

RATING

| | |
|------------|-----------|
| Business | ★ ★ ★ ★ ★ |
| Financials | ★ ★ ★ ★ ★ |
| Valuation | ★ ★ ★ ★ ★ |
| Management | ★ ★ ★ ★ ★ |

Ranking 1 to 5, denoting lowest and 5 highest

Date : 19-09-2024


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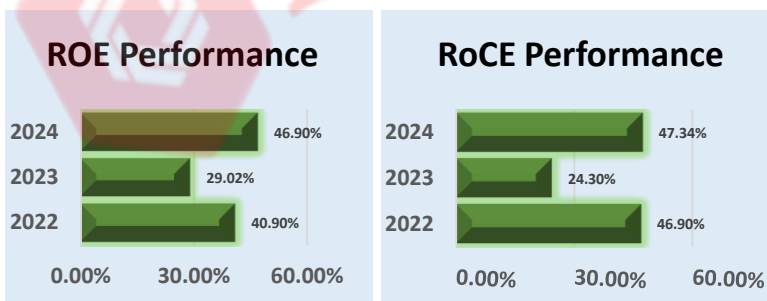
IPO : ARKADE DEVELOPERS LIMITED

Recommendation : Buy For Listing Gain (GMP : 65% - 70%)

(Note: All the information and data in this report is from RHP)

About Company : Arkade Developers Limited is a prominent real estate development company based in Mumbai, Maharashtra, specializing in high-end residential developments and the redevelopment of existing buildings. Since its inception, the company has launched 1,220 residential units and sold 1,045 across various markets in the Mumbai Metropolitan Region (MMR) between 2017 and Q1 2024. As of June 30, 2024, it has developed approximately 2.20 million square feet of residential properties and completed 28 projects, including 11 standalone projects, in partnership with a majority stake in one, and through joint development agreements. The company has also successfully redeveloped 10 projects in Mumbai's western suburbs and one in the south-central area, totaling around 1,000,000 square feet. With a dedicated workforce of 201 permanent employees and 850 additional contract staff, Arkade continues to cater to over 4,000 customers, emphasizing sophisticated lifestyle offerings.

STRENGTHS: The Company is a leading player in the real estate sector, recognized as one of the top 10 developers in select micro-markets of MMR, Maharashtra. It holds a 2% share of the total supply and a 6% share of total absorption in the Borivali West micro-market from 2022 to Q1 2024, reflecting its strong performance. Since 2017, the Company has established itself as a key player with an 11% share of the supply among the top 10 developers in Borivali West, and from 2022 onwards, it has further increased its presence to 13%. This strategic positioning not only underscores the Company's reputation but also highlights its growth potential in a competitive market.


OPPORTUNITIES:

The Malad-Goregaon stretch has become a key area for the growth of Information Technology Enabled Services (ITeS) and Business Process Outsourcing (BPO) industries in Mumbai, leading to increased residential demand and social infrastructure development. The presence of major malls has spurred growth in the Food & Beverage, Textile, Imitation Jewelry, and real estate sectors. The Andheri-Kurla corridor, centrally located near the airport, has attracted manufacturing and logistics firms, creating employment opportunities and driving submarket development. The Santacruz Electronic Export Processing Zone (SEEPZ) supports IT-ITeS firms with excellent facilities and connectivity. Additionally, the airport has been a significant catalyst for growth in hotels, retail, office, and residential developments. Andheri-Kurla Road and MIDC areas have emerged as hubs for warehousing and small-scale industries, further enhancing the city's economy and real estate activity. Lastly, the film and entertainment sectors continue to generate substantial revenue, contributing significantly to Mumbai's economic landscape.

| | |
|------------------|------------------------|
| Total Issue Size | ₹410.00 Cr |
| Fresh Issue | ₹410.00 Cr |
| Offer for Sale | ₹00.00 Cr |
| Price Band | ₹121 to ₹128 per share |
| Lot Size | 110 Shares |
| Listing At | BSE, NSE |
| IPO Date | 16 Sep - 19 Sep |
| Listing Date | 24-Sep |
| HNI | 15.00% |
| Retail | 35.00% |

Objectives of the Issue :

The Company proposes to utilize the Net Proceeds from the Issue for the following purposes:

- To partially fund the costs associated with the development of its ongoing projects, specifically Arkade Nest, Prachi CHSL, and C-Unit (Funding Development Expenses).
- To finance the acquisition of yet-to-be identified land for future real estate projects, as well as for general corporate purposes.

WEAKNESSES:

Identification of Projects: The Company's inability to identify suitable redevelopment projects or acquire appropriate land could adversely affect its business and growth.

Land Acquisition Viability: Although a portion of the net proceeds is planned for land acquisition, there is no guarantee regarding the land's viability or the profitability of future projects.

Market Vulnerability: Operating exclusively in the Mumbai Metropolitan Region makes the Company susceptible to negative impacts on the local real estate market, which could severely affect its business performance and financial health.

Unsecured Loans: The Company has unsecured loans totaling ₹460 million from its Promoter and Whole Time Director, which can be recalled at any time, potentially impacting its business and cash flow if alternative financing

THREATS:

The real estate market in Mumbai's western suburbs poses several threats to the Company. Exorbitant property prices make homes unaffordable for middle-income households, while limited land availability restricts new developments. Existing infrastructure struggles to keep up with urbanization, leading to traffic congestion and inadequate public transport. Environmental concerns arise from development projects impacting sensitive areas, and redevelopment of older buildings faces tenant opposition and stakeholder cooperation issues. Socioeconomic disparities hinder inclusive development, while slum rehabilitation efforts encounter challenges in acquiring prime land and negotiating with residents. Additionally, land ownership disputes and unclear titles create delays and uncertainties in projects, threatening the Company's growth and profitability.


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Initial Public Offer
Residential Units Sold in Western and Eastern Suburbs of MMR, Maharashtra

| 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 |

Developable Area and RERA of Ongoing 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 |

Ongoing projects

| Project# | Location | Nature of the project | Expected completion date* | Total number of available units for sale | Total developable area (in square feet) | Saleable RERA carpet area (in square feet) |
|---------------|-----------------------------------|-----------------------|---------------------------|--|---|--|
| Arkade Aura | Santacruz, MMR, Maharashtra | Redevelopment | December 31, 2025 | 43 | 293,692 | 55,536 |
| Arkade Prime | Andheri East MMR, Maharashtra | New Project | December 31, 2025 | 116 | 123,740 | 65,683 |
| Arkade Aspire | Goregaon East, MMR, Maharashtra | New Project | December 31, 2025 | 228 | 379,972 | 168,643 |
| Arkade Nest | Mulund, MMR, Maharashtra | New Project | June 30, 2027 | 87 | 677,945 | 249,376 |
| Arkade Pearl | Vile Parle East, MMR, Maharashtra | Residential | December 31, 2026 | 38 | 223,355 | 72,871 |
| Arkade Eden | Malad West, MMR, Maharashtra | Residential | December 31, 2026 | 55 | 173,487 | 49,507 |
| Total | | | | 567 | 1,872,188 | 661,616 |

Information provided in respect of our Ongoing Projects is based on our current management plans and is subject to change.
 *Per RERA filings.



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Initial Public Offer

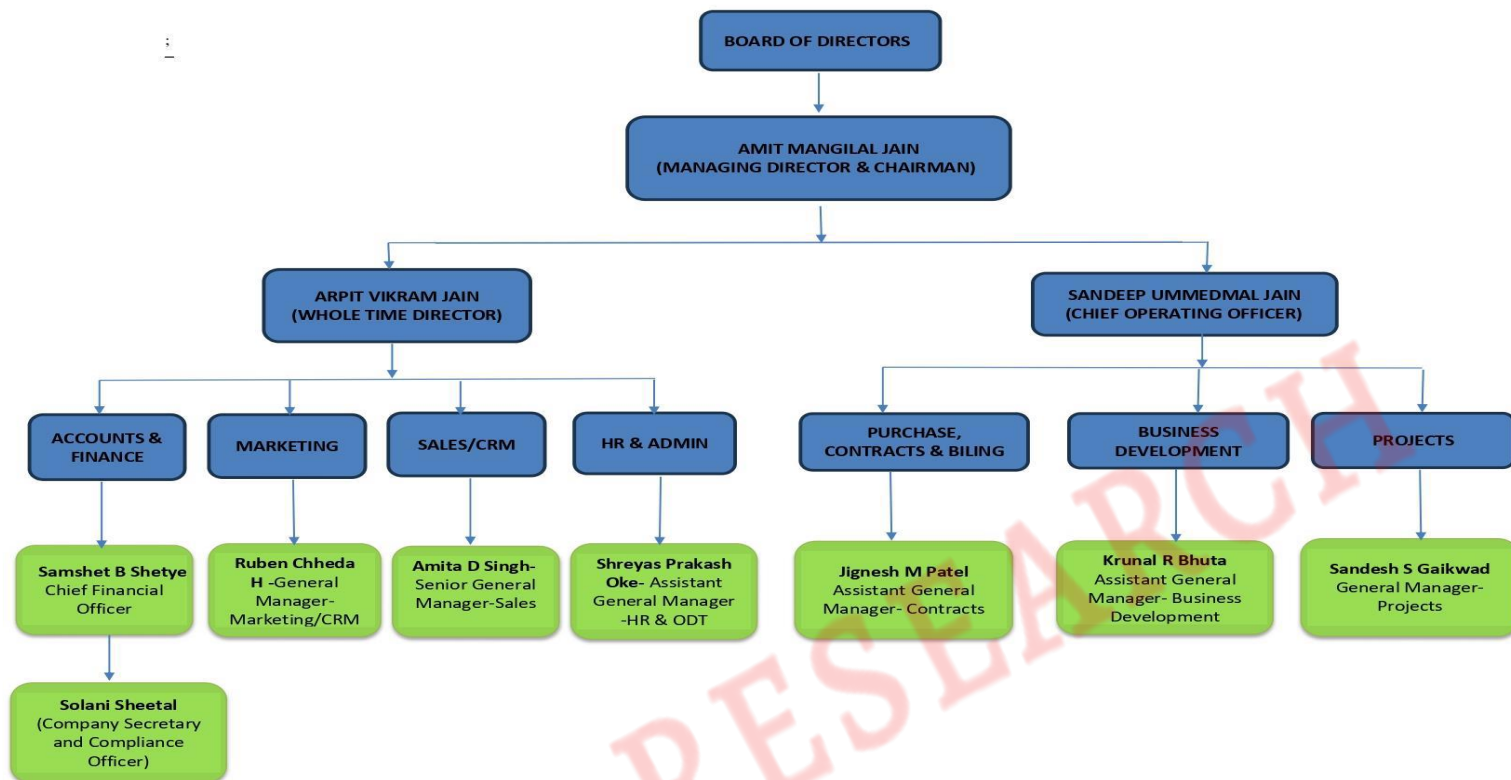
| Name of the Shareholder | No. of Equity Shares | As a % of pre-issued Capital |
|--------------------------|----------------------|------------------------------|
| Promoters | | |
| Amit Mangilal Jain | 123,157,808 | 80.17 |
| TOTAL (A) | 123,157,808 | 80.17 |
| Promoter Group | | |
| Ketu Amit Jain | 22,040 | 0.01 |
| Aarin Amit Ambavat | 2,660,000 | 1.73 |
| Sajjan Mangilal Jain | 2,660,000 | 1.73 |
| Mangilal Ratanchand Jain | 2,660,000 | 1.73 |
| Anisha Bhavesh Jain | 160,000 | 0.1 |
| Anuja Nitesh Jain | 160,000 | 0.1 |
| TOTAL (B) | 8,322,040 | 5.42 |
| GRAND TOTAL | 131,479,848 | 85.58 |

Key Performance Indicators:

| Particulars | 31-Mar-24 | 31-Mar-23 | 31-Mar-22 |
|---|-----------|-----------|-----------|
| Revenue From operations (₹ in million) | 6,347.36 | 2,201.52 | 2,289.34 |
| EBIT (₹ in million) | 1,682.37 | 680.54 | 699.01 |
| EBIT (%) of Revenue from operations | 26.51 | 30.91 | 30.53 |
| Profit after tax (₹ in million) | 1,228.08 | 507.66 | 508.44 |
| PAT Margin (%) | 19.35 | 23.06 | 22.21 |
| Debt To Equity Ratio | 0.21 | 0.74 | 0.43 |
| EBITDA (₹ in million) | 1,693.75 | 683.25 | 699.72 |
| EBITDA Margin (%) | 26.68 | 31.04 | 30.56 |
| Basic EPS (₹) | 8.08 | 3.34 | 3.32 |
| Diluted EPS (₹) | 8.08 | 3.34 | 3.32 |
| Interest Coverage Ratio | 53.8 | 53.12 | 16.15 |
| Return on Equity (ROE) (%) | 46.9 | 29.02 | 40.9 |
| Adjustable Return on Capital Employed (ROCE) (%) | 47.34 | 24.3 | 46.17 |
| Sales (in terms of number of units booked by customers) | 257 | 258 | 87 |
| Sales (in terms of area booked by customers) (in million square feet) | 0.2 | 0.19 | 0.06 |
| Completed Developable Area (in million square feet) | - | 0.26 | 0.3 |
| Collection (₹ million) | 5,702.31 | 2,584.03 | 1,700.64 |
| Voluntary employee attrition ratio (A/B) (%) | 12.76 | 10.26 | 11.11 |



MANAGEMENT ORGANIZATION STRUCTURE:



Amit Mangilal Jain: Promoter, Managing Director, and Chairman

Amit Mangilal Jain serves as the Promoter, Managing Director, and Chairman of Arkade Developers Limited. He has been a key figure in the company, having held a directorial position since December 27, 1995. Jain holds a Bachelor of Science degree from the University of Mumbai and plays a crucial role in formulating and implementing corporate strategy. He is responsible for the overall planning, execution, and management of the company's operations. Additionally, he oversees public relations and the brand image of Arkade Developers. Since 2019, he has also been an active member of the National Real Estate Development Council, contributing to the industry's development.

Arpit Vikram Jain: Whole Time Director

Arpit Vikram Jain has been serving as the Whole Time Director of Arkade Developers Limited since June 1, 2023, having been associated with the company as a director since February 26, 2016. He holds a Bachelor of Commerce degree from the University of Mumbai and has successfully completed the final examination to become a Chartered Accountant. Jain is responsible for overseeing several key departments within the company, including Accounts, Finance, Taxation, Sales, Marketing, Customer Relationship Management (CRM), Human Resources (HR), and Administration, playing a pivotal role in the company's operations and strategic growth.

Samshet B. Shetye: Chief Financial Officer

Samshet B. Shetye serves as the Chief Financial Officer of Arkade Developers Limited, having joined the company on June 1, 2023. He holds a Bachelor's degree in Commerce from the University of Mumbai and is a Chartered Accountant, with ICAI membership since August 1, 2001. Additionally, he is a qualified Company Secretary. Shetye has significant experience in finance, previously working as Assistant Vice President of Finance and Accounting at FSN Ecommerce Ventures Limited and Manager of Finance at Tribhovandas Bhimji Zaveri Limited. His prior roles also include Project Accountant at A.S.A. Enterprises in Johannesburg and Finance Consultant at Gujarat Pipavav Port Limited. For Fiscal 2024, his gross remuneration was ₹2.68 million.

Sandeep Ummedral Jain: Chief Operating Officer

Sandeep Ummedral Jain is the Chief Operating Officer of Arkade Developers Limited, having transitioned from his previous role as Whole Time Director, which he held from July 25, 2016, until October 30, 2023. He was appointed Chief Operating Officer effective November 1, 2023. Jain holds a Post Graduate Diploma in Business Administration from the Hyderabad (Sind) National Collegiate Board, Mumbai, and K.C. College of Management Studies. For Fiscal 2024, Jain's gross remuneration amounted to ₹9.13 million, which included ₹4.94 million for his tenure as Whole Time Director and ₹4.19 million for his role as Chief Operating Officer.


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Initial Public Offer

Comparison of Accounting Ratios with listed Industry Peers

| Particulars | Total income (Rs. in Lakhs) | Face Value (Rs.) | EPS Diluted (Rs.) | P/E Ratio | RONW (%) |
|------------------------------|-----------------------------|------------------|-------------------|-----------|----------|
| Arkade Developers Limited | 6,357.12 | 10 | 8.08 | NA | 46.9 |
| Listed peer | | | | | |
| Keystone Realtors Limited | 22,756.30 | 10 | 9.82 | 74.85 | 6.4 |
| Godrej Properties Limited | 43,342.20 | 5 | 26.08 | 111.53 | 7.76 |
| Macrotech Developers Limited | 1,04,695.00 | 10 | 15.99 | 78.46 | 10.32 |
| Suraj Estate Developers Ltd. | 4,157.04 | 5 | 19.39 | 40.92 | 22.97 |

Comparison of Key Performance Indicators with Listed Peers

| As of and for Fiscal 2024 | Arkade Developers Limited | Keystone Realtors Limited | Godrej Properties Limited | Macrotech Developers Limited | Suraj Estate Developers Ltd. |
|---|---------------------------|---------------------------|---------------------------|------------------------------|------------------------------|
| Revenue From operations (₹ in million) | 6,347.36 | 22,222.50 | 30,356.20 | 1,03,161.00 | 4,122.14 |
| EBIT (₹ in million) | 1,682.37 | 1,845.4 | 11,521.00 | 25,074.00 | 2,327.66 |
| EBIT (%) of Revenue from operations | 26.51% | 8.30% | 37.95% | 24.31% | 56.47% |
| Profit after tax (₹ in million) | 1,228.08 | 1,110.30 | 7,470.60 | 15,542.00 | 674.91 |
| PAT Margin (%) | 19.35% | 5.00% | 24.61% | 15.07% | 16.37% |
| Debt To Equity Ratio | 0.21 | 0.6 | 1.07 | 0.44 | 0.82 |
| EBITDA (₹ in million) | 1,693.75 | 1,918.50 | 11,966.60 | 27,113.00 | 2,364.23 |
| EBITDA Margin (%) | 26.68% | 8.63% | 39.42% | 26.28% | 57.35% |
| Basic EPS | 8.08 | 9.85 | 26.09 | 16.03 | 19.39 |
| Diluted EPS | 8.08 | 9.82 | 26.08 | 15.99 | 19.39 |
| Interest Coverage Ratio | 53.8 | 4.6 | 7.57 | 5.23 | 1.68 |
| Return on Equity (ROE) (%) | 46.90% | 6.40% | 7.76% | 10.32% | 22.97% |
| Return on Capital Employed (ROCE) (%) | 47.34% | 7.00% | 8.86% | 12.67% | 30.31% |
| Total revenue (₹ in million) | 6,357.12 | 22,756.30 | 43,342.20 | 1,04,695.00 | 4,157.04 |
| Current Ratio | 2.45 | 1.5 | 1.43 | 1.62 | 2.36 |
| Net Capital Turnover Ratio | 2 | 1.34 | 0.31 | 0.6 | 0.58 |
| NAV | 21.28 | 157.81 | 359.4 | 180.8 | 148.3 |
| Sales (in terms of number of units booked by customers) | 257 | N.A. | N.A. | N.A. | N.A. |
| Sales (in terms of area booked by customers) (in million square feet) | 0.2 | N.A. | N.A. | N.A. | N.A. |
| Completed developable area in million square feet | - | N.A. | N.A. | N.A. | N.A. |
| Collections* (₹ in million) | 5,702.31 | N.A. | N.A. | N.A. | N.A. |
| Voluntary Employee Attrition Ratio (A/B) | 12.76% | N.A. | N.A. | N.A. | N.A. |


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Initial Public Offer
Income Statement:

in millions

| Particulars | 31-Mar-24 | 31-Mar-23 | 31-Mar-22 |
|---|-----------|-----------|-----------|
| Revenue from operations | 6,347.36 | 2,201.52 | 2,289.34 |
| Other income | 9.76 | 38.61 | 82.48 |
| Total income | 6,357.12 | 2,240.13 | 2,371.82 |
| Expenses | | | |
| (a) Cost of construction | 4,163.97 | 3,344.28 | 2,548.79 |
| (b) Changes in inventories of finished goods and work in progress | 126.24 | 2,015.19) | 949.19) |
| (c) Employee benefit expense | 167.02 | 170.83 | 79.46 |
| (d) Finance costs | 31.27 | 12.81 | 43.29 |
| (e) Depreciation and amortisation expense | 11.38 | 2.71 | 0.71 |
| (f) Other expenses | 215.72 | 98.69 | 65.82 |
| Total expenses | 4,715.61 | 1,614.14 | 1,788.89 |
| Profit before tax and share of profit (loss) from associates | 1,641.51 | 625.99 | 582.93 |
| Share of profit / (loss) from associates | 9.59 | 41.74 | 72.79 |
| Profit before tax | 1,651.10 | 667.73 | 655.72 |
| Tax expense | | | |
| (1) Current tax | 424.72 | 160.88 | 147.73 |
| (2) Deferred tax expense/ (credit) | -1.71 | -0.82 | -0.45 |
| Total tax expense | 423.02 | 160.07 | 147.28 |
| Profit for the year | 1,228.08 | 507.66 | 508.44 |
| Earnings per equity share | | | |
| (1) Basic (₹) | 8.08 | 3.34 | 3.32 |
| (2) Diluted (₹) | 8.08 | 3.34 | 3.32 |





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