

**CMP: INR 571**

**Rating: Buy**

**Target: INR 1,134**

**Stock Info**

BSE	544054
NSE	SURAJEST
Bloomberg	SURAJEST:IN
Sector	Real Estate
Face Value (INR)	5
Equity Capital (INR mn)	42.8
Mkt Cap (INR mn)	25,350
52w H/L (INR)	847/256
Avg Yearly Volume (in 000')	62

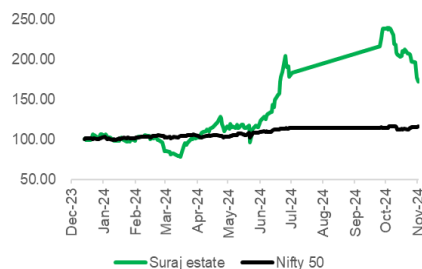
**Shareholding Pattern %**

(As on September, 2024)

Promoters	75.0
DII	3.1
FII	2.5
Public & Others	19.4

Stock Performance (%)	1m	6m	12m
SURAJEST	-28.3%	49.7%	71.1%
NIFTY	-5.6%	4.2%	19.2%

**SURAJEST vs Nifty**



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Suraj Estate Developers Ltd (SURAJEST) Q2FY25 performance saw an improvement YoY but witnessed muted growth as compared last quarter. Its revenue came in at INR 1,091 Mn, growth of 5.4% YoY but declined by 18.4% QoQ. Revenue was below our expectation of INR 1,285 Mn. EBITDA came in at INR 634.5Mn, above our expectation of INR 610Mn and EBITDA margin at 58.2%. PAT came in at INR 318.3Mn, above our expectation of INR 292Mn and PAT margin at 29.2%.

During Q2FY25, its pre-sales came in at INR 1,070 Mn, improved 25% YoY but declined by 23.6% QoQ, however it came in below our expectation of INR 1,200Mn. It sold area of ~22,201 sqft as compared to 19397 sqft in Q2FY24 and 27431 sqft in Q1FY25. Collections witnessed strong improvement and stood at INR 1,270Mn, growth of 89.6% YoY & 76.4% QoQ because of increased sales and additional collection from its commercial project. Realization was at INR 48,366/sqft, a decline of 5.4% QoQ but it grew by 5.3% YoY led by price hikes and better project mix. Revenue share from luxury/value luxury was 40.9%/59.1% in Q2FY25.

**Secured additional funds for expansion:** SURAJEST raised ~INR 3,430Mn of funding via preferential allotment of equity shares and convertible warrants. They issued preferential shares at INR 714/share and face value of INR 5 each raising ~INR 2,430Mn and convertible share warrants at INR 750/warrant and total worth INR 1,000Mn. The company has received preferential share amount and also advance of ~INR 250Mn from warrants while balance amount from warrants will be received within 18months from allotment date. Post issuance the promoter stake is expected to be diluted from 74.95% to 67.71%. These funds is expected to be utilized for buying land, business development, working capital and other expenses.

**Maintains pre-sales guidance along with healthy project launch pipeline:** The company has maintain its pre-sales guidance for FY25 wherein their aim is to achieve ~INR 8500Mn pre-sales and amongst it ~INR 6,500Mn would be from residential projects and ~INR 2,000Mn would be via commercial projects. Further, it has plans for launching project worth GDV of INR 11,500Mn which would be mix of residential and 1 commercial project. Besides, they plan to launch a total of 18 new projects in the next 3-4 years with a carpet area of 9.01 lakh sqft (plus FSI) wherein 67% will be in value luxury segment.

**Outlook & Valuation:** Overall we remain positive on the growth prospect of SURAJEST given its leadership position in the redevelopment projects in the South-Central Mumbai region as well as continuous demand from consumers for real-estate projects. Additionally, they have healthy pipeline of the upcoming projects, improving financials and steady balance sheet. 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.

Particulars (INR Mn)	FY24A	FY25E	FY26E	FY27E
Net Revenue	4122.0	5120.4	7066.4	8204.7
EBITDA	2329.0	2768.3	3785.0	4394.8
EBITDA Margin(%)	56.5	54.1	53.6	53.6
PAT	674.0	1569.2	2387.1	2882.0
PAT Margin(%)	16.4	30.6	33.8	35.1
EPS	15.7	36.7	55.8	67.3
EV/EBITDA (x)	12.3	10.2	7.4	6.0

Source: Arihant Research, Company Filings

**Q2FY25 Concall Highlights****Guidance:**

- The management have maintained their pre-sales guidance of INR 8,500Mn for FY25.
- Also, it has plans to launch new residential & commercial projects worth GDV of INR 11,500Mn
- Focus continues to be growing in the MMR region where there is good demand.

**Other Highlights:**

- Overall, value luxury segment is gaining strong traction in the market and will aid growth for the company as its 67% of the upcoming projects of 9.0 lakh sqft are in it.
- The Mumbai re-development market is seeing good traction and management remains positive on the growth ahead.
- Amongst the segments, value luxury is gaining strength amongst consumers i.e. INR 10Mn-30Mn projects. Along with this also high end luxury market is seeing demand.
- IPO proceeds utilized for debt repayment.
- Raised ~INR 3,430Mn of funds via preference issue & convertible warrants and these funds will be utilized for land acquisitions, business development, working capital and other expenses.
- Amongst the costs, labor cost is seeing steady rise.
- Approvals from RERA are taking more time.
- No new project is launched in Q2FY25.
- Cost of capital is 13% as on date.
- Its commercial project is under RERA approval phase and meanwhile they are in talks with clients
- Phase 1 Bandra project is expected to launch by Q3/Q4.

## Q2FY25 - Quarterly Performance (Consolidated)

Particulars (INR Mn)	Q2FY25	Q2FY24	Q1FY25	Y-o-Y (%)	Q-o-Q (%)
Net Sales	1,090.9	1,034.6	1,336.7	5.4	(18.4)
Operating & project expenses	335.0	432.0	1,039.9	(22.5)	(67.8)
Changes in inventories of construction work in progress	(11.4)	(159.2)	(438.2)	-	-
Total raw material expense	323.6	272.8	601.7	18.6	(46.2)
Gross Profit	767.4	761.8	735.1	0.7	4.4
Gross Profit margin %	70.3	73.6	55.0	-330bps	1535bps
Employee cost	59.9	32.8	47.9	82.4	24.8
Other expenses	73.0	97.7	54.2	(25.2)	34.7
Total expenditure	456.5	403.2	703.8	13.2	(35.1)
EBITDA	634.5	631.4	632.9	0.5	0.2
EBITDA Margins (%)	58.2	61.0	47.3	-287bps	1081bps
Depreciation	12.0	8.2	17.0	45.7	(29.7)
EBIT	622.5	623.2	615.9	(0.1)	1.1
Other Income	5.5	2.4	9.5	125.5	(42.4)
Interest	190.8	396.8	221.4	(51.9)	(13.8)
PBT	437.2	228.8	404.0	91.1	8.2
Tax	118.9	59.6	102.7	99.6	15.7
PAT	318.3	169.2	301.3	88.1	5.6
PAT Margin (%)	29.2	16.4	22.5	1282bps	664bps
EPS	7.4	5.3	7.0	39.3	5.6

Source: Arihant Research, Company Filings

## Operational Data

Particulars (INR Mn)	Q2FY25	Q2FY24	Q1FY25	Y-o-Y (%)	Q-o-Q (%)
Pre-sales (INR Mn)	1,070	850	1,400	25.9	(23.6)
Sales Area (Sqft)	22,201	19,397	27,431	14.5	(19.1)
Collections (INR Mn)	1,270	670	720	89.6	76.4
Realizations (INR/Sqft)	48,366	45,933	51,116	5.3	(5.4)

Source: Arihant Research, Company Filings

**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
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 WC 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

## Ratio Analysis

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)	56.5	36.3	15.6	10.2	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	6.9	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: Arihant 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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