Suraj Estate Developers Ltd

Leveraging capabilities, expanding pipeline

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Long Term Recommendation
Suraj Estate Developers

Leveraging capabilities, expanding pipeline

Suraj Estate Developers' (SURAJEST) strong redevelopment capabilities, healthy development pipeline and a well-located land bank drive our confidence in its long-term growth story. Our optimism is also supported by a structurally buoyant home market. We initiate coverage with a 'BUY' rating and a TP of INR757, valuing the stock at 1.4x FY26E NAV. Key growth triggers are:

- **i)** Pre-sales CAGR of 49.2% over FY24–27 on the back of a strong launch pipeline (~INR5,200cr, 0.9mn sq. ft.);
- **ii)** Excellent product positioning with most inventory falling into the sub-INR10cr category;
- **iii)** Its expertise in redevelopment projects under Rule 33(7) of DCPR in MMR;
- **iv)** Favourable dynamics in the MMR market, with inventory at a 15-year low of 10 months;
- **v)** Strong expected net cash surplus of INR3,579cr over FY25–32 led by pre-sales growth; and
- **vi)** Improving Balance Sheet health led by IPO proceeds and internal accruals (net D/E ratio to improve to 0.1x as of FY27E-end from 0.6x as of March).

It has 13/18 ongoing/upcoming projects, with an inventory/saleable area of 0.12mn sq. ft./ 0.9mn sq. ft. (GDV: ~INR631cr/~INR5,200cr). It has land reserves of ~2.6 acres that will be used for future development. We expect the entire GDV of ~INR5,831cr to be liquidated by FY32 and see a cash surplus of ~INR3,579cr from ongoing and upcoming projects. We see new project additions once it launches most of its existing projects. We value SURAJEST at a 40% premium to its FY26E NAV considering its land reserves and ability to aggressively add new projects in its existing micro-market given its brand value and improved Balance Sheet.

Favourable dynamics in its home market of MMR, inventory at record-low of 10 months

With a record low inventory of 10 months, MMR is one of the fastest growing realty markets and ranks second in terms of the area sold. In MMR, SCM is one of the smallest (1–2% share in terms of units sold) but is one of the most sought-after micro-markets due to: i) its luxury positioning, and ii) presence of a high-income and affluent client base. While SCM has a dearth of vacant land parcels, it has more than 16,500 buildings that are older than 80 years and need redevelopment.

Asset-light redevelopment under Rule 33(7) of DCPR drives margin and RoE

SURAJEST's specialisation in the redevelopment of properties in SCM gives it access to relatively cheap prime land parcels. Its understanding of end-user needs is key to its success in SCM. It has two product categories: value luxury (INR1–3cr) and luxury (INR3–13cr). It identifies properties with 25–30 tenants under the *pagdi* system that fall under Rule 33(7) of the Development Control and Promotion Regulations, 2034. The scheme's benefits are: i) FSI of three without any TDR or additional cost, ii) relatively low approval cost, and iii) ~30% discount on land cost.

Till date, it has delivered ~1mn sq. ft. across 42 projects in prime locations, largely falling under Rule 33(7) of DCPR. With a discount on land prices, an FSI of three, and availability of legacy land parcels, it can churn its assets and deliver an EBITDA margin of over 50%. While redevelopment projects have a higher turnaround time (54–72 months) versus vacant land development (42–48 months), the strong margin makes up for the long gestation, leading to a strong RoE.

Expect a launch of 9.01lk sq. ft. by FY28-end

It has significantly scaled up its project pipeline aided by: i) favourable market dynamics, ii) rich experience, and iii) proceeds from its December 2023 IPO. It has 13 ongoing projects (residential /commercial: 11/2) with an inventory of 1.2lk sq. ft., or ~INR631cr. Eighteen projects (residential /commercial: 17/one), with a carpet area/GDV of 9.01lk sq. ft./ ~INR5,200cr, are under planning and will be launched by FY28-end. We expect the entire inventory to get liquidated by FY31.

Healthy project pipeline, expect cash surplus of ~INR3,579cr

With an EBITDA margin of over 50%, we expect ongoing and upcoming residential projects to generate a gross/net cash flow of INR7,358cr/INR3,579cr over FY25–32. We expect margin to stay over 50% given: i) the development of legacy land parcels, ii) its access to land parcels at relatively attractive prices, iii) price premium in SCM, and iv) effective tenant and marketing cost management. Over 71% of the IPO proceeds were deployed towards de-leveraging and bringing the net D/E ratio to 0.6x as of March. We see the D/E ratio falling to 0.1x by FY27-end on healthy internal accruals and lower spends on business development, which will drive up RoCE.

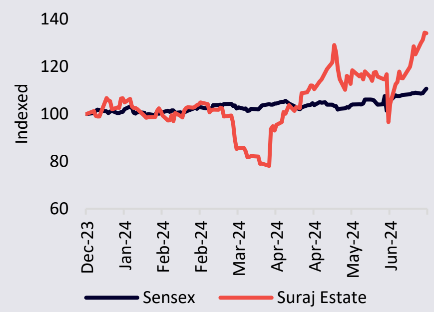
Key financials

Year to March	FY23	FY24	FY25E	FY26E	FY27E
Pre-sales (INR cr)	635	483	643	1,098	1,605
Revenue (INR cr)	306	412	549	937	1,370
EBITDA margin (%)	49	57	53	52	53
P/B ratio (x)	23.3	3.5	3.4	2.3	1.5
Net D/E ratio (x)	7.9	0.6	0.3	0.2	0.1
RoACE (%)	21.9	28.5	27.5	37.9	38.6
RoAE (%)	58	23	28.1	38.3	40.3

CMP: INR524
Rating: BUY
Target price: INR757
Upside: 44%

Date: July 3, 2024

Bloomberg:	SURAJEST:IN
52-week range (INR):	256/536
Shares in issue (cr):	4.43
M-cap (INR cr):	2,326
Promoter holding (%)	74.95



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Leveraging capabilities, expanding pipeline

Table of Contents

Leveraging capabilities, expanding pipeline

Business structure

With over 37 years of industry experience, SURAJEST is a prominent and leading developer in South Central Mumbai (SCM). It is present across the key micro-markets of Dadar, Prabhadevi, Mahim, Matunga, and Parel, where it has delivered more than 42 projects till date (saleable carpet area of over 1mn sq. ft.). The company operates in two segments: i) residential, and ii) commercial real estate. It specialises in the redevelopment of tenanted properties under rule 33(7) of DCPR into standalone premium high rises in SCM. It develops and sells built-to-suit corporate offices based on the orders it receives. It has two residential offerings: value luxury (INR1–3cr per unit) and luxury (INR3–13cr). It has a portfolio of 11 ongoing residential projects with a saleable carpet area of 0.57mn sq. ft. and an inventory of 0.12mn sq. ft. Another 17 projects with a carpet area of 0.8mn sq. ft. will be launched over FY25–28. In the commercial segment, two/one project(s) with an area of 0.04mn sq. ft/0.1mn sq. ft. are under development/to be launched.

Over FY24–27, we see 49.2% CAGR in residential pre-sales to INR1,605cr in FY27 driven by:

i) Healthy **launch pipeline of ~0.8mn sq. ft. with an expected GDV of ~INR4,652cr** over FY25–28.
ii) **Inventory of ~0.12mn sq. ft., with a GDV of ~INR631cr** in its ongoing projects, which will be liquidated in FY25 and FY26.
iii) **Strong positioning,** quality inventory at premium locations**, and catering to the underserved sub-INR10cr market in SCM**.

In the commercial segment, we expect SURAJEST to continue its built-to-suit model for corporate offices for public sector undertakings and banks on a pre-order basis. We don't see it entering the leasing space or developing any property without an order in hand.

Driven by strong launches, healthy growth in pre-sales, and delivery of commercial properties, we see **collections/operating cash flows clocking 67.9%/149.4% CAGR over FY24–27**. We don't see heavy spends on business development in the near-to-medium term given the available land bank and sizeable line-up of launches. Construction cost will be funded largely via project collections. As a result, **we see net debt-to-equity ratio improving to 0.1x in FY27 from 0.6x in FY24**.

Revenue is expected to largely trace pre-sales growth as it follows the percentage completion method of accounting. We expect **EBITDA margin**, which is one of the best in the industry, **of 52–54% over FY24–27 given its low-cost legacy land parcels**.

We are optimistic on SURAJEST's growth story owing to: i) its expertise in the redevelopment of tenanted properties, which is key to its success in SCM given the dearth of vacant land parcels; ii) superior product positioning and quality offerings; iii) healthy launch pipeline and steady growth in sales velocity; iv) industry-leading EBITDA margin, with strong operating cash flows; v) improving cash flows; and vi) Balance Sheet strength. We initiate **'BUY'** with a TP of **INR757**, valuing the business at **1.4x FY26E NAV**.

We expect 49.2% CAGR in residential pre-sales over FY24–27 to INR1,605cr (0.21mn sq. ft.) on:

i) Healthy launch pipeline of ~INR4,652cr (0.8mn sq. ft.) over FY25–27;
ii) Quality offerings in the underserved sub-INR10cr market in SCM; and
iii) Liquidation of inventory worth ~INR631cr in its ongoing projects over FY25–26.

In the commercial segment, the two ongoing projects (0.04mn sq. ft., GDV of ~INR250cr) will be handed over in FY25.

One new property (0.1mn sq. ft), with a GDV of ~INR549cr, will be launched in FY25 and handed over in FY26.

We expect steady growth and see SURAJEST adding built-to-suit projects for public sector undertakings and banks.

Led by low-cost legacy land, efficient construction, and strong realisation, we expect SURAJEST to generate an industry-leading EBITDA margin of 53.1% in FY27 with 46.1% EBITDA CAGR over FY24–27 to INR726cr. Net D/E ratio is expected to improve to 0.1x in FY27 from 0.6x in FY24. We see RoACE expanding to 38.6% from 28.5% over FY24–27.

INR cr	FY24	FY25E	FY26E	FY27E
Pre-sales (mn sq. ft.)	0.11	0.11	0.16	0.21
Pre-sales	483	643	1,098	1,605
Revenue	412	549	937	1,370
EBITDA margin (%)	57	53	52	53

INR cr	FY24	FY25E	FY26E	FY27E
RoACE (%)	28.5	27.5	37.9	38.6
OCF	11	208	0	175
Net D/E ratio (x)	0.6	0.3	0.2	0.1

	FY26E	Target
P/B ratio (x)	1.5	2.2
NAV (INR cr)	2,327	n/a

Pre-sales/EBITDA CAGR of 49.2%/46.1% + **RoACE/RoAE of 38.6%/40.3% in FY27E** + **TP of INR757 based on 1.4x FY26E NAV**

Upside: 44%

Valuation

Summary

We initiate coverage with a 'BUY' rating and a TP of INR757 based on 1.4x FY26E NAV. SURAJEST is the largest player in SCM in terms of the units sold and the fifth largest in terms of value of the units sold since 2016. It specialises in the redevelopment of tenanted properties in SCM and has delivered 42 properties till date, spanning 1mn sq. ft. We expect a significant surge in this development pace given the multiple launches planned over the next three years.

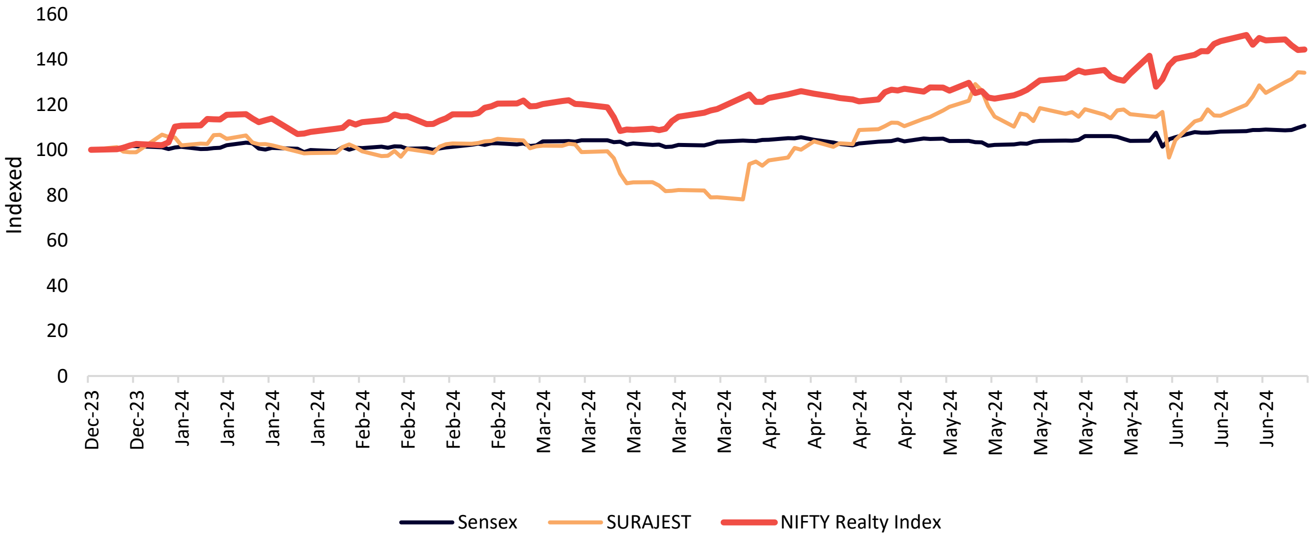
Over FY25–28, we see it launching 0.8mn sq. ft., with a GDV of ~INR4,652cr, across 17 residential projects. Aided by: i) a strong launch pipeline, ii) limited fresh supply of branded projects in SCM, iii) its specialty and leadership in the redevelopment of tenanted properties [Rule 33(7) of DCPR, 2034] into quality high rises, and iv) attractive product positioning, we expect a higher pre-sales run-rate ahead. Over FY24–27, we see 49.2% CAGR in pre-sales to INR1,605cr.

The land for forthcoming projects is fully paid for. Given the premium locations of its projects, SURAJEST is expecting to realise at least INR47,000 per sq. foot of carpet area from its upcoming projects. We conservatively factor in construction costs at 40-45% of the sales value. We factor in EBITDA margin of 52–54% over FY25–27.

On the commercial side, it has two ongoing projects with a carpet area of 0.04mn sq. ft. and a GDV of INR197cr, of which INR114cr is yet to be received. It intends to deliver the projects in FY25. It has bagged a 0.11mn sq. ft. (estimated GDV: ~INR549cr) project. It is yet to commence construction, with delivery scheduled for FY26. We see it generating a revenue/EBITDA margin of ~INR746cr /~55% over FY25–26.

We do not see massive investments in business development as its land bank will support launches for the next three years. It owns land parcels of 10,360 sq. metres for which it is yet to decide a development plan. Construction costs will be funded via project collections. We do not see any meaningful increase in debt. We see net debt at INR145cr in FY27 from INR315 in FY24.

Exhibit 1 : SURAJEST's stock performance vis-à-vis indices since its listing



Source: BSE, NSE, Nuvama Wealth Research

Valuation

We arrived at our NAV-based TP of INR757, valuing SURAJEST's residential and commercial real estate segment at 1.4x FY26E NAV. The valuation and the methodology behind the same have been explained below.

Exhibit 2: Valuation summary

Particulars (INR cr)	NAV	NAV/share	Basis
Residential	2,394	539	1x FY26E NAV
- Ongoing projects	*223*	*50*	
- Upcoming projects	*2,171*	*489*	
Commercial (for sale)	256	58	1x FY26E NAV
- Ongoing projects	*43*	*10*	
- Upcoming projects	*213*	*48*	
Gross asset value	**2,531**	**597**	
Less: Net debt	251	57	
Net asset value	**2,398**	**540**	
Fair value (1.4x NAV)		**757**	
CMP		524	
Upside		**44%**	

Source: Company, Nuvama Wealth Research

Rationale for assigning a 40% premium to its NAV

i) Availability of a fully paid-up, legacy land bank to support launches for the next three years.
ii) Ability to aggressively bid for projects under Rule 33(7) of DCPR, 2034 given its expertise of redevelopment. This allows it access to a large pool of potential projects without having to block large capital.
iii) Brand equity and a 100% success rate in redevelopment bids in SCM.
iv) An improved Balance Sheet post IPO and expectation of strong cash inflow from upcoming launches.
v) An extremely strong EBITDA margin and RoCE profile.

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Residential real estate portfolio

We value SURAJEST's residential real estate portfolio at the net asset value of inventory in ongoing and completed projects and the estimated value of planned developments. It has an inventory of 0.12mn sq. ft. in 11 ongoing residential projects, with an estimated saleable value of INR631cr. We see it liquidating this inventory over the next two years. Considering an appreciation in the selling price in line with its history, we see collections of INR709cr from this unsold inventory. Net cash flow (pre-discounting) is estimated at INR309cr. It is yet to receive ~INR719cr for the units sold.

Over FY25-28, we see it launching 0.8mn sq. ft. across 17 residential projects, with a gross development value of ~INR4,652cr. We expect the projects to be fully sold out over its construction period and the inventory to be liquidated by FY31-end. Assuming an 8% inflation in the selling price, we see upcoming projects generating a gross cash flow of INR6,643cr. Project level net cash flow (assuming a 60% gross margin and a 25.2% tax rate) is expected at INR3,270cr, to be realised over FY25–32. Discounting the future cash flow, we arrive at a NAV of INR2,171cr for these residential projects. In our assumptions, we have not considered the future development potential of the unused land bank of 10,360 sq. metres in Bandra and Santacruz.

Exhibit 3: Estimated NAV for ongoing projects

Particulars (INR cr)	FY25	FY26	FY27	FY28	FY29	Total
Expected pre-sales (lk sq. ft.)	0.67	0.41	0.11	0.02	-	1.21
Expected pre-sales	381	247	74	14	-	715
Expected collection	119	231	235	102	29	715
Less: Direct cost	72	106	83	33	9	303
Gross project value	**47**	**125**	**152**	**68**	**20**	**413**
Less: Taxes	12	32	38	17	5	104
Net cash flow (pre-discounting)	**35**	**94**	**114**	**51**	**15**	**309**
Net discounted cash flow	**-**	**84**	**92**	**37**	**10**	**222**

Source: Company, Nuvama Wealth Research

Exhibit 4: Estimated NAV for forthcoming projects

Particulars (INR cr)	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	Total
Expected pre-sales (lk sq. ft.)	0.40	1.19	1.99	1.59	1.19	0.80	0.80	-	7.95
Expected pre-sales	263	851	1,531	1,323	1,071	771	833	-	6,643
Expected collection	**166**	**631**	**1,262**	**1,428**	**1,196**	**864**	**698**	**399**	**6,643**
Less: Direct cost	84	278	506	466	372	267	264	36	2,271
Gross project value	**83**	**354**	**756**	**963**	**824**	**597**	**434**	**362**	**4,372**
Less: Taxes	21	89	190	243	208	150	109	91	1,102
Net cash flow (pre-discounting)	**62**	**264**	**565**	**720**	**616**	**447**	**325**	**271**	**3,270**
Net discounted cash flow	**-**	**237**	**456**	**521**	**400**	**260**	**170**	**127**	**2,171**

Source: Company, Nuvama Wealth Research

Exhibit 5: Fully paid-up land bank not included in NAV

Particulars	Location	Share	Under	Mode	Area (sq. metres)	Saleable Area (sq. ft.)
C.T.S.No.918 Mount Mary, Hill Road	Bandra (W)	100%	Accord Estates Pvt	Leasehold rights	1,174	12,632
C.T.S.No.930 Mount Mary, Hill Road	Bandra (W)	100%	Accord Estates Pvt	Owned	364	3,920
C.T.S.No.917 Mount Mary, Hill Road	Bandra (W)	100%	Accord Estates Pvt	Development rights	3,885	41,817
C.T.S.No.929 Mount Mary, Hill Road	Bandra (W)	100%	Accord Estates Pvt	Development rights	1,740	18,730
C.T.S.No.931 Mount Mary, Hill Road	Bandra (W)	100%	Accord Estates Pvt	Development rights	890	9,583
C.T.S.No.916 Mount Mary, Hill Road	Bandra (W)	100%	Accord Estates Pvt	Development rights	1,578	16,988
CS No 3429, 3430 and 3262 - Kole Kalyan Property	Santacruz (E)	100%	SURAJEST	Development rights	728	7,841
					10,360	**1,11,512**

Source: Company, Nuvama Wealth Research

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Commercial real estate portfolio

SURAJEST develops order backed, built-to-suit corporate offices largely for public sector undertakings and enterprises. It has orders to build three corporate offices, of which two are already under construction (for Saraswat Co-operative Bank and CCIL). The two under construction properties have a saleable area of 0.04mn sq. ft. and are worth INR197cr. Of this, the company has received INR83cr. We expect it to receive the rest by FY26 and are not discounting the cash flow. It secured its last order in the recent past and intends to begin construction in Q2FY25. The upcoming development is spread across 0.11mn sq. ft. with an estimated GDV of ~INR549cr.

Exhibit 6: Expected NAV of ongoing commercial properties

Particulars (INR cr)	CCIL	Saraswat Co-operative Bank
Saleable area (lk sq. ft.)	0.22	0.17
GDV	90	108
Amount collected	9	74
Receivable	81	34
Direct cost	40	17
Taxes	10	4
Net cash flow	**30**	**13**

Source: Company, Nuvama Wealth Research

Exhibit 7: Expected NAV of upcoming commercial property

Project	Saleable area (lk sq. ft.)	Estimated GDV (INR cr)	Estimated direct cost (INR cr)	Net project cash flow (INR cr)	Discounted cash flow (INR cr)
Plot no. 426-B	1.06	549	232	237	213

Source: Company, Nuvama Wealth Research

Sensitivity analysis

Below is the sensitivity of valuation to our underlying key assumptions.

Exhibit 8: Sensitivity of valuation to our key assumptions

	NAV change (%)
10% rise in the residential sales price	14.3
1% increase in sales inflation	5.1
1% growth in cost inflation	(1.8)
1% hike in sales and cost inflation	3.3
1% rise in the discount rate	(3.0)

Source: Company, Nuvama Wealth Research

Valuation methodology

NAV calculation for its residential operations

We divided its residential land bank into: i) under construction (0.57mn sq. ft.), ii) planned developments (0.8mn sq. ft.), and iii) land parcels (0.11mn sq. ft.).

- We classified its entire residential land bank into key projects based on the information provided by the management.
- We arrived at the sale price (INR/sq. ft.) and the anticipated sales volume for each project based on our market assessment and interaction with the management.
- We assumed an annual inflation rate of 8% on sale.
- We assumed an annual cost inflation rate of 5%.
- We deducted the construction cost from the sale price and derived our cost estimate after discussion with the management.
- We deducted marketing and other costs assuming they equate to 4% of sales.
- We deducted income tax at the applicable rate of 25.2%.
- We discounted the resultant cash flow based on WACC of 11.4%. We added the NAV for all projects and the development potential of the land bank to arrive at our NAV forecast of INR2,394cr for the residential segment
- We excluded the development potential of its land reserve in our NAV calculation as it is yet to finalise its development plans.

Commercial operations — NAV calculation

We divided the commercial projects into: i) ongoing (0.04mn sq. ft), and ii) upcoming (0.11mn sq. ft.).

- We assume complete realisation of collections in ongoing projects by FY26 and have deducted expected construction cost to arrive at a NAV of INR43cr.
- Based on market assessment and management interaction, we arrived at the sale price (INR/sq. ft.) for upcoming projects.
- We assume an annual inflation rate of 8% on sale.
- We assume an annual cost inflation rate of 5%.
- We deducted construction cost from the sale price and derived our cost estimate after discussion with the management.
- We deducted marketing and other costs assuming they equate to 4% of sales.
- We deducted income tax at the applicable rate of 25.2%.
- We discounted the resultant cash flow based on a WACC of 11.4%. We added the NAV for all projects and the development potential of the land bank to arrive at our NAV forecast of INR213cr for upcoming commercial projects.

WACC calculation

The key assumptions in our NAV valuation are shown in Exhibit 9. Our WACC assumption is 11.4%. We assume a debt-to-equity ratio of 0.28x based on the company's existing capital structure.

Exhibit 9: WACC calculation

Particulars	
Pre-tax cost of debt	17.9%
Tax rate	25.2%
Cost of debt	**13.4%**
Cost of equity	
Risk free rate	7%
Beta	0.5
Market and sector premium	5.8%
Cost of equity	**10.6%**
WACC	11.4%
Debt	0.28
Equity	0.72

Source: Bloomberg, Company, Nuvama Wealth Research

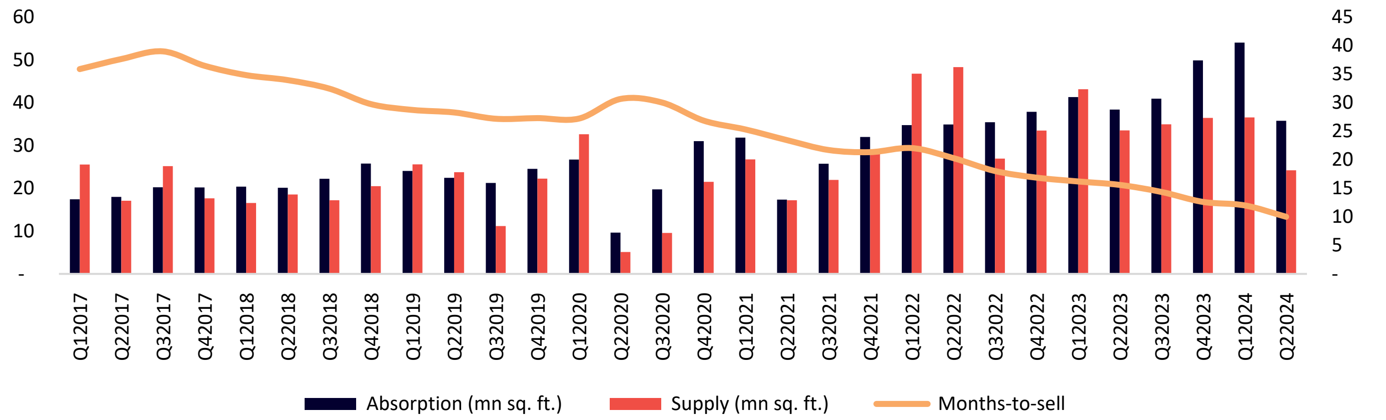
Exhibit 10: Other key assumptions in our NAV valuation

Particulars	
Sale price inflation	8%
Cost inflation	5%
Other costs (as a percentage of sales)	4%
Tax rate	25.2%

Source: Nuvama Wealth Research

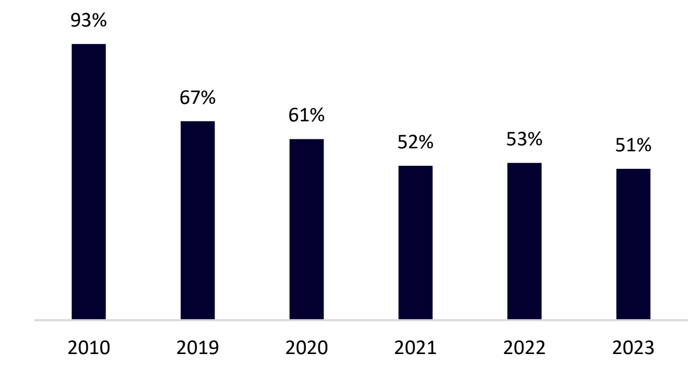
Story in charts

Exhibit 11 : Record low inventory in MMR, absorption exceeds launches



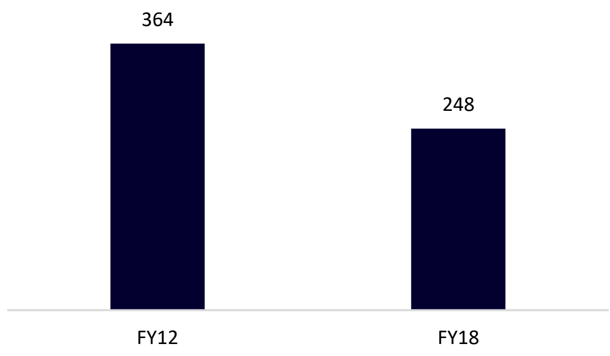
Source: PropEquity, Nuvama Wealth Research

Exhibit 12 : Best affordability levels in MMR since 2010 on rising household income



Source: Knight Frank Affordability Index, Nuvama Wealth Research

Exhibit 13 : MMR witnesses a 32% reduction in developer count over FY12–18



Source: Magicbricks.com, Nuvama Wealth Research

Exhibit 14: Large addressable redevelopment market in SCM

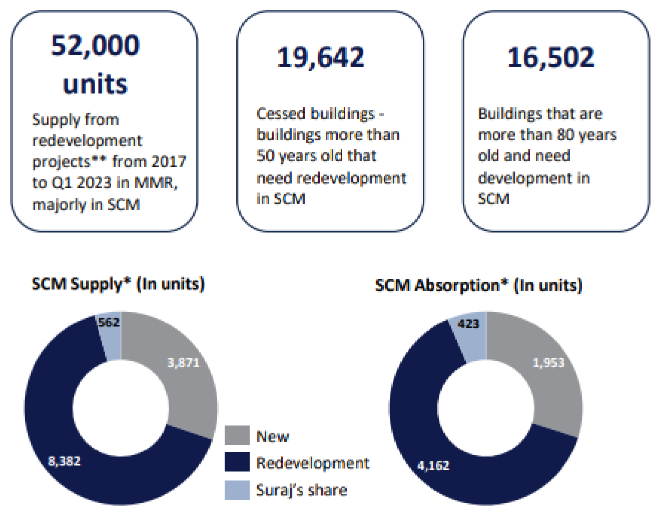


Exhibit 15 : SURAJEST ranks numero uno in terms of units absorbed in SCM over 2016–H12023

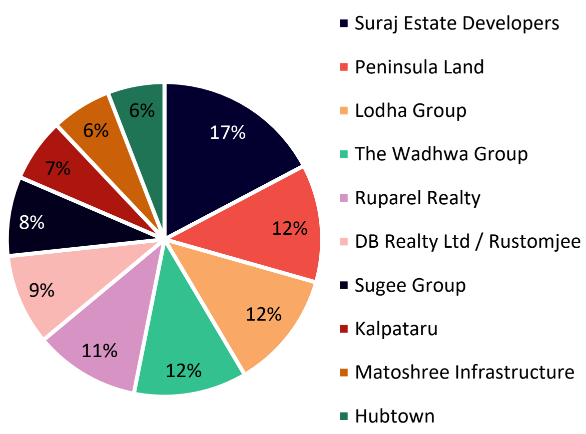


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Exhibit 16: Upcoming launches of ~INR5,200cr over FY25–28 to drive 49.2% pre-sales CAGR over FY24–27

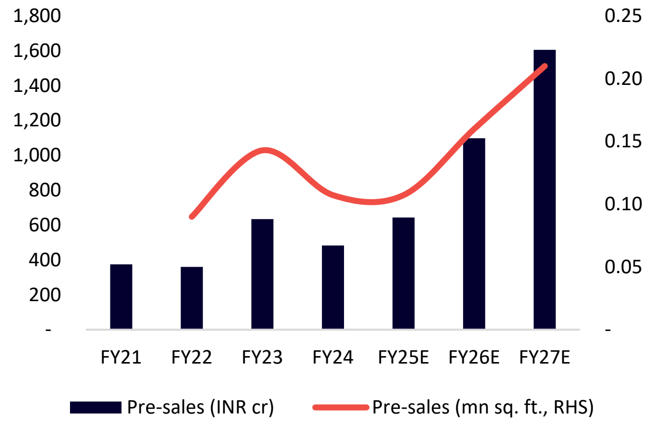


Exhibit 17: See 67.9% CAGR in collections on higher pre-sales; OCF to be rangebound on greater working capital needs

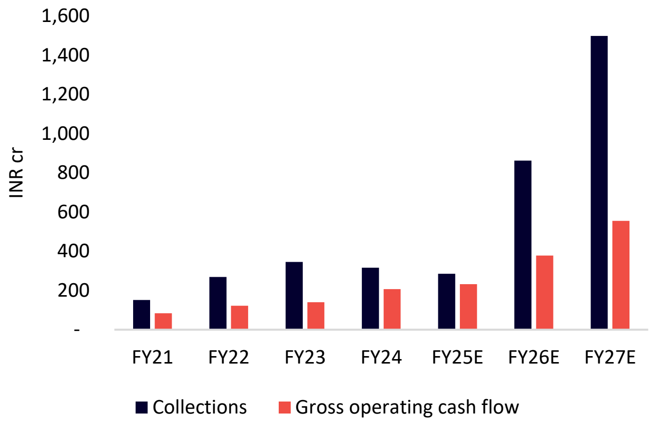


Exhibit 18: Net D/E ratio to improve meaningfully on deployment of IPO proceeds and healthy OCF

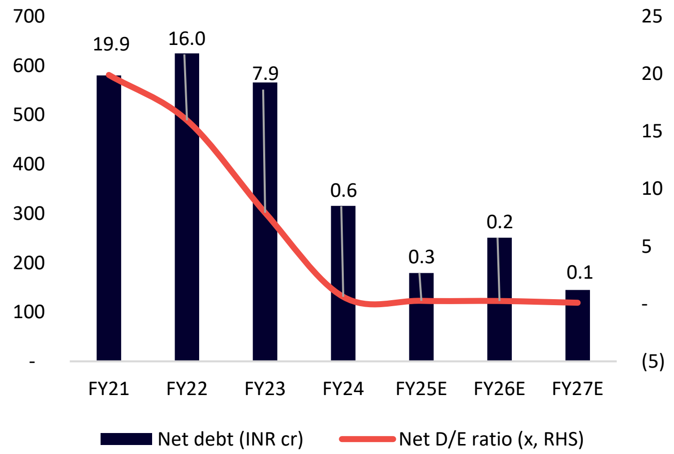
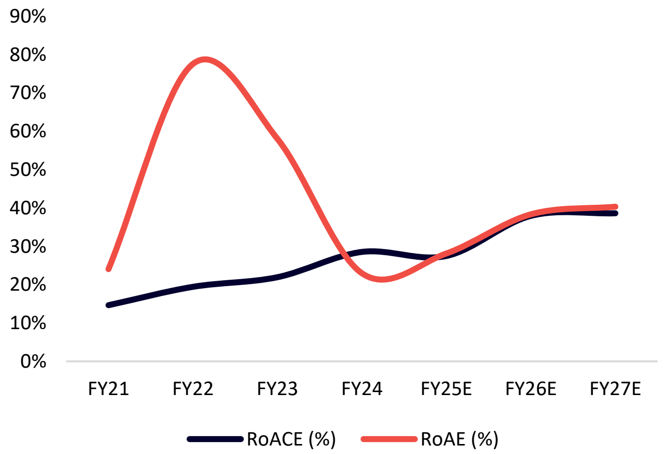


Exhibit 19: Return ratios to improve on higher profits and de-leveraging



Source: Nuvama Wealth Research

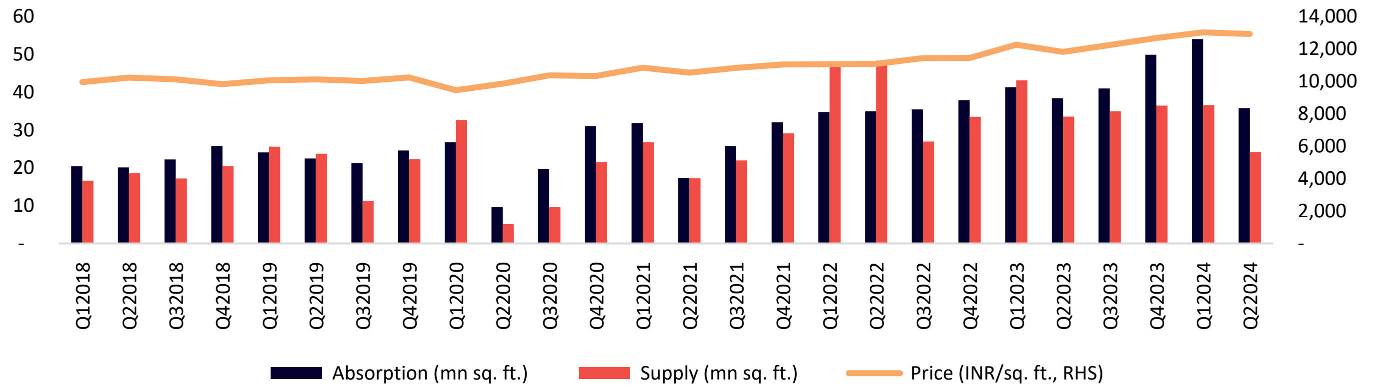
Investment hypothesis

I. A leading developer in MMR's SCM market with a focus on asset-light redevelopment

MMR — One of the largest and fastest growing realty markets in India with inventory at 15-year lows
MMR is India's second largest real estate market after Hyderabad. It is a balanced market with all-round healthy growth in terms of absorption, supply, and pricing, aided by ~10 months of inventory. Over 2018–23, it saw a 14% CAGR in absorption on: i) higher disposable incomes and household savings, ii) greater preference for upgrading to a quality and larger house, iii) reverse migration due to the return-to-office mandate after the lifting of COVID-related restrictions, and iv) urbanisation. With greater absorption, supply grew at a healthy 15.2% over 2018–23. Inventory fell to a record low of 10 months as of June from 30 months as of December 2018 on healthy absorption in recent quarters. A shift towards quality, branded products, and low inventory resulted in a 5.2% CAGR in pricing over 2018–23.

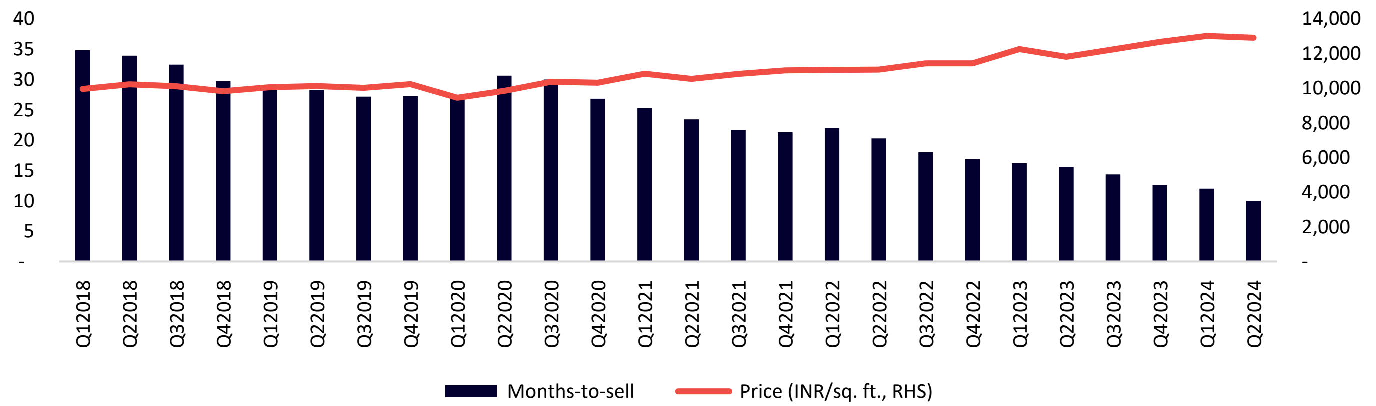
We see the growth in demand in MMR continuing, albeit at a slower pace, on greater affordability, probable reversal in interest rate hikes, rise in double income households with young working professionals, and better infrastructure. Growth for organised players is expected to be higher than market growth on greater preference for quality inventory and reliable developers. We expect the growth in pricing to stay in the 4–6% range for the organised segment as developers look to maintain affordability.

Exhibit 20: Absorption/supply clocks 14%/15.2% CAGR over 2018–23 in MMR coupled with healthy price rise



Source: PropEquity, Nuvama Wealth Research

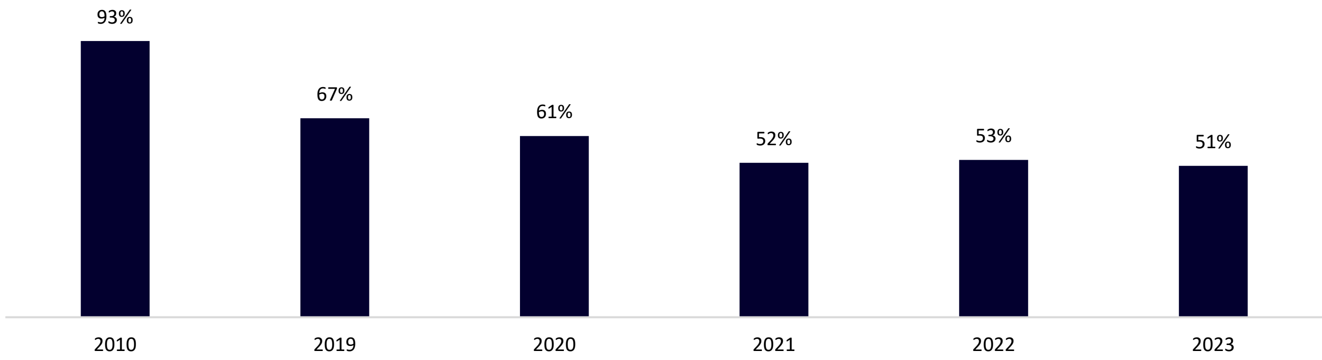
Exhibit 21: Record low (10 months) inventory driving price growth



Source: PropEquity, Nuvama Wealth Research

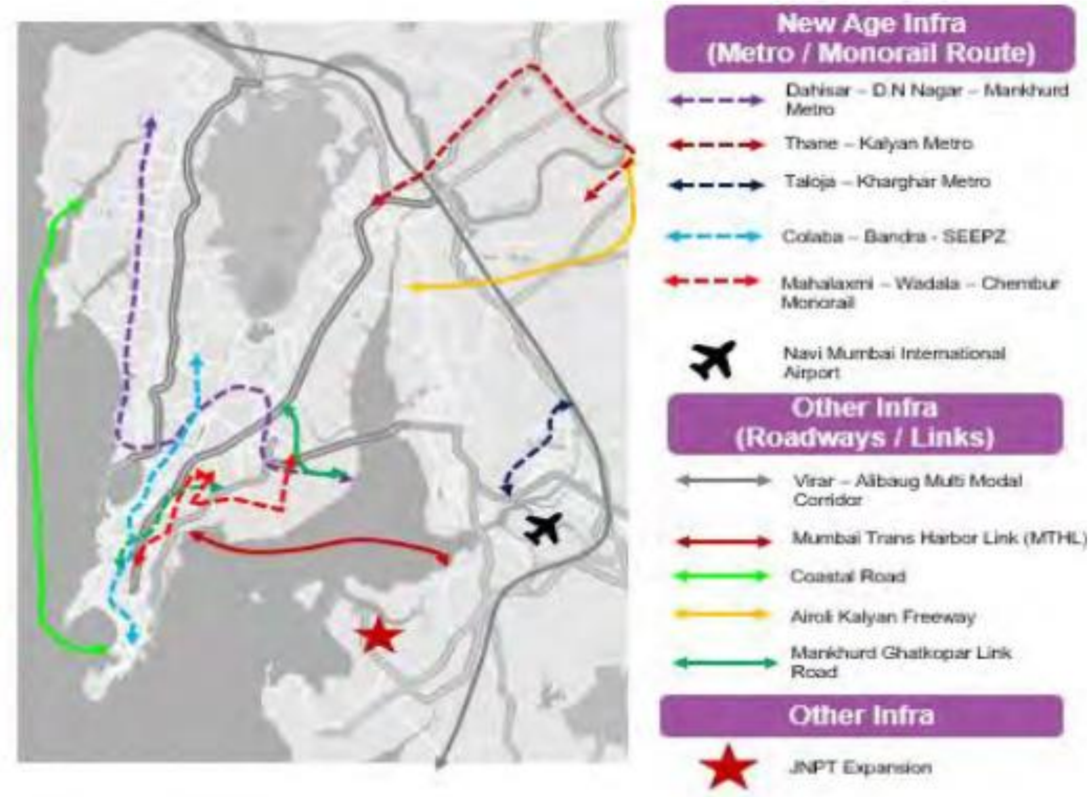
Leveraging capabilities, expanding pipeline

Exhibit 22: Affordability improves as growth in household income outpaces the rise in home prices



Source: Knight Frank Affordability Index, Nuvama Wealth Research

Exhibit 23: Recent and upcoming infrastructure in MMR



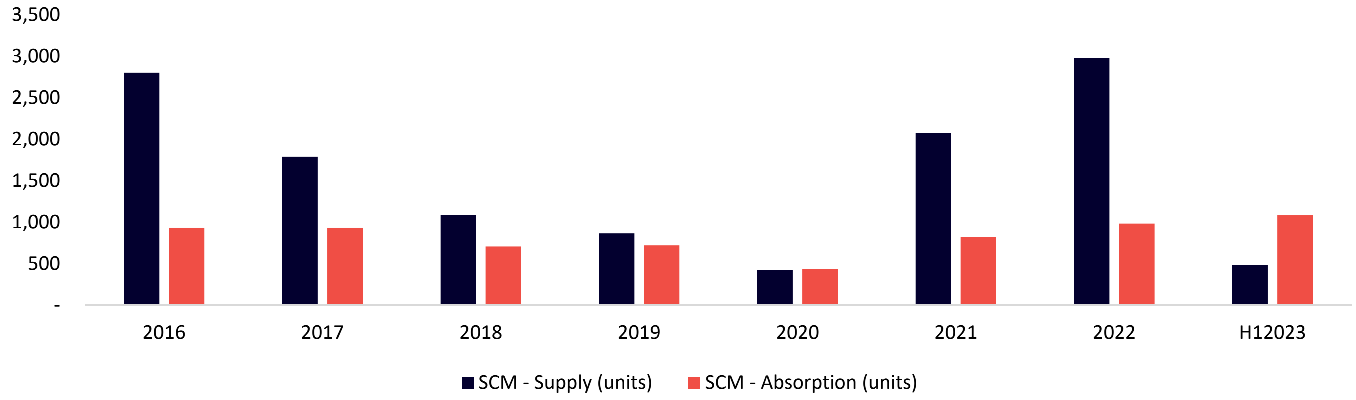
Source: Company, Nuvama Wealth Research

Leveraging capabilities, expanding pipeline

SCM — SURAJEST's key target market with huge opportunities for redevelopment

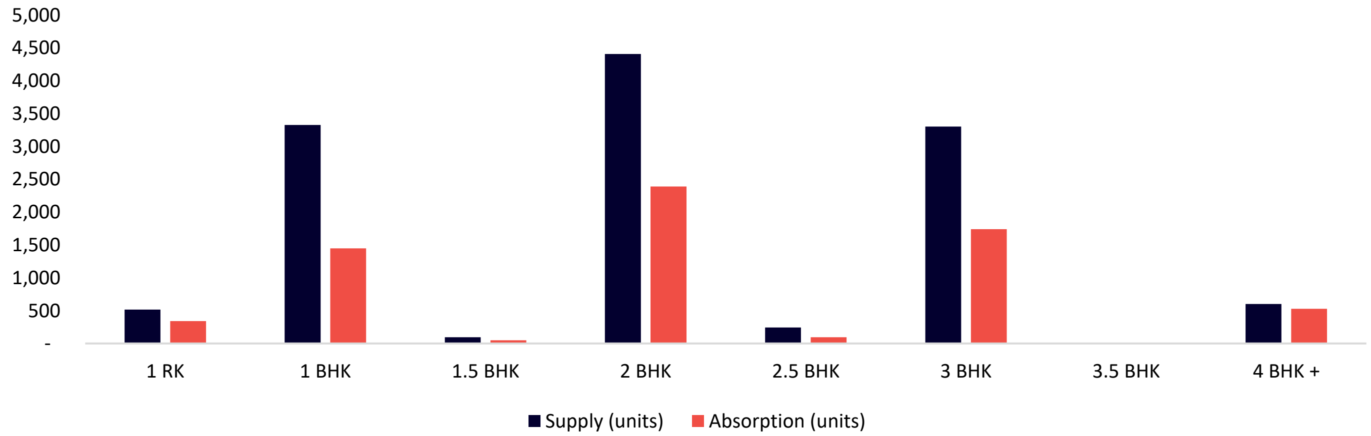
SURAJEST operates in SCM, which consists of Mahim, Matunga, Dadar, Prabhadevi, and Parel micro-markets. Here, it enjoys ~8% share in the redevelopment market. SCM is one of the stronger markets in MMR due to: i) the presence of high-income and an affluent customer base; ii) its premium and super-premium positioning; iii) the nuclearisation of families; and iv) it being a target micro-market for families looking to upgrade. While absorption is consistent, supply is lumpy given the presence of numerous unorganised players. The company is one of the key organised players and one of the leaders in this market.

Exhibit 24: SCM market trends — supply lumpy and largely unorganised. Absorption picks up after the lifting of COVID restrictions



Source: Company, Nuvama Wealth Research

Exhibit 25: Supply versus absorption in SCM over 2016–H12023

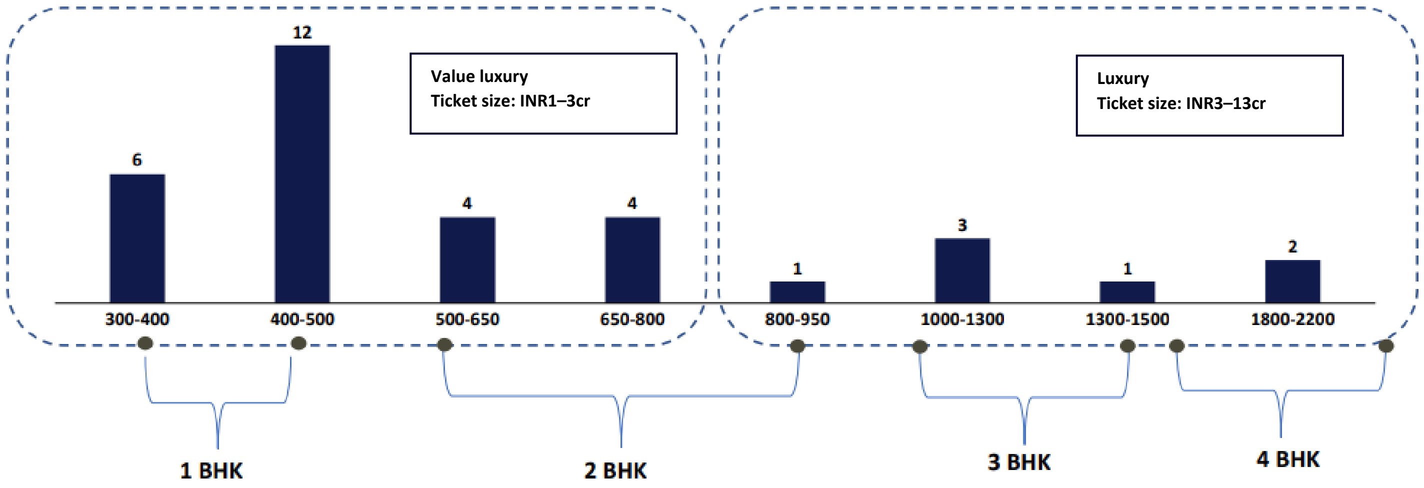


Source: Company, Nuvama Wealth Research

Leveraging capabilities, expanding pipeline

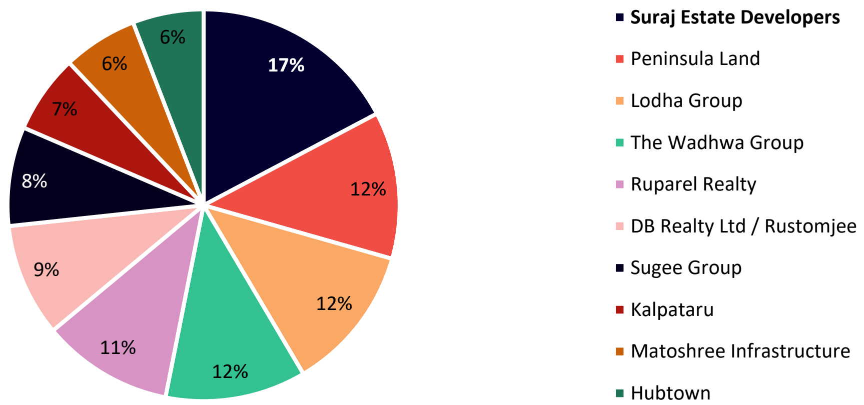
Differentiated product offerings and redevelopment capabilities drive SURAJEST's leadership in SCM
Despite the recent oversupply in the SCM market, SURAJEST has been able to sell its inventory given its presence across the budget spectrum and the **ability to identify the right product market fit**. It offers products in two segments: i) value luxury — one BHK and compact two BHK flats (ticket size of INR1–3cr and carpet area of 300–800 sq. ft.), and ii) luxury — two/three/four BHK flats (ticket size of INR3–13cr and unit size of 800–2,200 sq. ft.).

Exhibit 26: Strong product positioning with differentiated offerings



A key feature of the SCM market is the scarcity of vacant land parcels. Any developer who intends to expand its presence here must take the redevelopment route. This is exactly where SURAJEST specialises in. With its vast experience in the redevelopment space, it has developed the know-how and best practices to quickly redevelop standalone buildings at a relatively low cost. This has helped it achieve leadership status in this micro market. In terms of units absorbed, it is the largest player in SCM. However, it ranks fifth in terms of the value of units sold given the lower ticket size.

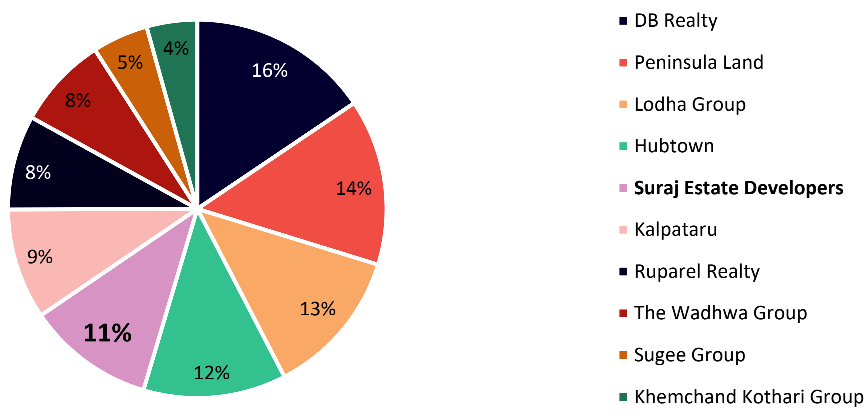
Exhibit 27: SURAJEST ranks numero uno in terms of units absorbed in SCM over 2016–H12023



Source: Company, Nuvama Wealth Research

Leveraging capabilities, expanding pipeline

Exhibit 28: SURAJEST ranks fifth in terms of value of units absorbed in SCM over 2016–H12023



Source: Company, Nuvama Wealth Research

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II. Focussed on asset-light redevelopment projects under Rule 33(7) of DCPR

SURAJEST is one of SCM's most experienced players focussed on redevelopment. With a history of more than three decades, it has established effective SOPs to identify redevelopment opportunities and turn around projects at a quick pace. A large part of its focus has been on identifying properties with 25–30 tenants under the *pagdi* system, which fall under Rule 33(7) of DCPR. Redevelopment of properties under Rule 33(7) offer multiple benefits such as: i) FSI of three without any TDR or additional cost, ii) relatively lower approval cost, and iii) typical discount of ~30% of the land cost. We compare below the similarities and differences between redevelopment of tenanted properties and societies and development of vacant land.

Exhibit 29: How does redevelopment stack up against development of vacant land?

Parameters	Redevelopment of tenanted properties under Rule 33(7) of DCPR	Redevelopment of societies under Rule 33(7)B of DCPR	Vacant land development
Land status	Conveyance/DA	DA	Conveyance/DA
Upfront capital needed	Moderate	Low	High
FSI	Inherent FSI of three plus 35% fungible. No TDR/additional FSI cost. Has FSI upside under the clubbing scheme notified under Rule 33(7)	Inherent FSI of 1.33 plus 35% fungible. Additional FSI up to 1.67 plus 35% fungible by payment of TDR and additional FSI premium depending on the road width	Inherent FSI of 1.33 plus 35% fungible. Additional FSI up to 1.67 plus 35% fungible by payment of TDR and additional FSI premium depending on the road width
Land cost	Moderate	Negligible	High
Approval cost	Low (concessions)	High	High
Plot availability in MMR	High	High	Low
Tenant consent required	51%	51%	n/a
Project TAT and litigation risk	Moderate	Moderate	Low
Land mortgage for project finance	Yes	No	Yes
Property maintenance cost	Low	Moderate	High
EBITDA margin	High	Low	Moderate
RoE/RoCE	Moderate	High	Low
Scalability	High	High	Low

Source: Company

Given the series of benefits available under Rule 33(7) of DCPR, SURAJEST has built up expertise in this area. Till date, it has delivered ~1mn sq. ft. across 42 projects, which are largely individual buildings at high value locations, catering to the luxury and aspirational segments of society. With a discount on land prices, ownership of legacy land parcels, and an FSI of three, it has been able to churn its land assets and deliver an EBITDA margin of more than 50%. The key drawback in this redevelopment model is a relatively long turnaround time (54–72 months) from land acquisition to handover of units versus 42–48 months in case of vacant land development. However, strong margin makes up for the long gestation period, leading to a robust RoE for these projects. Highlighted below is the project execution timeline in case of redevelopment for the company.

Leveraging capabilities, expanding pipeline

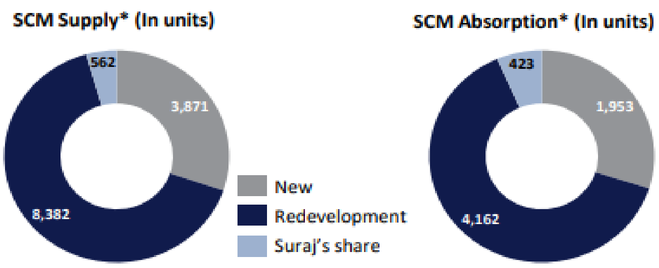
Exhibit 30: Timeline for a redevelopment project

Step 0	Timelines	Identification Of Land Bank (Plot Size, Title, Location, Tenant Density& FSI Scheme)
Step 1	Zero Date	Acquisition of land by way of Conveyance / Development Rights / JDA
Step 2	4-6 Months	Obtaining 51% consent of tenants for redevelopment
Step 3	3 Months	Obtaining IOD for the project
Step 4	3 Months	Site vacation and demolition of old structure
Step 5	3 Months	Obtaining CC and RERA registration
Step 6	3-4 Years	Construction time period – 3 years for G+22 Storey Building and upto 4-5 years for high rise development from G+40 to 50 Storey
Step 7	3 Months	OC and Handover of Possession

SURAJEST has a strong track record in tenant management — one of the most important features in redevelopment. Of the 42 projects that it has executed, it has relocated 1,011 tenants and rebuilt their houses free of cost. Since the buildings that it acquires consist of 25–30 tenants, the rental cost is limited to 2–3% of the GDV of any project. While the threshold for tenant approval is at least 51%, it has been historically able to secure 100% approval for most projects given its brand, development quality, and timely delivery. It is the preferred developer for any standalone redevelopment projects in SCM. These skillsets and credentials augur well for the company as its target micro-market is short on vacant land parcels and has a large pool of buildings that are in need of redevelopment (more than 19,000 buildings are over 50 years old). Of this, more than 16,500 buildings are older than 80 years, indicating huge growth potential for the company.

Exhibit 31: Scope for redevelopment in SCM

52,000 units	19,642	16,502
Supply from redevelopment projects** from 2017 to Q1 2023 in MMR, majorly in SCM	Cessed buildings - buildings more than 50 years old that need redevelopment in SCM	Buildings that are more than 80 years old and need development in SCM



Source: Company

III. Healthy project pipeline; to launch 9.01lk sq. ft. by FY28-end

Historically, SURAJEST's approach to development has been to acquire a project, deliver the units, and move on to the next project. There has been a tilt towards aggressive growth with the entry of the next generation of promoters. The focus has been on building a professional management team that can steer expansion and drive sustainable growth.

Ongoing projects

With a change in the promoter mindset, SURAJEST has aggressively added projects in the recent past. It has a portfolio of 11/two residential/commercial projects under construction. These projects have a carpet area of 6.1lk sq. ft. (value luxury/luxury/ commercial: 3.09lk sq. ft./2.61lk sq. ft./0.4lk sq. ft.). Of this, it has sold ~4.9lk sq. ft. and the balance 1.21lk sq. ft. (value luxury/luxury: 0.67lk sq. ft./0.55lk sq. ft.) is yet to be sold. The management values the unsold inventory ~INR631cr. It is yet to receive INR719cr from the units sold. We expect ongoing projects to deliver a gross cash flow of ~INR1,434cr by FY29.

Exhibit 32: Ongoing projects as of March

Project	Location	Type	Model	Segment	Saleable area (lk sq. ft.)	Carpet area (lk sq. ft.)	Carpet area sold (lk sq. ft.)	Inventory	Expected completion	Completion status *
Louisandra	Dadar	Residential	Redevelopment	Value luxury	0.63	0.29	0.29	-	June	95%
Ave Maria	Dadar	Residential	Redevelopment	Value luxury	1.77	0.23	0.23	-	December	95%
Vitalis	Mahim	Residential	Redevelopment	Value luxury	3.49	0.81	0.55	0.26	December 2026	25%
Suraj Parkview 2	Dadar	Residential	Redevelopment	Luxury	0.64	0.21	0.17	0.03	December 2026	10%
Suraj Eterna	Mahim	Residential	Redevelopment	Value luxury	0.61	0.33	0.21	0.13	December 2026	25%
Pallate	Dadar	Residential	Redevelopment	Luxury	4.96	1.8	1.41	0.39	June	55%
Ocean Star 1	Dadar	Residential	Redevelopment	Luxury	2.52	0.6	0.48	0.13	June 2026	60%
Mestry house	Mahim	Residential	Redevelopment	Value luxury	0.17	0.01	-	0.01	n/a	0%
CCIL Bhavan 2	Dadar	Commercial	Redevelopment	Commercial	0.27	0.22	0.22	-	December	0%
Saraswat Bank Bhavan	Prabhadevi	Commercial	Redevelopment	Commercial	0.22	0.17	0.17	-	n/a	50%
Nirvana	Parel	Residential	Redevelopment	Value luxury + luxury	3.22	0.91	0.84	0.07	December	85%
Emmanuel	Dadar	Residential	Owned	Value luxury	0.79	0.28	0.28	-	December 2025	32%
Suraj Lumina	Mahim	Residential	Redevelopment	Value luxury + luxury	1.04	0.22	0.04	0.19	December 2028	5%
					20.34	**6.1**	**4.9**	**1.21**		

*Completion status as of December 2023; Source: Company, Nuvama Wealth Research

Leveraging capabilities, expanding pipeline

Exhibit 33: Key ongoing residential projects

The Palette	Ocean Star-I	Vitalis	Emmanuel	Suraj Eterna
				
• Luxurious two and three BHK sea-facing apartments • Includes amenities such as a swimming pool, gym, and a club	• Luxurious three BHK sea-facing apartments close to Dadar beach	• Value luxury one and two BHK sea-facing apartments (38 storeys) • Close to Shivaji Park with a gym, jogging track, banquet, etc.	• Value luxury one and two BHK sea-facing apartments (over 20 storeys) • Near the business hubs of Lower Parel and Worli	• Value luxury one and two BHK sea-facing apartments (over 20 storeys) • Near Tulsi Pipe Road in Mahim

Nirvana	Louisandra	Ave Maria	Park View	Suraj Lumina
				
• To construct value luxury and luxury flats in a JV with the Runwal Group • This 54-storey tower, with top-of-the-line amenities, is in Parel	• Value luxury one and two BHK apartments near Siddhivinayak Temple, Dadar • A standalone 22-storey tower	• Value luxury apartments in Dadar West (24 storeys)	• Value luxury apartments near Shivaji Park, Dadar	• Luxurious two and three BHK apartments near Hinduja Hospital

Forthcoming projects

In addition to ongoing projects, SURAJEST plans to launch 17 residential projects in the next three years. It expects to launch one commercial project in FY25. Of the 17 residential projects, 14 are planned under the redevelopment model while the rest is on its own land parcels. The residential projects will have a saleable carpet area of 7.95lk sq. ft., with an estimated GDV of ~INR4,652cr. Its commercial project has a saleable area of 1.06lk sq. ft., with an expected GDV of ~INR549cr. We expect the upcoming residential projects to generate a gross/net cash flow of ~INR6,643cr/~INR3,270cr over FY25–32.

Exhibit 34: Forthcoming projects

Sr. no.	Project	Location	Type	Model	Segment	Owner ship	Saleable carpet area (lsf)	Estimated GDV (INR cr)
1	Kowliwadi and Kripasiddhi Building	Prabhadevi	Residential	Redevelopment	Value luxury	100%	0.24	114
2	Madonna Wing B	Dadar	Residential	Redevelopment	Value luxury	100%	0.14	65
3	Gudekar House and Irani Building	Dadar	Residential	Redevelopment	Value luxury	100%	0.33	157
4	Lucky Chawl	Mahim	Residential	Redevelopment	Value luxury	100%	0.15	73
5	Ambavat Bhawan	Lower Parel	Residential	Redevelopment	Value luxury	100%	0.17	81
6	Marinagar Phase -2	Mahim	Residential	Redevelopment	Value luxury	100%	1.07	511
7	Marinagar Phase -3	Mahim	Residential	Redevelopment	Value luxury	100%	0.64	304
8	Norman House	Dadar	Residential	Redevelopment	Value luxury	100%	0.07	34
9	Nanabhai Manzil	Mahim	Residential	Redevelopment	Value luxury	100%	0.2	96
10	Lumiere Phase 2	Dadar	Residential	Redevelopment	Value luxury	100%	0.2	94
11	Girgaonkarwadi	Mahim	Residential	Redevelopment	Value luxury	100%	2	955
12	Suraj Parkview 1	Dadar	Residential	Redevelopment	Value luxury	100%	0.53	253
13	Bandra Project 3	Bandra	Residential	Owned	Luxury	100%	0.35	346
14	JRU Property	Byculla	Residential	Redevelopment	Value luxury/luxury	100%	0.21	101
15	Bandra Project 1	Bandra	Residential	Owned	Value luxury/luxury	100%	0.46	456
16	Bandra Project 2	Bandra	Residential	Owned	Value luxury/luxury	100%	0.89	893
17	Final Plot No 426-B	Mahim	Commercial	Owned	Commercial	100%	1.06	581
18	Lobo Villa and Ellis Villa	Mahim	Residential	Redevelopment	Value luxury	100%	0.3	120
							9.01	**5,200**

Source: Company, Nuvama Wealth Research

Land bank

In addition to the ongoing and planned projects, SURAJEST has six/one land parcels in Bandra/Santacruz, spanning 10,360 sq. meters. Its development plans and the timeline for development of these projects in still unclear.

Exhibit 35: Land bank

Particulars	Location	Share	Under	Mode	Area (sq. metres)	Saleable Area (sq. ft.)
C.T.S.No.918 Mount Mary, Hill Road	Bandra (W)	100%	Accord Estates Pvt	Leasehold rights	1,174	12,632
C.T.S.No.930 Mount Mary, Hill Road	Bandra (W)	100%	Accord Estates Pvt	Owned	364	3,920
C.T.S.No.917 Mount Mary, Hill Road	Bandra (W)	100%	Accord Estates Pvt	Development rights	3,885	41,817
C.T.S.No.929 Mount Mary, Hill Road	Bandra (W)	100%	Accord Estates Pvt	Development rights	1,740	18,730
C.T.S.No.931 Mount Mary, Hill Road	Bandra (W)	100%	Accord Estates Pvt	Development rights	890	9,583
C.T.S.No.916 Mount Mary, Hill Road	Bandra (W)	100%	Accord Estates Pvt	Development rights	1,578	16,988
CS No 3429, 3430 and 3262 - Kole Kalyan Property	Santacruz (E)	100%	SURAJEST	Development rights	728	7,841
					10,360	**1,11,512**

Source: Company, Nuvama Wealth Research

IV. Strong margin to drive cash flows, expect a cash surplus of ~INR3,579cr

Over FY25–32, we see ongoing and upcoming projects generating a gross cash flow of ~INR7,358cr. Deducting the cost of land, construction, and marketing, and other direct costs, **we see these projects generating an EBITDA margin of more than 55-60%.** We expect margin to be better than its peers on the back of: i) cost advantages in acquiring land parcels that are under the p*agdi* system, ii) ownership and monetisation of legacy land parcels, and iii) a strong pricing scenario in the SCM market. We expect a net cash flow of ~INR3,579cr over the next eight years. Discounting these cash flows at WACC, we arrive ~INR2,394cr as the present value of cash flows. We see three commercial (three ongoing/one upcoming) projects generating a net cash flow/discounted cash flow of INR280cr/INR256cr.

Exhibit 36: Estimated cash flows from existing and forthcoming projects

Particulars (INR cr)	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	Total
Expected pre-sales (lk sq. ft.)	0.11	0.16	0.21	0.16	0.12	0.08	0.08	-	**0.92**
Expected pre-sales	643	1,098	1,605	1,336	1,071	771	833	-	**7,358**
Expected collection	285	862	1,497	1,530	1,225	864	698	399	**7,358**
Less: Direct cost	156	383	589	499	381	267	264	36	**2,574**
Less: Taxes	33	121	229	260	213	150	109	91	**1,206**
Net cash flow (pre-discounting)	**97**	**358**	**679**	**771**	**631**	**447**	**325**	**271**	**3,579**

Source: Company, Nuvama Wealth Research

Besides projects under development and planning, SURAJEST has ~INR719cr in receivables from units sold in ongoing projects.

V. Robust cash flows to aid de-leveraging; return ratios to expand

Using proceeds (INR400cr) from the IPO concluded in December 2023, SURAJEST repaid high-cost debt of INR285cr and pared **down gross/net debt to INR341cr/INR219cr from INR554cr/INR545cr as of September 2023**. As of March, its gross/net debt stood at INR426cr/INR315cr. We do not see the company spending heavily on land acquisition as its current land bank is sufficient to meet the launch pipeline for the next three years. We also do not see it borrowing to fund construction costs as collections on launch will suffice. However, we see higher working capital as the launch pipeline and pre-sales amplify, which will restrict growth in operating cash flows. Over FY25–27, we see the company generating a gross operating cash flow of INR1,165cr, of which ~INR781cr will be deployed for additional working capital needs. Capex is expected to be minimal. We see it generating a cumulative free cash flow of INR344cr over FY25–27. As a result, we see net debt declining to INR145cr as of March 2027 from INR315cr as of FY24-end. **We expect net debt-to-equity ratio to improve to 0.1x from 0.6x over the same period**.

Exhibit 37 : Sharp growth in collections to drive 39% CAGR in gross OCF; FCF to be rangebound on higher working capital requirements

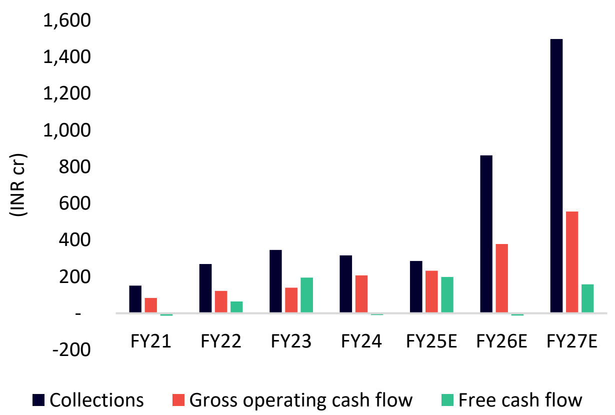
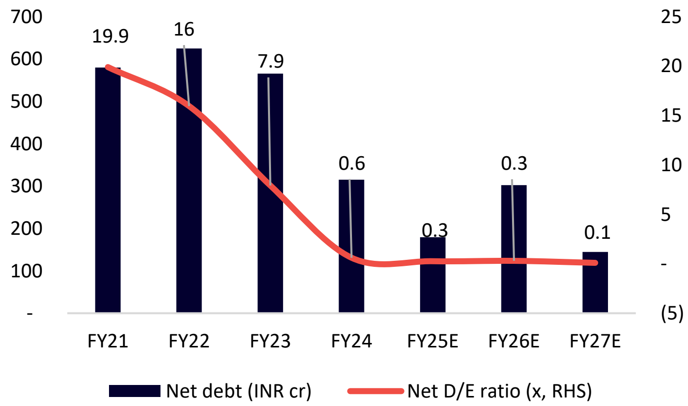


Exhibit 38 : See meaningful improvement in net D/E ratio on deployment of IPO proceeds and healthy operating cash flow



Source: Company, Nuvama Wealth Research

Leveraging capabilities, expanding pipeline

Driven by a sharp pick-up in launches, strong growth in pre-sales and sales velocity, and steady execution of launched projects, we see a healthy improvement in revenue to INR1,370cr in FY27E from INR412cr in FY24 (SURAJEST follows the percentage completion method of accounting). We expect EBITDA margin to be in the 52–54% range and EBITDA CAGR of 46.1% over FY24–27 to INR727cr. PAT margin is expected to improve to 37.3% in FY27E from 16.4% in FY24 on higher operating profits, declining interest cost, and minimal depreciation charge. We expect a PAT CAGR of 85.5% over FY24–27 to INR511cr. We see an expansion in return ratios driven by higher profit margin and lower debt levels. RoCE/RoE is expected to touch 38.6%/33.6% in FY27.

Exhibit 39: Expect 49.2% revenue CAGR over FY24–27 on strong pre-sales and steady growth in execution

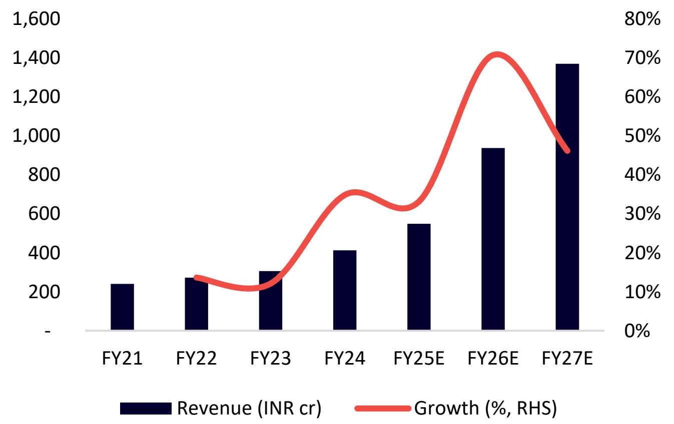
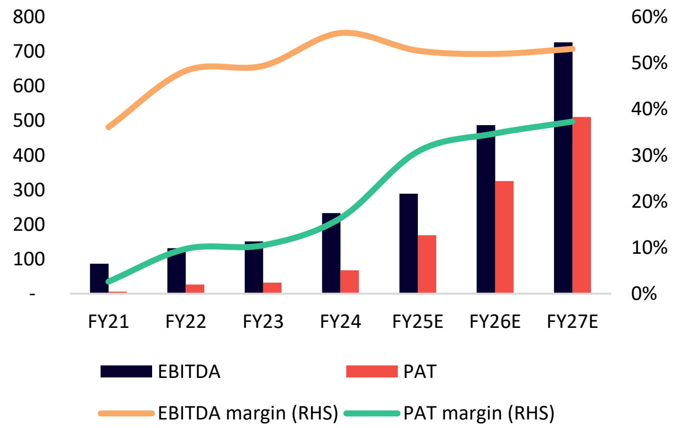
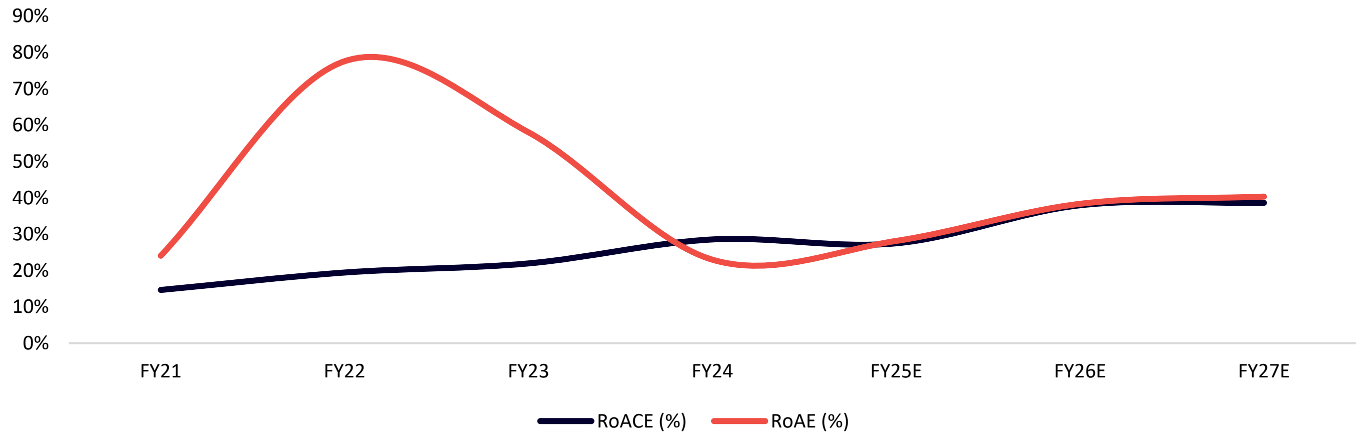


Exhibit 40: See major margin expansion on leverage benefits and de-leveraging; expect 46.1%/85.5% EBITDA/PAT CAGR



Source: Company, Nuvama Wealth Research

Exhibit 41: Return ratios to improve on higher profits and de-leveraging



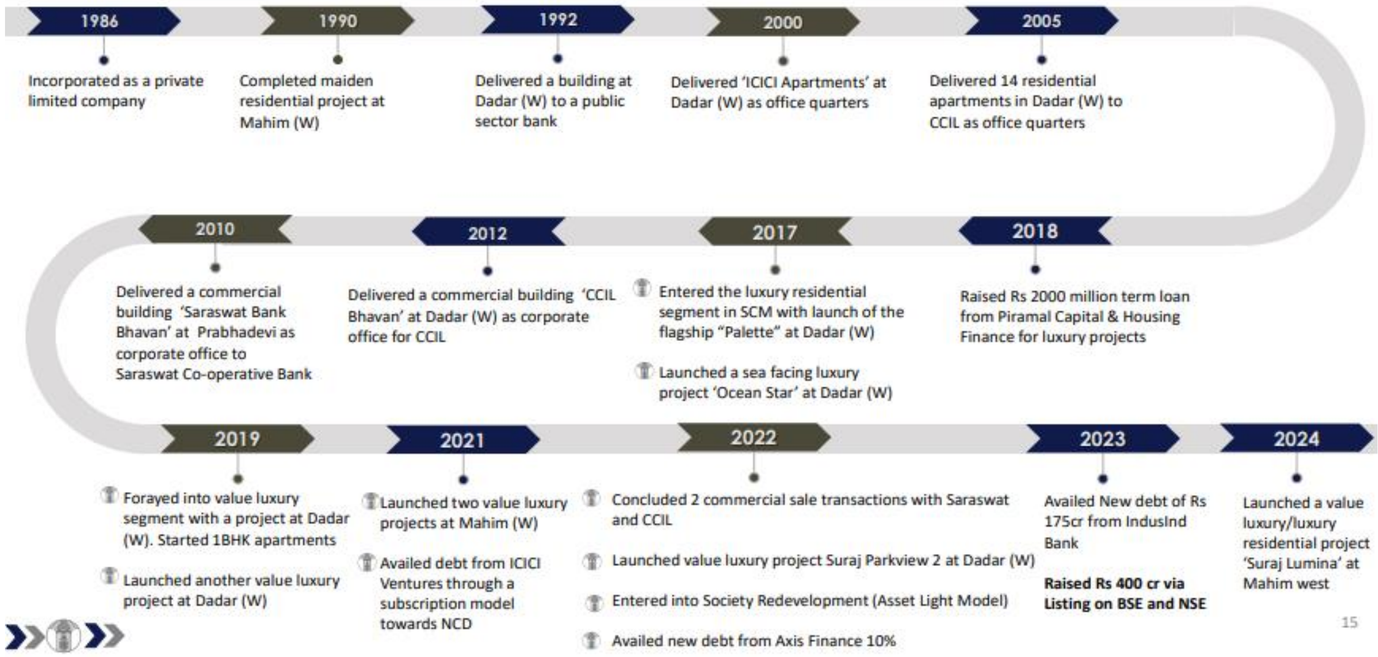
Source: Company, Nuvama Wealth Research

Leveraging capabilities, expanding pipeline

About the company

Established in 1986, SURAJEST is a leading real estate developer in SCM. It primarily operates under Rule 33(7) of DCPR, which covers redevelopment of tenanted properties, entails a higher FSI of three (1.33 in regular developments), and a discount of ~30% in land acquisition cost. It identifies and acquires standalone individual tenanted properties in premium locations in SCM, redevelops them into one/two/three BHK high-rise apartments, with a ticket size of INR1–13cr (value luxury/luxury: INR1–3cr/INR3–13cr). Till date, it has delivered 42 projects spanning more than 1mn sq. ft. and plans to deliver another 31 projects (~1.51mn sq. ft.) over the next nine years.

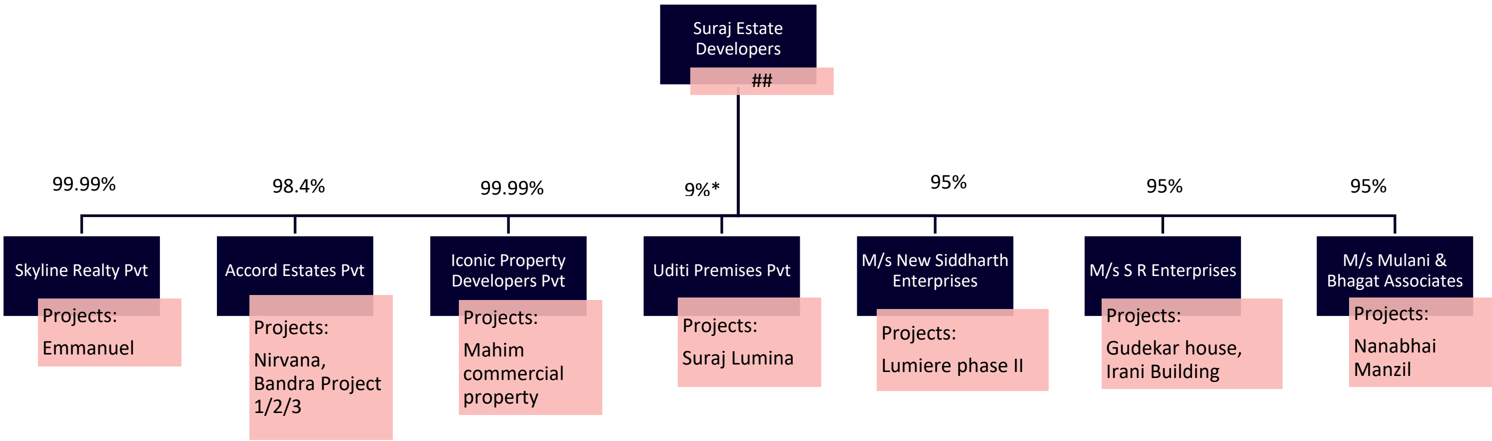
Exhibit 42: Key milestones



Source: Company, Nuvama Wealth Research

Leveraging capabilities, expanding pipeline

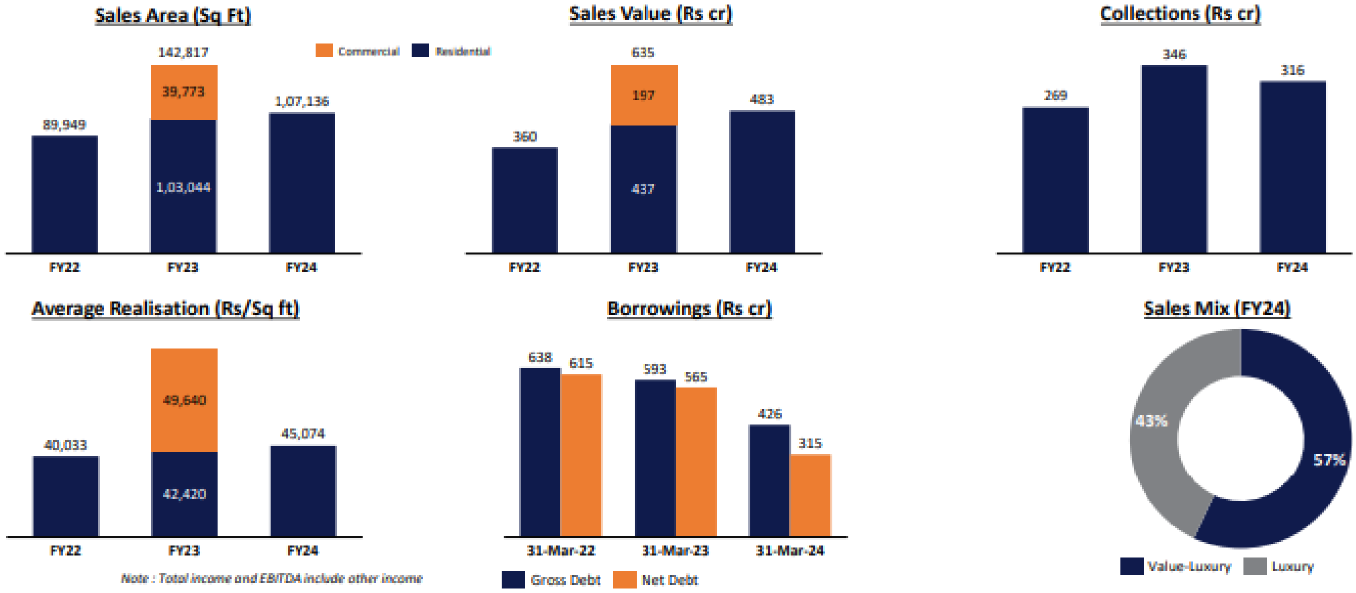
Exhibit 43: Organisational structure (SPV mode for select projects)



##All other projects held under SURAJEST; *91% held by Accord Estates Pvt; Source: Company, Nuvama Wealth Research

Exhibit 44: Key performance indicators — Q4FY24

Total Income	EBITDA	EBITDA Margin	PAT
Rs 415.7 crs	Rs 236.4 crs	56.9%	Rs 67.5 crs
35% yoy	54% yoy	710 bps	111% yoy



Note : Total income and EBITDA include other income

Source: Company, Nuvama Wealth Research

Exhibit 45: Key historical performance indicators

Particulars	FY21	FY22	FY23	April-October 2023
Units booked	142	119	142	60
- Value luxury	*105*	*86*	*88*	*41*
- Luxury	*37*	*33*	*51*	*19*
- Commercial	*-*	*-*	*3*	*-*
Pre-sales (INR cr)	374.4	360.1	634.5	218.5
Average realisation per unit (INR cr)	2.6	3	4.5	3.6
Collections (INR cr)	151.1	268.8	345.5	145.4
- Value luxury	*65.9*	*134.6*	*134.2*	*61.2*
- Luxury	*85.2*	*134.2*	*166.5*	*68*
- Commercial	*-*	*-*	*44.9*	*16.2*

Source: Company, Nuvama Wealth Research

Exhibit 46: Key managerial personnel

KMP	Designation	Experience	Education
Mr Rajan Thomas	Promoter, chairperson, and MD	The founder of SURAJEST has been in the real estate business for the last 36 years. He spearheads strategy and vision	Bachelor of Arts
Mr Rahul Rajan Jesu Thomas	Whole-time director	The son of the founder promoter, he has been involved in the business for the last 16 years. He contributes to business strategy and overseas operations	Bachelor of Commerce; Corporate finance certification from Harvard University
Mr Shreepal Shah	CFO	A seasoned professional, he was associated with Kotak Investment Banking in the past	Bachelor of Engineering, MBA
Mr Shivil Kapoor	CS, Compliance Officer	In the past, he has worked with Svatantra Microfin Pvt and Ajcon Global Services	Bachelor of Commerce, LLB, CS
Mr Dipen Seth	VP – Sales	He has a rich experience in real estate sales. He has worked with developers such as Kanakia Spaces Realty Pvt and Oasis Life Spaces Pvt	Bachelor of Commerce
Mr Madanlal Jain	Chief Engineer	He was the General Manager (Projects) at International Knowledge Park before joining SURAJEST	Bachelor of Engineering (Civil), Chartered Engineer

Source: Company, Nuvama Wealth Research

Exhibit 47: Diverse and experienced board

Board of directors	Designation	Experience	Education
Mr Rajan Thomas	Promoter, chairperson and MD	The founder of SURAJEST has more than 36 years of experience in various aspects of the realty business	Bachelor of Arts
Ms Sujatha R. Thomas	Non-executive director	She has more than three decades of experience in this business	Bachelor of Arts
Mr Rahul Rajan Jesu Thomas	Whole-time director	Son of the founder promoter, he has been involved in the business for the last 16 years	Bachelor of Commerce; Corporate finance certification from Harvard University
Mr Sunil Pant	Independent director	He has over 36 years of experience in the banking space. He was Chief General Manager at SBI and a consultant for Gerson Lehrman Group in his recent stints	Bachelor of Science, LLB, Master of Science (Physics), member of the Indian Institute of Bankers and All India Management Association
Mr Mrutyunjay Mahapatra	Independent director	He held various leadership roles at marquee organisations like Deputy MD of SBI, MD and CEO of Syndicate Bank, and member of the governing council of Reserve Bank Innovation Hub (RBIH)	Bachelor of Science (Physics), Master of Science (Physics)
Dr Satyendra Shridhar Nayak	Independent director	Coming from a consulting background, he has worked with UTI as President and was on the board of Bharat Wire Ropes	Master of Commerce, Doctor of Philosophy

Source: Company, Nuvama Wealth Research

Key risks

- High geographical concentration in the SCM market.
- Regulatory changes with regards to Rule 33(7) of the DCPR.
- Slower than expected execution and delivery
- Cyclicality and slowdown in demand.

Appendix 1: Comparison between key residential developers in India

Particulars (INR cr)	SURAJEST*			SRIN#			LODHA#			SOBHA#			BRGD*		
	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E
Revenue	412	549	937	565	914	1,388	10,316	13,514	18,229	3,097	3,998	4,670	4,897	6,027	7,126
EBITDA	233	289	487	117	188	287	2,676	3,698	5,047	277	449	561	1,194	1,517	1,909
EBITDA margin (%)	**57**	**53**	**52**	**21**	**21**	**21**	**26**	**27**	**28**	**9**	**11**	**12**	**24**	**25**	**27**
PAT	67	169	325	71	116	176	1,654	2,616	3,635	50	217	284	452	610	821
PAT margin **(%)**	16	31	35	13	13	13	16	19	20	2	5	6	9	10	12
Pre-sales *	483	643	1,098	1,920	2,544	3,180	14,500	17,400	20,880	6,640	8,500	n/a	6,312	8,936	9,829
Gross OCF	207	232	378	81	369	177	2,126	2,933	3,945	1,012	46	145	586	847	1,135
Net OCF	11	208	0	247	375	57	747	1,515	485	568	175	260	234	1,364	1,278
Net debt	315	179	251	269	259	250	5,045	4,879	5,501	1,240	1,200	1,074	3,599	1,632	462
Net D/E ratio (x)	0.6	0.3	0.2	0.1	0.1	0.1	0.3	0.2	0.2	0.5	0.4	0.4	1	0.4	0.1
RoCE (%)	**24**	**25**	**34**	**5**	**7**	**10**	**7**	**10**	**13**	**7**	**11**	**13**	**10**	**12**	**15**
RoE (%)	**13**	**25**	**32**	**2**	**4**	**6**	**10**	**14**	**17**	**2**	**8**	**10**	**12**	**15**	**17**
M-cap	2,326	2,326	2,326	8,261	8,261	8,261	1,47,067	1,47,067	1,47,067	21,309	21,309	21,309	31,140	31,140	31,140
EV	2,641	2,505	2,577	8,530	8,520	8,511	1,52,112	1,51,946	1,52,568	22,549	22,509	22,383	34,739	32,772	31,602
P/B ratio (x)	**3.5**	**3.4**	**2.3**	**2.9**	**2.9**	**2.8**	**8.7**	**7.4**	**6.5**	**9.3**	**7.1**	**6.4**	**6.1**	**7.3**	**6.1**
EV/EBITDA ratio (x)	**11.3**	**8.7**	**5.3**	**72.7**	**45.2**	**29.6**	**56.8**	**41.1**	**30.2**	**81.4**	**50.2**	**39.9**	**29.1**	**21.6**	**16.6**
M-cap/pre-sales (x)	**4.8**	**3.6**	**2.1**	**4.3**	**3.2**	**2.6**	**10.5**	**8.7**	**7.3**	**3.2**	**2.5**	**n/a**	**4.9**	**3.5**	**3.2**

Market prices for companies other than SURAJEST are as of 28th June, 2024; Source: Company, *Nuvama Wealth Research, #Nuvama Institutional Equities

Appendix 2: Cost comparison between development models (taking redevelopment model under 33(7) with legacy land parcel as the base)

In the table below, we have explained the difference between the cost structure of a project under different development models, as estimated by SURAJEST. Eg, if the land costs INR100 for a redevelopment project under 33(7) having a legacy land parcel, land cost will amount to INR794 for a redevelopment under 33(7) without a legacy land parcel.

Key cost centres	Redevelopment u/r 33(7) (legacy land)	Redevelopment u/r 33(7)	Society redevelopment u/r 33(7)B	Vacant land (JDA, area share)	Vacant land (outright)
Land cost	100	794	133	543	1,241
Approval cost	100	115	242	119	179
Construction cost	100	70	103	80	60
Marketing cost	100	183	133	114	85
Other costs	100	55	89	114	21
Total project cost	**100**	**110**	**133**	**114**	**127**

Source: Company, Nuvama Wealth Research

Financials

Income Statement (INR cr)

Year to March	FY24	FY25E	FY26E	FY27E
Income from operations	412	549	937	1,370
Cost of units sold	135	198	342	507
Employee cost	14	17	20	24
Other expenses	30	45	88	112
Total operating expenses	179	260	450	643
EBITDA	**233**	**289**	**487**	**727**
Depreciation and amortisation	4	4	4	4
EBIT	229	286	483	723
Interest expenses	139	63	52	44
Other income	3	3	3	3
Exceptional item	-	-	-	-
Profit before tax	94	226	435	683
Provision for tax	26	57	109	172
Profit after tax	67	169	325	511
Share of minority shareholders in profit	0	0	0	0
Adjusted profit after tax	**68**	**169**	**325**	**511**
Shares outstanding	3	4	4	4
Adjusted EPS	**19**	**38**	**73**	**115**

Common size metrics as a percentage of net revenue

Year to March	FY24	FY25E	FY26E	FY27E
Operating expenses	43	47	48	47
Depreciation	1	1	0	0
Interest expenditure	34	11	6	3
EBITDA margin	57	53	52	53
Net profit margin	16	31	35	37

Growth metrics

Year to March	FY24	FY25E	FY26E	FY27E
Revenue	35	33	71	46
EBITDA	54	24	68	49
PBT	117	141	92	57
Net profit	110	151	92	57
EPS	110	151	92	57

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Balance Sheet (INR cr)

As of March 31	FY24	FY25E	FY26E	FY27E
Equity share capital	21	22	22	22
Reserves and surplus	495	664	989	1,500
Shareholders' funds	516	686	1,011	1,522
Total debt	426	450	400	350
Other long-term liabilities	12	12	12	12
Deferred tax liabilities	-7	-7	-7	-7
Minority interest	0	0	0	-0
Sources of funds	**947**	**1,142**	**1,417**	**1,878**
Gross block	50	59	72	90
Depreciation	17	21	24	28
Net block	33	39	48	62
Capital work in progress	-	-	-	-
Total fixed assets	33	39	48	62
Investments	1	1	1	1
Inventories	739	838	1,438	2,064
Sundry debtors	107	143	236	341
Cash and equivalents	110	271	149	205
Loans and advances	278	278	278	278
Total current assets	1,235	1,531	2,102	2,890
Sundry creditors and others	336	447	762	1,114
Provisions	0	0	0	0
Total current liabilities and provisions	336	447	763	1,114
Net current assets	899	1,084	1,340	1,775
Other assets	15	19	29	41
Uses of funds	**947**	**1,142**	**1,417**	**1,878**

Ratios

Year to March	FY24	FY25E	FY26E	FY27E
RoAE (%)	23.0	28.1	38.3	40.3
RoACE (%)	28.5	27.5	37.9	38.6
Debtor days	94	95	92	91
Inventory days	654	557	560	550
Payable days	32	31	31	31
Cash conversion cycle (days)	717	621	621	610
Debt/equity ratio	0.8	0.7	0.4	0.2
Debt/EBITDA ratio	1.8	1.6	0.8	0.5
Adjusted debt/equity ratio	0.6	0.3	0.2	0.1

Valuation parameters

Year to March	FY24	FY25E	FY26E	FY27E
Diluted EPS (INR)	19.4	38.1	73.4	115.2
Diluted P/E ratio (x)	27.0	13.8	7.1	4.6
Price/BV ratio (x)	3.5	3.4	2.3	1.5
EV/EBITDA ratio (x)	11.3	8.7	5.3	3.4

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