

# Sustaining Revenue Growth to be Crucial for Suraj Developers

## IPO WATCH

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**ET Intelligence Group:** Mumbai-based real estate company Suraj Estate Developers plans to raise ₹400 crore through a fresh issue of equities in the primary market. The company, which is into residential and commercial segments, plans to use ₹285 crore to repay debt of its own and that of its subsidiaries. In addition, the company plans to use ₹35 crore for acquisition of land or land development rights. After the IPO, the promoter group's stake will drop to 75% from 100%. Given a smaller size of operations, investors may wait and assess whether the company is able to sustain the revenue growth and how well it catches up with its bigger peers in the industry. Hence, investors will be better off considering investments in the company in the secondary market.

### BUSINESS

The company is focused on the South Central Mumbai market (SCM) which includes Mahim, Matunga, Dadar, Prabhadevi and Parel. It has completed 42 projects covering more than 10 lakh square feet.

In the residential segment, the company follows three basic models. One is an asset light model in which it outsources construction work to a third party contractor.

Another model is where it buys vacant land or redevelops existing buildings. In the third business segment, it is a niche player in the redevelopment of tenanted properties under Regulation 33 (7) of the Development Control and Promotion Regulations (DCPR) in the Mumbai region. This works in company's favour as a large chunk of land in SCM is largely redevelopment projects.

In the commercial segment, the company has completed construction of ICICI Apartments, NEAT House, Saraswat

**The company, which is into residential & commercial segments, plans to use ₹285 crore to repay debt**

## Suraj Estate IPO

### ISSUE HIGHLIGHTS

Dates: **Dec. 18-20, 2023**

Price: **₹340-360**

Size: **₹400 crore**

Implied market cap:  
**Up to ₹1,597 crore**

Face value: **₹5**

Lot size: **41 shares**

Retail portion: **35%**



Bank Bhavan, and CCIL Bhavan. At present, the company is developing thirteen projects amounting to more than 20 lakh square feet. In addition, the company has upcoming sixteen projects amounting to more than seven lakh square feet of carpet area in the coming years.

### FINANCIALS

In the three years to FY23, the company's total income rose to ₹307.8 crore from ₹243.9 crore while net profit shot up to ₹32 crore from ₹6.2 crore. The operating margin before depreciation and amortisation (EBITDA margin) was in the range of 36-50% during the period. The return on capital employed (RoCE) improved to 21.9% in FY23 from 14.5% in FY21.

### VALUATION

Considering fully diluted equity after the IPO, the issue commands price-earnings (P/E) multiple of upto 27.5. According to Bloomberg data, considering the estimated earnings of FY24 and FY25, the average P/E multiple of realty companies in the Nifty Realty Index is in the range of 40-50.