

Keystone Realtors Ltd (RUSTOMJEE)

Real Estate | NBIE Virtual MMR Real Estate Investor Day

Not Rated

CMP: Rs698 | Target Price (TP): NA | Upside: NA

September 13, 2024

Keystone Realtors – Key conference takeaways

Key Points

- We recently hosted Mr. Boman Irani – CMD of Keystone Realtors; Mr. Percy Chowdhry and Mr Chandresh Mehta - Executive Directors; Mr. Sajal Gupta - Group CFO and Head Corporate Strategy; Mr. Kamal Mittal - Head of Fund Raising & Investor Relations and Mr. Alok Patel – Sr. Manager – Investor Relations at the NBIE Virtual MMR Real Estate Investor Day to discuss the present business environment and the company's future objectives.
- Guidance for FY25
 - Pre-Sales: 33% growth; Rs30bn
 - Launches (No. of projects with GDV): 2 projects per quarter
 - Project additions (No. of projects with GDV): >Rs40bn
 - Gross Debt/Equity ratio < 1.1x
- The company follows an asset-light business model, focusing on redevelopment space and micro markets to strengthen presence in the mid/mass and aspirational categories besides leveraging technology to improve operating efficiency.

Key strengths: Keystone has a portfolio of residential projects, ranging from Affordable to Luxury across the Mumbai Metropolitan Region (MMR) region. Keystone has a well-established reputation under the "Rustomjee" brand name and it is known for delivering high-quality projects.

Focus on MMR market: Keystone remains committed to MMR as its primary market due to high demand, economic significance and ongoing infrastructure development. Keystone is leveraging its strong brand equity and regional expertise to fortify its presence in one of the top RE markets.

Growth in pre-sales and upcoming launches: Keystone is targeting ~Rs30bn in pre-sales by end-FY25, reflecting a 45-50% growth, Keystone's pre-sales grew by 22% to Rs6.1bn in 1QFY25. Keystone has ~15 ongoing projects and 27 forthcoming projects.

Company philosophy: Keystone adheres to a strategy of not investing more than 10% of the Gross Development Value (GDV) in any single project. It also focuses on innovation in its design and adopts environmentally friendly best practices. The company believes in providing quality amenities across all of its projects that are useful, practical and easy to maintain. Keystone continues to be a timeline-intensive and data-driven company.

Est Change	-
TP Change	-
Rating Change	-

Company Data and Valuation Summary

Reuters:	KEYS.BO
Bloomberg:	RUSTOMJE IN
Mkt Cap (Rsbn/US\$bn):	88.0 / 1.0
52 Wk H / L (Rs):	790 / 518
ADTV-3M (mn) (Rs/US\$):	75.0 / 0.9
Stock performance (%) 1M/6M/1yr:	(3.2) / 8.1 / 19.3
Nifty 50 performance(%)1M/6M/1yr:	4.2 / 8.2 / 26.5

Shareholding	3QFY24	4QFY24	1QFY25
Promoters	86.7	86.7	78.4
DII's	8.2	8.7	16.4
FII's	2.4	2.3	3.2
Others	2.7	2.3	2.0
Pro pledge	0.0	0.0	0.0

Financial and Valuation Summary

Particulars (Rsmn)	FY21	FY22	FY23	FY24
Net Sales	8,487	12,694	6,857	22,223
Growth YoY%	(29.9)	49.6	(46.0)	224.1
Gross margin %	86.2	105.3	145.7	64.3
EBITDA	1,139	1,797	983	1,075
EBITDA margin %	13.4	14.2	14.3	4.8
Adj PAT	3,105	1,418	767	833
Growth YoY%	1,312.8	(54.3)	(45.9)	8.6
Adj EPS	31.0	14.0	7.2	9.9
RoCE	7.5	6.6	2.9	3.0
RoE	50.6	16.4	5.9	4.8
RoIC	10.4	7.6	3.4	3.5
P/E	22.48	49.99	96.9	70.8
EV/EBITDA	67.8	44.7	80.5	55.6
P/BV	80.1	91.8	156.7	212.6

Source: Bloomberg, Company, Nirmal Bang Institutional Equities Research

Key Links: [FY24 Annual Report](#)

Please refer to the disclaimer towards the end of the document.

Growth drivers and brand strategy:

- Keystone will continue to build on its asset-light business model where investment in the acquisition of land will only be made when it meets return expectations.
- The company emphasizes on leveraging technology to improve operational efficiency.

Segmentation of projects:

- Keystone is well diversified among residential, commercial and township projects.
- It has a strong track record across all housing segments: affordable, mid-mass, aspirational, premium and super premium.

Market opportunity:

- Keystone is exploring the 'Kasara' district area for plotted land development as the demand for plots as second home is high in the MMR region.
- The company believes that the Samruddhi Maha Marg expressway will create demand in the 'Kasara' belt for the people of Mumbai.
- Keystone also plans to take big land parcels near the upcoming Navi Mumbai International Airport.
- It is also considering expanding into Palghar and Boisar areas if opportunities arise for joint ventures.

Redevelopment strategy in MMR:

- Keystone is one of the prominent redevelopment players in MMR, with 13 out of 16 projects being redevelopment projects FY23 onwards.
- The company sees a consolidation trend as it has a leadership position in the redevelopment space and micro markets.

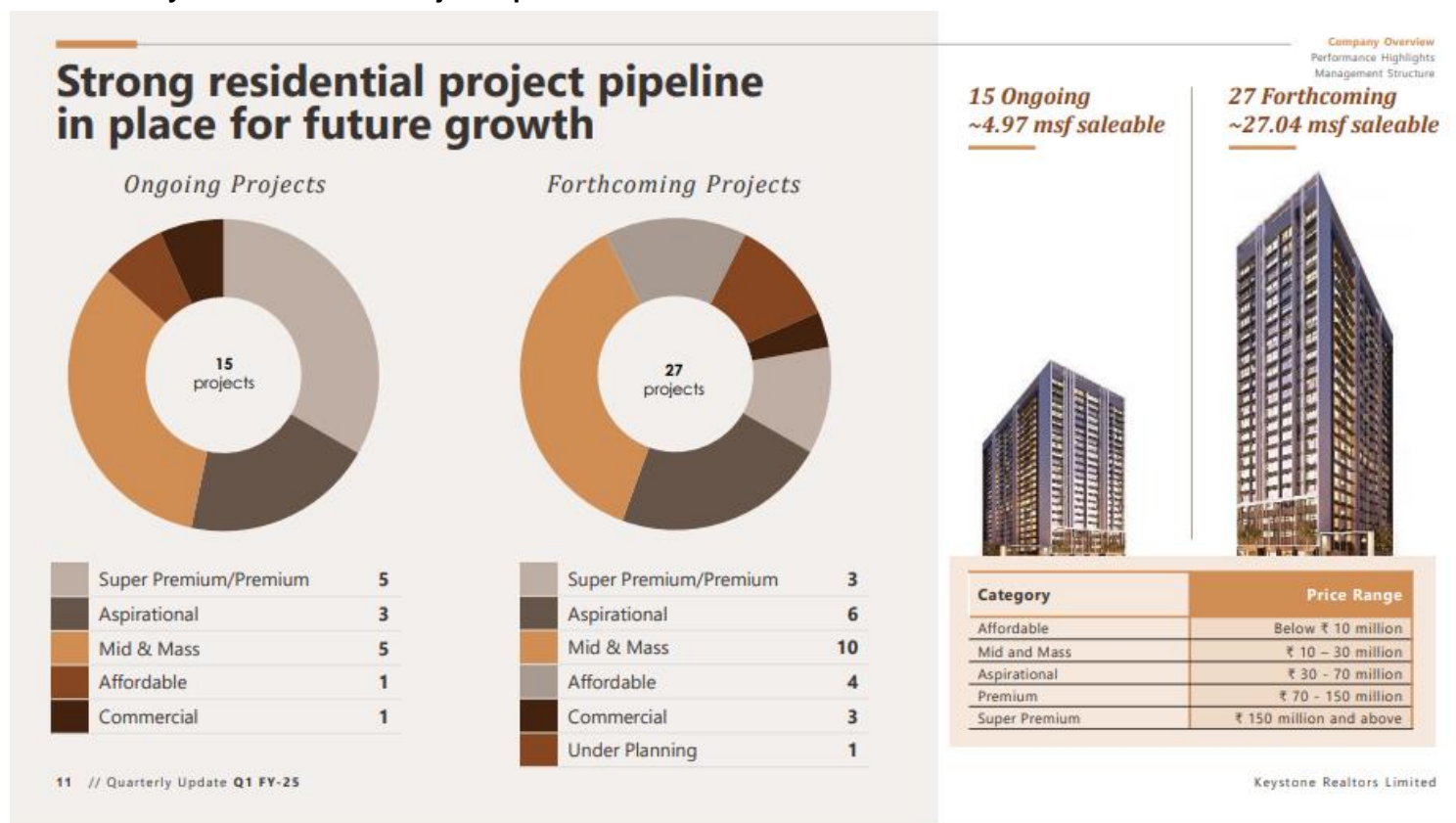
Operational expertise:

- Keystone has a skilled in-house team for business development, legal documentation with the external legal team, construction management, sales & marketing and post-handover property management through its subsidiary company 'Crest'. The company currently has 25mn+ Sq. Ft. under construction.

Other highlights:

- Keystone has maintained its guidance of a gross D/E ratio of less than 1:1 and currently it is net debt-free.
- It is focused on growth areas near upcoming infrastructure projects.
- The management has guided for the sale of 30-40% of the stock upfront in the first six months, an additional 30-40% as the project progresses and the remaining 20-30% inventory as the project is near completion. This helps it to manage its cash flow effectively.

Exhibit 1: Keystone Realtors – Project Pipeline



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 2: Keystone Realtors – Ongoing Projects

Company Overview
Performance Highlights
Management Structure

Ongoing Projects as on 30th Jun 2024

CATEGORY	NO. OF PROJECTS	TOTAL SALEABLE AREA (MN SQ FT)	UNSOLD SALEABLE AREA (MN SQ FT)	GDV (INR BN)	% SHARE	SOLD RECEIVABLE (INR BN)	EST UNSOLD INVENTORY (INR BN)	COST TO COMPLETE* (INR BN)
Residential (A)	14	4.82	2.22	99.96	100%	22.35	54.98	42.27
Super Premium/Premium	5	0.94	0.37	34.88	35%	7.57	18.16	10.78
Aspirational	3	0.62	0.48	17.46	18%	2.38	13.65	8.34
Mid & Mass	5	3.05	1.33	46.43	46%	11.85	22.99	22.85
Affordable	1	0.22	0.03	1.20	1%	0.54	0.18	0.30
Commercial (B)	1	0.15	0.03	-	-	-	0.29	-
Total (A+B)	15	4.97	2.24	99.96	-	22.35	55.27	42.27

55% of the Inventory already sold

Mid/Mass & Aspirational Segment represent 65% of the Ongoing Residential Project Portfolio

*Represent hard cost (Land, Construction, FSI & Approval) | *In addition, there is S&M, HR, Admin cost ~10% of Sales

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Keystone Realtors Limited

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 3: Keystone Realtors – Forthcoming Projects

Company Overview
Performance Highlights
Management Structure

Forthcoming Projects as on 30th Jun 2024

CATEGORY	NO. OF PROJECTS	SALEABLE AREA (MN SQ FT)	EST. GDV (₹ BN)	COST TO COMPLETE* (₹ BN)
Residential (A)	23	21.82	346.87	214.14
Super Premium/Premium	3	0.73	38.27	19.67
Aspirational	6	1.66	53.17	34.07
Mid & Mass	10	11.13	195.09	125.78
Affordable	4	8.30	60.34	34.62
Commercial (B)	3	5.22	72.00	47.70
Total (A+B)	26	27.04	418.87	261.84

*Represent hard cost (Land, Construction, FSI & Approval) | *In addition, there is S&M, HR, Admin cost ~10% of Sales

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Keystone Realtors Limited

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 4: Keystone Realtors – Historical Operational Performance



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 5: Keystone Realtors – New Project Additions

Company Overview
Performance Highlights
Management Structure

New Project Additions in FY-25

PROJECT NAME	QUARTER OF ACQUISITION	LOCATION	CATEGORY	NATURE OF DEVELOPMENT	SALEABLE AREA (MN SQ. FT)	EST GDV (₹ BN)	CURRENT STATUS
1. Avinash Towers CHSL	Q1 FY25	Versova	Aspirational	Redevelopment	0.35	9.84	LOI Received.
Total					0.35	9.84	

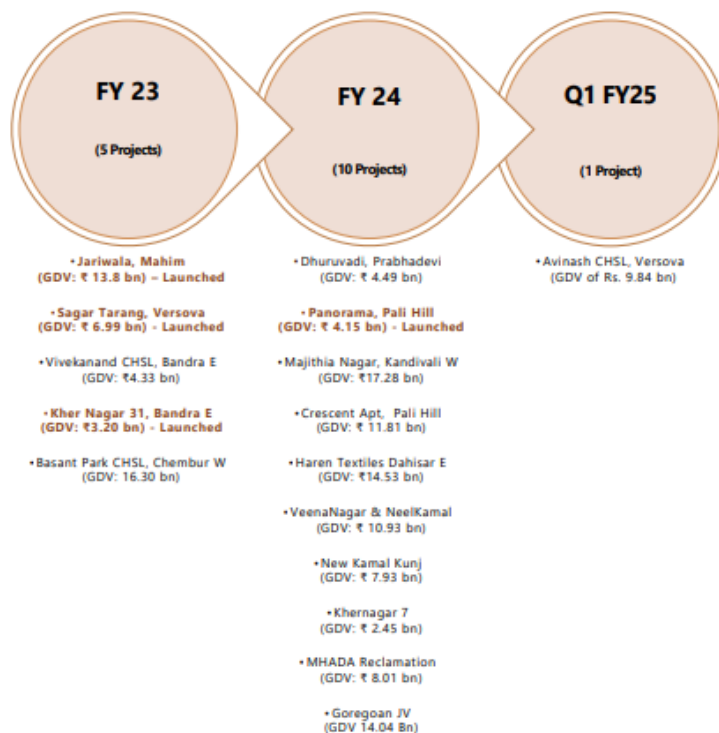
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Keystone Realtors Limited

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 6: Keystone Realtors –Project Additions

Project Additions from FY23 onwards



Company Overview
 Performance Highlights
 Management Structure

Added 16 Projects from FY23 having estimated GDV of INR 149.45 Bn

Entered New Micro Markets – Chembur, Mahim, Versova, Dombivili

13 out of 16 Projects are Redevelopment

12 out of 16 Project are in Mid/Mass and Aspirational Segment (80% in terms of total GDV Added)

4 Project Already launched having estimated GDV of INR 27.50 Bn

Source: Company, Nirmal Bang Institutional Equities Research

Financial statement

Exhibit 7: Income statement

Y/E March (Rs mn)	FY20	FY21	FY22	FY23	FY24
Net Sales	12,115	8,487	12,694	6,857	22,223
Growth YoY%	824.1	(29.9)	49.6	(46.0)	224.1
Gross profit	10,984	7,320	13,368	9,990	14,283
Gross margin %	90.7	86.2	105.3	145.7	64.3
Staff costs	416	271	284	456	978
% of sales	3.4	3.2	2.2	6.6	4.4
Other expenses	9,206	5,910	11,287	8,551	12,230
% of sales	76.0	69.6	88.9	124.7	55.0
EBITDA	1,362	1,139	1,797	983	1,075
Growth YoY%	430.3	(16.4)	57.7	(45.3)	9.3
EBITDA margin %	11.2	13.4	14.2	14.3	4.8
Depreciation	22	15	35	46	73
EBIT	1,340	1,124	1,763	937	1,002
Interest	1,282	1,397	233	360	401
Other income	571	3,285	336	448	554
PBT (bei)	630	3,012	1,865	1,025	1,155
PBT	630	3,012	1,865	1,025	1,155
ETR	77%	19%	26%	28%	29%
PAT	142	2,435	1,380	743	821
Adj PAT	220	3,105	1,418	767	833
Growth YoY%	180.7	1,312.8	(54.3)	(45.9)	8.6

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 9: Balance sheet

Y/E March (Rs mn)	FY20	FY21	FY22	FY23	FY24
Share capital	1,000	1,000	1,000	1,139	1,139
Reserves	3,273	7,009	8,326	15,555	16,839
Net worth	4,273	8,009	9,326	16,694	17,978
Long term debt	-	-	-	-	-
Short term debt	22,231	10,283	11,897	8,920	4,395
Total debt	22,231	10,283	11,897	8,920	4,395
Net debt	18,310	7,453	9,559	4,798	731
Other non-current liabilities	4,020	4,118	3,412	2,970	8,014
Total Equity & Liabilities	43,277	36,153	38,383	44,743	59,225
Gross block	1,701	265	317	399	3,962
Accumulated depreciation	92	71	80	97	501
Net Block	1,608	194	236	302	3,461
CWIP	0.2	4	-	-	-
Intangible and others	-	-	-	-	-
Other non-current assets	2,312	6,833	6,740	7,497	5,792
Investments	-	-	-	-	-
Trade receivables	639	367	1,136	616	1,048
Inventories	27,652	21,926	22,543	25,704	37,103
Cash & Cash Equivalents	3,922	2,830	2,338	4,122	3,664
Other current assets	7,145	4,000	5,389	6,503	8,157
Total current assets	39,357	29,122	31,406	36,945	49,971
Trade payables	2,770	2,345	3,051	3,529	6,422
Other current liabilities	12,305	11,532	10,750	12,848	22,520
Total current liabilities	37,306	24,160	25,698	25,297	33,337
Total Assets	43,277	36,153	38,383	44,743	59,225

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 8: Cash flow

Y/E March (Rs mn)	FY20	FY21	FY22	FY23	FY24
PBT	633	2,895	1,844	1,077	1,445
Depreciation	33	20	36	48	79
Interest	3,479	2,664	1,471	1,373	1,059
Other adjustments	(415)	(2,598)	(271)	(324)	(627)
Change in Working capital	2,860	1,211	(1,400)	(2,613)	7,572
Tax paid	(451)	(178)	(295)	(497)	(401)
Operating cash flow	3,549	6,447	(1,096)	3,062	1,834
Capex	(24)	(9)	(4)	(68)	(46)
Free cash flow	3,525	6,439	(1,099)	2,994	1,788
Other investing activities	(2,012)	(2,365)	(1,373)	334	(2,729)
Investing cash flow	(2,036)	(2,374)	(1,377)	267	(2,775)
Issuance of share capital	-	-	-	-	-
Movement of Debt	-	-	-	-	-
Dividend paid (incl DDT)	-	-	-	-	-
Other financing activities	1,712	(6,093)	1,540	(302)	(383)
Financing cash flow	1,712	(6,093)	1,540	(302)	(383)
Net change in cash flow	3,225	(2,019)	(933)	3,026	(1,324)
Opening C&CE	324	3,549	1,530	597	3,623
Closing C&CE	3,549	1,530	597	3,623	2,299

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 10: Key ratios

Y/E March	FY20	FY21	FY22	FY23	FY24
Per share (Rs)					
Adj EPS	2.2	31.0	14.0	7.2	9.9
Book value	28.0	80.1	91.8	156.7	212.6
DPS	0.0	0.0	0.0	0.0	0.0
Valuation (x)					
P/Sales	5.8	8.2	5.6	10.8	2.7
EV/EBITDA	64.6	67.8	44.7	80.5	55.6
P/E	317.2	22.5	50.0	96.9	70.8
P/BV	28.0	80.1	91.8	156.7	212.6
Return ratios (%)					
RoCE	10.2	7.5	6.6	2.9	3.0
RoCE (pre-tax)	45.2	9.3	8.9	4.0	4.2
RoE	10.6	50.6	16.4	5.9	4.8
RoIC	39.1	10.4	7.6	3.4	3.5
Profitability ratios (%)					
Gross margin	90.7	86.2	105.3	145.7	64.3
EBITDA margin	11.2	13.4	14.2	14.3	4.8
PAT margin	1.8	36.6	11.2	11.2	3.7
Liquidity ratios (%)					
Current ratio	1.1	1.2	1.2	1.5	1.5
Quick ratio	0.3	0.3	0.3	0.4	0.4
Solvency ratio (%)					
Net Debt to Equity ratio	6.5	0.9	1.0	0.3	0.0
Turnover ratios					
Fixed asset turnover ratio (x)	7.5	31.2	41.9	18.0	10.1
Debtor days	19	22	22	47	14
Inventory days	833	1,066	639	1,284	516
Creditor days	83	110	78	175	82
Net Working capital days	769	978	583	1,156	448

Source: Company, Nirmal Bang Institutional Equities Research

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HOLD -5% to 14%

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