

Rinkle Vira
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Issue Details

Issue Details	
Issue Size (Value in ` million, Upper Band)	4,100.0
Fresh Issue (No. of Shares in Lakhs)	320.3
Offer for Sale (No. of Shares in Lakhs)	-
Bid/Issue opens on	16-Sep-24
Bid/Issue closes on	19-Sep-24
Face Value	Rs. 10
Price Band	121-128
Minimum Lot	110

Objects of the Issue

- **Fresh issue: ₹ 4100 million**
 - Funding the costs to be incurred in developing the ongoing Projects.
 - Funding acquisition of land for future real estate projects
 - General corporate purposes

Book Running Lead Managers	
Unistone Capital Pvt Limited	
Registrar to the Offer	
Bigshare Services Private Limited	

Capital Structure (` Million)	Aggregate Value
Authorized share Capital	1875
Subscribed paid up Capital (Pre-Offer)	1536
Paid up capital (Post - Offer)	1856

Share Holding Pattern %	Pre Issue	Post Issue
Promoters & Promoter group	85.6%	70.8%
Public	14.4%	29.2%
Total	100.0%	100.0%

Financials

Particulars (Rs. In Million)	FY24	FY23	FY22
Revenue from operations	6347.3	2201.5	2289.3
Operating expenses	4673.0	1598.6	1744.9
EBITDA	1674.3	602.9	544.4
Other Income	9.7	38.6	82.4
Depreciation	11.4	2.7	0.7
EBIT	1672.6	638.8	626.1
Interest	31.2	12.8	43.2
PBT	1641.4	626.0	582.9
Tax	423.0	160.0	147.2
Consolidated PAT	1218.39	466.00	435.70
EPS	6.56	2.51	2.35
Ratio	FY24	FY23	FY22
EBITDAM	26.4%	27.4%	23.8%
PATM	19.2%	21.2%	19.0%
Sales growth	188.3%	-3.8%	

Company description

Incorporated in 1986, Mumbai based Arkade developers is the real estate development Company concentrating on the development of premium aspirational lifestyle residential premises specifically in Mumbai Metropolitan Region (MMR). The company's business can be divided into two segments: Development/construction of residential buildings on land acquired by the company (new projects); and Redevelopment of existing buildings (Redevelopment Projects).

As of June 30, 2024, the company has developed 2.20 million square feet of residential properties. From CY 2003 to March 2024, the company has completed the redevelopment of 10 projects in the western suburbs of Mumbai and 1 project in south-central Mumbai (through a partnership firm in which the company held a majority stake) with a total built-up area of 1,000,000 sq. feet approx.

In the last two decades, the Company has completed 28 projects including 11 projects on a standalone basis including 2 projects executed through partnership firms in which the Company held a majority stake, 8 projects executed by the promoter through his proprietorship, M/s Arkade Creations, and 9 projects through joint development agreements with other third parties with a total built-up area of more than 4.5 million square meters awarded to more than 4,000 customers. Between 2017 and Q1 2024, the company launched 1,220 residential units and sold 1,045 residential units in various markets in MMR, Maharashtra.

As of June 30, 2024, out of 6 projects that are currently under-development 3 are New Projects and 3 are Redevelopment Projects. New projects which has typically higher profitability contributed 66% to the revenue in FY24 while the rest was from redevelopment projects. The company's projects have, generally, been financed primarily through a mix of promoter equity and internal accruals. As on March 31, 2024, its net debt to equity ratio was 0.14. It is primarily operating in Western and Eastern suburbs at present.

It primarily focuses on residential projects with 2 BHK and 3 BHK configurations, supplemented by select offerings in 1 BHK, 3.5 BHK, and 4 BHK units, catering to a discerning customer base. The projects are designed to integrate aspirational lifestyle amenities, with an average land development footprint of approximately 1 acre. The company has demonstrated operational efficiency, with an average project completion time (PCT) of around 3 years, calculated from land acquisition to the handover of possession to the first customer.

In addition to Upcoming Projects, as of June 30, 2024, it has received letter of intent for 2 redevelopment projects for which the company has yet to execute a contract. Its ongoing and up-coming projects are having total developable area of 3.7 million sq. ft.

Valuation & outlook

Arkade Developers, a prominent player in Mumbai is a rapidly expanding real estate development company. The company is focused on mid-tier residential realty projects on both new and redevelopment segments in suburban Mumbai MMR region. Despite being in the capital intensive sector the company has very limited long-term borrowings since its projects are financed through internal accruals and promoter equity. Given these factors the company's exposure to a niche realty segment is well positioned against the most expensive real estate markets.

On the valuation front, at the upper price band, For FY24 Arkade is seeking PE of 19.3 times and P/BV 3.2 with market capitalization of 23760 Mn post-issue which seems the issue fairly priced. Therefore, considering business growth visibility and stable financial performance the company is well placed to tap in rising Mumbai's real estate sector we recommend a "SUBSCRIBE for LONG TERM" to the IPO.

Company's Operations

Arkade developers is a well-placed real estate developer focused on delivering premium aspirational lifestyle residential projects in Mumbai, Maharashtra, India's commercial capital. Its operations can be broadly segmented into two areas: (i) the development and construction of new residential premises on company-acquired land ('New Projects') and (ii) the redevelopment of existing premises ('Redevelopment Projects').

As of June 30, 2024, the company has developed approximately 2.20 million square feet of residential property, including through majority-owned partnerships. From 2017 to Q1 2024, the company launched 1,220 residential units and achieved sales of 1,045 units across multiple markets in the Mumbai Metropolitan Region (MMR). The company boasts a proven track record of timely project completion, having successfully completed 10 redevelopment projects in Mumbai's western suburbs and 1 project in south-central Mumbai from CY 2003 to March 2024, totaling approximately 1,000,000 square feet of constructed area. This strong performance has established the company as a key player in the redevelopment market, particularly in the western suburbs of Mumbai.

The company has established a robust brand proposition and track record, leveraging its strong lineage—promoter Amit Mangilal Jain is a second-generation real estate entrepreneur, with his family engaged in real estate development since 1986. The company's brand recognition in the Mumbai Metropolitan Region (MMR) is attributed to its customer-centric approach and a business model centered on developing high-end, aesthetically designed, sustainable residential premises with lifestyle amenities in high-density areas of MMR, Maharashtra. A key differentiator has been its consistent track record of adhering to project delivery timelines. While historically developing projects across varied price segments, the company is currently focused on projects with unit price points ranging from ₹9.44 million to ₹62.53 million.

In the last two decades, the Company has completed 28 projects including 11 projects on a standalone basis including 2 projects executed through partnership firms in which the Company held a majority stake, 8 projects executed by the promoter through his proprietorship, M/s Arkade Creations, and 9 projects through joint development agreements with other third parties with a total built-up area of more than 4.5 million square meters awarded to more than 4,000 customers. Between 2017 and Q1 2024, the company launched 1,220 residential units and sold 1,045 residential units in various markets in MMR, Maharashtra.

As of June 30, 2024, out of 6 projects that are currently under-development 3 are New Projects and 3 are Redevelopment Projects. New projects which has typically higher profitability contributed 66% to the revenue in FY24 while the rest was from redevelopment projects.

Revenue Breakup from Redevelopment and New projects

Particulars	Fiscal 2024		Fiscal 2023		Fiscal 2022	
	Revenue (In Rs Millions)	As a % of total revenue from operations	Revenue (In Rs Millions)	As a % of total revenue from operations	Revenue (In Rs Millions)	As a % of total revenue from operations
Redevelopment projects	2103.9	33.1%	913.2	41.8%	-	-
New Projects	4243.4	66.8%	1288.3	58.2%	2289.3	100.0%

In addition to the company's Upcoming Projects, as of June 30, 2024, they have received letter of intent for 2 redevelopment projects for which are yet to execute a contract.

Set out below are the developable area and the RERA of our Ongoing Projects

Particulars	Total No. of projects	Developable area (in sq.ft)	Saleable RERA carpet area (in sq. ft)	RERA carpet area sold (in sq. ft)
Ongoing projects	6	1,872,188	661,616	345,402
Upcoming projects	6	1,824,256	592,923	Nil
Total	12	3,696,444	1,254,539	345,402

It primarily focuses on residential projects with 2 BHK and 3 BHK configurations, supplemented by select offerings in 1 BHK, 3.5 BHK, and 4 BHK units, catering to a discerning customer base. The projects are designed to integrate aspirational lifestyle amenities, with an average land development footprint of approximately 1 acre. The company has demonstrated operational efficiency, with an average project completion time (PCT) of around 3 years, calculated from land acquisition to the handover of possession to the first customer.

Historically concentrated on the western suburbs of the Mumbai Metropolitan Region (MMR), the company has also ventured into high-end luxury development in South Mumbai. In recent years, the company has expanded its focus to include the eastern suburbs of Mumbai, which have undergone significant expansion and development. This region presents opportunities for acquiring larger land parcels, and like the western suburbs, it encompasses some of the city's largest residential catchments. As a result, the eastern suburbs have emerged as a major real estate submarket in the city, spanning various asset classes.

Particulars	Fiscal 2024			Fiscal 2023			Fiscal 2022		
	Western MMR*, Maharashtra	Eastern MMR**, Maharashtra	Total	Western MMR*, Maharashtra	As a % of total revenue from operations	Total	Western MMR*, Maharashtra	Eastern MMR**, Maharashtra	Total
No. of residential units	215	42	257	257	1	258	46	41	87
Total value of residential units booked (in ₹ million)	5,078.9	627.5	5,706.4	5,435.9	15.0	5,450.9	905.9	569.7	1,475.6
% of total value of residential units booked (%)	89%	11%	100%	99.8%	0.2	100%	61.3%	38.6%	100%

* Western MMR, Maharashtra comprises Vile Parle East and Malad West, Goregaon East, Andheri East, and Santacruz West, Borivali West.

** Eastern MMR, Maharashtra comprises Kanjurmarg East and Mulund West.

Key Performance Indicators

Particulars (₹ In Million)	As at Mar'31		
	FY24	FY23	FY22
	Consolidated	Standalone	
Revenue from operations	6347.3	2201.5	2289.3
Profit after tax (in Mn)	1228.0	507.6	508.4
PAT margin (%)	19.3%	23.0%	22.2%
EBITDA (in Mn)	1693.7	683.2	699.7
EBITDA margin (%)	26.6%	31.0%	30.5%
Interest Coverage ratio	53.8	53.1	16.1
Return on Equity (ROE) (%)	46.9%	29.0%	40.9%
Return on Capital Employed (ROCE) (%)	47.3%	29.0%	40.9%
Sales (in terms of no. of units booked by customers)	257	258	87
Sales (in terms of area booked by customers in Million sq. ft.)	0.20	0.19	0.06
Completed Developable Area (in Million sq. ft.)	-	0.26	0.30
Collection (in Mn)	5702.3	2584.0	1700.6
Debt to Equity Ratio	0.21	0.74	0.43

Strengths

Strategic location of projects in micro-markets of MMR, Maharashtra

Within the Mumbai Metropolitan Region (MMR), Maharashtra, the company operations are strategically concentrated, with a strong presence in the western suburbs. Since 2017, it has consistently ranked among the top 10 developers in terms of residential supply within key micro-markets such as Borivali West, Goregaon East, and Santacruz West. Between 2017 and Q1 2024, the company has emerged as a prominent player in the supply of 2BHK, 3BHK, and 4BHK units across the combined micro-markets of Andheri East, Borivali West, Goregaon East, and Santacruz West. Out of the total consolidated supply of 20,294 residential units in these select micro-markets from 2017 to Q1 2024, the top 10 developers accounted for 38% of the overall supply, with company contributing a 7% share within this top-tier segment. A significant portion of the company supplied units in these micro-markets falls within the high-end and premium budget categories, reinforcing its position as a key player in delivering aspirational residential developments in MMR.

Timely completion of projects

A key driver of company's sustained growth and success has been its proven ability to consistently deliver projects within, and frequently ahead of, scheduled completion timelines. Over the past two decades, it has successfully completed 28 projects, comprising 11 projects on a stand-alone basis (including 2 projects executed through partnership firms in which they hold a majority stake), 8 projects executed by its Promoter through his proprietorship, M/s Arkade Creations, and 9 projects through joint development arrangements with third parties. These developments cumulatively account for over 4.5 million square feet of built-up area, catering to more than 4,000 customers.

The housing demand in India has always been high as homeownership is an emotional decision and this asset assures safety and financial stability along with a social standing. Given the emotional aspect of home ownership in India, the ability to complete construction of projects within the timelines that have been declared prior to the initiation of the project becomes one of the essential elements of a real estate development project in India. Historically, the absence of regulatory penalties for delayed project completion allowed for flexibility in timelines; however, the introduction of the Real Estate (Regulation and Development) Act, 2016 (RERA) has made adherence to project deadlines a regulatory imperative. Despite this shift, we have consistently demonstrated our capability to meet agreed completion timelines. Of the 28 projects the company has completed, 23 were delivered prior to the implementation of RERA, while the remaining 5 projects—completed after RERA's introduction—were all successfully delivered within the stipulated timeframes. This track record underscores our operational efficiency and commitment to timely project execution.

Strong in-house resources

The company has adopted an integrated business model, leveraging in-house resources to oversee every phase of a project, from initiation to completion. These in-house resources include legal team, business development, purchase and contracts, and sales and marketing teams, ensuring a seamless and efficient project lifecycle. The legal team plays a critical role in conducting comprehensive due diligence on properties proposed for acquisition in development projects and in negotiating agreements for our re-development projects. This rigorous due diligence process enables to mitigate potential disputes associated with land acquisitions, thereby facilitating the delivery of dispute-free premises to our buyers. The business development team focuses on identifying land parcels in premium geographies within micro-markets that demonstrate strong development potential. The team's efforts are geared towards securing such land at competitive prices, contributing to the overall profitability and success of their projects. Through this integrated approach, they were able to maintain control over key aspects of project development, ensuring quality, timeliness, and value for their customers. The company believes that customers act as brand ambassadors for the Company and share referrals which has helped brand grow. They believe their customer centric business model enables us to thrive in competitive markets. The marketing team plays a crucial role in driving success by implementing strategic initiatives to promote and sell our projects. Marketing team undertakes intensive market research and formulates comprehensive marketing strategies defining marketing objectives, identifying target markets, selecting appropriate marketing channels such as digital advertising, social media, print media and events. Their marketing team serves as a driving force in boosting sales, establishing brand awareness through various strategies and cultivating a positive brand image.

Experienced Promoter and strong and technically proficient management team

The company's Promoter, Chairman, and Managing Director, Amit Jain has played a pivotal role in shaping the vision and growth. Under the mentorship of his father, he gained extensive experience in the real estate sector, building on a legacy of customer engagement founded on trust and integrity. Over time, Promoter gradually consolidated control over the Company, initially acquiring 31.10% of the paid-up share capital on October 20, 2001, which increased to 99.30% by November 30, 2010. With over 20 years of experience in the real estate industry, Amit Mangilal Jain has instilled core business values that are deeply embedded in the Company's operations. His extensive experience and technical expertise in the real estate sector continue to significantly contribute to the Company's success and growth trajectory. Whole Time Director Arpit Vikram Jain, who heads the Accounts, Finance, Taxation, Sales, Marketing, CRM, HR, and administration departments, has been on board of directors since 2016 and strengthens management and execution capabilities. The company believe that its collective experience and expertise in the real estate industry enables them to gauge changes in customer demands and market trends and adapt to such changes.

Strategies:**Continue to expand in the eastern region of MMR, Maharashtra**

Housing demand in India remains consistently strong, driven by the emotional significance of homeownership, which is seen as a symbol of safety, financial stability, and social standing. The company expect to capitalize on these factors, particularly within the Mumbai market, with a focus on the eastern region of the Mumbai Metropolitan Region (MMR), Maharashtra. Growth in the eastern suburbs of Mumbai is expected to be fueled by several key drivers, including significant infrastructure developments, proximity to major business hubs such as Bandra Kurla Complex (BKC), Andheri, Powai, Thane, and Goregaon, as well as strong social infrastructure, urban renewal initiatives, redevelopment projects, and the emergence of entertainment and lifestyle centers. Additionally, the increasing presence of IT and BPO businesses in areas like Powai and Vikhroli has bolstered employment opportunities, further driving housing demand in these suburbs. Since 2017, the company has actively expanded business operations in the eastern region of MMR, Maharashtra, and remain focused on continuing this trajectory. Their market presence in the Kanjurmarg East micro-market is particularly noteworthy, where they have secured a 12% share of total supply and an 11% share of total absorption from 2017 to Q1 2024. It also ranked 2nd among the top 10 developers in the Kanjurmarg East micro-market, with a 16% share of the supply from these top developers.

Looking ahead, the company anticipate that the eastern region will offer opportunities for the acquisition of larger land parcels at competitive prices, enabling the development of larger, premium residential projects. Their presence in the region is already established with the successful completion of one project, and they have recently launched a new project in Mulund, where the average capital value in Mulund West currently stands at ₹25,261 per sq. ft on carpet—significantly higher than the Mumbai average. The company plan to leverage extensive experience, commitment to high-quality projects, and efficient turnaround times to identify prime locations and deliver premium residential premises in the eastern suburbs of Mumbai, reinforcing its position as a leading developer in this fast-growing region.

Moving up the value chain to premium / luxury residential premises

Our primary focus has always been to deliver value luxury affordable residential premises to our buyers in high-density regions of MMR, Maharashtra while placing a premium on construction quality and catering to aspirational life-style choices. The company has generally, undertaken projects with 1 acre and upward of land, which allows them to offer aspirational life-style amenities and choices to our customers. The company is further proposing to augment their value proposition and move up the value chain by undertaking projects that are developed over a larger land area which will enable to them to inter alia construct more premium properties with greater amenities and facilities and opportunities for recreational activities. It also propose to develop these properties with higher per-unit carpet area, more appealing aesthetics, and more luxurious furnishings and accessories. Over the period there has been a gradual rise in buyers' inclination towards choosing real estate as an investment avenue. Further, developers who demonstrate the capability to complete projects as per the schedule and with minimal execution risk are now preferred, even if their properties are relatively higher priced. This change in buyer behaviour, coupled with the liquidity challenges faced by smaller developers, is likely to drive further consolidation within the real estate sector. In the coming years, financially robust and well-organized players are expected to dominate the market, securing most of the market share. The company expect that their integrity and value proposition, the timeliness of their project delivery, and its brand recognition will enable them to move up the real estate value chain and benefit from the opportunities that are available.

Continue to focus on their blended business model

The Mumbai Metropolitan Region (MMR), Maharashtra, is a major employment hub for both organized and unorganized sectors. The demand for housing in MMR is influenced by the presence of grade-A office spaces and the employment opportunities they create. This demand is further supported by housing supply from redevelopment projects, including slum rehabilitation and MHADA layouts. Estimates says approximately 80,142 units of supply from 2017 to Q1 2024. Investor interest and higher disposable incomes among working professionals, coupled with stable residential prices, also contribute to robust housing demand in the region. All the aforementioned factors demonstrates that MMR, Maharashtra region generates demand for new project development and for redevelopment of existing premises. Therefore, the company aim to continue blended business model consisting of (i) development / construction of residential premises on land acquired by the Company and (ii) redevelopment of residential premises. Their experience reflects that entering into redevelopment arrangements with housing societies enables them to remain capital efficient as the capital required for such projects is less than new development projects and the abundance in the availability of projects in upcoming regions such as western and eastern region of MMR, Maharashtra.

Industry Snapshot

Housing Scenario in India

The housing demand in India has always been high as homeownership is an emotional decision and this asset assures safety and financial stability along with a social standing. The rapid urbanization the country has undergone during the past few decades has also risen the housing demand. The housing demand has also transitioned, predominantly in the urban landscape, from investors and speculators to end users. The reforms in the last decade, such as RERA, GST, IBC, and Demonetization have been instrumental in altering the growth course of the housing market across the country. Post the reforms, the supply-demand trend across the major markets has altered significantly. Supply exceeding sales, which was a more pronounced phenomenon in the pre-reforms regime led to high unsold inventory. This has changed to sales leading the supply in the past few years, which indicates a healthy market condition and is mostly driven by end users.

The smart cities mission is also a major step to provide services and improved living standards to the residents. The focus is to provide data-centric solutions to improve municipal services and related infrastructure such as the development of a multi-modal transport hub, multi-level car parking, ridesharing, and renting among others. As part of the mission, 1,104 smart mobility projects worth INR 22,785 crore have been completed till FY23 while 526 projects are at advanced stages of development. Similarly, 984 public spaces have been developed in cities for INR 5,861 crore. The housing sector currently is on a strong foundation and the market is being run by large and listed players who are capable of creating new benchmarks. The launch pipeline appears to be healthy and the anticipated price appreciation in the coming years will continue to motivate the developers. As the end-users are driving demand and the supply has also rationalized, the market conditions are most conducive for all stakeholders.

Indian Residential Real Estate Demand-Supply Dynamics – CY 2017 to Q1 2024



Key Growth Drivers for Mumbai Metropolitan Region (MMR)

Mumbai boasts a wide range of industries and small to medium businesses, resulting in a diverse economic landscape. This vibrant city generates employment opportunities throughout the entire value chain, encompassing both front and back-office operations. It's worth noting that the introduction of additional office spaces in Mumbai's central and suburban areas has a consequential impact on specific residential pockets within the suburban regions, such as Ghodbunder Road, albeit with a delay of approximately 2-3 years. Furthermore, the peripheral regions of Mumbai, including Pandal, Bhiwandi, and Kalyan, have witnessed notable growth in logistics, e-commerce, and warehousing activities. The workforce employed in these areas has significantly contributed to the demand for mid-end and affordable housing options in Extended Eastern Suburbs, Thane, and Navi Mumbai.

• Employment Generation

MMR serves as a significant employment hub for both organized and unorganized industries in the country. The presence of grade-A office spaces in Mumbai directly influences the demand for housing in MMR, particularly in the organized sector. The employment opportunities generated by these organized industries significantly contribute to the housing demand in the region. Additionally, the employment generated from the unorganized sectors also impacts the housing demand, particularly in the suburban areas of MMR.

• Existing, Proposed & Upcoming Key Infrastructure Projects in MMR

Mumbai being the financial hub of India is well connected with all the tier II & III cities in the country by air, road, and rail networks. Road communications with hinterlands comprise of four National Highways converging at Mumbai. These provide access to Pune (NH4), Goa (NH17), Gujarat (NH8), Nashik, Indore and Delhi (NH48).

• Mumbai Metro Network (Underground + Elevated)

Mumbai is popular for its traffic snarls. To decongest Mumbai’s roads, the Mumbai Metro Railway Corporation Limited (MMRCL) has already started the construction of Colaba-Bandra-SEEPZ corridor of Metro-3 project. This underground metro will prove to be a comfortable mode of transport. It will also lessen the crowd on the roads as well as in the local trains of Mumbai. This system of the metro will connect the major financial hubs in Mumbai such as Nariman Point, Fort, Worli, Lower Parel, BKC, Goregaon, etc. and provide connectivity to the CSIA, SEEPZ, and MIDC. Many new real estate projects in Mumbai are now coming up in the vicinity of these localities where the metro line will provide connectivity. The underground metro will reduce travel time considerably and also provide comfort and security while traveling

• Excellent Social Infrastructure

Locations in Mumbai and surrounding areas provide one of the best healthcare in the country, best education opportunity, retail, recreational infrastructure.

• Investment Activity

Some demand from the investor community to invest into residential real estate has helped in improving the overall housing demand in MMR.

• Reduced Rates on Home Loans & Various Schemes by the Developers

During the year 2020 there was a reduction in interest rates for home loans. Following the last rate cut by the RBI in May 2020, all major banks in India reduced their home loan rates to sub- 7% level i.e., lowest interest levels. Record low interest rates and several other measures taken by the RBI in the past, to support the real estate sector, will continue to boost demand in the residential housing segment. Further, there are various schemes launched by Developers which include a range of freebies, cash discounts, stamp duty and GST waivers, 10:90 schemes, 5:95 schemes etc. which has further boosted the demand of housing in MMR.

Redevelopment in MMR Region

In MMR, a section of the supply of residential units originates from re-development projects. These projects may originate from housing societies redevelopment, ceased buildings redevelopments, MHADA layouts redevelopment or slum rehabilitation. In our estimation, the supply for the period of 2017 to 1Q24 is approximately 80142 units. The assumptions being: a) on relative terms proportion of redevelopment projects will be more in island city of Mumbai and in Mumbai suburbs, and lesser in other parts of MMR excluding the administrative jurisdiction of MCGM (Municipal Corporation of Greater Mumbai). This assumption is based on the observation that the island city of Mumbai has more older buildings than other parts of MMR and has fewer vacant land parcels to do development, b) Between western suburbs and eastern (central railway) suburbs proportion of redevelopment projects will be lower in eastern suburbs owing to availability of industrial lands getting converted into residential development, c) Rest of MMR has the least proportion owing to the age of buildings being relatively lower and more availability of vacant land.

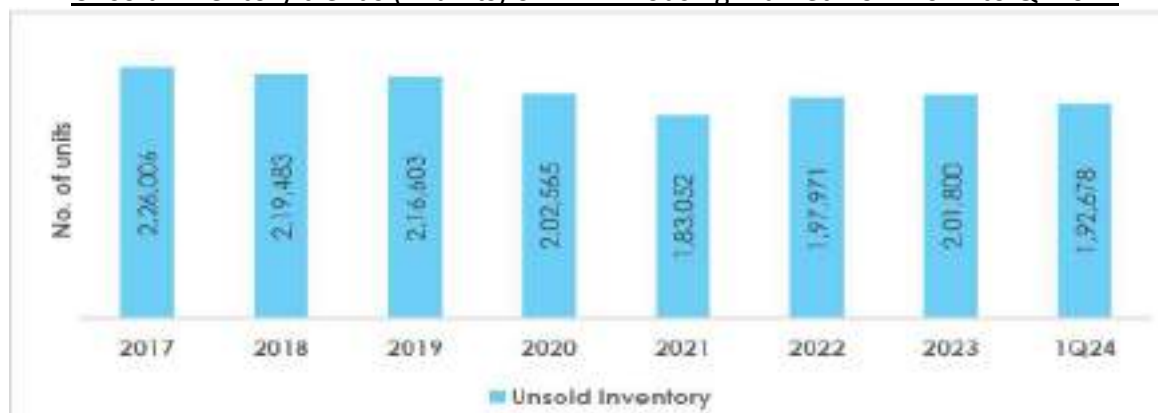
Supply and absorption dynamics (in units) of MMR housing market from 2017 to Q1 2024



Unsold Inventory (Units: 2017 – Q1 2024)

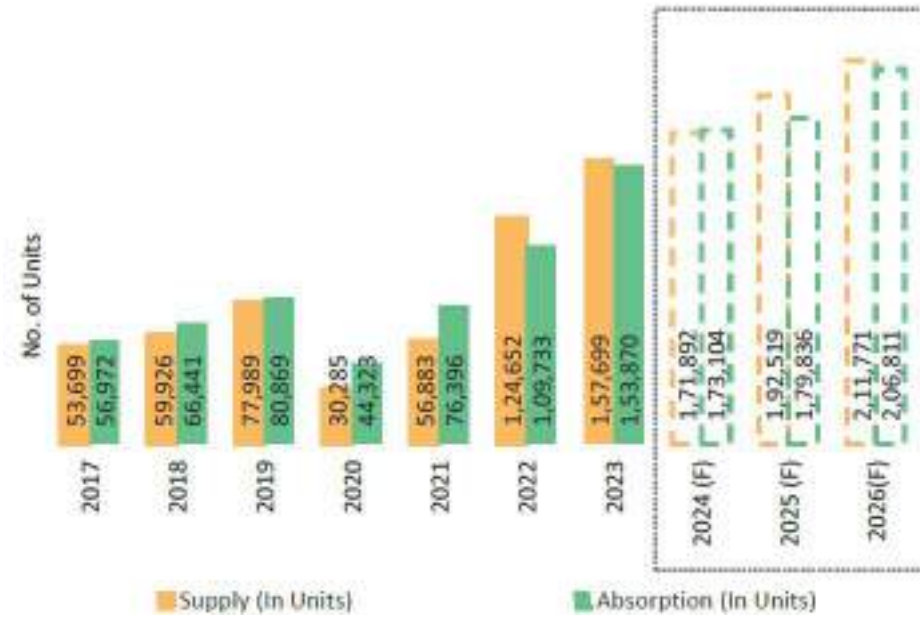
From 2017 to 2021, the housing market in MMR experienced a steady decline in unsold inventory, reaching its lowest point of 1.83 lakh units in 2021. This was primarily due to robust housing sales momentum. As of Q1 2024, the unsold inventory of MMR stood at 1.92 lakh units – representing an 15% decline compared to 2017.

Unsold inventory trends (in units) of MMR housing market from 2017 to Q12024



Supply & Absorption Outlook - MMR (Units: 2024 to 2026)

Looking forward, a consistent annual rise in both new residential supply and absorption rates is forecasted until 2026. It is anticipated that new launches will outpace housing sales in 2025 and 2026, indicating a significant increase in housing units entering the market. Below is the graph showcasing the supply and absorption outlook (in units) of MMR housing market from 2017 to 2026.



Pricing Outlook - MMR (Units: 2024 to 2026)

As we progress towards 2026, the pricing in housing market are likely to gain momentum and rise steadily. This positive trend can be attributed to various factors such as improved infrastructure development, growing demand from homebuyers, and favourable market conditions.



Details of Other Major Developers (Including Listed Peers) – Product Offering, Number of Years of Operations, Major Geographic Presence, Performance covering Select Parameters

Developers Name	Product Offerings (Residential/Commercial/et c.)	No. of Years of Operations	No. of city presence	No. of Housing Units Launched
MacroTech	Residential and Commercial	43	Mumbai, Thane, Pune, Hyderabad, Bangalore and London	53656
Prestige Group	Residential, Commercial, Retail, and Hospitality	37	Bangalore, Mysore, Mumbai, Chennai, Hyderabad, Cochi, Mangalore, Calicut and Goa	37685
Kalpataru Ltd.	Residential and Commercial	54	Mumbai, Thane, Pune, Hyderabad, Bangalore, Indore, Noida, and Dubai	9794
Sheth Creators	Residential and Commercial	30	Mumbai and Dubai	4464
Chaudak Group	Residential and Commercial	37	Mumbai	2703
Oberoi Realty Limited	Residential, Commercial, Retail, Social Infrastructure and Hospitality	30	Mumbai, Thane, Pune, Bangalore and Gurugram	2600

Source: Developers website, Anarock Research, RERA

Comparison with listed entity

Name of the company	Total Income (in Rs Million)	Face Value (Rs per Share)	Basic EPS	NAV Per Share	P/E Ratio	RoNW (%)
Arkade Developers	6357.1	10	6.6*	3.2*	19.3*	46.9%
Listed Peers						
Keystone realtors Ltd	22756.3	10	9.8	157.8	74.8	6.4%
Godrej properties Ltd	43342.2	5	26.0	359.4	111.5	7.7%
Macrotech Developers Ltd	104695.0	10	16.3	180.8	78.4	10.3%
Suraj Estate Developers Ltd	4157.0	5	19.3	148.3	40.9	22.9%

Data as on fiscal year March 31st 2024. For Arkade developers Ltd the *EPS, NAV, and P/E (x) are calculated on post-issue equity share capital based on the upper price band. Company RHP, CMP as on 13th September, 2024.

Key Risks

- Focuses only on select few micro markets of MMR, where the availability of land for development is limited and expensive and subject to intense competition. Inability to acquire contiguous land parcels within reasonable timelines or at a price that is acceptable to it will impact the operations.
- Moreover, the entire business is concentrated within the MMR region and any event or circumstance that adversely affects the real estate market in the MMR region will have an adverse effect on its business.
- Of the upcoming projects it has received letter of intent for 2 redevelopment project as of June 30, 2024 for which it is yet to execute a contract.
- Rely on third party contractors to construct its projects. Any delay or failure on the part of such contractors to adhere to their obligations could adversely affect the operations of the company.
- Had negative cash flows in the past and it may occur in future too.
- The real estate Industry in India is heavily regulated by the central, state and local governments and any change in regulations may adversely affect the business of the company.
- Redevelopment projects are subject to certain risks involving existing tenants and applicable Government regulations. Typically, redevelopment projects have long gestation periods. Any delays and cost overruns could adversely affect the operations of the company.
- The company has made delayed filings with the RoC and tax authorities and certain forms filed with RoC and certain payment challans in relation to the corporate filings made by the company are not traceable.

Valuation & Outlook

Arkade Developers, a prominent player in Mumbai is a rapidly expanding real estate development company. The company is focused on mid-tier residential realty projects on both new and redevelopment segments in suburban Mumbai MMR region. Despite being in the capital intensive sector the company has very limited long-term borrowings since its projects are financed through internal accruals and promoter equity. Given these factors the company's exposure to a niche realty segment is well positioned against the most expensive real estate markets.

On the valuation front, at the upper price band, For FY24 Arkade is seeking PE of 19.3 times and P/BV 3.2 with market capitalization of 23760 Mn post-issue which seems the issue fairly priced. Therefore, considering business growth visibility and stable financial performance the company is well placed to tap in rising Mumbai's real estate sector we recommend a **"SUBSCRIBE for LONG TERM"** to the IPO.

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Small Caps (251st company onwards)	>25%	0%-25%	Below 0%

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