



CMP	333	Rating	Unrated
Target	Unrated	Upside	Unrated

We had an insightful discussion with the management of Ajmera Realty & Infra India Limited to better understand the dynamics of India's real estate market and the company's plans, going forward. The company has been listed on the stock exchange since 1992. The company is predominantly in the residential space and has a strong footprint in Mumbai, Pune, Bengaluru, and Ahmedabad. It also has an international presence in London.

STOCK DETAILS	
BSE Code	AJMERA
Market Cap (Rs.bn)	11.3
Sector	Realty
Group/Index	S&P BSE SmallCap
52 w.High/Low	496/211
Avg Monthly Turnover (Rs.mn)	64.5
Shares in Issue (mn)	35.5
BSE Sensex	62,626
NSE Nifty	18,643

About the Company:

Ajmera Realty & Infra India Limited (ARIIL) is one of the leading real estate developers, focused on premium developments in luxury and mid-luxury projects in the residential segment. The company has a history of more than 50 years and it has been one of the early creators of townships in the Mumbai region, with notable deliveries like the Bhakti Park, a 25-acre green patch, and IMAX dome theatre. It has already delivered ~30.5 msf of completed projects across India.

SHAREHOLDING PATTERN				
%	Dec-21	Mar-22	Jun-22	Sep-22
Promoter	69.7	69.7	69.7	69.7
Public	30.3	30.3	30.3	30.3

CONSOLIDATED FINANCIALS				
Rs. in Mn.	FY19	FY20	FY21	FY22
Revenue	3815.4	3443.8	3467.2	4826.8
EBITDA	1271.5	1044.5	954.2	1161.6
EBITDA (%)	33.3%	30.3%	27.5%	24.1%
Adj. PAT	752.3	327	301.8	453.9
NPM (%)	20.0%	9.6%	9.1%	9.4%
Adj. EPS	21.1	9.2	8.7	12.8
P/E(x)	15.1	34.7	36.7	24.9

Source: Company

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Key Highlights:

- Ajmera Realty's real-estate development business is spread across geographies like Mumbai, Bengaluru and Pune in India and Bahrain and UK internationally. The company has higher presence in Mumbai Metropolitan region with good completion track record. Currently ~2.5msf are under development in the region. Significant amount of inventory has already been sold and nearly 8 lac Sq ft of the inventory is yet to be sold.
- On International front, sales for the business in UK have commenced with monthly repatriation. Whereas in Bahrain, the company has divested its stake in Golden Gate Developers as the developer faced license suspension due to violation of rules and failure of legal obligation.
- In domestic markets, particularly in Mumbai, the company is planning to launch 4 new projects in FY23 & FY24. The projects are in Juhu, Ghatkopar, Central Mumbai 1 and Central Mumbai 2. The company would soon announce the location of other two projects. For Juhu and Ghatkopar projects, the management intends to start recording sales book from Q4FY23 and for the other two projects the process would start from Sept 2023 onwards.
- Of the 11.8msf land owned by Ajmera, 4msf is in Wadala and the remaining is in Kanjurmarg. The saleable area in Wadala is 6.5msf segregated into 3.5msf for residential and 3msf for commercial purpose.
- The high-end redevelopment project in Juhu, "Ajmera Prive" has received RERA certificate in October 2022 and have commenced work there. This project has an estimated sale value of Rs. 1.5bn and will primarily focus on residential apartments of 3 & 4 BHK flats, with the aim to fulfil the needs of high net-worth individuals. The housing project is part of the company's plan to expand its footprint and build residential properties in key prime markets of Mumbai.
- Bangalore's residential projects, Nucleus (A & B wing) is in the advanced stage of completion while Lugaano and Florenza are in the mid-stage of completion. Bengaluru is also the largest office market in the country with the average realization of Rs.6000-8000 (per sq ft). Even though it is much lower compared to the average realization of Mumbai market (Rs.25000/sq ft), the demand in the region is high on account of it being global tech hub and rising number of startups. Ajmera's Nucleus Commercial a (130,000 Sq ft) has received OC coupled and efforts are being made for sales.
- In H1FY23, Ajmera achieved a sales value of Rs.56.6bn increasing by 2.8x of Rs.20.2bn (sales value, H1FY22). EBITDA Margin stood at 31.0% in H1FY23 compared to 25.0% in H1FY22 on account of softening in commodity prices.
- On the operational front, in H1FY23, the avg realization has increased by 37.0% YoY to Rs.23844 (per sq ft) and collection has increased by 44.0% YoY to 312.

Management Outlook

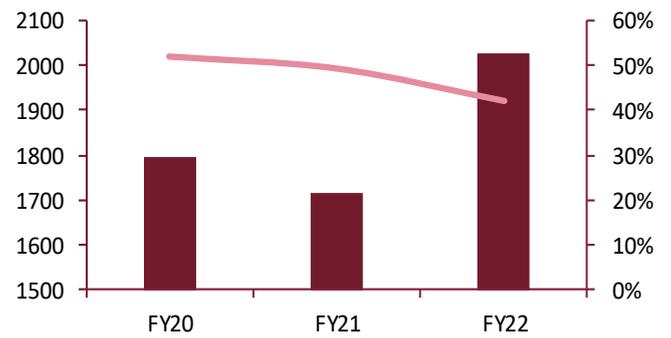
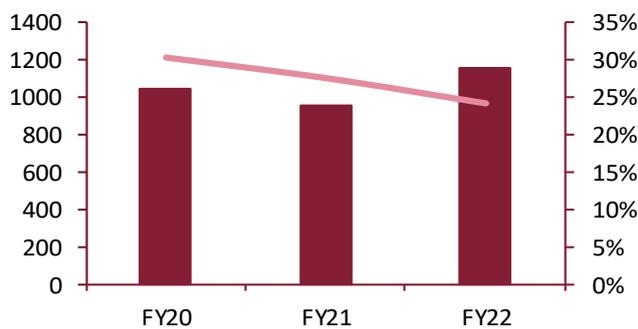
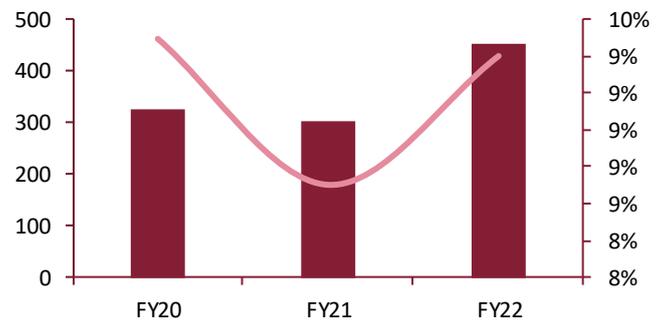
- The management expects Rs.43bn of revenue to be achieved in coming years, attributable to Rs.21bn from the existing project (OC received and underdevelopment projects) and Rs.22bn from the upcoming new projects (5 in Mumbai & 1 in Pune).
- The management is hopeful of margin expansion in the coming quarters on back of better execution of high margins projects of Manhattan and Juhu Prive.
- The recent rate hikes from RBI did have a small impact on the demand sentiments but on a long-term basis the demand would improve on back of lower rate hikes from the central bank.
- The management expects to launch the 1st phase of the large land parcel in Kanjurmarg by FY24.
- Plan to achieve 5x growth with a revenue potential of ~Rs40bn over the next 3-5 years.
- As of FY22, the company has ~INR8bn of gross debt on the books, out of which INR2.5bn is for projects and the balance has been utilized for general corporate purpose. The management has plans to reduce gross debt by INR3.5–4bn by FY24 by generating high operating cashflows and monetizing assets. The company plans to reduce gross debt by almost 60% by FY24E. The company reduced debt by Rs250mn in Q1FY23.
- Government of Maharashtra's recent relaxation in stamp duty to 3% (Earlier 6%) coupled with 50% reduction in BMC premium till March 2023 is a big win for all Mumbai-based real-estate players.

Valuations and View:

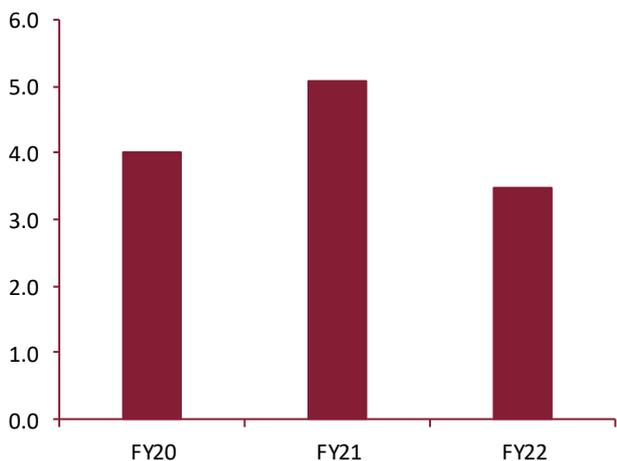
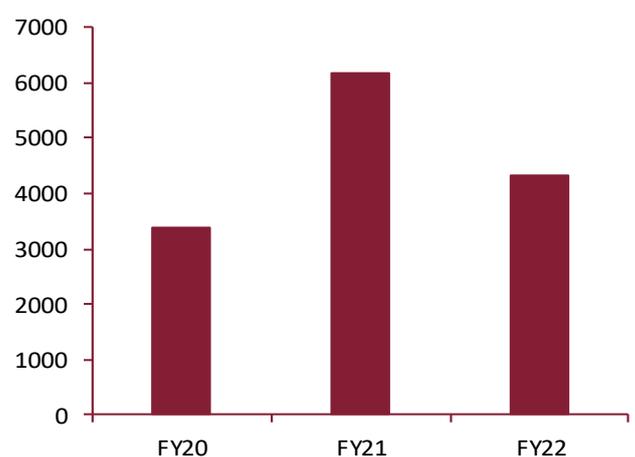
Ajmera Realty, a recognized real-estate developer known for its mid-luxury to luxury housing projects across Mumbai, Pune and Bengaluru. Currently, over 1.3msf of the company's projects are under development, including projects such as Manhattan, Greenfinity and Sikova. Additionally, it also has a 11.8msf land bank for future development. The management offers revenue visibility of ~Rs.43bn (comprising Rs.21bn from existing projects and Rs.22bn from the future projects) in coming years. The execution of high margin projects like Manhattan and Prive would lead to margin expansion in coming quarters. Management has also guided that the focus is on reducing debt in the next two years by generating high operating cash flows and monetizing assets.

We have a positive view on the stock considering, (1) the rising housing demand (2) future project development capabilities in Mumbai Metropolitan region (3) Incorporating asset-light model by seeking JV/JDA and MD agreement with other real-estate developers or landowners to lower cost and improve margin and (4) exploring opportunities in high-end redevelopment projects like Juhu to aid in margin expansion.

Revenue (Rs in Mn)

Gross Profit (Rs in Mn) & Margin (%)

EBITDA (Rs in Mn) & Margin (%)

Adj. PAT (Rs in Mn) & Margin (%)

Collections (Rs in Mn)

Realization (per Sq. ft.)

Sales Volume (lac Sq. ft.)

Sales value (Sq. ft.)


Source: Company

Project Portfolio

Projects	Ownership	Total Carpet Area (Sq. ft.)	Carpet Area (Sq.ft.)	Revenue Recognized (Rs. In Mn)	Unrecognized Revenue (Rs in Mn)	Unsold Carpet Area (Sq.ft)	Estimated Value of Unsold Area (Rs in Mn)	Project Status
Aeon, Zeon, Treon	100%	9,58,348	9,44,914	21,680	60	13,434	320	OC received
Manhattan	100%	4,98,096	1,62,764	1,080	3,520	3,35,332	10,400	Under Construction
Sikova	100%	1,27,876	84,701	930	700	43,175	850	Super Structure Completed
Greenfinity	100%	69,652	50,761	1,060	360	18,891	500	Super Structure Completed
Lugaano	70%	1,16,775	46,936	-	350	69,839	510	Under Construction
Nucleus AB	70%	1,88,666	1,77,649	1,390	10	11,071	90	OC received
Nucleus C	70%	1,03,149	45,741	200	190	57,408	490	Under Construction
Nucleus Commercial	70%	1,05,000	-	-	-	1,05,000	1,050	OC received
Florenza	70%	1,45,513	10,254	-	80	1,33,259	970	Under Construction
Total		23,13,075	15,23,720	26,340	5,270	7,87,409	15,180	

Adj. PAT (Rs in Mn) & Margin (%)

Project	Location	Project Type	Ownership	Estimated Launch	Estimated Completion	Estimated Revenue (Rs in Mn)	Estimated Carpet Area (Sq. ft.)
Ajmera Prive	Mumbai	Residential	100%	Launched	Dec-24	1,500	30,700
Codename Ghatkopar	Mumbai	Residential	100%	Dec-22	Dec-24	2,500	95,000
Central Mumbai 2	Mumbai	Residential	85%	Mar-23	Mar-26	9,750	4,89,615
Central Mumbai 1	Mumbai	Residential & Commercial	100%	Sep-23	Sep-26	7,950	3,98,182
Total						21,700	10,13,497

Source: Company

INDSEC Rating Distribution

BUY : Expected total return of over 15% within the next 12-18 months.

HOLD : Expected total return between 0% to 15% within the next 12-18 months.

SELL : Expected total return is negative within the next 12-18 months.

NEUTRAL: No investment opinion, stock under review.

Note: Considering the current pandemic situation, the duration for the price target may vary depending on how the macro scenario plays out. Therefore, the duration which has been mentioned as a period of 12-18 months for upside/downside target may be higher for certain companies.

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