

April 4, 2025

## Eyeing to be in the top five league

**About the stock:** Aditya Birla Real Estates (CENTEX), is the real estate arm of the Aditya Birla group, having two major verticals viz. Real Estate and Paper & Pulp.

- Residential portfolio is well diversified across MMR, NCR, Bengaluru and Pune. Worli comprise more than 50% of the overall portfolio GDV.
- Two operational commercial assets of 6 lakh square feet.

### Investment Rationale

- Prime Worli land parcel offer ₹ 30,200+ crore of sales potential with 45-50% EBITDA margins:** CENTEX owns 20 acres legacy freehold land and ~3.5 acres leasehold land at Worli (East) while it recently settled 10 acres land dispute at Worli (West) with Nusli Wadia. Cumulatively, we estimate the Worli land parcel has ~₹ 38,000+ crore GDV value while it has utilized ~₹ 7750 crore (Niyara project sales + value of operational commercial assets) and balance ~₹ 30,200+ crore GDV remains to be monetized providing strong pre-sales visibility over the medium term. Further, legacy land parcel and ownership of Wadia land at low cost (~8% of GDV) is expected to yield 45-50% EBITDA margins. Overall, the company's project portfolio of ₹ 70,500+ crore GDV offer ~₹ 66,100 crore pre-sales visibility.
- New project additions of ₹ 40,400+ crore since FY24 at an average 10% of GDV provide margin/cashflow comfort:** CENTEX has added 10 projects (9 outright purchase) having GDV potential of ₹ 40,423 crore for ₹ 4213 crore or 10% of GDV since FY24 till Q3FY25. The prudent land acquisition is likely to help it generate blended 25-30% EBITDA margins and 16-17% net IRR for owned projects. Further, the land acquisition has been diversified across geographies viz. MMR, NCR, Bengaluru and Pune. Consequently, it has limited geographic concentration risk and has deepened its presence in the four of the tops performing domestic regional markets.
- Brand equity, strong management team, quality land bank and divestment of Pulp & Paper business:** The company benefits from strong brand recognition of Aditya Birla Group while it has set up a strong management team having prior experiences in premier realty companies such as Godrej Properties. It has a strong land bank of ~158 acres (~11msf saleable area) with a market land value of ~₹ 4000 crores. Additionally, the recent divestment of Paper & Pulp business for ₹ 3498 crore (8.4x FY24 EV/EBITDA) would increase focus on core real estate business.

### Rating and Target Price

- We value CENTEX on SOTP basis valuing 1) residential projects (ongoing and upcoming) on project NAV basis 2) commercial assets on 7.5% capitalization rate 3) Paper and pulp business on ITC deal value and 4) Land bank at current land prices.
- CENTEX has witnessed ~38% correction in stock price over the trailing five months and is currently trading broadly at par to its NAV which we believe is unwarranted considering its high pre-sales growth trajectory over the next two years. We initiate with a **BUY rating** and a price target of ₹ 2500.



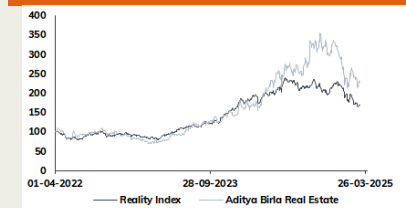
### Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	21,110
FY24 Gross Debt (₹ Crore)	2,482
FY24 Cash(₹ Crore)	402
EV (₹ Crore)	23,190
52 Week H/L (Rs)	3142/1638
Equity Capital (Rs cr)	112
Face Value	10.0

### Shareholding pattern

	Mar-24	Jun-24	Sep-24	Dec-24
Promoter	50.2	50.2	50.2	50.2
FII	7.5	8.5	9.4	9.5
DII	16.5	15.8	15.9	15.3
Others	25.8	25.5	24.5	24.9

### Price Chart



### Key risks

Key Risk: i) Delay in monetizing Worli land parcel ii) Inability to acquire new residential projects iii) Geographic concentration

### Research Analyst

Ronald Siyoni  
ronald.siyoni@icicisecurities.com

Ankit Shah  
ankit.shah1@icicisecurities.com

### Key Financial Summary

(₹ crore)	FY22	FY23	FY24	CAGR (FY22-24)	FY25E	FY26E	FY27E	3 year CAGR (FY24-27E)
Revenues	4131.0	3831.8	4513.5	4.5	4736.9	4403.1	4850.6	2.4
EBITDA	444.5	568.7	661.2	22.0	562.4	418.7	512.8	-8.1
EBITDA margin (%)	10.8	14.8	14.7		11.9	9.5	10.6	
Net Profit	154.3	188.4	304.9	40.6	296.3	144.8	214.9	-11.0
EPS (Rs)	14.4	16.8	27.2		26.5	12.9	19.2	
P/E (x)	131.5	113.0	69.8		71.8	147.0	99.0	
P/B (x)	5.7	5.5	5.3		5.0	4.9	4.8	
RoCE (%)	4.2	7.3	6.9		5.1	2.9	4.1	
RoE (%)	4.1	4.7	7.4		6.8	3.3	4.7	

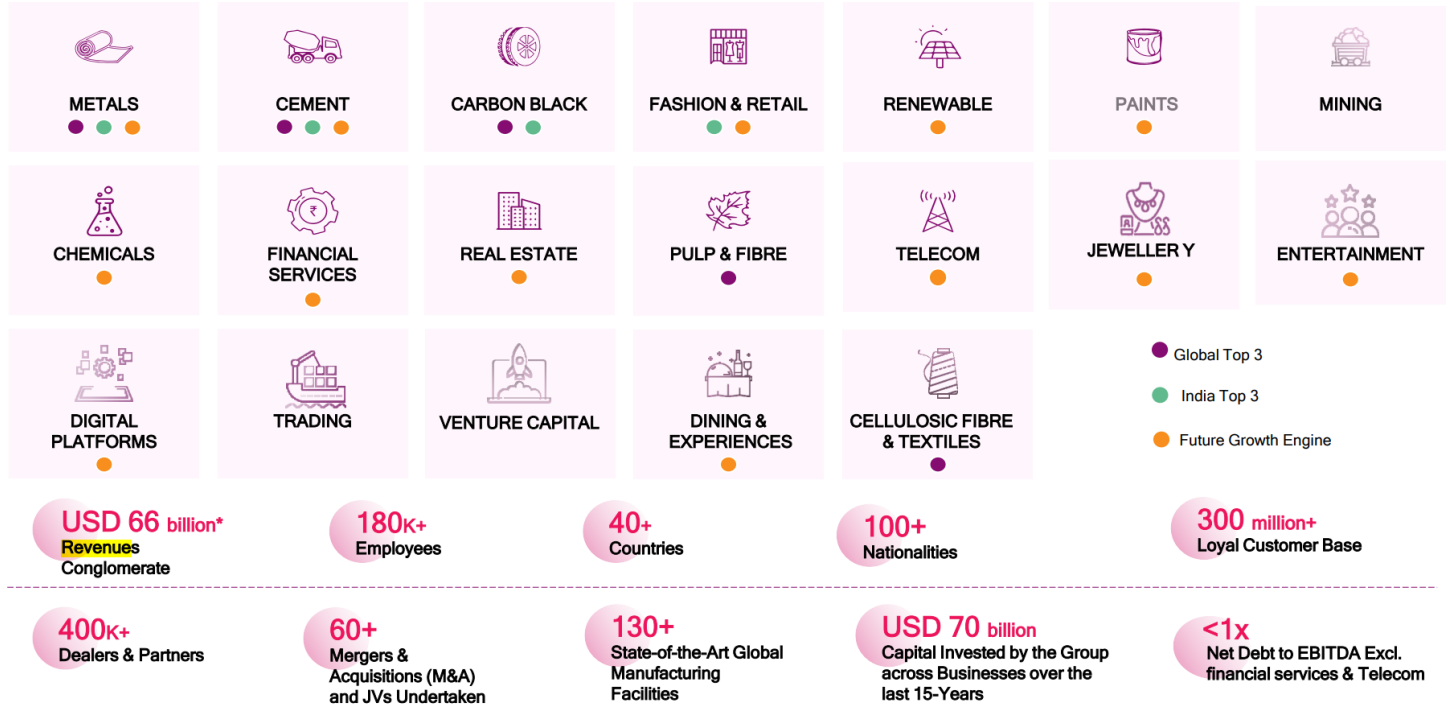
Source: Company, ICICI Direct Research, Note: We factor in earnings from Pulp & Paper business until the divestment transaction is consummated

## Company Background

For over 125 years, starting out as a single-unit cotton processing mill and creating presence across wide spectrum of industrial sectors (Rayon, Nylon, Pulp, Paper, Yarn, Denim, Cement), the Aditya Birla Real Estate Limited (formerly Century Textiles and Industries Limited) forayed into real estate in 2016 with construction of commercial properties – Birla Centurion and Birla Aurora. In 2018, Century Rayon was leased out to Grasim Industries. In 2019, Cement division was merged with Ultratech Cement. In 2022, the Yarn and Denim division was demerged and in 2023 Textiles division was discontinued. In 2022, Century Textiles and Industries became a part of Aditya Birla Group and in 2024 was renamed 'Aditya Birla Real Estate Limited'.

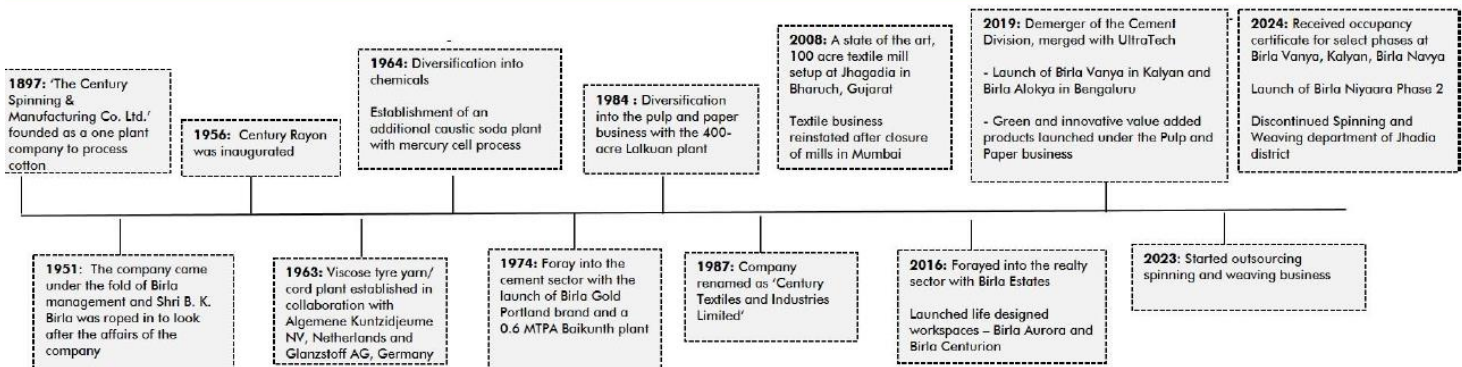
Aditya Birla Real Estate currently has two major business verticals- Real Estate (10% revenue share) & Pulp & Paper (90% revenue share). The company's board recently approved the execution of business transfer agreement for divestment of its pulp & paper undertaking in Lalkuan by way of slump sale to ITC for a cash consideration of ₹ 3498 crores (8.4x EV/EBITDA on FY24 and 7.2x EV/EBITDA on 5-year average (FY20-FY24 excluding FY21)). The transaction is expected to be completed in six months subject to fulfilment of necessary closing conditions and receipt of statutory approvals.

### Exhibit 1: Aditya Birla Group at a Glance



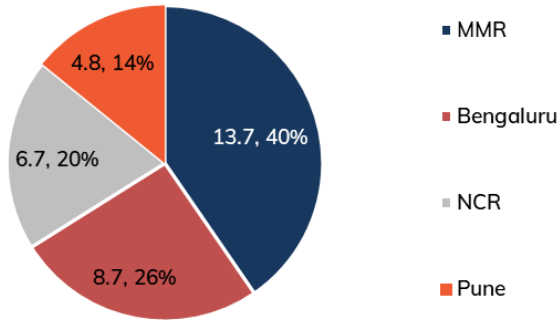
Source: Company, ICICI Direct Research

### Exhibit 2: Timeline of key events



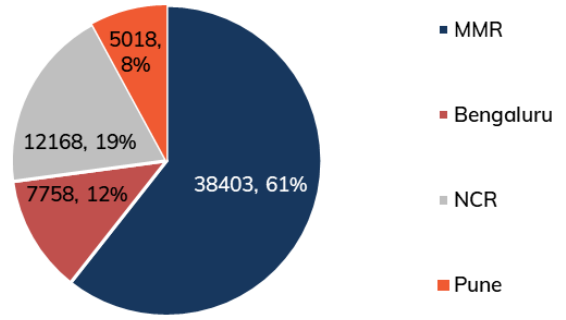
Source: Company, ICICI Direct Research

Exhibit 3: Ongoing+ Upcoming Saleable Area Mix (msf)



Source: Company, ICICI Direct Research

Exhibit 4: Ongoing+ Upcoming GDV Mix (₹ crore)



Source: Company, ICICI Direct Research Note: GDV estimates as per company data

## Investment Rationale

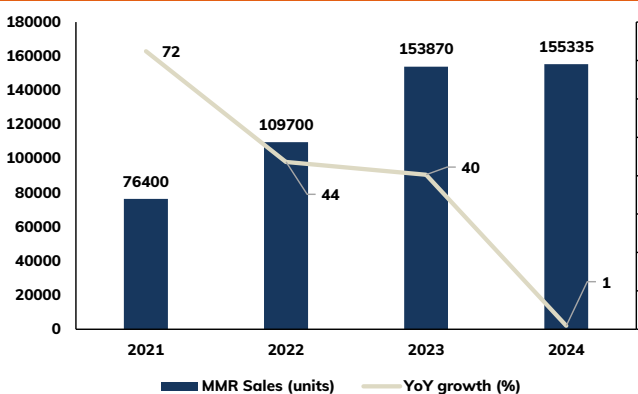
### MMR – Largest and steadfast property market

MMR (Mumbai Metropolitan Region) is the largest residential market of India forming 32.6%/33.8% of new launches & sales booking in CY24. MMR witnessed ~26.7% CAGR in sales volume driven by ~33.2% CAGR in launches, despite 14.4% CAGR in residential prices over CY21-CY24. Apart from this, inventory overhang has come down to 14 months vs 29 months in 2021.

Increasing urbanization, infrastructure development & preference of spacious homes at reasonable prices has been the key demand driver for residential real estate.

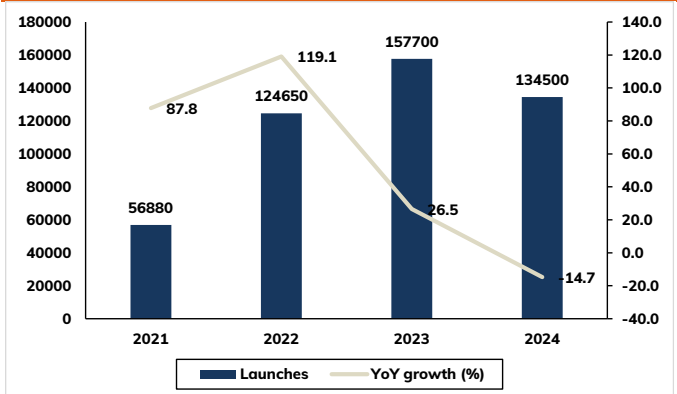
In CY24, MMR witnessed a marginal growth of 1% in sales volume to 1,55,335 units due to rise in residential price by 21.2%, whereas it experienced a decline of 14.7% in new launches to 1,34,500 units. Inventory overhang dropped to 14 months in CY 24 (vs 16 months in CY23) due to decrease in unsold inventory by 10.3% to 180,965 units (vs 201,800 units in CY23) owing to a decline in new launches & low sales volume growth. MMR region is expected to witness robust growth driven by completion of major infrastructure project coupled with re-development projects.

Exhibit 5: MMR sales trend



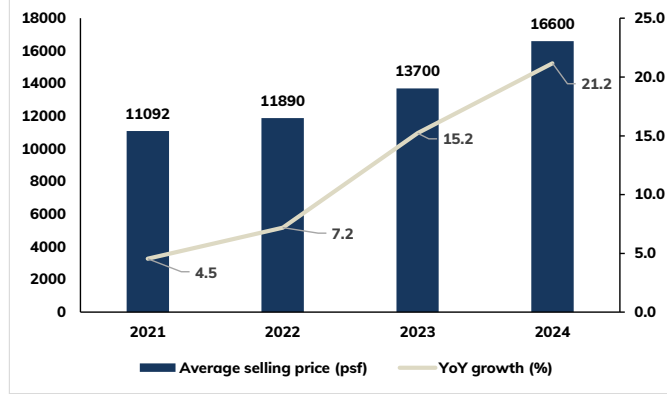
Source: Anarock, ICICI Direct Research

Exhibit 6: MMR launch trend



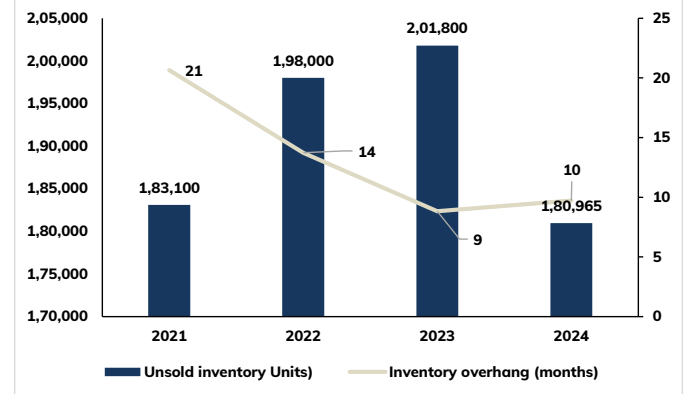
Source: Anarock, ICICI Direct Research

Exhibit 7: MMR residential price trend



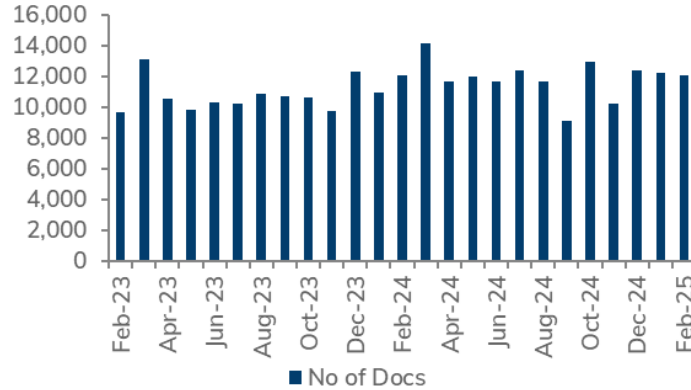
Source: Anarock, ICICI Direct Research

Exhibit 8: MMR inventory position



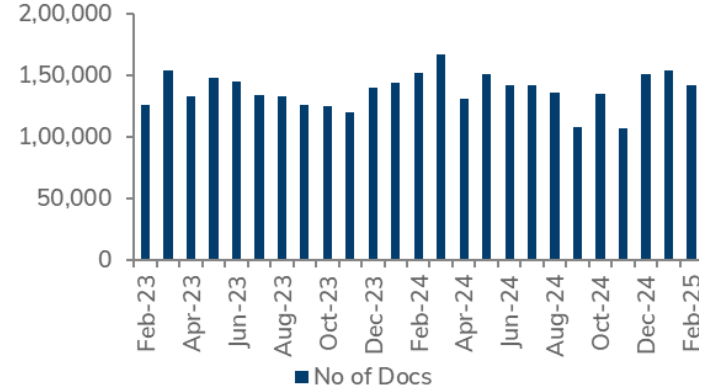
Source: Anarock, ICICI Direct Research

Exhibit 9: Mumbai Property Registration trend



Source: Government Data, ICICI Direct Research

Exhibit 10: Maharashtra Property Registration trend



Source: Government Data, ICICI Direct Research

## NCR – Sharp price appreciation drive sales

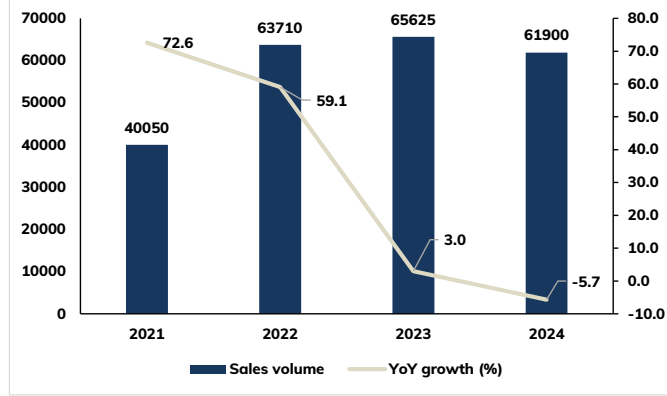
Delhi-NCR forms one of the key residential markets of India forming ~12.8% of the launches and 13.5% in sales volumes in CY2024. Delhi-NCR has witnessed ~25.6% CAGR in sales volumes over CY2021-24 driven by ~18.7% CAGR in launch volumes over CY2021-24. Strong demand over trailing three years, has led to 16.5% CAGR rise in residential prices over CY2021-CY2024, while inventory overhang has reduced from the peak of 49 months in CY2021 to 17 months in CY2024.

Land paucity, high rate of immigration, increasing urbanization, infrastructure development, increasing disposable incomes, aspirational lifestyle, etc. have been key growth drivers of Delhi-NCR region with city expanding towards its peripheral regions. Strong demand for premium housing has led to stupendous rise in supply of ultra-luxury properties (priced higher than Rs. 2.5 crore), which saw its share rise from just 2% in CY2021 to 59% in CY2024.

In CY2024, NCR witnessed a robust 44% growth in launches to 53,000 units, whereas it experienced a decline of 5.7% in sales volume to 61900 units owing to rise in residential prices by 30.2% in CY24. Within NCR, Gurugram emerged as the most active market capturing 52% share in both launches and sales.

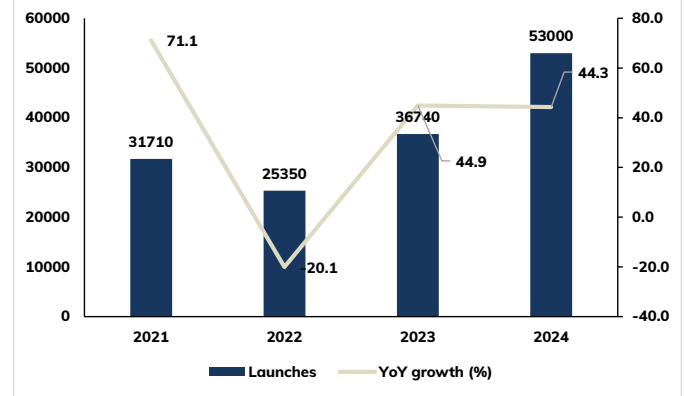
For CY2025, Delhi-NCR market is expected to witness steady demand while prices are not expected to increase materially.

Exhibit 11: NCR sales trend



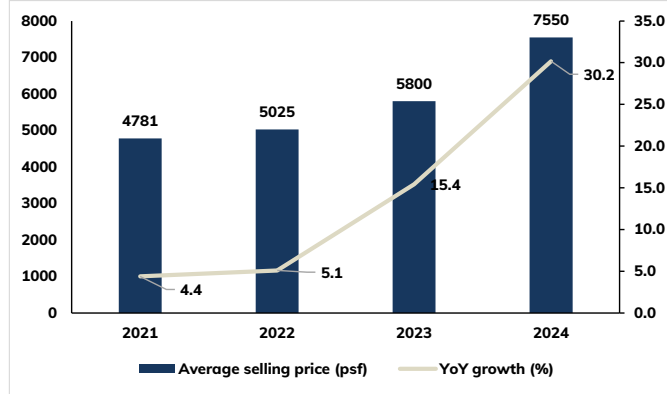
Source: Anarock, ICICI Direct Research

Exhibit 12: NCR launch trend



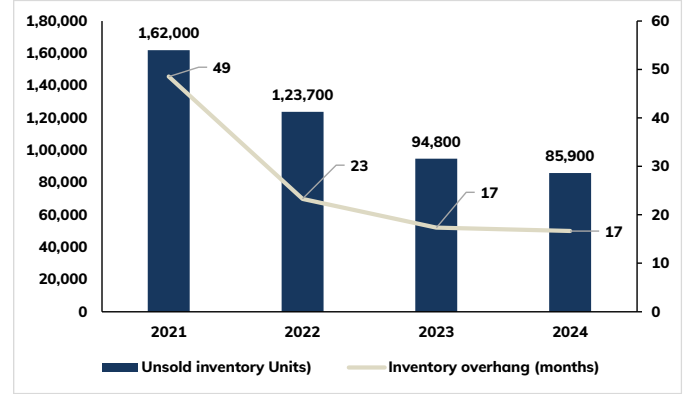
Source: Anarock, ICICI Direct Research

Exhibit 13: NCR residential price trend



Source: Anarock, ICICI Direct Research

Exhibit 14: NCR inventory position



Source: Anarock, ICICI Direct Research

### Bengaluru – IT/ITES remain bellwether

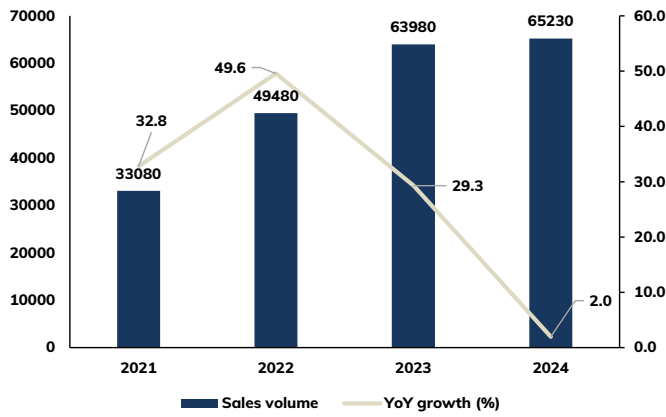
Bengaluru remains one of the largest residential markets of India forming 17.2%/14.2% of new launches & sales booking in CY24. Over the past 3 years, Bengaluru witnessed ~25.4 % CAGR in sales volume driven by ~32.9% CAGR in launches. Moreover, during the same period average residential prices grew by ~17.1% CAGR. Additionally, Unsold inventory overhang came down to 10 months in 2024 vs 21 months in 2021.

The share in total launches improved towards high-end/luxury/ultra-luxury segment to 39%/24%/10% in CY24 (from 24%/7%/4% in CY2022) despite inflationary pressure. The surge in sales booking in Bangalore can be attributed to IT/ITES sector, thriving startup eco-system. Increasing urbanization, infrastructure development & preference of spacious homes at reasonable prices has been the key demand driver for residential real estate.

In CY24, Bengaluru witnessed a modest growth of 2% in sales volume to 65,230 units owning to 27.9% rise in residential prices, whereas it experienced an exponential growth of 30.4% in new launches to 70,965 units which resulted an increase in unsold inventory to 52,804 units (inventory overhang rise marginally to 10 months in 2024 vs 9 months in 2023).

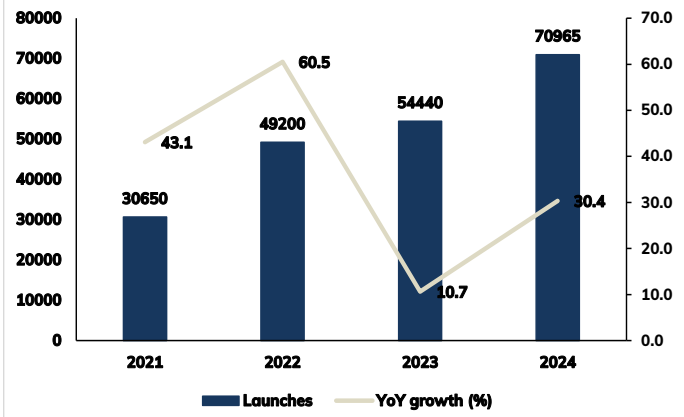
Technology sector is expected to continue to dominate the demand trend over the next few years, while residential real estate prices are not expected to material move upwards.

Exhibit 15: Bengaluru sales trend



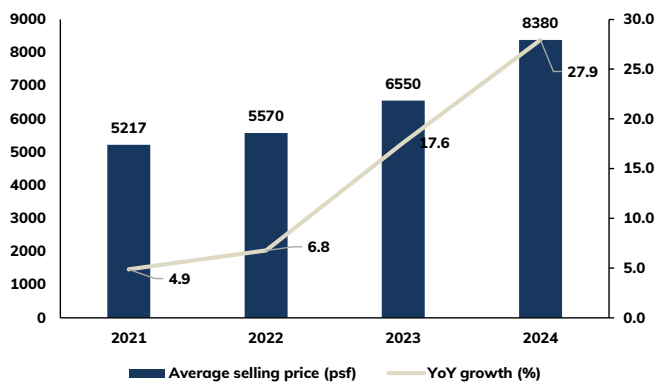
Source: Anarock, ICICI Direct Research

Exhibit 16: Bengaluru launch trend



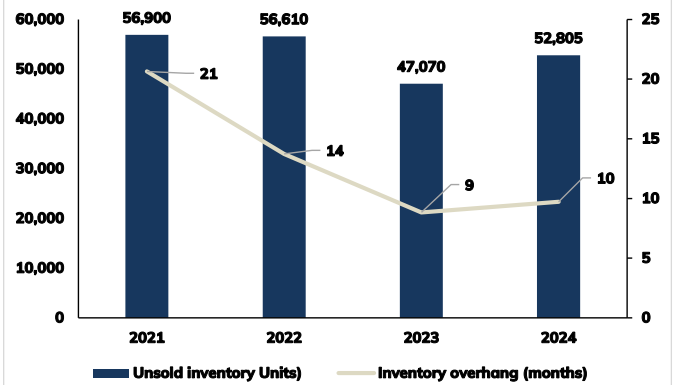
Source: Anarock, ICICI Direct Research

Exhibit 17: Bengaluru residential price trend



Source: Anarock, ICICI Direct Research

Exhibit 18: Bengaluru inventory trend



Source: Anarock, ICICI Direct Research

**Prime Worli land offer ₹ 38,000+ crore GDV (utilized ~₹ 7750 crore)**

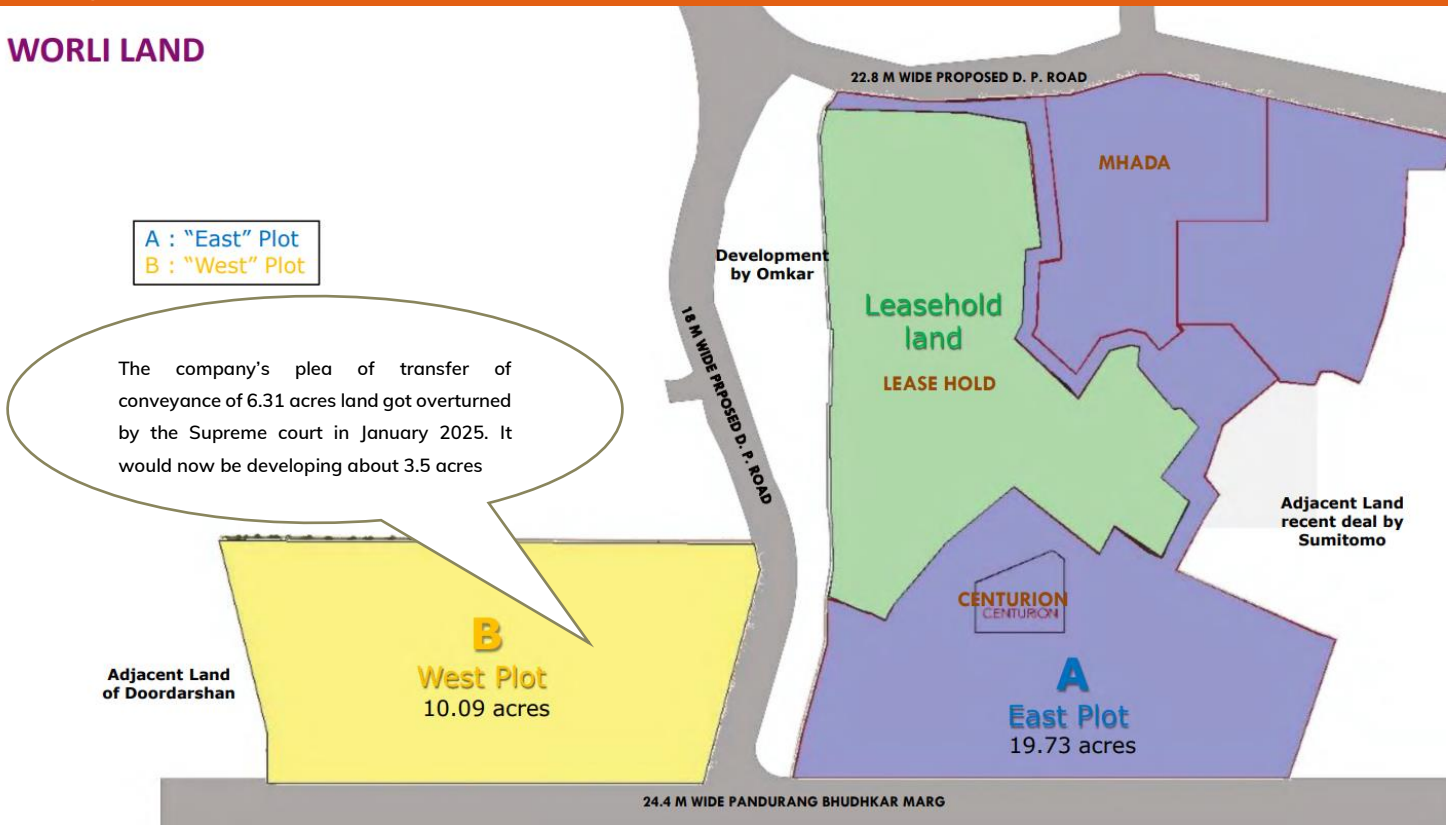
CENTEX owns a legacy 20 acres prime freehold land parcel at Worli (East) from the closure of Century Textile Mill. Further, it acquired ownership rights of ~10 acres leasehold land parcel from Nusli Wadia paying ₹ 1100 crore. Consequently, it now has ownership of 30 acres of contiguous land parcel in Worli (East). The overall development potential of the said land is estimated at 6.2 msf comprising its flagship Niyara project (2.5 msf), residential project at newly owned land (2.6 msf) and planned commercial development (1-1.1 msf). We estimate the overall development potential of Worli (East) land parcel at ~₹ 38,000 crore of which it has sold ₹ 6013 crore in Niyara (Phase 1&2) and leased 0.6 msf commercial space (Aurora – 2.6 lakh square feet, Centurion – 3.5 lakh square feet) having almost ~₹ 1750 crore value (at 7.5% capitalization rate).

CENTEX had a 10 acres leasehold land parcel in Worli (West) from MCGM (allotted in 1927 on 28 years' lease). The company's plea of transfer of conveyance of 6.31 acres land, which was allowed by Bombay High Court, got overturned by the Supreme court in January 2025. Consequently, the company now would be developing about 3.5 acres which we estimate has GDV potential of ₹ 3100 crore.

Overall, we estimate the total development potential of its Worli land parcels at ₹ 38,000+ crore of which it has utilized ₹ 7761 crore (Niyara Phase 1&2 sales + value of operational office assets). Hence, the Worli land parcel offer ₹ 30,264 crore future sales potential as per our estimate. Owing to its legacy land parcel at Worli and ownership of leased Wadia land at low cost, the management expects to generate 45-50% EBITDA margins from the same.

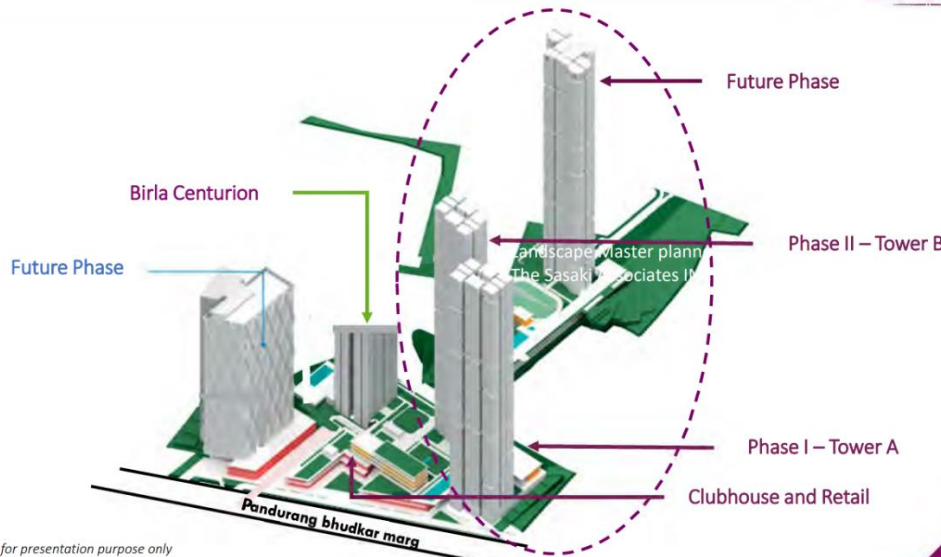
Exhibit 19: Worli Land Parcel

**WORLI LAND**



Source: Company, ICICI Direct Research

Exhibit 20: Worli East Plot



is for presentation purpose only

Source: Company, ICICI Direct Research

**Project portfolio of over ₹ 70,500+ crore GDV with an estimated ~₹ 66,100 crore visibility**

CENTEX's overall residential project portfolio has an estimated booking value of ₹ 70,563 crore, of which 16% (₹ 11,516 crore) has been sold as on Q3FY25 while estimated inventory and receivables together comprise 94% (₹ 59,047 crore). From its ongoing project portfolio having estimated GDV of ₹ 14,866 crore, it has sold ₹ 11,516 crore and collected ₹ 4406 crore as on Q3FY2025. Hence, it has strong cash flow visibility of ₹ 10,460 crore from its ongoing project portfolio over the next 4-5 years. Further, the upcoming projects have an estimated GDV of ₹ 55,697 crore which provide medium to long term visibility in terms of pre-sales booking and cash flow generation.

## Exhibit 21: Residential Project Portfolio

Sr No.	Project Name	Share (%)	Total Saleable Area (lsft)	Saleable Area launched (lsft)	Area Sold (lsft)	Booking Value (₹ crore)	Total Est GDV (₹ crore)	Collections (Rs cr)	Receivables+ Est Inventory (₹ crore)
<b>Ongoing Projects</b>									
1	Birla Vanya, Kalyan, Mumbai	100	13.3	13.3	11.3	902	1086	688	398
2	Birla Alokya, Whitefield, Bengaluru	100	5.5	5.5	5.4	394	394	392	2
3	Birla Navya, Golf Course Extension, Bengaluru	50	18.5	11.7	11.6	1583	1589	931	658
4	Birla Niyaara (P1+P2), Worli, Mumbai	100	24.8	18.0	13.6	6013	8488	1644	6844
5	Birla Tisya, Rajajinagar, Bengaluru	40	6.5	6.5	6.5	652	652	439	213
6	Birla Trimaya (P1+P2), Devanahalli, Bengaluru	47	36.2	14.5	14.4	1105	1114	217	897
7	Birla Anayu, Walkeshwar, Mumbai	100	0.6	0.6	0.1	114	523	17	506
8	Birla Ojasvi, RR Nagar, Bengaluru	100	10.1	10.1	7.5	753	1019	78	941
Total Ongoing			115.5	80.2	70.4	11516	14866	4406	10460
<b>Upcoming Projects</b>									
9	Birla Trimaya (P3), Devanahalli, Bengaluru	47	7.0				813		813
10	Hindalco Thane, MMR	100	53.9				7762		7762
11	IHP Mathura Road, NCR	63.5	14.2				2698		2698
12	Sarjapur, B'lore	100	28.7				2712		2712
13	Sangamwadi, Pune	100	15.4				2676		2676
14	Birla Niyaara (P3), Worli, Mumbai	100	6.8				3823		3823
15	Boisar	100	14.0				495		495
16	Worli (Nusli Wadia)	100	26.0				14617		14617
17	Worli ( East Office)	100	11.0				6233		6233
18	Worli (West)	100	5.5				3116		3116
19	Manjri, Pune	100	32.0				2519		2519
20	Sector 31, Gurugram	100	24.0				4990		4990
21	Birla Trimaya (balance)	47	14.7				1812		1812
22	Sector 71, Gurugram	100	10.0				1431		1431
Total Upcoming Projects							55697		55697
<b>Grand Total</b>						<b>11516</b>	<b>70563</b>		<b>66157</b>

Source: Company, ICICI Direct Research

### **New project additions of ₹ 40,400+ crore at an average 10% of GDV since FY24 provide comfort on EBITDA margin profile**

CENTEX has been very prudent in new business developments having a general thumb rule of capping the land cost at 25% of the GDV potential of the project. During FY2025, the company added five new projects across MMR, NCR, Bengaluru and Pune with a cumulative GDV potential of over ₹ 16,372 crore for ₹ 2308 crore or 14% of GDV. Notably, four projects were an outright purchase and one on JDA basis. During 9MFY25, it added five more projects with a cumulative GDV potential of over ₹ 24,052 crore for ~₹ 1904 crore or 8% of GDV. Notably, all the five projects were acquired on outright basis. Overall, since FY24 till Q3FY25, the company has added 10 projects having GDV potential of ₹ 40,423 crore for ₹ 4213 crore or 10% of GDV. The prudent land acquisition is likely to help it generate 25-30% EBITDA margins and 16-17% net IRR for owned projects. Further, the land acquisition has been diversified across geographies viz. MMR, NCR, Bengaluru and Pune. Consequently, it has limited geographic concentration risk and deepened its presence in the four of the top performing domestic regional markets.



Exhibit 22: Business Development during FY24-9MFY25

Particulars	Area (acres)	Share (%)	GDV (₹ crore)	Land cost (₹ crore)	Land cost as a % of GDV (%)
<b>FY24</b>					
Sangamwadi, Pune	5.8	100	2676	356	13
Birla Anayu, Walkeshwar, Mumbai	0.2	100	523	162	31
Sarjapur, B'lore	29.0	100	2712	300	11
Hindalco Thane, MMR	30.5	100	7762	595	8
IHP Mathura Road, NCR	6.8	63.5	2698	895	33
<b>Total</b>	<b>72.3</b>		<b>16372</b>	<b>2308</b>	<b>14</b>
<b>9MFY25</b>					
Sector 31, Gurugram	13.3	100	4990	170	3
Manjri, Pune	16.5	100	2519	330	13
Worli (Nusli Wadia)	10.0	100	14617	1100	8
Sector 71, Gurugram	5.0	100	1431	200	14
Boisar	70.0	100	495	104	21
<b>Total</b>	<b>114.8</b>		<b>24052</b>	<b>1904</b>	<b>8</b>
<b>Grand Total</b>	<b>187.1</b>		<b>40423</b>	<b>4213</b>	<b>10</b>

Source: Company, ICICI Direct Research

### Divestment of Paper and pulp business to increase focus on core real estate business

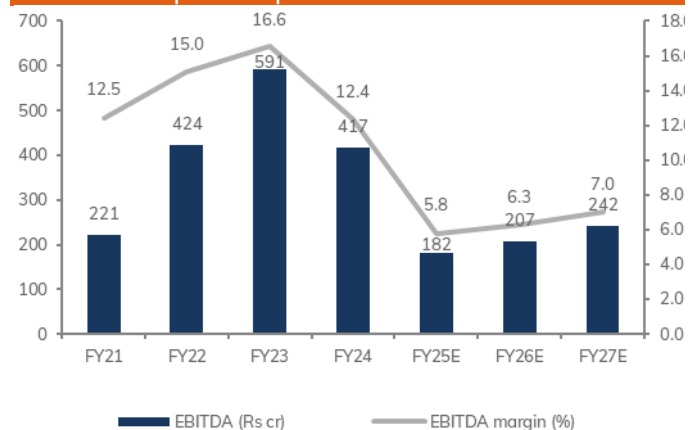
Established in 1984, CENTEX is the largest manufacturer of paper, board, tissue and pulp from a single location, Lalkua, Uttarakhand covering 396 acres, with an annual installed capacity of 4.81 lakhs MT. It is the only manufacturing facility in the industry present in all the paper segments – Paper, board and tissue as well as Rayon Grade Pulp products. The Pulp and Paper business has been the cash cow for the company contributing 74%/63% of Revenues/EBITDA during 9MFY2025 at ₹ 2382 crore/₹ 152 crores respectively (as against ₹ 3375 crore/₹ 417 crores in FY2024). The company's board recently approved the execution of business transfer agreement for divestment of its pulp & paper undertaking in Lalkaun by way of slump sale to ITC for a cash consideration of ₹ 3498 crores. The transaction values the company's pulp & paper business at 8.4x EV/EBITDA on FY24 and 7.2x EV/EBITDA on 5-year average (FY20-FY24 excluding FY21). The transaction is expected to be completed in six months subject to fulfilment of necessary closing conditions and receipt of statutory approvals. The divestment of pulp & paper business would enable it to pursue growth opportunities in its core real estate business. We have factored in earnings estimates from Pulp & Paper business awaiting divestment transaction to get consummated.

Exhibit 23: Pulp and Paper revenue trend



Source: Company, ICICI Direct Research

Exhibit 24: Pulp and Paper EBITDA trend



Source: Company, ICICI Direct Research

### Land bank with ~11msf saleable area potential

CENTEX has a strong land bank of 158 acres (~7msf) which translates to ~11msf of saleable area in the MMR region. The company may explore development of these land parcels in the future, which would provide a leg up to its already strong pipeline of projects. We estimate the total value of these land parcels at ~₹ 4000 crore,

ascribing conservative land value at current land rates. However, land parcels taken up for development in the future provide an upside risk to our valuation.

#### Exhibit 25: Land Bank Details

Location	Area (Acres)	Area (msf)	FSI	Saleable Area (msf)
Talegaon	43.8	1.9	1.5	2.9
Prabhadevi	1.8	0.1	3.0	0.2
Century Bhavan	0.4	0.0	3.0	0.1
Maral/Varap (Kalyan)	46.1	2.0	1.5	3.0
Kamba (Kalyan)	66	2.9	1.5	4.3
<b>Total</b>	<b>158.1</b>	<b>6.9</b>		<b>10.5</b>

Source: Company, ICICI Direct Research

#### **Strong management team with experienced industry professionals**

CENTEX benefits from strong brand recognition of Aditya Birla Group and leadership skills of Shri Kumar Mangalam Birla, who has restructured the businesses to emerge as leaders in the sector in which the group operates. The company has set up an experienced management team at Birla Estates, who has prior experience in one of the competing premier real estate players – Godrej Properties, apart from stints at other leading realty companies. The same has enabled the company to achieve the scale and size in a short span of time. We believe the strong brand equity and experienced management team provide the credibility on timely execution and high scalability for its real estate business vertical.

#### Exhibit 26: Key management personnel

Personnel	Designation	Comments
Shri Kumar Mangalam	Chairman	The Chairman of the Aditya Birla Group, which operates in 40 countries across six continents. Mr. Birla chairs the Boards of all major Group companies in India and globally including Novelis Inc., Birla Carbon, Aditya Birla Chemicals, Domsjö Fabriker, Terrace Bay Pulp Mill, Hindalco Industries, Grasim Industries, UltraTech Cement, Aditya Birla Fashion and Retail and Aditya Birla Capital.
Mr. K T Jithendran	CEO & MD - Birla Estates	Mr. Jithendran was instrumental in the formation of Birla Estates, a foray of the Aditya Birla Group into Real Estate. He has played a pivotal role in driving the company's vision of transforming the real estate sector. Before joining Birla Estates, Mr. Jithendran was Executive Director of Godrej Properties (GPL) and Director on the board of Godrej Properties. He has established GPL as a premier real estate player
Mr. Gaurav Jain	Deputy CEO - Birla Estates	Gaurav plays a pivotal role in overseeing the residential and commercial portfolio across key markets in India since June 2016. Prior to this, Gaurav served as Business Head for North at Godrej Properties, managing multiple projects with substantial revenue potential. Additional leadership roles include National Sales Head at Mahindra Lifespace Developers, Deputy Business Head for the Mumbai Portfolio at Godrej Properties, and experience in business development at Unitech Group.
Mr. Keyur Shah	CFO - Birla Estates	Keyur previously held the position of Non Executive Director at HDFC Education & Development Services from April 2016 to December 2023. Furthermore, Keyur was Managing Director & CEO and Chief Financial Officer at HDFC Property Ventures from 2005 to 2023. Early career experience includes positions at KPMG, Castrol India Ltd, and A. H. Dalal & Co.
Mr. Sachin Sinnarkar	Head Liason - Birla Estates	He has over 25 years of experience. Prior experience includes Head at Raymond Realty, House of Hiranandani, General Manager - Liason at Godrej Properties,
Mr. Rakesh Kumar	Head Design - Birla Estates	He has around 30 years of experience. Prior experience include chief design officer at Godrej Properties, K Raheja corp and Indian Hotels

Source: Company, ICICI Direct Research

## Valuation

We value CENTEX on SOTP basis valuing 1) residential projects (ongoing and upcoming) on project NAV basis 2) commercial assets on 7.5% capitalization rate 3) Paper and pulp business on deal transaction with ITC and 4) Land bank at current land prices. We have assigned 35% NAV premium. Consequently, we arrive at our SOTP based price target price of ₹. 2500.

CENTEX has witnessed ~38% correction in stock price over the trailing five months and is currently trading broadly at par to its NAV which we believe is unwarranted considering its high pre-sales growth trajectory over the next two years and consistent new business developments. Consequently, the stock correction offers a buying opportunity. Hence, we initiate coverage on the stock with a Buy rating and a price target of ₹ 2500.

### Exhibit 27: Valuation Mix

Particulars	Valuation Methodology	Value per share (Rs)
Residential (Ongoing+Upcoming)	Project NAV basis	1530
Commercial	Capitalisation at 7.5%	157
Paper and Pulp	As per deal with ITC	313
Land Bank	At current land prices	358
Less Net Debt		386
NAV		1971
NAV Premium (%)	35% premium to NAV	529
Price Target (Rs)		2500

Source: Company, ICICI Direct Research

## Key Financial Summary

### Pre-sales booking to grow at 48% CAGR over FY2024-FY2027

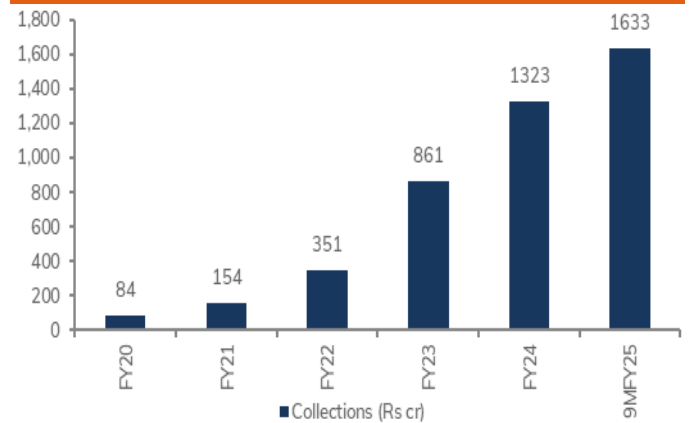
CENTEX's pre-sales booking has grown at 71% CAGR over FY2020-FY2024 driven by strong response garnered for three key projects viz. Niyara (Worli), Trimaya (Bengaluru) and Navya (Gurugram), which were launched in phases. During 9MFY25, it registered 113% YoY growth to ₹ 2350 crore, aided by launch of Ojasvi (Bengaluru), phase 2 of Trimaya (Bengaluru) and sustained contribution from Niyara (Worli). The company had earlier guided for ₹ 7000-8000 crore pre-sales for FY2025, which it expects to achieve led by key project launches in Q4FY2025 (Sangamwadi phase I, Trimaya, Sarjapur, Navya, Barmalt) and sustenance sales. We estimate pre-sales booking to grow at 48% CAGR over FY2024-FY2027 aided by key project launches including newly acquired Worli land parcel. On the collections front, the company has reported stupendous growth of 99% CAGR over FY2020-FY2024. We estimate collection run-rate to grow at 84% CAGR over FY2024-FY2027.

Exhibit 28: Pre-sales booking trend



Source: Company, ICICI Direct Research

Exhibit 29: Collections trend

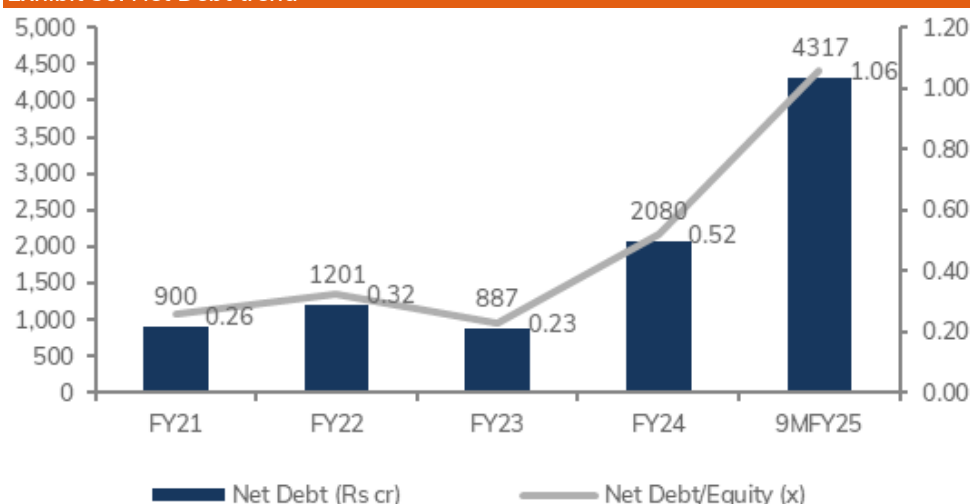


Source: Company, ICICI Direct Research

### Net Debt/Equity likely to be capped at 1.1x

CENTEX's policy on capital management is to keep the debt equity ratio below two and infuse capital if and when required through issue of new shares and/or better operational results and efficient working capital management. The company's net debt to equity has risen from 0.23x in FY2023 to 1.06x in 9MFY2025 led by over ₹ 40,000 crore project GDV additions since FY2024 majorly on outright basis (9 projects out of 10 projects). Going ahead, the company may leverage its standalone balance sheet further considering strong cash generation in RERA accounts from newly launched projects. Consequently, net debt may not increase and get capped at 1.1x level in the near to medium term.

Exhibit 30: Net Debt trend



Source: Company, ICICI Direct Research

## Risk and Concerns

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### **Delay in monetizing Worli land**

The company's Worli land has been one of the key drivers of pre-sales bookings. Any delay in execution of existing projects and/or development of future projects in Worli may negatively impact its overall cashflows and financial earnings.

### **Diversification risks**

Although, the company has shown marquee performance across its key markets viz. MMR, NCR and Bengaluru, it has recently ventured into Pune region. It may face risk of diversification in newer markets as real estate market has been a localized/regional market for developers.

### **Macro risks**

The company is susceptible to various macro risks such as rise in interest rates, decline in housing affordability, rise in key raw material prices (Steel and Cement), etc, which may hamper its growth plans.

### **Regulatory and political risks**

Changes in government policies or new regulatory measures pose risks to the real estate sector in general and the company in particular.

### **New Business development risks**

The company's valuation and earnings may get negatively impacted if it is unable to close new business development deals at favorable terms.

## Financial Summary

## Exhibit 31: Profit and loss statement ₹ crore

(Year-end March)	FY24	FY25E	FY26E	FY27E
Revenue	4,513.5	4,736.9	4,403.1	4,850.6
% Growth	17.8	4.9	(7.0)	10.2
Other income	56.5	40.0	44.0	48.4
Total Revenue	4,570.0	4,776.9	4,447.1	4,899.0
% Growth	18.5	4.5	(6.9)	10.2
Total Raw Material Costs	2,627.3	2,747.4	2,553.8	2,716.3
Employee Expenses	320.8	385.0	462.0	554.3
Other expenses	904.2	1,042.1	968.7	1,067.1
Total Operating Expenditure	3,852.3	4,174.5	3,984.4	4,337.8
Operating Profit (EBITDA)	661.2	562.4	418.7	512.8
% Growth	16.3	(14.9)	(25.6)	22.5
Interest	35.5	49.6	49.6	49.6
PBDT	682.2	552.8	413.0	511.6
Depreciation	209.9	215.0	220.0	225.0
PBT before Exceptional Items	472.3	337.8	193.0	286.6
Total Tax	145.0	41.4	48.3	71.6
PAT before MI	327.3	296.3	144.8	214.9
PAT	304.9	296.3	144.8	214.9
% Growth	61.9	(2.8)	(51.1)	48.4
EPS	27.2	26.5	12.9	19.2

Source: Company, ICICI Direct Research

## Exhibit 32: Cash flow statement ₹ crore

(Year-end March)	FY24	FY25E	FY26E	FY27E
Profit after Tax	304.9	296.3	144.8	214.9
Depreciation	239.0	215.0	220.0	225.0
Interest	-	49.6	49.6	49.6
Cash Flow before WC changes	586.3	602.4	462.7	561.2
Changes in inventory	(36.7)	(88.4)	(101.7)	(155.9)
Changes in debtors	(16.0)	(3.3)	(3.4)	(3.4)
Changes in loans & Advances	(36.7)	(88.4)	(101.7)	(155.9)
Changes in other current assets	-	-	-	-
Net Increase in Current Assets	(89.4)	(180.2)	(206.8)	(315.3)
Changes in creditors	599.3	479.4	551.3	634.0
Changes in provisions	4.9	-	-	-
Net Inc in Current Liabilities	604.2	479.4	551.3	634.0
Net CF from Operating activities	(315.3)	196.8	45.4	26.7
Changes in deferred tax assets				
(Purchase)/Sale of Fixed Assets	(174.6)	(12.0)	(12.0)	(12.0)
Net CF from Investing activities	(706.5)	74.6	(12.0)	(12.0)
Dividend and Dividend Tax	(55.4)	(56.0)	(56.0)	(56.0)
Net CF from Financing Activities	1,272.2	(105.6)	(105.6)	(105.6)
Net Cash flow	250.4	165.8	(72.2)	(90.9)
Opening Cash/Cash Equivalent	151.1	401.5	567.3	495.1
Closing Cash/ Cash Equivalent	401.5	567.3	495.1	404.2

Source: Company, ICICI Direct Research

## Exhibit 33: Balance sheet ₹ crore

(Year-end March)	FY24	FY25E	FY26E	FY27E
Equity Capital	112.0	112.0	112.0	112.0
Reserve and Surplus	3,983.0	4,223.4	4,312.1	4,471.0
Total Shareholders funds	4,095.0	4,335.4	4,424.1	4,583.0
Total Debt	2,481.5	2,481.5	2,481.5	2,481.5
Total Liabilities	6,576.6	6,816.9	6,905.7	7,064.6
Gross Block	7,569.6	7,581.6	7,593.6	7,605.6
Acc: Depreciation	3,835.1	4,050.1	4,270.1	4,495.1
Net Block	3,734.5	3,531.5	3,323.5	3,110.5
Capital WIP	57.2	57.2	57.2	57.2
Total Fixed Assets	3,791.7	3,588.7	3,380.7	3,167.7
Non Current Assets	452.8	409.8	409.8	409.8
Inventory	4,725.8	5,434.6	6,249.8	7,187.3
Debtors	165.6	168.9	172.3	175.8
Other Current Assets	960.7	1,049.2	1,150.9	1,306.8
Cash	401.5	567.3	495.1	404.2
Total Current Assets	6,253.6	7,220.0	8,068.1	9,074.0
Current Liabilities	3,733.8	4,213.8	4,765.1	5,399.1
Provisions	187.9	187.9	187.9	187.9
Total Current Liabilities	3,921.7	4,401.7	4,953.0	5,587.0
Net Current Assets	2,332.0	2,818.3	3,115.1	3,487.0
Total Assets	6,576.5	6,816.9	6,905.7	7,064.6

Source: Company, ICICI Direct Research

## Exhibit 34: Key ratios ₹ crore

(Year-end March)	FY24	FY25E	FY26E	FY27E
Per Share Data				
EPS	27.2	26.5	12.9	19.2
Cash per Share	46.0	45.7	32.6	39.3
DPS	5.0	5.0	5.0	5.0
BV	355.3	376.8	384.7	398.9
Operating Ratios				
EBITDA Margin	14.7	11.9	9.5	10.6
PAT Margin	6.8	6.3	3.3	4.4
Return Ratios				
RoE	7.4	6.8	3.3	4.7
RoCE	6.9	5.1	2.9	4.1
Valuation Ratios				
EV / EBITDA	35.3	41.2	55.6	45.6
P/E	69.8	71.8	147.0	99.0
EV / Net Sales	5.2	4.9	5.3	4.8
Sales / Equity	1.1	1.1	1.0	1.1
Market Cap / Sales	4.7	4.5	4.8	4.4
Price to Book Value	5.3	5.0	4.9	4.8
Working Capital Management Ratios				
Inventory Days	382.2	418.8	518.1	540.8
Debtor Days	13.4	13.0	14.3	13.2
Creditor Days	60.5	66.3	82.0	85.6
Asset Turnover	0.7	0.7	0.6	0.7
Solvency Ratios				
Debt / Equity	0.6	0.6	0.6	0.5
Current Ratio	1.6	1.6	1.6	1.6
Quick Ratio	0.4	0.4	0.4	0.3

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,  
ICICI Securities Limited,  
Third Floor, Brillanto House,  
Road No 13, MIDC,  
Andheri (East)  
Mumbai – 400 093  
research@icicidirect.com

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Name of the Compliance officer (Research Analyst): Mr. Atul Agarwal  
Contact number: 022-40701000 E-mail Address: [complianceofficer@icicisecurities.com](mailto:complianceofficer@icicisecurities.com)

For any queries or grievances: Mr. Bhavesh Soni Email address: [headservicequality@icicidirect.com](mailto:headservicequality@icicidirect.com) Contact Number: 18601231122

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