



Arkade Developers Limited

Arkade Developers Limited

Issue Opens On
Sep 16, 2024

Issue Closes On
Sep 19, 2024

Price Band (INR)
121 – 128

Issue Size (INR Mn)
4100

Rating
SUBSCRIBE

Arkade Developers Limited, established in 1986, is a Mumbai-based real estate company engaged in developing residential and commercial properties. The company is known for its high-quality construction projects, focusing on providing innovative designs and modern amenities to customers. Over the years, Arkade has completed several projects across the Mumbai Metropolitan Region (MMR), emphasizing customer satisfaction, timely delivery and sustainable development. Since its inception, Arkade Developers has delivered over 4.5 Mn square feet of residential space, completing 28 projects and catering to over 4,000 customers. Arkade is known for its timely project completion and its presence in key micro-markets like Borivali West, Goregaon East and Santacruz West.

OFFER STRUCTURE

Particulars	IPO Details
No. of shares under IPO (Mn)	32.03
Fresh issue (# shares) (Mn)	32.03
Offer for sale (# shares) (Mn)	NA
Price band (INR)	121 - 128
Post issue MCAP (INR Mn)	22,689 - 23,764

Source: IPO Prospectus

Indicative Timetable	
Offer Closing Date	Thursday, 19 th Sep'24
Finalization of Basis of Allotment with Stock Exchange	On or about 20 th Sep' 24
Initiation of Refunds	On or about 23 rd Sep' 24
Credit of Equity Shares to Demat accounts	On or about 23 rd Sep' 24
Commencement of Trading of Eq. shares on NSE	On or about 24 th Sep' 24

Source: IPO Prospectus

Issue	# Shares	INR Mn	%
QIB	16,015,625	Max. 2,050	Upto 50%
NII	4,804,688	Min. 615	Not less than 15%
Retail	11,210,938	Min. 1,435	Not less than 35%
Net Offer	32,031,250	4,100	100%

Source: IPO Prospectus

Objects of the Offer	Amount (In Mn)
1. Funding Development Expenses	2,500
2. Funding acquisition of yet-to-be identified land for real estate projects & General corporate purposes.	1,600

Shareholding Pattern	Pre-Issue (%)	Post-Issue (%)
Promoters & Promoters Group	86%	71%
Others	14%	29%
Total	100%	100%

Source: IPO Prospectus

Particulars (In INR Mn)	FY22	FY23	FY24
Revenue	2,289	2,202	6,347
EBITDA	544	603	1,674
EBITDA Margin (%)	24%	27%	26%
Profit After Tax	508	508	1228
PAT Margin (%)	22%	23%	19%
Net Worth	1,494	2,003	3,234
RONW (%)	41%	29%	47%

Source: IPO Prospectus, KRChoksey Research

Arkade Developers Limited

Company Overview :

- Arkade Developers Limited is a real estate development company focused on developing high-end, sophisticated lifestyle residential developments in Mumbai, Maharashtra.
- The company's business can be divided into two segments: development and construction of residential buildings on land acquired by the company (new projects) and redevelopment of existing buildings (redevelopment projects).
- Arkade Developers has successfully developed over 4.5 mn square feet of residential space, serving more than 4,000 customers across 28 projects.
- The company caters to niche markets within the MMR region, with a strong focus on high-demand areas in the eastern and western suburbs, including Borivali West, Goregaon East and Santacruz West.
- The company achieved significant revenue growth of 188.3%, with revenue from operations increasing from INR 2,201 Mn in FY23 to INR 6,347 Mn in FY24.

Revenue Segmentation

Particulars	FY22		FY23		FY24	
	INR Mn	in %	INR Mn	in %	INR Mn	in %
Revenue from New Projects	2,289	100%	1,288	59%	4,243	67%
Revenue from Redevelopment Projects	Nil	Nil	913	41%	2,104	33%
Total	2,289	100%	2,201	100%	6,347	100%

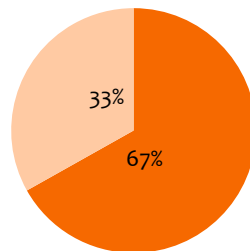
Source: IPO Prospectus, KRChoksey Research

Developable area and the RERA of ongoing projects

Particulars	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	18,72,188	6,61,616	3,45,402
Upcoming Projects	6	18,24,256	5,92,923	Nil

Source: IPO Prospectus, KRChoksey Research

Revenue mix by type of project (FY2024)



■ New Projects ■ Redevelopment Projects

Source: IPO Prospectus, KRChoksey Research

Arkade Developers Limited

Company Overview :

Project Category

- New Projects:** Arkade Developers focuses on new residential projects across the MMR region, Maharashtra. These projects span various budgets, catering to a wide range of customer needs. The emphasis is on creating modern, high-quality residential spaces that meet contemporary living standards. The company focuses on acquiring land parcels in high growth areas for its new development projects.
- Redevelopment Projects:** In addition to new developments, Arkade Developers engages in redevelopment projects, transforming and enhancing existing residential properties. This category involves upgrading older structures to offer improved amenities and living conditions, thus revitalizing older neighborhoods while maintaining its community essence. The key areas currently under focus for this category lie in the western MMR region.

Core Business Model

Arkade Developers operates primarily in two areas: the development of new residential projects on acquired land and the redevelopment of existing properties. The redevelopment sector, in particular, has proven to be highly successful for the company. Between 2003 and 2024, Arkade completed the redevelopment of 10 projects in Mumbai's western suburbs and one in the south-central region of the city, with a combined constructed area of around one million square feet. This performance has solidified its reputation as a leading player in the redevelopment space within the MMR.

Ongoing Project

Project	Location	Nature of Project	Expected Completion	No. of units available	% of Units Sold
Arkade Aura	Santacruz, MMR, Maharashtra	Redevelopment	31-Dec-25	43	56%
Arkade Prime	Andheri East MMR, Maharashtra	New Project	31-Dec-25	116	92%
Arkade Aspire	Goregaon East, MMR, Maharashtra	New Project	31-Dec-25	228	89%
Arkade Nest	Mulund, MMR, Maharashtra	New Project	30-Jun-27	87	63%
Arkade Pearl	Vile Parle East, MMR, Maharashtra	Residential	31-Dec-26	38	34%
Arkade Eden	Malad West, MMR, Maharashtra	Residential	31-Dec-26	55	42%

Source: IPO Prospectus, KRChoksey Research

Project wise split for Ongoing and Upcoming Projects

Projects	% Split	On Going Projects	% Split	Upcoming Projects
New Projects	3	50%	1	17%
Redevelopment Projects	3	50%	5	83%
Total	6	100%	6	100%

Source: IPO Prospectus, KRChoksey Research

Arkade Developers Limited

Company Overview:

Market Presence and Industry Position:

Arkade Developers is a prominent residential real estate developer based in the MMR region of Maharashtra, with a significant presence across various market segments. The company is recognized for its diverse portfolio, which includes both new residential projects and redevelopment ventures. Arkade's projects cater to different budget ranges, ensuring broad market appeal and substantial influence in the region.

The company is ranked among the top 10 developers in the Eastern and Western MMR region, Arkade Developers has established a strong industry position through its commitment to quality and innovation. Its strategic focus on both new developments and redevelopments allows it to maintain a competitive edge and contribute significantly to the region's real estate landscape.

Supply and Absorption Data of MMR region and Arkade's share

Particulars	Period	% Share in Total Supply	% Share in Total Absorption	Rank
Western MMR				
Andheri East	FY22 - Q1 FY24	2%	3%	18
	FY2017 - Q1 FY24	1%	2%	26
Borivali West	FY22 - Q1 FY24	2%	6%	2
	FY2017 - Q1 FY24	2%	3%	3
Goregaon East	FY22 - Q1 FY24	18%	17%	1
	FY2017 - Q1 FY24	8%	11%	5
Santacruz West	FY22 - Q1 FY24	6%	4%	7
	FY2017 - Q1 FY24	4%	2%	10
Eastern MMR				
Kanjurmurg East	FY2017 - Q1 FY24	12%	11%	2

Source: IPO Prospectus, KRChoksey Research

Market Share Typology Wise (2017 - Q124)

Particulars	4BHK	3BHK	2BHK	1BHK
Western MMR - Supply	2%	5%	3%	1%
Western MMR - Absorbtion	3%	5%	4%	1%
Mulund West - Supply		1%	2%	
Kanjurmurg East - Supply		25%	17%	11%
Kanjurmurg East - Absorbtion		25%	17%	8%

Source: IPO Prospectus, KRChoksey Research

Arkade Developers Limited

Industry Overview:

Indian Real Estate Industry

The real estate industry in India has experienced significant transformations over the past decade, particularly with the introduction of regulatory reforms like the Real Estate (Regulation and Development) Act (RERA), Goods and Services Tax (GST) and the Insolvency and Bankruptcy Code (IBC). These reforms, while initially posing challenges to the sector, ultimately enhanced transparency, accountability and financial discipline, making the market more robust and reliable for both developers and consumers.

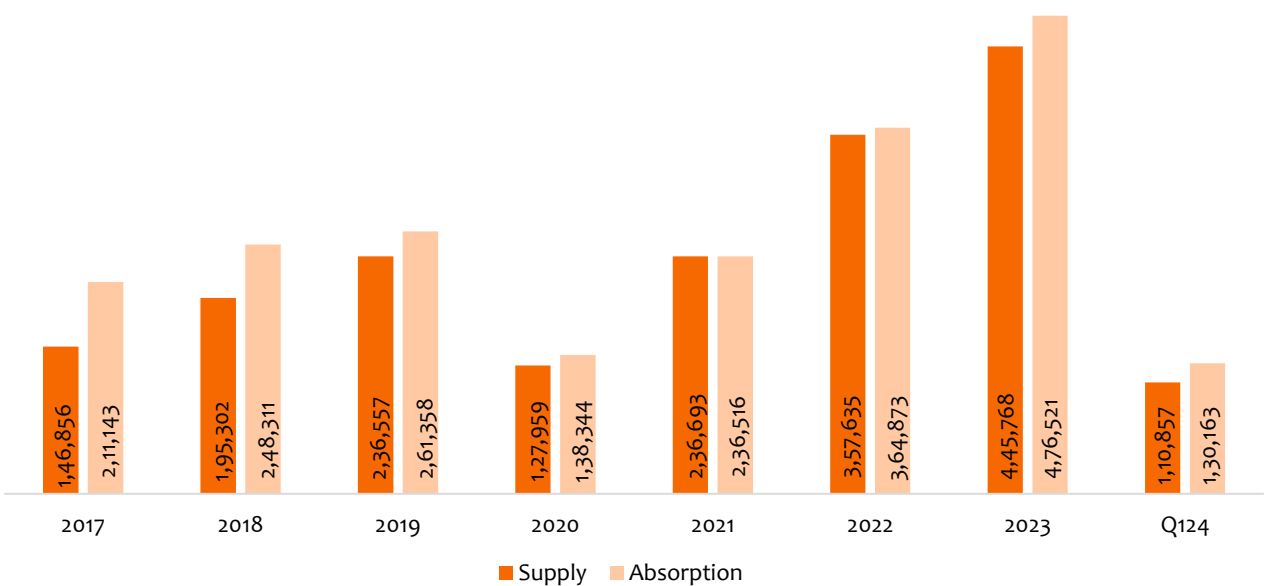
Growth Dynamics

Despite global challenges like the COVID-19 pandemic, the Indian real estate market, especially the residential segment, has shown remarkable resilience. From 2017 to Q1 2024, the sector has experienced a robust recovery in terms of new project launches and housing sales, surpassing previous highs from 2014. For instance, the number of new launches in 2020 was 127,959 units, which surged by 185% to 236,693 units in 2021 and by 2023, reached 445,770 units. Similarly, housing sales hit a record-breaking 476,520 units, reflecting the vitality of the market.

Residential Market

The Indian residential real estate market is the backbone of the real estate sector. Factors like urbanization, increasing per capita income, and the demand for affordable housing drive the residential sector's growth. As of 2024, the majority of residential units in India are launched in metropolitan regions like Mumbai Metropolitan Region (MMR), which accounts for 31% of total unit absorption across the top seven cities. This market is also among the most expensive, with capital values averaging ₹14,600 per sq. ft.

Pan India (top-seven cities) supply-absorption trends (in units)



Source: IPO Prospectus, KRChoksey Research

Arkade Developers Limited

Industry Overview:

Affordable Housing and Government Initiatives

The government has taken significant steps to boost the housing market, particularly through the Pradhan Mantri Awas Yojana (PMAY). By 2024, nearly 120 lakh homes had been sanctioned and over 83.67 lakh houses were completed under PMAY. This initiative aims to provide affordable housing to urban migrants and workers in the informal economy. Additionally, the Affordable Rental Housing Complexes (ARHCs) scheme was launched to improve living conditions for urban migrants and industrial workers by providing affordable rental housing close to workplaces.

Real Estate Pricing Trends

Pricing trends in Indian real estate have varied across different cities. Between 2017 and the first quarter of 2024, the top seven Indian cities experienced price appreciation ranging from 9% to 24%. Mumbai Metropolitan Region (MMR) remains the most expensive real estate market in India, with a capital value of INR 14,600 per square foot in Q1 2024.

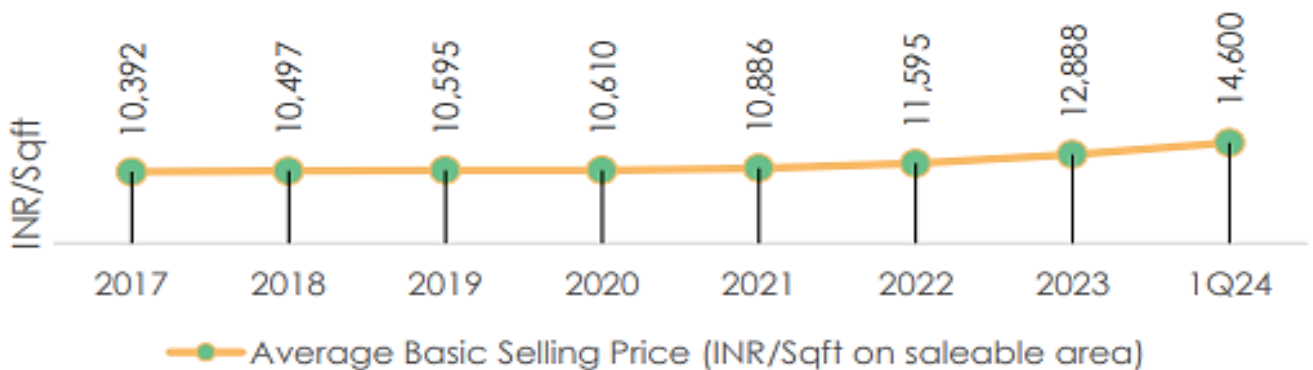
Office and Commercial Real Estate Market

While residential real estate dominates the Indian market, the office and commercial segments have also seen significant developments, particularly in metropolitan cities like Mumbai, Bangalore and Hyderabad. The COVID-19 pandemic initially caused a contraction in office space demand due to the shift to remote working. However, as companies adjusted to hybrid models, demand for office space has started to recover, with a renewed emphasis on larger office spaces to accommodate health and safety regulations.

Future Outlook

India's residential real estate sector is poised for sustained growth in the coming years. Factors such as urbanization, rising disposable incomes, increasing homeownership aspirations and government initiatives like PMAY are expected to drive demand. Additionally, the sector's resilience in the face of the COVID-19 pandemic highlights its long-term potential. While challenges such as high property prices and limited land availability in major cities remain, developers are increasingly focusing on tier II and III cities, where the market for affordable and premium housing continues to expand.

Capital value movement (on saleable area) of MMR housing market



Source: IPO Prospectus, KRChoksey Research

Arkade Developers Limited

Strengths:

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

- The company's operations are strategically positioned in Mumbai. From CY 2021 to Q1 2024, the MMR consistently accounted for 29%-33% of residential unit sales among the top seven Indian cities, with an average share of 31%. As of Q1 2024, MMR's residential market leads with a capital value of INR 14,600 per sq. ft.
- Within MMR, the company is notably present in the western suburbs, including Borivali West, Goregaon East and Santacruz West. Since 2017, it has been among the top ten developers in these areas.
- From 2017 to Q1 2024, the company has been a significant player in supplying 2BHK, 3BHK and 4BHK units, contributing 7% of the total supply among the top ten developers in these micro-markets. The majority of its offerings are in the high-end and premium segments.

Residential units sold in the projects in the western and eastern suburbs of MMR

Particulars	FY22			FY23			FY24		
	No of Residential units	Total value of Residential units booked	% of Total Value of Residential units booked	No of Residential units	Total value of Residential units booked	% of Total Value of Residential units booked	No of Residential units	Total value of Residential units booked	% of Total Value of Residential units booked
	(INR Mn)	(INR Mn)	(INR Mn)	(INR Mn)	(INR Mn)	(INR Mn)	(INR Mn)	(INR Mn)	(INR Mn)
Western MMR	46	906	61	257	5,436	100	215	5,079	89
Eastern MMR	41	570	38.61	1	15	0.28	42	628	11
Total	87	1,476	100	258	5,451	100	257	5,706	100

Source: IPO Prospectus, KRChoksey Research

A leading player and amongst top 10 developers in terms of supply in select micro-markets of, and an established developer in, MMR, Maharashtra:

- The company is a prominent developer in the Mumbai Metropolitan Region (MMR), Maharashtra, India's key commercial hub. From CY 2021 to CY 2023, MMR's capital values rose by 26%, with residential prices reaching INR 14,600 per sq. ft. in Q1 2024, a 13% increase from 2023
- The company specializes in both new developments and redevelopments, with a focus on the well-connected western suburbs of Mumbai. It ranks among the top developers in key micro-markets:
 - ❖ Borivali West: 2% share of total supply and 6% of absorption (2022 to Q1 2024), with an 11% share of the top ten developers since 2017.
 - ❖ Goregaon East: 8% share of total supply and 11% of absorption (2017 to Q1 2024), with a 22% share of the top ten developers (2022 onwards).
 - ❖ Santacruz West 6% share of top ten developers' supply since 2017, increasing to 7% (2022 onwards).
- The company's projects, known for its integrity, prime locations, timely delivery and high-quality construction, include both redevelopment and new developments. Its focus is on providing aspirational amenities and maximizing living space supports its continued growth and strong market presence.

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Strengths:

Strong in-house resources:

The company operates with an integrated business model, leveraging in-house resources to manage projects from inception to completion. Key components include:

- **Legal Team:** Handles due diligence and negotiates contracts, mitigating legal risks and ensuring smooth acquisitions and redevelopments.
- **Business Development:** Focuses on sourcing land in high-potential locations at competitive rates, driving strategic growth.
- **Sales Team:** Manages property transactions and cultivates customer relationships, enhancing brand reputation and generating referrals.
- **Marketing Team:** Develops and implements comprehensive marketing strategies across digital and traditional channels, driving sales and increasing market presence.

This cohesive strategy supports operational efficiency, minimizes risks, and positions the company for sustained market growth and competitive advantage.

Timely completion of projects:

- Housing demand in India remains robust due to the emotional value of homeownership, which is tied to safety, financial stability and social status. Timely project completion is critical in this context, and the company has built a strong track record in this area.
- Over the past two decades, the company has successfully completed 28 projects, totalling over 4.5 Mn sq ft and serving approximately 4,000 customers. This includes standalone projects, ventures through partnership firms, and joint developments.
- Notably, 23 of these projects were completed before the implementation of RERA and the remaining 5 projects, executed under RERA regulations, were also delivered on time.
- The company's success in meeting or exceeding deadlines is attributed to its well-defined processes and effective team coordination, which ensures that projects start only after obtaining all necessary approvals.

Strategies:

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

- The high demand for housing in India is driven by factors such as safety, financial stability and social status. The company plans to leverage this demand in Mumbai's eastern suburbs, where significant infrastructure development, proximity to business hubs like BKC, Andheri and Powai, and a growing IT and BPO sector are boosting housing needs.
- Since 2017, the company has secured a 12% share in the supply and 11% in the absorption of the Kanjurmarg East micro-market, positioning itself as the second-largest developer in the area. The company aims to expand further by acquiring larger land parcels and developing premium projects in this region.
- Having completed one project in the eastern suburbs and launched a new one in Mulund—where the average capital value stands at INR 25,261 per square foot—the company plans to leverage its experience and efficient project execution to deliver high-quality residential properties in these prime locations.

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Strategies:

Moving up the value chain to premium / luxury residential premises:

- The company's core focus is on delivering high-quality, affordable luxury residential properties in high-density regions of MMR, Maharashtra. Typically, projects are developed on land parcels of 1 acre or more, enabling the inclusion of aspirational amenities.
- The company plans to enhance its value proposition by undertaking larger projects with expanded amenities, larger per-unit carpet areas, and upgraded furnishings.
- Consumer surveys indicate that real estate is increasingly preferred as an investment, reflecting rising demand. Developers known for timely project completion and minimal risk are now favored, despite potentially higher prices. This trend suggests ongoing consolidation in the sector, with financially strong and well-organized players expected to dominate.
- The company anticipates leveraging its reputation for integrity, timely delivery, and quality to advance in the real estate value chain and capitalize on emerging opportunities.

Continue to focus on blended business model:

- MMR, Maharashtra is a major employment hub, with both organized and unorganized sectors driving housing demand. The presence of grade-A office spaces in Mumbai boosts demand for residential properties, particularly in organized industries, while unorganized sector employment impacts suburban areas.
- Redevelopment projects, such as slum rehabilitation and MHADA layouts, contribute significantly to housing supply. It is projected that approximately 80,142 units from redevelopment between 2017 and Q1 2024. Investor interest and the increasing disposable income of professionals in MMR further pushed the residential demand.
- Given this dynamic, the company continues to employ a blended business model: developing new residential projects and redeveloping existing properties. Redevelopment projects offer capital efficiency and access to numerous opportunities, especially in emerging regions. This approach, supported by strong financials, allows for the development of new and premium properties in both established and developing areas of MMR.

Risks:

- Inability to effectively identify and secure suitable redevelopment projects or land could significantly hinder business growth and operational expansion.
- Failure to meet project completion deadlines can adversely affect financial performance and reputation.
- Penalty clauses in customer agreements for project delays pose a financial risk and may impact profitability.
- The absence of long-term agreements for labor and construction materials exposes the company to potential cost increases, shortages, and supply chain disruptions, potentially leading to project delays and cost overruns.
- Reliance on third-party contractors for project construction introduces risks related to delays and non-compliance, which could affect the company's financial stability and operational efficiency.

Arkade Developers Limited

Outlook and Valuation:

Arkade Developers Limited, a leading real estate company in Mumbai, is well-positioned to capitalize on the growing demand for residential/commercial and redevelopment projects in the city. Focused on the mid-premium segment, the company employs an asset-light model, collaborating through joint ventures to deliver high-quality residential spaces. The company has achieved a robust 66% CAGR in revenue from FY22 to FY24 with EBITDA and PAT CAGR of 75% and 55% respectively during the same period reflecting its operational efficiency. Its ROE and ROCE stand at an impressive 47% showcasing strong returns, supported by efficient project management and execution capabilities. The company's strengths include a solid reputation for timely delivery, a strong foothold in the MMR, and the ability to leverage redevelopment opportunities. The company is trading at a PE ratio of 19.4x and 14.9x EV/EBITDA which is at a discount compared to its peers. Moreover, the return ratios are significantly higher than its peers. Given these factors we assign a **“Subscribe”** rating to the IPO

Peer Comparison:

Particulars	Arkade Developers Limited	Keystone Realtors Limited	Godrej Properties Ltd	Macrotech Developers Ltd	Suraj Estate Developers Ltd
Revenue from operations	6,347	22,756	43,342	1,04,695	4,157
EBITDA	1,674	1,919	11,967	27,113	2,364
EBITDA Margin (%)	27%	9%	39%	26%	57%
PAT	1,228	1,110	7,471	15,542	675
PAT Margin	19%	5%	25%	15%	16%
ROE (%)	47%	6%	8%	10%	23%
ROCE (%)	47%	7%	9%	13%	30%
EPS	6.61*	9.85	26.09	16.03	19.39
EV/EBITDA	14.9	56.2	51.5	39.2	14.6
PE ratio	19.4	97.8	71.4	61.9	40.7
RONW (%)	47%	6%	8%	10%	23%

*Based on Adj EPS

Source: IPO Prospectus, KRChoksey Research

Arkade Developers Limited

Financials:

Income Statement (INR Mn)				Cash Flow (INR Mn)			
	FY22	FY23	FY24		FY22	FY23	FY24
Revenue	2,289	2,202	6,347	CFFO	-1232	-987	1015
Operating Expenditure	1,745	1,599	4,673	CFFI	760	292	-122
EBITDA	544	603	1,674	CFFF	449	836	-829
EBITDA Margin %	24%	27%	26%	Net Increase/(Decrease) in Cash	-24	141	67
Other Income	82	39	10	Cash at beginning	49	25	166
Depreciation	1	3	11	Cash at end	25	166	233
Interest	43	13	31				
PBT	583	626	1,642				
Profit from Disposal of Subsidiary and Share of profit of associates	73	42	10				
Tax	147	160	423				
PAT	508	508	1,228				
PAT Margin (%)	22%	23%	19%				
Adjusted EPS	2.74	2.73	6.61				

Balance sheet (INR Mn)			
	FY22	FY23	FY24
Assets			
Non-Current Assets			
Property, plant and equipment	18	19	118
Other non-current assets	178	255	254
Current Assets			
Inventories	2,990	5,005	4,879
Trade receivables	53	37	81
Other current assets	461	237	418
Total Assets	3,700	5,554	5,750
Equity & Liabilities			
Equity share capital	20	20	1520
Other equity	1,475	1,983	1,714
Non Controlling Interest	-2	1	2
Total Equity	1,493	2,004	3,236
Non -Current liabilities			
Financial liabilities	12	788	290
Other non-current liabilities	9	11	27
Current liabilities			
Financial liabilities	709	840	453
Trade payables	137	235	383
Other current liabilities	1,339	1,677	1,360
Total Equity and Liabilities	3,700	5,554	5,750

Source: IPO Prospectus, KRChoksey Research

Arkade Developers Limited

ANALYST CERTIFICATION:

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