

Company Overview

Suraj Estate Developers has been involved in the real estate business since 1986 and develops real estate across the residential and commercial sectors in the South-Central Mumbai region. They have a residential portfolio in the markets of Mahim, Dadar, Prabhadevi and Parel, sub-markets of the South-Central Mumbai micro-market where the company has established its presence. They are focused primarily on value luxury, luxury segments and commercial segments. The company is now venturing into residential real estate development in the Bandra sub-market. Their focus area of operation is the South-Central region in Mumbai, mainly consisting of Mahim, Matunga, Dadar, Prabhadevi and Parel, as their expertise lies in the redevelopment of tenanted properties under Regulation 33(7) of the Development Control and Promotion Regulations (DCPR) in the Mumbai region. Since most of the land parcels in the South-Central Mumbai market are like redevelopment projects, the company's core competence lies in tenant settlement, which is a key element for unlocking value on such land parcels. The company does not provide any construction services on its own and is 100% dependent on third-party contractors for the construction services of its projects. Since incorporation, they have completed 42 projects with a developed area of more than 1,046,543 sq. ft. in the South-Central Mumbai region. In addition to the completed projects, they have 13 ongoing projects with a developable area of 2,034,434 sq. ft. and saleable carpet area of 609,928 sq. ft. and 16 upcoming projects with an estimated carpet area of 744,149 sq. ft.

Objects of the issue

The net proceeds from the fresh issue will be used towards the following purposes:

- ⇒ Repayment/Prepayment of the aggregate outstanding borrowings of the company and their subsidiaries, Accord Estates Pvt. Ltd., Iconic Property Developers Pvt. Ltd. and Skyline Realty Pvt. Ltd.;
- ⇒ Acquisition of land or land development rights;
- ⇒ General corporate purposes.

Investment Rationale

Strong brand recognition along with a longstanding presence in the residential real estate market of South-Central Mumbai region

Suraj Estate Developers is one of the market leaders in combined South-Central Mumbai sub-markets and has deep knowledge of the market regulatory environment. Their longstanding presence in value luxury and luxury segment has helped them to identify opportunities in this market. Their longstanding presence in South Central Mumbai has resulted in a better understanding of emerging trends, customer preferences and significant brand recall. Their in-house redevelopment expertise and the successful delivery of 42 completed projects have helped them build customer trust over the last 36 years. The company believes that its brand reputation enables it to sell throughout the construction phase of projects and aims to sell over 80% of the saleable area of the project during the construction phase. The company also leverages brand value and focuses on selling a sizeable percentage of units within the first year from the launch of a project and prior to the receipt of the occupation certificate, which led to generating operating cash flows during the construction phase. Such sales help reduce the need for construction finance and enable them to achieve optimal returns on projects.

Diversified portfolio of product offerings across various price points

The company has a diversified portfolio of residential developments spread across price points, unit sizes and micro-markets in South-Central Mumbai, catering to various economic and demographic segments, from value luxury to luxury residences. Their ability to cater to customers' needs across income brackets through a range of differentiated product offerings, supported by their technical and execution capabilities, has enabled them to grow their business successfully. They have developed a diversified portfolio of projects, including redevelopment and open plot projects, in the value luxury segment and luxury segment from 1 BHK flats to 4 BHK flats. The diversity in their portfolio of projects, created by their range of offerings and prices, helps them cater to different market segments and diversify their risk of dependence on a particular segment.

Issue Details

Offer Period	18 th Dec, 2023 - 20 th Dec, 2023
Price Band	Rs. 340 to Rs. 360
Bid Lot	41
Listing	BSE & NSE
Issue Size (no. of shares in mn)	11.1
Issue Size (Rs. in bn)	4.0
Face Value (Rs.)	5

Issue Structure

QIB	50%
NIB	15%
Retail	35%

BRLM	ITI Capital, Anand Rathi Advisors
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Registrar	Link Intime India Pvt. Ltd.
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Particulars	Pre Issue %	Post Issue %
Promoter & Promoter Group	100.00%	74.95%
Public	0.00%	25.05%
Total	100.00	100.00

(Assuming issue subscribed at higher band)

Research Team - 022-61596138



Suraj Estate Developers Ltd.

Valuation

Suraj Estate Developers are among the prominent residential real estate developers, focused primarily on constructing and developing residential and commercial projects in and around the South-Central Mumbai market. Since most of the land parcels in the South-Central Mumbai market are re-development projects, the company's core competence lies in tenant settlement, which is a key element for unlocking value on such land parcels. Further, SEDL has completed four projects in the preceding three financial years. The company has completed 42 projects in the last 37 years, delivering on average 3 to 4 projects in 3 years. The company has a longstanding presence of over 36 years in the Mumbai real estate market. Their customer-centric business model addresses customer requirements in various locations, ticket sizes and configurations. The company also has a track record of sustained consolidated revenue from operation, growing at a CAGR of 12.9% during FY2021-23 period. Overall, the company's ability to deliver differentiated product offerings through its deep understanding of the real estate market coupled with design and execution capabilities, strong brand presence, and extensive marketing initiatives has helped it to grow its business successfully. Their strong presence in the South-Central Mumbai region has generated significant brand recall in sub-markets and substantial sales referrals from existing customers. **We, therefore, recommend a SUBSCRIBE rating for the issue.**

Key Risks

- ⇒ The company's business is subject to seasonality and may experience difficulties expanding into additional geographical markets, including the MMR region, which may contribute to fluctuations in operations and financial condition.
- ⇒ The company inability to complete ongoing projects and upcoming projects by their respective expected completion dates or at all could have a material adverse effect on business, results of operations and financial condition.
- ⇒ As of October 31, 2023, the company had 216 unsold units in ongoing projects. If they can't sell project inventories on time, it may affect business, results of operations and financial condition.



Suraj Estate Developers Ltd.

Income Statement (Rs. in millions)

Particulars	FY21	FY22	FY23	H1FY24
Revenue				
Revenue from Operations	2,400	2,727	3,057	1024
Total Revenue	2,400	2,727	3,057	1024
Expenses				
Cost of raw materials consumed	1,642	1,807	1,660	280
Purchases of Stock-in-Trade	-223	-557	-313	182
Changes in inventory	0	0	0	0
Employee benefit expenses	76	97	116	33
Other expenses	39	62	84	62
Total Operating Expenses	1,534	1,410	1,547	557
EBITDA	866	1,317	1,510	467
Depreciation and Amortization expenses	24	37	26	6
Other income	40	12	21	4
EBIT	883	1,292	1,506	466
Finance costs	792	931	1,074	272
Exceptional Item	0	0	0	
PBT	90	362	432	194
Total tax	28	96	111	48
PAT	63	265	321	145
Diluted EPS	2.0	8.4	10.1	4.6

Source: RHP, BP Equities Research

Cash Flow Statement (Rs. in millions)

Particulars	FY21	FY22	FY23	H1FY24
Cash Flow from operating activities	-149	698	1,885	245
Cash flow from investing activities	-123	-211	-271	40
Cash flow from financing activities	270	-447	-1,557	-151
Net increase/(decrease) in cash and cash equivalents	-2	40	57	134
Cash and cash equivalents at the beginning of the period	24	21	61	118
Cash and cash equivalents at the end of the period	21	61	118	252

Source: RHP, BP Equities Research



Suraj Estate Developers Ltd.

Balance Sheet (Rs. in millions)

Particulars	FY21	FY22	FY23	H1FY24
Equity and Liabilities				
Equity Share Capital	64	159	159	159
Other Equity	230	235	556	702
Total Equity	294	394	715	861
Non-Current Liabilities				
Financial Liabilities				
(i) Borrowings	4,640	3,966	3,457	3,307
(ii) Lease Liabilities	15	4	0	0
Provisions	9	10	11	13
Other financial liabilities	30	45	46	47
Current Liabilities				
Financial Liabilities				
(i) Borrowings	1,364	2,416	2,474	2,678
(ii) Lease Liabilities	8	10	4	1
(iii) Trade Payable	142	193	270	182
(iv) Other financial liabilities	325	450	487	565
Current tax liabilities	12	68	141	224
Provisions	1	1	1	1
Other current liabilities	1,080	1,082	1,820	2,068
Total Current Liabilities	2,931	4,221	5,197	5,720
Total liabilities	7,626	8,246	8,711	9,087
Total Equity and Liabilities	7,920	8,640	9,426	9,947
Assets				
Non-Current Assets				
Property, plant and equipment	49	38	34	42
Capital work in Progress	0	0	0	0
Right of Use assets	20	11	3	1
Intangible Assets	142	127	121	120
(i) Investments	11	1	89	89
(ii) Other financial assets	28	45	227	123
Loans	0	0	0	0
Deferred tax assets(net)	8	11	35	73
Other non current assets	258	234	508	448
Total Non current assets	258	234	508	448
Current Assets				
Inventories	5,653	6,210	6,523	6,341
Current Tax Assets (Net)	2	5	8	8
(i) Trade Receivables	807	932	1,130	1,563
(ii) Cash and cash equivalents	209	236	280	475
Loans	236	241	82	70
(iii) Other Current Financial Assets	79	21	39	41
Other current assets	676	761	855	1,001
Total Current Assets	7,662	8,406	8,917	9,499
Total Assets	7,920	8,640	9,426	9,947

Source: RHP, BP Equities Research

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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