

One Stop Investment Avenue



**GEPL
CAPITAL**

IPO Note

ARKADE DEVELOPERS LIMITED

Sep 16, 2024



ARKADE





Sep 16, 2024

Details of the Issue

Price Band	₹ 121 - ₹ 128
Issue Size	₹ 410 Cr
Face Value	₹ 10
Bid Lot	110
Listing on	BSE, NSE
Post Issue Mcap	₹ 2,376.41 Cr
Investment Range	₹ 13,310 - ₹ 14,080

Important Indicative Dates (2024)

Opening	16 - Sep
Closing	19 - Sep
Basis of Allotment	20 - Sep
Refund Initiation	23 - Sep
Credit to Demat	23 - Sep
Listing Date	24 - Sep

Lead Manager

Unistone Capital Private Limited

Offer Details

Offer Size	₹ 410 Cr
Fresh Issue	₹ 410 Cr
OFS	-

Type	In Rs Cr	No of Shares (Mn)		% of Issue
		Upper	Lower	
QIB	205	16	16.94	50
NIB	61.5	4.80	5.08	15
Retail	143.5	11.21	11.85	35
Em- ploy.	-	-	-	-
Total	410	32.03	33.88	100

Invest Now**Company Profile**

Arkade Developers Limited is a Mumbai-based real estate company specializing in high-end residential projects. Its operations are divided into two main segments: Construction of new residential buildings on acquired land and Redevelopment of existing buildings. From 2017 to Q1 2024, the company launched 1,220 residential units and sold 1,045 units in the MMR region, Maharashtra. By June 30, 2024, Arkade Developers had completed 2.20 million square feet of residential development. Since 2003, they have redeveloped 11 projects in Mumbai, covering a built-up area of 1 million square feet. Over the last 20 years, the company has delivered 28 projects, totaling more than 4.5 million square feet, serving over 4,000 customers. As of June 30, 2024, the company employed 201 permanent staff and 850 contract workers.

Business Highlights & Services

Arkade Developers Limited specializes in high-end residential developments in Mumbai, Maharashtra, with a strong focus on the eastern suburbs of the Mumbai Metropolitan Region (MMR). Driven by infrastructure growth, proximity to business hubs, and rising IT and BPO offices, the demand for housing in this area has increased. Since 2017, the company has secured a 12% share of supply and an 11% share of absorption in Kanjur-marg East, ranking second among top developers in this micro-market. They plan to leverage their market position to acquire larger land parcels at competitive prices and develop premium projects. The company has already completed one project in the region and recently launched a new project in Mulund, where property values are notably high. Arkade Developers aims to utilize their experience and efficient project delivery to capitalize on opportunities in this growing market.

The company's strategy is to advance up the value chain by focusing on premium and luxury residential developments. They have typically worked on projects with land areas of 1 acre or more, allowing for premium amenities and lifestyle features. The company plans to enhance its value proposition by developing larger projects with more luxurious amenities, higher per-unit carpet areas, and appealing aesthetics. Consumer surveys indicate a growing preference for real estate as a key investment asset, and buyers are increasingly favoring developers who deliver projects on time with minimal risk, even at higher price points. Arkade Developers aims to capitalize on this trend, leveraging their integrity, timely project delivery, and strong brand recognition to advance in the real estate market and capture new opportunities.

The company has further plans to continue leveraging its blended business model in the Mumbai Metropolitan Region (MMR), Maharashtra, which includes both new residential developments and redevelopment projects. The region's robust employment opportunities from both organized and unorganized sectors drive housing demand, while redevelopment projects from slum rehabilitation, MHADA layouts, and cessed buildings contribute significantly to supply. The company's strategy capitalizes on this by balancing capital-efficient redevelopment arrangements with new developments, thus providing financial flexibility to pursue premium projects in emerging areas of MMR. The company utilizes in-house legal, business development, sales, and marketing teams to oversee projects from initiation to completion, ensuring that each project is completed on time.



Revenue from Redevelopment and New Projects as % of Total Revenue:

Projects	Fiscal 2024		Fiscal 2023		Fiscal 2022	
	Revenue (in ₹ million)	Percentage of total revenue	Revenue (in ₹ million)	Percentage of total revenue	Revenue (in ₹ million)	Percentage of total revenue
Redevelopment Projects	2,103.97	33.15%	913.21	41.48%	Nil	Nil
New Projects	4,243.40	66.85%	1,288.31	58.52%	2,289.34	100.00%

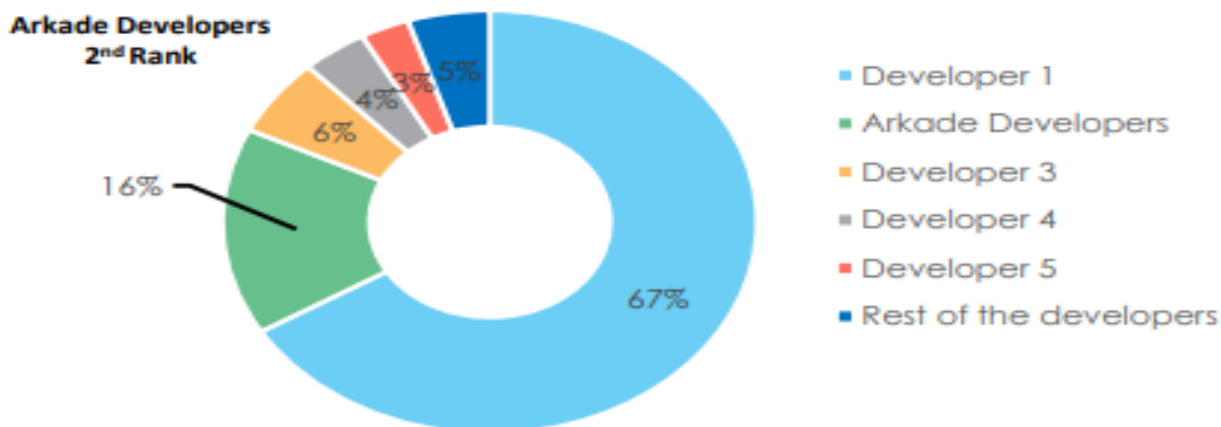
Details of Ongoing and Upcoming Projects:

Particulars	Total number of projects	Developable area (in square feet)	Saleable RERA carpet area (in square feet)	RERA carpet area sold (in square feet)
Ongoing Projects	6	1,872,188	661,616	345,402
Upcoming Projects	6	1,824,256	592,923	Nil
Total	12	3,696,444	1,254,539	345,402

Average price per unit:

Particulars	Highest price per unit	Lowest price per unit	Average per unit
Fiscal 2024	57.99	10.36	20.55
Fiscal 2023	62.53	9.44	21.13
Fiscal 2022	63.60	6.95	16.96

Top Developers in Kanjurmarg East on the basis of supply:



Residential Unit Sales in Western and Eastern Suburbs of MMR:

Particulars		Western MMR*, Maharashtra	Eastern MMR**, Maharashtra	Total
Fiscal 2024	No. of residential units	215	42	257
	Total value of residential units booked (in ₹ million)	5,078.96	627.51	5,706.48
	Percentage of total value of residential units booked (%)	89.00	11.00	100.00
Fiscal 2023	No. of residential units	257	1	258
	Total value of residential units booked (in ₹ million)	5,435.92	15.06	5,450.98
	Percentage of total value of residential units booked (%)	99.72	0.28	100.00
Fiscal 2022	No. of residential units	46	41	87
	Total value of residential units booked (in ₹ million)	905.92	569.73	1,475.65
	Percentage of total value of residential units booked (%)	61.39	38.61	100.00

Process of Project Development:Peer Comparison:

Name of the company	Face Value (₹)	Total Income (₹ Cr)	EPS	NAV (₹)	P/E	RoNW(%)
Arkade Developer Ltd	10	636	8	103.3	NA	46.90%
Peers Group						
Keystone Realtors Ltd	10	2,276	9.82	129.09	78	6.40%
Godrej Properties Ltd	5	4,334	26.08	542.63	111.5	7.76%
Macrotech Developer Ltd	10	10,470	15.99	162.81	78.46	10.32%
Suraj Estate Developers Ltd	5	416	19.39	329.81	40.92	22.97%

**Companies Competitive Strength :**

- Strategic location of projects in micro-markets of MMR, Maharashtra.
- Company is the leading player and amongst top 10 developers in terms of supply in select micro-markets of, and an established developer in, MMR, Maharashtra.
- Experienced Promoter and strong and technically proficient management team.
- Strong in-house resources.
- Timely completion of projects.

Key Strategies Implemented by Company

- Continue to expand in the eastern region of MMR, Maharashtra.
- Moving up the value chain to premium / luxury residential premises.
- Continue to focus on the blended business model .

Particular (INR in Cr)	FY24	FY23	FY22
Equity Capital	152	2	2
Reserves and Surplus	171	198	147
Net Worth	323	200	150
Revenue	636	224	237
Growth (%)	184%	-5%	
EBITDA	170	70	72
EBITDAM (%)	27%	31%	31%
PAT	123	51	51
PATM (%)	19%	23%	21%
ROCE (%)	47%	24%	46%
ROE (%)	47%	24%	41%

Valuations and Recommendation:

- Based on annualized FY24 earnings to post-IPO paid-up equity capital of the company, The issue is priced at a P/E of 19X. Thus the issue appears to be fairly priced compared to peers.
- Arkade Developers Limited specializes in high-end residential projects in prime locations across Mumbai, including both new developments and the redevelopment of existing buildings. The company is renowned for completing projects ahead of schedule. Its borrowings have decreased from ₹149 crores in FY23 to ₹69 crores in FY24 which is a positive for the company. Financially, Arkade has demonstrated robust performance with a 39% CAGR in revenue and a 34% CAGR in PAT. The company's growing net worth underscores its financial stability and promising growth potential. Although currently focused solely on Mumbai, expansion into other cities could further enhance margins. Given its strong track record and the growing demand for real estate in Mumbai, the company is well-positioned for further growth. Therefore, we recommend a “Subscribe” rating for the issue



Notes

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