

The Issue	
<b>Type of Issue</b>	<b>Issue size Rs. Mn</b>
Fresh Issue	4,100
Offer for sale	-
<b>Total</b>	<b>4,100</b>
<b>Post issue mkt cap*</b>	<b>23,764</b>
Lot size	110 shares

**\*At Upper Price Band**

Issue Break-Up	
<b>Reservation for</b>	<b>% of Issue</b>
QIB	50%
NII	15%
Retail	35%
<b>Total</b>	<b>100%</b>

Indicative Offer Timeline	Indicative Date
Bid/Offer Opening Date	16 Sept, 2024
Bid/Offer Closing Date	19 Sept, 2024
Finalization of the Basis of Allotment	20 Sept, 2024
Credit of shares	23 Sept, 2024
Listing Date	24 Sept, 2024

Use of Proceeds	Rs. Mn
Funding development expenses of "Arkade Nest ", "Prachi CHSL" and C Unit	2,500
General Corporate Purpose	

BRLM & Registrar	
<b>Manager</b>	Unistone Capital
<b>Registrar</b>	Bigshare Services

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## Play on faster growing MMR region...

### Company Overview:

- Arkade Developers Ltd is a real estate development company which is focused on offering premium aspirational lifestyle residential premises in Mumbai Metropolitan Region (MMR), Maharashtra, India.
- The company undertakes both new project and redevelopment of residential properties. As of June 30, 2024, they have developed 2.2mn sq ft of residential property.
- The company recognizes revenue based on percentage of completion metric, wherein revenue is recorded for the project which incur at least 25% of construction cost.
- As of June 30, 2024, the company is developing 6 Ongoing projects and 6 Upcoming projects with a developable area of 3.7mn sq ft. Of the 6 ongoing projects, 3 are new projects and 3 are redevelopment project.
- Their project configuration and construction lay-outs are predominantly 2 BHK, 3 BHK and 4 BHK designed to cater to discerning customers.
- Their average project completion time frame i.e. the period between receiving possession of the land to delivery of the possession to the first customer is approximately 3 years.
- Since 2017 till Q1 2024, the company is being recognized amongst the top 10 developers in terms of residential unit supply (7% market share) in select micro-markets in MMR.
- In the last two decades, the company has developed 28 projects, including 11 standalone projects, 8 by promoter through his proprietorship and 9 through joint development aggregating more than 4.5mn sq. ft.

### Valuation and Outlook:

At an upper price band of Rs 128, the stock seems attractively priced at a PE of 19.3x vs listed peers on FY24 basis. However, in FY24, the company registered revenue growth of 2.8x YoY. This was on account of its percentage completion method, wherein the company recognizes revenue whenever it incurs 25% of construction cost for the project. Therefore, considering the average EPS of Rs 4 over FY22-24, we arrive at a valuation of 32x PE which is attractively priced vs average of 46.3x for listed peers. We are optimistic on the growth accrual as and when the 6 ongoing projects are executed and delivered, rising demand for residential unit in MMR, and easy accessibility of home loans to consumers. We assign a "Subscribe" rating to the IPO.

## Arkade Developers Ltd

Shareholding Pattern	Holding (%)	
	Pre Issue	Post Issue*
Promoters & Promoter Group	85.6	70.8
Others/Public	14.4	29.2
Total	100.0	100.0

\* At upper price band

Issue Structure (Rs. Mn)	Floor	Cap
Net Offer—Fresh Issue	4,100	4,100
QIB Portion (50% of Offer)	2,050	2,050
Non Institutional portion (15% of Offer)	615	615
Retail portion (35% of Offer)	1,435	1,435

### Valuation vs Peer

Particulars	Market Cap (Rs in Mn.)	FY22-24			FY24					
		Revenue CAGR	EBITDA CAGR	PAT CAGR	Revenue (Rs in Mn.)	ROE	ROCE	EV/EBITDA	EV/Sales(x)	PE(x)
Arkade Developers Limited	23,764	66.5%	75.4%	56.0%	6,347	38.0%	46.8%	14.5	3.8	19.3
<b>Listed Peers</b>										
MacroTech	12,74,221	5.7%	10.4%	16.1%	1,03,161	8.9%	7.8%	48.1	3.3	64.1
Prestige Group	7,94,460	11.0%	28.3%	61.0%	78,770	12.2%	7.3%	13.6	4.3	27.7
Raymond Realty	1,22,892	20.8%	36.3%	114.9%	90,195	35.5%	18.8%	8.2	1.2	10.8
Godrej Properties	8,10,133	29.0%	NA	41.4%	30,356	7.3%	5.6%	61.8	-2.6	96.0
Oberoi Realty	6,58,902	29.2%	43.4%	30.4%	44,958	13.9%	13.9%	26.0	14.1	33.1
<b>Average</b>								<b>29.2</b>	<b>7.2</b>	<b>41.6</b>

## Arkade Developers Ltd

### Strengths:

- **Strategic location of projects in micro-markets of MMR, Maharashtra.**
- **Leading developer and amongst top 10 developers in terms of supply in select Micro-market of MMR.**
- **Timely completion of projects well supported by Strong in-house resources.**
- **Experienced Promoter and strong and technically proficient management team.**

### Key Risks:

- **Cost Overruns:** If the company is unable to complete and deliver its projects on time, they face the risk of cost overruns due to penalty clause with customers, government, and other regulatory fines. This will affect the financials of the company.
- **Third Party Contractors:** They do not have control over third party contractors. Any delay or poor performance on the part of such contractors will affect the financials of the company and pose reputational risk.
- **Legal Proceedings:** The legal proceeding against the company and its promoters, directors and subsidiaries amounts to 34.9% of its total net worth as of 31st March 2024. Any materialization of these proceedings will impact cash flow of the company.
- **Raw Materials:** Significant increase in prices, shortages, or delay in delivery of key construction materials and laborers might result in higher construction cost, thereby impacting profitability.
- **Inventory:** If the company is unable to timely liquidate its inventory, they will have to incur additional maintenance cost for the same and result in reduced cash flow for the company.
- **License and Permissions:** Failure to obtain regulatory licenses, permits and approvals from respective government bodies and departments in time, might hamper its ability to execute projects on time which will further adversely affect company's business operations.
- **Capital requirement:** The high capital investment of the business demands the company to maintain optimum liquidity. Failure to secure working capital might result in delayed execution and thereby affect results of operation.

### Investment Rationale/Strategies:

- ⇒ **Setting sights on the eastern region of MMR to expand and grow:** Growth in the eastern suburbs of Mumbai is expected to be driven by various factors including significant infrastructure development, proximity to business locations, such as BKC, Andheri, Powai, Thane and Goregaon, strong social infrastructure, urban renewal and redevelopment projects, emerging entertainment and lifestyle hubs. Arkade developers are on a lookout to acquire larger parcels of lands at competitive prices and build larger premium projects. They have till date completed 1 project and have launched a new project in Mulund West, where the average capital value is Rs 25,261 per sq ft.
- ⇒ **Moving up the value chain to premium / luxury residential premises:** Arkade Developers have generally undertaken projects with 1 acre and upward of land for residential property development. The company is now seeking to augment its value proposition by acquiring large land parcel and developing projects with greater amenities and facilities and opportunities for recreational activities. Additionally, there is a greater preference among consumers for organized and large size developers who are well equipped to deliver quality projects in time. This underscores the likelihood of consolidation in the industry and greater market share gain for organized player.
- ⇒ **Continue to focus on blended business model:** The company has been undertaking both new project development on acquired land as well as redevelopment of existing properties. Demand for residential units in the MMR is expected to increase owing to rising employment opportunities in the region. Also, a section of supply of residential units originates from re-development projects owing to slum rehabilitation, MHADA layouts redevelopment, cessed buildings redevelopment or housing societies redevelopment. Capital requirements in redevelopment projects is lower than new project development as land acquisition is not required. Considering limited availability of land for new project development and abundant opportunities in redevelopment in MMR, the blended approach is expected to pave way for growth ahead.

**Key Financial Summary (Rs. Mn)**

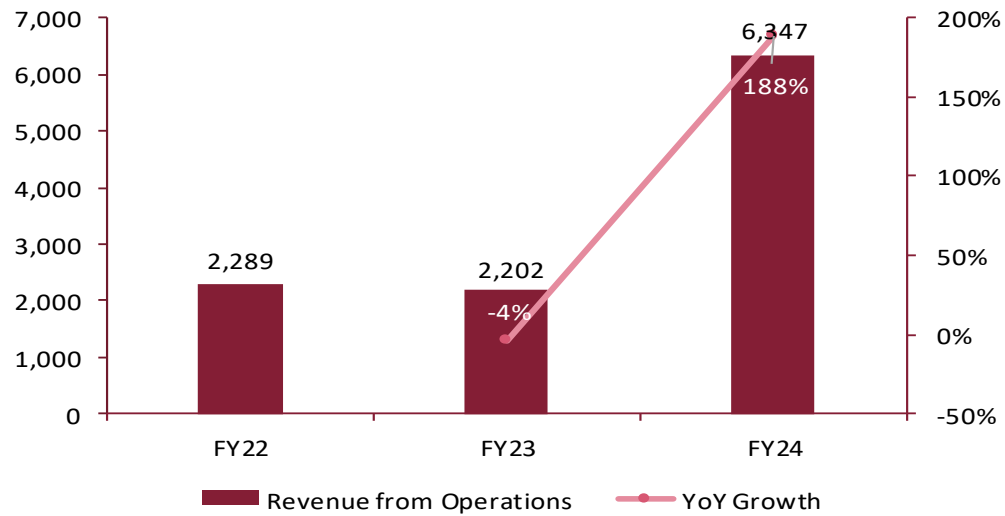
Particulars	FY22	FY23	FY24
Revenue	2,289	2,202	6,347
EBITDA	544	603	1,674
<i>EBITDA margin (%)</i>	<i>23.8%</i>	<i>27.4%</i>	<i>26.4%</i>
Adj. PAT	505	508	1,228
<i>Adj. PAT margin (%)</i>	<i>22.0%</i>	<i>23.1%</i>	<i>19.4%</i>
EPS (Adj for issue)	2.7	2.7	6.6

**Ongoing Projects**

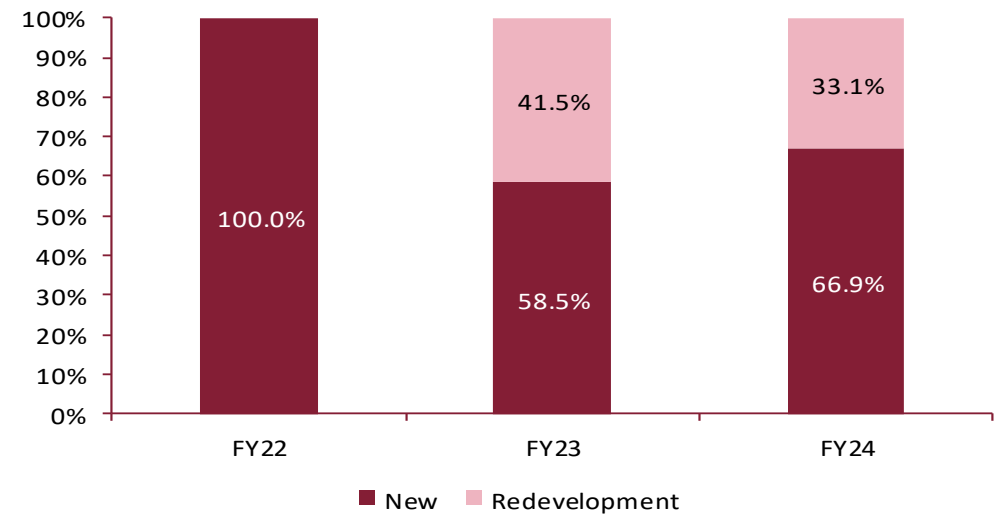
Project	Location	Project Type	Expected Completion	Units Sold
Arkade Aura	Santacruz	Residential	Dec 31, 2025	55.8%
Arkade Prime	Andheri	Residential/ Commercial	Dec 31, 2025	92.2%
Arkade Aspire	Goregaon	Residential/ Commercial	Dec 31, 2025	89.0%
Arkade Nest	Mulund	Residential	Jun 30, 2027	63.2%
Arkade Pearl	Vile Parle	Residential	Dec 31, 2026	34.2%
Arkade Eden	Malad	Residential	Dec 31, 2026	41.8%

# Arkade Developers Ltd

### Revenue from Operations (Rs. Mn)

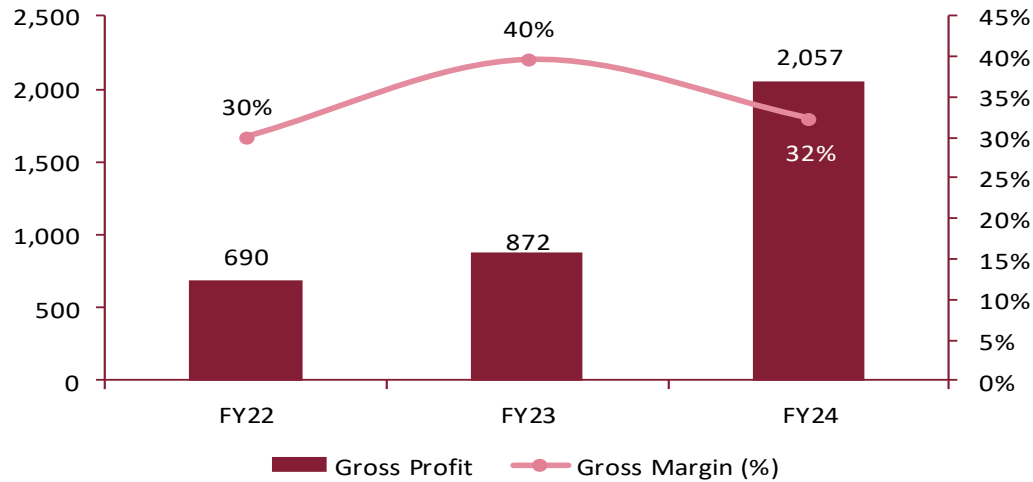


### Revenue from Projects

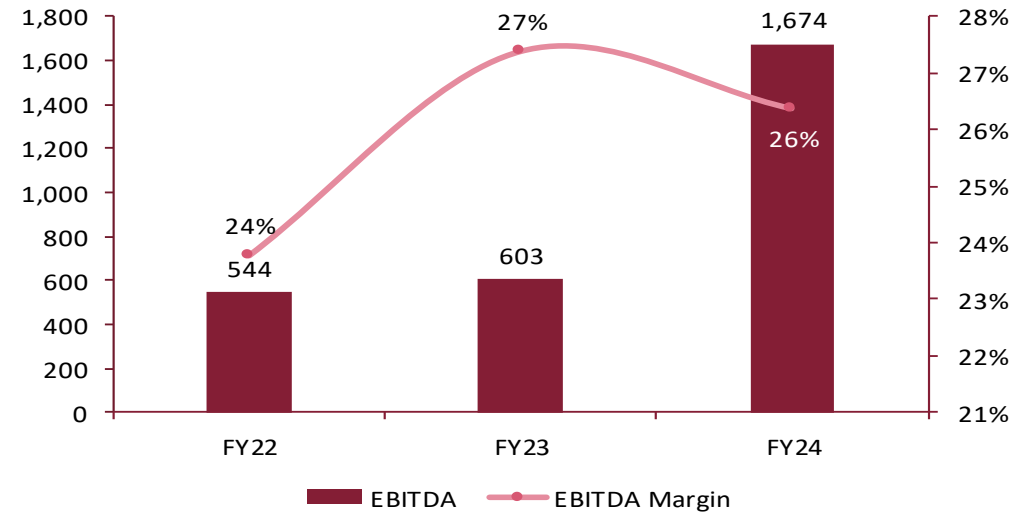


# Arkade Developers Ltd

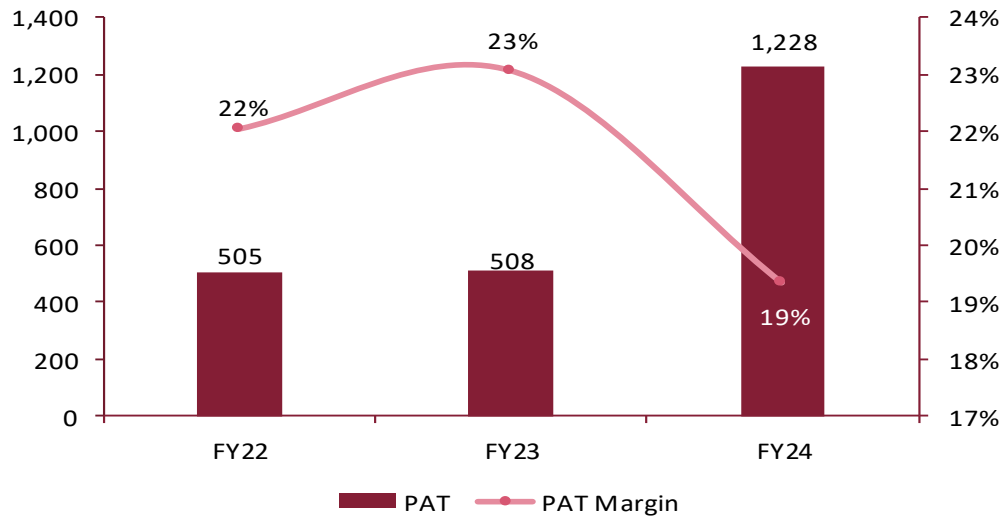
### Gross Profit (Rs. Mn)



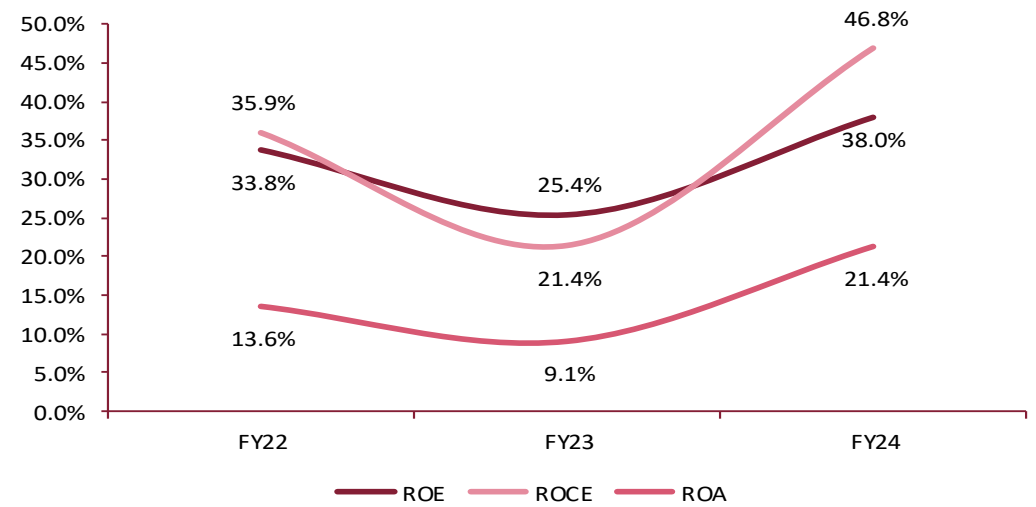
### EBITDA (Rs. Mn)

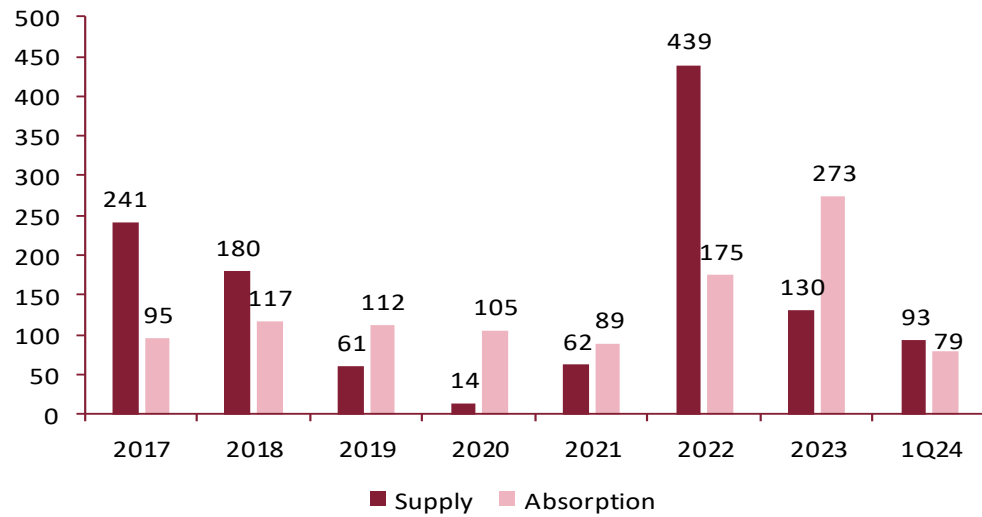
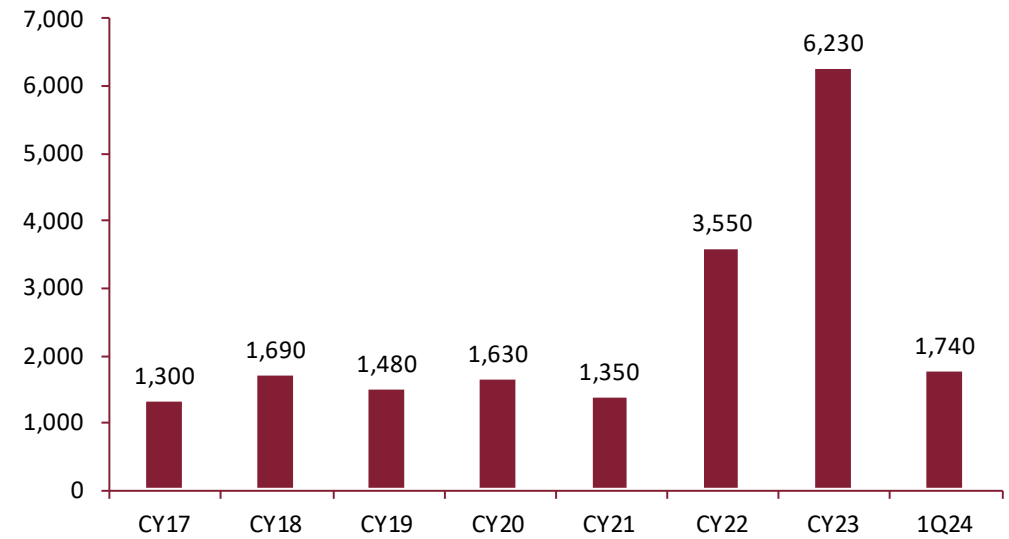


### Profit after Tax (Rs. Mn)



### Profitability Ratios

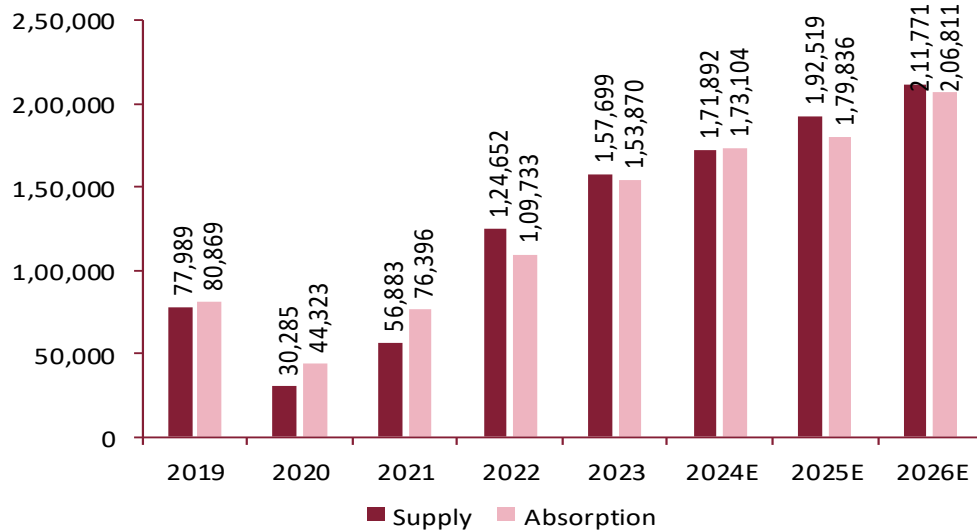


**Supply and Absorptions (Units)**

**Sales Value of Units Sold (Rs Mn)**


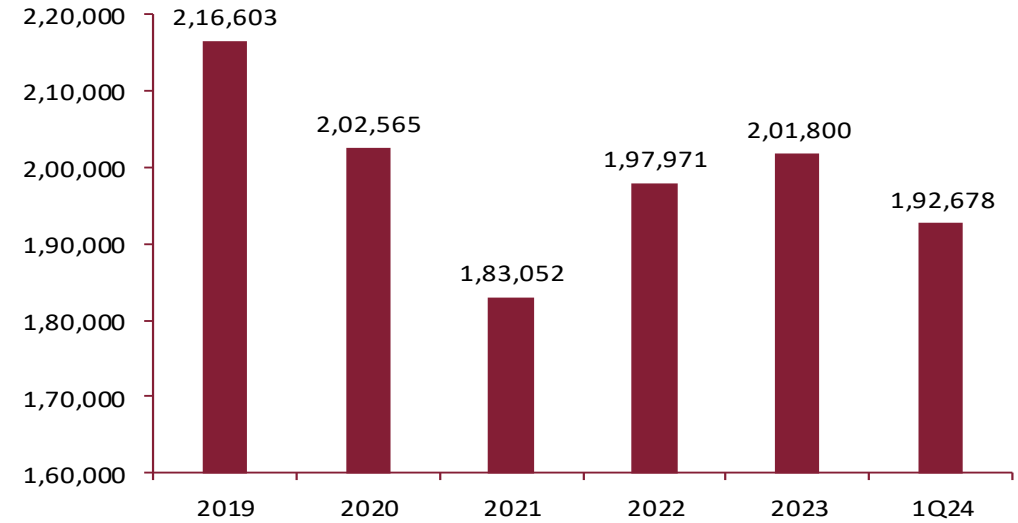


# Industry

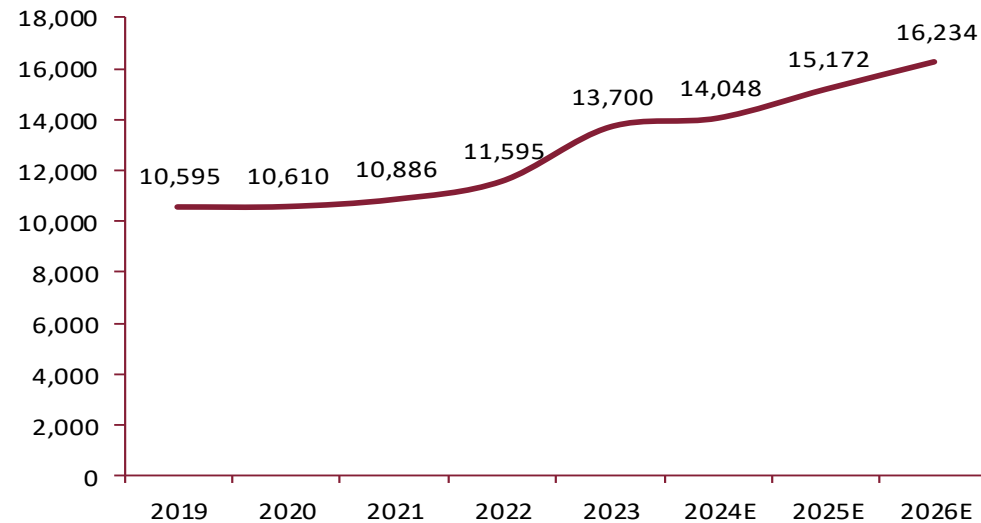
### MMR Region Supply and Absorption (Units)



### MMR Region Unsold Inventory (Units)

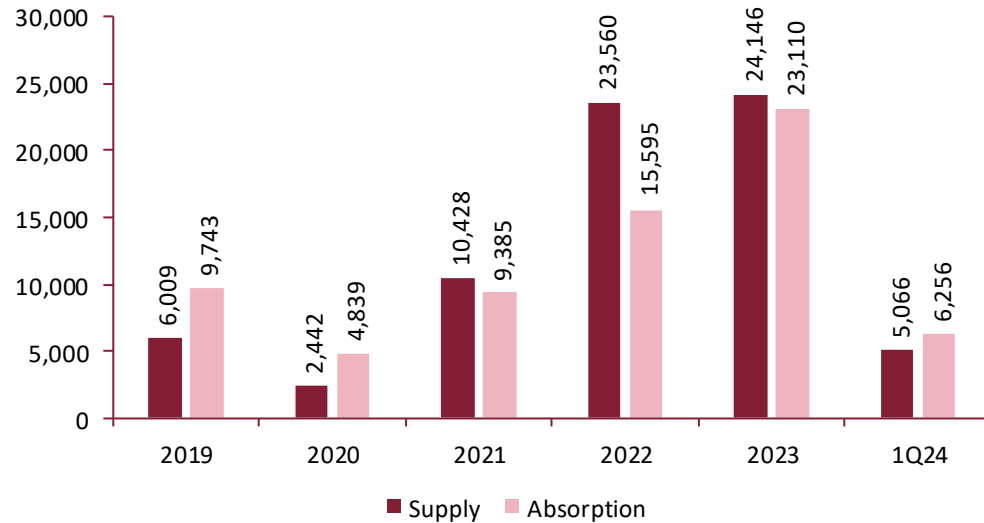


### MMR Region Basic Selling Price (Rs./Sqft)

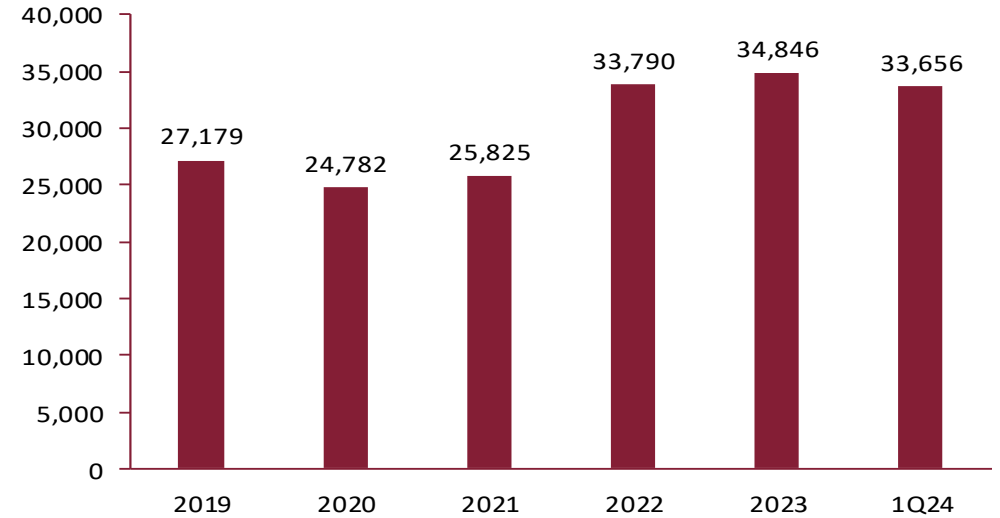


# Industry

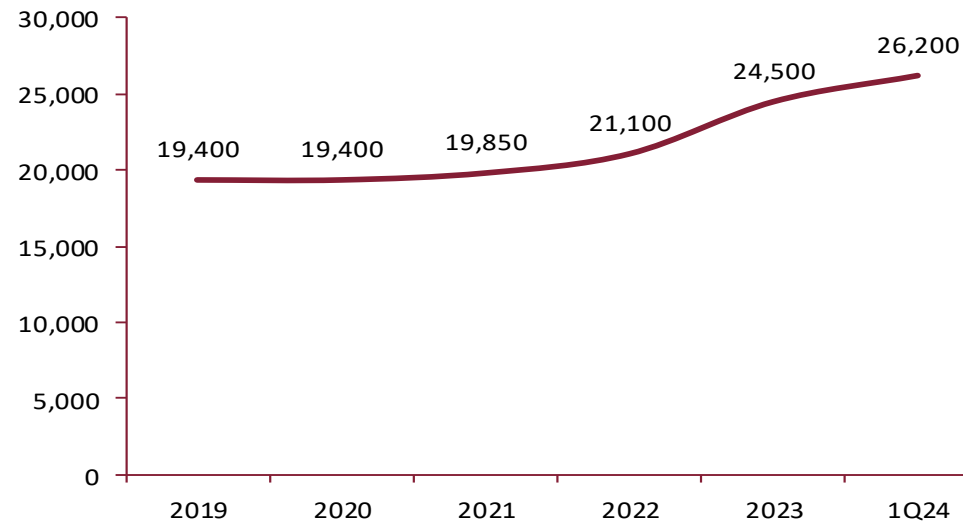
### MMR Region (Western) Supply and Absorption (Units)



### MMR Region (Western) Unsold Inventory (Units)

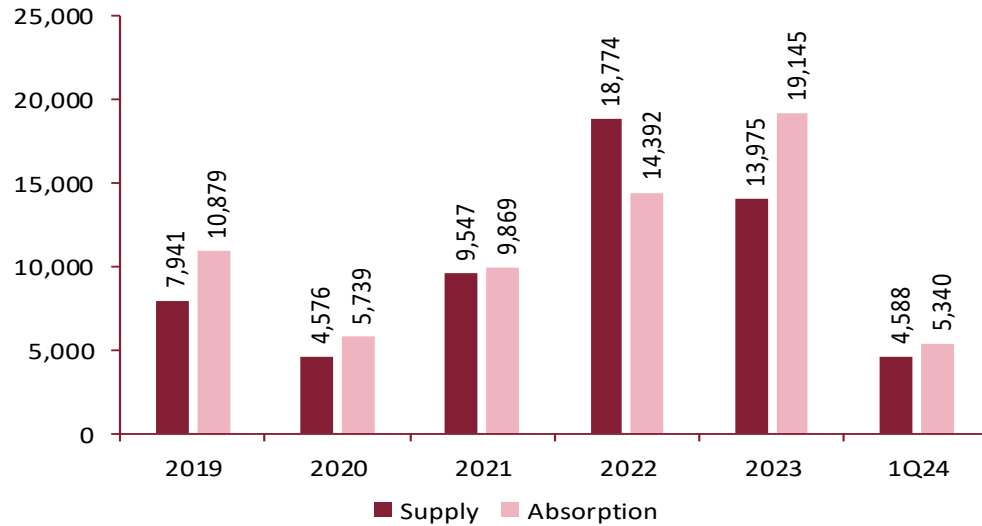


### MMR Region (Western) Basic Selling Price (Rs./Sqft)

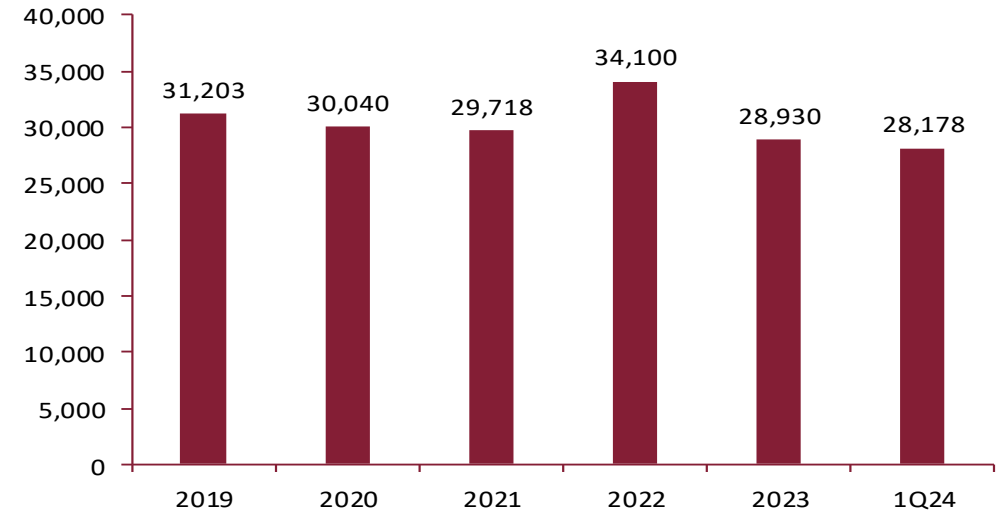


# Industry

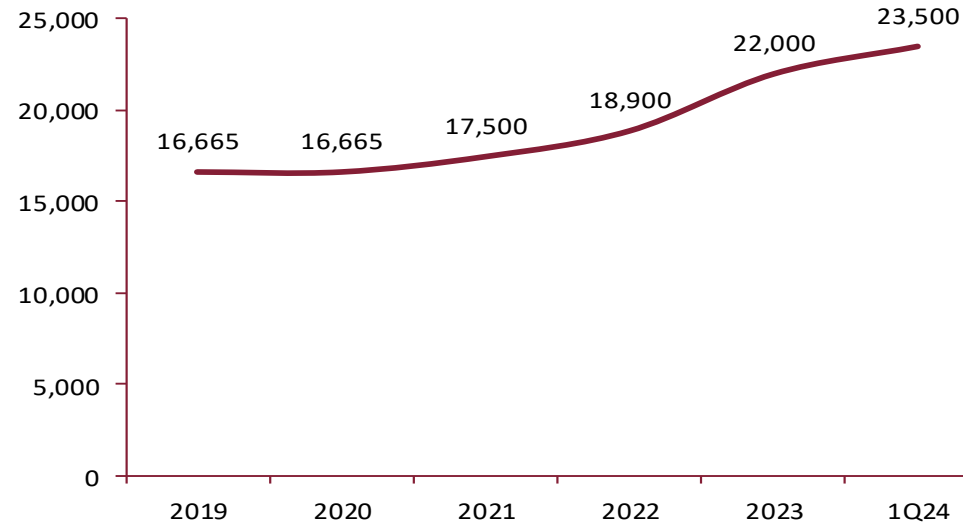
### MMR Region (Eastern) Supply and Absorption (Units)



### MMR Region (Eastern) Unsold Inventory (Units)



### MMR Region (Eastern) Basic Selling Price (Rs./Sqft)



## INDSEC Rating Distribution

**BUY** : Expected total return of over 15% within the next 12-18 months.

**HOLD** : Expected total return between 0% to 15% within the next 12-18 months.

**SELL** : Expected total return is negative within the next 12-18 months.

**NEUTRAL**: No investment opinion, stock under review.

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