

CMP: INR 716

Rating: BUY

Target Price: INR 1,134

Stock Info

BSE	544054
NSE	SURAJEST
Bloomberg	SURAJEST:IN
Sector	Real Estate
Face Value (INR)	5
Mkt Cap (INR Mn)	31,760
52w H/L (INR)	732/256
Avg Daily Volume (in 000')	353.4

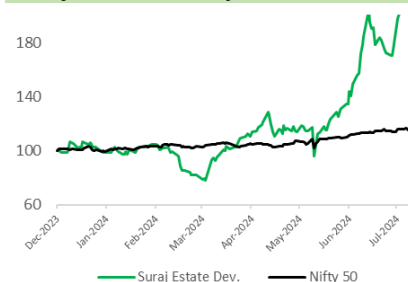
Shareholding Pattern %

(As on March, 2024)

Promoters	74.95
Public & Others	25.05

Stock Performance (%)	1m	6m	12m
SURAJEST	20.4	121.4	115.0
NIFTY	1.7	13.5	26.6

Suraj Estate Vs Nifty



Suraj Estate Developers Ltd (SURAJEST) reported Q1FY25 numbers with topline marginally above our estimates while operating margins just below our estimate. Net Revenue stood at INR 1,337 Mn (growth of 31% YoY/ growth of 33% QoQ) just marginally above our estimates of INR 1280.1 Mn. EBITDA stood at INR 632.9 Mn in Q1FY25 (growth of 35% YoY/growth of 18% QoQ) vs our estimate of INR 692.1 Mn. EBITDA margin stood at 47.3% in Q1FY25 as compared to 53% in Q4FY24 & 46% in Q1FY24 below our estimate of 50%. PAT stood at INR 301.3 Mn in Q1FY25 (growth of 107% YoY/ growth of 55% QoQ) vs our estimate of INR 392.3 Mn. PAT margin stood at 22.5% in Q1FY25 vs 19% in Q4FY24 & 14% in Q1FY24.

For Q1FY25, it sold an area of ~27,431 sqft as compared to 29,489 sqft (decline of 7% YoY) and 22,713 sqft (growth of 20.8% QoQ). Its pre-sales were INR 1400Mn, growth of 5.3% YoY (INR 1,330Mn in Q1FY24) /growth of 14.8% QoQ (INR 1220Mn in Q4FY24). The collection stood at INR 720 Mn growth of 3.5% YoY (INR 690Mn in Q1FY24)/ de-growth of 35% QoQ (INR 1110Mn in Q4FY24). Realization came in at INR 51,116/sqft which improved by 13.1% YoY (INR 45212/sqft in Q1FY24)/ but declined by 5% QoQ (INR 53,651/sqft in Q4FY24).

Strong pre-sales expected for FY25:

The company's sales value (pre-sales) grew by 5.3% YoY/grew by 14.8% QoQ which was led by better realization as well as increased sales of luxury projects but decline in volume partially impacted the growth to certain extent. For Q1, INR 1400Mn sales value was only from residential projects. For FY25, the company aims to achieve a total of ~INR 8500Mn pre-sales driven by a healthy project pipeline of GDV INR 11,500Mn. Thus, among pre-sales INR 6,500Mn would be achieved from ongoing & upcoming residential projects and ~INR 2,000Mn would be received from new launch of commercial projects.

Healthy project pipeline for FY25 and also for the next 3-4 years:

The company has healthy pipeline for new launches and in FY25, it expects to launch 7 new projects with the GDV of INR 11,500Mn within which 6 will be residential (GDV of INR 6,750Mn) and 1 in commercial (GDV of INR 4,750Mn). Besides, they plan to launch a total of 18 new projects in the next 3-4 yrs with a carpet area of 9.01 lakh sqft (plus FSI) and GDV of INR 50,000Mn.

Robust improvement in financials over FY24-27E:

With SURAJEST ongoing and upcoming projects we expect its financials to see healthy improvement over FY24-27E. Its pre-sales is expected to grow at a CAGR of 58.5% to INR 19,232Mn in FY27. Revenue to improve by a CAGR of 25.8% to INR 8,205Mn and on profitability front, its EBITDA is expected to grow at a CAGR of 23.6% while we expect the company to maintain an EBITDA margin of ~53-54%.

Outlook & Valuation:

We remain positive on the growth prospect of SURAJEST given its healthy pipeline of the upcoming projects, leadership position in the redevelopment projects in the South-Central Mumbai region as well as continuous demand from consumers for real-estate and healthy balance sheet and cash flow. On the valuation front, we have valued the company on a NAV basis by giving the multiple of 1x and have maintained the target price of INR 1,134, which is a potential upside of 58.3%.

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Conference Call Highlights:**Guidance:**

- Focus continues to be growing in the micro market where it is currently present.
- For FY25, it has a target to launch 7 new projects with the GDV of INR 11,500Mn within which 6 will be residential (GDV of INR 6,750Mn) and 1 in commercial (GDV of INR 4,750Mn).
- Plans to achieve pre-sales of INR 8,500 Mn by FY25.

Project pipeline:

- In the next 3-4 years, their plan is to bring new 18 project pipeline of 9.01lakh sqft to the launch stage with the total GDV of INR 50,000Mn.
- Amongst the new project ~67% is value luxury projects, ~14% is the luxury projects, 7% is the mix of value luxury/luxury projects and 12% is commercial.
- In its 6 lakh sqft of ongoing projects total sold & unsold receivable stands at INR 12,870Mn and to be realized between FY25-29. They have sold ~5.17 lakh sqft and collected INR 12,430Mn and ~INR 7,870Mn is to be received in future. Further, its unsold inventory is 0.93 lakh sqft with ~GDV of INR 5,000Mn.
- Its Bandra project carpet area would be ~1.6 lakh sqft and currently it has received Phase 1 approval and ahead it continues to focus on redevelopment projects under 33(7) and DCR 33(7)B for society redevelopment.
- They settled litigation with Dadar Sai Kirti and ahead they plan to construct two buildings in the area of 74000 sqft and GDV value of INR 3500Mn.
- Also, it entered into an agreement for sale of additional area to be constructed in the existing CCIL Bhavan building with carpet area of 22,410 sqft and ~GDV of INR 900Mn.

Iconic Property Developers, a subsidiary of the company:

- Received building plan approval and commencement certificate for the commercial project at Mahim West with sale carpet area of 1.06 lakh sqft and ~GDV of INR 4750Mn.
- Has settled full & final repayment of NCDs with redemption of Series E, NCD worth INR 320Mn and redemption premium of INR 180Mn.

Other highlights:

- Pre-sales grew because of increased sales of luxury projects and better realization.
- EBITDA margin improved YoY led by better sales mix and operating leverage benefits.
- Out of the total revenue ~63.6% came from sales of luxury units and ~36.4% came from sales of value- luxury units.
- Realization is expected to be maintained at around 51,000/sqft.
- The company prefers conveyance model as compared to joint development agreement.
- The company is optimizing cost of debt by refinancing high debt and thus their average cost of debt stands at 13-13.5%.
- Commercial property launch is expected in 1-2 quarters as they are waiting for RERA approval and have received IOD & CC.

Q1FY25 - Quarterly Performance (Consolidated)

Particulars (INR Mn)	Q1FY25	Q1FY24	Q4FY24	Y-o-Y (%)	Q-o-Q (%)
Net Sales	1,336.7	1,024.1	1,003.6	30.5	33.2
Operating & project expenses	1,039.9	280.2	790.0	271.1	31.6
Changes in inventories of construction work in progress	(438.2)	181.6	(494.0)	-	-
Total raw material expense	601.7	461.8	296.0	30.3	103.3
Gross Profit	735.1	562.3	707.6	30.7	3.9
Gross Profit margin %	55.0	54.9	70.5	9bps	-1552bps
Employee cost	47.9	33.3	45.3	43.8	5.9
Other expenses	54.2	61.6	127.5	(12.0)	(57.5)
Total expenditure	703.8	556.8	468.8	26.4	50.1
EBITDA	632.9	467.3	534.8	35.4	18.3
EBITDA Margins (%)	47.3	45.6	53.3	171bps	-594bps
Depreciation	17.0	5.8	16.5	195.8	2.9
EBIT	615.9	461.6	518.3	33.4	18.8
Other Income	9.5	4.0	26.8	135.6	(64.5)
Interest	221.4	271.9	249.8	(18.6)	(11.4)
PBT	404.0	193.7	295.2	108.6	36.8
Exceptional	-	-	-	-	-
PBT	404.0	193.7	295.2	108.6	36.8
Tax	102.7	48.4	100.6	112.0	2.1
PAT	301.3	145.3	194.7	107.4	54.8
PAT Margin (%)	22.5	14.2	19.4	836bps	315bps
EPS	7.0	4.6	4.5	53.6	54.8

Operational Data

Particulars (INR Mn)	Q1FY25	Q1FY24	Q4FY24	Y-o-Y (%)	Q-o-Q (%)
Pre-sales (INR Mn)	1,400	1,330	1,220	5.3	14.8
Sales Area (Sqft)	27,431	29,489	22,713	(7.0)	20.8
Collections (INR Mn)	720	690	1,110	4.3	(35.1)
Realizations (INR/Sqft)	51,116	45,212	53,651	13.1	(4.7)

Profit & Loss Statement (Consolidated)

Particulars (INR Mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Net Revenue	3,057	4,122	5,120	7,066	8,205
Op. Expenses	1,547	1,793	2,352	3,281	3,810
EBITDA	1,510	2,329	2,768	3,785	4,395
Depreciation	26	37	46	63	74
EBIT	1,484	2,292	2,722	3,722	4,321
Other income	21	35	43	60	70
Interest Exp.	1,074	1,389	804	798	788
Extra Ordinary Items	-	-	-	-	-
Reported PBT	432	938	1,961	2,984	3,603
Tax	111	264	392	597	721
PAT	321	674	1,569	2,387	2,882
Adjusted EPS (INR)	10.1	15.7	36.7	55.8	67.3

Source: Arian Research, Company Filings

Balance Sheet (Consolidated)

Particulars (INR Mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Share Capital	159	214	214	214	214
Reserves & Surplus	555	4,947	6,516	8,903	11,785
Net worth	714	5,161	6,730	9,117	11,999
Debt	5931	4256	4469	4692	4927
Minority Interest	1	-	-	-	-
Net deferred Tax liabilities	98	94	117	161	187
Others	57	115	143	197	229
Capital Employed	6,801	9,626	11,459	14,168	17,342
Property, Plant and Equipment	158	374	411	453	498
Other Non-Current Assets	227	111	138	190	221
Net Fixed Assets	385	485	549	643	719
Investments	89	14	17	24	28
Current Assets, Loans & Advances	8,910	12,330	14,821	18,358	21,825
Inventory	6,523	7,392	8,277	10,454	11,239
Debtors	1,130	1,067	1,325	1,829	2,124
Cash & Bank balance	280	1,103	1,754	2,070	4,222
Loans & advances and others	976	2,768	3,465	4,005	4,240
Current Liabilities & Provisions	2,582	3,203	3,929	4,857	5,229
Liabilities	2,581	3,202	3,928	4,855	5,227
Provisions	1	1	1	2	2
Net Current Assets	6,328	9,127	10,892	13,501	16,596
Application of Funds	6,801	9,626	11,459	14,168	17,342

Source: Arian Research, Company Filings

Cash Flow Statement (Consolidated)

Particulars (INR Mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Profit before tax	432	938	1,961	2,984	3,603
Add: Depreciation	26	37	46	63	74
Add: Interest cost	1,049	1,389	804	798	788
Less: Other Income	(10)	(35)	(43)	(60)	(70)
Others	3	32	-	-	-
Operating profit before working capital changes	1,499	2,361	2,768	3,785	4,395
Working Capital changes	450	(2,100)	(1,113)	(2,291)	(941)
Cash from Operations	1,950	261	1,655	1,494	3,454
Less: Taxes	(64)	(171)	(392)	(597)	(721)
Cash flow from Operations	1,885	90	1,263	897	2,733
Cash flow from investing	(271)	(897)	(21)	(7)	(27)
Cash flow from Financing	(1,557)	702	(592)	(574)	(554)
Net cash Inflow/Outflow	57	(105)	651	316	2,152
Opening cash	61	118	13	664	980
Closing cash	118	13	664	980	3,132

Source: Arihant Research, Company Filings

Ratios**Per share data**

	FY23	FY24	FY25E	FY26E	FY27E
No. of shares (Mn)	32	43	43	43	43
BVPS (INR)	22	121	157	213	280
CEPS (INR)	10.9	16.6	37.7	57.3	69.1

Margins (%)

	FY23	FY24	FY25E	FY26E	FY27E
EBITDA Margin(%)	49.4	56.5	54.1	53.6	53.6
PBTM (%)	14.1	22.8	38.3	42.2	43.9
PAT Margin(%)	10.5	16.4	30.6	33.8	35.1

Growth Indicators (%)

	FY23	FY24	FY25E	FY26E	FY27E
Revenue(%)	12.1	34.8	24.2	38.0	16.1
EBITDA(%)	14.6	54.2	18.9	36.7	16.1
Adj PAT(%)	21.0	110.2	132.8	52.1	20.7

Turnover ratio (x)

	FY23	FY24	FY25E	FY26E	FY27E
Debtors Days	135.0	94.5	94.5	94.5	94.5
Inventory Days	778.7	654.6	590.0	540.0	500.0
Payable Days	32.2	31.8	31.8	31.8	31.8
Wc Days	881.5	717.2	652.7	602.7	562.7

Valuation (x)

	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	56.6	36.3	15.6	10.3	8.5
P/BV (x)	25.4	4.7	3.6	2.7	2.0
EV/EBITDA (x)	15.9	12.3	10.2	7.4	6.0
EV/Sales (x)	7.8	7.0	5.5	4.0	3.2

	FY23	FY24	FY25E	FY26E	FY27E
RoE (%)	44.9	13.1	23.3	26.2	24.0
RoCE (%)	22.3	24.3	24.3	26.9	25.5
Net Debt/Equity (x)	8.3	0.8	0.7	0.5	0.4
EBIT/Interest (x)	1.4	1.7	3.4	4.7	5.5

Source: Arianth Research, Company Filings

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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