


Management Guidance Maintained; Maintain BUY
Est. Vs. Actual for Q2FY25: Revenue – **BEAT**; EBITDA – **BEAT**; PAT – **BEAT**
Changes in Estimates post Q2FY25
FY25E/FY26E: Revenue: 0%/0%; EBITDA:0%/0%; PAT: 0%/0%

Recommendation Rationale

- New Launches and Business Development:** The management has guided a pre-sales CAGR of 30%-35%, maintaining confidence in achieving this target. In Q2FY25, the company launched 'Arvind Aqua City,' with total bookings at Rs 500 Cr for the quarter, bringing cumulative bookings to approximately Rs 600 Cr, including Rs 93 Cr from Q1FY25. Projects valued at Rs 4,000-5,000 Cr are expected to be added during the fiscal year, with the majority of launches concentrated in H2FY25 following Aqua City (~Rs 1,000 Cr). Management remains optimistic about achieving these targets through upcoming launches, which include: a) A high-rise in Bannerghatta, Bangalore, b) A new phase of Greatlands, c) An additional phase for Orchards, and d) A new Surat project. These projects are expected to collectively add approximately Rs 1,500 Cr in GDV. Additionally, the management has guided toward an MMR deal, which is progressing and anticipated to be announced soon, despite some delays. The NH47 project has seen strong traction, with 2/3rd of the Rs 900 Cr launch value sold. The company is also actively scouting for new projects that align with its strategic criteria and is well-positioned to undertake such expansions.
- Balance Sheet Strength and Low Leverage:** The company reported a net debt of Rs (195) Cr and an operating cash flow of Rs 106 Cr as of Q2FY25. Booking values for the quarter stood at Rs 464 Cr, with collections at Rs 249 Cr. The company can add leverage in the range of Rs 250-300 Cr on its books, complemented by unutilized capital of ~Rs 600 Cr from its HDFC platform. This capital flexibility enables the company to pursue new projects and meet its pre-sales guidance of Rs 4,500-5,000 Cr in BD for the fiscal year.
- Strong execution capabilities and sales performance:** The management remains confident in deploying these resources to support upcoming years' growth targets. The company's execution capabilities and strong sales performance have resulted in faster bookings and collections. Its estimated unrealized operating cash flow stands at Rs 2,986 Cr as of Q2FY25, positioning the company at a key inflexion point. With robust operational momentum, it is well-prepared to undertake major upcoming launches and projects comfortably, aligning with its growth objectives.
- Sector Outlook: Positive**

Company Outlook & Guidance: We continue to remain positive on the company's long-term prospects.

Current Valuation: 8X FY26E EV/EBITDA based valuation

Current TP: Rs 1,085/share (Earlier TP: Rs 1,085/share).

Recommendation: With a 40% upside from the CMP, we **maintain our long-term BUY** rating on the stock.

Financial Performance: ASL reported revenue of Rs 265 Cr, reflecting substantial growth of 256% QoQ. EBITDA stood at Rs 66 Cr, with a margin of 25%, up by 101.6 bps QoQ. The company's Adj PAT surged by 370% YoY to Rs 40.7 Cr, driven primarily by a reduction in unrecognized revenue from Rs 2,538 Cr to Rs 1,853 Cr YoY. ASL's strategic focus on horizontal and JD projects has contributed to the improved EBITDA margins and a 16% QoQ increase in PAT margin. Pre-sales reached Rs 464 Cr, marking a 26% YoY increase, while collections were at Rs 249 Cr, down by 5% YoY. The company's net debt further decreased by Rs 137 Cr this quarter, reaching Rs (195) Cr. This reduction in net debt reinforces ASL's solid financial position and strengthens its ability to capitalize on growth opportunities.

Key Financials (Consolidated)

(Rs Cr)	Q2FY25	QoQ (%)	YoY (%)	Axis Est.	Variance (%)
Net Sales	265.6	256.6	265.5	96.8	174.3
EBITDA	66.0	618.9	94.9	22.3	196.3
EBITDA Margin (%)	25	101.6	(46.7)	0.2	8.0
Net Profit	40.7	1,293.6	370.9	1,270.0	(96.8)
EPS (Rs)	8.9	1,294	369.3	2.8	220

Source: Company, Axis Securities Research

 (CMP as of 25th October 2024)

CMP (Rs)	777
Upside /Downside (%)	40%
High/Low (Rs)	915/310
Market cap (Cr)	3,543
Avg. daily vol. (6m)Shrs'000.	125
No. of shares (Cr)	4.5

Shareholding (%)

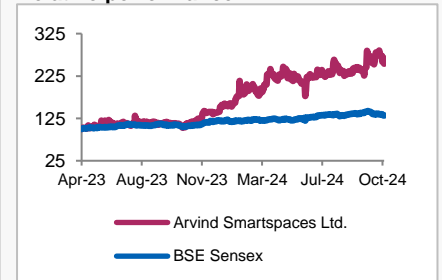
	Mar-24	Jun-24	Sep-24
Promoter	50.4	50.3	50.2
FII	0.5	0.4	1.8
MF's/Banks	2.8	2.6	1.3
Others	46.3	46.6	46.6

Financial & Valuations

Y/E Mar (Rs Cr)	FY24	FY25E	FY26E
Net Sales	341	563	721
EBITDA	111	158	216
Net Profit	42	91	124
EPS, Rs	9.2	20.0	27.2
PER, x	82.2	37.6	27.7
EV/EBITDA, x	29.2	21.2	16.0
ROE, %	8.4	15.8	17.9

Change in Estimates (%)

Y/E Mar	FY25E	FY26E
Sales	0%	0%
EBITDA	0%	0%
PAT	0%	0%

Relative performance


Source: Ace Equity, Axis Securities Research

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Outlook

- The company is confident in achieving its guidance of 30-35% growth in pre-sales. With a total inventory of approximately Rs 10,000 Cr (ongoing, upcoming, and BD), it is positioned at a transformative point, from which exponential growth is expected. The company is prepared to expand across different geographies and is inclined to undertake more vertical projects in the future. Its balance sheet strength supports a substantial increase in BD while maintaining growth momentum.

Valuation & Recommendation

- We continue to value the company at an 8X EV/EBITDA to arrive at a target price of Rs1,085/share, showing a 40% upside from the CMP.

Key Highlights

- **Upcoming BD** – The company has continued the guidance of Rs 4,000-5,000 Cr for this financial year. This shows a growth of 30%-35% in pre-sales. The management is confident in achieving this and has mentioned at least 3-4 new launches in this financial year.
- **Strong Sales and collections:** During Q2FY25, the company launched Arvind Aqua City, a ~Rs 1,000 Cr project. It completed bookings worth Rs 500 Cr in this quarter summing upto Rs 600 Cr overall for this project. Its track record of project completion and excellent sales strategies allow it to post good collections and bookings.
- **Debt Reduction:** The company has further reduced its net debt position from Rs (58)Cr to Rs (195) Cr QoQ. This is a reduction of Rs 137 Cr in this quarter.
- **Increasing Realisations:** ASL has successfully commanded a premium for its products, driven by innovation and a community-centric approach. Realizations in its latest project, Aqua City, have increased from Rs 7,000 per sq yard to Rs 8,300-8,400 per sq yard, indicating growth in average realizations. Management anticipates further increases as the project progresses to a stage where customers can experience its look and feel.

Key Risks to Our Estimates and TP

- **Cashflow Management:** The company must maintain a higher run rate of new launches to sustain its growth momentum. With cash reserves exceeding Rs 1,100 Cr and unrecognized revenue from existing and new inventories, it is well-positioned to support this trajectory. To keep pace with pre-sales growth, the company should consider taking on additional projects and deploying cash efficiently—whether in vertical expansion or new geographies—as its current strategy is oriented towards low cash outlay products.
- **Geographical Challenges:** ASL has ventured into the MMR region for its upcoming project but is currently encountering issues causing delays in the project announcement. Expanding into new geographies may present challenges that could impact its growth timeline and potentially hinder achievement of its pre-sales guidance.

Change in Estimates

	Old Est.		Revised Est.		% Revision	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	563	721	563	721	0	0
EBITDA	158	216	158	216	0	0
PAT	91	124	91	124	0	0
EPS	20.0	27.2	20.0	27.2	0	0

Source: Company, Axis Securities Research

Results Review

Y/E Mar (Rs Cr)	Q2FY24	Q1FY25	Q2FY25	YoY growth %	QoQ growth %
Revenue from Operations	72.7	74.5	265.6	265.5	256.6
Total operating costs	38.8	65.3	199.6	414.2	205.7
% sales	0.5	0.9	0.8	44.1	(12.2)
Construction Cost	29.0	28.6	45.3	56.2	58.6
Land Development Cost	63.8	68.3	31.8	(50.2)	(53.5)
Changes in Inventory	(85.2)	(65.2)	66.2	(177.8)	(201.5)
Employee costs	12.4	14.8	15.1	21.4	1.8
Other expenses	18.7	18.9	41.2	120.0	118.6
EBITDA	33.9	9.2	66.0	94.9	618.9
% margin	47%	12%	25%	(46.7)	101.6
Depreciation	1.3	1.1	1.3	(3.3)	13.4
EBIT	32.5	8.0	64.7	98.9	703.9
Finance Costs	19.2	3.4	4.6	(76.3)	35.6
Other income	2.6	2.7	3.7	42.0	34.9
PBT	15.9	7.4	63.8	301.8	759.0
Net Tax	5.1	2.8	21.2	320.0	654.7
Associates and JVs	(0.1)	0.0	0.0	(160.0)	-
Group PAT	10.8	4.6	42.6	293.3	822.5
% margin	0.1	0.1	0.2	7.6	158.7
Non-Controlling Interests	219.2	169.9	191.4	(12.6)	12.7
Adjusted PAT	8.6	2.9	40.7	370.9	1,293.6

Source: Company, Axis Securities Research

Financials (Standalone)

Profit & Loss

(Rs Cr)

Y/E Mar (Rs Cr)	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 Research

Balance Sheet

(Rs Cr)

Y/E Mar (Rs Cr)	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 Research

Cash Flow

(Rs Cr)

Y/E Mar (Rs Cr)	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 the end of the period	64	63	25	9

Source: Company, Axis Securities Research

Ratio Analysis

(%)

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 Research

Arvind Smartspaces Price Chart and Recommendation History



Date	Reco	TP	Research
24-Sep-24	BUY	1,085	Initiating Coverage
28-Oct-24	BUY	1,085	Result Update

Source: Axis Securities Research

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