

Karda Construction Ltd : Average Issue

IPO Note : Issue looks fully priced, High debt and high debt equity ratio : Ranking**



Issue details

| | |
|------------------|---------------|
| Price band (Rs) | Rs.175-Rs.180 |
| IPO Opening Date | 16/03/18 |
| IPO Closing Date | 21/03/18 |
| Issue Size | Rs.77.40 Cr. |

Recommendation

Total revenue grew at a **CAGR of 26.26%** from Rs.43.29 Cr for the FY 2013 to Rs.110.02 Cr for FY 2017 and Net Profit grew at a **CAGR of 31.32%** in the same period. Net profit grew from Rs. 2.70 crore to Rs.8.02 crore in this period. For the six months ended on 30.09.17, it has earned net profit of Rs.5.52 cr. on a turnover of Rs.45.70 cr. For last three fiscals it has posted an average EPS of Rs. 27.20. For last three fiscals, it has posted an average EPS of Rs. 6.65 and average RoNW of 25.81%. Issue is priced at a P/BV of 5.01 on the basis of its NAV of 35.87 as on 30.09.17. **If we annualize latest earnings and attribute it on fully diluted equity post issue, then asking price is at a P/E of around 20 plus. Its listed peers Kolte Patil, Prerna Infrabuilt and Arihant Superstructures Ltd are trading at PE of 21.78, 4.28 and 17.75 respectively. It has total debt of Rs.132 crore. Overall, IPO looks fully priced.**

Highlights

- **Karda Construction Ltd. (KCL) is a well established Nashik based group having its presence in the construction industry for more than two decades.**
- **Company is focused on quality and affordable developments. Karda has an established brand “Hari” with reputation, and a track record of developing innovative projects through our emphasis on contemporary architecture, strong project execution and quality construction in the real estate industry.**
- **KCL currently has 11 Ongoing and 3 planned projects, which is expect to provide an estimated total Carpet Area of 17,13,725 square feet.**
- **It has debt of Rs. 131 crore as on 31 March 2017 and debt equity ratio stood at 4.32**

Company Introduction

Incorporated in 2007, Karda Constriction Limited is engaged in construction business. They are a real estate development company which develops and sells residential and residential-cum-office projects in Nashik, India.

Company has successfully completed and delivered 15 residential projects and office space projects like Hari Smruti, Hari Amantran, Hari Shrushti, Hari Kunj, Hari NiwasHari Niketan, Hari Sankalp etc. They currently have 13 Ongoing and 3 Planned projects.

They have received “Mega Builder of the Year” award of Divya Marathi in June 2013, for having an exceptional performance in the real estate segment in Nashik.

Strong project pipeline

They believe that they have a strong project pipeline, which provides cash flow visibility. It currently have 13 Ongoing and 3 Planned projects, which expect to provide a total Carpet Area of approximately 17,13,725 square feet. These include



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Financial Summary (Rs. In Crore)

| Particulars | Six month ended Sept 2017 | FY2017 | FY2016 | FY2015 |
|--------------|---------------------------|--------|--------|--------|
| Total Income | 45.70 | 110.02 | 105.93 | 46.53 |
| Net Profit | 5.52 | 8.03 | 6.37 | 3.07 |
| EPS (Rs) | 4.48 | 6.52 | 5.17 | 2.49 |

*EPS not annualized

Source: RHP and ACE Equity

RANKING METHODOLOGY

| | |
|-----------|-------|
| WEAK | * |
| AVERAGE | ** |
| GOOD | *** |
| VERY GOOD | **** |
| EXCELLENT | ***** |

twelve Ongoing and three Planned residential projects with approximately 12,85,311 square feet of estimated Carpet Area, one Ongoing residential-cum-office space project with approximately 4,28,414 square feet of estimated Carpet Area.

Company Promoters:

Mr. Naresh Karda

The object of the issue

The object of the issue are to:

1. Part repayment of overdraft facilities;
2. Part repayment of term loans;
3. General corporate purpose;
4. Issue related expenses.

IPO Issue Proceed

To finance its part repayment of overdraft limits, part repayment of loans and working capital fund needs, KCL is coming out with a maiden IPO of 43 lakh equity shares of Rs. 10 each via book building route with a price band of Rs. 175 - Rs. 180 to mobilize Rs. 75.25 cr. – Rs. 77.40 cr. based on lower and upper price bands. Issue comprises of 23 lakh fresh equity issue and offer for sale of 20 lakh shares by the promoters. Issue opens for subscription on 16.03.18 and will close on 21.03.18. Minimum application is to be made for 80 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. Post issue, its current paid up capital of Rs. 10 cr. will stand enhanced to Rs. 12.30 crore.

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