining, Power Utilities | darsh.Solanki@axissecurities.in |
| 16 | Aman Goyal | Research Associate | Pharmaceutical, Hospital, Hotel | aman.goyal@axissecurities.in |
| 17 | Arundhati Bagchi | Research Associate | Database Analyst, Economy | arundhati.bagchi@axissecurities.in |