

### Issue Highlights

Industry	Real Estate
Offer for sale (Shares)	1,386,322
Fresh Issue (Shares)	10,351,201
<b>Net Offer to the Public</b>	<b>11,737,523</b>
Issue Size (Rs. Cr.)	603-635
Price Band (Rs.)	514-541
Offer Date	14-Nov-22
Close Date	16-Nov-22
Face Value	10
Lot Size	27

### Issue Composition

	In shares
Total Issue for Sale	11,737,523
QIB	5,868,762
NIB	1,760,628
Retail	4,108,133

### Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	96.71%	86.70%
QIB	1.45%	6.47%
NIB	1.84%	3.22%
Retail	0.00%	3.61%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

\*calculated on the upper price band

### Objects of the Issue

Each of the Selling Shareholders will be entitled to their respective portion of the proceeds of the Offer for Sale.

The company propose to utilise the Net Proceeds towards funding the following objects:

1. Repayment/ prepayment, in full or part, of certain borrowings availed by the Company and/or certain of the Subsidiaries.
2. Funding acquisition of future real estate projects and general corporate purposes.

### Book Running Lead Manager

- Axis Capital Limited
- Credit Suisse Securities (India) Private Limited

### Name of the registrar

- Link Intime India Private Limited

### About the company

Incorporated in 1995, Keystone Realtors Limited is one of the prominent real estate developers. As of June 30, 2022, the company had 32 Completed Projects, 12 Ongoing Projects and 21 Forthcoming Projects across the Mumbai Metropolitan Region ("MMR") that includes a comprehensive range of projects under the affordable, mid and mass, aspirational, premium and super premium categories, all under the Rustomjee brand. June 30, 2022, Keystone Realtors has developed 20.22 million square feet 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, the company has developed over 280 buildings and homes for over 14,000 families.

### Strength

**Well established customer-centric brand in the Mumbai Metropolitan Region:** The company is one of the prominent real estate developers (in terms of absorption in number of units) in the micro markets that it is present in, namely Juhu, Bandra East, Khar, Bhandup, Virar and Thane (Source: Anarock Report), and are able to garner premium pricing in the MMR micro-markets where its projects are located. As of June 30, 2022, it had 32 Completed Projects, 12 Ongoing Projects and 21 Forthcoming Projects across the MMR that includes a comprehensive range of projects under the affordable, mid and mass, aspirational, premium, and super premium categories, all under its Rustomjee brand. It believes that its presence in the MMR market for two and half decades, together with its construction quality, execution and delivery capabilities, has enabled it to establish the Rustomjee brand in the MMR. It believes that the strength of its brand is attributable to its ability to understand customer preferences and inspire customer confidence.

**Amongst the leading residential real estate development companies in MMR with a well-diversified portfolio and strong pipeline:** It is one of the prominent real estate developers in the redevelopment segment in terms of supply (in terms of number of units) in the micro markets that it is present in, wherein it command a market share of 39% in Khar, 14% in Bandra East and 14% in Juhu from the overall redevelopment supply between 2017 and 2021. Its diversified portfolio has allowed it to hedge its revenue pipelines and shield against business fluctuations across categories.

**Asset-light and scalable model resulting in profitability and stable financial performance:** As part of its business model, it 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. It 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.

**Demonstrated project execution capabilities with in-house functional expertise:** It 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 conceptualization of the development, land acquisition, approvals, to execution, comprising planning, designing and overseeing the construction activities, marketing and sales culminating in property delivery. It relies on the domain knowledge, experience and functional expertise of its in-house experts to deliver quality projects in compliance with regulations.

## Strategy

**Leverage the 'Rustomjee' brand to grow its asset-light operations:** It believes that its asset-light business model, robust stakeholder management, customer-centric brand name, technology stack, trusted vendors and experienced management are pivotal to its overall strategy to grow its operations in MMR. It intends to leverage its strength and experience in redevelopment, focus on such opportunities in Mumbai's city centre locations and major suburbs, and continue to expand its business by following a disciplined approach with an asset-light model.

**Improve operational efficiency with technological innovation, trusted vendors and stakeholder management:** Having nurtured the brand through sustained delivery, quality of construction and scaling up of operations, it intends to continue to enhance its capability to deliver more projects, reduce development time and cost, and achieve economies of scale. It intends to implement additional technology initiatives across all aspects of its operations to improve efficiency in project execution, reduce project development time and cost, and increase sales. It will continue to focus on developing mechanized and technological construction capabilities to increase the efficiency and quality of its projects.

**Leverage its leadership position in the premium category to grow its presence in the mid and aspirational category:** Through consistent demonstration of building upscale projects, it plans on leveraging its brand equity generated from its 'Rustomjee' brand, customer centricity and high-end product design, along with its quality execution, to maintain its market position in the markets it is present in and focus on re-development projects for the premium category. It has undertaken several re-development projects in the premium and super premium categories such as: Ashiana & Parishram.

**Increased focus on key growth areas in the proximity of upcoming infrastructure projects and relaxation of Coastal Regulation Zone norms:** It intends to increase its focus on several key growth areas such as the Western Suburbs and Navi Mumbai, by focusing on increased demand for real estate arising from upcoming transportation infrastructure projects and the relaxation of Coastal Regulation Zone norms that allow for development of more sea-facing properties. Several infrastructure projects are underway in Greater Mumbai and MMR so as to achieve long-term sustainability and increase the carrying capacity of the city's transportation networks and thus improve traffic and transportation capacity and quality. The company plans to focus on micro-markets across MMR with proximity to these upcoming infrastructures.

## Risk factor

- Its business and profitability is significantly dependent on the performance of the real estate market.
- The company focuses on development of residential projects across various categories within the MMR, and the success of these projects is dependent on ability to anticipate and address consumer preferences in the various market segments.
- Shortage of land for development in the MMR or a significant increase in cost of such land or transferable development rights available for development in the MMR may adversely impact its business prospects and financial performance.

## Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
Macrotech Developers Limited	9945.18	158.78	26.67	35.83	4.17	229.09	10.00	955.55	46028.60
Godrej Properties Limited	2019.16	400.00	14.39	81.20	3.70	315.73	5.00	1168.50	32486.75
Oberoi Realty Limited	3257.17	1421.58	39.10	23.29	3.00	303.32	10.00	910.45	33104.17
Sunteck Realty Limited	563.92	47.00	3.21	124.03	2.09	190.58	1.00	398.15	5830.91
Keystone Realtors Limited**	1269.37	135.83	11.93	45.36	4.11	131.67	10.00	541.00	6160.77

\* Peer companies financials are TTM based.

\*\* FY22 Financials

## Valuation

Considering the P/E valuation on the upper end of the price band of Rs. 541, the stock is priced at pre issue P/E of 41.23x on its FY22 EPS of Rs. 13.12. Post issue, the stock is priced at a P/E of 45.36x on its EPS of Rs. 11.93. Looking at the P/B ratio at Rs. 541 the stock is priced at P/B ratio of 5.82x on the pre issue book value of Rs.93.03 and on the post issue book value of Rs. 131.67 the P/B comes out to 4.11x.

On the lower end of the price band of Rs.514 the stock is priced at pre issue P/E of 39.18x on its FY22 EPS of Rs. 13.12. Post issue, the stock is priced at a P/E of 43.09x on its EPS of Rs. 11.93. Looking at the P/B ratio at Rs.514, the stock is priced at P/B ratio of 5.52x on the pre issue book value of Rs. 93.03 and on the post issue book value of Rs. 131.67, the P/B comes out to 3.90x.

## Industry Outlook

The real estate sector in India has witnessed several changes in market conditions because of demonetization, NBFC liquidity crisis of 2018 and the implementation of RERA and GST in this period, the overall effect being that the sector has moved towards more transparency and being more organized than in years earlier of these reforms taking place. Despite the spiralling COVID-19 pressure across the country, the Indian residential sector made a significant comeback in 2021 with absorption rebounding to 171% as compared to 2020. In 2019, the absorption was recorded at 2.61 lakhs units which depicts that 2021 absorption has attained approximately 90% of the absorption recorded in 2019. This clearly demonstrates steady recovery as compared to 2020. The Mumbai Metropolitan Region (“MMR”), Pune, Bengaluru, Hyderabad, the National Capital Region (“NCR”), Chennai and Kolkata (“Top Seven Indian Markets”) recorded absorption of approximately 2.37 lakh units in 2021 as compared to 1.38 lakh units in 2020. New launches have jumped by 185% from 127,959 units in 2020 to 236,693 units in 2021. The unsold inventory across the top 7 cities in India has remained stable on a yearly basis i.e. for 2021 (638,192 units) as compared to unsold inventory in 2020 (638,015 units). Hyderabad witnessed the highest yearly increase in the available inventory by 171% whereas MMR, NCR and Bengaluru witnessed yearly decline in the available inventory by 10%, 5% and 4% respectively.

## Outlook

Keystone Realtors Limited is a real estate developer primarily engaged in construction, development, and related activities in India. The company is doing the development of residential and commercial projects under the Rustomjee brand. The company completed 32 projects while 12 projects are ongoing as of June 30, 2022. They have 21 forthcoming projects in Mumbai Metropolitan Region. A long term investor may opt the issue.

### An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	14-November-22
BID/ISSUE CLOSES ON	16-November-22
Finalisation of Basis of Allotment with the Designated Stock Exchange	21-November-22
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	22-November-22
Credit of Equity Shares to demat accounts of Allottees	23-November-22
Commencement of trading of the Equity Shares on the Stock Exchanges	24-November-22

## Annexure

### Consolidated Financials

#### Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Jun-22 (3 Months)	Period ended 31-Mar-22 (12 Months)	Period ended 31-Mar-21 (12 Months)
Revenue from operations	168.56	1269.37	848.72
Total expenditure	164.03	1090.02	735.06
<b>Operating Profit</b>	<b>4.53</b>	<b>179.34</b>	<b>113.66</b>
OPM%	2.68	14.13	13.39
Other Income	7.44	33.60	328.55
<b>PBDIT</b>	<b>11.97</b>	<b>212.95</b>	<b>442.20</b>
Depreciation	0.82	3.46	1.51
<b>PBIT</b>	<b>11.15</b>	<b>209.49</b>	<b>440.69</b>
Interest	3.27	22.96	139.45
<b>Restated Profit before tax</b>	<b>7.88</b>	<b>186.53</b>	<b>301.24</b>
share of profit	0.43	2.15	11.72
<b>Profit &amp; Loss before Share of Post-acquisition Profit of Associate</b>	<b>7.45</b>	<b>184.38</b>	<b>289.53</b>
Tax	3.23	48.55	57.70
<b>PAT</b>	<b>4.22</b>	<b>135.83</b>	<b>231.82</b>

**Balance sheet is on next page**

## Balance Sheet

Rs. in Cr.

Particulars	As on 30-Jun-22	As on 31-Mar-22	As on 31-Mar-21
<b>Non-current assets</b>			
Property, plant and equipment	3.40	3.33	3.35
Capital Work-in-progress	0.00	0.00	0.39
Other Intangible assets	0.12	0.15	0.29
Investment properties	9.53	9.63	10.04
Right of use assets	3.81	4.35	0.00
Goodwill	15.79	15.79	15.79
Investment financial assets	0.29	0.29	0.29
Current Tax Assets	65.73	64.32	59.12
deferred tax assets (net)	38.09	38.57	38.80
Investments accounted for using the equity method	558.26	564.12	590.44
other Financial assets	23.28	25.57	16.13
Other non current assets	10.10	10.10	7.27
<b>Total non-current assets</b>	<b>728.41</b>	<b>736.23</b>	<b>741.91</b>
<b>Current assets</b>			
Inventories	2263.85	2254.31	2192.58
bank balances other than cash	142.02	174.08	129.98
Trade receivables	59.84	113.58	36.70
Cash and cash equivalents	138.23	59.72	152.97
Investments financials assets	11.58	10.69	4.16
Other financial assets	89.86	85.32	108.03
Loans Financial assets	263.36	261.98	158.94
Other current assets	213.00	180.94	128.84
<b>Total current assets</b>	<b>3181.74</b>	<b>3140.61</b>	<b>2912.19</b>
<b>Total Assets</b>	<b>3910.15</b>	<b>3876.84</b>	<b>3654.10</b>
<b>Non-current liabilities</b>			
<b>Financial liabilities</b>			
Borrowings	115.77	142.43	191.81
Lease liabilities	1.89	2.49	0.00
Trade payables - total o/s due of creditors other than MSME		4.23	3,042.07
other financial liabilities	166.30	193.26	217.93
Provisions	3.02	2.70	2.48
<b>Total financial liabilities</b>	<b>291.21</b>	<b>343.92</b>	<b>414.28</b>
<b>Current liabilities</b>			
Borrowings	1353.07	1415.53	1028.45
Lease Liabilities	2.20	2.10	0.00
Total outstanding dues of creditors of micro enterprises and small enterprises	1.07	1.56	2.33
Total outstanding dues of creditors other than micro enterprises and small enterprises	267.61	303.56	232.19
Other Financial liabilities	68.72	72.79	80.06
Other current liabilities	791.86	725.05	1033.52
Short term Provisions	22.91	25.01	39.35
Current tax liabilities	26.74	24.19	0.08
<b>Total current liabilities</b>	<b>2534.18</b>	<b>2569.77</b>	<b>2415.98</b>
<b>Total</b>	<b>2825.38</b>	<b>2913.69</b>	<b>2830.26</b>
<b>NET Worth</b>	<b>1084.77</b>	<b>963.15</b>	<b>823.84</b>
Net worth represented by:			
Share capital	103.53	100.03	100.03
Non controlling interest	20.30	30.51	22.93
Reserves and surplus	960.94	832.61	700.88
<b>Net Worth</b>	<b>1084.77</b>	<b>963.15</b>	<b>823.84</b>

## RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

E-mail: [smc.care@smcindiaonline.com](mailto:smc.care@smcindiaonline.com)



Moneywise. Be wise.

**Corporate Office:**  
11/6B, Shanti Chamber,  
Pusa Road, New Delhi - 110005  
Tel: +91-11-30111000  
[www.smcindiaonline.com](http://www.smcindiaonline.com)

**Mumbai Office:**  
Lotus Corporate Park, A Wing 401/402, 4th Floor,  
Graham Firth Steel Compound, Off Western  
Express Highway, Jay Coach Signal, Goreagon  
(East) Mumbai - 400063  
Tel: 91-22-67341600, Fax: 91-22-67341697

**Kolkata Office:**  
18, Rabindra Sarani, Poddar Court, Gate No-4,  
5th Floor, Kolkata - 700001  
Tel.: 033 6612 7000/033 4058 7000  
Fax: 033 6612 7004/033 4058 7004

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