



SURAJ

Suraj Estate has been actively involved in the real estate business since 1986, specializing in the development of real estate across the residential and commercial sectors in the South-Central Mumbai region. The residential portfolio is strategically located in the markets of Mahim, Dadar, Prabhadevi, and Parel, which are sub-markets of the South-Central Mumbai micro-market where Suraj Estate has established a significant presence. The focus lies on value luxury, luxury segments, and the commercial sector. Suraj Estate is now expanding its footprint into residential real estate development in the Bandra sub-market. The primary area of operation remains the South-Central region in Mumbai, encompassing Mahim, Matunga, Dadar, Prabhadevi, and Parel. Suraj Estate's expertise lies in the redevelopment of tenanted properties under Regulation 33(7) of the Development Control and Promotion Regulations (DCPR) in the Mumbai region. Given that most land parcels in the South-Central Mumbai market are redevelopment projects, the core competence of Suraj Estate lies in tenant settlement, a crucial element for unlocking value on such land parcels. The company identifies cessed/non-cessed properties with existing tenants and engages with landlords through development agreements or outright purchases via conveyance deeds. Suraj Estate does not provide construction services independently and is 100% dependent on third-party contractors for the construction services of its projects. Since its incorporation, Suraj Estate has successfully completed 42 projects, with a developed area exceeding 1,046,543.20 sq. ft. in the South-Central Mumbai region. In addition to completed projects, there are currently 13 ongoing projects with a developable area of 2,034,434.40 sq. ft. and saleable RERA carpet area of 609,928 sq. ft. Furthermore, there are 16 upcoming projects with an estimated carpet area of 744,149 sq. ft.

Investment Rationale:

Suraj Estate operates in Mumbai Metropolitan Region (MMR) which has the highest supply and absorption rate with highest unit prices:

- From 2016 to H1 2023, MMR had the maximum share among all cities in the range of 24% -37% across years with an average of 30% in terms of supply. This shows that there is an overall growth in the supply and that there is potential for further developments. MMR also has the highest absorption rate; since 2016, on average MMR has been contributing approximately 30% of the total absorption, followed by Bangalore and NCR which are approximately 18% of the total absorption levels from 2016 to 2022.
- From 2016 to H1 2023, the average base selling price in MMR has been approximately INR 10,980 per square foot, which is the highest across Top Seven Indian Markets. We expect that there will be a gradual increase in absorption until 2026. New launches in 2024 are likely to be almost 2 times as compared to 2021 levels and are expected to gradually increase year-on-year post 2023.
- On account of disciplined supply and healthy absorption levels, unsold units overhang is expected to be less than 2 years from 2023 to 2026. There has been a ~9% rise in pricing in MMR in 2022 as compared to 2021 levels.
- Further, there will be a gradual increase in MMR from 2023 till 2026 with an average price appreciation of around ~5% per year which would showcase an improvement in the overall residential real estate scenario in the MMR. Suraj Estate which primarily operates in the South-Central Mumbai region has the second-highest market share in Mahim region is looking to benefit from this growth.

Established brand with long standing presence in Value Luxury Segment:

- The company's deep knowledge of the market, regulatory environment and long standing presence in Value Luxury and Luxury Segment has helped it in identifying opportunities in this market. Most of its Completed, Ongoing and Upcoming Projects are under Value Luxury and Luxury Segments and are majorly located in and around South Central Mumbai region.
- The Value Luxury Segment refers to its projects with ticket sizes ranging between INR 10.00 million and upto INR 30.00 million in the South Central Mumbai region and Luxury Segment refers to its projects with ticket sizes ranging above INR 30.00 million and upto INR 130.00 million.

Continued focus on redevelopment projects through asset-light model:

- In Q3FY23, Suraj Estate is actively engaged in 13 ongoing projects and has an additional 16 upcoming projects in the pipeline. Notably, 3 of these upcoming projects, constituting 10.34% of its total portfolio, are based on an asset-light model.
- Suraj's strategic focus revolves around strengthening its redevelopment project portfolio, primarily through an asset-light approach, by entering into development agreements with housing societies and landlords based on an area-sharing basis. This proactive strategy is designed to enhance capital efficiency and reduce upfront land acquisition costs.

Suraj continues to expand land reserves in South Central Mumbai region and opportunistically build our position in other sub markets within MMR region:

- Suraj Estate has been actively involved in the real estate business since 1986, specializing in the development of real estate across the residential and commercial sectors in the South-Central Mumbai region. The residential portfolio is strategically located in the markets of Mahim, Dadar, Prabhadevi, and Parel, which are sub-markets of the South-Central Mumbai micro-market where Suraj Estate has established a significant presence. The focus lies on value luxury, luxury segments, and the commercial sector.
- Suraj Estate is now expanding its footprint into residential real estate development in the Bandra sub-market. The primary area of operation remains the South-Central region in Mumbai, encompassing Mahim, Matunga, Dadar, Prabhadevi, and Parel.
- There are 16 upcoming projects with an estimated carpet area of 744,149 sq. ft. Suraj Estate is looking to use INR 350 million from the net proceeds for acquisition of land or land development rights.

Valuation and Outlook: We are positive upon Suraj Estate due to i. Suraj Estate operating in MMR which has the highest supply in the range of 24% -37% across years. MMR also has the highest absorption rate of 30% of the total absorption. ii. MMR has the highest unit prices. ii. Second largest market position in Mahim region of Mumbai. iii. Suraj's asset light model on 10.34% of its total portfolio will help in improving bottom line growth in coming quarters. Suraj's total income for FY23 was INR 3,078.90 million as compared to INR 2,739.07 million for FY22, representing an increase of 12.41% YoY. The company's PAT for FY23 was INR 320.64 million as compared to Rs 265.04 million for the FY22. Its profit margin increased to 10.49% in FY23 from 9.72% in FY22. The company's ROE and ROCE was 58.01% and 22.44% in FY23. At the upper end of the price band, the P/E translates to ~49.81x. Suraj continues to focus primarily on residential projects in the Value Luxury and Luxury Segments within select micro-markets of the South Central Mumbai region by leveraging its brand, deep experience and a track record of successful execution. It further intends to leverage its in-depth knowledge of these sub markets and continue to focus its expansion plans in the South Central Mumbai across different price points and customer segments. We recommend to subscribe to the issue as a good long-term investment due to presence in one of the most promising real estate pocket of the country and attractive long term growth prospects.

Key Financial & Operating Metrics (Consolidated)

In INR mn	Revenue	YoY (%)	EBITDA	EBITDA %	PAT	EPS	ROE	ROCE
FY21	2399.87	-	866.28	36.10%	62.76	1.98	24.06	15.35
FY22	2727.18	13.64	1317.33	48.30%	265.04	8.35	77.60	19.78
FY23	3057.44	12.11	1510.03	49.39%	320.64	7.23	58.01	22.44

Issue Snapshot

Issue Open	18-Dec-23
Issue Close	20-Dec-23
Price Band	INR 340 - 360
Issue Size (Shares)	1,11,11,111
Market Cap (INR mln)	INR 15970

Particulars

Fresh Issue (INR mln)	INR 4000
OFS Issue (mln)	-
QIB	50%
Non-institutionals	15%
Retail	35%

Capital Structure

Pre Issue Equity	3,32,50,000
Post Issue Equity	4,43,61,111
Bid Lot	41 shares
Minimum Bid amount @ 340	INR 13940
Maximum Bid amount @ 360	INR 14760

Share Holding

	Pre Issue	Post Issue
Promoters	100.00%	74.95%
Public	0.00%	25.05%

Particulars

Face Value	INR 5
Book Value	INR 16.09
EPS, Diluted	INR 7.23

Objects of the Issue

1. Repayment or Prepayment of the aggregate outstanding borrowings- INR 2850 million
2. Acquisition of land or land development rights – INR 350 million
3. General corporate purposes

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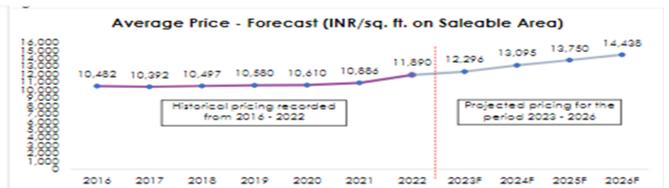
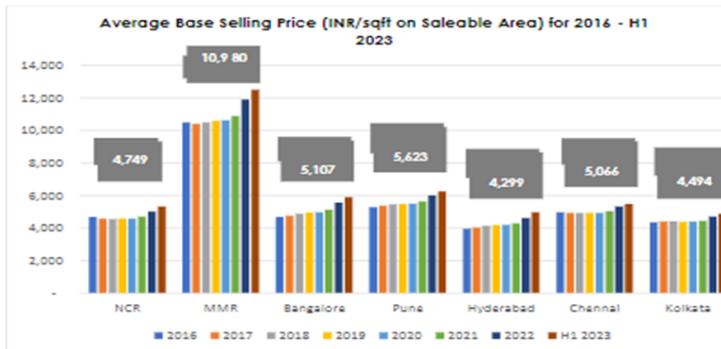
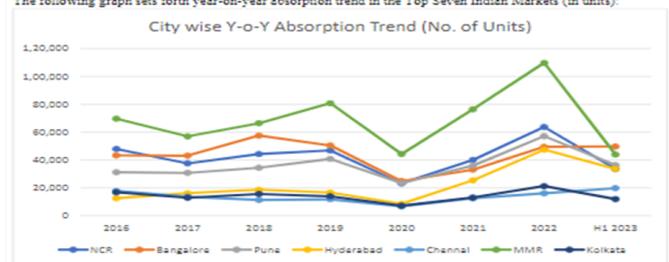
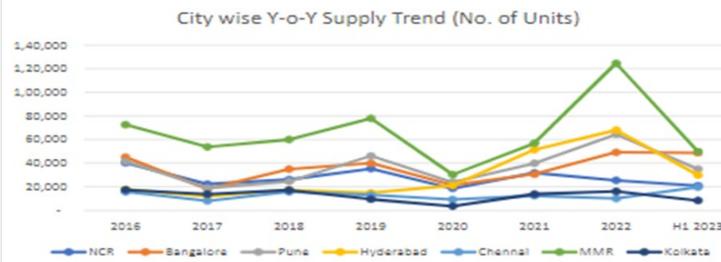
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Investment Rationale:

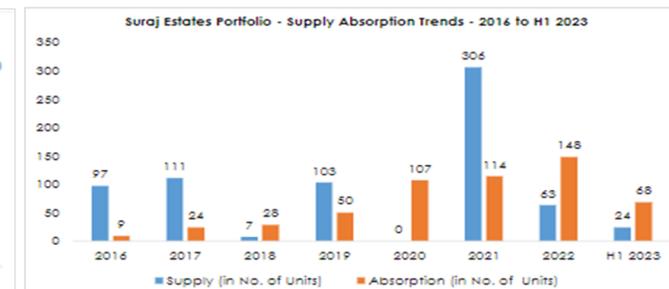
Suraj Estate operates in Mumbai Metropolitan Region (MMR) which has the highest supply and absorption rate with highest unit prices: From 2016 to H1 2023, MMR had the maximum share among all cities in the range of 24% -37% across years with an average of 30% in terms of supply. This shows that there is an overall growth in the supply and that there is potential for further developments. MMR also has the highest absorption rate; Since 2016, on average MMR has been contributing approximately 30% of the total absorption, followed by Bangalore and NCR which are approximately 18% of the total absorption levels from 2016 to 2022. From 2016 to H1 2023, the average base selling price in MMR has been approximately INR 10,980 per square foot, which is the highest across Top Seven Indian Markets. MMR has witnessed a significant rise in capital prices in last 2 years. The annual absorption in MMR in 2022 has been 50% more as compared to 2021 levels. While it is estimated that the sector may not repeat its strong performance of 2022 in the near term, over a longer term in this decade the absorption growth in volume terms in the sector is likely to largely mirror the real GDP growth with pricing growth slightly above the inflation level. This will likely result in over 10% CAGR in value terms for the sector over a longer term in the MMR.

The following graph sets forth year-on-year absorption trend in the Top Seven Indian Markets (in units):



Supply is likely to be disciplined due to consolidation and keep pace with absorption over the longer term. We expect that there will be a gradual increase in absorption until 2026. New launches in 2024 are likely to be almost 2 times as compared to 2021 levels and are expected to gradually increase year-on-year post 2023. On account of disciplined supply and healthy absorption levels, unsold units

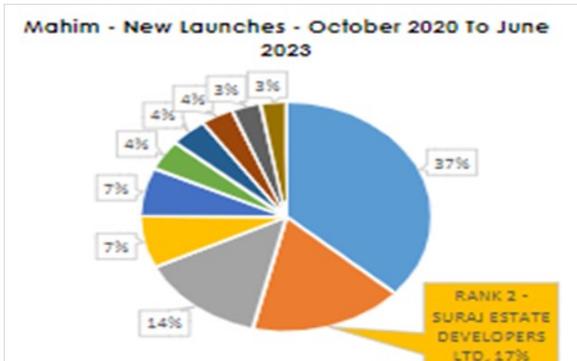
overhang is expected to be less than 2 years from 2023 to 2026. There has been a ~9% rise in pricing in MMR in 2022 as compared to 2021 levels. Further, there will be a gradual increase in MMR from 2023 till 2026 with an average price appreciation of around ~5% per year which would showcase an improvement in the overall residential real estate scenario in the MMR. Suraj Estate which primarily operates in the South-Central Mumbai region has the second-highest market share in Mahim region is looking to benefit from this growth.



The table below shows the sales value of units sold by Suraj Estate Developers Limited year wise from 2016 to H1 2023

Calendar Year	Sales Value of Units Sold (IN INR Cr) – Agreement Value
2016	41.81
2017	78.39
2018	73.44
2019	110.76
2020	297.77
2021	307.62
2022	444.18
H12023	255.94
TOTAL	1,609.91

Established brand with long standing presence in Value Luxury Segment: The company's deep knowledge of the market, regulatory environment and long standing presence in Value Luxury and Luxury Segment has helped it in identifying opportunities in this market. Most of its Completed, Ongoing and Upcoming Projects are under Value Luxury and Luxury Segments and are majorly located in and around South Central Mumbai region. The South Central Mumbai region is an attractive real estate market in terms of high



realisation, aspirational value/premium product positioning and high demand across multiple segments and price points. Mumbai's position as the commercial capital of India, together with the demographics of the Mumbai's population, with a high-income, discerning customer base and an expanding segment of young, upwardly mobile professionals having a preference for the convenience of living in the island city of Mumbai, provides a substantial market for its projects. The Value Luxury Segment refers to its projects with ticket sizes ranging between INR 10.00 million and upto INR 30.00 million in the South Central Mumbai region and Luxury Segment refers to its projects with ticket sizes ranging above Rs 30.00 million and upto Rs 130.00 million.

Continued focus on redevelopment projects through asset-light model: In Q3FY23, Suraj Estate is actively engaged in 13 ongoing projects and has an additional 16 upcoming projects in the pipeline. Notably, 3 of these upcoming projects, constituting 10.34% of its total portfolio, are based on an asset-light model. Suraj's strategic focus revolves around strengthening its redevelopment project portfolio, primarily through an asset-light approach, by entering into

development agreements with housing societies and landlords based on an area-sharing basis. This proactive strategy is designed to enhance capital efficiency and reduce upfront land acquisition costs. Collaborating with housing societies and property owners, Suraj leverages its ability to secure financing, technical expertise, and project management skills. Suraj's status as a preferred partner in such ventures is driven by strong brand recall, a diversified presence across price points, and the proven capability to sell a majority of units both at launch and during the construction phase. The adoption of an asset-light model, specifically avoiding land acquisition on an ownership basis, allows the company to allocate capital swiftly and efficiently toward the development of these properties. This approach minimizes capital deployment, resulting in interest cost savings and contributing to enhanced overall profitability for the company. Moreover, it enables us to deploy capital more effectively by undertaking multiple projects within the constraints of our available resources. This strategic direction is intended to be applied primarily in the South Central Mumbai region, where Suraj's presence is robust, and it further plans to extend this approach to other parts of the MMR. By doing so, Suraj aims to further solidify its position in the real estate market and drive sustainable growth.

Suraj continues to expand land reserves in South Central Mumbai region and opportunistically build our position in other sub markets within MMR region:

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Project Name	Total Sale Carpet Area (lakhs square feet)	Sale Carpet Area sold, as of October 31, 2023 (lakhs square feet)	% of Sale Carpet Area sold, as of October 31, 2023	Sale Carpet Area sold prior to the receipt of the OC (lakhs square feet)	% of Sale Carpet Area sold prior to the receipt of the OC
Value Luxury					
Louisandra	0.29	0.29	100.00%	0.29	100.00%
Emmanuel	0.28	0.27	96.84%	0.27	96.84%
Ave Maria	0.23	0.22	96.86%	0.22	96.86%
Vitalis	0.81	0.48	59.75%	0.48	59.75%
Suraj Eterna	0.33	0.18	54.62%	0.18	54.62%
Nirvana*	0.91*	0.67	73.42%	0.67	73.42%
Suraj Parkview 2	0.21	0.15	69.65%	0.15	69.65%
Luxury					
Palette	1.80	1.22	67.89%	1.22	67.89%
Ocean Star-I	0.60	0.42	70.13%	0.42	70.13%
Total	5.47	3.91	71.51%	3.91	71.51%

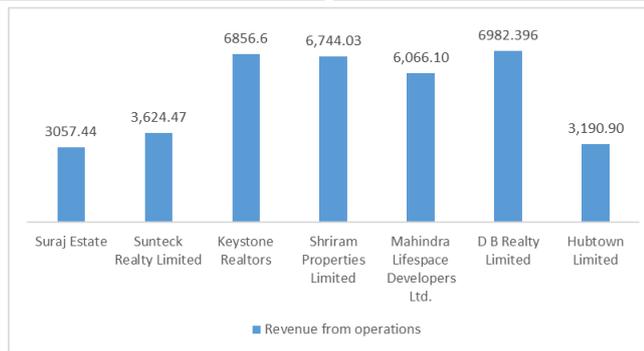
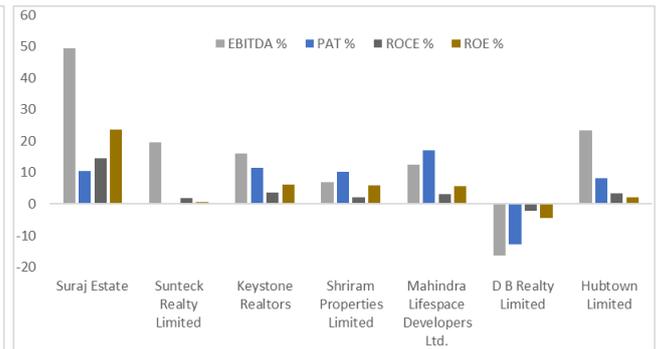
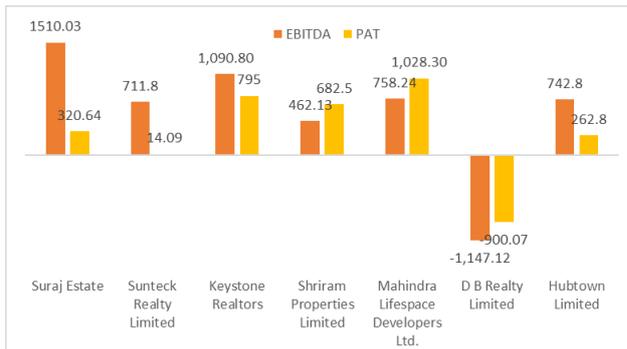
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Suraj Estate Developers Limited

December 18, 2023



Listed Peers	Revenue from operations	EBITDA	EBITDA %	PAT	PAT %	Net Debt	Inventories	Trade Receivables	ROCE %	ROE %
Suraj Estate	3057.44	1510.03	49.39	320.64	10.49	5650.73	6522.7	1130.45	14.51	23.62
Oberoi Realty Limited	41,925.82	23,320.65	55.62	19,045.47	45.43	34,311.71	85,430.95	10,983.09	15.31	16.83
Sunteck Realty Limited	3,624.47	711.8	19.64	14.09	0.39	5,271.96	57,251.16	1,496.17	1.75	0.62
Keystone Realtors	6856.6	1,090.80	15.91	795	11.59	6,119.40	25,703.50	616.4	3.71	6.11
Shriram Properties Limited	6,744.03	462.13	6.85	682.5	10.12	5,267.81	22,208.05	788	2.17	5.85
Mahindra Lifespace Developers Ltd.	6,066.10	758.24	12.5	1,028.30	16.95	1,876.92	20,975.77	1,290.96	3.03	5.72
D B Realty Limited	6982.396	-1,147.12	-16.43	-900.07	-12.89	26,043.43	25,821.95	685.52	-2.27	-4.47
Hubtown Limited	3,190.90	742.8	23.28	262.8	8.24	7,993.40	20,141.30	2,025.00	3.3	2.03



IPO Note

Income Statement				Balance Sheet			
Y/E (INR mn)	FY21	FY22	FY23	Y/E (INR mn)	FY21	FY22	FY23
Revenue	2399.87	2727.18	3057.44	Source of funds			
Expenses:				Equity Share Capital	63.50	158.75	158.75
Employee Cost	76.13	97.39	116.00	Reserves	227.97	232.88	555.17
Total Expenses	1533.59	1409.85	1547.41	Total Share holders funds	291.47	391.63	713.92
EBITDA	866.29	1317.33	1510.03	Total Debt	6004.78	6381.57	5930.93
EBITDA Margin %	36.10%	48.30%	49.39%	Current Liabilities	2931.38	4221.19	5196.58
Interest	792.08	930.96	1073.54	Trade Payables	141.63	193.00	269.52
Depreciation	23.87	36.75	25.83	Total Non-Current Liabilities	4687.45	4013.87	3478.97
Other Income	40.11	11.89	21.46	Total Liabilities	7912.47	8628.87	9390.68
PBT	90.45	361.51	432.12				
PAT	62.76	265.04	320.64	Application of funds			
EPS	1.98	8.35	10.10	Fixed Assets	211.59	176.54	158.27
				Capital Work in Progress	0.00	0.00	0.00
				Cash and Bank	208.54	235.94	280.20
				Other current assets	409.24	384.34	452.62
				Inventory	5652.80	6209.75	6522.70
				Sundry Debtors	806.64	932.31	1130.45
				Total Assets	7912.47	8628.87	9390.68

Cash Flow				Key Ratios			
Y/E (INR cr)	FY21	FY22	FY23	Y/E (INR cr)	FY21	FY22	FY23
Profit Before Tax	90.45	361.51	432.12	Growth Ratio			
Adjustment	803.05	938.02	1067.23	Net Sales Growth(%)	176.08	13.64	12.11
Changes In working Capital	-1030.90	-555.74	450.38	EBITDA Growth(%)	32.18	46.65	15.22
Cash Flow after changes in Working	-137.39	743.79	1949.73	PAT Growth(%)	313.98	322.31	20.98
Tax Paid	-11.91	-46.22	-64.48	Margin Ratios			
Cash From Operating Activities	-149.30	697.57	1885.25	Gross Profit	72.53	110.52	100.26
Cash Flow from Investing Activities	-68.41	-210.63	-271.22	PBIDTM	37.77	48.74	50.09
Cash from Financing Activities	269.58	-446.80	-1557.23	EBITM	36.77	47.39	49.25
Net Cash Inflow / Outflow	51.87	40.14	56.80	PBT	3.77	13.26	14.13
Opening Cash & Cash Equivalent	23.61	21.19	61.33	PAT	2.62	9.72	10.49
Closing Cash & Cash Equivalent	75.48	61.33	118.13	Return Ratios			
				ROA	0.84	3.20	3.56
				ROE	24.06	77.60	58.01
				ROCE	15.35	19.78	22.44
				Turnover Ratios			
				Asset Turnover(x)	0.32	0.33	0.34
				Inventory Turnover(x)	0.43	0.46	0.48
				Debtors Turnover(x)	3.90	3.14	2.96
				Fixed Asset Turnover (x)	8.69	9.65	10.65
				Solvency Ratios			
				Total Debt/Equity(x)	20.60	16.29	8.31
				Current Ratio(x)	2.61	1.99	1.72
				Quick Ratio(x)	0.70	0.52	0.46
				Interest Cover(x)	1.11	1.39	1.40

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