

Suraj Estate Developers Ltd.

Where Dreams Come True



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Suraj Estate Developers (SEDL), a renowned Mumbai-based real estate firm established in 1986, specializes in residential and commercial developments, primarily in South Central Mumbai. With 42 completed projects, 97.6% focusing on redevelopment, they demonstrate expertise in tenant settlement, vital in a redevelopment-driven market. Their compliance with Development Control and Promotion Regulation - 2034, facilitated over 1,011 houses' redevelopment.

They strategically cater to "value luxury" and "luxury" segments in residential real estate, offering units priced from INR 10 mn to INR 130 mn. Notable commercial ventures include built-to-suit corporate headquarters for institutional clients. Adapting to evolving commercial dynamics, plans for boutique office spaces on Tulsī Pipe Road, Mahim, meet rising demand for smaller, independent offices.

SEDL attributes success to a customer-centric model refined over three decades, resulting in high customer satisfaction and substantial sales referrals, reflecting strong brand recall in South Central Mumbai. Led by founder Rajan Meenathakonil Thomas and Whole-time Director Rahul Rajan Jesu Thomas, the leadership's five-decade experience showcases strategic vision.

SEDL's strong foundation, strategic initiatives, and commitment to customer satisfaction position them to shape Mumbai's real estate future. With their quality construction and unwavering dedication, they are poised to play a pivotal role in the city's real estate landscape.

Industry	Real estate
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Issue Details

Listing	BSE & NSE
Open Date	18 th Dec 2023
Close Date	20 th Dec 2023
Price Band	INR 340-360
Face Value	INR 5.0
Market Lot	41 shares
Minimum Lot	1 Lot

Issue Structure

Offer for Sale	0%
Fresh Issue	100%
Issue Size (Amt)	INR 400 cr
Issue Size (Shares)	11,111,111
QIB Share (%)	≤50%
Non-Inst Share (%)	≥15%
Retail Share (%)	≥35%
Pre issue sh (nos)	3,32,50,000
Post issue sh (nos)	4,43,61,111
Post issue M Cap	1,597 cr

Shareholding (%)	Pre (%)	Post (%)
Promoter & group	100.00	74.95
Public	00.00	25.05
TOTAL	100.00	100.00

Key Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	PAT	EBITDA (%)	PAT (%)	Adj EPS (INR)	BVPS (INR)	RoE (%)	RoC (%)	P/E (X)	EV/Sales (X)	EV/EBITDA (X)
FY21	240.0	86.6	6.3	36.1	2.6	1.4	4.8	29.5	22.9	254.5	8.1	22.4
FY22	272.7	131.7	26.5	48.3	9.7	6.0	8.2	73.1	31.9	60.3	7.2	14.9
FY23	305.7	151.0	32.1	49.4	10.5	7.2	16.7	43.2	32.9	49.8	6.5	13.1

Source: Company Reports

Growth Strategies

Enhance leading market position in the South Central Mumbai region by leveraging its upcoming projects

The company focuses on residential projects in South Central Mumbai's Value Luxury and Luxury Segments. With upcoming projects covering around 7,44,149 sq. feet for sale and land reserves of 10,360 sq. meters, they aim to solidify their market dominance in this prime real estate area. Anticipated growth in demand is driven by improved connectivity, affordability, and alternative commercial centers, prompting the company to expand across different price points and customer segments in South Central Mumbai.

Continue to focus on redevelopment projects through asset light model

As of October 31, 2023, the company has 13 ongoing projects and 16 upcoming projects, with 3 of these upcoming ones using an asset-light model, forming 10.3% of their total projects. They aim to bolster their redevelopment project portfolio through agreements with housing societies and landlords, sharing areas for development. This approach reduces upfront land acquisition costs and allows efficient capital use for quick property development. Their focus remains on the South Central Mumbai region, leveraging their strong presence there, while also planning to expand within the broader Mumbai Metropolitan Region.

Continue to selectively develop Commercial Projects in the South Central Mumbai region

Their focus remains steadfast on developing commercial spaces to enhance value through complementary asset classes. Notably, they've constructed and sold build-to-suit offices to institutional clients like Saraswat Co-operative Bank Limited (Prabhadevi) and Clearing Corporation of India Limited (Dadar). Addressing the rising demand for independent office buildings in the commercial segment, they're currently proposing a 16-storey commercial building located on Tulsi Pipe Road, Mahim.

Key Risks & Concerns

- There are no ongoing projects outside of South-Central Mumbai (SCM), which significantly anchors the business, financial condition, and operational outcomes to the performance and prevailing conditions of the real estate markets in this specific region.

- As of October 31, 2023, Suraj Estate Developers has a total 216 unsold units in their Ongoing Projects. If they are not able to sell project inventories in a timely manner, then it may adversely affect its business, results of operations and financial condition.
- As of October 31, 2023, the company reports 16 upcoming projects in early planning stages, contingent on approvals, including renewals from the Brihanmumbai Municipal Corporation. Difficulties meeting conditions or delays in obtaining necessary approvals may impact ongoing and upcoming projects, potentially affecting operations and requiring construction activity cessation if licenses/approvals are withdrawn.
- The Business is subject to seasonality and they may experience difficulties in expanding their business into additional geographical markets including MMR region which may contribute to fluctuations in their results of operations and financial condition.
- Their business demands substantial investment in land acquisition and development due to its high capital intensity. The reliance on real estate financing poses a significant dependency, and there's a risk that suitable financing may not be available to them promptly or at all.

Offer Details

SEDL's proposed fresh issue is worth INR 400 cr which would reduce promoter and promoter group shareholding from 100.0% (pre-issue) to 75.0% (post-issue). The object of the issue are as follows:

- acquisition of land or land development rights;
- repayment/Prepayment of the aggregate outstanding borrowings of SEDL and its subsidiaries and
- general corporate purposes.

Issue Structure and Offer Details

The proposed issue size of SEDL is INR 400 cr, whole being fresh issue and the price band for the issue is in the range of INR 340 – 360 and the bid lot is 41 shares and multiples thereof.

Issue Structure	
Investor Category	Allocation
QIB	Not more than 50% of the Offer
NIB	Not less than 15% of the Offer
Retail	Not less than 35% of the Offer

Number of shares based on a higher price band of INR 360

Source: Company Reports

SEDL financial summary and analysis

Fig in INR Cr (unless specified)	FY21	FY22	FY23	Fig in INR Cr (unless specified)	FY21	FY22	FY23
Income Statement				Per share data & Yields			
Revenue	240.0	272.7	305.7	Adjusted EPS (INR)	1.4	6.0	7.2
<i>YoY Growth (%)</i>	<i>N/A</i>	<i>13.6</i>	<i>12.1</i>	Adjusted Cash EPS (INR)	2.0	6.8	7.8
Raw Material Cost	141.9	125.0	134.7	Adjusted BVPS (INR)	4.8	8.2	16.7
<i>RM Cost to Sales (%)</i>	<i>59.1</i>	<i>45.9</i>	<i>44.1</i>	Adjusted CFO per share (INR)	(3.4)	15.7	42.5
Employee Cost	7.6	9.7	11.6	CFO Yield (%)	(0.9)	4.4	11.8
<i>Employee Cost to Sales (%)</i>	<i>3.2</i>	<i>3.6</i>	<i>3.8</i>	Adjusted FCF per share (INR)	11.7	13.6	13.0
Other Expenses	3.9	6.2	8.4	FCF Yield (%)	3.3	3.8	3.6
<i>Other Exp to Sales (%)</i>	<i>1.6</i>	<i>2.3</i>	<i>2.8</i>	Solvency Ratio (X)			
EBITDA	86.6	131.7	151.0	Total Debt to Equity	16.8	10.7	5.5
<i>Margin (%)</i>	<i>36.1</i>	<i>48.3</i>	<i>49.4</i>	Net Debt to Equity	16.2	10.1	5.1
<i>YoY Growth (%)</i>	<i>N/A</i>	<i>52.1</i>	<i>14.6</i>	Net Debt to EBITDA	4.0	2.8	2.5
Depreciation & Amortization	2.4	3.7	2.6	Return Ratios (%)			
EBIT	84.2	128.1	148.4	Return on Equity	29.5	73.1	43.2
<i>Margin (%)</i>	<i>35.1</i>	<i>47.0</i>	<i>48.5</i>	Return on Capital Employed	15.4	22.2	22.9
<i>YoY Growth (%)</i>	<i>N/A</i>	<i>52.0</i>	<i>15.9</i>	Return on Invested Capital	22.9	31.9	32.9
Other Income	4.0	1.2	2.1	Working Capital Ratios			
Finance Cost	79.2	93.1	107.4	Payable Days (Nos)	14	20	28
Interest Coverage (X)	1.1	1.4	1.4	Inventory Days (Nos)	542	529	522
Exceptional Item	0.0	0.0	0.0	Receivable Days (Nos)	101	93	107
PBT	9.0	36.2	43.2	Net Working Capital Days (Nos)	629	602	602
<i>Margin (%)</i>	<i>3.8</i>	<i>13.3</i>	<i>14.1</i>	Net Working Capital to Sales (%)	172.5	164.9	164.9
<i>YoY Growth (%)</i>	<i>N/A</i>	<i>299.7</i>	<i>19.5</i>	Valuation (X)			
Tax Expense	2.8	9.6	11.1	P/E	254.5	60.3	49.8
<i>Tax Rate (%)</i>	<i>30.6</i>	<i>26.7</i>	<i>25.8</i>	P/BV	75.0	44.1	21.5
PAT	6.3	26.5	32.1	EV/EBITDA	22.4	14.9	13.1
<i>Margin (%)</i>	<i>2.6</i>	<i>9.7</i>	<i>10.5</i>	EV/Sales	8.1	7.2	6.5
<i>YoY Growth (%)</i>	<i>N/A</i>	<i>322.3</i>	<i>21.0</i>	Cash Flow Statement			
Min Int/Sh of Assoc	0.0	0.0	0.0	PBT	9.0	36.2	43.2
Net Profit	6.3	26.5	32.1	Adjustments	(14.6)	79.2	210.8
<i>Margin (%)</i>	<i>2.6</i>	<i>9.7</i>	<i>10.5</i>	Change in Working Capital	(6.6)	(35.9)	(54.3)
<i>YoY Growth (%)</i>	<i>N/A</i>	<i>322.3</i>	<i>21.0</i>	Less: Tax Paid	(2.8)	(9.6)	(11.1)
Balance Sheet				Cash Flow from Operations	(14.9)	69.8	188.5
Share Capital	6.7	16.6	16.6	Net Capital Expenditure	(2.4)	(1.3)	(0.8)
Total Reserves	14.7	19.6	57.6	Change in Investments	(9.9)	(19.8)	(26.4)
Shareholders Fund	21.3	36.2	74.2	Cash Flow from Investing	(12.3)	(21.1)	(27.1)
Long Term Borrowings	284.0	242.4	286.0	Change in Borrowings	106.2	48.4	(48.4)
Deferred Tax Assets / Liabilities	(0.6)	(0.5)	(0.5)	Less: Finance Cost	(79.2)	(93.1)	(107.4)
Other Long Term Liabilities	4.4	4.7	4.5	Proceeds from Equity	0.0	0.0	0.0
Long Term Trade Payables	0.0	0.0	0.0	Buyback of Shares	0.0	0.0	0.0
Long Term Provisions	0.7	0.6	0.6	Dividend Paid	0.0	0.0	0.0
Total Liabilities	309.8	283.5	364.8	Cash flow from Financing	27.0	(44.7)	(155.7)
Net Block	7.0	4.9	3.8	Net Cash Flow	(0.2)	4.0	5.7
Capital Work in Progress	0.0	0.0	0.0	Forex Effect	0.0	0.0	0.0
Intangible assets under developmen	0.0	0.0	0.0	Opening Balance of Cash	2.4	2.1	6.1
Non Current Investments	9.3	24.8	24.8	Closing Balance of Cash	2.1	6.1	11.8
Long Term Loans & Advances	0.8	0.8	0.8				
Other Non Current Assets	1.9	3.7	21.7				
Net Current Assets	290.8	249.3	313.6				
Total Assets	309.8	283.5	364.8				

Source: Ventura Research

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