

B-Right Real Estate Limited

A REVIEW REPORT ON B-RIGHT REAL ESTATE LIMITED IPO

IPO Details

Opening Date	June 30, 2022
Closing Date	July 05, 2022
Stock Exchange	BSE SME
Lot Size	800 Shares
Issue Price	₹ 153 per share
Issue Size	28,99,200 Equity Shares
Application Amount	₹ 1,40,000

IPO Objective

- Funding Working Capital Requirements
- General Corporate Purposes

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	74,30,480	99.98 %
Public	1,520	0.02%

Company Background

- Company was incorporated in the year 2007 as a “Marshal Vinimay Private Limited”.
- It is involved in development and construction of residential and commercial projects
- Company was originally incorporated by Mr. Abhijit Dutta and Ms. M. B. Udani who were the initial subscribers to the memorandum of association and were the promoters of the company.
- Current promoters Blow Sales LLP & Cheerful Dealtrade LLP has taken over the company in the year 2010.
- As on the date of filing this prospectus, the company had a total of 7 employees.

Promoter of the Company

1. Blow Sales LLP
2. Cheerful Dealtrade LLP

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Company Overview

Company was incorporated in the year 2007 and is engaged the construction and development of residential and commercial projects. Company has opted a business model whereby the company Invests in its subsidiary LLP named B-Right Real Estate Ventures LLP and this LLP makes investment in various SPV (Special Purpose Vehicle) which is been incorporated for a Particular project. Each Real estate project has its own SPV and such SPV is closed upon completion of the project. Company's subsidiaries are B-Right RealEstate Ventures LLP, BRV Leasing Andheri LLP, B-Right Realty Lonavala LLP, B-Right Housecon LLP, B-Right NY Esquire LLP, Jaliyan B-Right Developers LLP, B-Right Sejal Developers LLP, Darc Realty LLP, D.M. Realtors, Siddhivinayak Developers Kurar, Parth Construction.

Analysis

The company has a good track record of existence and that is the only positive that can be seen. The company is engaged in a business where it invests in its subsidiary and that subsidiary then invests in an SPV which has been incorporated for that particular project. Such business model does not look very promising and the returns from such processes are not sustainable and reliable. The company is located in Mumbai, and as stated in its prospectus, company's management has only executed projects of area of approximately 3.96 lacs square feet which is considered to be very less in the real estate sector. The company's main stream of income has been through gain from investment and the income has been inconsistent over the years. The company with more than 10 years of experience has been generating very poor revenue. A summary has been given below –

(In Lacs)

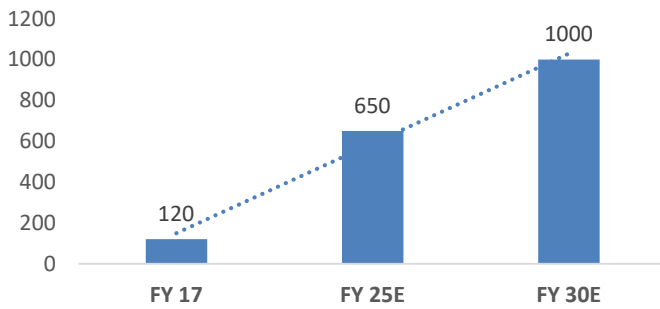
For the Period Ended	Dec-21	Mar-21	Mar-20
Total Revenue	115.95	118.77	147.04
Profit After Tax	72.27	58.37	85.03

Industry Charts

Exhibit 1: Indian Real Estate Industry to grow at a CAGR of around 18% from FY 17 to FY 30

Exhibit 2: Net Absorption of Office Space

Indian Real Estate Market Size (US\$ Bn)



Sector Composition (Sq. Ft.)

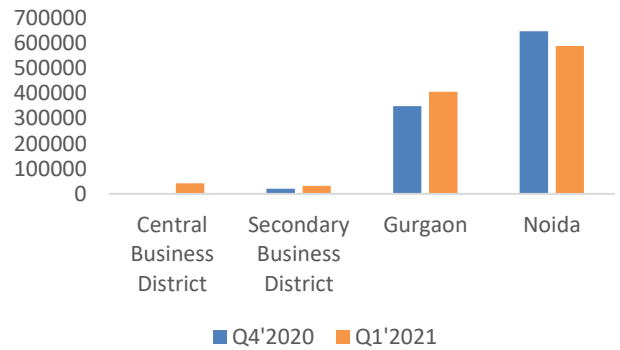
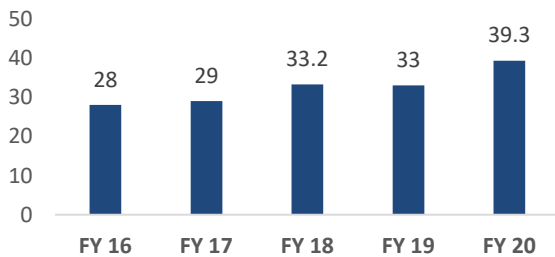


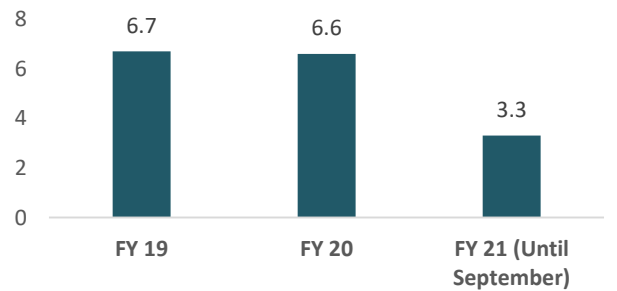
Exhibit 3: Key Trends in Commercial Space in Top 8 Cities

Exhibit 4: Key Trends in PE/VC investment in Real Estate

Demand for Commercial Space in Top 8 cities (mn sq ft)



PE/VC Investment in India Real Estate (US\$ Bn)



(Source: ibef.org)

Investment Overview

Real Estate Industry

Real estate sector is one of the most globally recognized sectors. It comprises of four sub sectors - housing, retail, hospitality, and commercial. The growth of this sector is well complemented by the growth in the corporate environment and the demand for office space as well as urban and semi-urban accommodations. The construction industry ranks third among the 14 major sectors in terms of direct, indirect and induced effects in all sectors of the economy.

In India, the real estate sector is the second-highest employment generator, after the agriculture sector. It is also expected that this sector will incur more non-resident Indian (NRI) investment, both in the short term and the long term. Bengaluru is expected to be the most favoured property investment destination for NRIs, followed by Ahmedabad, Pune, Chennai, Goa, Delhi and Dehradun.

According to Savills India, real estate demand for data centres is expected to increase by 15-18 million sq. ft. by 2025. As per ICRA estimates, Indian firms are expected to raise >Rs. 3.5 trillion (US\$ 48 billion) through infrastructure and real estate investment trusts in 2022, as compared with raised funds worth US\$ 29 billion to date. Demand for residential properties has surged due to increased urbanisation and rising household income. India is among the top 10 price appreciating housing markets internationally. Organised retail real estate stock is expected to increase by 28% to 82 million sq. ft. by 2023.

(Source: ibef.org)

Addressable Market for B-Right Real Estate Limited

Company is established in Mumbai and is developing real estate in the area of Mumbai. Company currently intends to operate in the state of Maharashtra only. Depending on the opportunities available, company aims to scale its business in other Tier-1 cities of India.

Competition

The industry, also mentioned by company in their prospectus, is very competitive. The company competes in a highly fragmented industry with companies belonging in the real estate, operating in the same geographies as that of the company. The company also compete to acquire land development rights. The availability of suitable land parcels or societies for its projects may be limited in the geography in which it operates.

Peer Analysis

As mentioned in the prospectus, the peers of the company are Samor Realty Limited, Ratnabhumi Developers Limited, Arihant Superstructures Limited, and Macrotech Developers Limited. A comparison of the same has been depicted in the table below –

Company	B-Right Real Estate Limited**	Samor Realty Limited	Ratnabhumi Developers Limited	Arihant Superstructures Limited	Macrotech Developers Limited
Net Profit (INR Cr)	0.72	0.11	0.17	41.38	1202.37
EBITDA (INR Cr)	0.80	0.17	2.29	71.26	2470.67
Return on Capital Employed	0.78%	1.49%	2.95%	18.38%	16.30%
Return on Equity	0.80%	0.98%	0.49%	23.19%	9.86%
EPS (INR)	7.75	-	0.13	10.00	26.00
P/E* (Times)	19.74	-	1033.33	12.77	46.69

***P/E has been calculated as on 01/07/2022**

**** As on 31/12/2021**

The company has couple of big and reputed company as its peers and competing with them is a huge task for the company.

Promoters' Profile

Blow Sales LLP

- **Blow Sales LLP** was incorporated on April 19, 2010, as a private limited company.
- Later, Blow Sales Private Limited was converted into Limited Liability Partnership under the name "Blow Sales LLP" on October 01, 2020.
- As on the date of this Prospectus, Blow Sales holds 25,15,200 Equity Shares, representing 33.84% of the Pre-Issue Issued, Subscribed and Paid-up Equity Share Capital of the Company.

Cheerful Dealtrade LLP

- **Cheerful Dealtrade LLP** was incorporated on April 19, 2010, as a Private Limited Company.
- Later, Cheerful Dealtrade Private Limited was converted into Limited Liability Partnership under the name "Cheerful Dealtrade LLP" on October 06 2022.
- As on the date of this Prospectus, Cheerful Dealtrade LLP holds 25,15,200 Equity Shares, representing 33.84% of the Pre-Issue Issued, Subscribed and Paid-up Equity Share Capital of the Company.

Analysis on the Company's Promoter and Board of Directors

Company has hired **Mr. Paras Hansrajbhai Desai** as the Managing Director w.e.f. September 25, 2019. He has a Bachelor Degree in Commerce from University of Mumbai. He has more than 6 years of experience in the business of investment in real estate. He is involved in day-to-day execution of projects.

Mr. Sanjay Nathalal Shah is a Non-executive director of the company since November 30, 2021 (wrongly mentioned in prospectus as November 31). He is a chartered accountant by profession since 2003 and runs his own practice.

Mr. Sudhir Haribhai Patel is a Non-executive director of the company since September 29, 2018. He has completed his Degree in Bachelor of Commerce from University of Mumbai in the year 1991. He has more than two decades of experience in varied corporate sectors. His role includes objectively looking at the plans framed by the executive team and further help with formulating and overseeing the corporate strategy by providing constructive criticism and a broader view of the external factors affecting the business

Ms. Nupur Jayant Gaitonde is a Non-executive director of the company since September 01, 2020. She is a chartered accountant by profession having more than 3 years of experience in the field of Project Management Consultancy.

Looking at the management, it can be said that except Mr. Paras none of the directors have experience in the relevant field of business and the management outlook does not seem to be positive.

Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2020	As at 31st March, 2021	As at 31st December 2021
Profit and Loss			
Revenue from operation	42.12	37.61	40.00
Other income	104.92	81.16	75.95
Total Revenue	147.04	118.77	115.95
Expenses	15.36	42.86	36.16
Depreciation and Amortisation Cost	11.18	7.55	4.36
Finance Cost	0.99	0.11	2.53
Total Expenses	27.53	50.52	43.05
PBT	119.51	68.25	72.90
EBITDA	131.68	75.91	79.79
EBITDA Margin	89.55%	63.91%	68.81%
Net Profit	85.03	58.37	72.30
Net Profit Margin	57.83%	49.15%	62.35%
Balance Sheet			
Total Borrowings	7,383.32	2,569.05	1,684.43
Net Worth	3,522.69	8,981.07	9,053.34
Fixed Assets	23.90	16.36	20.80
Net Working Capital	774	6537	6303
Financial Measures			
Receivables Turnover Ratio	73.52	59.39	57.98
Fixed Assets Turnover Ratio	1.76	2.30	1.92
Return on Capital Employed	3.41%	0.72%	0.78%
Return on Equity	2.41%	0.65%	0.80%
Debt-Equity Ratio	2.10	0.29	0.19

(The data has been taken and calculated from the financials given in the prospectus)

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

The EBITDA of the company has come down from Rs. 131.68 from FY 20 lacs to Rs. 79.79 lacs up Dec'21 showing a decline in CAGR of 25%. Although the EBITDA margin is 68.81%, the majority of revenue is from its investment in SPV business and the same cannot be reliable for future.

Net Profit

The net profit of the company has come down from Rs. 85.03 lacs in FY 20 to Rs. 72.30 lacs up to Dec'21 showing a decline in CAGR of 9%. Again the Net profit margin is 62.35% but the majority of revenue is from its investment in SPV business and the same cannot be reliable for future.

Finance Cost.

The finance cost incurred is mainly towards long-term loan taken from Yes Bank.

Financial Measures/Ratios

The financial ratios of the company have tumbled down over the years.

RoCE of the company up to Dec'21 was 0.78% from 3.41% in FY 20. There are few large companies in its peer which have posted RoCE of around 18%.

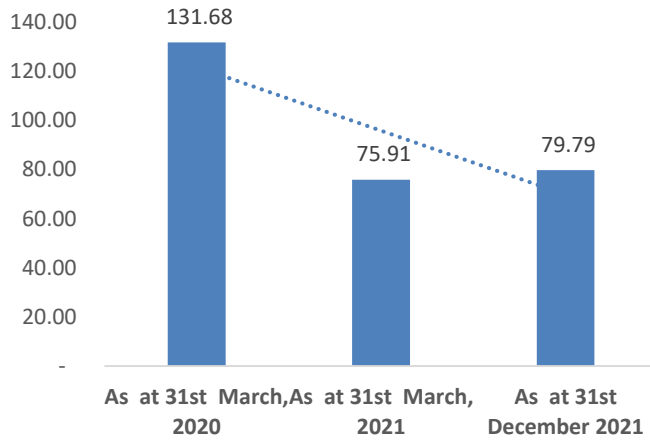
Return on Equity (ROE) of the company was 0.80% up to Dec'21 from 2.41% in FY 20. The average ROE of its peer companies is around 9%.

The Receivables Turnover ratio have come down gradually and the company has to be little more considerable towards the management of the same.

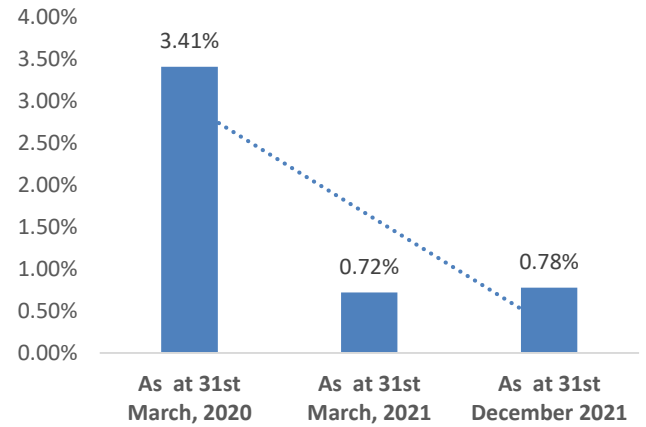
The company has been gradually decreasing its debt-equity ratio and is expected to reduce more with new equity being introduced and repayment of loan.

Financial Graph

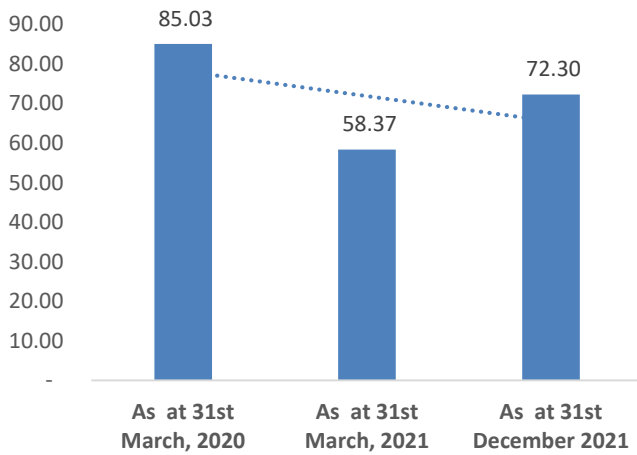
EBITDA (In Lacs)



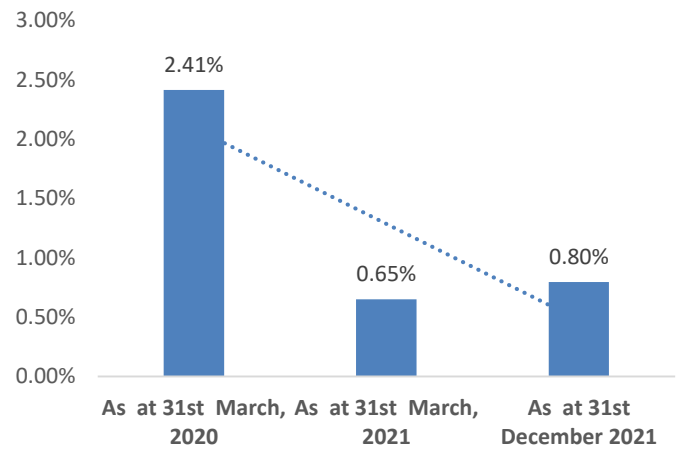
Return on Capital Employed



Net Profit (In Lacs)



Return on Equity



Key Risk Factors

1. There are certain legal proceedings involving the Company, Directors, Promoter and Group Companies totalling to an amount of Rs. 78.7 lacs, an adverse outcome in which, may have an adverse impact on the reputation, business, financial condition, results of operations and cash flows.
2. Company generates entire revenue from Mumbai and any demographical, geographical or political change may adversely affect the business.
3. Company rely on independent third party service providers and contractors to execute various parts of its projects and any failure on their part to perform their obligations could adversely affect its business, results of operations, and cash flows
4. Any changes in the rates of Property Taxes, Stamp Duties etc. could adversely affect the business operations.

Track Record of Merchant Banker/Lead manager

The lead manager to the issue is Gretex Corporate Services Limited and the previous issue details have been taken from the Prospectus. A table has been set below highlighting the details of the IPO of some of the companies handled by the Lead Manager in recent times –

Sr. No	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing date	CMP# (INR)
1.	B & B Triplewall Containers Limited	19.99	36.00	October 15, 2018	235.00
2.	BCPL Railway Infrastructure Limited	17.01	35.00	October 29, 2018	34.20
3.	Misquita Engineering Limited	1.93	27.00	October 04, 2019	31.60
4.	Anuroop Packaging Limited	2.64	13.00	November 21, 2019	25.35
5.	Billwin Industries Limited	2.46	37.00	June 30, 2020	23.00
6.	G M Polyplast Limited	8.09	159.00	October 14, 2020	238.10
7.	Niks Technology Limited	2.01	201.00	March 31, 2021	200.00
8.	PlatinumOne Business Services Limited	3.89	82.00	September 16, 2021	118.30
9.	Markolines Traffic Controls Limited	39.99	78.00	September 27, 2021	99.00
10.	Clara Industries Limited	3.02	43.00	December 29, 2021	100.00
11	Goel Food Products Limited	3.61	72.00	June 28, 2022	91.05

#CMP is taken as on 01stth June 2022

Since 2017 the Lead Manager has made 25 IPO Listings 21 IPOs had positive listing and 4 IPOs had negative listing

Recommendation

Based on the Business track record, Products/Services, Competitive Scenario, Management Background and Experience, Financial Measures, Peer Analysis and Industry Outlook, we would like to state that one **should avoid** applying in the IPO.

The company has been generating poor revenues and most of its revenue is from other income i.e. gain from investment in SPVs

Only Mr. Paras is having relevant experience in the field of the business and the strategic decisions of the company are dependent on a single personnel.

Also the company is asking for a premium of Rs. 143 per share which seems to be a lot considering the size and performance of the company.

Looking at the business it looks like one **should avoid** applying in the IPO.

Disclaimer

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