

November 14, 2022

## Prominent real estate developer in MMR...

**About the Company:** Keystone Realtors (KRL), operating the 'Rustomjee' brand, is one of the prominent real estate developers in terms of absorption in number of units in the targeted micro markets.

- KRL has a diversified suite of projects across a wide range of price points having developed 20.2 mn sq ft of high-value and affordable residential buildings, premium gated estates, townships and various other projects
- The company has commanded market share of 28% in Khar, 23% in Juhu, 11% in Bandra East, 14% in Virar, 3% in Thane and 5% in Bhandup in terms of absorption (in units) in 2017-21
- As of June 30, 2022, KRL had 32 completed projects, 12 ongoing projects and 21 forthcoming projects across MMR
- Some of its notable projects include Rustomjee Elements, a large gated community in Upper Juhu, Mumbai; Rustomjee Paramount, a signature complex in Khar; Rustomjee Crown and a 5.75-acre land parcel for high-end development at Prabhadevi, South Mumbai

### Key triggers/Highlights:

- Well established customer-centric brand; to leverage 'Rustomjee' brand
- Among leading residential real estate companies in MMR
- Focus on key growth areas in the proximity of upcoming infrastructure projects primarily in the adjoining MMR
- Asset-light and scalable model resulting in profitability and stable financial performance

**What should investors do?** Keystone Realtors is available at ~45x FY22 P/E. Given the historical track record of execution, strong brand name and decent historical market share within some of the key micro markets in MMR, we remain positive on long term prospects ahead

- We assign **Subscribe only for long term** rating to the IPO.

### Key risk & concerns

- Noteworthy dependency on single region - MMR
- Significant increases in prices or disruption in supply of construction materials may result in cost overruns
- Faces competition from various real estate developers

### Key Financial Summary

(₹ Crore)	FY20	FY21	FY22	Q1 FY22	Q1 FY23	CAGR (FY20-22E)
Net Sales	1,211.5	848.7	1,269.4	83.7	168.6	2.4%
EBITDA	136.1	139.9	179.6	2.0	4.6	14.9%
EBITDA Margin (%)	11.2	16.5	14.1	2.4	2.7	
Net Profit	14.5	231.8	135.8	(1.0)	4.2	206.1%
EPS (₹)*	1.3	20.4	11.9	(0.3)	1.5	
P/E (x)	425.1	26.6	45.4	NA	NA	
Price / Book (x)*	14.4	7.7	6.6	7.7	5.8	
EV/EBITDA (x)	60.8	50.7	41.7	NA	NA	
RoCE (%)	6.8	19.8	7.8	NA	NA	
RoE (%)	3.4	28.9	14.6	NA	NA	

Source: RHP, ICICI Direct Research \* Annualized during Q1 FY22 and Q2 FY23; Considered fresh issue of shares

## Rustomjee®

### IPO Details

#### Issue Details

Issue Opens	14th Nov 2022
Issue Closes	16th Nov 2022
Issue Size (₹ crore)*	635.0
Fresh Issue	560.0
Price Band (₹)	₹ 514- ₹ 541
No. of Shares on Offer (in crore)	0.14
QIB (%)	50
Retail (%)	35
Non Institutional (%)	15
Minimum lot size (no of shares)	27
* based on upper price band of ₹ 541	

### Shareholding pattern

	Pre-Issue	Post-Issue
Promoter group	96.7%	86.7%
Public	3.3%	13.3%

### Objects of the issue

Particulars	₹ crore
Repayment/ prepayment of certain borrowings availed by Company and/or Subsidiaries	341.6
Funding acquisition of future real estate projects and general corporate purposes*	*
<b>Fresh Issue</b>	<b>560.0</b>
<b>Offer for Sale**</b>	<b>75.0</b>
* To be finalised post issue	
**based on upper price band of ₹ 541	

### Research Analyst

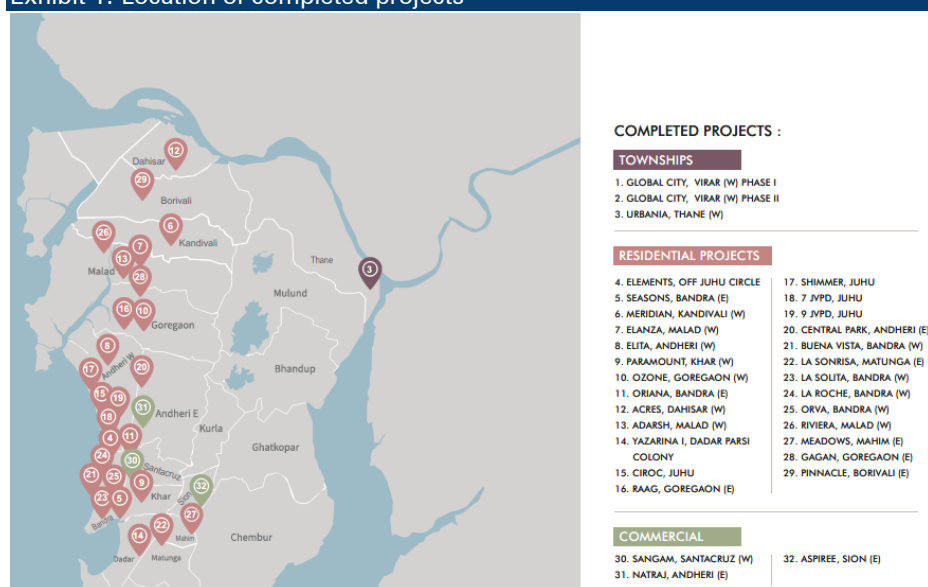
Bhupendra Tiwary, CFA  
bhupendra.tiwary@icicisecurities.com

Lokesh Kashikar  
lokesh.kashikar@icicisecurities.com

## Company Background

Incorporated in 1995, Keystone Realtors (KRL) is one of the prominent real estate developers in terms of absorption in number of units in the targeted micro markets. KRL has a diversified suite of projects across a wide range of price points having developed 20.2 mn sq ft of high-value and affordable residential buildings, premium gated estates, townships, corporate parks, retail spaces, schools, iconic landmarks and various other real estate projects. As of June 30, 2022, KRL had 32 completed projects, 12 ongoing projects and 21 forthcoming projects across the Mumbai Metropolitan Region (MMR). Some of its notable projects include Rustomjee Elements, a large gated community in Upper Juhu, Mumbai; Rustomjee Paramount, a signature complex in Khar; Rustomjee Seasons, a 3.82 acres gated community in Bandra Annexe; Rustomjee Crown, a 5.75-acre land parcel for high-end development at Prabhadevi, South Mumbai, consisting of three high-rise towers. Also, the company commands a market share of 28% in Khar, 23% market in Juhu, 11% in Bandra East, 14% in Virar, 3% in Thane and 5% in Bhandup in terms of absorption (in units) in 2017-21. The company had 1,542 channel partners who present the Rustomjee portfolio to their customers and drive customers traffic to the projects.

Exhibit 1: Location of completed projects\*



Source: RHP, ICICI Direct Research; as of June 30, 2022

Exhibit 2: Strong pipeline of ongoing / forthcoming projects in MMR

Category	Ongoing (Residential)		Forthcoming (Residential)	
	Number of projects	Saleable Area (mn sq ft)	Number of projects	Saleable Area (mn sq ft)
Super Premium	2.0	2.3	2.0	0.5
Premium	-	-	2.0	0.2
Aspirational	3.0	0.4	4.0	1.0
Mid and Mass	4.0	2.4	6.0	9.7
Affordable	1.0	0.6	3.0	11.2
<b>Total</b>	<b>10.0</b>	<b>5.7</b>	<b>17.0</b>	<b>22.4</b>

Source: ICICI Direct Research, Company, RHP; as of June 30, 2022

Note:

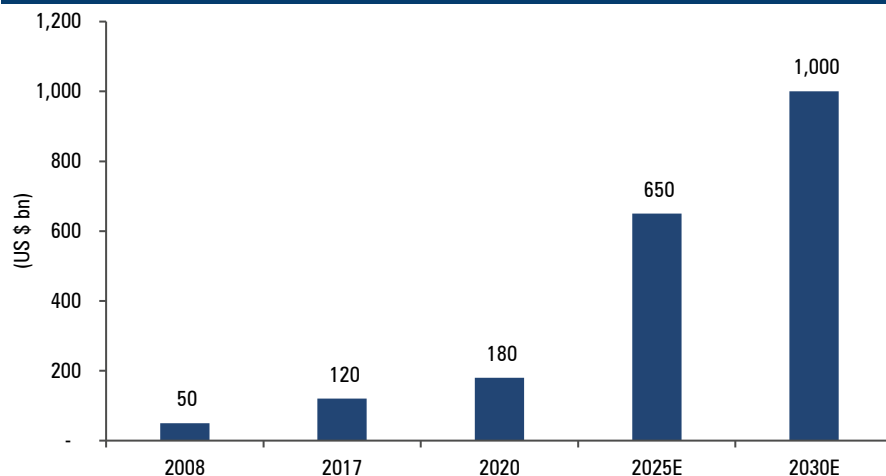
(1) Manori and Naigaon land parcels are not included above as the Floor Space Index is yet to be determined.

(2) The saleable area includes total saleable area of the project (irrespective of our Company's stake in the project).

## Industry Overview

Indian real estate was just beginning to come to terms with the multiple reforms and changes brought in by demonetisation, RERA, GST, IBC and subvention scheme ban. While the sector found it difficult to align with the slew of reforms and changes, these measures helped fortify the sector and instil transparency, accountability and fiscal discipline over the last few years. Structural changes of RERA and GST have helped the sector to gain more maturity and trust from the market. Overall, the market size of Indian real estate has improved from US\$50 billion (bn) in 2008 to US\$180 bn in 2020. Additionally, overall market size is likely to improve to US\$1,000 bn in 2020E.

Exhibit 3: Size of Indian real estate market

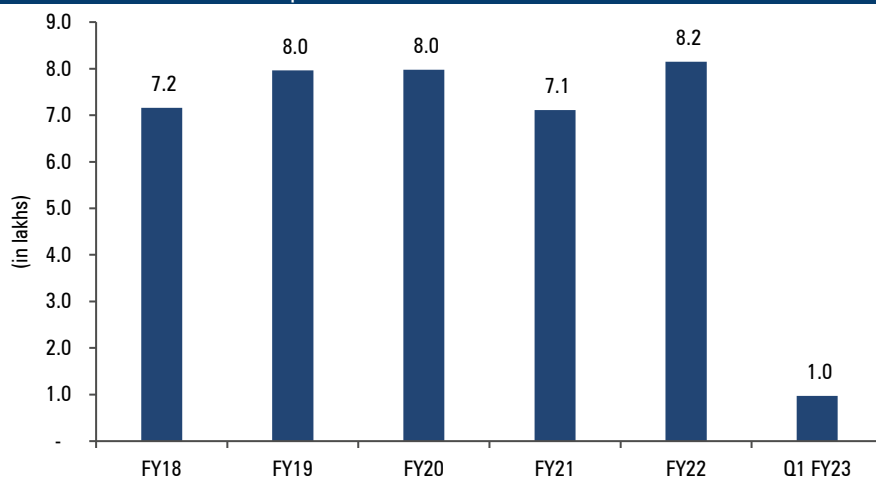


Source: RHP, ICICI Direct Research

### Key growth driver for industry includes:

- a) **Improving education levels, increasing per capita income growth:** India has witnessed a substantial improvement in education levels both in higher education as well as school education. India’s education index, which is an indicator of school education, exhibited growth of 46% in the last two decades. In addition, there has been a considerable improvement in the quality of higher education in India. On an average, close to a million students graduate from these institutes every year and ~0.7-0.8 mn students are directly placed from these institutes every year in white-collar jobs, which creates a wide demand base for mid-end housing. Improvement in overall education level leads to better job prospects and enhancement in standard of living.

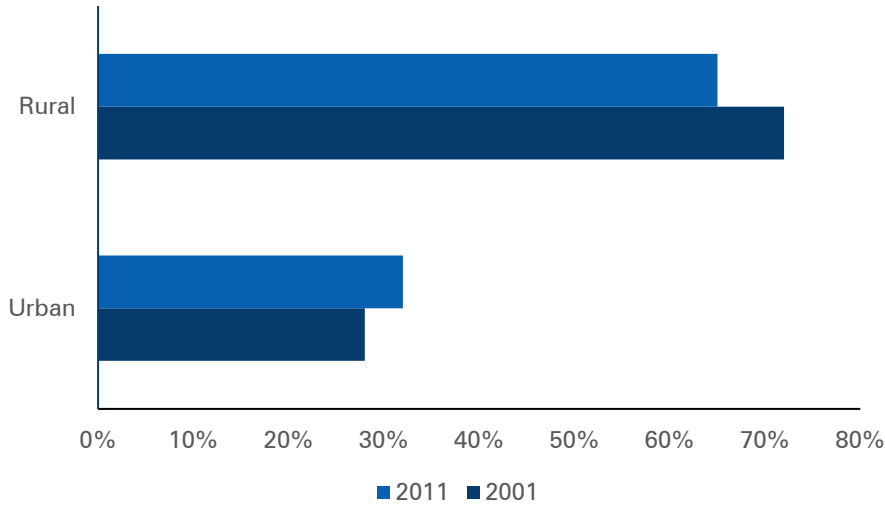
Exhibit 4: Total number of placements from AICTE affiliated institutes



Source: RHP, ICICI Direct Research

b) **Penetration of housing & home ownership:** As per census figures and the Ministry of Housing and Urban Affairs, number of households has increased from 19.2 crore in 2001 to 24.7 crore in 2011, which shows a 28.5% increase in number of households. Out of these households, home ownership has increased from 16.6 crore in 2001 to 21.4 crore in 2011, which shows an overall increase of 28.36%. Overall share of households (i.e. number of houses including owned, rented or any other) in urban areas increased from 28% in 2001 to 32% in 2011 and in rural areas, reduced from 72% in 2001 to 68% in 2011 in India.

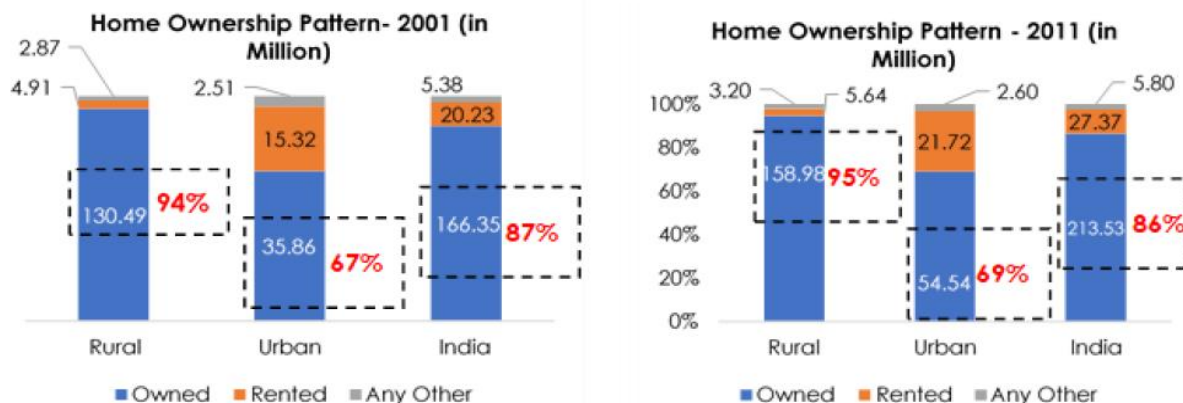
Exhibit 5: Percentage of households



Source: RHP, ICICI Direct Research

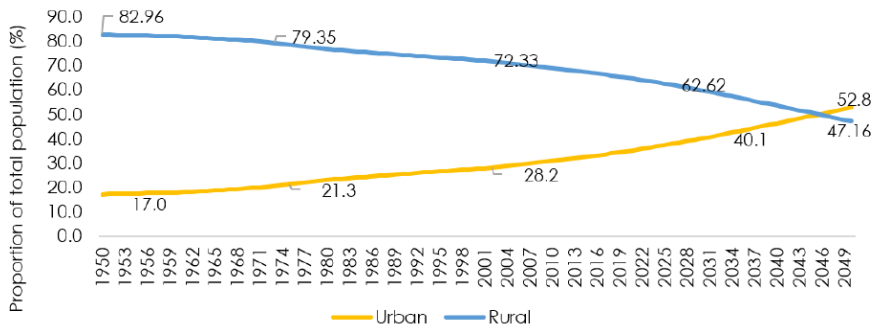
c) **Increasing urbanisation, urban housing shortage:** Along with rising population, India’s urbanisation rate is also increasing at a rapid pace. As per UNDP projections, by 2046, ~50% of population in India will be urban. However, rapid urbanisation is expected to drive the demand for housing, offices and other real estate asset classes in the medium to long term. UNDP has projected that there will be eight cities with a population of 1 crore and above by 2035 in India, highlighting the unmet housing demand. Additionally, the Ministry of Housing and Urban Poverty Alleviation estimated a housing shortage of 1.0 crore houses during the Twelfth period plan with 99% in the economically weaker section (EWS) and lower income group (LIG).

Exhibit 6: Penetration of housing, home ownership in 2001, 2011



Source: ICICI Direct Research, Company, RHP

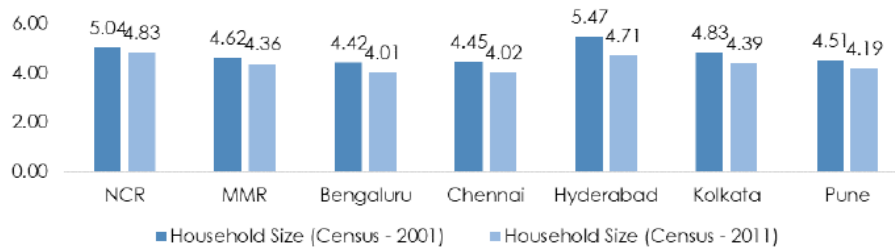
Exhibit 7: Percentage of population in urban, rural areas



Source: RHP, ICICI Direct Research

d) **Increasing nuclearisation of families:** India has been witnessing a reduction in overall household size in the past few decades. With the change in family dynamics towards a nuclear set-up, more households are getting added. Hence, consumption is increasing, which, in turn, fuels the demand for housing

Exhibit 8: Average household size of select Indian cities



Source: RHP, ICICI Direct Research

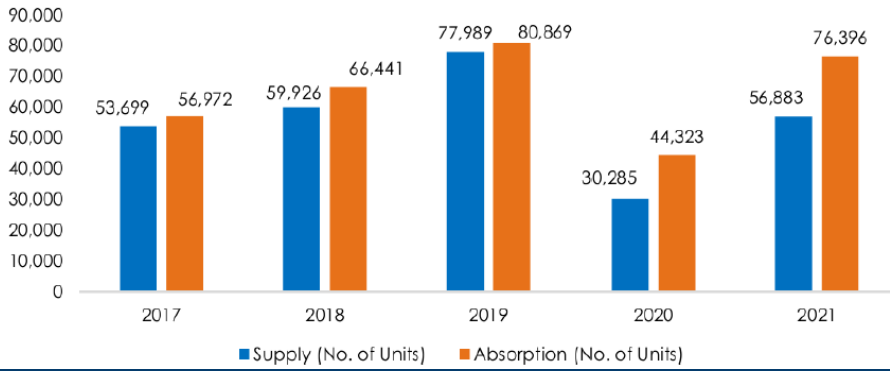
### Mumbai Metropolitan Region (MMR) residential overview

Mumbai is the commercial and financial capital of India. With the busiest single-runway airport in India and two large seaports, Mumbai accounts for over half of India’s foreign trade, generates 6% of India’s GDP and one-third of the country’s tax revenues. Mumbai is one of the biggest real estate markets in India. It has various micro-markets along with Mumbai City, suburbs, extended suburbs and neighbouring areas such as Thane and Navi Mumbai. With the recent infrastructure projects completing such as Mono and Metro (Line 1), Mumbai witnessed significant physical infrastructure improvements. Upcoming projects like Coastal Road, metro lines in various locations across MMR, etc, in the medium term will improve connectivity further.

#### Supply and absorption analysis

Supply and absorption declined in 2017 in the MMR on account of the impact of demonetisation, RERA and GST. Post 2017, absorption of units grew steadily and outpaced supply of units. In 2020, the units launched were lower than the units sold. Until Q3 2020, only select developers were launching projects with high inventory size in the MMR while buyers who visited sites before the lockdown were going ahead with their buying decision. Q4 2020 was better than earlier quarters on the back of the festive season, low interest rates and an improving employment scenario. Since the announcement of a reduction in stamp duty by the Government of Maharashtra with effect from September 1, 2020, housing sales have increased continuously MoM. There has been a steady increase in launches and absorption in 2021, which shows a further improvement in the residential market dynamics of MMR. Going forward, from 2022 onwards, Anarock expects a gradual increase in absorption until 2026. On account of disciplined supply and healthy absorption levels, annual overhang is expected to hover around 2.2 years for the next five years.

Exhibit 9: Supply and absorption (in units)

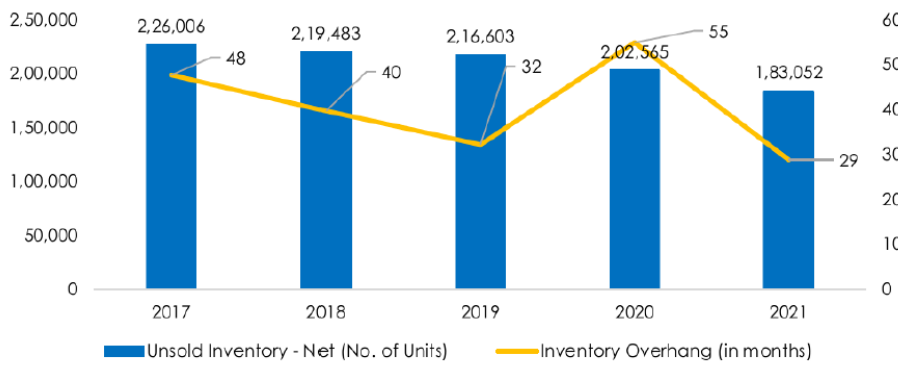


Source: RHP, ICICI Direct Research

### Unsold inventory

The overall unsold inventory gradually declined from 2017 and is at its lowest in the last six years on account of strong absorption trends compared to the launches in those years.

Exhibit 10: Unsold inventory along with inventory overhang trends

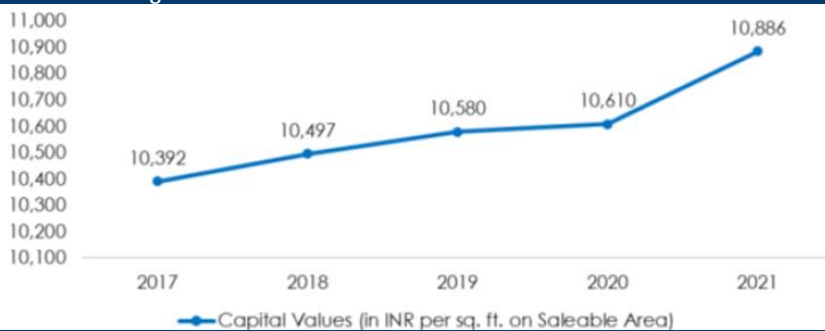


Source: RHP, ICICI Direct Research

### Capital Price Movement

There has been a stagnancy in capital values of the overall market of MMR with a minimal price appreciation in 2017-21 at the rate of ~1% on a yearly basis. In 2020, overall base prices have remained stagnant in comparison to 2019. However, there has been an appreciation in prices in 2021 due to a recovery in residential markets in MMR.

Exhibit 11: Pricing trends



Source: RHP, ICICI Direct Research

## Investment Rationale

Well established customer-centric brand in MMR region; to leverage 'Rustomjee' brand

KRL is one of the prominent real estate developers (in terms of absorption in number of units) in the micro markets in which it is present, namely Juhu, Bandra East, Khar, Bhandup, Virar and Thane. Well-established brand, construction quality, distinctive projects and customer goodwill enables it to garner significant interest and bookings from potential customers. Further, its reputation as a re-development expert based on the vast experience of undertaking re-development projects has led it to secure additional projects. Also, its engagement with customers even after the sale of units and delivery of possession has resulted in further strengthening of 'Rustomjee' brand. Therefore, its offerings include post-handover and post-development services such as providing furnishing, interior designing and execution services, addressing miscellaneous customer needs such as leasing out apartments and managing lease renewals and maintenance, as well as facility management services. Going ahead, the company is aiming to leverage the 'Rustomjee' brand to grow its operations in MMR to be backed by asset-light business model, robust stakeholder management, customer-centric brand name, technology stack, trusted vendors and experienced management. Also, the development of landmark projects enables it to command a premium pricing in the MMR micro-markets.

**Exhibit 12: Price of key projects that have improved significantly between price at project commencement and completion**

Project	Average Starting Price (per sq. ft. on Saleable area)	Average Price at Project Completion (per sq. ft. on Saleable area)	Price Appreciation	Average Price throughout the Project (per sq. ft. on Saleable area)
Elements	18,593.6	31,983.7	1.7 times	29,511.9
Seasons	17,773.1	37,934.1	2.1 times	28,208.1
Paramount	17,535.2	36,129.1	2.1 times	28,153.2

Source: ICICI Direct Research, Company, RHP

## Among leading residential real estate development companies in MMR with well-diversified portfolio, strong pipeline

KRL has a diversified suite of projects across a wide range of price points and is present in several micro markets. Additionally, the company has gained that experience in developing lifestyle projects, high value standalone buildings, gated communities and fully integrated townships, re-developments and stalled projects. Its diversified portfolio has allowed it to hedge the revenue pipelines and shield against business fluctuations across categories. The company also built ecosystems around its projects by developing amenities like schools, dining, retail and entertainment centres, sports clubs, temples and amusement parks. Some notable features for family entertainment and comfort include an ~150,000 sq ft clubhouse at Virar Global City project, a 6.22-acre podium at Thane project, a 11.72-acre amusement park at Virar Global City project, Leon's World at Rustomjee Urbania project, which is an interactive play space for children and adults. The company strategically introduces differentiated offerings and corresponding amenities based on the needs of the location and community to maximise revenue. In the past three fiscals, of the 19 new buildings launched, 47.2% units aggregating ₹ 1,355.5 crore were sold within six months from the date of launch and ~58% units aggregating ₹ 1,749.4 crore were sold within the first year (sales considered until August 31, 2022).

**Exhibit 13: Information on company's project for periods indicated**

Particular	FY20	FY21	FY22	Q1 FY22	Q1 FY23
No. of Buildings Launched	-	7.0	12.0	2.0	2.0
No. of Completed Buildings	7.0	4.0	3.0	-	2.0
Pre-Sales (Units sold)	607.0	823.0	1,241.0	134.0	225.0
Pre-Sales Saleable Area (mn sq. ft.)	0.7	1.0	1.5	0.1	0.2

Source: RHP, ICICI Direct Research

## Increased focus on key growth areas in proximity of upcoming infrastructure projects

KRL intend to increase its focus on several key growth areas in the Western Suburbs and Navi Mumbai, by focusing on increased demand for real estate arising from upcoming transportation infrastructure projects and relaxation of coastal regulation zone (CRZ) norms that allow for development of more sea-facing properties. The company plans to focus on micro-markets across MMR with proximity to this upcoming infrastructure. For instance, the Navi Mumbai International Airport (with construction already in process for Phase I) and the Mumbai Trans Harbour Link, a construction of an eight-lane bridge, which will enhance connectivity from Churchgate to Navi Mumbai and Konkan region (expected to complete in December 2022) has resulted in increased demand for property in Navi Mumbai (Source: Anarock Report). Other ongoing projects include the Mumbai Coastal Road, which is an under construction eight-lane, 29.2-km long freeway that would run along Mumbai's western coastline connecting Marine Lines in the south to Kandivali in the north. Another project is the construction of an underground metro network, expected to be completed in 2025, which has led to many new real estate projects commencing in localities where the metro will provide connectivity. The company plans to explore the opportunities in these specific micro-markets that arise with the developing transportation infrastructure and increased connectivity.

## Asset-light, scalable model resulting in profitability, stable financial performance

As part of the business model, KRL focuses on entering into joint development agreements and re-development agreements with landowners or developers or societies, which requires lower upfront capital expenditure compared to direct acquisition of land parcels. The company identifies land for development or re-development based on a detailed feasibility study for the relevant project, including factors such as location, price, purpose and design impediments. Since inception, it has learned the process of re-development and to balance the diverse needs of existing members in each project. Also, it has maintained low capital investment through two key approaches. First, its business model allows it to optimise the upfront capital expenditure compared to direct acquisition of land parcels other than certain refundable deposits and approval costs. Second, the company adopts a disciplined approach and abides by the ceilings of permissible capital commitments for each project.

By placing great emphasis on achieving better return on equity and return on capital employed through maintaining low upfront capital expenditure, the company has been able to minimise pre-launch investments, which ensures that capital allocation is balanced and calibrated. This development approach enables it to simultaneously undertake multiple projects and reduce project risks associated with land acquisition. Going forward, the company intends to leverage their strength and experience in redevelopment, focus on such opportunities in Mumbai's city centre locations and major suburbs and continues to expand the business by following a disciplined approach with an asset-light model.

**Exhibit 14: Ratio of initial capital investment to sales value for key projects**

Particular (₹ crore, except ratios)	Seasons	Paramount	Elements
Investment considered till	FY15	FY15	FY11
Initial Capital Investment	307.3	105.7	131.4
Cumulative Sales Value until June 30, 2022	2,123.8	1,412.1	1,954.8
% of Inventory Sold as of June 30, 2022	78%	95%	94%
Total Sales Value (Cumulative Sales Value as of June 30, 2022 extrapolated for if 100% of inventory was sold)	2,723.4	1,491.1	2,083.5
Initial Capital Investment as a percentage of Total Sales Value	11%	7%	6%
Operating Margin	39%	40%	47%

Source: ICICI Direct Research, Company, RHP



## Exhibit 15: Split between joint developments projects and projects done on acquired land

Particulars	Developable Area (as of June 30, 2022)					
	Completed Projects		Ongoing Projects		Forthcoming Projects	
	Area (mn sq ft)	Percentage of total area (%)	Area (mn sq ft)	Percentage of total area (%)	Area (mn sq ft)	Percentage of total area (%)
JDA / DA / JV / DM / Redevelopment / SRA	19.3	95.6%	8.6	92.8%	20.5	77.7%
Land ownership	0.9	4.5%	0.7	7.2%	5.9	22.3%
Total	20.2	100.0%	9.3	100.0%	26.4	100.0%

Source: ICICI Direct Research, Company, RHP

## Demonstrated project execution capabilities with in-house functional expertise

KRL has adopted an integrated real estate development model, with capabilities and in-house resources to execute projects from its initiation to completion. It has developed in-house competencies for every stage of the property development life cycle, commencing from business development, which involves identification of land parcels and the conceptualisation of the development, land acquisition, approvals, to execution, comprising planning, designing and overseeing the construction activities, marketing and sales culminating in property delivery. The company relies on the domain knowledge, experience and functional expertise of in-house experts to deliver quality projects in compliance with regulations. Additionally, it leverages strong brand and reputation, development track record, industry knowledge and know-how of the regulatory environment in the MMR and expertise in designing amenities, to deliver projects that meet the demands of customers.

As of June 30, 2022, the company has developed 32 projects, over 280 buildings, 20.2 mn sq ft area (including infrastructure) and homes to over 14,000 families. The company also possesses the proven ability to develop townships with mixed uses and generate recurring revenue from such development in the nature of annuity. In addition to in-house competencies, the company also leverages the expertise of external specialists to match its wide range of operations, such as architects, interior designers, landscaping experts, engineers and building services consultants for the development and management of projects. Some notable external experts engaged in the past includes Larsen & Toubro (L&T), Capacite Infraprojects, Architect Hafeez Contractor, Sanjay Puri, James Law Cybertecture, Abhikalpan Architects and Planners, JW Consultants LLP, Site Concepts Pvt Ltd and Landscape Collaboration Co. Ltd, Ministry of Design Pte Ltd and AWA Vision.

## Technology focused operations resulting in operational efficiency, enhancing customer experiences

KRL leverages technology as an enabler in various aspects of operations, including project planning & execution and customer relationship management. The focus on implementing digitisation measures to reduce delivery timelines, provide real-time financial accounting, increase efficiency in vendor management and reduce wastage and reworks. The company uses three-dimensional BIM software for model-based construction to maximise productivity and cost estimation across all projects. BIM visualises projects in pre-construction and allows better coordination among in-house teams, contractors and external consultants on account of clash detection abilities, where one can detect design flaws earlier and improve the scheduling of construction material. The company has also implemented SAP enterprise resource management (ERP) to assist with data management, analysis and forecasting resulting in performance efficiency. Combined implementation of ERP and BIM systems allow vendors and contractors to receive real time status updates of their order, including an automated and digitised invoice settlement process that details the status monitoring system, which tracks balance receivables, material delivery and work done. It has also designed and implemented virtual reality and digital experience centres for project walkthroughs resulting in an immersive experience for potential customers.

## Experienced promoters, qualified senior management, good corporate governance, committed employee base

KRL is led by experienced promoters and a professional senior management team, who provide the direction for growth. Boman Rustom Irani, Chairman and Managing Director, is a first generation real estate developer and an entrepreneur with over 26 years of experience in the real estate industry. Chandresh Dinesh Mehta, Director, is in charge of re-development initiatives and has significant experience in the fields of engineering, construction and technology. Percy Sorabji Chowdhry, Director, heads sales, marketing and human resource functions. Senior management personnel are professionally qualified individuals who have spent considerable time in various functions of real estate development. They have significant experience in the areas of operations, design and development, finance, marketing, engineering, legal, human resource and business development. For each major project, the company appoints a project CEO who ensures better operational efficiency across various functions in project management. The company believes its experience gives it the ability to anticipate the trends and requirements of the real estate market, identify and acquire lands in emerging locations and design properties in accordance with customer trends.

## Key Risk

### Significant dependency on MMR

KRL's real estate development activities are principally focused within MMR, which may be affected by prevailing socioeconomic and market conditions, changes in supply of and demand for real estate developments comparable to the company's projects, changes in applicable governmental regulations and related policies, availability of financing for real estate projects and applicable interest rates, change in demographic trends, employment and income levels, among other factors. As of June 30, 2022, all of the company's projects were located within the MMR. Thus, varying market conditions in the MMR may affect the company's ability to ensure sale of projects and the pricing of units in such projects, which may adversely affect results of operations and financial condition.

### Inability to complete ongoing/forthcoming projects by its respective expected completion dates may have adverse effect

KRL's projects are developed on land either owned by them or land entered into joint development agreements, joint venture arrangements, redevelopment agreements and select development management agreements. As of June 30, 2022, its ongoing projects had an aggregate saleable area of 6.26 mn sq ft and aggregate developable area of 9.26 mn sq ft, and forthcoming projects had an aggregate estimated saleable area of 26.43 mn sq ft and estimated developable area of 26.36 mn sq ft. In the past, the average time period required for the company for its completed projects was five years and four months. Going ahead, an inability to complete ongoing projects and forthcoming projects by their respective expected completion dates or at all could have a material adverse effect on the company's business, results of operations and financial condition.

### Significant increases in prices or disruption in supply of construction materials may result in cost overruns

Principal construction materials used in projects include cement, sand, steel, brick, ready-mix concrete, wood and aluminium. These materials are sourced from third party vendors. The prices and supply of these and other construction materials depends on factors beyond the company's control, including general economic conditions, competition, production levels, transportation costs, and government taxes and levies. Due to the recent Russia-Ukraine conflict, prices of raw materials and high consumption materials such as reinforcement steel, aluminium windows, various steel pipes, various polyvinyl chloride pipes, wires, and other metallic materials have increased significantly. Thus, significant increases in prices, including that relating to increase in taxes and levies, or shortage of or delay or disruption in supply of construction materials could adversely affect estimated construction cost and timelines and result in cost overruns.

### Faces competition from various real estate developers

The company competes for land, sale of projects, manpower resources and skilled personnel with other private developers. Also, KRL faces competition from regional, national and international property developers. The company competes with these developers for the sale of projects as well as entering into joint development and joint venture opportunities. Its success in future will depend significantly on its ability to maintain and increase market share in the face of such competition. Its inability to compete successfully with existing players in the industry, may affect business prospects and financial condition.

## Financial Summary

Exhibit 16: Profit and loss statement				₹ crore
(₹ Crore)	FY20	FY21	FY22	Q1 FY23
<b>Net Sales</b>	<b>1,211.5</b>	<b>848.7</b>	<b>1,269.4</b>	<b>168.6</b>
Growth (%)		(29.9)	49.6	101.3
Raw Material Cost	900.9	612.8	988.7	133.6
Employee Cost	41.6	27.1	28.4	11.2
Other Expenditure	132.8	69.0	72.7	19.2
Total Operating Expenditure	1,075.3	708.8	1,089.8	164.0
<b>EBITDA</b>	<b>136.1</b>	<b>139.9</b>	<b>179.6</b>	<b>4.6</b>
Growth (%)		2.8	28.4	127.9
Other income	57.1	328.5	33.6	7.4
Depreciation	2.3	27.7	3.7	0.9
EBIT	191.0	440.7	209.5	11.1
Interest	128.0	139.4	23.0	3.3
PBT	63.0	301.2	186.5	7.9
Tax	48.8	57.7	48.6	3.2
<b>Rep. PAT</b>	<b>14.2</b>	<b>243.5</b>	<b>138.0</b>	<b>4.6</b>
Exceptional items				
<b>Adj. Net Profit</b>	<b>14.2</b>	<b>243.5</b>	<b>138.0</b>	<b>4.6</b>
<b>EPS (₹)*</b>	<b>1.3</b>	<b>20.4</b>	<b>11.9</b>	<b>1.5</b>

Source: Company, ICICI Direct Research; \* Annualised during Q2 FY23; Considered fresh issue of shares

Exhibit 18: Balance Sheet				₹ crore
(₹ Crore)	FY20	FY21	FY22	Q1 FY23
<b>Liabilities</b>				
Equity capital	100.0	100.0	100.0	103.5
Reserves & Surplus	327.3	700.9	832.6	960.9
Networth	427.3	800.9	932.6	1,064.5
Minority Interest	(147.2)	22.9	30.5	20.3
Loan Funds	2,513.9	1,220.3	1,558.0	1,468.8
Deferred Tax liability	(87.6)	(38.8)	(38.6)	(38.1)
Other financial liabilities	111.4	220.4	200.6	173.4
<b>Total Liabilities</b>	<b>2,817.9</b>	<b>2,225.7</b>	<b>2,683.1</b>	<b>2,688.9</b>
<b>Assets</b>				
Other non-current assets	195.5	82.5	100.0	99.1
Loans	-	-	-	-
Inventories	2,765.2	2,192.6	2,254.3	2,263.9
Trade Receivables	63.9	36.7	113.6	59.8
Cash & Bank Balances	392.2	283.0	233.8	280.2
Loans & Advances	340.8	158.9	262.0	263.4
Other current assets	369.5	236.9	266.3	302.9
Total current assets	3,931.6	2,908.0	3,129.9	3,170.2
Total Current liabilities	1,509.9	1,389.6	1,155.2	1,183.1
Net Current Assets	2,421.7	1,518.4	1,974.7	1,987.0
<b>Total Assets</b>	<b>2,817.9</b>	<b>2,225.7</b>	<b>2,683.1</b>	<b>2,688.9</b>

Source: Company, ICICI Direct Research

Exhibit 17: Cash flow statement				₹ crore
(₹ Crore)	FY20	FY21	FY22	
Profit after Tax	63.3	289.5	184.4	
Depreciation	3.3	2.0	3.6	
Interest	347.9	266.4	147.2	
Others	46.3	264.1	27.2	
Cash Flow before wc changes	368.2	293.9	307.9	
Net change in working capital	(17.1)	348.6	(417.5)	
<b>Net CF from operating activities</b>	<b>351.1</b>	<b>642.5</b>	<b>(109.6)</b>	
Net purchase of Fixed Assets	(2.4)	(0.9)	(0.4)	
Others	(197.4)	(234.3)	(137.3)	
<b>Net CF from Investing Activities</b>	<b>(199.8)</b>	<b>(235.1)</b>	<b>(137.7)</b>	
Proceeds from share capital	-	-	-	
Proceeds/Repayment from Loan	1,112.1	324.4	959.4	
Interest paid	(161.9)	(169.0)	(187.0)	
Others	-	-	-	
<b>Net CF from Financing Activities</b>	<b>171.2</b>	<b>(609.3)</b>	<b>154.0</b>	
<b>Net Cash flow</b>	<b>322.5</b>	<b>(201.9)</b>	<b>(93.3)</b>	
Opening Cash	32.4	354.9	153.0	
<b>Closing Cash</b>	<b>354.9</b>	<b>153.0</b>	<b>59.7</b>	

Source: Company, ICICI Direct Research

Exhibit 19: Key ratios			
(Year-end March)	FY20	FY21	FY22
<b>Per share data (₹)</b>			
Reported EPS	1.3	20.4	11.9
Cash EPS	1.5	22.8	12.3
BV per share	37.5	70.3	81.9
Revenue per share	106.4	74.5	111.5
Cash Per Share	34.4	24.8	20.5
<b>Operating Ratios (%)</b>			
EBITDA Margin	11.2	16.5	14.1
EBIT/ Net Sales	11.0	13.2	13.9
PAT Margin	1.2	27.3	10.7
<b>Return Ratios (%)</b>			
RoE	3.4	28.9	14.6
RoCE	6.8	19.8	7.8
RoIC	5.5	5.8	7.2
<b>Valuation Ratios (x)</b>			
P/E	425.1	26.6	45.4
EV / EBITDA	15.6	6.7	7.4
EV / Net Sales	1.8	1.1	1.0
Price to Book Value	14.4	7.7	6.6
<b>Solvency Ratios (x)</b>			
Debt / EBITDA	18.5	8.7	8.7
Net Debt / Equity	5.0	1.2	1.4

Source: Company, ICICI Direct Research; Considered fresh issue of shares

## RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to companies that are coming out with their initial public offerings and then categorises them as Subscribe, Subscribe for the long term and Avoid.

Subscribe: Apply for the IPO

Avoid: Do not apply for the IPO

Subscribe only for long term: Apply for the IPO only from a long term investment perspective (>two years)



Pankaj Pandey

Head – Research

[pankaj.pandey@icicisecurities.com](mailto:pankaj.pandey@icicisecurities.com)

ICICI Direct Research Desk,  
ICICI Securities Limited,  
1st Floor, Akruti Trade Centre,  
Road No 7, MIDC,  
Andheri (East)  
Mumbai – 400 093  
[research@icicidirect.com](mailto:research@icicidirect.com)

## ANALYST CERTIFICATION

I/We, Bhupendra Tiwary, CFA, MBA (Finance), Lokesh Kashikar, MMS, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

## Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com).

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit [icicidirect.com](http://icicidirect.com) to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.