

Price: 1,918

Recommendation: Buy

Industry: PAPER

Sector: Forest Materials

Report Date: 16-Apr-2025

Aditya Birla Real Estate Limited (ABREL) is advancing its market position with strategic initiatives, including acquiring a 70-acre land in Boisar for a plotted development near the upcoming bullet train station. The company plans to launch INR 48,000 crores worth of projects over 5-6 years, focusing on capital efficiency and sustainability. Despite challenges in the Pulp and Paper segment, ABREL aims to diversify revenue streams and enhance profitability.

Sales		Profit & Loss		Profitability Matrix	
Current Year	3731 Cr	Operating Profit(Year)	504 Cr	Operating Profit Margin	13.5 %
Previous Year	3831 Cr	Operating Profit(Quarter)	72.2 Cr	EBITDA Margin	23.64 %
Current Quarter	831 Cr	PAT (Year)	151 Cr	Net Profit Margin	3.89 %
Previous Quarter	923 Cr	PAT (Quarter)	18.3 Cr	EPS	4.89
Revenue (QYoY)	1019 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	97.3	Sales Growth	-0.73 %	Sales Growth	-9.97 %
PEG Ratio	-1.86	PAT Growth	-46.07 %	Sales Growth QYoY	-18.45 %
EV/EBITDA	37.9	EPS Growth	-63.78 %	PAT Growth	-23.43 %
P/B	4.75	Dividend Yield	0.27	PAT Growth QYoY	-86.93 %
Capital Allocation		Holdings		Leverage	
RoE	3.53 %	Promoter	50.2 %	Debt/Equity	0.80
RoA	1.89 %	FII	9.53 %	Debt	3594 Cr
RoCE	12.6 %	DII	15.3 %	Market Cap	21423 Cr
RoIC	6.88 %	Public	23.9 %	Enterprise value	24868 Cr
		No of Shares	11.2 Cr	Cash Equivalents	149 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

Aditya Birla Real Estate Limited (ABREL) has embarked on several new initiatives and business strategies to enhance its market position and drive growth. The company has acquired a 70-acre land parcel in Boisar for its first-ever plotted development project, strategically located near the upcoming bullet train station from Ahmedabad to Mumbai. This move aligns with their commitment to diversify the portfolio while catering to the demand for spacious homes. Additionally, Birla Aurora has been awarded the prestigious Net Zero Energy-Existing Building certification by the Indian Green Building Council, and Birla Anayu, Walkeshwar has received LEED Gold precertification, reaffirming their commitment to energy efficiency and global sustainability.

The company has outlined a robust pipeline of future projects, with plans to launch approximately INR 48,000 crores worth of new projects over the next 5 to 6 years. This includes significant projects like Birla Trimaya and Birla in Sangamwadi, Pune, and Sector 31 in Gurgaon. The company is focused on maintaining a capital-efficient model by converting inventory into cash and moving into new projects, emphasizing the importance of return on equity and return on capital employed. The management has expressed confidence in achieving their guidance with the help of new launches and sustenance support, despite the challenges faced in the third quarter.

ABREL's future growth and scaling perspectives are optimistic, driven by increasing urbanization trends, rising disposable income, and government investment in infrastructure. The company plans to stay on course with its long-term growth plan, having added a total of INR 63,000 crores GDV to date. The ongoing reduction in unsold inventory positions India's real estate sector strategically for a resilient and dynamic future. However, the Pulp and Paper segment continues to face challenges due to weak domestic demand and rising input costs, with efforts underway to develop export markets and implement cost reduction initiatives.

From a positive perspective, ABREL's strategic acquisitions and project launches position the company well for future growth. The company's focus on sustainability and energy efficiency is commendable, as evidenced by their recent certifications. However, an "even better if" view suggests that the company could benefit from further diversifying its revenue streams and reducing its reliance on the cyclical real estate market. Additionally, addressing the challenges in the Pulp and Paper segment through innovative solutions and strategic partnerships could enhance overall profitability. The company's ability to manage leverage effectively and maintain a strong business pipeline will be crucial in navigating future market conditions.

ABREL Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
JK Paper	5523.35	9.05	23.36%	-3.03%	-4.35%	-49.19%	-72.23%
West Coast Paper	2919.41	7.54	23.82%	-2.77%	-2.80%	-27.95%	-52.77%
A B Real Estate	21423.25	97.34	3.53%	-9.98%	-18.46%	-23.23%	-86.87%
Seshasayee Paper	1679.51	12.72	15.20%	8.25%	-8.90%	-36.20%	-75.95%
Andhra Paper	1457.98	12.21	19.10%	-10.78%	-19.07%	-72.08%	-85.87%

Aspect	Commentary
Revenue	The company's revenue shows a decline, with current year sales at 3731 Cr compared to 3831 Cr the previous year, indicating a need for strategic initiatives to boost sales. The quarterly figures also reflect a decrease, suggesting potential seasonal or operational challenges that need addressing to stabilize revenue streams.
Profit & Loss	Operating profit margins remain stable, but a significant drop in PAT indicates rising costs or inefficiencies. The quarterly PAT also shows a decline, suggesting short-term challenges. Strategic cost management and revenue enhancement are crucial to improve profitability and shareholder value.
Profitability Matrix	The operating profit margin of 13.5% and EBITDA margin of 23.64% suggest operational efficiency, but the net profit margin of 3.89% indicates room for improvement in cost management. EPS of 4.89 reflects moderate earnings, necessitating strategies to enhance profitability.
Valuation Matrix	The high trailing P/E of 97.3 suggests overvaluation, while a negative PEG ratio indicates growth concerns. EV/EBITDA of 37.9 and P/B of 4.75 reflect market confidence but highlight the need for growth strategies to justify valuations and improve investor sentiment.
Growth (YoY)	Negative sales growth of -0.73% and PAT decline of -46.07% highlight significant challenges. EPS growth of -63.78% further underscores the need for strategic initiatives to reverse these trends and drive sustainable growth, focusing on innovation and market expansion.
Growth (QoQ)	Quarterly sales and PAT declines of -9.97% and -23.43% respectively, indicate short-term operational challenges. The significant QYoY PAT drop of -86.93% suggests urgent need for strategic interventions to stabilize and enhance quarterly performance and investor confidence.
Capital Allocation	RoE of 3.53% and RoA of 1.89% indicate modest returns, while RoCE of 12.6% and RoIC of 6.88% suggest efficient capital use. Focus on improving return metrics through strategic investments and cost management will be key to enhancing shareholder value and financial health.
Holdings	Promoter holding at 50.2% reflects strong control, while FII and DII holdings at 9.53% and 15.3% respectively indicate moderate institutional interest. Public holding of 23.9% suggests a balanced ownership structure, providing stability and potential for increased market engagement.
Leverage	Debt/Equity ratio of 0.80 indicates moderate leverage, with total debt at 3594 Cr. The market cap of 21423 Cr and enterprise value of 24868 Cr reflect market confidence. Effective debt management and strategic capital allocation will be crucial to maintain financial stability and growth.

Analyst viewpoint: Aditya Birla Real Estate Limited's strategic initiatives have positioned it to take advantage of increasing urbanization, highlighting the firm's focus on capital efficiency and sustainability. The recent acquisition of a 70-acre land parcel for a plotted development in a prime area near a forthcoming bullet train station underlines a forward-thinking approach to market demands and infrastructure expansion. While the company's valuation metrics such as a trailing P/E of 97.3 might suggest market optimism, its tangible commitment to launching INR 48,000 crores worth of projects over the next 5-6 years strengthens its short to mid-term growth story. The firm's ability to convert inventory into cash rapidly enhances its return on equity and capital employed, placing it ahead in the capital management domain.

Although performance metrics show challenges, like a quarterly sales decline of -9.97% and PAT dropping by -23.43%, the operational strategies are geared towards overcoming these hurdles. The company's efforts in project diversification and commitment to sustainability reflect positively against its peers, even amidst industry-wide challenges like those affecting the Pulp and Paper segment. With an enterprise value of INR 24,868 crores suggesting robust market confidence, ABREL's business model is set to capitalize on opportunities, though addressing lower net margins and high P/E could enhance investor sentiment further. It's pertinent that the company continues to innovate and explore strategic partnerships to mitigate cyclical risks in the real estate market.

Please read detailed disclosure on next page.

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BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
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