

One Stop Investment Avenue



**GEPL
CAPITAL**

IPO Note

KEYSTONE REALTORS LIMITED

November 14, 2022

Rustomjee®





November 14, 2022

Details of the Issue

Price Band	₹ 514 - ₹ 541
Issue Size	₹ 635 Cr
Face Value	₹ 10
Bid Lot	27
Listing on	BSE, NSE
Post Issue Mcap	₹ 5,374 Cr - ₹ 6,160 Cr
Investment Range	₹ 13,878 - ₹ 14,607

Important Indicative Dates (2022)

Opening	14 - Nov
Closing	16 - Nov
Basis of Allotment	21 - Nov
Refund Initiation	22 - Nov
Credit to Demat	23 - Nov
Listing Date	24 - Nov

Lead Manager

Axis Capital Ltd
Credit Suisse Securities Pvt Ltd

No of shares

Fresh Issue of Shares	10.35 Mn
Offer for Sales	1.38 Mn
Total No of Shares	11.37 Mn

Offer Details

Offer Size	₹ 635 Cr
Fresh Issue	₹ 560 Cr
OFS	₹ 75 Cr

Type	In Rs Cr	No of Shares (Mn)		% of Issue
		Upper	Lower	
QIB	318	5.86	6.18	50%
NIB	95	1.75	1.85	15%
Retail	222	4.12	4.32	35%
Empty	-	-	-	-
Total	635	11.73	12.35	100%

Type (In MN)	Pre-Issue		Post-Issue	
	No. Shares	% of Total	No. of Shares	% of Total
Promoter	1000	96.71%	919	87.91%
Public	35	3.29	126	12.09%
Promoter Group	-	-	-	-
Total	1,035	100%	1,045	100%

Invest Now**Company Profile**

Keystone Realtors Limited was incorporated in 1995, Keystone Realtors Limited is one of the prominent real estate developer. The company is engaged primarily in the business of real estate construction, development and other related activities in India .KRL is one of the prominent real estate developers (in terms of absorption in number of units) in the micro markets at present , KRL command a market share of 28% in Khar, 23% market in Juhu, 11% in Bandra East, 14% in Virar, 3% in Thane and 5% in Bhandup in terms of absorption (in units) from 2017 to 2021.

Business Highlights & Services

As part of the business model, the company is entering into joint development agreements, redevelopment agreements with landowners or developers or societies, and slum rehabilitation projects, which requires lower upfront capital investment compared to direct acquisition of land parcel.

The company have adopted an integrated real estate development model for every stage of the property development life cycle, commencing from business development, which involves the identification of land parcels and the conceptualization of the development, to execution, comprising planning, designing and overseeing the construction activities, marketing and sales.

As of June 30, 2022, company had 1,542 channel partners who present the Rustomjee portfolio to their customers and drive customers traffic to projects. In addition to in-house competencies, company also leverage the expertise of external 189 specialists to match wide range of operations, such as architects, interior designers, landscaping experts, engineers and building services consultants for the development and management of projects.

Company has classified project into following categories:

Completed Projects are those projects where the Company and/or subsidiaries of the Company and/or associates/joint ventures of the Company have completed development/re-development; and in respect of which the occupation/completion certificate/building completion, as applicable, has been n Definition obtained from the relevant authorities by the Company or such subsidiaries of the Company and/or associates/joint ventures of the Company.

Ongoing Projects are those projects in respect of which (i) all title or development/re-development rights/ development management, or other interest in the land is held either directly or indirectly by the Company/subsidiaries of the Company/associates/joint ventures of the Company; and (ii) development/re-development or construction work is ongoing/started; and (iii) the requisite approvals for commencement of development/re-development, including the commencement certificate/development permission, have been obtained by the Company or such subsidiaries of the Company and/or associates/ joint ventures of the Company.

Forthcoming Projects are those projects in respect of which (i) all title or development/redevelopment rights or other interest in the land is held either directly or indirectly by the Company/subsidiaries of the Company/ associates/ joint ventures of the Company or where development right agreements are in the process of execution; and/or (ii) preliminary management development/re-development plans/designs are in place; and/or (iii) requisite applications for approvals and conversion of usage, if applicable, have been made;



and/or (iv) architects have been identified and they have commenced planning; and/or (v) in respect of which, no construction, development or re-development activities have commenced.

Saleable Area or Estimated Saleable Area is the total carpet area/estimated carpet area along with proportionate loading of common areas which includes area under various services and amenities provided.

Developable Area comprises the total construction area of a Project in accordance with approved plans and the applicable development control rules and regulations and including permissible transferable development rights (“TDR”) and includes floor space index (“FSI”) area, free of FSI area, fungible FSI, premium FSI, TDR, Incentive FSI, ancillary FSI, pro rata FSI etc., as applicable. This is inclusive of the total built-up area as per FSI and the area which is not included in the FSI e.g., staircases, passages, service areas, clubhouse, podiums, amenities, basements etc., according to the prevailing development control rules & regulations of the sanctioning authority.

Estimated Developable Area is the estimated total construction area of the Project as per the prevailing Development Control Rules & Regulations of the sanctioning authority Including permissible transferable development rights (“TDR”) and includes floor space index (“FSI”) area, free of FSI area, fungible FSI, premium FSI, TDR, Incentive FSI, ancillary FSI, pro rata FSI etc., as applicable. This is inclusive of the total built-up area as per FSI and the area which is not included in the FSI e.g., staircases, passages, service areas, clubhouse, podiums, amenities, basements etc.

As of June 30, 2022, Company had 32 Completed Projects, 12 Ongoing Projects and 21 Forthcoming Projects across the MMR. As of June 30, 2022, KRL have developed 20.22 million square feet of real estate projects. KRL is one of the prominent real estate developer in the macro market that company present namely Juhu, Bandra East, Khar, Bhandup, Virar and Thane.

Competition

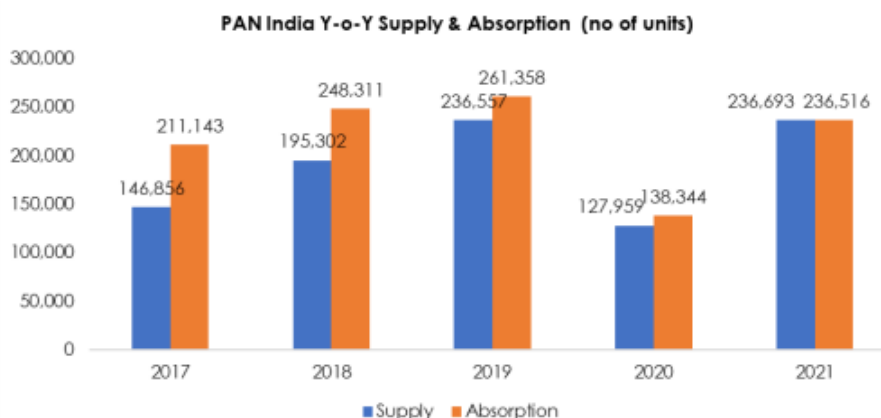
KRL face competition from regional, national and international property developers. Moreover, as we seek to diversify into new geographies, company face the risk that some of competitors have a pan-India presence while other competitors have a strong presence in certain regional markets. KRL competitors include both large corporate and small real estate developers. KRL key competitors include real estate developers such as Kalpataru Limited and Lodha Group in the micro-markets.

Industries Overview

Indian real estate was just beginning to come to terms with the multiple reforms and changes brought in by demonetization, RERA, GST, IBC, and subvention scheme ban. While the sector found it difficult to align with the slew of reforms and changes, these measures helped fortify the sector and instil transparency, accountability, and fiscal discipline over the last few years. Structural changes of RERA and GST have helped the sector to gain more maturity and trust from the market.

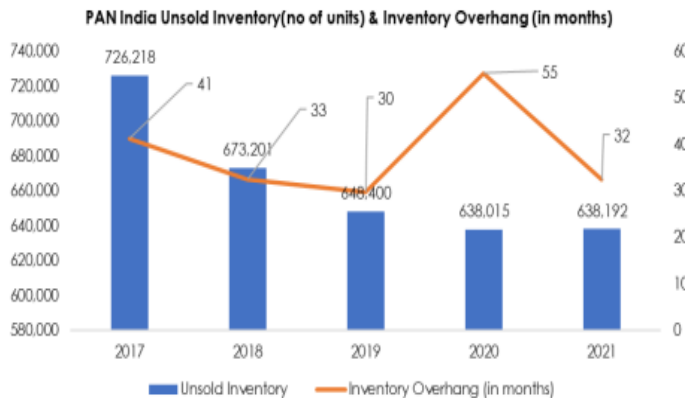
While the sector was on a growth trajectory since the last few years and was likely to emerge stronger than before, the COVID-19 lockdown during first wave (March 2020 to May 2020) put brakes on its growth momentum in first half of 2020. However, it rebounded sharply in the second half of 2020 across top cities heralding to continued housing market revival in 2021.

The following graph sets forth supply and absorption trends in PAN India (Top Seven Indian Markets combined) from 2017 to 2021 (in units):





The following graph sets forth unsold inventory and inventory overhang (in months) trends in PAN India (Top Seven Indian Markets combined) from 2017 to 2021. The unsold inventory has witnessed a gradual reduction from 2017 to 2021 due to absorption levels being on a higher side as compared to new launches from 2017 to 2020. Further, inventory overhang witnessed a reduction from 2017 to 2021 levels with an exception of 2020 where the inventory overhang increased to 55 months due to comparatively lower absorption levels in 2020 as compared to other years due to impact of COVID-19 pandemic.



Comparison with Listed Peers

Name of the company	Face Value (₹)	Total Income (₹ Cr)	EPS	NAV (₹)	P/E	RoNW(%)
Keystone Realtors Ltd	10	1,302.96	13.96	93.24	NA	14.97%
Peers Group						
Macrotech Developers Ltd	10	9,579.17	26.28	255.11	36.06	10.30%
Godrej Properties Ltd	5	2,585.69	12.68	312.09	99.31	4.06%
Oberoi Realty Ltd	10	2,752.42	28.80	286.47	32.16	10.05%
Sunteck Realty Ltd	1	534.02	1.79	198.77	220.34	0.90%

Utilization of IPO Proceeds

The company propose to utilize the Net proceeds of fresh issue towards funding of the objective:

- ◆ Repayment/ prepayment, in full or part, of certain borrowings availed by Company and/or certain of Subsidiaries of ₹ 341.6 Cr.
- ◆ Funding acquisition of future real estate projects and general corporate purposes

Company’s Promoter

Boman Rustom Irani, Percy Sorabji Chowdhry, and Chandresh Dinesh Mehta are the company promoters.

Board of Directors

It boards of directors include Boman Rustom Irani who is the MD and chairman of the company. Percy Sorabji Chowdhry and Chandresh Dinesh Mehta are the Executive Director of the company. Ramesh Tainwala, Rahul Gautam Divan, Seema Mohapatra are the Non-Executive Independent director of the company.



Companies Competitive Strength :

- Well established customer-centric brand in the Mumbai Metropolitan Region.
- Amongst the leading residential real estate development companies in MMR with a well-diversified portfolio and strong pipeline.
- Demonstrated project execution capabilities with in-house functional expertise.
- Asset-light and scalable model resulting in profitability and stable financial performance.
- 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

Key Strategies Implemented by Company

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

Particulars (Rs Cr)	2022	2021	2020
Equity Share Capital	235.71	235.71	235.71
Reserves	832.61	700.87	327.27
Net worth as stated	1,068.32	936.58	562.98
Revenue from Operation	1,269.36	848.72	1,211.47
Revenue Growth (%)	49.56%	(30)%	-
EBITDA as Stated	210.78	430.55	193.42
EBITDA margin (%)	16.60%	50.72%	15.96%
Profit Before Tax	184.37	289.52	63.26
Net Profit for the period	135.82	231.82	14.49
Net Profit Margin (%) as Stated	10.69%	27.31%	1.19%
EPS (₹)	13.96	31.04	2.20
RoNW (%)	12.71%	24.7%	2.57%
Net Asset Value (₹)	93.24	80.06	42.72

Valuations and Recommendation:

- Company's earnings stood at 135.82 Cr in FY2022. Company is expected to have post Market cap of 5,008 Cr, and based on annualized earnings its earnings multiple (P/E) arrives at 45.35(x) and its P/B stood at 5.76(x).
- The Issue Pricing is at par with listed players and company has potential to offer growth its operating regions such as Thane, Bhadup Etc. Hence, We recommend "Subscribe" rating to the issue for Listing gains.



Notes

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