

Keystone Realtors

Real Estate | India

IPO | 12 November 2022



The Key Stone of Real Estate Development in Mumbai

About the Company

Keystone Realtors (Keystone) is one of the major real estate developers in India. As of Jun'22, it has developed over 280 buildings and homes for over 14,000 families. The company carries out property development under the brand name 'Rustomjee'. The company is coming out with an IPO comprising fresh issue of ~10.4mn shares and OFS of ~1.4mn shares, aggregating a total of Rs6.35bn. The company will utilise the funds for repayments of certain borrowings and acquisition of real estate projects.

Diversified Real-Estate Projects

As of Jun'22, it has completed 32 projects, while there are 12 ongoing projects and 21 forthcoming projects across the Mumbai Metropolitan Region (MMR) which includes a diverse array of projects encompassing the affordable, mid and mass, aspirational, premium and super premium categories, under the 'Rustomjee' brand. Moreover, as of Jun'22, Keystone developed 20.22mn sqft. of high-value and affordable residential buildings, premium gated estates, townships, corporate parks, retail spaces, schools etc.

Market Share across Regions

Keystone is one of the prominent real estate developers in terms of absorption in the number of units in the micro markets it operates. The company dominates with a market share of 28% in Khar, 23% in Juhu, 11% in Bandra East, 14% in Virar, 3% in Thane, and 5% in Bhandup during 2017-21. The company has leveraged its expertise in the MMR market to develop an understanding and to acquire the requisite skill sets to create ideal spaces for communities to flourish. As of Jun'22, Keystone has 1,542 channel partners who present the Rustomjee portfolio to their customers and drive customer traffic to its projects.

Business Model

As part of the business model, the company is entering into joint development agreements, re-development agreements with landowners or developers or societies, and slum rehabilitation projects, which requires lower upfront capital investment compared to direct acquisition of land parcel. Keystone has adopted an integrated real estate development model for every stage of the property development life cycle including business development, execution, marketing and sales. It has ongoing projects for 9.26mn sqft. and 26.37mn sqft. of forthcoming projects.

Financials in Brief

During FY20-22, its revenue and EBITDA clocked CAGR of 2% and 15% respectively, while EBITDA margin expanded from 11.2% in FY20 to 14.1% in FY22. During FY20-22, the company clocked strong 208% CAGR in reported PAT at Rs Rs1.35bn in FY22, led by lower interest cost, while it has declined from high of Rs2.3bn (Rs2.8bn of EOI) in FY21. For 1QFY23, it reported revenue of Rs1.7bn, EBITDA margin of 2.2% and PAT of Rs42mn. The company's ROE has expanded from 5.2% in FY20 to 14.1% in FY22. The company has reduced its Net Debt/Equity ratio from 9x in FY20 to 1.6x in FY22.

Our View

Based on FY22 earnings, the company is valued at 45.4x P/E, 41.7x EV/EBITDA and 5.9x EV/Sales. Keystone is a prominent player in the real estate space. While the company had been inconsistent with its top and bottom lines for the past few years, we believe that the uptick in the real estate sector and softening of inflationary pressure augured well for Keystone. **In the view leading position in Mumbai Real estate market, strong pipeline of ~35mn sq. ft. of saleable area, strong track record with decent financials, and attractive valuation, we recommend 'SUBSCRIBE' to the issue.**

IPO Details

Price Band (Rs)	Rs514-541
Face Value (Rs)	10
Issue Open/Closing Date	14-Nov-22/16-Nov-22
Fresh Issues (mn)	10.4
OFS (mn)	1.4
Total Issue (mn)	11.7
Minimum Bid Qty. (Nos)	27
Issue Size (Rs bn)*	6.35
QIB / HNI / Retail	50%/15%/35%
Implied Market Cap (Rs bn)*	61.6

*At a higher band

Object of the Issue

- ▶ Repayment of borrowings.
- ▶ Acquisition of real estate projects

Key Risk

- ▶ Inability to complete ongoing and forthcoming projects by expected completion dates.
- ▶ Shortage, delay or disruption in supply of construction materials.
- ▶ Shortage of land for development in the MMR or a significant increase in cost of such land.
- ▶ Certain outstanding litigation proceedings
- ▶ Dependent on the availability of real estate financing.

Shareholding (%)	Pre-Issue	Post-Issue
Promoters	96.7	87.9
Others	3.3	12.1

Key Financials

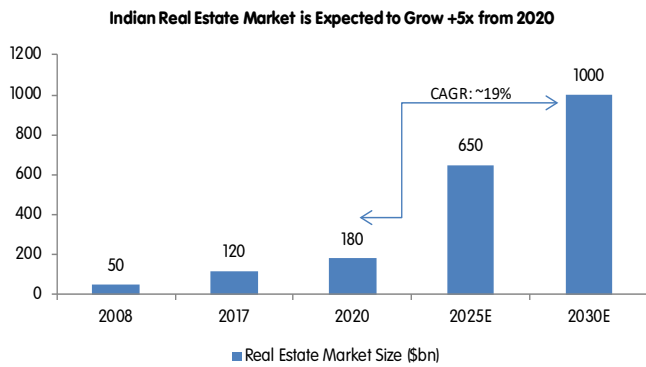
(Rs mn)	FY20	FY21	FY22
Revenue	12,115	8,487	12,694
EBITDA	1,360	1,137	1,793
EBITDA Margin (%)	11.2	13.4	14.1
PAT	145	2,318	1,358
PAT Margin (%)	1.2	27.3	10.7
EPS (Rs)	1.3	20.4	11.9
P/E (x)	425.1	26.6	45.4
EV/EBITDA (x)	60.9	62.5	41.7
EV/Sales (x)	6.8	8.4	5.9
Net Worth	2,801	8,238	9,631
RoE (%)	5.2	28.1	14.1
Gross Debt	25,139	12,203	15,580
Net Block	56	33	33
Net Asset Turnover (x)	218.1	253.7	380.7

Source: RHP

Research Analyst:
Arafat Saiyed

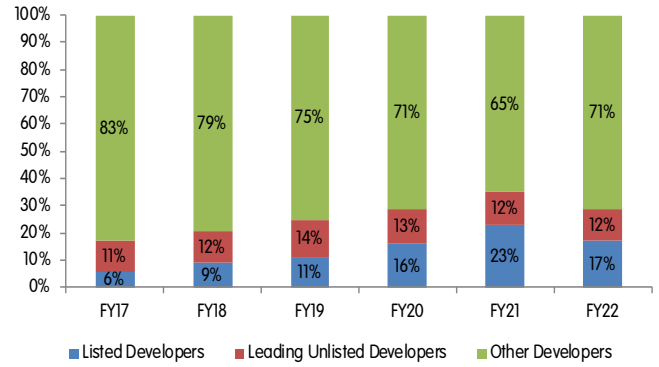
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Exhibit 1: Real Estate Market Size (\$bn)



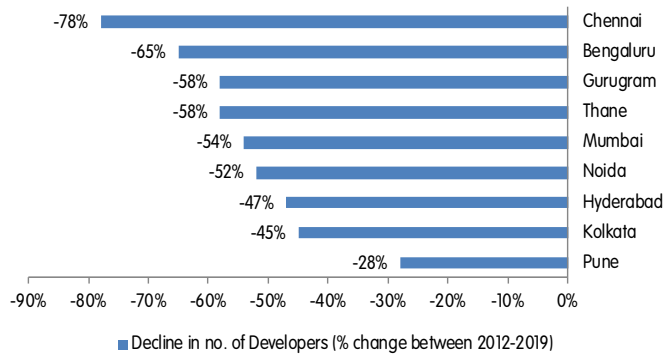
Source: RHP, Anarock Report

Exhibit 2: Increasing Preference Towards Branded Developers



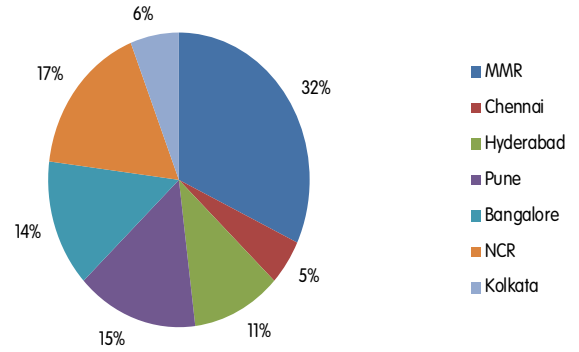
Source: RHP, Anarock Report

Exhibit 3: Consolidation of Developers Fueled by Regulatory Changes & Liquidity Concerns



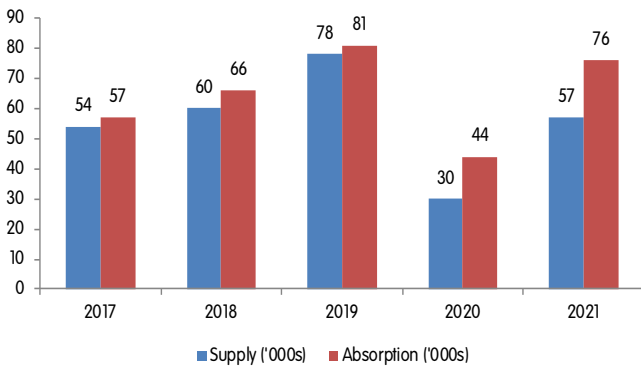
Source: RHP, Anarock Report

Exhibit 4: MMR has the Highest Market Share in the Indian Real Estate Markets (Absorption 2021)



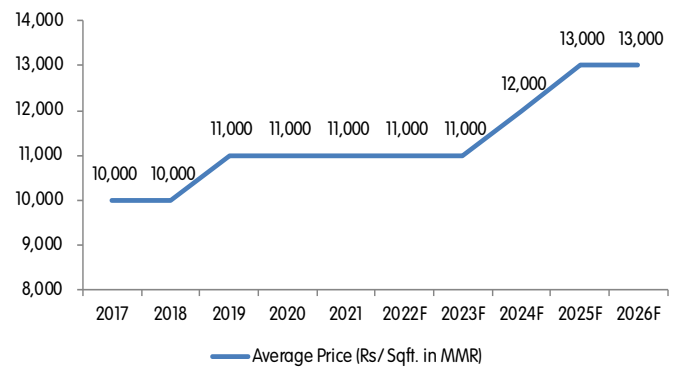
Source: RHP, Anarock Report

Exhibit 5: The Absorption has been Higher as Compared to the Supply in MMR



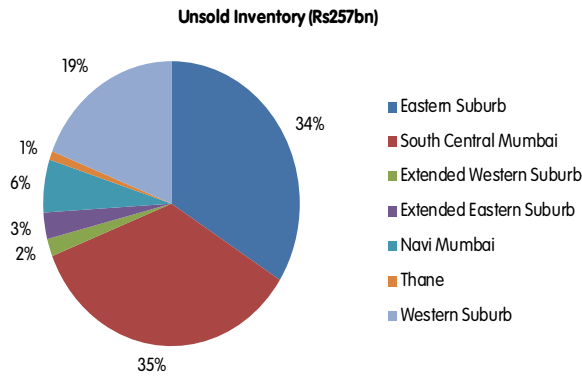
Source: RHP, Anarock Report

Exhibit 6: Rs/Sqft. on Saleable Area in MMR



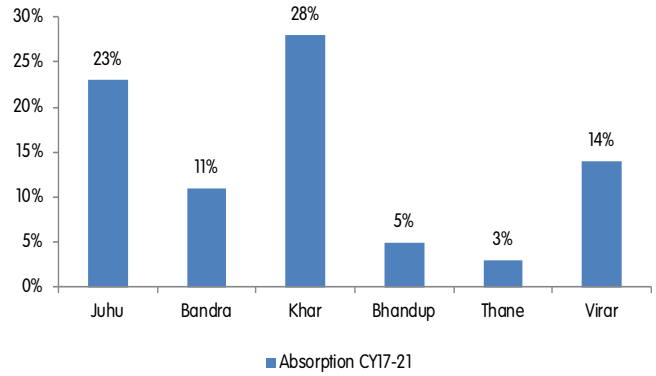
Source: RHP, Anarock Report

Exhibit 7: Unsold Inventory from Stalled Projects in MMR



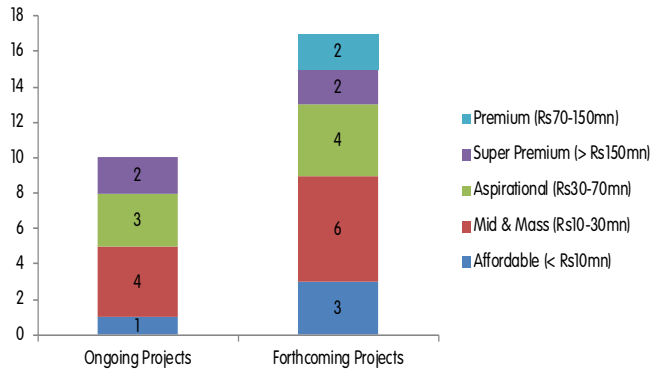
Source: RHP, Anarock Report

Exhibit 8: Market Leader in Key Micro-Markets



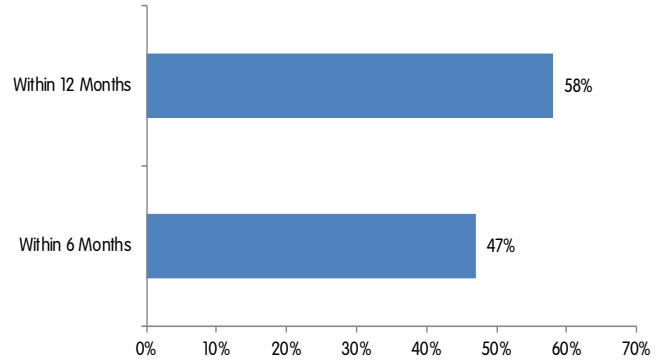
Source: RHP, Anarock Report

Exhibit 9: Ongoing Projects and Forthcoming Residential Projects in the MMR region, as of Jun '22



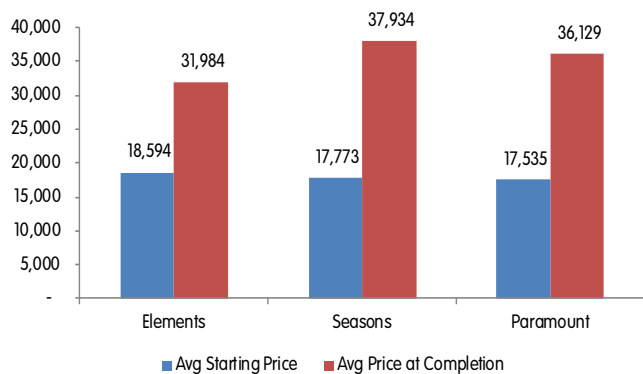
Source: RHP, Anarock Report

Exhibit 10: Rapid Uptake by Consumers Post Launch in Past 3 Fiscals (19 buildings)



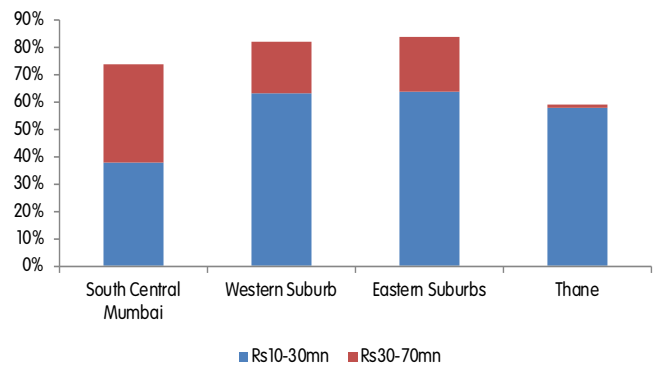
Source: RHP, Anarock Report

Exhibit 11: Rise in Value Driven by Strong Perception and Appreciation for Projects (Rs/Sqft.)



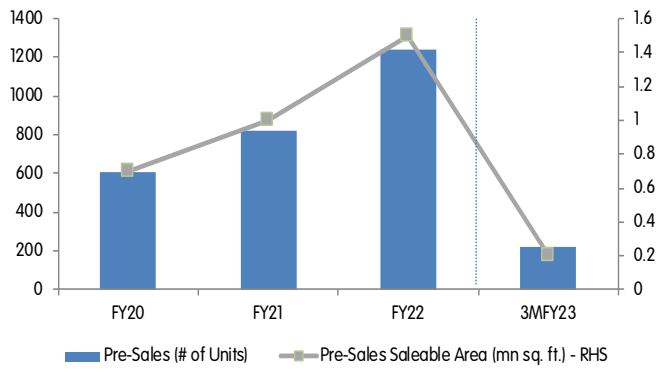
Source: RHP, Anarock Report

Exhibit 12: Predominance of Mid & Mass and Aspirational Categories in Micro-Markets with Respect to Absorption (CY17-21)



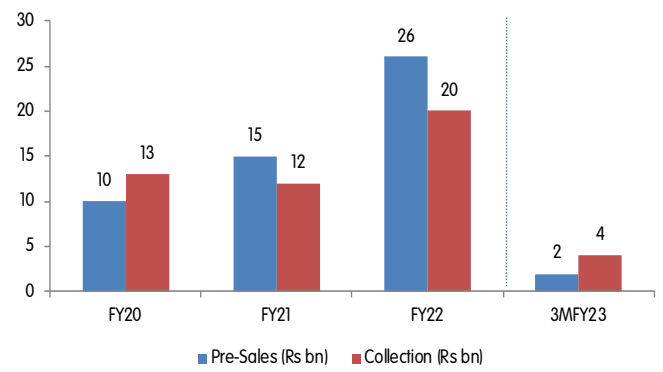
Source: RHP, Anarock Report

Exhibit 13: Pre-Sales & Pre-Sales Saleable Area



Source: RHP

Exhibit 14: Pre-Sales & Collection



Source: RHP

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