

RETAIL EQUITY RESEARCH

Suraj Estate Developers Ltd.

Realty

SENSEX: 71,484

NIFTY: 21,457

SUBSCRIBE

Price Range Rs.340- Rs.360

A pioneer in the redevelopment landscape of South-Central Mumbai...

Suraj Estate Developers Ltd (SEDL), established in September 1986, is a marquee real estate construction company with over 35 years of experience across the residential and commercial sectors with a primary focus on value luxury, luxury, and commercial segments. Specializing in the redevelopment of tenanted properties under Regulation 33(7) of the Development Control and Promotion Regulations (DCPR) in Mumbai, their primary operational focus is the South-Central region, covering Mahim, Matunga, Dadar, Prabhadevi, and Parel. From 1986 to 2023, SEDL has successfully completed 42 projects, encompassing both residential and commercial developments (97.62% being redevelopment projects). The prestigious projects of SEDL are ICICI Apartments, NEAT House, Saraswat Bank Bhavan, CCIL Bhavan, etc.

- From 2016 to H1FY23, SEDL leads among the top developers, enjoys holding a market share of ~17.25% as per absorption (in units) in the combined sub-markets. (Source: Anarock Research)
- In South Central Mumbai, MHADA (Maharashtra Housing and Area development Authority) data reveals a total of 19,642 old, dangerous & dilapidated buildings, yet to be redeveloped, provides a great opportunity for re-developers like Suraj.
- Revenue/EBITDA/PAT clocked a CAGR of ~13%/32%/126% respectively, over FY21-23, driven by an uptick in sales of new projects, asset-light business model and efficient capital utilisation.
- SEDL enjoys sustainable EBITDA margins of ~44.6% (3 yr. Avg FY21-FY23) and a strong RoE of ~45% (3 yr. Avg) over the same period.
- SEDL follows an area sharing model with landlords and barely acquire land for construction. It helps them to reduce upfront cost and gives them a competitive advantage over its listed peers by superior margins.
- SEDL currently holds 221 unsold units, comprising 5 units in completed projects and 216 units in ongoing projects, presenting a positive outlook for robust free cash flow generation in the upcoming years.
- The current adjusted D/E is 8.3x, which will substantially go down to 0.65x, on utilisation of Rs. 285cr from the IPO proceeds.
- At the upper price band of Rs.360, SEDL is available at a P/Bv of 3.3x (FY24E Annualised), which appears to be fairly priced. Considering its consistent growth in both topline and bottomline, healthy return ratios, asset light business model, redevelopment opportunities and promising industry outlook, we assign a "Subscribe" rating on a short to medium term basis.

Purpose of IPO

The IPO consists of only Fresh issue of Rs.400cr. The proceeds from its fresh issuance worth Rs.285cr will be utilised for repaying its and its subsidiaries outstanding borrowings, Rs.35cr for land acquisition/development rights and rest for general corporate purposes.

Key Risks

- Dependence on Mumbai Market: Concentration in South Central Mumbai region.
- Increased competition from other players.

Peer Valuation

Company	MCap(₹ cr)	Sales (₹ cr)	EBITDA(%)	PAT (%)	EPS(₹)	RoE (%)	Mcap/Sales	P/E(x)	P/BV(x)	EV/EBITDA(x)
Suraj Estate Developers	1,597	306	49.4	10.5	7.2	44.8	5.2	49.8	22.3	14.5
Oberoi Realty	52,133	4,193	50.4	45.4	51.7	16.8	12.4	27.6	4.2	16.0
Sunteck Realty	6,992	362	17.7	0.4	0.1	0.1	19.3	-	2.5	70.5
Shriram Properties	2,029	644	6.7	10.2	1.9	5.7	3.1	63.0	1.7	30.8

Source: Geojit Research, Bloomberg; Valuations of SEDL are based on upper end of the price band (post issue), Financials as per FY23 consolidated.

Issue Details	
Date of opening	December 18, 2023
Date of closing	December 20, 2023
Total No. of shares offered (cr.)	1.11
Post Issue No. of shares (cr)	4.4
Price Band	₹340- ₹360
Face Value	₹5
Bid Lot	41 Shares
Minimum application for retail (upper price band for 1 lot)	₹ 14,760
Maximum application for retail (upper price band for 13 lot)	₹ 1,91,880
Listing	BSE,NSE
Lead Managers	ITI Capital, Anand Rathi Advisors Ltd
Registrar	Link Intime India Pvt Ltd
Issue size (upper price)	Rs.cr
Fresh Issue	400
OFS	-
Total Issue	400

Shareholding (%)	Pre-Issue	Post Issue
Promoter & Promo. Group.	100	75
Public & Others	-	25
Total	100	100

Issue structure	Allocation (%)	Size Rs.cr
Retail	35	140
Non-Institutional	15	60
QIB	50	200
Employee Reservation	-	-
Total	100	400

Y.E March (Rs cr) Consol.	FY22	FY23	Q1FY24
Sales	272.7	305.7	102.4
<i>Growth (%)</i>	<i>13.6</i>	<i>12.1</i>	<i>-</i>
EBITDA	131.7	151.0	46.7
<i>Margin(%)</i>	<i>47.0</i>	<i>48.5</i>	<i>45.1</i>
PAT Adj.	26.5	32.1	14.5
<i>Growth (%)</i>	<i>323.7</i>	<i>21.0</i>	<i>-</i>
EPS	6.0	7.2	3.3
P/Bv (x)	40.6	22.3	3.3*
MCAP/Sales (x)	5.9	5.2	15.6
RoE (%)	67.3	44.8	NA

*Annualised

Business Description:

Products Description:

Since incorporation, we have completed forty-two (42) projects with a developed area of more than 1,046,543.20 square feet in the South-Central Mumbai region. In addition to the Completed Projects, we have thirteen (13) Ongoing Projects with a developable area of 20,34,434.40 square feet and saleable carpet area 6,09,928 square feet and 16 upcoming projects with an estimated carpet area of 7,44,149 square feet. As on October 31, 2023, we have redeveloped houses for more than 1,011 tenants free-of-cost under regulation 33 (7).

In response to the growing demand for smaller independent offices in the commercial sector, SEDL intend to venture into the development of boutique office spaces located on Tulsi Pipe Road in Mahim.

The below table sets forth certain key operational information relating to our projects as of October 31, 2023:

Completed Projects

Number of Projects	Developed Area (square feet)
42	1,046,543.20

Ongoing Projects

Number of Projects*	Developable Area (square feet)	Saleable RERA Carpet Area (square feet)
13	20,34,434.40	6,09,928

Upcoming Projects

Number of Projects*	Estimated Carpet Area for Sale ⁽¹⁾ (square feet)
16	7,44,149

⁽¹⁾ Estimated Carpet Area for Sale has been calculated based on certain assumptions and estimates made and certified by the independent architect namely, Priyanka Rajaram Rahate (registration number: CA/16/76549) in her certificate dated November 24, 2023. The actual Estimated Sale Carpet Area may vary from the estimated Carpet Area for Sale presented herein on the basis of plans approved by the Municipal Corporation of Greater Mumbai (MCGM).

Land Reserves

Owned/ Development Rights	Plot Size (square meters)
Owned – [1]	364.21
Leasehold Rights – [1]	1,173.57
Development Rights – [5]	8,821.99
Total [7]	10,359.77

Source: RHP, Geojit Research

Key strengths:

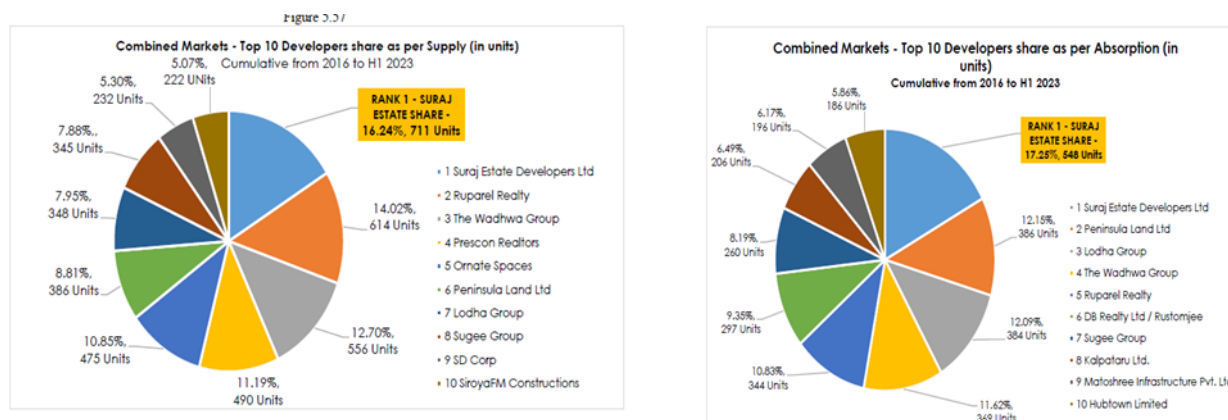
- ◆ Established brand with a long-standing presence in value luxury segment and luxury segment in the residential real estate market of South-Central Mumbai region.
- ◆ Diversified portfolio encompassing product offerings across various price points in value luxury and luxury segments.
- ◆ Strong expertise in tenant settlement in the redevelopment projects.

Key growth strategies:

- ◆ Enhance the leading market position in the South Central Mumbai region by leveraging the upcoming projects.
- ◆ Continue to focus on redevelopment projects through asset light model.
- ◆ Continue to pursue the differentiated product offerings in value luxury segment.
- ◆ Continue to expand Land Reserves in South Central Mumbai region and opportunistically build the position in other sub markets within MMR region.
- ◆ Continue to selectively develop Commercial Projects in the South Central Mumbai region.

Industry outlook

It is a globally established fact that demographic shifts fundamentally affect the demand for real estate. India's large population base of over 1.37 bn provides a huge domestic demand base which attracts businesses from across the world to setup their operations here. Along with rising population, India's urbanization rate is also increasing at a fast pace. As per UNDP projections, by 2046 approx. 50% of population in India will be urban. However, rapid urbanization is expected to drive the demand for housing, offices and other real estate asset classes in the medium – long term. UNDP has projected that there will be 8 cities with a population of 10 mn & above by the year 2035 in India, highlighting the unmet housing demand.



Source: RHP, Geojit Research

Promoter and promoter group

Mr. Rajan Meenathakonil Thomas is the Promoter of the company. As on date of this Red Herring Prospectus, the Promoter, in aggregate, holds 27,282,000 Equity Shares in the company, representing 82.05% of the pre-Issue issued, subscribed and paid-up Equity Share capital of the company.

As on the date of filing this Red Herring Prospectus, company have 6 (six) Directors on the Board, including 1 (one) Chairperson and Managing Director, 1 (one) Whole-time Director, 1 (one) Non-Executive Director being a woman Director and 3 (three) Independent Directors.

Brief Biographies of directors

- ◆ **Rajan Meenathakonil Thomas**, the Chairperson and Managing Director of the Company.
- ◆ **Rahul Rajan Jesu Thomas**, is a Whole-time Director of the Company.
- ◆ **Sujatha R. Thomas**, the Non-Executive Director of the Company.
- ◆ **Mrutyunjay Mahapatra**, is an Independent Director of the Company.
- ◆ **Sunil Pant**, is an Independent Director of the Company.
- ◆ **Dr. Satyendra Shridhar Nayak**, is an Independent Director of the Company.

CONSOLIDATED FINANCIALS

PROFIT & LOSS

Y.E March (Rs cr)	FY22	FY23	Q1FY24
Sales	272.7	305.7	102.4
% change	13.6	12.1	-
EBITDA	131.7	151.0	46.7
% change	52	15	-
Depreciation	3.7	2.6	0.6
EBIT	128.1	148.4	46.2
Interest	93.1	107.4	27.2
Other Income	1.2	2.1	0.4
Exceptional items	-	-	-
PBT	36.2	43.2	19.4
% change	300	19.5	-
Tax	9.6	11.1	-
Tax Rate (%)	27	26	25
Reported PAT	26.5	32.1	14.5
Adj	-	-	-
Adj. PAT	26.5	32.1	15.5
% change	323.7	21.0	-
Post issue No. of shares (cr)	4.4	4.4	4.4
Adj EPS (Rs)	6.0	7.2	3.3
% change	232.7	21.0	-

BALANCE SHEET

Y.E March (Rs cr)	FY22	FY23	Q1FY24
Cash	23.6	28.0	47.5
Accounts Receivable	93.2	113.3	156.3
Inventories	621.0	652.3	634.1
Other Cur. Assets	100.8	94.5	107.9
Investments	6.7	35.4	25.2
Deff. Tax Assets	1.1	3.5	7.3
Net Fixed Assets	4.9	3.7	4.3
CWIP	-	-	-
Intangible Assets	12.7	12.1	12.0
Other Assets	-	-	-
Total Assets	864.0	943.0	995
Current Liabilities	127.5	209.0	225.1
Provisions	5.6	5.8	6.1
Debt Funds	639.6	593.5	598.6
Other Fin. Liabilities	45.0	48.7	56.5
Deferred Tax liability	6.8	14.1	22.4
Equity Capital	15.9	15.9	15.9
Reserves & Surplus	23.5	55.6	69.7
Shareholder's Fund	39.4	71.5	85.6
Total Liabilities	864.0	943.0	994.0
BVPS (Rs)	8.9	16.1	19.3

CASH FLOW

Y.E March (Rs cr)	FY22	FY23	Q1FY24
PBT Adj.	36.2	43.2	19.4
Non-operating & non cash adj.	93.8	106.7	27.7
Changes in W.C	-60.2	38.6	-22.6
C.F. Operating	69.8	188.5	24.5
Capital expenditure	-17.8	-1.2	-1
Change in investment	0.0	-8.7	-
Sale of investment	-3.6	-18.1	4.83
Other invest.CF	0.3	0.9	0.24
C.F - investing	-21.0	-27.1	4.0
Issue of equity	-	-	-
Issue/repay debt	37.7	-45.1	5.4
Dividends paid			
Other finance.CF	-82.4	-110.6	-20.5
C.F - Financing	-44.7	-155.7	-15.1
Change. in cash	4.0	5.7	13.4
Opening Cash	2.1	6.1	11.81
Closing cash	6.1	11.8	25.2

RATIOS

Y.E March	FY22	FY23	Q1FY24
Profitab. & Return			
EBITDA margin (%)	48.3	49.4	45.6
EBIT margin (%)	47.0	48.5	45.1
Net profit mgn.(%)	9.7	10.5	14.2
ROE (%)	67.3	44.8	17.0
ROCE (%)	14.5	16.6	5.2
W.C & Liquidity			
Receivables (days)	116	123	69
Inventory (days)	1731	1725	625
Payables (days)	26	32	16
Current ratio (x)	6.3	4.3	4.2
Quick ratio (x)	0.9	0.7	0.9
Turnover & Levq.			
Net asset T.O (x)	45.9	70.7	48.1
Total asset T.O (x)	0.3	0.3	0.1
Int. covge. ratio (x)	1.4	1.4	1.7
Adj. debt/equity (x)	16.2	8.3	7.0
Valuation ratios			
EV/Sales (x)	8.2	7.2	21.4
EV/EBITDA (x)	17.0	14.5	47.0
P/E (x)	60.3	49.8	27.5*
P/BV (x)	40.6	22.3	3.3*

*Annualised

DISCLAIMER & DISCLOSURES

Certification

We, Sheen G and Rajeev T, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

For General disclosures and disclaimer: Please Visit : <https://www.geojit.com/research-disclosures#fundamental-research>

Regulatory Disclosures:

Group companies of Geojit Financial Services Limited are Geojit Technologies Private Limited (Software Solutions provider), Geojit Credits Private Limited (NBFC), Geojit Investment Limited (financial Services Company (yet to start operations)), Geojit Techloan Private Ltd (P2P lending (yet to start operations)), Geojit IFSC Ltd (a company incorporated under IFSC Regulations(yet to start operations)), Qurum Business Group Geojit Securities LLC (a joint venture in Oman engaged in Financial Services), Barjeel Geojit Financial Services LLC (a joint venture in UAE engaged in Financial Services), Aloula Geojit Capital Company (a joint venture in Saudi Arabia (Under Liquidation)) and BBK Geojit Securities Co. K.S.C.C (a subsidiary in Kuwait-engaged in Financial services). In the context of the SEBI Regulations on Research Analysts (2014), Geojit affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc. that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities.

In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

1. Disclosures regarding Ownership:

Geojit confirms that:

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein.

It/its associates have no actual beneficial ownership of 1% or more in relation to the subject company (ies) covered herein.

Further, the Analyst confirms that:

(i) He, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company.

(ii) He, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered.

2. Disclosures regarding Compensation:

During the past 12 months, Geojit or its Associates:

(a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

3. Disclosure by Geojit regarding the compensation paid to its Research Analyst:

Geojit hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that we, Sheen G and Rajeev T, Research Analyst (s) of Geojit have not served as an officer, director or employee of the subject company

5. Disclosure regarding Market Making activity:

Neither Geojit/its Analysts have engaged in market making activities for the subject company.

6. "Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors."

7. **Standard Warning:** "Investment in securities market are subject to market risks. Read all the related documents carefully before investing."

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing.

Geojit Financial Services Ltd. Registered Office: 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website: www.geojit.com. For investor queries: customercare@geojit.com. **Compliance officer:** Ms. Indu K. Address: Geojit Financial Services Limited, 34/659 P, Civil Lane Road, Padivattom, Kochi - 682024; Phone: +91 484-2901367; Email: compliance@geojit.com. **For grievances: Grievance Officer:** Mr Nitin K; Address: Geojit Financial Services Limited,34/659 P, Civil Lane Road, Padivattom, Kochi - 682024; Phone: +91 484-2901363; Email: grievances@geojit.com. Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: INH200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP000003203, Depository Participant: IN-DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent (Composite) No.: CA0226.

