

September 28, 2022

**MANAGEMENT MEET** | Sector: Real Estate

# Ajmera Realty & Infra India

## Riding the Growth Momentum

### Insights from interaction with Mr. Nitin Bavisi, CFO, AREAL

- Incorporated in 1968, Ajmera Realty & Infra India Ltd. (AREAL) is into developing residential and rented commercial properties. Having carved a niche as 'Destination and PIN Code Creators', AREAL has expanded its footprint across Mumbai, Bengaluru, Ahmedabad, Pune, Surat, and Rajkot in India, besides UK & Bahrain.
- Impressive track record of completing ~30.5msf of real estate project across MMR, Bengaluru, Gujarat & Pune, while execution is underway for ~3.9msf across MMR, Bengaluru & Ahmedabad, besides a robust pipeline of ~18.2msf.
- Focused on building residential and commercial establishments, creating diversified real estate asset classes, deploying asset-light approaches and low CAPEX acquisitions through Joint Ventures (JV) and Joint Developer Agreements (JDA).
- Company's vision is to achieve 5x growth with a revenue potential of ~Rs40bn over the next 3-5 years.
- Key growth levers include robust pipeline for next two years, phenomenal execution capabilities, value unlocking through existing land bank, and asset light growth through JVs & JDAs.
- Debt to equity stands at 1.12x for Q1 FY23 compared to 1.17x for Q4FY22. Company reduced debt by Rs250mn, and weighted average cost of debt is 11.6% as of Q1FY23.
- A dedicated vertical to evaluate opportunities and tap the growth potential in the redevelopment space.
- Delivered ~0.8msf of carpet area with development potential of another ~4msf, apart from existing launches announced on the 100acre layout.
- Recorded sales value of Rs4bn in Q1FY23, an exponential quarter jump compared to the Rs4.3bn clocked for the entire FY22.
- Carpet area sold to the tune of 0.16msf (155%Y/Y) and collections of Rs2.1bn (93% Y/Y) in Q1FY23.

### Our View:

**AREAL has unsold ongoing inventory of Rs16.7bn and its immediate launch pipeline commands a sales potential of Rs21.7bn. Moreover, company has 100acres land in Wadala, a premium area of Mumbai with excellent ecosystem and connectivity to MMR business districts. AREAL only used 0.8msf till date from Wadala land and future growth will be predominantly driven by unused land. Further, AREAL's mixed development project (residential and commercial) in Bangalore has total sales potential of 0.6msf, modelled on the urban 'walk-to-work' concept. We reckon AREAL will continue to gain momentum in the coming two years led by ongoing projects, prospective launches, and a robust pipeline built on the asset-light approach.**

Reco	: <b>NOT RATED</b>
CMP	: Rs 253
Target Price	: N/A
Potential Return	: N/A

### Stock data (as on Sep 28, 2022)

Nifty	16,859
52 Week h/l (Rs)	495 / 210
Market cap (Rs/USD mn)	8963 / 109
Outstanding Shares (mn)	35
6m Avg t/o (Rs mn):	25
Div yield (%):	0.9
Bloomberg code:	AREAL IN
NSE code:	AJMERA

### Stock performance



	1M	3M	1Y
Absolute return	-4.5%	13.2%	-29.0%

### Shareholding pattern (As of June'22 end)

Promoter	69.7%
FII+DII	0.0%
Others	30.2%

(Rs mn)	FY20	FY21	FY22
Net Revenue	3,444	3,467	4,827
YoY Growth	(9.7)	0.7	39.2
EBIDTA	1,045	954	1,162
EBIDTA(%)	30.3	27.5	24.1
PAT	329	315	463
YoY Growth	(56.8)	(4.4)	47.2
ROE	5.1	4.6	4.6
EPS	9.2	8.7	8.7
P/E	30.1	31.7	31.7
BV/Share	209.5	215.9	215.9
P/BV	1.3	1.3	1.3

### ABHISHEK LODHIYA

Lead Analyst

abhishek.lodhiya@ysil.in

+91 22 6885 0521



**SONU UPADHYAY**, Associate

## Exhibit 1: Ongoing Project Status

Project Name	Share (%)	Area (msf)	Sold (msf)	Rev. Recognised (Rs mn)	Rev. Unrecognised (Rs mn)	Unsold (msf)	Est. Unsold (Rs mn)	Status
Manhattan	100	0.50	0.13	-	3540	0.37	11460	UC
Aeon, Zeon & Treon	100	0.96	0.94	21680	-	0.02	370	OC Received
Sikova	100	0.13	0.07	750	690	0.05	1060	UC
Greenfinity	100	0.07	0.04	820	390	0.03	680	Structure Completed
Lugaano	70	0.12	0.05	-	340	0.07	510	UC
Florenza	70	0.12	0.01	-	80	0.11	790	UC
Nucleus - Resi	70	0.19	0.17	1240	130	0.01	130	OC Awaited
Nucleus - C	70	0.10	0.02	-	190	0.08	680	UC
Nucleus Commercial	70	0.11	-	-	-	0.11	1050	OC Awaited
<b>Total</b>		<b>2.29</b>	<b>1.44</b>	<b>24490</b>	<b>5360</b>	<b>0.85</b>	<b>16730</b>	

Sources: Company; YSEC (Note: Area is in Carpet)

## Exhibit 2: Immediate Pipeline

Project Name	Location	Project Type	Ownership %	Launch	Est. Completion	Est. Revenue (Rs mn)	Est. Area (msf)
Codename Ghatkopar	Mumbai	Residential	100	Dec-22	Dec-24	2500	0.10
Codename Juhu	Mumbai	Residential	100	Sep-22	Jun-24	1500	0.03
Central Mumbai 2	Mumbai	Residential	85	Mar-23	Mar-26	9750	0.49
Central Mumbai 1	Mumbai	Mix Use	100	Sep-23	Sep-26	7950	0.40
<b>TOTAL</b>						<b>21700</b>	<b>1.01</b>

Sources: Company; YSEC (Note: Area is in Carpet)

## FINANCIALS

### Exhibit 3: Income Statement

(Rs mn)	FY19	FY20	FY21	FY22
Revenue	3,815	3,444	3,467	4,827
% Change YoY	3.2	(9.7)	0.7	39.2
<b>EBITDA</b>	<b>1,272</b>	<b>1,045</b>	<b>954</b>	<b>1,162</b>
EBITDA%	33.3	30.3	27.5	24.1
YoY Growth (%)	(8.0)	(17.9)	(8.6)	21.7
<b>Depreciation &amp; Amortization</b>	<b>24</b>	<b>22</b>	<b>18</b>	<b>17</b>
<b>Other Income</b>	<b>195</b>	<b>62</b>	<b>51</b>	<b>64</b>
<b>EBIT</b>	<b>1,247</b>	<b>1,023</b>	<b>936</b>	<b>1,145</b>
EBIT (%)	32.7	29.7	27.0	23.7
<b>Finance Cost</b>	<b>503</b>	<b>659</b>	<b>577</b>	<b>592</b>
<b>PBT</b>	<b>939</b>	<b>427</b>	<b>410</b>	<b>617</b>
<b>Tax Expense</b>	<b>177</b>	<b>97</b>	<b>95</b>	<b>154</b>
Tax Rate (%)	18.8	22.8	23.2	24.9
<b>PAT</b>	<b>762</b>	<b>329</b>	<b>315</b>	<b>463</b>
PAT (%)	24.6	12.4	11.8	12.8
YoY Growth (%)	(9.7)	(56.8)	(4.4)	47.2

### Exhibit 4: Balance Sheet

(Rs mn)	FY19	FY20	FY21	FY22
Share Capital	355	355	355	355
Total Reserves	6,711	7,080	7,307	7,759
<b>Shareholders Fund</b>	<b>7,066</b>	<b>7,435</b>	<b>7,662</b>	<b>8,114</b>
Long Term Borrowings	7,951	8,655	6,942	8,154
Long Term Trade Payables	173	201	197	294
Long Term Provisions	53	47	1,040	30
Other Long Term Liabilities	1,795	758	1,749	973
<b>Total Liabilities</b>	<b>17,038</b>	<b>17,096</b>	<b>17,590</b>	<b>17,565</b>
Net Block	709	756	661	663
Capital Work in Progress	0	0	0	0
Non Current Investments	345	345	345	144
Long Term Loans & Advances	3,372	3,960	4,428	4,455
Other Non Current Assets	307	324	558	613
Net Current Assets	12,306	11,711	11,600	11,690
<b>Total Assets</b>	<b>17,038</b>	<b>17,096</b>	<b>17,590</b>	<b>17,565</b>

## Exhibit 5: Cash Flow

(Rs mn)	FY19	FY20	FY21	FY22
PBT	939	427	410	617
Adjustments	(1,949)	122	859	(907)
Change in Working Capital	(2,268)	(630)	833	(1,196)
Less: Tax Paid	(177)	(97)	(95)	(154)
<b>Cash Flow from Operations</b>	<b>(3,455)</b>	<b>(179)</b>	<b>2,007</b>	<b>(1,640)</b>
Net Capital Expenditure	(46)	(69)	(221)	(1,000)
Change in Investments	(4)	183	126	255
<b>Cash Flow from Investing</b>	<b>(50)</b>	<b>114</b>	<b>(95)</b>	<b>(745)</b>
Change in Borrowings	4,380	701	(1,119)	919
Less: Finance Cost	(503)	(659)	(577)	(592)
Dividend Paid	(251)	(50)	(50)	(91)
<b>Cash flow from Financing</b>	<b>3,626</b>	<b>(8)</b>	<b>(1,745)</b>	<b>237</b>
<b>Net Cash Flow</b>	<b>121</b>	<b>(73)</b>	<b>167</b>	<b>(2,148)</b>
Opening Balance of Cash	200	280	221	426
Closing Balance of Cash	321	207	387	(1,722)

## Exhibit 6: Ratios

Key Ratios	FY19	FY20	FY21	FY22
<b>Per share data &amp; Yields</b>				
Adj. EPS (Rs)	21.0	9.2	8.7	8.7
Adj. Cash EPS (Rs)	21.7	9.8	9.2	9.2
Adj. BVPS (Rs)	199.1	209.5	215.9	215.9
<b>Solvency Ratio (X)</b>				
Debt to Equity	1.2	1.3	1.0	1.0
Net Debt to Equity	1.1	1.2	1.0	1.0
Net Debt to EBITDA	6.2	8.8	7.8	7.8
<b>Return Ratios (%)</b>				
Return on Equity	12.2	5.1	4.6	4.6
Return on Capital Employed	6.9	4.9	4.9	4.9
Return on Invested Capital	8.9	6.6	6.7	6.7
<b>Operational Ratios (Nos)</b>				
Payable Days (Nos)	49	36	30	30
Inventory Days (Nos)	927	1,059	991	991
Receivable Days (Nos)	184	223	189	189
Net Working Capital Days (Nos)	1,062	1,246	1,150	1,150
Net Working Capital to Sales (%)	291	342	315	315
<b>Valuation (X)</b>				
P/E	13.1	30.1	31.7	31.7
P/BV	1.4	1.3	1.3	1.3
EV/EBITDA	13.9	18.1	18.0	18.0
EV/Sales	4.6	5.5	5.0	5.0

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**Registered Address:** 2<sup>nd</sup> Floor, North Side, YES BANK House,  
Off Western Express Highway, Santacruz East,  
Mumbai - 400 055, Maharashtra, India.

**Correspondence Address:** 4<sup>th</sup> Floor, AFL House,  
Lok Bharti Complex, Marol Maroshi Road, Andheri East,  
Mumbai - 400059, Maharashtra, India.

☎ +91 22 68850521 | ✉ research@ysil.in  
Website: www.yesinvest.in

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**Details of Compliance Officer:** Name: Aditya Goenka,  
**Email id:** compliance@ysil.in, **Contact No:** 022- 65078127 (Extn: 718127)

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