

Research Team

Issue Details

Issue Details	
Issue Size (Value in ₹ million, Upper Band)	6,350
Fresh Issue (No. of Shares in Lakhs)	103.51
Offer for Sale (No. of Shares in Lakhs)	13.86
Bid/Issue opens on	14-Nov-22
Bid/Issue closes on	16-Nov-22
Face Value	₹ 10
Price Band	514-541
Minimum Lot	27

Objects of the Issue

- **Fresh issue : ₹ 5600 million**
 - Full or Part repayment of certain borrowings
 - Fund acquisition of future real estate projects and General corporate purpose.
- **Offer for sale : ₹750 million**

Book Running Lead Managers
Axis Capital Limited
Credit Suisse Securities (India) Private Limited
Registrar to the Offer
Link Intime India Private Limited

Capital Structure (₹ million)	Aggregate Value
Authorized share capital	2353.00
Subscribed paid up capital (Pre-Offer)	1035.26
Paid up capital (Post - Offer)	1138.77

Share Holding Pattern %	Pre-Issue	Post Issue
Promoters & Promoter group	96.7	86.7
Public	3.3	13.3
Total	100.0	100.0

Financials

Particulars (₹ In million)	Q1 FY23	FY22	FY21	FY20
Revenue from operations	1686	12,694	8,487	12,115
Operating expenses	1,640	10,900	7,351	10,754
EBITDA	46	1,794	1,136	1,361
Other Income	74	336	475	571
Depreciation	8	35	15	23
EBIT	112	2,095	1,596	1,909
Interest	33	230	1,395	1,280
PBT	79	1,865	201	629
Tax	32	486	577	488
PAT	47	1,379	(376)	141
Share of profit/loss from associates	(4)	(21)	2,693	3
Restated profit and loss	43	1,358	2,317	144
Minority adjustments	(7)	(38)	(787)	(75)
Consolidated PAT	50	1,396	3,104	219
EPS	0.5	13.9	31.0	2.2
Ratios				
EBITDAM	2.7%	14.1%	13.4%	11.2%
PATM	2.9%	11.0%	36.6%	1.8%

Company Description

Keystone Realtors Limited are one of the prominent real estate developers (in terms of absorption in number of units) in the micro markets that they are present in. They command a market share of 28% in Khar, 23% market in Juhu, 11% in Bandra East, 14% in Virar, 3% in Thane and 5% in Bhandup in terms of absorption (in units) from 2017 to 2021. As of June 30, 2022, they had 32 Completed Projects, 12 Ongoing Projects and 21 Forthcoming Projects across the Mumbai Metropolitan Region ("MMR") that includes a comprehensive range of projects under the affordable, mid and mass, aspirational, premium and super premium categories, all under their Rustomjee brand. As of June 30, 2022, they have developed 20.22 million square feet of high-value and affordable residential buildings, premium gated estates, townships, corporate parks, retail spaces, schools, iconic landmarks and various other real estate projects. Since its inception in 1995, they have strived to create a brand focused on customer satisfaction, building communities and nurturing spaces that provide their customers a superior lifestyle. Company aspire to have their customers perceive the 'Rustomjee' brand as a trusted provider of quality offerings and services due to their track record of delivering multiple high-end award winning buildings, gated communities and townships. Their experience in the MMR market have helped them develop a firm understanding and acquire the requisite skill sets to create ideal spaces for communities to flourish.

As part of their business model, they focus on entering into joint development agreements, redevelopment agreements with landowners or developers or societies, and slum rehabilitation projects, which requires lower upfront capital investment compared to direct acquisition of land parcels. Their business model allows them to minimize the upfront capital expenditure compared to direct acquisition of land parcels, which ensures that their capital allocation is balanced and calibrated, allowing them to generate revenue with lower initial investments. With their experience, they have been able to institutionalize the development process, which includes managing the relationships with all stakeholders in the project.

They have adopted an integrated real estate development model, with capabilities and in-house resources to execute projects from its initiation to completion. They have developed in-house competencies for every stage of the property development life cycle, commencing from business development, which involves identification of land parcels and the conceptualization of the development, to execution, comprising planning, designing and overseeing the construction activities, marketing and sales. As of June 30, 2022, they had 1,542 channel partners who present the Rustomjee portfolio to their customers and drive customer's traffic to their projects. In addition to their in-house competencies, they also leverage the expertise of external 189 specialists to match their wide range of operations, such as architects, interior designers, landscaping experts, engineers and building services consultants for the development and management of their projects.

Valuation

Keystone Realtors Ltd is a well-established customer-centric brand in MMR with an asset-light and scalable model resulting in profitability and stable financial performance and among the leading residential real estate development companies in MMR with a well-diversified portfolio and robust pipeline coupled with demonstrated project execution capabilities with in-house functional expertise.

On the valuation front, Keystone Realtors is demanding a PE of 44.1x its TTM earnings attributable to post-issue EPS of Rs.12.3 at the upper price band with a market cap of ₹61,608 million and Mcap/Sales of 4.9x which we believe is reasonably priced as compared to its peers. We recommend a "Subscribe- Long term" rating for this IPO.

Rustomjee®

WE ARE IN THE BUSINESS OF NURTURING SPACES

26+	20+	14,000+
YEARS	MILLION SQ FT DEVELOPED	HOMES DEVELOPED
280+	2	34+
BUILDINGS	MEGA TOWNSHIPS	MILLION SQ FT IN THE PIPELINE

Rustomjee leverages technology in various aspects of their operations, including project planning and execution, and customer relationship management and marketing. For instance, they use 3-dimensional building information modelling ("BIM") software for model-based construction which visualizes projects in pre-construction and allows for better coordination among in-house teams, contractors and external consultants for greater productivity and cost efficiency. They extensively use virtual reality and digital experience for project walkthroughs to provide an immersive experience to their customers. They have implemented a cloud-based customer relationship management ("CRM") software that helps them with efficient customer life cycle management, obtaining a better understanding of customer needs so as to service the leads and convert leads into transactions. In addition, they have developed a channel partner portal that allows them to efficiently work with the channel partners provide access to relevant marketing collateral and assist them with generation of leads and customers.

The table below provides a break-up of their various residential categories in Fiscal 2020, 2021 and 2022 and in the three months period ended June 30, 2021 and June 30, 2022.

Category	Fiscal 2020		Fiscal 2021		Fiscal 2022		Three months period ended June 30,2021		Three months period ended June 30,2022	
	Total Revenue (in million) ₹	% of Revenue from Operations	Total Revenue (in million) ₹	% of Revenue from Operations	Total Revenue (in million) ₹	% of Revenue from Operations	Total Revenue (in million) ₹	% of Revenue from Operations	Total Revenue (in million) ₹	% of Revenue from Operations
Affordable	1,248.95	11.43%	438.59	5.75%	828.76	7.00%	43.23	7.10%	717.35	48.20%
Mid and Mass	4,633.98	42.43%	1,068.18	14.00%	-	-	-	-	-	-
Aspirational	-	-	49.6	0.65%	80.59	0.68%	-	-	-	-
Premium	2,228.49	20.40%	4,681.22	61.37%	7910.43	66.81%	225.16	36.98%	117.09	7.87%
Super Premium	2,811.25	25.74%	1,390.50	18.23%	3020.03	25.51%	340.42	55.92%	653.73	43.93%
Total	10,922.67	100.00%	7,628.09	100.00%	11,839.81	100.00%	608.81	100.00%	1,488.17	100.00%

Strengths:

➤ Well established customer-centric brand in the Mumbai Metropolitan Region

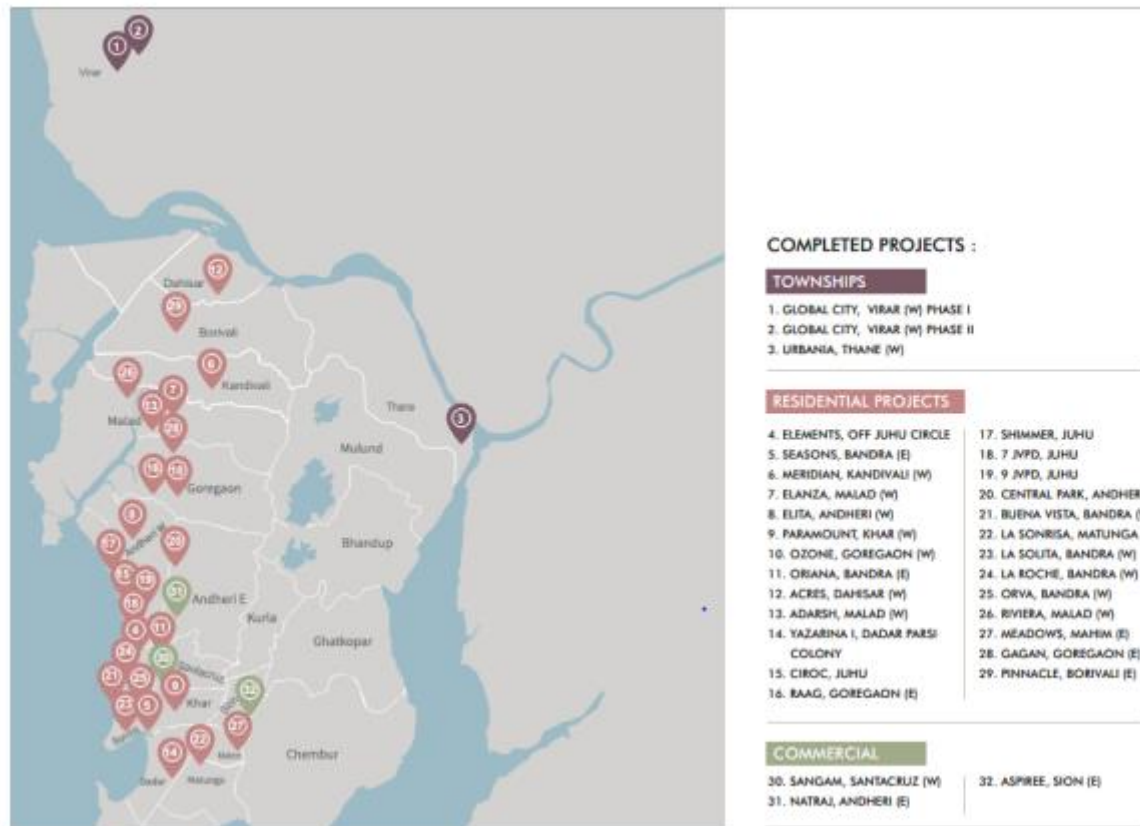
They are one of the prominent real estate developers (in terms of absorption in number of units) in the micro markets that they are present in, namely Juhu, Bandra East, Khar, Bhandup, Virar and Thane, and are able to garner premium pricing in the MMR micro-markets where their projects are located. As of June 30, 2022, they had 32 Completed Projects, 12 Ongoing Projects and 21 Forthcoming Projects across the MMR that includes a comprehensive range of projects under the affordable, mid and mass, aspirational, premium, and super premium categories, all under Rustomjee brand. Company believe that their presence in the MMR market for two and half decades, together with their construction quality, execution and delivery capabilities, has enabled them to establish the Rustomjee brand in the MMR. Company believe that the strength of their brand is attributable to their ability to understand customer preferences and inspire customer confidence. Their ability to identify and capitalize on emerging trends in real estate enabled them to establish their prominence in several micro-markets in the MMR.

The strength of their brand also is reflected in various awards and recognitions they have received recently, including the following:

- India's Top Noteworthy Projects (Residential) award by Construction World Architect and Builder 2022, for their project Rustomjee Elements;
- Top Builder (West Region) award by Construction World Architect and Builder 2022;
- Integrated Township Project of the Year award by ET Now Real Estate Awards 2019, for their project Rustomjee Urbania;
- Excellence in Real Estate award by the Economic Times Realty Convention, 2018;
- Affordable Housing Project of the Year award by Zee Business National Real Estate Leadership Congress & Award 2019, for their project Rustomjee Global City; and
- Iconic Super Luxury Project of the Year award by Times Real Estate Conclave 2021, for their project Rustomjee Element.

➤ **Amongst the leading residential real estate development companies in MMR with a well-diversified portfolio and strong pipeline**

Company have a diversified 192 suite of projects across a wide range of price points, and a presence in several micro markets. The following map shows the location of their Completed Projects as of June 30, 2022:



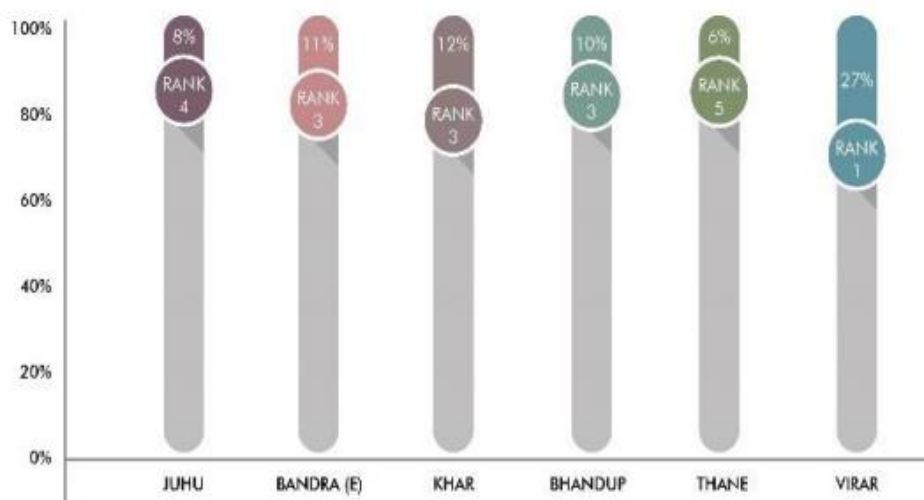
They have experience in developing lifestyle projects, high value standalone buildings, gated communities and fully integrated townships, re-developments and stalled projects. . Their diversified portfolio has allowed them to hedge their revenue pipelines and shield against business fluctuations across categories.

The table below shows certain information on their projects for the periods indicated.

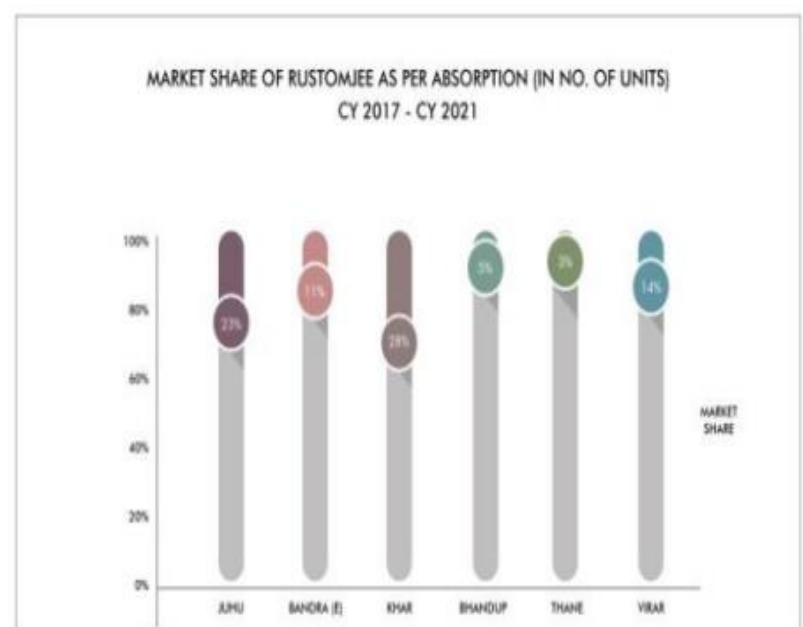
Particulars	Fiscal			Three months period ended June 30, 2021	Three months period ended June 30, 2022
	2020	2021	2022		
No. of Buildings Launched	-	7	12	2	2
No. of Completed Buildings	7	4	3	-	2
Pre-Sales (Units sold)	607	823	1,241	134	225
Pre-Sales Saleable Area (million sq. ft.2)	0.71	0.98	1.49	0.13	0.20

Company believe that the strength of their brand, superior construction quality, focus on customer satisfaction, and ability to develop landmark projects, enable them to command a premium pricing in the MMR micro-markets where their projects are located.

MARKET SHARE OF RUSTOMJEE AS PER SUPPLY (IN NO. OF UNITS)
CY 2017 - CY 2021



MARKET SHARE OF RUSTOMJEE AS PER ABSORPTION (IN NO. OF UNITS)
CY 2017 - CY 2021



Through the life of their projects, they generally observe an increase in the value of their projects which may be correlated to the customers' perception and appreciation for their projects. For instance, the prices of the following projects have increased significantly between the price at project commencement and the price at project completion.

Project	Average Starting Price (per sq. ft. on Saleable area)	Average Price at Project Completion (per sq. ft. on Saleable area)	Price Appreciation	Average Price throughout the Project (per sq. ft. on Saleable area)
Elements	18,593.6	31,983.74	1.72 times	29,511.91
Seasons	17,773.1	37,934.08	2.13 times	28,208.06
Paramount	17,535.2	36,129.08	2.06 times	28,153.19

In the past three fiscals, of the 19 new buildings launched by them, 47.22% units aggregating ₹ 13,555.08 million were sold within six months from the date of launch and 57.98% units aggregating ₹ 17,494.35 million were sold within the first year (sales considered until August 31, 2022 for eight new buildings which have not completed twelve months of launch).

Company also have a strong pipeline of Ongoing / Forthcoming Projects in MMR, the details of which are as follows: The tables below provide an overview of their Ongoing Projects and Forthcoming Projects in India, as of June 30, 2022:

Category	Ongoing (Residential)		Forthcoming (Residential)	
	Number of Projects	Saleable Area (million square feet)	Number of Projects	Saleable Area (million square feet)
Super Premium	2	2.34	2	0.45
Premium	-	-	2	0.19
Aspirational	3	0.43	4	0.95
Mid and Mass	4	2.37	6	9.65
Affordable	1	0.59	3	11.17
Total	10	5.73	17	22.41

➤ **Asset-light and scalable model resulting in profitability and stable financial performance**

As part of their business model, they focus on entering into joint development agreements and re-development agreements with landowners or developers or societies, which requires lower upfront capital expenditure compared to direct acquisition of land parcels. They identify land for development or re-development based on a detailed feasibility study for the relevant project, including factors such as location, price, purpose and design impediments. Since its inception, they have learned and honed the process of re-development and to balance the diverse needs of existing members in each project. With their experience, they have been able to institutionalize and streamline the process of re-development, which includes managing relationships with existing members and addressing their concerns, vacation of site, regulatory approvals, and harmonious integration of existing members and new sale customers. Similarly, their experience in partnerships has helped them hone and institutionalize the processes of collaborating with landowners under a joint development model.

The following sets forth the ratio of initial capital investment to sales value for some of their projects in the periods indicated.

Particulars	Season	Paramount	Elements
	(₹ million, except ratios)		
Investment considered till	Fiscal 2015	Fiscal 2015	Fiscal 2011
Initial Capital Investment	3,072.50	1,057.05	1,314.34
Cumulative Sales Value until June 30, 2022	21,238.20	14,120.78	19,547.62
% of Inventory Sold as of June 30, 2022	77.98%	94.70%	93.82%
Total Sales Value (Cumulative Sales Value as of June 30, 2022 extrapolated for if 100% of inventory was sold)	27,234.11	14,910.93	20,835.05
Initial Capital Investment as a percentage of Total Sales Value	11.28%	7.09%	6.31%
Operating Margin (%)	39.14%	39.86%	47.11%

➤ **Demonstrated project execution capabilities with in-house functional expertise**

Company have adopted an integrated real estate development model, with capabilities and in-house resources to execute projects from its initiation to completion. They have developed in-house competencies for every stage of the property development life cycle, commencing from business development, which involves identification of land parcels and the conceptualization of the development, land acquisition, approvals, to execution, comprising planning, designing and overseeing the construction activities, marketing and sales culminating in property delivery. Company rely on the domain knowledge, experience and functional expertise of their in-house experts to deliver quality projects in compliance with regulations.

The following briefly describes the various components of their in-house capabilities.

- Business Development
- Land Acquisition
- Regulatory Compliance
- Design and Architecture
- Execution
- Sales and Marketing
- Post-sales Services

In addition to their in-house competencies, they also leverage the expertise of external specialists to match their wide range of operations, such as architects, interior designers, landscaping experts, engineers and building services consultants for the development and management of their projects. Some of the notable external experts they have engaged in the past include the following:

- Engineering, procurement and construction activities – Larsen & Toubro Limited, Capacite Infraprojects Limited and Simplex infrastructures Limited
- Architects – Architect Hafeez Contractor, Sanjay Puri, James Law Cybertecture, Abhikalpan Architects and Planners
- Technical Consultants – JW Consultants LLP, Mahimtura Consultants Private Limited and Raje Structural Consultants, RSP Design Consultants Private Limited and Synergy Facade Consultancy
- Landscape architects – Site Concepts Private Limited and Landscape Collaboration Co. Ltd
- Design Consultants – Ministry of Design Pte Ltd and AWA Vision

➤ **Technology focused operations resulting in operational efficiency and enhancing customer experiences**

Company leverage technology as an enabler in various aspects of their operations, including project planning and execution, and customer relationship management. They focus on implementing digitization measures to reduce delivery timelines, provide real-time financial accounting, increase their efficiency in vendor management and reduce wastage and reworks. Company uses 3-dimensional BIM software for model-based construction to maximize productivity and cost estimation across all their projects. BIM visualizes projects in pre-construction and allows for better coordination among their in-house teams, contractors and external consultants because of clash detection abilities, where one can detect design flaws earlier and improve the scheduling of construction material. The virtual model addresses several parameters associated with time, cost and critical paths while also accounting for contingencies and reasonable wastages, resulting in more predictability in project execution and better planning and monitoring from site heads which ensures a reduction of wastage and higher efficiency of manpower usage. 199 They have also implemented SAP enterprise resource management (“ERP”) to assist with data management, analysis and forecasting resulting in performance efficiency. Combined implementation of ERP and BIM systems allow vendors and contractors to receive real time status updates of their order, including an automated and digitized invoice settlement process that details the status monitoring system which tracks balance receivables, material delivery and work done. With an automated and transparent system built-into their execution flow, there is reduced margin for error pertaining to mismatch of delivery of materials at site, or more claimed work than actual work done from vendors or contractors.

➤ **Strong focus on sustainable development**

Company believe that their projects focus on luxury while being environmentally sustainable. They assess the environmental impact of their projects, and have adopted a comprehensive approach to sustainable development from an early design phase through the construction period. Their in-house architecture and design team works closely with their construction and execution team to create a comfortable living space for its inhabitants. Their smart designs are also aimed to be energy efficient.

Certain examples of urban planning and sustainability in gated communities are as follows:

URBANIA- Rustomjee Urbania is a 116.67 acres (residential) township project. For their latest launch, La Familia, they tied up with Singapore-based landscape architects who specialize in landscape for multi-story buildings, to create the landscape for the structure in multiple plains where each section has its own type of plants and shrubs selected for specific purposes. The building has a green sky deck and amenities such as trees, lighting, and materials were designed to introduce sufficient sunlight and air flow into living spaces and to ensure comfortable and safe usage of sky lounges for the residents.



Rustomjee Elements- The podium of Rustomjee Elements is spread across 57,840 square feet and is designed by Site Concepts International along with their in-house architects and horticulturists. The outdoor space boasts 190 full green trees and other vegetation specifically chosen to enhance the microclimate and biodiversity of the podium, bearing in mind the natural light, wind, and air circulation as well as the function of the species



Rustomjee Seasons- Company collaborated with a landscape consultant from Bangalore to deliver a natural forest in an urban setting, known as the Miyawaki forest. They aimed to create a self-sustaining biodiverse living space where the ground covers, shrubs and herbs thrive without constant maintenance.

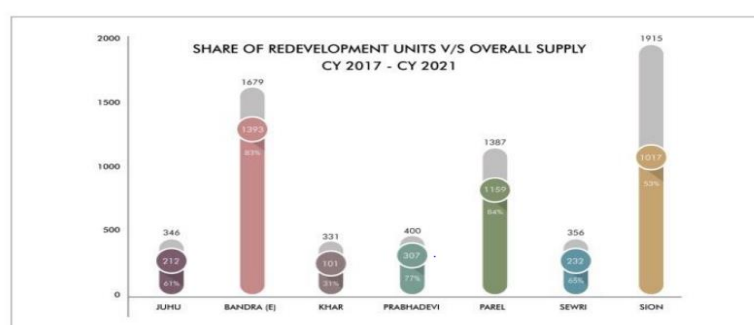


Key Strategies:

- **Leverage the ‘Rustomjee’ brand to grow their asset-light operations**

Company believe that their asset-light business model, robust stakeholder management, customer-centric brand name, technology stack, trusted vendors and experienced management are pivotal to their overall strategy to grow their operations in MMR. Maintaining an asset light business model. They intend to leverage their strength and experience in redevelopment, focus on such opportunities in Mumbai’s city center locations and major suburbs, and continue to expand their business by following a disciplined approach with an asset-light model. Mumbai, especially in specific pockets of the island city and suburbs, has witnessed limited supply of sizeable land for any Greenfield development which offers host of redevelopment opportunities to private developers in these pockets of the city. Their business model ensures that their initial investment is significantly lower than the revenue 201 potential vis-à-vis buying the land outright to execute a project. They intend to limit the capital deployment and reduce the time from acquisition to launch for swifter monetization of land parcels and re-development projects following their attainment. They believe that there are a sizeable number of old and dilapidated housing societies that create opportunities for society re-development.

The following graph depicts the share of redevelopment supply in the respective micro markets as compared to the overall supply in 2017 to 2021



➤ **Improve operational efficiency with technological innovation, trusted vendors and stakeholder management**

Having nurtured the brand through sustained delivery, quality of construction and scaling up of operations, company intend to continue to enhance their capability to deliver more projects, reduce development time and cost, and achieve economies of scale. They intend to implement additional technology initiatives across all aspects of their operations to improve efficiency in project execution, reduce project development time and cost, and increase sales. They will continue to focus on developing mechanized and technological construction capabilities to increase the efficiency and quality of their projects. They intend to monitor their projects using software and online tools, which they believe will enable them to reduce project timelines, ensure quality, reduce maintenance expenses and allocate resources in a timely manner. They also propose to undertake data analytics to identify trends and evaluate customer preferences and demand for particular types of projects and amenities within such projects. They also intend to improve customer satisfaction and service by continuing to invest in innovation to identify trends and evaluate customer preferences and demand for particular types of housing, which they believe will enable them to better address customer requirements and improve customer acquisition patterns. They intend to boost their sales through digital channels, such as by upgrading their website, to ensure improved customer experience which they believe will result in greater sales and increased referrals.

➤ **Leverage their leadership position in the premium category to grow their presence in the mid and aspirational category**

Through consistent demonstration of building upscale projects, company plans on leveraging their brand equity generated from their 'Rustomjee' brand, customer centricity and high-end product design, along with their quality execution, to maintain their market position in the markets they are present in and focus on re-development projects for the premium category.

They have undertaken several re-development projects in the premium and super premium categories such as:

- **Ashiana-** Their upcoming project, Rustomjee Ashiana, will be situated on a corner plot in the prime location of Juhu, and conceptualized to capture the peaceful yet modern living experience that a customer in the area aspires for.
- **Parishram-** Rustomjee Parishram is set at the end of a discreet, tree-lined lane in Pali Hill in Bandra West, designed to have a maximum of only three residences per floor, offering sweeping views of the city, the green expanse of Pali hill and the horizon of the Arabian Sea.

Products with a ticket size under ₹ 70 million has a market share in terms of supply (in units) of 62%, 80%, 92%, and 100%, in South Central Mumbai, Western Suburbs, Eastern Suburbs, and Thane in 2017 to 2021, suggesting that there is a predominance of these categories in these micro-markets in terms of supply. In Fiscal 2020, 2021 and 2022, and in the three months period ended June 30, 2021 and June 30, 2022, only 54.25%, 48.82%, 47.63%, 71.33% and 88.54%, respectively, of their Pre-Sales were generated from this category. In addition to their continued focus on the premium category, they also plan to acquire projects in the mid and mass, and aspirational category with a ticket size ranging from ₹ 10 million to ₹ 30 million, and from ₹ 30 million to ₹ 70 million, respectively, which is presently underrepresented in their product portfolio. This would help them to increase their overall market presence across the categories thus increasing their sales volumes.

➤ **Increased focus on key growth areas in the proximity of upcoming infrastructure projects and relaxation of Coastal Regulation Zone norms**

Several infrastructure projects are underway in Greater Mumbai and MMR so as to achieve long-term sustainability and increase the carrying capacity of the city's transportation networks and thus improve traffic and transportation capacity and quality. They plan to focus on micro-markets across MMR with proximity to these upcoming infrastructure. For instance, the Navi Mumbai International Airport (with construction already in process for Phase I) and the Mumbai Trans Harbour Link, a construction of an 8-lane bridge which will enhance connectivity from Churchgate to Navi Mumbai and Konkan region (expected to complete in December 2022) has resulted in increased demand for property in Navi Mumbai. Other ongoing projects include the Mumbai Coastal Road which is an under construction 8-lane, 29.2-km long freeway that would run along Mumbai's western coastline connecting Marine Lines in the south to Kandivali in the north, and the construction of an underground metro network, expected to complete in 2025, which has led to many new real estate projects commencing in the localities where the metro will provide connectivity. Company plans to explore the opportunities in these specific micro-markets that arise with the developing transportation infrastructure and increased connectivity. They have been and will continue to also evaluate cost-efficient and asset light opportunities in other fast growing markets.

➤ **Focus on sustainability**

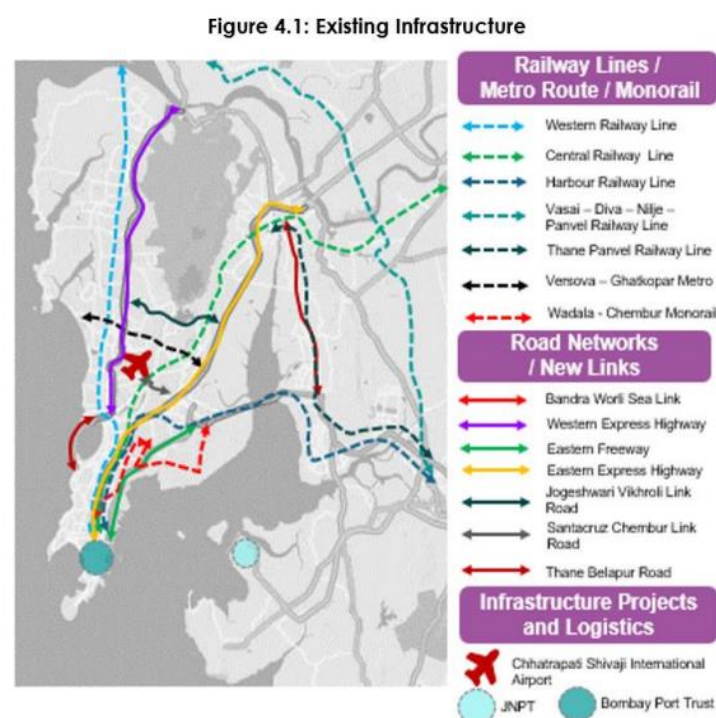
They assess the environmental impact of their projects, and have adopted a comprehensive approach to sustainable development from an early design phase through the construction period. In recognition for their focus on the environment and sustainability, their entire Rustomjee Urbania township project is certified by the Indian Green Building Council, and their Natraj by Rustomjee commercial project is LEED certified. Company also endeavor to incorporate environmental-friendly elements as part of their future development projects. For instance, during the construction phase, they intend to rely on solar photovoltaic panels to generate the electricity from the solar energy to support the project construction, and implement more energy-saving dimmable motion-sensing lights to reduce the energy expended for illumination. They also hope to rely on grid solar photovoltaic panels and solar heaters for common lighting areas and water heaters, respectively, as well as segregate wet and dry waste and install organic waste converters for wet waste treatment and enhance the sewage treatment technology and harvest rainwater to produce more treated water for irrigation of landscape and flushing purpose.

Industry Snapshot:**MUMBAI METROPOLITAN REGION (MMR) RESIDENTIAL OVERVIEW**

Mumbai is the commercial and financial capital of India and houses the two stock exchanges, which account for most of the securities trading in the country. With the busiest single-runway airport in India and two large seaports, Mumbai accounts for over half of India's foreign trade, generates 6% of India's GDP and one-third of the country's tax revenues. Home to a flourishing media and film industry, the city also serves as the entertainment capital of the country. Its economic base is well diversified with the Banking and Financial Services Industry (BFSI), engineering, services, and IT/ITeS sectors, logistic companies have their presence. MMR has been housing the headquarters of a number of financial institutions like BSE, RBI, NSE and LIC. Further, India's leading conglomerates such as Tata, Birla, Godrej and Reliance are also based in Mumbai. Mumbai is one of the biggest real estate markets in India. It has various micro-markets along with Mumbai City, suburbs, extended suburbs and neighboring areas such as Thane and Navi Mumbai. With the recent infrastructure projects completing such as Mono and Metro (Line 1), Mumbai witnessed significant physical infrastructure improvements. Upcoming projects like Coastal Road, metro lines in various locations across MMR etc. in the medium term will improve the connectivity further.

Residential Micro-Markets – 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).

**OVERVIEW OF REDEVELOPMENT PROJECTS****Need of Redevelopment**

Mumbai, especially in specific pockets of the island city and suburbs, has witnessed limited supply of sizeable land for any green-field development which offers host of redevelopment opportunities to private developers in these pockets of the city. Any new development in these locations is significantly driven by redevelopment projects. The state government has taken various initiatives in order to unlock land parcels through redevelopment of old residential properties, industrial establishments, land owned by conglomerates, slums, etc. Keystone Realtors is aiming to capture a sizeable chunk of the redevelopment market along with township projects in the MMR region. Some of the major agencies driving redevelopment projects in Mumbai comprises the following:

- **Slum Rehabilitation Authority (SRA)**- Slum rehabilitation projects help to unlock the potential of the land parcels providing the slum dwellers a better hygienic way of living. It also provides improved lifestyles to the eligible slum dwellers by providing quality housing units along with support amenities. In order to cross-subsidize the developer, incentive FSI is provided for free sale.
- **Maharashtra Housing And Area Development Authority (MHADA)** - MHADA is a government body, which is responsible for the construction of residential houses under different housing schemes for various societal segments. MHADA provide different lottery scheme under which low-cost housing units are granted in specified areas each year to people belonging to EWS (Economically Weaker Section), LIG (Low Income Groups), MIG (Middle Income Groups), and HIG (High Income Groups).
- **Redevelopment Of Cessed Buildings** - The buildings are owned by private landlords and are regulated by the Bombay Rent Control Act. These buildings pay cess or tax as a repair fund. Most of the buildings falling under the act are located within South & Central Mumbai.
- **Redevelopment Of Dilapidated/Unsafe Building** - To improve the habitation of people living in dilapidated conditions, the state government provides incentive FSI to developers for redevelopment of such properties.

Comparison with listed peers

Particulars	Keystone Realtors limited	Macrotech Developers Limited	Godrej Properties Limited	Oberoi Realty Limited	Sunteck Realty Limited
(₹ million, unless otherwise indicated)					
Revenue from operations	12,693.68	92,332.00	18,248.80	26,939.70	5,130.76
Profit after Tax for the Period / Year	1,358.26	12,085.10	3,505.50	10,470.98	250.83
Profit After Tax Margin for the Period / Year (%)	10.7	13.09	19.21	38.87	4.89
Gross Margin	2,806.46	31,705.90	6,310.10	13,443.30	2,557.77
Gross Margin (%)	22.11	34.34	34.58	49.9	49.85
Adjusted EBITDA	2,107.43	24,716.50	7,052.40	14,793.89	1,174.42
Adjusted EBITDA Margin (%)	16.6	26.77	38.65	54.91	22.89
Debt / Equity Ratio	1.62	0.95	0.6	0.27	0.28
Net Debt / Equity Ratio	1.38	0.85	0.45	0.25	0.25
Net Cash inflow/(outflow) from Operating Activities	(1,095.51)	19,983.40	(4,516.80)	10,687.27	(309.31)
Working Capital to Revenue from Operations	0.45	1.16	3.88	2.25	5.35
Price to Revenue from Operations	NA	4.94	19.18	12.5	11.26
Interest coverage ratio	2.25	1.86	2.1	7.98	1.42
Cash EPS	(10.95)	4.15	(16.25)	29.39	(2.2)

Key Risk:

- Company's business and profitability is significantly dependent on the performance of the real estate market generally in India and particularly in the Mumbai Metropolitan Region ("MMR"). Varying market conditions in the MMR may affect their ability to ensure sale of their projects and the pricing of units in such projects, which may adversely affect their results of operations and financial condition.
- An inability to complete their Ongoing Projects and Forthcoming Projects by their respective expected completion dates or at all could have a material adverse effect on their business, results of operations and financial condition.
- Statutory Auditors have highlighted a material uncertainty with respect to the ability of their Joint Controlled Operations entities, Fortune Partners and Lok Fortune Joint Venture to continue on a going concern basis.
- Shortage of land for development in the MMR or a significant increase in cost of such land or transferable development rights available for development in the MMR may adversely impact their business prospects and financial performance
- Certain unsecured loans have been availed by them which may be recalled by lenders.
- Statutory Auditors have included emphasis of matters in their audit reports on their audited consolidated financial statements and audited special purpose consolidated financial statements and reference to material uncertainty related to going concern for certain of their entities with whom they have jointly controlled operations in their audit report(s) for the year ended March 31, 2021 as well as their examination report on their Restated Consolidated Financial Information.
- Certain errors in their historical audited consolidated financial statements have been reflected as restatement adjustments in their Restated Consolidated Financial Information.
- They have entered into joint development agreements, joint venture arrangements and redevelopment agreements with third parties to acquire land, development rights or redevelopment rights which may entail title disputes and impose liabilities and obligations on them. Further, such joint development agreements only transfers development rights to them.
- Their funding requirements and proposed deployment of the Net Proceeds are based on management estimates and may be subject to change based on various factors, some of which are beyond their control. While their Company will receive proceeds from the Fresh Issue, it will not receive any proceeds from the Offer for Sale.

Valuation:

Keystone Realtors Ltd is a well-established customer-centric brand in MMR with an asset-light and scalable model resulting in profitability and stable financial performance and among the leading residential real estate development companies in MMR with a well-diversified portfolio and robust pipeline coupled with demonstrated project execution capabilities with in-house functional expertise.

Name of the company	Total Income (₹ in million)	Face Value (₹)	P/E	Earnings per share (Basic) (₹)	Earnings per share (Diluted) (₹)	RoNW (%)	Net asset value per equity share (₹)
Keystone Realtors limited	13,029.69	10	44.1*	12.3**	12.3**	14.97	93.24
Peers							
Macrotech Developers Limited	95,791.70	10	36.06	26.28	26.25	10.3	255.11
Godrej Properties Limited	25,856.90	5	99.31	12.68	12.67	4.06	312.09
Oberoi Realty Limited	27,524.21	10	32.16	28.8	28.8	10.05	286.47
Sunteck Realty Limited	5,340.23	1	220.34	1.79	1.79	0.9	198.77

Note: 1) P/E Ratio has been computed based on the closing market price of equity shares on NSE on November 4, 2022

2) */** P/E and EPS of Keystone Realtors limited is calculated on basis of TTM and post issue no. of equity shares.

On the valuation front, Keystone Realtors is demanding a PE of 44.1x its TTM earnings attributable to post-issue EPS of Rs.12.3 at the upper price band with a market cap of ₹61,608 million and Mcap/Sales of 4.9x which we believe is reasonably priced as compared to its peers. We recommend a “Subscribe-Long term” rating for this IPO.

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Ratings Guide (12 months)	Buy	Hold	Sell
Large Caps (>₹300Bn.)	15%	5%-10%	Below 5%
Mid/Small Caps (<₹300 Bn.)	20%	10%-15%	Below 10%

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