

Arkade Developers Limited

IPO Note



SUBSCRIBE
Real Estate Development company concentrating on the development of premium aspirational lifestyle residential premises in Mumbai, Maharashtra

The company was originally incorporated as “Arkade Developers Private Limited” in Mumbai, Maharashtra, in 1986, and later converted from Private Limited to Public Limited Company with a fresh certificate of incorporation being issued to the company by the Registrar on July 7, 2023. After conversion, the name of the company got changed from “Arcade Developers Private Limited” to “Arkade Developers Limited”. Arkade is a real estate development Company concentrating on the development of premium aspirational lifestyle residential premises in Mumbai, Maharashtra, India’s commercial capital. Their business can broadly be classified into two categories: (i) development / construction of residential premises on land acquired by the Company (New Projects) and (ii) redevelopment of existing premises (Redevelopment Projects). As on June 30, 2024, the company has developed 2.20 million square feet of residential property (including through partnership entities in which they hold the majority stake). Between 2017 and Q1FY24, the company has launched 1,220 residential units and sold 1,045 residential units in different markets in MMR, Maharashtra. From CY 2003 to March 2024, the company has successfully completed redevelopment of 10 projects in the western suburbs of Mumbai and 1 project in south-central Mumbai (through a partnership firm in which the company holds the majority stake) with a combined constructed area of around 1,000,000 square feet. From 2017, the company has been amongst the top 10 developers in terms of supply in the Borivali West, Goregaon East and Santacruz West micro-markets. While the company has over the years developed projects at different price points, it is currently developing projects which have a very broad per unit price point ranging from ₹ 9.44 million to ₹ 62.53 million. While its initial projects were stand-alone residential buildings, the company’s current portfolio of Ongoing Projects includes gated communities such as Arkade Nest, Arkade Aspire, Arkade Prime and Arkade Aura. In the last 2 decades the company has completed 28 projects including 11 projects on a stand-alone basis, 8 projects executed by their Promoter through his proprietorship, M/s Arkade Creations, and 9 projects through joint development arrangements with other third parties aggregating more than 4.5 million square feet of development and have catered to more than approximately 4,000 customers.

Industry	Real Estate
----------	-------------

Scrip Details

Listing	BSE & NSE
Open Date	Sept 16, 2024
Close Date	Sept 19, 2024
Price Band	INR 121 – 128
Face Value	INR 10
Market Lot	110 Shares
Minimum Lot	1

Issue Structure (%)

Issue Size (INR cr)	INR 410.00
Issue Size (Shares)	32031250
QIB Share (%)	< 50%
Non-Inst Share (%)	> 15%
Retail Share (%)	> 35%
Pre-Issue sh (in cr)	15.36
Post Issue sh (in cr)	18.57
Post Issue Market Cap (in cr)	2376.41

Shareholding	Pre (%)	Post (%)
Promoter	85.58	70.82
Public	14.42	29.18
TOTAL	100	100

Key Consolidated Financial Data (INR Cr, unless specified):

	Revenue (INR)	EBITDA (INR)	Net Profit (INR)	EBITDA Margin (%)	Net Profit Margin (%)	EPS (INR)	ROE (%)	ROCE (%)	EV/EBITDA (X)	P/BV (X)
FY22	228.9	54.4	50.8	24%	22%	2.7	34.0	19.0	44.2	15.9
FY23	220.2	60.3	50.8	27%	23%	2.7	25.4	12.8	41.6	11.9
FY24	634.7	167.4	122.8	26%	19%	6.6	38.0	31.4	14.5	7.3

Source: Ventura Research & Company update

Issue Structure and Offer Details

Arkade Developers Limited IPO is a book-built issue of INR 410.00 cr. The issue is composed fully of fresh issue of 3.20 cr shares aggregating to INR 410.00 cr.

Issue Structure	
Investor Category	Allocation
QIB	Not more than 50.00% of the Offer
NII (HNI)	Not less than 15.00% of the Net issue
Retail	Not less than 35.00% of the Offer

Number of shares based on a higher price band of INR 128

Source: Company Reports

Objects of the Issue

The company proposes to utilize the Net Proceeds towards the following objects:

1. Funding a part of the costs to be incurred in the development of our Ongoing Projects (viz. Arkade Nest, Prachi CHSL and C-Unit) (Funding Development Expenses);
2. Funding acquisition of yet-to-be identified land for real estate projects; and
3. General corporate purposes.

Financial Summary

Fig in INR Cr (unless specified)	FY22	FY23	FY24	Fig in INR Cr (unless specified)	FY22	FY23	FY24
Income Statement				Per share data & Yields			
Revenue	228.9	220.2	634.7	Adjusted EPS (INR)	2.7	2.7	6.6
<i>YoY Growth (%)</i>	<i>N/A</i>	<i>(3.8)</i>	<i>188.3</i>	Adjusted Cash EPS (INR)	2.7	2.7	6.7
Raw Material Cost	160.0	132.9	429.0	Adjusted BVPS (INR)	8.0	10.8	17.4
<i>RM Cost to Sales (%)</i>	<i>69.9</i>	<i>60.4</i>	<i>67.6</i>	Adjusted CFO per share (INR)	(6.6)	(5.3)	5.5
Employee Cost	7.9	17.1	16.7	CFO Yield (%)	(5.2)	(4.2)	4.3
<i>Employee Cost to Sales (%)</i>	<i>3.5</i>	<i>7.8</i>	<i>2.6</i>	Adjusted FCF per share (INR)	(6.5)	(5.3)	4.9
Other Expenses	6.6	9.9	21.6	FCF Yield (%)	(5.1)	(4.1)	3.9
<i>Other Exp to Sales (%)</i>	<i>2.9</i>	<i>4.5</i>	<i>3.4</i>	Solvency Ratio (X)			
EBITDA	54.4	60.3	167.4	Total Debt to Equity	0.4	0.7	0.2
<i>Margin (%)</i>	<i>23.8</i>	<i>27.4</i>	<i>26.4</i>	Net Debt to Equity	0.2	0.7	0.1
<i>YoY Growth (%)</i>	<i>N/A</i>	<i>10.7</i>	<i>177.7</i>	Net Debt to EBITDA	0.6	2.2	0.3
Depreciation & Amortization	0.1	0.3	1.1	Return Ratios (%)			
EBIT	54.4	60.0	166.3	Return on Equity	34.0	25.4	38.0
<i>Margin (%)</i>	<i>23.8</i>	<i>27.3</i>	<i>26.2</i>	Return on Capital Employed	19.0	12.8	31.4
<i>YoY Growth (%)</i>	<i>N/A</i>	<i>10.4</i>	<i>177.1</i>	Return on Invested Capital	30.0	18.1	45.2
Other Income	8.2	3.9	1.0	Working Capital Ratios			
Bill discounting & other charges	4.3	1.3	3.1	Payable Days (Nos)	22	39	22
Fin Charges Coverage (X)	12.6	46.9	53.2	Inventory Days (Nos)	477	830	281
Exceptional Item	0.0	0.0	0.0	Receivable Days (Nos)	8	6	5
PBT	58.3	62.6	164.2	Net Working Capital Days (Nos)	463	797	263
<i>Margin (%)</i>	<i>25.5</i>	<i>28.4</i>	<i>25.9</i>	Net Working Capital to Sales (%)	126.9	218.4	72.1
<i>YoY Growth (%)</i>	<i>N/A</i>	<i>7.4</i>	<i>162.2</i>	Valuation (X)			
Tax Expense	14.7	16.0	42.3	P/E	46.7	46.8	19.4
<i>Tax Rate (%)</i>	<i>25.3</i>	<i>25.6</i>	<i>25.8</i>	P/BV	15.9	11.9	7.3
PAT	43.6	46.6	121.9	EV/EBITDA	44.2	41.6	14.5
<i>Margin (%)</i>	<i>19.0</i>	<i>21.2</i>	<i>19.2</i>	EV/Sales	10.5	11.4	3.8
<i>YoY Growth (%)</i>	<i>N/A</i>	<i>6.9</i>	<i>161.5</i>	Cash Flow Statement			
Min Int/Sh of Assoc	7.3	4.2	1.0	PBT	58.3	62.6	164.2
Net Profit	50.8	50.8	122.8	Adjustments	(70.6)	44.9	(44.4)
<i>Margin (%)</i>	<i>22.2</i>	<i>23.1</i>	<i>19.3</i>	Change in Working Capital	(96.1)	(190.2)	23.0
<i>YoY Growth (%)</i>	<i>N/A</i>	<i>(0.2)</i>	<i>141.9</i>	Less: Tax Paid	(14.7)	(16.0)	(41.3)
Balance Sheet				Cash Flow from Operations	(123.2)	(98.7)	101.5
Share Capital	2.0	2.0	152.0	Net Capital Expenditure	(1.6)	(0.6)	(12.1)
Total Reserves	147.3	198.3	171.6	Change in Investments	77.6	29.8	(0.1)
Shareholders Fund	149.3	200.3	323.6	Cash Flow from Investing	76.0	29.2	(12.2)
Long Term Borrowings	1.2	78.8	29.0	Change in Borrowings	49.1	84.9	(79.5)
Deferred Tax Assets / Liabilities	(0.3)	(0.7)	0.4	Less: Finance Cost	(4.3)	(1.3)	(3.1)
Other Long Term Liabilities	0.0	0.0	1.4	Proceeds from Equity	0.0	0.0	0.0
Long Term Trade Payables	0.0	0.0	0.0	Buyback of Shares	0.0	0.0	0.0
Long Term Provisions	0.9	1.1	1.2	Dividend Paid	0.0	0.0	0.0
Total Liabilities	151.1	279.5	355.8	Cash flow from Financing	44.8	83.6	(82.6)
Net Block	1.8	2.2	14.0	Net Cash Flow	(2.4)	14.1	6.7
Capital Work in Progress	0.0	0.0	0.0	Forex Effect	0.0	0.0	0.0
Intangible assets under developme	0.0	0.0	0.0	Opening Balance of Cash	4.9	2.5	16.6
Non Current Investments	16.4	17.0	18.1	Closing Balance of Cash	2.5	16.6	23.3
Long Term Loans & Advances	0.1	1.1	3.1				
Other Non Current Assets	1.1	6.5	2.4				
Net Current Assets	131.8	252.8	318.1				
Total Assets	151.1	279.5	355.8				

Source: Ventura Research

Disclosures and Disclaimer

Ventura Securities Limited (VSL) is a SEBI registered intermediary offering broking, depository and portfolio management services to clients. VSL is member of BSE, NSE and MCX-SX. VSL is a depository participant of NSDL. VSL states that no disciplinary action whatsoever has been taken by SEBI against it in last five years except administrative warning issued in connection with technical and venial lapses observed while inspection of books of accounts and records. Ventura Commodities Limited, Ventura Guaranty Limited, Ventura Insurance Brokers Limited and Ventura Allied Services Private Limited are associates of VSL. Research Analyst (RA) involved in the preparation of this research report and VSL disclose that neither RA nor VSL nor its associates (i) have any financial interest in the company which is the subject matter of this research report (ii) holds ownership of one percent or more in the securities of subject company (iii) have any material conflict of interest at the time of publication of this research report (iv) have received any compensation from the subject company in the past twelve months (v) have managed or co-managed public offering of securities for the subject company in past twelve months (vi) have received any compensation for investment banking merchant banking or brokerage services from the subject company in the past twelve months (vii) have received any compensation for product or services from the subject company in the past twelve months (viii) have received any compensation or other benefits from the subject company or third party in connection with the research report. RA involved in the preparation of this research report discloses that he / she has not served as an officer, director or employee of the subject company. RA involved in the preparation of this research report and VSL discloses that they have not been engaged in the market making activity for the subject company. Our sales people, dealers, traders and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein. We may have earlier issued or may issue in future reports on the companies covered herein with recommendations/ information inconsistent or different those made in this report. In reviewing this document, you should be aware that any or all of the foregoing, among other things, may give rise to or potential conflicts of interest. We may rely on information barriers, such as "Chinese Walls" to control the flow of information contained in one or more areas within us, or other areas, units, groups or affiliates of VSL. This report is for information purposes only and this document/material should not be construed as an offer to sell or the solicitation of an offer to buy, purchase or subscribe to any securities, and neither this document nor anything contained herein shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. This document does not solicit any action based on the material contained herein. It is for the general information of the clients / prospective clients of VSL. VSL will not treat recipients as clients by virtue of their receiving this report. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of clients / prospective clients. Similarly, this document does not have regard to the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive this document. The securities discussed in this report may not be suitable for all investors. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. Persons who may receive this document should consider and independently evaluate whether it is suitable for his/ her/their particular circumstances and, if necessary, seek professional/financial advice. And such person shall be responsible for conducting his/her/their own investigation and analysis of the information contained or referred to in this document and of evaluating the merits and risks involved in the securities forming the subject matter of this document. The projections and forecasts described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. Projections and forecasts are necessarily speculative in nature, and it can be expected that one or more of the estimates on which the projections and forecasts were based will not materialize or will vary significantly from actual results, and such variances will likely increase over time. All projections and forecasts described in this report have been prepared solely by the authors of this report independently of the Company. These projections and forecasts were not prepared with a view toward compliance with published guidelines or generally accepted accounting principles. No independent accountants have expressed an opinion or any other form of assurance on these projections or forecasts. You should not regard the inclusion of the projections and forecasts described herein as a representation or warranty by VSL, its associates, the authors of this report or any other person that these projections or forecasts or their underlying assumptions will be achieved. For these reasons, you should only consider the projections and forecasts described in this report after carefully evaluating all of the information in this report, including the assumptions underlying such projections and forecasts. The price and value of the investments referred to in this document/material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance. Future returns are not guaranteed and a loss of original capital may occur. 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. We do not provide tax advice to our clients, and all investors are strongly advised to consult regarding any potential investment. VSL, the RA involved in the preparation of this research report and its associates accept no liabilities for any loss or damage of any kind arising out of the use of this report. This report/document has been prepared by VSL, based upon information available to the public and sources, believed to be reliable. No representation or warranty, express or implied is made that it is accurate or complete. VSL has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed. The opinions expressed in this document/material are subject to change without notice and have no obligation to tell you when opinions or information in this report change. This report or recommendations or information contained herein do/does not constitute or purport to constitute investment advice in publicly accessible media and should not be reproduced, transmitted or published by the recipient. The report is for the use and consumption of the recipient only. This publication may not be distributed to the public used by the public media without the express written consent of VSL. This report or any portion hereof may not be printed, sold or distributed without the written consent of VSL. This document does not constitute an offer or invitation to subscribe for or purchase or deal in any securities and neither this document nor anything contained herein shall form the basis of any contract or commitment whatsoever. This document is strictly confidential and is being furnished to you solely for your information, may not be distributed to the press or other media and may not be reproduced or redistributed to any other person. The opinions and projections expressed herein are entirely those of the author and are given as part of the normal research activity of VSL and are given as of this date and are subject to change without notice. Any opinion estimate or projection herein constitutes a view as of the date of this report and there can be no assurance that future results or events will be consistent with any such opinions, estimate or projection. This document has not been prepared by or in conjunction with or on behalf of or at the instigation of, or by arrangement with the company or any of its directors or any other person. Information in this document must not be relied upon as having been authorized or approved by the company or its directors or any other person. Any opinions and projections contained herein are entirely those of the authors. None of the company or its directors or any other person accepts any liability whatsoever for any loss arising from any use of this document or its contents or otherwise arising in connection therewith. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Securities Market.

Ventura Securities Limited - SEBI Registration No.: INH000001634

Corporate Office: I-Think Techno Campus, 8th Floor, 'B' Wing, Off Pokhran Road No 2, Eastern Express Highway, Thane (W) – 400608