



# ARKADE



**Issue Opens - September 16, 2024 to September 19, 2024**

**Price Band**  
**₹121 to ₹128**

**Face Value**

₹5 per share

**Issue Size**

₹410.00 Cr

**Lot Size**

110 Shares

**Issue Type**

Book Built

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# Important Events



**Issue Size**

**32,031,250 shares / ₹410.00 Cr**

**Fresh Issue**

**N/A**

**Offer for Sale**

**32,031,250 shares / ₹410.00 Cr**

**Basis of Allotment**

**Friday, September 20, 2024**

**Initiation of Refunds**

**Monday, September 23, 2024**

**Credit of Shares to Demat**

**Monday, September 23, 2024**

**IPO Listing Day**

**Tuesday, September 24, 2024**

## Objects of The Offer

The company proposes to utilise the Net Proceeds from the Fresh Issue towards funding the following objects:

- Funding is part of the costs to be incurred in developing the Ongoing Projects (viz. Arkade Nest, Prachi CHSL, and C-Unit)(Funding Development Expenses); and
- Funding acquisition of yet-to-be-identified land for real estate projects and general corporate purposes.



# Brief profile of the Directors

- **Amit Mangilal Jain** is the Promoter, Managing Director, and Chairman of the Company. He has been a director since 1995, holds a B.Sc. from the University of Mumbai, and oversees corporate strategy, planning, and execution. He also manages public relations and the company's brand image. He has been a member of the National Real Estate Development Council since 2019.
- **Hiren Mohanlal Tanna** has been an Independent Director since August 2023. He holds a Bachelor of Engineering from the University of Bombay and previously worked as a consulting structural and civil engineer.
- **Abhishek Dev**, aged 46, became an Independent Director in November 2023. He holds a B.Sc. (Honours) in geology from Patna University and a postgraduate diploma in management. He has extensive experience in the financial industry and is currently a director at Multi Ark Wealth Private Limited.
- **Arpit Vikram Jain** has been the Whole-Time Director since June 2023 and a director since 2016. He holds a B.Com from the University of Mumbai and is a qualified Chartered Accountant. He oversees accounts, finance, sales, marketing, HR, and administration.
- **Ketu Amit Jain**, aged 47, is a Non-Executive Non-Independent Director. She studied commerce at K.P.B. Hinduja College, served as a Director from 2010 to 2018, and rejoined the company in 2021 as General Manager of Marketing, later becoming a Non-Executive Director in November 2023.
- **Neha Huddar** has been an Independent Director since August 2023. She holds a B.Com from the University of Mumbai and is a Chartered Accountant. She has held finance leadership roles at Thirumalai Chemicals and Reliance Industries.
- **Equity Dilution - 14.76%**
- **Share Holding Pre Issue - 85.58%**
- **Share Holding Post Issue - 70.82%**

# About The Company.



Arkade Developers Limited is a leading real estate development company in Mumbai, India. With a focus on premium residential projects, Arkade has established a strong track record of delivering high-quality and aesthetically designed properties. The company's expertise in project development, construction, and customer service has earned it a reputation as a trusted name in the Mumbai real estate market. Arkade's commitment to innovation and sustainability positions it as a key player in the luxury residential segment.

## Key Business Operations

### Residential Project Development

- Arkade Developers has completed 28 residential projects over the past two decades, totaling over 4.5 million square feet of space.
- Their projects include individual residential towers as well as larger gated communities like Arkade Nest, Aspire, Prime, and Aura.
- As of July 2023, the company has developed 1.8 million square feet of residential property, including through partnership entities where they hold majority stakes.

### Business Model

- Arkade employs an asset-light model, collaborating through joint ventures to deliver high-quality residential spaces.
- The company's in-house project development team manages the entire process from land sourcing to project handover.
- They utilize a mix of communication channels to engage with high-net-worth individuals (HNIs) and non-resident Indians (NRIs) for sales



## Geographic Focus

- Arkade Developers' operations are strategically located in the Mumbai Metropolitan Region (MMR), particularly in the western and eastern suburbs of Mumbai.
- They have established a strong market presence in these prime locations, with 6 ongoing projects currently underway.

## Target Market

- The company caters to the upper-middle and middle class segments, with residential units priced between ₹0.94 crore to ₹6.25 crore.
- Between 2017 and Q1 2023, Arkade launched 1,040 residential units and sold 792 units in different MMR markets.

While they have over the years developed projects at different price points, they are currently developing projects which have a very broad per unit price point ranging from ₹ 9.44 million to ₹ 62.53 million. Set out below is their average per unit price point.

*(in ₹ million)*

Particulars	Highest price per unit	Lowest price per unit	Average per unit
Fiscal 2024	57.99	10.36	20.55
Fiscal 2023	62.53	9.44	21.13
Fiscal 2022	63.60	6.95	16.96

### ARKADE CROWN



### DARSHAN BY ARKADE



### ARKADE SERENE



### CASA BELLA



### BHOOMI ARKADE



As of June 30, 2024, out of their 6 projects that are currently under-development 3 are New Projects and 3 are Redevelopment Projects constituting 50.00% each of their under-development projects. Set out below is break-up of the revenue from Redevelopment Projects and New Projects Fiscal 2024, Fiscal 2023 and Fiscal 2022.



Projects	Fiscal 2024		Fiscal 2023		Fiscal 2022	
	Revenue (in ₹ million)	Percentage of total revenue	Revenue (in ₹ million)	Percentage of total revenue	Revenue (in ₹ million)	Percentage of total revenue
Redevelopment Projects	2,103.97	33.15%	913.21	41.48%	Nil	Nil
New Projects	4,243.40	66.85%	1,288.31	58.52%	2,289.34	100.00%

### Key Performance Indicators

Particulars	As at, and for the financial year ended March 31, 2024	As at and for the financial year ended March 31, 2023	As at and for the financial year ended March 31, 2022
Revenue From operations (₹ in million)	6,347.36	2,201.52	2,289.34
EBIT (₹ in million)	1,682.37	680.54	699.01
EBIT (%) of Revenue from operations	26.51	30.91	30.53
Profit after tax (₹ in million)	1,228.08	507.66	508.44
PAT Margin (%)	19.35	23.06	22.21
Debt To Equity Ratio	0.21	0.74	0.43
EBITDA (₹ in million)	1,693.75	683.25	699.72
EBITDA Margin (%)	26.68	31.04	30.56
Basic EPS (₹)	8.08	3.34	3.32
Diluted EPS (₹)	8.08	3.34	3.32
Interest Coverage Ratio	53.80	53.12	16.15
Return on Equity (ROE) (%)	46.90	29.02	40.90
Adjustable Return on Capital Employed (ROCE) (%)	47.34	24.30	46.17
Sales (in terms of number of units booked by customers)	257	258	87
Sales (in terms of area booked by customers) (in million square feet)	0.20	0.19	0.06
Completed Developable Area (in million square feet)	-	0.26	0.30
Collection (₹ million)	5,702.31	2,584.03	1,700.64

# Statement of Profit and Loss



(All amounts are ₹ in millions unless otherwise stated)

Particulars		For the year ended March 31, 2024	For the year ended March 31, 2023	For the year ended March 31, 2022
<b>I</b>	Revenue from operations	6,347.36	2,201.52	2,289.34
<b>II</b>	Other income	9.76	38.61	82.48
<b>III</b>	<b>Total income (I + II)</b>	<b>6,357.12</b>	<b>2,240.13</b>	<b>2,371.82</b>
<b>IV</b>	<b>Expenses</b>			
	(a) Cost of construction	4,163.97	3,344.28	2,548.79
	(b) Changes in inventories of finished goods and work in progress	126.24	(2,015.19)	(949.19)
	(c) Employee benefit expense	167.02	170.83	79.46
	(d) Finance costs	31.27	12.81	43.29
	(e) Depreciation and amortisation expense	11.38	2.71	0.71
	(f) Other expenses	215.72	98.69	65.82
	<b>Total expenses (IV)</b>	<b>4,715.61</b>	<b>1,614.14</b>	<b>1,788.89</b>
<b>V</b>	<b>Profit before tax and share of profit (loss) from associates (III - IV)</b>	<b>1,641.51</b>	<b>625.99</b>	<b>582.93</b>
	Share of profit / (loss) from associates	9.59	41.74	72.79
<b>VI</b>	<b>Profit before tax</b>	<b>1,651.10</b>	<b>667.73</b>	<b>655.72</b>
<b>VII</b>	<b>Tax expense</b>			
	(1) Current tax	424.72	160.88	147.73
	(2) Deferred tax expense/ (credit)	(1.71)	(0.82)	(0.45)
	<b>Total tax expense (VII)</b>	<b>423.02</b>	<b>160.07</b>	<b>147.28</b>
<b>VIII</b>	<b>Profit for the year (V - VI)</b>	<b>1,228.08</b>	<b>507.66</b>	<b>508.44</b>
	(i) Owners of the company	1,228.40	507.83	504.73
	(ii) Non controlling interest	(0.31)	(0.17)	3.71
<b>XI</b>	<b>Earnings per equity share (Face value of ₹ 10/- per share)</b>			
	(1) Basic (₹)	8.08	3.34	3.32
	(2) Diluted (₹)	8.08	3.34	3.32

# Strengths



- **Strategic Location** - Micro-Market Focus: The company has strategically located its projects in prime micro-markets of the Mumbai Metropolitan Region (MMR), which enhances accessibility and attractiveness to potential buyers.
- **Market Position** - Top Developer Ranking: Arkade Developers is recognized as one of the top ten developers in terms of supply within select micro-markets of MMR, establishing a strong market presence and brand reputation.
- **Experienced Management** - Proficient Leadership: The company benefits from an experienced promoter and a technically proficient management team, which supports effective decision-making and operational efficiency.
- **Strong Execution Capability** - Timely Project Completion: Arkade Developers has a solid track record of completing projects on schedule, which is critical for maintaining customer trust and satisfaction.
- **Financial Performance** - Robust Growth Metrics: The company has demonstrated significant revenue growth, with a reported increase of 184% in revenue for FY2024, alongside a strong profit after tax margin. This reflects effective operational management and market demand for their offerings.
- **Asset-Light Model** - Joint Ventures: Arkade operates on an asset-light model, often engaging in joint ventures for project development, which allows for flexibility and reduced financial risk.
- **Strong In-House Resources** - Internal Capabilities: The company has developed strong in-house resources that facilitate the entire project development process, from land sourcing to project completion, enhancing overall efficiency.



# Threats



- **Land Acquisition Challenges** - Redevelopment and Land Identification: The company may encounter difficulties in identifying suitable redevelopment projects and acquiring land for new developments. This challenge could hinder its ability to expand and execute planned projects effectively.
- **Project Delays** - Regulatory and Management Risks: Arkade Developers is subject to potential project delays due to regulatory requirements and internal management issues. Such delays could lead to penalties under customer agreements, affecting the company's reputation and financial performance.
- **Dependence on Third-Party Contractors** - Reliance on External Resources: The company relies on third-party contractors for construction, which it does not directly control. Any failure on the part of these contractors to meet their obligations could negatively impact project timelines and costs.
- **Economic Sensitivity** - Real Estate Market Vulnerability: Arkade Developers' business is heavily dependent on the real estate sector, which can be sensitive to economic fluctuations. A downturn in the real estate market could adversely affect sales and profitability.
- **Financing Risks** - Customer Financing Issues: The sales of Arkade's projects may be adversely affected if prospective customers face difficulties in obtaining financing. This could lead to lower demand for their properties.
- **Long-Term Agreements** - Absence of Long-Term Contracts: The company lacks long-term agreements for labor and key construction materials, making it vulnerable to price increases, shortages, or supply disruptions. Such factors could result in cost overruns and project delays.
- **Concentration in MMR Region** - Geographical Concentration: Arkade Developers operates primarily within the Mumbai Metropolitan Region (MMR). This concentration could pose risks if there are regional economic downturns or changes in local regulations affecting real estate development.



# Valuation and Outlook

Arkade Developers Limited IPO is expected to be priced between ₹121 to ₹128 Per share. At this price, the company is valued at Price-to-Earnings (P/E) ratio of 15.84x with an FY24 EPS of Rs 8.03 and whereas the Industry P/E of 76.44x.

Name of Company	Latest financial year	Face Value (₹ per share)	Total Income (in ₹ million)	EPS (₹ per share)		NAV (₹ per share)	P/E	RONW (%)
				Basic	Diluted			
Arkade Developers Limited	Consolidated	10	6,357.12	8.08	8.08	21.28	N.A.	46.90
Keystone Realtors Limited	Consolidated	10	22,756.30	9.85	9.82	157.81	74.85	6.40
Godrej Properties Limited	Consolidated	5	43,342.20	26.09	26.08	359.40	111.53	7.76
Macrotech Developers Limited	Consolidated	10	1,04,695.00	16.03	15.99	180.80	78.46	10.32
Suraj Estate Developers Limited	Consolidated	5	4,157.04	19.39	19.39	148.30	40.92	22.97

The IPO is priced at ₹2,450 crore with an EV/Pre-sales ratio of 3.9x, competitive with peers like Suraj Estate at 4.2x. The company's low debt-to-equity ratio of 0.3:1 is expected to drop to 0.1:1 after the IPO, showing financial strength. Arkade Developers saw a 189% revenue growth in FY24, reaching ₹635 crore, with a net profit of ₹123 crore. Future growth looks promising with ongoing projects. The company, a key player in MMR, improved its performance in FY24, making the IPO attractively priced for medium- to long-term investment.

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