

## EFC (I) Limited

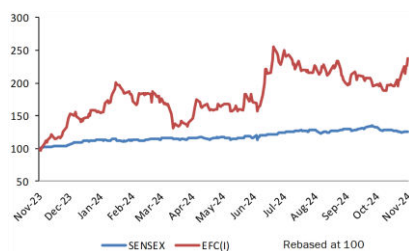
04 November 2024

Robust order book and operational expansion offer healthy earnings outlook

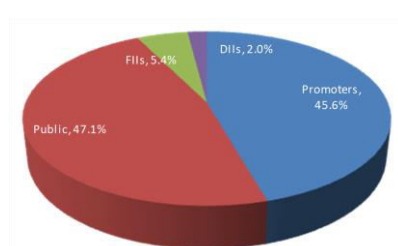
BUY

Sector	: Real Estate Services
Target Price	: ₹863
Last Closing Price	: ₹566
Market Cap	: ₹2,816 crores
52-week High/Low	: ₹618/230
Daily Avg Vol (12M)	: 93,933
Face Value	: ₹2
Beta	: 0.45
Pledged Shares	: 0%
Year End	: March
BSE Scrip Code	: 512008
NSE Scrip Code	: N/A
Bloomberg Code	: EFCIL IN
Reuters Code	: N/A
Nifty	: 24,304
BSE Sensex	: 79,724
Analyst	: Research Team

### Price Performance



### Shareholding Pattern



## 2Q FY25 Update

### Result Analysis

- EFC reported strong growth in 2Q FY25 as revenues increased by 72.9% y-o-y to Rs 171.1 crore.
- EBITDA increased 103.4% y-o-y to Rs 84.0 crore as EBITDA margin expanded by 736 bps y-o-y to 49.1%.
- PAT increased by 248.5% y-o-y to Rs 28.9 crore while PAT margin swelled by 852 bps to 16.9%.

### Outlook & Valuation

EFC continued on its growth path in 2Q FY25, delivering results in line with expectations. The company significantly expanded its operations in the quarter by adding 175,000 sqft of leased space and over 3,600 seats across 4 existing cities. This brought the total managed space to 2.4 mn sqft. The total seating capacity now stands at 50,500 with a target of 65,000 to 70,000 by the end of FY25. The D&B division expanded its order book by over Rs 70 crore. A major contributor to this growth was a significant contract with TCS, valued at Rs 18 crore. The furniture and manufacturing division successfully completed its first order as the division is poised to witness strong growth in the coming quarters. The company is also in the process of forming a subsidiary REIT. EFC will serve as the REIT's asset manager, generating management fees. Revenue derived from the REIT's acquired assets will be allocated to the REIT itself. EFC operates primarily on a straight lease model, differentiating itself from competitors' managed aggregation model. This approach offers greater control over margins and profitability, although it entails certain risks and higher capex.

The EFC stock currently trades at an attractive FY26 forward PE ratio of 11.8x. Based on a target PE multiple of 18x FY26E EPS, we value EFC at an unchanged price target of Rs 863, reiterating a BUY rating with a 53% upside potential.

### Key Financial Metrics (Consolidated)

₹ crore	FY23A	FY24A	FY25E	FY26E
Total income	104.1	428.8	815.1	1,339.2
Growth	98161.3%	312.1%	90.1%	64.3%
EBITDA	56.3	191.9	370.9	612.0
EBITDA margin	54.1%	44.8%	45.5%	45.7%
PAT (ex-minority interest)	4.3	58.0	140.2	238.6
PAT margin	4.2%	13.5%	17.2%	17.8%
EPS (₹)	1.27	11.65	28.17	47.93

Source: Company data, Khambatta Research

EFC (I) Limited

04 November 2024

Financial Performance (Consolidated)

₹ crore	2Q FY24	1Q FY25	2Q FY25	Y-o-Y	Q-o-Q	1H FY24	1H FY25	Y-o-Y
Total income	98.9	105.3	171.1	72.9%	62.5%	156.0	276.4	77.2%
EBITDA	41.3	49.6	84.0	103.4%	69.3%	71.0	133.6	88.1%
EBITDA margin	41.7%	47.1%	49.1%	736 bps	196 bps	45.5%	48.3%	280 bps
PAT	8.3	15.1	28.9	248.5%	91.2%	13.5	44.1	225.9%
PAT margin	8.4%	14.4%	16.9%	852 bps	254 bps	8.7%	15.9%	728 bps
Diluted EPS (₹)	2.18	3.17	14.69	573.9%	363.4%	3.59	21.03	485.8%

Source: Company data, Khambatta Research

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**EFC (I) Limited****04 November 2024****Guide to Khambatta's research approach****Valuation methodologies**

We apply the following absolute/relative valuation methodologies to derive the 'fair value' of the stock as a part of our fundamental research:

DCF: The Discounted Cash Flow (DCF) method values an estimated stream of future free cash flows discounted to the present day, using a company's WACC or cost of equity. This method is used to estimate the attractiveness of an investment opportunity and as such provides a good measure of the company's value in absolute terms. There are several approaches to discounted cash flow analysis, including Free Cash Flow to Firm (FCFF), Free Cash Flow to Equity (FCFE) and the Dividend Discount Model (DDM). The selection of a particular approach depends on the particular company being researched and valued.

ERE: The Excess Return to Equity (ERE) method takes into consideration the absolute value of a company's return to equity in excess of its cost of equity discounted to the present day using the cost of equity. This methodology is more appropriate for valuing banking stocks than FCFF or FCFE methodologies.

Relative valuation: In relative valuation, various comparative multiples or ratios including Price/Earnings, Price/Sales, EV/Sales, EV/EBITDA, Price/Book Value are used to assess the relative worth of companies which operate in the same industry/industries and are thereby in the same peer group. Generally our approach involves the use of two multiples to estimate the relative valuation of a stock.

*Other methodologies such as DuPont Analysis, CFROI, NAV and Sum-of-the-Parts (SOTP) are applied where appropriate.*

**Stock ratings**

*Buy recommendations* are expected to improve, based on consideration of the fundamental view and the currency impact (where applicable) by at least 15%.

*Hold recommendations* are expected to improve, based on consideration of the fundamental view and the currency impact (where applicable) between 5% and 15%.

*Sell recommendations* are expected to improve up to 5% or deteriorate, based on consideration of the fundamental view and the currency impact (where applicable).

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