

Retail Research	IPO Note
Sector: Real Estate	Price Band (Rs): 514-541
14 th November 2022	Recommendation:Subscribe

Keystone Realtors Ltd.

Company Overview:

Keystone Realtors Ltd. is a prominent real estate developer in terms of absorption in number of units in the micro markets where it has strong presence. The Company as of Jun'22 has completed 32 Projects while there are 12 ongoing and 21 forthcoming projects across the MMR regions comprising of comprehensive range of projects under the affordable, mid and mass, aspirational, premium and super premium categories.

Key Highlights:

A well-established brand Rustomjee in MMR region: The Company has well established brand 'Rustomjee' in the micro markets of MMR viz Juhu, Bandra East, Khar, Bhandup, Virar and Thane. The presence of the company in MMR market for 25 years, together with its construction quality, execution and delivery capabilities, has enabled it to establish the *Rustomjee* brand in the MMR.

Well-diversified portfolio and strong pipeline: The Company has well diversified suite of projects across a wide range of price points, and a presence in several micro markets. The company occupies top 5 position in the key markets where it operates. The Company currently is executing 10 projects with 5.7 million sqft of saleable areas while there are 17 projects for a total area of 22.4 millions sqft under pipeline.

Asset-light and scalable model resulting in profitability and stable financial performance: The Company generally follows asset light business model entering into joint development agreements and re-development agreements with landowners or developers or societies. This helps it lower the upfront capital commitments thus boosting earnings are return ratios. As of Jun'22, 95.5% of completed projects, 93% of ongoing projects and 77.7% of forthcoming projects are based on JDA/DA/JV/Redevelopment or SRA. The asset light model helps it to generate double digit RoE (16% for FY22), EBITDA margin of 14%, and net profit of Rs 135.8 cr for FY22 versus Rs 14.5 cr in FY20.

Demonstrated project execution capabilities with in-house functional expertise: The Company has adopted an integrated real estate development model, with capabilities and in-house resources to execute projects from its initiation to completion.

It has a well developed in-house competencies for every stage of the property development life cycle comprising of identification of land parcels, conceptualization, land acquisition, approvals, execution, planning, designing and overseeing the construction activities, marketing and sales and finally the property delivery.

Valuation:

The IPO is valued at P/E of 43.3x/45.4x of its FY22 EPS at lower and upper price band respectively. As compared to its close peers, Keystone Realtors is fairly valued. **We recommend the investors to subscribe the issue at CUT-OFF price.**

Issue Details	
Date of Opening	14 th Nov 22
Date of Closing	16 th Nov 22
Price Band (Rs)	514-541
Issue Size (Rs cr)	635.0 Fresh Issue: Rs 560 cr OFS: Rs 75.0 cr
No. of shares	1,23,54,086 - 1,17,37,523
Face Value (Rs)	10.0
Post Issue Market Cap (Rs cr)	5,881.2 - 6,160.8
BRLMs	Axis Capital Limited Credit Suisse Securities (India) Pvt. Ltd.
Registrar	Link Intime India Private Limited
Bid Lot	27 shares and in multiple thereof
QIB shares	60%
Retail shares	35%
NIB (HNI) shares	15%
Employee Reservation	-
Employee Discount	-

Objects of Issue	
	(Rs Cr.)
Gross Proceed From Fresh Issue	560.0
(Less) Offer related expenses	[•]
Net Proceeds*	[•]

*Net proceed will be used for repayment of debt in part or full, for general corporate purpose and for funding acquisition of real estate projects.

Shareholding Pattern		
Pre Issue	No. of Shares	%
Promoter & Promoter Group	10,01,21,810.0	96.7
Public & Others	34,04,412.0	3.3
Total	10,35,26,222	100.0

Post Issue @ Rs.514 Per Sh.	No. of Shares	%
Promoter & Promoter Group	8,92,26,868	78.0
Public & Others	2,51,94,295	22.0
Total	11,44,21,164	100.0

Post Issue @ Rs.541 Per Sh.	No. of Shares	%
Promoter & Promoter Group	8,97,70,609	78.8
Public & Others	2,41,06,815	21.2
Total	11,38,77,423	100.0

Source: RHP, SSL Research

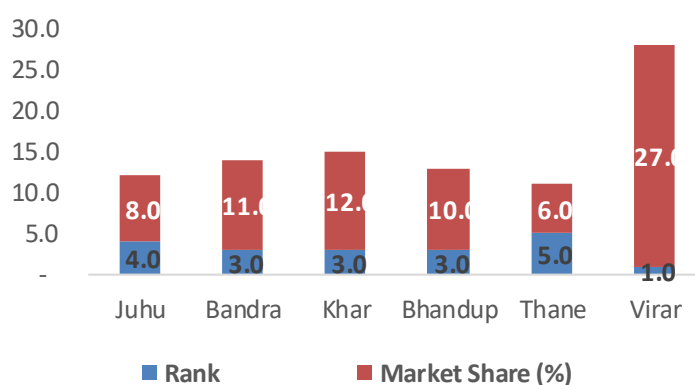
Risk factors and company dependency

- **Geographical concertation:** The Company, predominately, has a presence in few pockets of the MMR region. Varying market conditions in the MMR may affect its ability to sell projects.
- **Spurt in the rate of interest may affect project sales in the future:** RBI has raised the repo rate by 190 bps in CY22. The spurt in the rate of interest may impact the sale of projects.
- **Outstanding litigation may impact the operation:** The company is currently facing 28 litigation (refer page 461 of RHP) which comprises of 11 against the company, 12 against subsidiaries and 5 against JVs. These litigations may impact the operation of the company in future.

Rustomjee at a Glance (as of Jun'22)

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

Market Share of Rustomjee as per Supply



The Brand Rustomjee and Projects at Glance

Segment	Ongoing (Residential)		Forthcoming (Residential)	
	No. of Projects	Area (Mn. Sqft)	No. of Projects	Area (Mn. Sqft)
Super Premium	2.0	2.3	2.0	0.5
Premium	-	-	2.0	0.2
Aspirational	3.0	0.4	4.0	1.0
Mid and Mass	4.0	2.4	6.0	9.7
Affordable	1.0	0.6	3.0	11.2
Total	10.0	5.7	17.0	22.4

1
AFFORDABLE HOUSING

With an endeavor of building affordable, value-oriented homes that help maximize life

2
TOWNSHIPS, GATED COMMUNITIES & ESTATES

With an endeavor of bringing people together through meaningful spaces and experiences

3
STANDALONE LANDMARKS

With an endeavor of creating landmarks & iconic projects with top quality + trust

4
COMMERCIAL

With an endeavor of creating commercial spaces that redefine the world of work

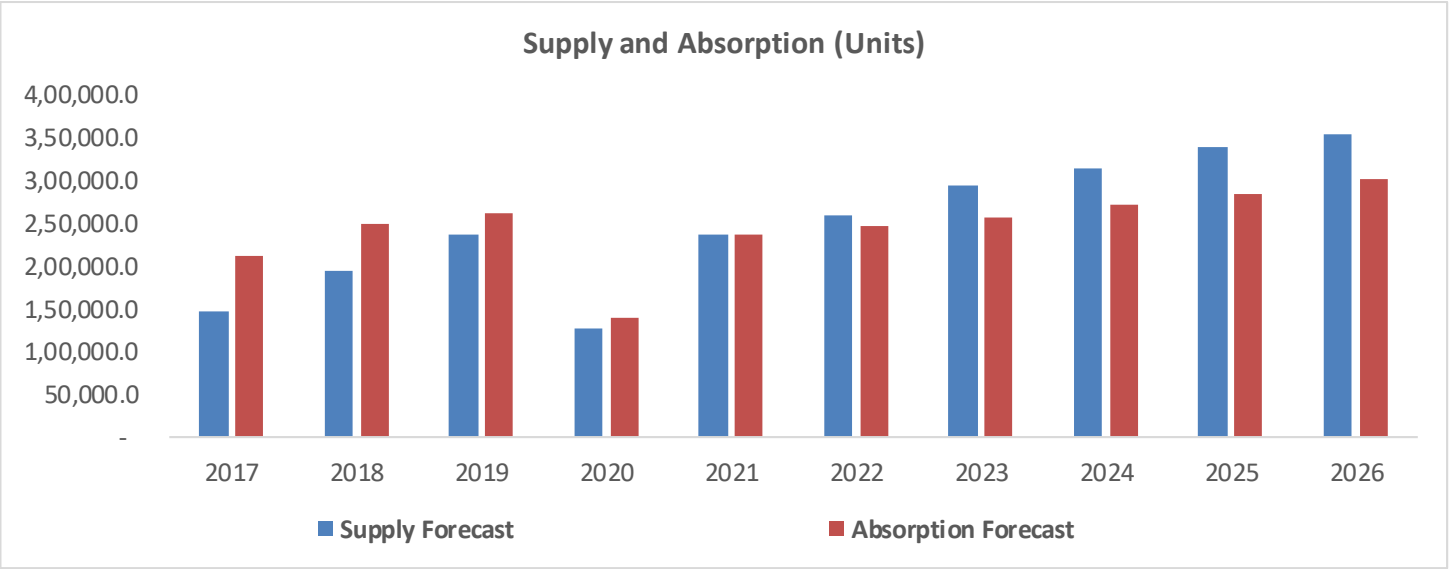
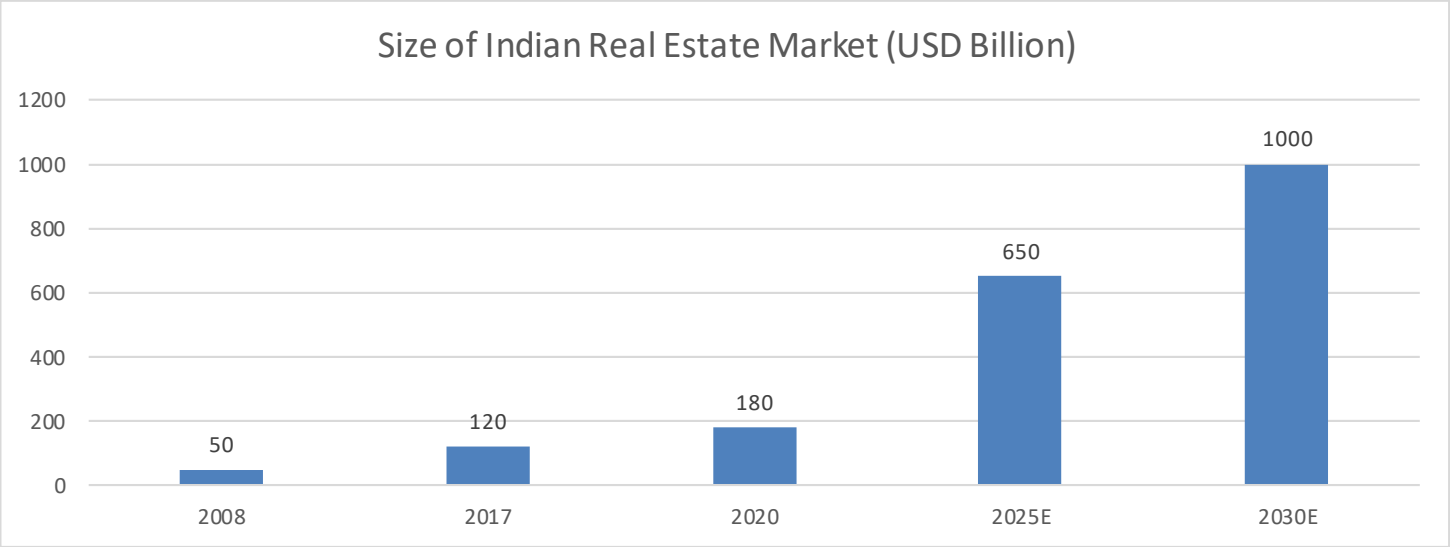
REDEVELOPMENT / GREENFIELD / SRA

Sources: RHP, SSL Research

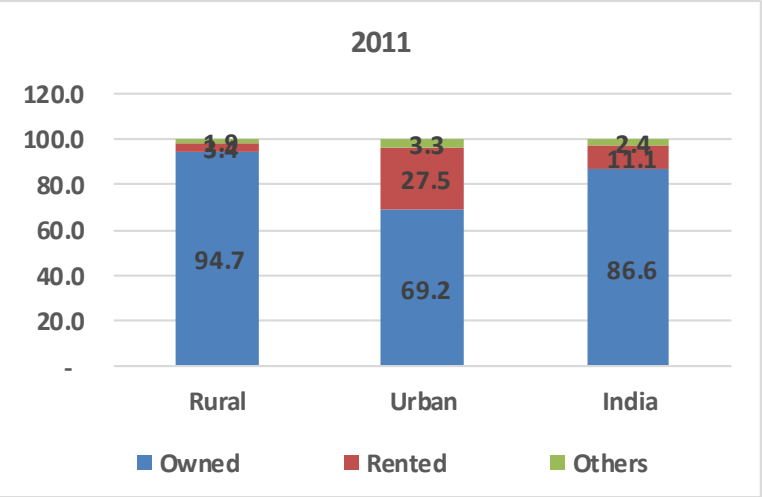
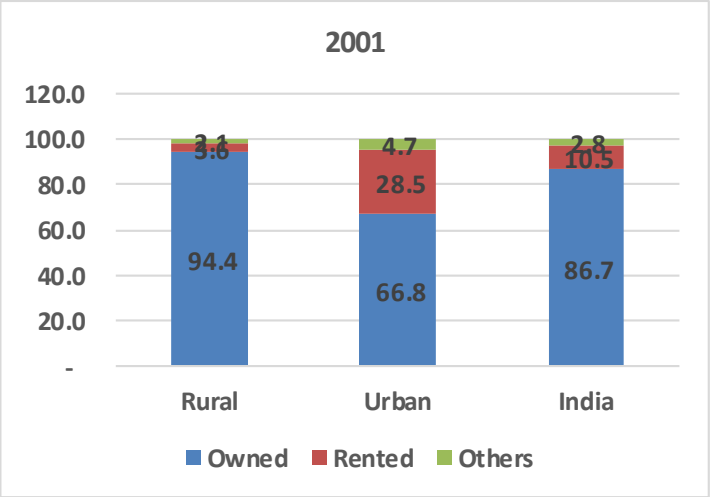
Growth strategy

- Leverage the 'Rustomjee' brand to grow asset-light operations
- Maintaining an asset-light business model
- Improve operational efficiency with technological innovation, trusted vendors, and stakeholder management
- Leverage our leadership position in the premium category to grow our presence in the mid and aspirational category

Industry Overview



Home Ownership %



(Source: RHP, SSL Research)

Financial Snapshot

Particulars	Price Band		
	541	514	541
Net Sales	848.7	1,269.4	1,269.4
Total Income	1,177.3	1,303.0	1,303.0
EBIDTA	101.9	177.2	177.2
PAT#	231.8	135.8	135.8
Equity Share Capital	103.5	114.4	113.9
No of Equity Shares	10.4	11.4	11.4
Face Value	10.0	10.0	10.0
EPS	22.4	11.9	11.9
CMP	541.0	514.0	541.0
Cash and Bank	282.95	840.2	840.2
Debt	1,145.6	2,513.9	2,513.9
Market Cap	5,600.8	5,881.2	6,160.8
BV per share (Rs)	77.4	142.0	142.7
PE(x)	24.2	43.3	45.4
P/BV (x)	7.0	3.6	3.8
Enterprise Value	6,463.4	7,554.9	7,834.4
Mcap/Sales (x)	6.6	4.6	4.9
EV/Sales (x)	7.6	6.0	6.2
EV/EBIDTA (x)	63.4	42.6	44.2
EBITDA Margins (%)	12.0	14.0	14.0
Net Margins (%)	27.3	10.7	10.7
ROE (%)	37.7	10.6	10.6
ROCE (%)	22.3	6.3	6.3
Debt/Equity	1.4	1.5	1.5
Net worth	800.9	1,624.5	1,624.5

Year	FY20	FY21	FY22
Net Sales	1,211.5	848.7	1,269.4
EBITDA	136.3	101.9	177.2
Net Profit	14.5	231.8	135.8
EBITDA Margin (%)	11.3	12.0	14.0
Net Profit Margin (%)	1.2	27.3	10.7

(Source: RHP, SSL Research)

Peer Comparison – FY22

Particulars (Rs cr)	Keystone Realtors Ltd		Sunteck Realty	Godrej Prop.	Macrotech Devel.	Oberoi Realty
CMP (Rs)	514.0	541.0	388.2	1,292.8	955.6	886.4
Sales	1,269.4	1,269.4	513.1	1,824.9	9,233.2	2,694.0
EBITDA	177.2	177.2	95.3	-55.6	2,178.6	1,181.3
EBITDA Margin (%)	14.0	14.0	24.6	-4.3	228.0	133.3
Net Profit	135.8	135.8	25.1	352.4	1,202.4	1,047.1
D/E (x)	1.5	1.5	0.2	0.6	0.9	0.3
PE (x)	43.3	45.4	166.6	89.8	35.8	22.7
M.Cap	5,881.2	6,160.8	5,684.5	35,942.6	46,028.6	32,229.7
RoE (%)	10.6	10.6	0.9	4.1	15.3	10.6

(CMP is based on the closing price as of 11th Nov 2022; Source: Capitaline, SSL Research)

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Portfolio Manager: INP000004912 | IRDA : CA0103 | PFRDA Registration No: POP 26092018

Registered & Corporate Office: Marathon Futurex, Unit No. 1201, B-Wing, 12th Floor, N M Joshi Marg,

Mafatal Mill Compound, Lower Parel East, Mumbai 400013

For any information contact us: (022) 6854 5555**E-mail: helpdesk@sbicapsec.com I Web: www.sbisecurities.in****DISCLOSURES & DISCLAIMERS:**

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Name	Qualification	Designation
Sudeep Shah	MMS-Finance	DVP- Technical & Derivative Research
Sunny Agrawal	B.E, MBA (Finance)	DVP - Fundamental Research
Rajesh Gupta	PGDBM (Finance), MA (Bus. Eco)	AVP - Fundamental Research
Unnati Bhavkar	MMS (Finance)	Manager – Fundamental Research
Monica Chauhan	C.A.	Research Analyst - Equity Fundamentals
Gautam Updhyaya	MBA (Finance)	Research Analyst - Equity Derivatives
Netra Deshpande	MMS (Finance)	Sr. Research Analyst - Currency & Commodity
Bhavin Parikh	MBA (Finance)	Research Analyst - Mutual Funds
Vinayak Gangule	BE (IT)	Research Analyst - Equity Technicals
Pratik Patni	BSc (Biotech Entire)	Research Analyst- Equity Derivatives
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