



IPO Report

15th Sept '24

Snapshot

Company is a real estate development Company concentrating on the development of premium aspirational lifestyle residential premises in Mumbai, Maharashtra, India’s commercial capital. Company’s business can broadly be classified into two categories: (i) development / construction of residential premises on land acquired by Company (New Projects) and (ii) redevelopment of existing premises (Redevelopment Projects). As on June 30, 2024, company have developed 2.20 million square feet of residential property (including through partnership entities in which company hold the majority stake). Company is engaged in the development of new projects and redevelopment of existing premises, and between 2017 and Q1 2024, company have launched 1,220 residential units and sold 1,045 residential units in different markets in MMR, Maharashtra..

VALUATION

Company is bringing the issue at price band of Rs 121-128 per share at p/e multiple of 19x on post issue FY24 PAT basis. Company has strategic location of projects in micro markets of MMR, Maharashtra along with that it is leading player and amongst top 10 developers in terms of supply in select micro markets of, and an established developer in, the MMR, Maharashtra. Company has experienced Promoter and strong and technically proficient management team along with Strong in-house resources along with timely completion of projects. Hence ,looking after all above we recommend “Subscribe” on issue.

Price Band (Rs./Share)	121-128
Opening date of the issue	16th Sept '2024
Closing Date of the issue	19th Sept '2024
No of shares pre issue	1,53,626,016 Eq Shares
Issue Size	Rs 410 Cr
Fresh issue	Rs 410 Cr
Face Value (Rs/ share)	Rs 10/share
Employee Discount	Rs 5/share
Bid Lot	110

BIDDING DETAILS

QIBs (Including Anchor)	50% of the offer
Non-Institutional	15% of the offer
Retail	35% of the offer
Employee Reservation	Rs 2 Cr
Lead managers	Unistone Capital
Registrar to the issue	Bigshare Services

WHAT WE LIKE

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

Company’s operations are strategically located in Mumbai, one of the biggest and most expensive real estate markets in India. Since CY 2021 to Q1 2024, MMR, Maharashtra has contributed the highest annual sales share of residential units across the top 7 cities in India, ranging from 29% to 33%. On average, the sales in MMR, Maharashtra accounted for 31% of the total residential unit absorption during this time frame. Further, the residential market in MMR, Maharashtra stands out as the most expensive, amongst the top 7 cities in India with a capital value of ₹ 14,600 per Sq. ft as of Q1 2024.

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

Company is an established developer of new and redevelopments projects in MMR, Maharashtra which is India’s commercial capital and also one of the highest density cities in the country. Additionally, Mumbai is the biggest and most expensive real estate market in India. During the time frame from CY 2021 to CY 2023, the capital values of MMR, Maharashtra grew by 26% approximately.

Experienced Promoter and strong and technically proficient management team

Amit Mangilal Jain, company’s Promoter and Chairman and Managing Director, has been instrumental in developing the vision for Company. He started working under the guidance of his father and gained valuable experience in the real estate business and has carried on the tradition and legacy of engaging customers with trust and integrity



COMPANY BACKGROUND

Company have established a successful track record of completing its projects on time, and from CY 2003 to March 2024, company have successfully completed redevelopment of 10 projects in the western suburbs of Mumbai and 1 project in south-central Mumbai (through a partnership firm in which company hold the majority stake) with a combined constructed area of 1,000,000 square feet (approx.).

This track record has established company as one of the major player of redevelopment in the Mumbai western suburbs. Company's operations are strategically located in Mumbai, one of the biggest and most expensive real estate markets in India. Since CY 2021 to Q1 2024, MMR, Maharashtra has contributed the highest annual sales share of residential units across the top 7 cities in India, ranging from 29% to 33%. On average, the sales in MMR, Maharashtra accounted for 31% of the total residential unit absorption during this time frame. Further, the residential market in MMR, Maharashtra stands out as the most expensive, amongst the top 7 cities in India with a capital value of ₹ 14,600 per sq. ft as of Q1 2024. Within MMR, Maharashtra, company's operations are strategically located, and company have significant operations in the western suburbs of MMR, Maharashtra and, from 2017, are amongst the top 10 developers in terms of supply in the Borivali West, Goregaon East and Santacruz West micro-markets. Company have developed a strong brand proposition and successful track record including by leveraging its lineage – Amit Mangilal Jain, company's Promoter, is a second-generation real estate entrepreneur whose family has been involved in real estate development since 1986. Company owe its strong brand recognition in MMR, Maharashtra and company's track-record to its customer-centric approach, and its business model which lays emphasis on developing high-end and premium budget aesthetically designed, sustainable residential premises with life-style amenities and facilities in the high-density areas in MMR, Maharashtra. Company also have a consistent track-record of meeting its project delivery timelines which is a critical aspect of company's brand.

While company's initial projects were stand-alone residential buildings, its current portfolio of Ongoing Projects includes gated communities such as Arkade Nest, Arkade Aspire, Arkade Prime and Arkade Aura. In the last 2 decades company have completed 28 projects (including 11 projects on a stand-alone basis (including 2 projects executed through partnership firms in which company hold the majority stake), 8 projects executed by its Promoter through his proprietorship, M/s Arkade Creations, and 9 projects through joint development arrangements with other third parties) aggregating more than 4.5 million square feet of development and have catered to more than approximately 4,000 customers. Company's projects have, generally, been financed primarily through a mix of promoter equity and internal accruals. As on March 31, 2024, company's net debt to equity ratio was 0.14. The break-up of the projects undertaken by company on a stand-alone basis (including 2 projects executed through partnership firms in which company hold the majority stake), projects undertaken by company through joint development arrangements with other third parties, and projects executed by company's Promoter through his proprietorship, M/s Arkade Creations.

Upcoming Projects As of June 30, 2024, company's Upcoming Projects comprise 6 projects in MMR, Maharashtra i.e., 1 New Project, viz., Arkade Rare located in Bhandup, i.e. Copper Rollers Private Limited, and 5 Redevelopment Projects i.e., 1 project Arkade Vistas and Arkade Views located in Goregaon East, 2 projects viz., Municipal Employees Arunachal Co-operative Housing Society and Maheshwar Niwas Co-operative Housing Society located in Santacruz West, 1 project viz., Laxmi Ramana Co-operative Housing Society located in Goregaon West and 1 project Nutan Ayojan Nagar Co-operative Housing Society located in Malad West, respectively. In addition to company's Upcoming Projects, as of June 30, 2024, company have received letter of intent for 2 redevelopment projects for which company is yet to execute a contract.

All company's projects have been, and are, in MMR, Maharashtra. Company's projects' configuration and construction lay-outs are, predominantly, 2 BHK and 3 BHK, (company have also undertaken projects with a 1, 3.5, 4 BHK configuration) and are designed to cater to discerning customers. Since aspirational life-style amenities and facilities are a key element of company's projects, its average land development area admeasures approximately 1 acre. Company also strive to maintain fast turn-around time and, currently, its average project completion time frame i.e. the period between receiving possession of the land to delivery of the possession to the first customer is approximately 3 years (Average PCT). Company's revenue in Fiscal 2024, Fiscal 2023 and Fiscal 2022 was ₹ 6,357.12 million, ₹ 2,240.13 million and ₹ 2,371.82 million, respectively. Company's revenue from operations has grown at a CAGR of 66.51% between Fiscal 2022 and Fiscal 2024. While, historically, company's focus has been on the western suburbs of MMR, Maharashtra company have also a developed high-end luxury project located in south Mumbai, Maharashtra. Further, in the recent years, company have sought to broaden its area of focus and have undertaken projects in the eastern suburbs of Mumbai, Maharashtra, which have experienced substantial expansion and development over a long period of time where company expect to be able to acquire larger land parcels. Like the western suburbs, the east suburbs also harbour some of the biggest residential catchments in the city. Hence, the submarket has emerged as one of the biggest real estate markets in the city across the asset classes.



INVESTMENT RATIONALE

<p><i>Strong in-house resources</i></p>	<p>Company have adopted an integrated business model with in-house resources to carry on a project from its initiation to completion. Company’s in-house resources include its legal team, business development, purchase and contracts, and sales and marketing team. Company’s legal team undertakes the due diligence of the proposed properties to be acquired for development projects and negotiates agreements which Company enters for re-development projects. Due diligence of properties helps company in avoiding unnecessary disputes which may be associated with any parcel of land and consequently helps company in delivering dispute free premises to its buyers. Company’s business development team scouts for land in premium geographies within micro-markets with good development potential and focus on acquiring such lands at competitive prices. Company’s sales team facilitates property transactions by advertising, networking with channel partners and formulating various strategies to grow its business. that customer relationships are crucial to the real estate business and company’s sales team along with its customer relationship team builds its customer network by providing personalized service throughout the sales process. Company’s customers act as brand ambassadors for company and share referrals which has helped company’s brand grow. Company’s customer centric business model enables it to thrive in competitive markets. Company’s marketing team plays a crucial role in driving success by implementing strategic initiatives to promote and sell its projects. Company’s marketing team undertakes intensive market research and formulates comprehensive marketing strategies defining marketing objectives, identifying target markets, selecting appropriate marketing channels such as digital advertising, social media, print media and events. Company’s marketing team serves as a driving force in boosting sales, establishing brand awareness through various strategies and cultivating a positive brand image. Company’s marketing team’s adept use of various traditional techniques and efficient leveraging of third party managed resources such as real estate focused digital search platforms, enables it to effectively reach and engage target audience, resulting in increased property sales and sustained business growth.</p>
<p><i>Timely completion of projects</i></p>	<p>The housing demand in India has always been high as homeownership is an emotional decision and this asset assures safety and financial stability along with a social standing. Given the emotional aspect of home ownership in India, the ability to complete construction of projects within the timelines that have been declared prior to the initiation of the project becomes one of the essential elements of a real estate development project in India. A key aspect of company’s success and its growth over the years has been company’s ability to consistently deliver projects within, and often before, the scheduled project completion timelines. In the last 2 decades company have completed 28 projects (including 11 projects on a stand-alone basis (including 2 projects executed through partnership firms in which company hold the majority stake), 8 projects executed by its Promoter through his proprietorship, M/s Arkade Creations, and 9 projects through joint development arrangements with other third parties) aggregating more than 4.5 million square feet of development and have catered to more than approximately 4,000 customers</p>
<p><i>Company is a leading player and amongst top 10 developers in terms of supply in select micro-markets of, and an established developer in, MMR, Maharashtra</i></p>	<p>As of Q1 2024, the average basic selling price of residential properties in MMR market stands at ₹ 14,600/Sq. ft – an uptick by 13% as compared to 2023. Company have grown over the years through a diversified approach to development of residential property and its core strengths comprise (i) development / construction of residential premises on land acquired by Company and (ii) redevelopment of existing premises</p>



OBJECTS OF OFFER

Offer for Sale

The Issue comprises of a fresh issue of Equity Shares aggregating up to ₹ 4,100.00 million.

Objects of the Fresh Issue

Company proposes to utilise the Net Proceeds from the Issue towards the following objects:

1. Funding a part of the costs to be incurred in the development of company's Ongoing Projects (viz. Arkade Nest, Prachi CHSL and C-Unit) (Funding Development Expenses); and
2. Funding acquisition of yet-to-be identified land for real estate projects and general corporate purposes,

RISKS

Company may not be able to successfully identify redevelopment projects or identify and acquire suitable land for its proposed new projects which may have an adverse impact on company's business and the growth of Company.

Source:RHP

INDUSTRY OVERVIEW

Key Growth Drivers for Mumbai Eastern Suburbs

Several important reasons have contributed significantly to the rise of Mumbai's Eastern suburbs. The following are some of the main causes of the expansion of the Eastern suburbs:

o Infrastructure Development: There has been significant infrastructure development in the eastern suburbs, including the growth of roads, Eastern freeway and transportation networks. By improving access both inside and beyond the eastern suburbs, projects like the Eastern Express Highway, Eastern freeway, and Metro links have attracted residents and businesses.

o Proximity to established business locations: The Bandra-Kurla Complex (BKC), Andheri, Powai, Thane and Goregaon are important business districts strategically close to the eastern suburbs. Corporate offices, IT parks, and commercial organisations have been drawn to this handy location, creating employment possibilities and boosting housing demand.

o Affordable Housing alternatives: A variety of housing alternatives, including affordable and mid-range segments, are available in the eastern suburbs to accommodate different income levels. Investors and homebuyers, particularly those looking for affordable homes in a city with high property costs, have been drawn to accessible affordable flats and housing complexes. o Social Infrastructure: The eastern suburbs have seen the growth of a strong social infrastructure, which includes educational institutions, healthcare facilities, retail outlets, and recreation centers. The Eastern suburbs have become more livable and appealing because of the inclusion of these amenities, making them ideal places to live.

o Urban Renewal and Redevelopment Projects: Urban renewal and redevelopment of projects have been actively changing older industrial regions in the eastern suburbs into contemporary living and working environments. These initiatives have transformed the areas by enhancing the living standards leading to attracting new residents.

o Growth of the Information Technology Enabled Services (IT) and Business Process Outsourcing (BPO) Industries: The eastern suburbs, especially Powai and Vikhroli, have seen a rise in the number of IT and BPO businesses opening up offices. The expansion of these industries has increased the employment possibilities and the demand for housing in these suburbs.

o Emerging Entertainment and Lifestyle Hubs: In the eastern suburbs, new shopping malls, multiplexes, dining options and recreation facilities have been established. These changes have enhanced the eastern suburbs' general appeal and vibrancy, drawing both residents and tourists.



Consolidated Financials

(Rs in Mn)

Financials	FY22	FY23	FY24
Total Revenue (A)	2289.34	2201.52	6347.36
Total Expenditure (B)	1744.89	1598.62	4672.96
EBIDTA	544.45	602.90	1674.40
EBIDTA Margin	23.78	27.39	26.38
Other Income	82.48	38.61	9.76
Depreciation	0.71	2.71	11.38
EBIT	626.22	638.80	1672.78
Interest	43.29	12.81	31.27
PBT	582.93	625.99	1641.51
Share of profit in Asso	72.79	41.74	9.59
PBIT	655.72	667.73	1651.10
Exceptional	0.00	0.00	0.00
PBT	655.72	667.73	1651.10
Tax	147.28	160.07	423.02
PAT	508.44	507.66	1228.08
NPM	22.21	23.06	19.35
ROE%	40.90	29.02	46.90
EPS	3.32	3.34	8.08
Eq Cap	20.00	20.00	1,520.00
Net Worth	1,494.95	2,003.17	3,234.02

(Source: RHP)

Peer Comparison

Company Name	P/E	Revenue from operations (Rs in Mn)	EPS	NAV	ROE %
Arkade Developers Limited		6357.12	8.08	21.28	46.90
Peers					
Keystone Realtors Limited	74.85	22756.30	9.82	157.81	6.40
Godrej Properties Limited	111.53	43342.20	26.08	359.40	7.76
Macrotech Developers Limited	78.46	104695	16.03	180.80	10.32
Suraj Estate Developers Limited	40.92	4157.04	19.39	148.30	22.97

(Source: RHP)



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