



Ajmera Realty & Infra India Ltd

At an inflexion point but walking on a tight rope



Kyon ki bhaiya, sabse bada rupaiya.

Not Rated

At an inflexion point but walking on a tight rope

We interacted with the management of Ajmera Realty (ARIL) to understand its growth prospects in different verticals, the current and future outlook on business and profitability. Ajmera Realty currently has a pipeline of 3.2 mn sq ft which are expected to be launched over the next 18 months. Another 18.2 mn sq ft of pipeline is available for future development.

ARIL has a presence in Mumbai, Bengaluru, Ahmedabad, Pune, Surat and Rajkot, as well as in Manhattan and Bahrain. The management has future plans to develop and retain commercial assets for generating annuity income. The value from these assets will be unlocked through strategic partnership with investors at the developmental stage and through REIT at the post-development stage.

ARIL is also exploring platform/project level relationships with financial investors/institutions to widen project developmental scale while it will keep on launching new projects regularly till then, from land parcels owned and paid for. The company is also open to an asset light model, where it will develop new projects through JV/JD/DM model.

With regards to the increase in stamp duty by 1% post April, 22, in Maharashtra, the management feels that the same will not be an issue with respect to volume, given that affordability is currently at an all-time high. Our channel checks also suggest that residential real estate sales volumes have been strong even with rising interest rates, given the increased emphasis on having one's own house post pandemic, due to WFH. However, our estimates suggest that once interest rates cross 8%, the sales volume should be affected.

On its high debt (FY22 net debt to equity at 1x), the management feels that it has enough land parcels in prime micro markets of Mumbai which can be monetized easily given the current boom in the housing market.

Industry	Real Estate
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Scrip Details	
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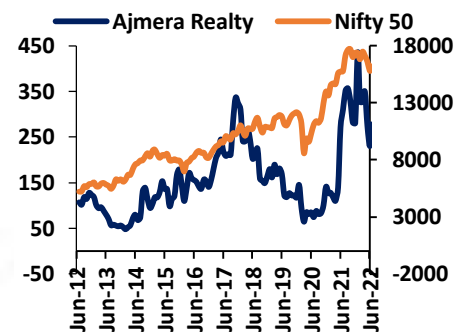
Face Value (INR)	10.0
Market Cap (INR Cr)	1,015
Price (INR)	276
No of Shares O/S	3.5
3M Avg Vol (000)	408.92
52W High/Low (INR)	496/211
Dividend Yield (%)	0.8

Shareholding (%)	Mar 2022
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Promoter	69.73
Institution	0.02
Public	30.24

TOTAL

Price Chart	
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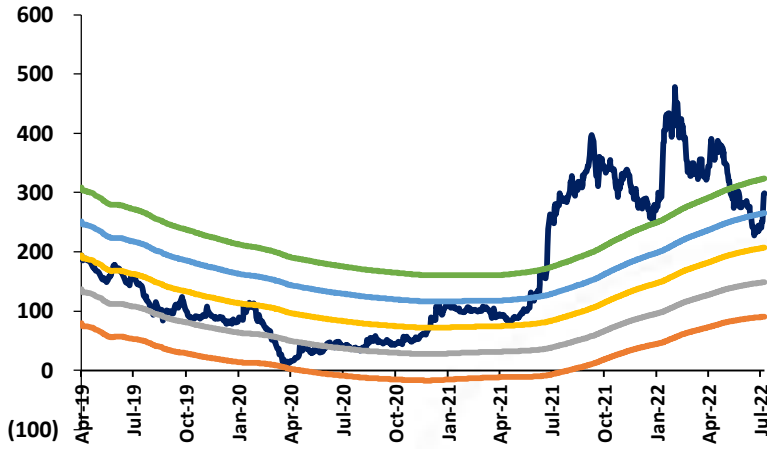
Key Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	Net Profit	EBITDA (%)	Net Profit (%)	EPS (₹)	BVPS (₹)	RoE (%)	RoIC (%)	P/E (X)	P/BV (X)	EV/EBITDA (X)
FY19	382	127	75	33.3	19.6	21.0	172.2	12.2	8.9	13.1	1.6	13.9
FY20	344	104	33	30.3	9.4	9.2	180.0	5.1	6.6	30.1	1.5	18.1
FY21	347	95	31	27.5	8.9	8.7	187.3	4.6	6.7	31.7	1.5	18.0
FY22	483	116	45	24.1	9.4	12.8	200.1	6.4	7.5	21.6	1.4	15.5

Valuation and price performance

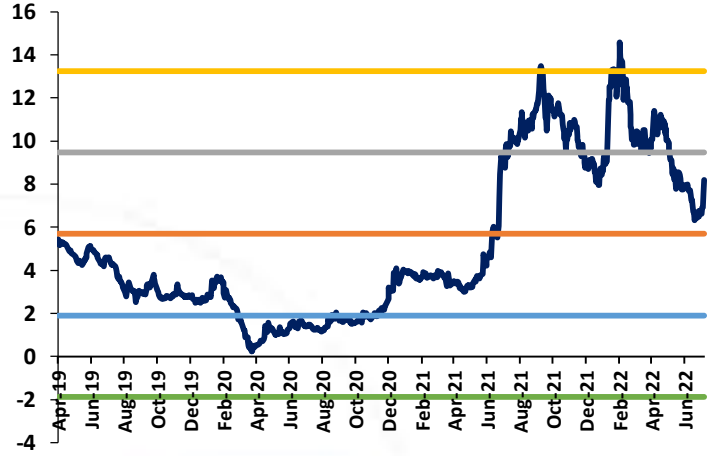
1 year forward EV/EBITDA band chart

EV per sh — 2.49x — 4.09x
5.69x — 7.29x — 8.89x



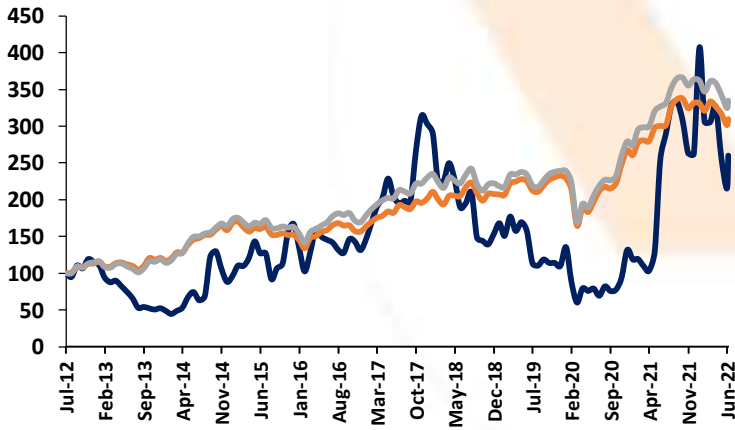
EV/EBITDA & Standard Deviation

EV/EBITDA — Avg — SD1 upper Band
SD2 upper Band — SD1 lower Band — SD2 lower Band

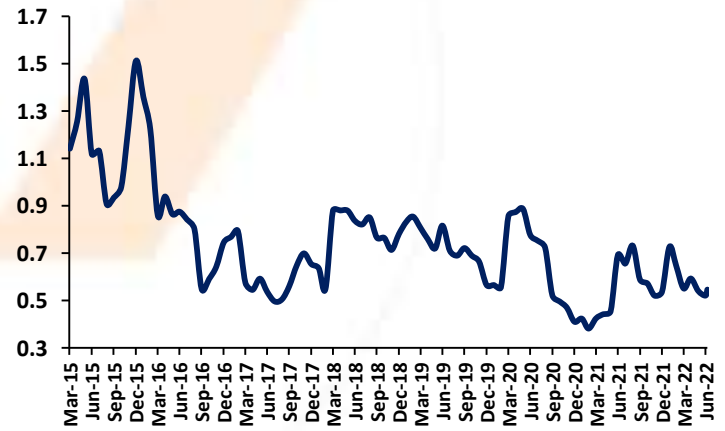


Ajmera Realty has underperformed the broader indices

Ajmera Realty — Nifty 50 — Nifty 500



Ajmera is trading at an all time high discount to NSE Realty



Source: Ventura Research

Summary of our concall with the management

- **Input cost pressure:** The realty sector is facing tremendous input cost pressure due to the rise in commodity prices in the last 1 year. However, as per the management, it has been able to absorb costs better than peers given that it has a land bank available at historical costs.
- **Strategy for debt reduction:** ARIIL will focus on reducing debt by adopting an asset light model. Under the new model, the company will enter into JVs/JDAs instead of owning land parcels.
- **International operations:** ARIIL has furthered its global presence through a project in Kingston, London. The project is a JV between ARIL and a prestigious local developer in the UK.
- The London project comprises 14 complex houses catering to the mid-income segment in residential zones. As per the management, the project is a low-investment, high-return project with a low gestation period.
- **Operational performance for 1QFY23:** For 1QFY23, ARIIL achieved a sales volume of INR 400 cr, which is up 261% YoY. The collection efficiency was also robust at INR 210 cr (up 93% YoY). Carpet area sales stood at 1,57,438 sq.ft, up by 155% YoY compared to 61,663 Sq.ft. in 1QFY22.
- **Price hike:** In line with other real estate developers, ARIIL has also employed a price hike of 6-10% across projects in the last 1 year. The management is confident that sales volumes will stay robust despite the price hike and increase in interest rates, given all-time high affordability.

However, our channel checks suggest that sales volumes for residential real estate builders will start getting affected once interest rates cross 8%.

Monetization pipeline of ARIL

Ongoing projects of Ajmera Realty

Particulars	ARIL stake	SPV	Total carpet area (in sq ft)	% of completion as on FY22	Expected date
<u>Mumbai</u>					
Aeon	100%	ARIIL	133,797	100%	OC received
Aeon II	100%	ARIIL	43,058	100%	OC received
Treon	100%	ARIIL	341,260	100%	OC received
Zeon	100%	ARIIL	293,951	100%	OC received
Sikova	100%	ARIIL	127,876	46%	Mar-24
Greenfinity	100%	ARIIL	69,651	64%	Dec-22
<u>Ahmedabad</u>					
Casa Vyoma	50%	Sumedha Spacelink	555,458	100%	
Enigma	50%	V.M Procon Pvt Ltd	185,573	100%	
<u>Bangalore</u>					
Lugaano	70%	AHC Bangalore	168,631	38%	Sep-23
Nucleus-Resi	70%	AHC Bangalore	169,620	96%	OC Applied
Nucleus-C	70%	AHC Bangalore	91,124	39%	Mar-23
Nucleus-Commercial	70%	AHC Bangalore	77,361	73%	OC Applied
Florenza	70%	AHC Bangalore	166,171	2%	Sep-23
Total			2,423,531		

Source: Ventura Research

Upcoming projects of Ajmera Realty

Particulars	ARIL stake	SPV	Total carpet area (in sq ft)	Expected start date	Expected date
<u>Mumbai</u>					
Manhattan	100%	ARIIL	492,134	Launched	Mar-26
Codename Juhu	100%	ARIIL	30,700	Jun-22	Jun-24
Codename Ghatkopar	100%	Shree Yogi Realcon	91,275	Dec-22	Dec-24
Codename Bhandup	85%	Anirdesh Developers	489,615	Dec-22	Mar-26
Codename Kanjurmarg	100%	Jolly Brothers	398,182	Mar-23	Mar-26
<u>Pune</u>					
Codename Marketyard	23%	Ajmera Percept Realty	186,755	Dec-22	Dec-25
Total			1,688,661		

Source: Ventura Research

Financials									
Fig in INR Cr (unless specified)	FY19	FY20	FY21	FY22	Fig in INR Cr (unless specified)	FY19	FY20	FY21	FY22
Income Statement					Per share data & Yields				
Revenue	381.5	344.4	346.7	482.7	Adjusted EPS (INR)	21.0	9.2	8.7	12.8
<i>YoY Growth (%)</i>		<i>(9.7)</i>	<i>0.7</i>	<i>39.2</i>	Adjusted Cash EPS (INR)	21.7	9.8	9.2	13.3
Raw Material Cost	3.7	0.0	0.0	0.0	Adjusted BVPS (INR)	199.1	209.5	215.9	228.7
<i>RM Cost to Sales (%)</i>	<i>1.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	Adjusted CFO per share (INR)	(97.4)	(5.0)	56.6	(46.2)
Employee Cost	25.6	26.7	25.6	27.8	CFO Yield (%)	(35.3)	(1.8)	20.5	(16.7)
<i>Employee Cost to Sales (%)</i>	<i>6.7</i>	<i>7.8</i>	<i>7.4</i>	<i>5.8</i>	Adjusted FCF per share (INR)	(36.4)	3.0	37.8	(37.5)
Other Expenses	225.0	213.2	225.7	338.7	FCF Yield (%)	(13.2)	1.1	13.7	(13.6)
<i>Other Exp to Sales (%)</i>	<i>59.0</i>	<i>61.9</i>	<i>65.1</i>	<i>70.2</i>	Solvency Ratio (X)				
EBITDA	127.2	104.5	95.4	116.2	Total Debt to Equity	1.2	1.3	1.0	1.1
<i>Margin (%)</i>	<i>33.3</i>	<i>30.3</i>	<i>27.5</i>	<i>24.1</i>	Net Debt to Equity	1.1	1.2	1.0	1.0
<i>YoY Growth (%)</i>		<i>(17.9)</i>	<i>(8.6)</i>	<i>21.7</i>	Net Debt to EBITDA	6.2	8.8	7.8	7.1
Depreciation & Amortization	2.4	2.2	1.8	1.7	Return Ratios (%)				
EBIT	124.7	102.3	93.6	114.5	Return on Equity	12.2	5.1	4.6	6.4
<i>Margin (%)</i>	<i>32.7</i>	<i>29.7</i>	<i>27.0</i>	<i>23.7</i>	Return on Capital Employed	6.9	4.9	4.9	5.4
<i>YoY Growth (%)</i>		<i>(18.0)</i>	<i>(8.4)</i>	<i>22.3</i>	Return on Invested Capital	8.9	6.6	6.7	7.5
Other Income	19.5	6.2	5.1	6.4	Working Capital Ratios				
Finance Cost	50.3	65.9	57.7	59.2	Payable Days (Nos)	49	36	30	32
Interest Coverage (X)	2.5	1.6	1.6	1.9	Inventory Days (Nos)	927	1,059	991	756
Exceptional Item	0.0	0.0	0.0	0.0	Receivable Days (Nos)	184	223	189	200
PBT	93.9	42.7	41.0	61.7	Net Working Capital Days (Nos)	1,062	1,246	1,150	924
<i>Margin (%)</i>	<i>24.6</i>	<i>12.4</i>	<i>11.8</i>	<i>12.8</i>	Net Working Capital to Sales (%)	291.0	341.5	315.1	253.1
<i>YoY Growth (%)</i>		<i>(54.6)</i>	<i>(3.9)</i>	<i>50.6</i>	Valuation (X)				
Tax Expense	17.7	9.7	9.5	15.4	P/E	13.1	30.1	31.7	21.6
<i>Tax Rate (%)</i>	<i>18.8</i>	<i>22.8</i>	<i>23.2</i>	<i>24.9</i>	P/BV	1.4	1.3	1.3	1.2
PAT	76.2	32.9	31.5	46.3	EV/EBITDA	13.9	18.1	18.0	15.5
<i>Margin (%)</i>	<i>20.0</i>	<i>9.6</i>	<i>9.1</i>	<i>9.6</i>	EV/Sales	4.6	5.5	5.0	3.7
<i>YoY Growth (%)</i>		<i>(56.8)</i>	<i>(4.4)</i>	<i>47.2</i>	Cash Flow Statement				
Min Int/Sh of Assoc	(1.6)	(0.4)	(0.6)	(1.0)	PBT	93.9	42.7	41.0	61.7
Net Profit	74.7	32.5	30.9	45.4	Adjustments	(194.9)	12.2	85.9	(90.7)
<i>Margin (%)</i>	<i>19.6</i>	<i>9.4</i>	<i>8.9</i>	<i>9.4</i>	Change in Working Capital	(226.8)	(63.0)	83.3	(119.6)
<i>YoY Growth (%)</i>		<i>(56.4)</i>	<i>(5.1)</i>	<i>47.0</i>	Less: Tax Paid	(17.7)	(9.7)	(9.5)	(15.4)
Balance Sheet					Cash Flow from Operations	(345.5)	(17.9)	200.7	(164.0)
Share Capital	35.5	35.5	35.5	35.5	Net Capital Expenditure	(4.6)	(6.9)	(22.1)	(100.0)
Total Reserves	671.1	708.0	730.7	775.9	Change in Investments	(0.4)	18.3	12.6	25.5
Shareholders Fund	706.6	743.5	766.2	811.4	Cash Flow from Investing	(5.0)	11.4	(9.5)	(74.5)
Long Term Borrowings	795.1	865.5	694.2	815.4	Change in Borrowings	438.0	70.1	(111.9)	91.9
Deferred Tax Assets / Liabilities	0.0	0.0	0.0	0.0	Less: Finance Cost	(50.3)	(65.9)	(57.7)	(59.2)
Other Long Term Liabilities	179.5	75.8	174.9	97.3	Proceeds from Equity	0.0	0.0	0.0	0.0
Long Term Trade Payables	17.3	20.1	19.7	29.4	Buyback of Shares	0.0	0.0	0.0	0.0
Long Term Provisions	5.3	4.7	104.0	3.0	Dividend Paid	(25.1)	(5.0)	(5.0)	(9.1)
Total Liabilities	1,703.8	1,709.6	1,759.0	1,756.5	Cash flow from Financing	362.6	(0.8)	(174.5)	23.7
Net Block	70.9	75.6	66.1	66.3	Net Cash Flow	12.1	(7.3)	16.7	(214.8)
Capital Work in Progress	0.0	0.0	0.0	0.0	Forex Effect	0.0	0.0	0.0	0.0
Intangible assets under developmen	0.0	0.0	0.0	0.0	Opening Balance of Cash	20.0	28.0	22.1	42.6
Non Current Investments	34.5	34.5	34.5	14.4	Closing Balance of Cash	32.1	20.7	38.7	(172.2)
Long Term Loans & Advances	337.2	396.0	442.8	445.5					
Other Non Current Assets	30.7	32.4	55.8	61.3					
Net Current Assets	1,230.6	1,171.1	1,160.0	1,169.0					
Total Assets	1,703.8	1,709.6	1,759.0	1,756.5					

Source: Ventura Research

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