

Keystone Realtors Limited | BUY

The re-development expert



Keystone Realtors (Keystone) is a prominent real estate developer in MMR (in terms of absorption in number of units) in the micro markets that it is present in. It commands a market share of 6.17% in Juhu, 11.38% in Bandra (East), 4.91% in Khar, and 6.33% in Bhandup in terms of absorption (in units) from CY17 to CY23 (Source: Anarock Report, QIP offer document). Keystone has added 16 projects with a gross development value (GDV) of INR 149.5bn in the last 24 months since FY23. We expect this strong momentum in business development to be reflected in Keystone's performance in the next few quarters in new launches and pre-sales. We expect Keystone to achieve pre-sales of INR 32.2bn/41.9bn in FY25E/FY26E respectively. We initiate with a BUY rating and a Mar'25 TP of INR 895.

- At an inflexion point:** According to our estimates, the company has a launch pipeline of INR 80bn/114bn for FY25E/FY26E respectively. We are building in FY24-FY27E pre-sales CAGR of 35%, with growth largely coming from the new projects (asset light, redevelopment) and new phases at its townships. It has added 16 projects with a gross development value (GDV) of INR 149.5bn in the last 24 months since FY23. This healthy momentum in business development should reflect in the performance in the upcoming quarters in new launches and, subsequently, in pre-sales. We expect cumulative operating cash flow surplus of c. INR 25bn (pre-taxes) in the next 3 years.
- Focus on asset light and redevelopment projects:** Keystone is one of the prominent real estate developers in the redevelopment segment in terms of supply (in terms of number of units) in the micro markets that it is present in; the company commands a market share of 16% in Khar, 17% in Bandra East and 11% in Juhu from the overall redevelopment supply between 2017 and 2023 (Source: Anarock Report, QIP offer document). There are a sizeable number of old and dilapidated housing societies that create opportunities for society redevelopment. Keystone plans to leverage its strengths and experience in stakeholder management to take on more redevelopment projects in select parts of Mumbai.
- Townships the source of annuity-like cash flows:** As Mumbai is one of the densest cities in the world, integrated townships offer a self-sufficient universe of urban life within a secluded enclosure. These townships are located in the peripheral markets and are focussed on the affordable and mid-end segments. It has been observed that township developments have been able to achieve higher sales velocity and premium over the micro-market average, due to customer preference for such products. Keystone has two ongoing projects (Thane and Virar) and one forthcoming project (Dombivli) under the township category. Cumulatively, these projects can contribute INR 13bn-15bn of pre-sales to the company for the next 6-8 years.
- Initiate with BUY, TP of INR 895:** We are enthused by the company's strong performance on the business development front, and expect that to reflect in future pre-sales growth. We initiate with a BUY rating and a Mar'25 TP of INR 895.

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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	
Current Price Target (12M)	895
Upside/(Downside)	16.2%
Previous Price Target	
Change	NA

Key Data – RUSTOMJE IN

Current Market Price	INR770
Market cap (bn)	INR97.1/US\$1.2
Free Float	19%
Shares in issue (mn)	126.0
Diluted share (mn)	126.0
3-mon avg daily val (mn)	INR66.6/US\$0.8
52-week range	788/518
Sensex/Nifty	81,086/24,823
INR/US\$	83.9

Price Performance

%	1M	6M	12M
Absolute	9.7	12.2	26.8
Relative*	10.0	0.8	1.5

* To the BSE Sensex

Financial Summary					(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	6,857	22,223	17,271	18,445	24,425
Sales Growth (%)	-46.0	224.1	-22.3	6.8	32.4
EBITDA	1,038	1,095	3,059	3,583	4,896
EBITDA Margin (%)	15.1	4.9	17.7	19.4	20.0
Adjusted Net Profit	820	1,122	4,055	4,764	5,673
Diluted EPS (INR)	7.2	9.9	32.2	37.8	45.0
Diluted EPS Growth (%)	-48.4	36.9	226.6	17.5	19.1
ROIC (%)	4.0	3.7	10.3	12.1	14.7
ROE (%)	6.3	6.5	16.9	14.7	15.1
P/E (x)	107.0	78.1	23.9	20.4	17.1
P/B (x)	0.0	0.0	0.0	0.0	0.0
EV/EBITDA (x)	99.9	96.3	30.1	25.1	18.6
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 23/Aug/2024

JM Financial Institutional Securities Limited

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