



SURAJ

SMC Ranking

★ ★ ☆ ☆ ☆ (1.5/5)

Issue Highlights

Industry	Real Estate
Fresh Issue (Shares)	1,11,11,111
Net Offer to the Public	1,11,11,111
Issue Size (Rs. Cr.)	378-400
Price Band (Rs.)	340-360
Offer Date	18-Dec-23
Close Date	20-Dec-23
Face Value	5
Lot Size	41

Issue Composition

	In shares
Total Issue for Sale	1,11,11,111
QIB	55,55,556
NIB	16,66,667
Retail	38,88,889

Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	100.00%	74.95%
QIB	-	12.52%
NIB	0.00%	3.76%
Retail	0.00%	8.77%
Total	100.00%	100.00%

*calculated on the upper price band

Objects of the Issue

The objectives of the Offer are to

1. Repayment/Prepayment of the aggregate outstanding borrowings of Company and its Subsidiaries, Accord Estates Private Limited, Iconic Property Developers Private Limited and Skyline Realty Private Limited.
2. Acquisition of land or land development rights; and
3. General corporate purposes

Book Running Lead Manager

- ITI Capital Limited
- Anand Rathi Securities Limited

Name of the registrar

- Link Intime India Private Limited

About the company

Incorporated in 1986, Suraj Estate Developers Limited is a real estate construction company. The company develops residential and commercial real estate in the South Central Mumbai region. The company does not provide any in-house construction services and is 100% dependent on third-party contractors for the construction services of its Projects. Suraj Estate Developers Limited has completed forty-two (42) projects in the South-Central Mumbai region. In addition to the completed projects, the company has thirteen (13) ongoing projects and sixteen (16) upcoming projects. The company's projects include Suraj Eleganza-II and ICICI Apartments, CCIL Bhavan (Phase-I up to 6th floor) and Tranquil Bay-I, Elizabeth Apartment and Mon Desir, St. Anthony Apartments, Lumiere and Tranquil Bay-II, Brahmsidhhi CHS, Jacob Apartments, Suraj Eleganza-I and Gloriosa Apartments and others. As of September 30, 2023, the company, together with its subsidiaries, employed 126 permanent employees. Suraj Estate has developed more than 10 lakh square feet of land in Mumbai. In the residential portfolio, Suraj Estate is present in the "Value Luxury" and "Luxury" segments in various price categories with unit values ranging from Rs. 1 Crore to Rs. 13 crore. In the commercial segment, Suraj Estate has built and sold corporate headquarters for institutional clients, namely Saraswat Cooperative Bank Limited (Prabhadevi), National Stock Exchange of India, Union Bank of India and Clearing Corporation of India Limited (Dadar).

Strength

Established brand with a long standing presence in Value Luxury Segment and Luxury Segment in the residential real estate market of South Central Mumbai region: Its deep knowledge of the market, regulatory environment and long standing presence in Value Luxury and Luxury Segment has helped 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. Its longstanding presence in South Central Mumbai has resulted in better understanding of emerging trends, customer preferences and significant brand recall. Its in-house expertise of redevelopment and the successful delivery of forty two (42) Completed Project has helped it in building customer trust over the last thirty six (36) years. It believes that its brand reputation enables it to sell throughout the construction phase of its projects. It typically aims to sell over 80% of the Saleable Area of a project during the construction phase. The company is well positioned to leverage its established presence and longstanding operations in the South Central Mumbai region to capitalize on the significant demand for real estate projects across various price points in sub markets in this region.

Diversified portfolio encompassing product offerings across various price points in value luxury and luxury segments: Suraj has a diversified portfolio of residential developments, spread across price points, unit sizes and micromarkets in the South Central Mumbai, catering to a wide spectrum of economic and demographic segments, from value luxury to luxury residences. Its ability to cater to the needs of customer across income brackets through a range of differentiated products offerings, supported by its technical and execution capabilities has enabled it to successfully grow its business. It has developed a diversified portfolio of projects that includes redevelopment projects as well as open plot projects, in the Value Luxury Segment and Luxury Segment from 1 BHK flats to 4 BHK flats.

Strong expertise in tenant settlement in the redevelopment projects: From 1986 to 2023, it completed 42 residential and commercial projects out of which 41 projects (97.62%) are redevelopment projects. Since most of the land parcels in the South Central Mumbai market are in the nature of redevelopment projects, tenant settlement is a key element for unlocking value on land parcels. Due to its track record of providing good quality free-housing to the tenants/ occupants, Suraj is the preferred developer even amongst the tenants in the South Central Mumbai region. It has a dedicated in-house team focusing on various requirements and concerns of tenants. As on October 31, 2023, it has redeveloped houses for 1,011 tenants free-of-cost under regulation 33(7) of the Development Control and Promotion Regulation, 2034 (“DCP Regulations”) thereby simultaneously freeing considerable areas of FSI for commercial development

Marketing and sales strategies: its experienced marketing and sales team track market trends which enables it to position its projects appropriately in terms of location and price points, and creates a cohesive marketing strategy designed to secure and build brand value and awareness. It has dedicated in-house sales teams focusing on interaction with channel partners to drive walk-in at its sites (sourcing function) and the other focusing on deal closures (closing function). It has an experienced customer care team who regularly interacts with its customers and is responsible for assisting them throughout the entire period from initial booking to handover of their homes.

Strategy

Enhance leading market position in the South Central Mumbai region by leveraging its Upcoming Projects: It 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. In comparison as on October 31, 2023, it has Upcoming Projects with an aggregate estimated carpet area for sale of about 7,44,149square feet and Land Reserves of 10,359.77 square meters. Through the execution of these Upcoming Projects it intends to consolidate its leading market position in the South Central Mumbai region. The South Central Mumbai region is a prime real estate market in the MMR region in terms of its aspiration value / premium product positioning, higher realisation and stable demand for real estate developments. In addition, higher growth in residential demand is expected in the South Central Mumbai region, due to improved connectivity, higher affordability and development of alternative commercial centres. It further intends to leverage 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.

Continue to focus on redevelopment projects through asset light model: As on October 31, 2023, Suraj has thirteen (13) Ongoing Projects and sixteen (16) Upcoming Projects, wherein 3 Upcoming Projects are based on asset light model aggregating to 10.34% of its total Projects. It aims to strengthen its redevelopment project portfolio pre-dominantly through asset light model entering into development agreements with housing societies and with landlords of properties on area sharing basis. Such an approach will enable it to be more capital efficient and reduce its upfront land acquisition costs. Its asset-light model or models by not acquiring land on ownership basis allow it to use its capital towards quick and efficient development of such properties.

Continue to pursue differentiated product offerings in value luxury segment: The share of 1 BHK flats and compact 2 BHK flats in Value Luxury Segment housing in new launches continues to increase and there has been relatively better demand from end users in these segments, resulting in better sales volume and velocity. It therefore intends to further strengthen its presence in delivering value luxury 1 BHK flats and compact 2BHK flats in South Central Mumbai region. It proposes to achieve this by continuing to focus on 1 BHK flats with ticket sizes ranging between Rs. 1 crore and Rs.2 crore and flat size ranging between 300 square feet up to 500 square feet along with parking and other amenities. It is also developing compact 2 BHK flats, with ticket sizes ranging between Rs. 2 crore and Rs. 3 crore and flat size ranging between 500 square feet up to 800 square feet along with parking and other amenities.

Continue to expand Land Reserves in South Central Mumbai region and opportunistically build its position in other sub markets within MMR region: It intends to take advantage of emerging consolidation opportunities in the real estate industry generated by regulatory changes, such as RERA, and other market factors, by following a flexible strategy for land acquisition. It intends to continue to evaluate various land acquisitions models, such as outright purchase, joint ventures, joint development and development management to increase its market penetration across the various market segments in which it operates. A significant portion of its Land Reserves has been acquired at a competitive cost in the past through its research efforts. This helps the company in predicting areas that are to be developed within the foreseeable future and then selecting locations for its projects that lead to strong demand and faster appreciation of land. While areas in and around South Central Mumbai region are expected to remain its primary focus, it is opportunity centric and have evaluated and will continue to evaluate growth opportunities outside of its current focus area that is Bandra sub-market, on a case by case basis.

Continue to selectively develop Commercial Projects in the South Central Mumbai region: The company intend to continue to focus on the development of commercial spaces to enable it to create value through complimentary asset classes. It has constructed and sold build-to-suit offices to institutional clientele such as Saraswat Co-operative Bank Limited (Prabhadevi) and Clearing Corporation of India Limited (Dadar). To cater to the increasing need of independent office buildings in the commercial segment, it is currently proposing a 16 storey commercial building situated on Tulsi Pipe Road, Mahim.

Risk factor

- The business of the company is dependent on the performance of, and the conditions affecting, the real estate sub markets in the South-Central Mumbai region.
- As of October 31, 2023, it has total 216 unsold units in its Ongoing Projects.
- Its business is subject to seasonality and it may experience difficulties in expanding its business into additional geographical markets including MMR region which may contribute to fluctuations in its results of operations and financial condition.
- The industry in which, it operates is competitive and highly fragmented resulting in increased competition that may adversely affect its results.

Peer Comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcaps
Sunteck Realty	233.71	-46.55	0.00	0.00	2.54	187.76	1.00	476.55	6980.44
Mahindra Life.	558.08	10.50	0.00	0.00	4.75	112.93	10.00	536.30	8310.89
Hubtown	322.73	17.03	2.23	40.51	0.53	170.38	10.00	90.34	689.62
D B Realty	751.60	190.59	2.03	98.40	2.68	74.41	10.00	199.75	10018.87
Oberoi Realty	4718.27	1961.26	53.94	26.64	4.07	353.19	10.00	1436.80	52242.37
Keystone Realtor	1360.90	133.23	11.70	51.93	4.00	152.04	10.00	607.60	6919.38
Shriram Properti	634.76	74.36	4.37	27.17	1.62	73.26	10.00	118.75	2018.97
Suraj Estate Developers Limited**	305.74	32.06	7.23	49.81	3.29	109.57	5.00	360.00	1597.00

*Peer Comparison companies financials are based on TTM.

**Suraj Estate Developers Limited financials are based on FY23.

Valuation

Considering the P/E valuation, on the upper end of the price band of Rs.360, the stock is priced at pre issue P/E of 37.33x on FY-23 EPS of Rs. 9.64. Post issue, the stock is priced at a P/E of 49.81x on its EPS of Rs.7.23. Looking at the P/B ratio at Rs.360, pre issue, book value of Rs. 25.88 of P/Bvx 13.91x. Post issue, book value of Rs. 109.57 of P/Bvx 3.29x.

Considering the P/E valuation, on the lower end of the price band of Rs.340, the stock is priced at pre issue P/E of 35.26x on FY-23 EPS of Rs.9.64. Post issue, the stock is priced at a P/E of 47.04x on its EPS of Rs.7.23. Looking at the P/B ratio at Rs.340, pre issue, book value of Rs. 25.88 of P/Bvx 13.14x. Post issue, book value of Rs. 109.57 of P/Bvx 3.10.

Industry overview

It is a globally established fact that demographic shifts fundamentally affect the demand for real estate. India's large population base of over 1.37 bn provides a huge domestic demand base which attracts businesses from across the world to setup their operations here. Along with rising population, India's urbanization rate is also increasing at a fast pace. As per UNDP projections, by 2046 approx. 50% of population in India will be urban. However, rapid urbanization is expected to drive the demand for housing, offices and other real estate asset classes in the medium – long

term. UNDP has projected that there will be 8 cities with a population of 10 mn & above by the year 2035 in India, highlighting the unmet housing demand.

Outlook

The company specializes in redevelopment under regulation 33(7) of DCPR. The management is confident of maintaining the trends with the ongoing projects and parcel of land banks. However, the industry in which, it operates is competitive and highly fragmented resulting in increased competition that may adversely affect its results. A long term Investor may opt the issue.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
IPO Open Date	Monday, December 18, 2023
IPO Close Date	Wednesday, December 20, 2023
Basis of Allotment	Thursday, December 21, 2023
Initiation of Refunds	Friday, December 22, 2023
Credit of Shares to Demat	Friday, December 22, 2023
Listing Date	Tuesday, December 26, 2023

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended	Period ended	Period ended
	30-Jun-23 (3 Months)	31-Mar-23 (12 Months)	31-Mar-22 (12 Months)
Revenue from operations	102.41	305.74	272.72
Total expenditure	55.68	154.74	140.99
Operating Profit	46.73	151.00	131.73
OPM%	45.63	49.39	48.30
Other Income	0.40	2.15	1.19
PBDIT	47.14	153.15	132.92
Depreciation	0.58	2.58	3.68
PBIT	46.56	150.57	129.25
Interest	27.19	107.35	93.10
Profit/(Loss) before Tax	19.37	43.21	36.15
Tax	4.84	11.15	9.65
PAT	14.53	32.06	26.50

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 30-Jun-23	As on 31-Mar-23	As on 31-Mar-22
Non-current assets			
Property, plant and equipment	4.18	3.44	3.77
Right of use assets	0.07	0.29	1.15
Intangible assets	12.03	12.09	12.73
Financial Assets			
Investments	8.85	8.85	0.11
Other Financial Assets	12.31	22.65	4.50
Deferred tax assets (net)	7.34	3.51	1.11
Total non-current assets	44.79	50.84	23.37
Current assets			
Inventories	634.11	652.27	620.98
Financial Assets			
Interments			
Trade Receivables	156.31	113.05	93.23
Cash and Cash Equivalents	26.09	12.11	7.69
Bank Balances other than cash and cash equivalents as above	21.45	15.92	15.91
Loans	6.95	8.20	24.14
Other Financial Assets	4.07	3.95	2.08
Income tax assets (Net)	0.81	0.77	0.52
Other Current Assets	100.14	85.49	76.09
Total current assets	949.94	891.74	840.63
Total Assets	994.73	942.58	864.00
Non-current liabilities			
Financial liabilities			
Borrowings	330.72	345.73	396.60
Lease Liabilities			0.40
Other financial liabilities	4.68	4.57	4.46
Provisions	1.28	1.11	1.04
Total non-current liabilities	336.67	351.41	402.50
Current liabilities			
Financial Liabilities			
Borrowings	267.78	247.37	241.55
Trades Payable - MSME	0.09	0.15	0.23
Trade Payables - other than MSME	18.14	26.81	19.07
Other financial Liabilities	56.51	48.68	45.05
Lease Liabilities	0.10	0.39	1.04
Other current liabilities	206.85	182.04	108.23
Provision	0.14	0.12	0.11
Current tax Liabilities (Net)	22.41	14.12	6.84
Total current liabilities	572.00	519.66	422.12
Total	908.67	871.07	824.62
Net worth represented by:			
Equity Share Capital	15.88	15.88	15.88
Other equity	70.18	55.64	23.51
Net Worth	86.06	71.51	39.38

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★★
EXCELLENT	★★★★★

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