IPO Report

Choice

"**Subscribe with Caution**" to

Keystone Realtors Ltd.

Attractive valuation, but sequential fall in pre-sales business is a concern



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12th Nov. 2022

Salient features of the IPO:

- **Keystone Realtors Ltd.** (KRL), which sells properties under the brand "Rustomjee" is coming up with an IPO to raise Rs. 635cr, which opens on 14th Nov. and closes on 16th Nov. 2022. The price band is Rs. 514 - 541 per share.
- The IPO is a combination of fresh and OFS issue. KRL will not receive any proceeds from the OFS portion. Of the net proceeds from the fresh issue, around Rs. 342cr will utilized for the repayment/prepayment of certain borrowings availed by the company and its subsidiaries. Rest of the proceeds will be used for general corporate purposes.
- On 11th May 2022, KRL made a private placement of 0.34cr shares aggregating to Rs. 170cr to couple of investors at Rs. 499.4 per share.

Key competitive strengths:

- Well established customer-centric brand in the Mumbai Metropolitan Region (MMR)
- Amongst the leading residential real estate development companies in MMR with a well-diversified portfolio and strong pipeline
- Asset-light & scalable model resulting in profitability and stable financial performance
- Demonstrated project execution capabilities with in-house functional expertise
- Robust stakeholder management capabilities across the spectrum of project development
- Technology focused operations resulting in operational efficiency and enhancing customer experiences
- Strong focus on sustainable development
- Experienced promoters, qualified senior management, good corporate governance and committed employee base

Risk and concerns:

- Unfavorable government policies & regulations
- Rise in the interest rates
- General economic slowdown
- Geographical business concentration risk
- Difficulty in maintaining profitability
- Competition

Below are the key highlights of the company:

- Indian real estate sector initially found it difficult to align with structural reforms & changes like Demonetization, RERA, GST, IBC, Subvention scheme ban etc. But these measures brought transparency, accountability and fiscal discipline in the sector over the last few years. The sector was on a growth trajectory since the last few years, but the Covid-19 pandemic put brakes in the momentum. However, since H2 2020, the sector rebounded sharply across the top cities of the country. Key growth drivers of the Indian real estate sector include improving education levels, increasing per capita income, improving penetration of housing & home ownership, increasing urbanization & urban housing shortage, increasing nuclearization of families, policy reforms and consolidation of real estate sector.
- In terms of the absorption, KRL is one of the prominent real estate developers in the micro markets of the MMR. The company sells properties under the "Rustomjee" brand. Based on the absorption levels between 2017-21, it has a market share of 28% in Khar, 23% share in Juhu, 11% in Bandra (East), 14% in Virar, 3% in Thane and 5% in Bhandup real estate market (Source: RHP). Moreover, the company with its well established brand, construction quality, distinctive projects and customer goodwill is able to command over 50% price premium in the markets of Juhu, Bandra (East) and Khar.

Issue details	
Price band	Rs. 514 - 541 per share
Face value	Rs. 10
Shares for fresh issue	1.035 - 1.089cr shares
Shares for OFS	0.139 - 0.146cr shares
Fresh issue size	Rs. 560cr
OFS issue size	Rs. 75cr
Total issue size	1.174 - 1.235cr shares (Rs. 635cr)
Bidding date	14th Nov. - 16th Nov. 2022
MCAP at higher price band	Rs. 6,161cr
Enterprise value at higher price band	Rs. 7,015cr
Book running lead manager	Axis Capital Ltd. and Credit Suisse Securities (India) Pvt. Ltd.
Registrar	Link Intime India Pvt. Ltd.
Sector	Real Estate
Promoters	Mr. Boman Rustom Irani, Mr. Percy Sorabji Chowdhry and Mr. Chandresh Dinesh Mehta

Issue break-up

Category	Percent of issue (%)	Number of shares
QIB portion	50%	0.587 - 0.618cr shares
Non institutional portion	15%	0.176 - 0.185cr shares
Retail portion	35%	0.411 - 0.432cr shares

Indicative IPO process time line	
Finalization of basis of allotment	21st Nov. 2022
Unblocking of ASBA account	22nd Nov. 2022
Credit to demat accounts	23rd Nov. 2022
Commencement of trading	24th Nov. 2022

Pre and post - issue shareholding pattern

	Pre-issue	Post-issue
Promoter & promoter group	96.71%	86.70%
Public	3.29%	13.30%
Total	**100.00%**	**100.00%**

Retail application money at higher cut-off price per lot	
Number of shares per lot	27
Application money	Rs. 14,607 per lot

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Key highlights of the company (Contd…):

Company name	Face value (Rs.)	CMP (Rs.)	MCAP (Rs. cr)	EV (Rs. cr)	Stock return 1 M	3 M	6 M	1 Y	TTM pre-sales (Rs. cr)	TTM total operating revenue (Rs. cr)	TTM EBITDA (Rs. cr)	TTM PAT (Rs. cr)	TTM EBITDA margin	TTM PAT margin
Keystone Realtors Ltd.	**10**	**541**	**6,161**	**7,015**					2,706	1,354	182	146	**13.4%**	**10.8%**
Brigade Enterprises Ltd.	10	510	11,761	14,744	-0.6%	-2.4%	21.8%	5.6%	3,357	3,519	888	211	25.2%	6.0%
DLF Ltd.	2	391	96,859	99,576	6.9%	6.2%	22.9%	-9.9%	8,839	5,841	1,739	1,731	29.8%	29.6%
Godrej Properties Ltd.	5	1,235	34,341	34,763	1.4%	-8.5%	-9.1%	-47.9%	9,700	2,019	171	400	8.5%	19.8%
Indiabulls Real Estate Ltd.	2	78	4,230	4,897	2.6%	12.6%	2.8%	-57.7%	1,104	1,077	(79)	(194)	-7.3%	-18.0%
Macrotech Developers Ltd.	10	952	45,850	55,185	-5.5%	-9.5%	7.3%	-22.8%	12,026	9,945	2,248	159	22.6%	1.6%
Mahindra Lifespace Developers Ltd.	10	400	6,185	6,240	-13.3%	-10.5%	13.5%	44.9%	1,580	350	(146)	230	-41.6%	65.5%
Oberoi Realty Ltd.	10	876	31,841	32,826	-5.9%	-3.7%	3.8%	-11.0%	4,795	3,257	1,486	1,422	45.6%	43.6%
Prestige Estates Projects Ltd.	10	456	18,283	22,413	0.4%	4.7%	3.5%	-11.3%	14,059	7,144	1,734	1,378	24.3%	19.3%
Sobha Ltd.	10	613	5,813	8,088	-5.6%	-9.3%	15.2%	-32.7%	4,333	2,800	901	120	32.2%	4.3%
Sunteck Realty Ltd.	1	393	5,755	6,164	-3.5%	-17.7%	-10.2%	-18.2%	1,525	508	93	34	18.4%	6.7%
Average													**15.8%**	**17.8%**

Company name	4Y pre-sales growth (CAGR)	4Y revenue growth (CAGR)	4Y EBITDA growth (CAGR)	4Y PAT growth (CAGR)	4Y average EBITDA margin	4Y average PAT margin	4Y capital employed growth (CAGR)	4Y CFO growth (CAGR)	4Y average working capital cycle (Days)	4Y average fixed asset turnover (x)	4Y average total asset turnover (x)	4Y average RoE	4Y average RoIC
Keystone Realtors Ltd.	**29.5%**	**-15.7%**	**-16.0%**	**11.8%**	**13.3%**	**5.6%**	**14.1%**		**948**	**20.9**	**0.3**	**11.0%**	**14.3%**
Brigade Enterprises Ltd.	29.8%	0.3%	-1.0%	-29.9%	25.4%	3.4%	2.3%	30.2%	255	1.3	0.2	4.4%	24.0%
DLF Ltd.	44.0%	-11.9%	-6.6%	4.4%	25.2%	13.2%	5.4%	11.5%	1,143	1.2	0.1	2.4%	1.5%
Godrej Properties Ltd.	13.9%	-13.5%	-9.2%	11.6%	-4.0%	3.7%	64.7%		478	7.4	0.2	4.4%	10.2%
Indiabulls Real Estate Ltd.		-33.6%			14.3%	1.2%	-16.8%	-40.2%	1,149	42.8	0.2	3.0%	5.2%
Macrotech Developers Ltd.	8.0%	-8.1%	-30.9%	-9.8%	-2.0%	8.3%	68.2%		1,010	4.8	0.2	17.4%	
Mahindra Lifespace Developers Ltd.	0.2%	-12.8%		8.9%	-21.0%	-3.8%	-2.6%		1,268	4.7	0.2		
Oberoi Realty Ltd.	3.7%	1.4%	0.7%	8.6%	46.0%	34.3%	13.7%	94.3%	619	1.3	0.2	9.0%	10.8%
Prestige Estates Projects Ltd.	70.0%	7.3%	1.8%	40.4%	27.0%	17.4%	13.2%	41.1%	554	0.8	0.2	16.2%	11.3%
Sobha Ltd.	7.4%	-7.4%	9.7%	-26.7%	28.5%	5.8%	16.1%	58.5%	535	7.4	0.3	8.0%	34.4%
Sunteck Realty Ltd.	2.7%	-15.7%	-36.8%	-52.0%	28.8%	12.9%	2.7%	57.6%	1,185	14.3	0.1	3.3%	4.7%
Average	**20.0%**	**-9.4%**	**-9.0%**	**-4.9%**	**16.8%**	**9.6%**	**16.7%**	**36.1%**	**820**	**8.6**	**0.2**	**7.6%**	**12.8%**

Company name	TTM EPS (Rs.)	BVPS (Rs.)	DPS (Rs.)	Debt equity ratio (x)	TTM fixed asset turnover ratio (x)	TTM total asset turnover ratio (x)	TTM RoE	TTM RoCE	TTM P / E (x)	P / B (x)	EV / TTM sales (x)	MCAP / TTM sales (x)	EV / TTM pre-sales (x)	MCAP / TTM pre-sales (x)	TTM Earning yield
Keystone Realtors Ltd.	**12.8**	**146.0**	**0.0**	**1.1**	**40.7**	**0.3**	**8.8%**	**14.6%**	**42.1**	**3.7**	**5.2**	**4.5**	**2.6**	**2.3**	**2.4%**
Brigade Enterprises Ltd.	9.1	126.2	1.2	1.5	2.4	0.2	7.2%	9.3%	55.9	4.0	4.2	3.3	4.4	3.5	1.8%
DLF Ltd.	7.0	146.9	2.0	0.1	1.2	0.1	4.8%	4.0%	55.9	2.7	17.0	16.6	11.3	11.0	1.8%
Godrej Properties Ltd.	14.4	312.0	0.0	0.6	4.1	0.1	4.6%	3.1%	85.9	4.0	17.2	17.0	3.6	3.5	1.2%
Indiabulls Real Estate Ltd.	(3.6)	63.0	0.0	0.3	11.2	0.1	-5.7%	-2.5%	(21.9)	1.2	4.5	3.9	4.4	3.8	-4.6%
Macrotech Developers Ltd.	3.3	251.3	0.0	0.9	5.2	0.3	1.3%	15.8%	288.7	3.8	5.5	4.6	4.6	3.8	0.3%
Mahindra Lifespace Developers Ltd.	14.8	115.7	0.0	0.2	4.0	0.1	12.8%	-9.7%	26.9	3.5	17.8	17.7	3.9	3.9	3.7%
Oberoi Realty Ltd.	39.1	286.5	0.0	0.2	0.8	0.2	13.6%	12.4%	22.4	3.1	10.1	9.8	6.8	6.6	4.5%
Prestige Estates Projects Ltd.	34.4	226.9	1.5	0.7	0.9	0.2	15.2%	10.0%	13.3	2.0	3.1	2.6	1.6	1.3	7.5%
Sobha Ltd.	12.6	264.7	3.5	1.0	6.3	0.2	4.8%	26.9%	48.6	2.3	2.9	2.1	1.9	1.3	2.1%
Sunteck Realty Ltd.	2.3	190.5	1.0	0.2	9.3	0.1	1.2%	2.5%	168.8	2.1	12.1	11.3	4.0	3.8	0.6%
Average			**0.9**	**0.6**	**4.5**	**0.2**	**6.0%**	**7.2%**	**74.5**	**2.9**	**9.5**	**8.9**	**4.7**	**4.3**	**1.9%**

Note: Financial data is for TTM with IPO related adjustments; Source: Choice Broking Research

- In terms of supply, KRL is also one of the prominent developers in the redevelopment segment in the operational micro markets of Prabhadevi, Juhu, Bandra (East), Bandra (West) and Khar. It is planning to expand its presence in submarkets of Parel, Sewri, Matunga, Sion and Borivali. Between 2017-21, KRL commanded a market share of 39% in Khar, 14% in Bandra (East) and 14% in Juhu redevelopment market.
- The company has developed 20.22mn sq. ft. of high-value and affordable residential buildings, premium gated estates, townships, corporate parks, retail spaces, schools, iconic landmarks and various other real estate projects. As of 30th Jun. 2022, it had 32 completed projects, 12 on-going projects and 21 forthcoming projects across the MMR. These projects spanned across the affordable, mid & mass, aspirational, premium and super premium categories, all under the Rustomjee brand. KRL's on-going and forthcoming projects had an aggregate saleable area of 6.26mn sq. ft. and 26.43mn sq. ft., respectively.
- Historically the company has focused primarily on development of residential real estate projects for customers across various categories. Around 95% of the revenue was derived from the sale of residential projects over FY19-22. In the last 12 months, around 88% of the business was derived from affordable, mid & mass segment residential projects. As of 30th Jun. 2022, 93.1% and 77.8% of the developable area in on-going and forthcoming projects comprised of residential projects.
- As of 30th Jun. 2022, KRL had unsold residential project inventory of 0.15mn sq. ft. in its completed projects, an inventory of 1.96mn sq. ft. and 22.41mn sq. ft. in its on-going and forthcoming projects, respectively. Further, the company had a commercial unsold inventory of 0.17mn sq. ft. in its on-going projects.

Key highlights of the company (Contd…):

- KRL operates via. an asset light business model, wherein it enters into a joint development agreements and re-development agreements with landowners or developers or societies, thereby requiring lower upfront capital expenditure compared to direct acquisition of land parcels. From inception until 30th Jun. 2022, the company has entered into 57 joint ventures/joint development arrangements/agreements/development agreements with landowners, residential societies, as well as other real estate developers. As of 30th Jun. 2022, 95.6% of the completed projects were executed under asset light model. Moreover, 92.8% and 77.7% of the on-going and forthcoming projects are under this model.
- In the past, KRL received equity investments from Giza (an entity advised by Xander Investment Management Pte. Ltd.) and HDFC Capital Affordable Real Estate Fund-1 for its township projects located in Thane and Virar, respectively. Currently the company has strategic partnerships with investors such as Lipalton Pte. Ltd. and HDFC Capital Affordable Real Estate Fund-3.
- Despite disturbance from the pandemic, KRL has demonstrated a robust business recovery with stability in the profitability margins over FY19-22. Pre-sales of the properties during the period increased by 29.5% CAGR to Rs. 2,639.3cr in FY22. Over FY19-22, the company reported a 15.7% CAGR fall in the consolidated operating revenue to Rs. 1,269.4cr. In FY19, operating revenue was higher mainly due to a one-time impact of additional revenue of Rs. 525.6.cr being recognized pursuant to adoption of Ind AS 115 and slump sale of a project. Moreover, one of its subsidiaries got converted into a joint venture company in FY21. Total operating expenditure declined in-line to the top-line, thereby leading to a 16% CAGR fall in consolidated EBITDA to Rs. 179.3cr in FY22. EBITDA margin contracted by 15bps from 14.3% in FY19 to 14.1% in FY22. Depreciation charge increased by 15.8% CAGR, however, higher capitalization of interest expenses in FY22 led to a 45.7% CAGR fall in finance costs during the period. Consequently, adjusted PAT increased by 11.8% CAGR to Rs. 141.7cr in FY22. PAT margin expanded by 638bps during the period.
- KRL reported positive operating cash flow during the period, except for FY22. Average cash flow over FY19-21 stood at Rs. 474.2cr. Financial liabilities declined by 8% CAGR with debt-to-equity ratio improving to 2x in FY22, compared to 5.8x in FY19. Pre-issue average RoIC and RoE stood at 16.4% and 12.6%, respectively, during the period.
- The company reported a 101.3% Y-o-Y rise in consolidated revenue to Rs. 168.6cr. EBITDA and PAT margin expanded by 34bps and 222bps, respectively. On TTM basis, consolidated top-line stood at Rs. 1,354.2cr with an EBITDA and PAT margin of 13.4% and 10.8%, respectively.
- Based on our conservative estimate, we are forecasting a 15.5% rise in pre-sales collections over FY22-24E. Top-line is expected to increase by 23.5% CAGR to Rs. 1,936.5cr in FY24E. Higher operating expenditures are likely to lower EBITDA and PAT margin by 378bps and 438bps, respectively. RoE is estimated at 6.9% in FY24E, compared to 8.5% in FY22.

Peer comparison and valuation: At higher price band, KRL is demanding an EV/TTM pre-sales multiple of 2.6x, which seems to be discount to peer average. Thus the issue seems to be attractively priced. However considering its 76.6% sequential fall in pre-sales business (compared to 3% average increase in the peer's business), we assign a "**Subscribe with Caution**" rating for the issue.

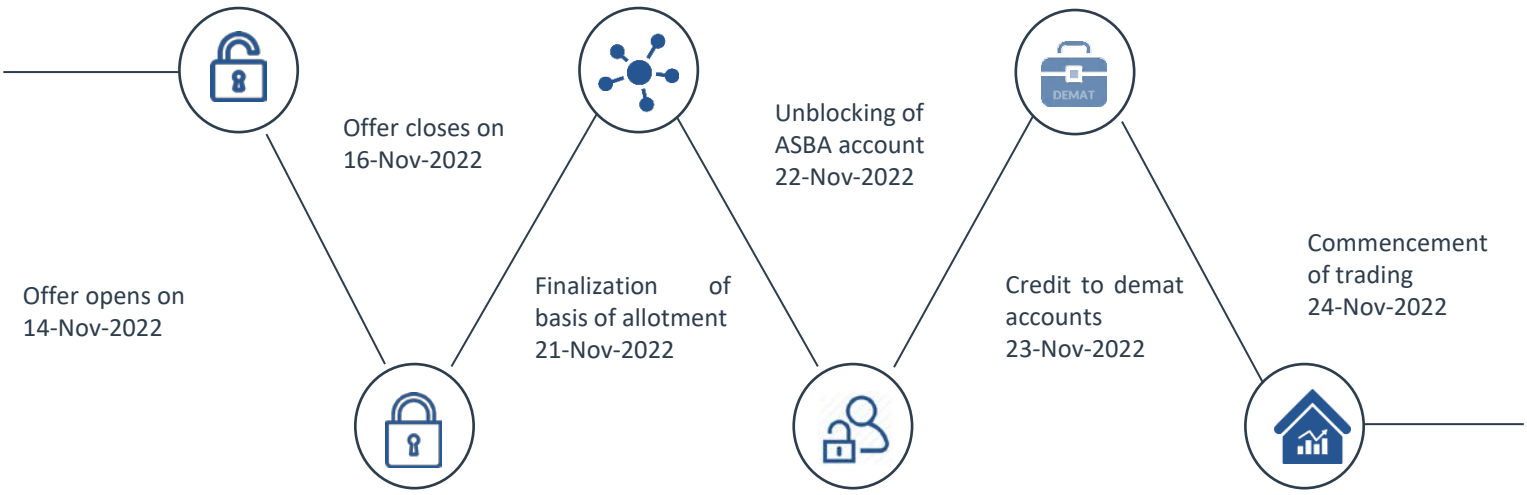
About the issue:

- KRL is coming up with an IPO with 1.174 - 1.235cr shares (fresh issue: 1.035 - 1.089cr shares; OFS shares: 0.139 - 0.146cr shares) in offering. This offer represents around 10.31% - 10.80% of the post issue paid-up equity shares of the company. Total IPO size is Rs. 635cr.
- The issue will open on 14th Nov. 2022 and close on 16th Nov. 2022.
- The issue is through book building process with a price band of Rs. 514 - 541 per share.
- The IPO is a combination of fresh and OFS issue. KRL will not receive any proceeds from the OFS portion. Of the net proceeds from the fresh issue, around Rs. 342cr will utilized for the repayment/prepayment of certain borrowings availed by the company and its subsidiaries. Rest of the proceeds will be used for general corporate purposes.
- On 11th May 2022, KRL made a private placement of 0.34cr shares aggregating to Rs. 170cr to couple of investors at Rs. 499.4 per share.
- 50% of the net issue are reserved for qualified institutional buyers, while 15% and 35% of the net issue is reserved for non-institutional bidders and retail investors, respectively.
- Promoter currently holds 96.71% stake in the company and post-IPO this will come down to 86.7%. Public holding will increase from current 3.29% to 13.30%.

Pre and post-issue shareholding pattern (%)		
	Pre-issue	**Post-issue (at higher price band)**
Promoter & promoter group	96.71%	86.70%
Public	3.29%	13.30%

Source: Choice Equity Broking

Indicative IPO process time line:



Pre-issue financial performance:

Performance over FY19-22: Despite disturbance from the pandemic, KRL has demonstrated a robust business recovery with stability in the profitability margins over FY19-22. Pre-sales of the properties during the period increased by 29.5% CAGR to Rs. 2,639.3cr in FY22.

Over FY19-22, the company reported a 15.7% CAGR fall in the consolidated operating revenue to Rs. 1,269.4cr. In FY19, operating revenue was higher mainly due to a one-time impact of additional revenue of Rs. 525.6.cr being recognized pursuant to adoption of Ind AS 115 and slump sale of a project. Moreover, one of its subsidiaries got converted into a joint venture company in FY21.

Total operating expenditure declined in-line to the top-line, thereby leading to a 16% CAGR fall in consolidated EBITDA to Rs. 179.3cr in FY22. EBITDA margin contracted by 15bps from 14.3% in FY19 to 14.1% in FY22.

Depreciation charge increased by 15.8% CAGR, however, higher capitalization of interest expenses in FY22 led to a 45.7% CAGR fall in finance costs during the period. Consequently, adjusted PAT increased by 11.8% CAGR to Rs. 141.7cr in FY22. PAT margin expanded by 638bps during the period.

KRL reported positive operating cash flow during the period, except for FY22. Average cash flow over FY19-21 stood at Rs. 474.2cr. Financial liabilities declined by 8% CAGR with debt-to-equity ratio improving to 2x in FY22, compared to 5.8x in FY19. Pre-issue average RoIC and RoE stood at 16.4% and 12.6%, respectively, during the period.

Performance during Q1 FY23: The company reported a 101.3% Y-o-Y rise in consolidated revenue to Rs. 168.6cr. EBITDA and PAT margin expanded by 34bps and 222bps, respectively.

On TTM basis, consolidated top-line stood at Rs. 1,354.2cr with an EBITDA and PAT margin of 13.4% and 10.8%, respectively.

Pre-issue proforma consolidated financial snapshot (Rs. cr)	FY19	FY20	FY21	FY22	TTM	CAGR over FY19-22	Y-o-Y (Annual)
Pre-sales	*1,215.7*	*1,009.1*	*1,516.6*	*2,639.3*	*2,705.9*	*29.5%*	*74.0%*
Revenue from operations	2,117.0	1,211.5	848.7	1,269.4	1,354.2	-15.7%	49.6%
Gross profit	563.9	310.6	235.9	280.6	297.0	-20.8%	19.0%
EBITDA	302.3	136.0	113.7	179.3	181.9	-16.0%	57.8%
Reported PAT	101.7	22.0	310.5	139.6	144.3	11.1%	-55.0%
Adjusted PAT	101.4	21.7	41.2	141.7	146.3	11.8%	244.2%
Restated adjusted EPS	8.9	1.9	3.6	12.4	12.8	11.8%	244.2%
Cash flow from operating activities	429.1	351.1	642.5	(109.6)	(96.4)		
NOPLAT	225.8	30.7	89.8	129.6	131.1	-16.9%	44.3%
FCF		194.7	72.2	(99.9)			
RoIC (%)	26.9%	4.6%	17.1%	17.0%	17.3%	(991) bps	(6) bps
Revenue growth rate (%)		-42.8%	-29.9%	49.6%			
Gross profit growth rate (%)		-44.9%	-24.0%	19.0%			
Gross profit margin (%)	26.6%	25.6%	27.8%	22.1%	21.9%	(453) bps	(569) bps
EBITDA growth rate (%)		-55.0%	-16.5%	57.8%			
EBITDA margin (%)	14.3%	11.2%	13.4%	14.1%	13.4%	(15) bps	74 bps
EBIT growth rate (%)		-55.4%	-16.2%	56.8%			
EBIT margin (%)	14.2%	11.0%	13.2%	13.9%	13.2%	(32) bps	64 bps
Restated adjusted PAT growth rate (%)		-78.6%	89.5%	244.2%			
Restated adjusted PAT margin (%)	4.8%	1.8%	4.9%	11.2%	10.8%	638 bps	631 bps
Inventory days	678.4	1,144.9	1,476.5	820.8	781.6	6.6%	-44.4%
Debtor days	39.4	44.1	21.6	21.6	16.1	-18.2%	-0.1%
Payable days	(78.6)	(123.9)	(152.3)	(99.6)	(92.8)	8.2%	-34.6%
Cash conversion cycle	639.2	1,065.1	1,345.8	742.8	705.0	5.1%	-44.8%
Fixed asset turnover ratio (x)	10.8	6.2	28.4	38.2	41.5	52.5%	34.3%
Total asset turnover ratio (x)	0.5	0.3	0.2	0.3	0.3	-13.7%	41.0%
Current ratio (x)	1.2	1.1	1.2	1.3	1.3	2.6%	8.0%
Quick ratio (x)	0.3	0.3	0.3	0.4	0.4	10.0%	23.4%
Total debt (Rs.)	2,349.7	2,784.1	1,518.3	1,828.6	1,707.9	-8.0%	20.4%
Net debt (Rs.)	2,116.5	2,387.8	1,231.1	1,584.1	1,416.1	-9.2%	28.7%
Debt to equity (x)	5.8	6.5	1.9	2.0	1.6	-30.4%	3.4%
Net debt to EBITDA (x)	7.0	17.6	10.8	8.8	7.8	8.1%	-18.5%
RoE (%)	25.1%	5.1%	5.1%	15.2%	13.7%	(990) bps	1,005 bps
RoA (%)	2.4%	0.5%	1.1%	3.7%	3.7%	121 bps	253 bps
RoCE (%)	36.5%	23.8%	11.8%	14.4%	15.4%	(2,213) bps	262 bps

Note: Pre-IPO financial and ratios; Source: Choice Equity Broking



Competitive strengths:

- Well established customer-centric brand in the Mumbai Metropolitan Region (MMR)
- Amongst the leading residential real estate development companies in MMR with a well-diversified portfolio and strong pipeline
- Asset-light & scalable model resulting in profitability and stable financial performance
- Demonstrated project execution capabilities with in-house functional expertise
- Robust stakeholder management capabilities across the spectrum of project development
- Technology focused operations resulting in operational efficiency and enhancing customer experiences
- Strong focus on sustainable development
- Experienced promoters, qualified senior management, good corporate governance and committed employee base

Business strategy:

- Leverage the 'Rustomjee' brand to grow the asset-light operations
- Improve operational efficiency with technological innovation, trusted vendors and stakeholder management
- Leverage the leadership position in the premium category to grow presence in the mid & aspirational category
- Increased focus on key growth areas in the proximity of upcoming infrastructure projects and relaxation of Coastal Regulation Zone norms
- Focus on sustainability





Risk and concerns:

- Unfavorable government policies & regulations
- Rise in the interest rates
- General economic slowdown
- Geographical business concentration risk
- Difficulty in maintaining profitability
- Competition

Financial statements:

Consolidated profit and loss statement (Rs. cr)							
	FY19	FY20	FY21	FY22	TTM	CAGR over FY19 - 22	Annual growth over FY21
Revenue from operations	**2,117.0**	**1,211.5**	**848.7**	**1,269.4**	**1,354.2**	**-15.7%**	**49.6%**
Construction costs	(1,104.7)	(787.9)	(496.1)	(1,056.2)	(1,053.4)	-1.5%	112.9%
Changes in inventories of completed saleable units and construction work- in-progress	(448.4)	(113.0)	(116.7)	67.5	(3.8)		
Gross profit	**563.9**	**310.6**	**235.9**	**280.6**	**297.0**	**-20.8%**	**19.0%**
Employee benefit expense	(41.6)	(41.6)	(27.1)	(28.4)	(34.0)	-12.0%	4.8%
Impairment loss on financial assets	(15.0)	(0.1)	(26.2)	(0.2)	(0.2)	-74.6%	-99.1%
Other expenses	(205.1)	(132.8)	(69.0)	(72.7)	(80.8)	-29.2%	5.4%
EBITDA	**302.3**	**136.0**	**113.7**	**179.3**	**181.9**	**-16.0%**	**57.8%**
Depreciation and amortization expense	(2.2)	(2.2)	(1.5)	(3.5)	(3.5)	15.8%	129.3%
EBIT	**300.0**	**133.9**	**112.1**	**175.9**	**178.5**	**-16.3%**	**56.8%**
Finance costs	(143.0)	(128.0)	(139.4)	(23.0)	(17.9)	-45.7%	-83.5%
Other income	25.7	57.1	47.5	33.5	33.3	9.4%	-29.4%
Gain on loss of control of subsidiary			281.0	0.1	0.1		
Share of profit/(loss) of associates	0.3	0.3	(11.7)	(2.2)	(2.1)		-81.7%
PBT	**183.0**	**63.3**	**289.5**	**184.4**	**191.9**	**0.2%**	**-36.3%**
Tax expenses	(45.3)	(48.8)	(57.7)	(48.6)	(50.9)	2.3%	-15.9%
PAT before minority interest	**137.7**	**14.5**	**231.8**	**135.8**	**141.0**	**-0.5%**	**-41.4%**
Minority interest	(36.1)	7.5	78.7	3.8	3.2		-95.2%
Reported PAT	**101.7**	**22.0**	**310.5**	**139.6**	**144.3**	**11.1%**	**-55.0%**
Adjusted PAT	**101.4**	**21.7**	**41.2**	**141.7**	**146.3**	**11.8%**	**244.2%**

Consolidated balance sheet statement (Rs. cr)							
	FY19	FY20	FY21	FY22	TTM	CAGR over FY19 - 22	Annual growth over FY21
Equity share capital	100.0	100.0	100.0	100.0	103.5	0.0%	0.0%
Other equity	303.9	327.3	700.9	832.6	960.9	39.9%	18.8%
Non-controlling interests	(224.0)	(147.2)	22.9	30.5	20.3	-151.4%	33.0%
Non current borrowings	361.4	563.6	192.0	300.5	192.7	-6.0%	56.5%
Non current lease liabilities				2.5	1.9		
Other non current financial liabilities	509.2	108.8	217.9	193.3	166.3	-27.6%	-11.3%
Non current trade payables		2.6	2.1	3.0	4.2		46.9%
Non current provisions	3.9	2.6	2.5	2.7	3.0	-11.2%	9.0%
Current borrowings	1,256.5	1,950.3	1,028.3	1,257.5	1,276.2	0.0%	22.3%
Current lease liabilities				2.1	2.2		
Other current financial liabilities	222.6	161.4	80.1	72.8	68.7	-31.1%	-9.1%
Trade payables	334.5	277.0	234.5	305.1	268.7	-3.0%	30.1%
Current provisions	76.9	45.3	39.4	25.0	22.9	-31.2%	-36.5%
Current net tax liabilities	0.3	4.9	0.1	24.2	26.7	324.2%	
Other current liabilities	1,207.8	1,018.7	1,033.5	725.0	791.9	-15.6%	-29.8%
Total liabilities	**4,153.1**	**4,415.3**	**3,654.1**	**3,876.8**	**3,910.2**	**-2.3%**	**6.1%**
Property, plant and equipment	7.0	5.6	3.3	3.3	3.4	-21.9%	-0.4%
Intangible assets	1.1	0.7	0.3	0.2	0.1	-47.5%	-47.8%
Capital work-in-progress	0.0	0.0	0.4		0.0		
Right-of-use assets				4.4	3.8		
Investment properties	34.0	34.6	10.0	9.6	9.5	-34.3%	-4.1%
Goodwill	154.6	154.6	15.8	15.8	15.8	-53.3%	0.0%
Investments accounted for using the equity method	0.5	0.8	590.4	564.1	558.3	951.7%	-4.5%
Non current investments	0.3	0.3	0.3	0.3	0.3	-0.3%	0.0%
Other non current financial assets	9.1	77.5	16.1	25.6	23.3	41.0%	58.6%
Non current net tax assets	87.3	111.7	59.1	64.3	65.7	-9.7%	8.8%
Net deferred tax assets	111.8	87.6	38.8	38.6	38.1	-29.9%	-0.6%
Other non current assets	6.3	6.3	7.3	10.1	10.1	17.3%	38.8%
Inventories	2,886.5	2,765.2	2,192.6	2,254.3	2,263.9	-7.9%	2.8%
Trade receivables	228.7	63.9	36.7	113.6	59.8	-20.8%	209.5%
Current investment	140.5	4.1	4.2	10.7	11.6	-57.6%	156.8%
Cash and cash equivalents	92.7	392.2	283.0	233.8	280.2	36.1%	-17.4%
Current loans	49.1	340.8	158.9	262.0	263.4	74.7%	64.8%
Other current financial assets	197.3	203.1	108.0	85.3	89.9	-24.4%	-21.0%
Current net tax assets	0.2				0.0		
Other current assets	146.0	166.4	128.8	180.9	213.0	7.4%	40.4%
Total assets	**4,153.1**	**4,415.3**	**3,654.1**	**3,876.8**	**3,910.2**	**-2.3%**	**6.1%**

Note: Pre-IPO financials; Source: Choice Equity Broking

Financial statements (Contd…):

Consolidated cash flow statement (Rs. cr)							
	FY19	FY20	FY21	FY22	TTM	CAGR over FY19 - 22	Annual growth over FY21
Cash flow before working capital changes	535.0	368.2	293.9	307.9	313.6	-16.8%	4.8%
Working capital changes	(60.4)	28.0	366.3	(388.0)	(379.5)	85.9%	-205.9%
Cash flow from operating activities	**429.1**	**351.1**	**642.5**	**(109.6)**	**(96.4)**		
Purchase of fixed assets and CWIP	(6.9)	(2.4)	(0.9)	(0.4)	(0.5)	-62.6%	-58.3%
Cash flow from investing activities	**(47.1)**	**(199.8)**	**(235.1)**	**(137.7)**	**(81.8)**	**43.0%**	**-41.5%**
Cash flow from financing activities	**(353.2)**	**171.2**	**(609.3)**	**154.0**	**256.3**		
Net cash flow	**28.8**	**322.5**	**(201.9)**	**(93.3)**	**78.1**		**-53.8%**
Opening balance of cash	3.6	32.4	354.9	153.0	60.1	249.0%	-56.9%
Closing balance of cash	**32.4**	**354.9**	**153.0**	**59.7**	**138.2**	**22.6%**	**-61.0%**

Consolidated financial ratios					
Particulars	**FY19**	**FY20**	**FY21**	**FY22**	**TTM**
Profitability ratios					
Revenue growth rate (%)		-42.8%	-29.9%	49.6%	
Gross profit growth rate (%)		-44.9%	-24.0%	19.0%	
Gross profit margin (%)	26.6%	25.6%	27.8%	22.1%	21.9%
EBITDA growth rate (%)		-55.0%	-16.5%	57.8%	
EBITDA margin (%)	14.3%	11.2%	13.4%	14.1%	13.4%
EBIT growth rate (%)		-55.4%	-16.2%	56.8%	
EBIT margin (%)	14.2%	11.0%	13.2%	13.9%	13.2%
Restated adjusted PAT growth rate (%)		-78.6%	89.5%	244.2%	
Restated adjusted PAT margin (%)	4.8%	1.8%	4.9%	11.2%	10.8%
Turnover ratios					
Inventories turnover ratio (x)	0.7	0.4	0.3	0.6	0.6
Trade receivable turnover ratio (x)	9.3	8.3	16.9	16.9	22.6
Accounts payable turnover ratio (x)	6.3	4.0	3.3	4.7	5.0
Fixed asset turnover ratio (x)	10.8	6.2	28.4	38.2	41.5
Total asset turnover ratio (x)	0.5	0.3	0.2	0.3	0.3
Return ratios					
RoIC (%)	26.9%	4.6%	17.1%	17.0%	17.3%
RoE (%)	25.1%	5.1%	5.1%	15.2%	13.7%
RoA (%)	2.4%	0.5%	1.1%	3.7%	3.7%
RoCE (%)	36.5%	23.8%	11.8%	14.4%	15.4%
Per share data					
Restated adjusted EPS (Rs.)	8.9	1.9	3.6	12.4	12.8
DPS (Rs.)	0.0	0.0	0.0	0.0	0.0
BVPS (Rs.)	35.5	37.5	70.3	81.9	93.5
Operating cash flow per share (Rs.)	37.7	30.8	56.4	(9.6)	(8.5)
Free cash flow per share (Rs.)		17.1	6.3	(8.8)	
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%

Note: Pre-IPO financial ratios; Source: Choice Equity Broking

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