

Company update and TP
change

Real Estate

Target price Rs580

Target price revision

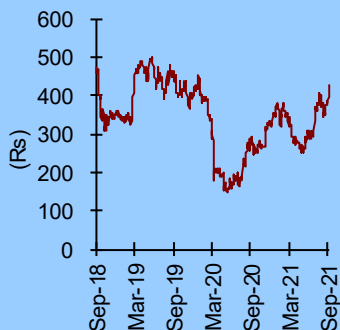
Rs580 from Rs475

Shareholding pattern

	Dec '20	Mar '21	Jun '21
Promoters	67.2	67.2	67.2
Institutional investors	27.2	27.2	25.3
MFs and others	3.4	3.5	3.8
FIs/Banks	0.0	0.0	0.0
Insurance	0.2	0.2	0.2
FIIIs	23.6	23.5	21.3
Others	5.6	5.6	7.5

Source: NSE

Price chart



Research Analyst:

Adhidev Chattopadhyay

adhidev.chattopadhyay@icicisecurities.com

+91 22 6637 7451

INDIA

Sunteck Realty

BUY

Maintained

Shahad project: Another feather in the cap

Rs438

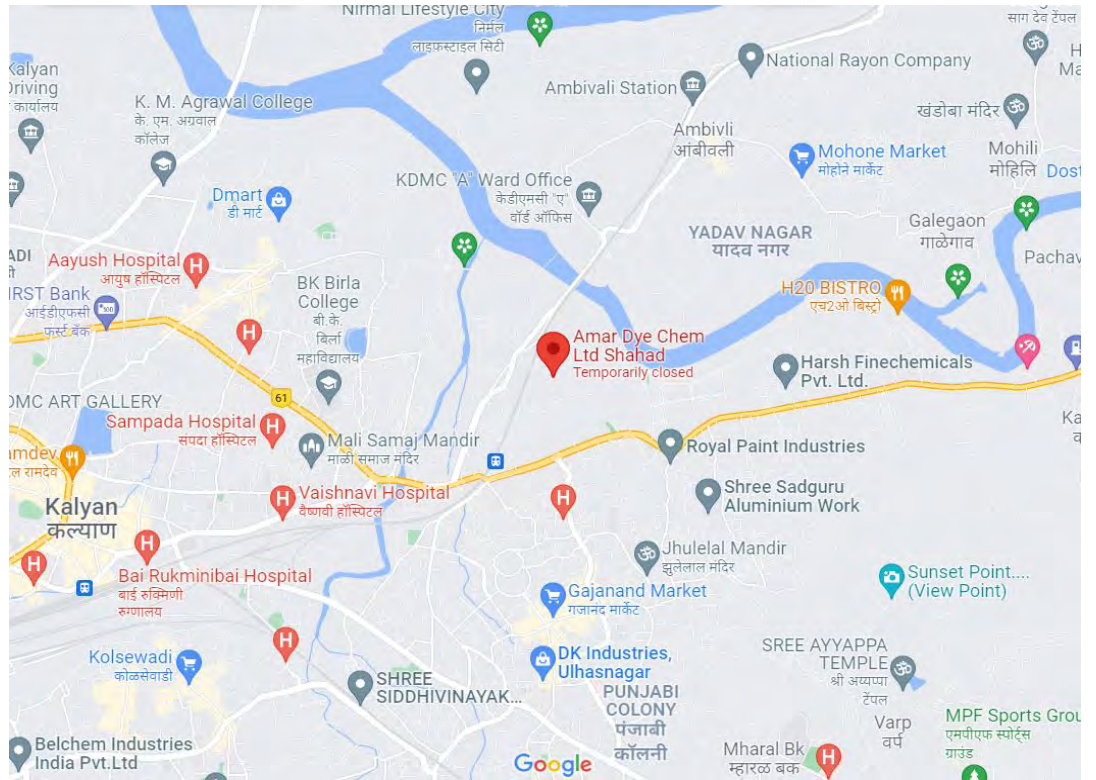
Sunteck Realty (SRIN) has announced a new residential project acquisition of 10msf in Shahad, located in Mumbai Metropolitan Region's (MMR) extended Eastern suburbs. The project has been acquired under the asset light JDA model in which SRIN may have 75-80% revenue share. Assuming development over FY24-35E, we estimate gross revenue of Rs91.2bn (SRIN share at Rs72.6bn) with pre-tax operating surplus of Rs26.6bn and NAV accretion of Rs14.4bn (Rs103/share). We maintain our BUY rating on SRIN with a revised target price of Rs580/share (earlier Rs475) based on 1x NAV incorporating the new Shahad acquisition. SRIN has now added four new projects since Mar'20 with the three earlier projects in Vasai/Vasind/Borivali adding 8msf of saleable area. Key risks to our call are slowdown in the Mumbai property market volumes and fall in residential/commercial prices.

- **Shahad project cements SRIN's position in MMR's extended suburbs:** SRIN has announced its plans to develop an aspirational luxury integrated residential township spread over 50 acres with saleable area of 10msf (2.9x FSI on carpet area) at Shahad, Kalyan located in MMR's extended Eastern suburbs. The new project has been acquired under the asset light Joint Development (JDA) revenue share model with ~75-80% of revenues to accrue to SRIN with 100% of construction costs to be borne by SRIN. This is the fourth project acquisition post Mar'20 from SRIN with the company having earlier done three project acquisitions at Vasai, Vasind and Borivali having cumulative saleable area of 8msf. SRIN now has a significant presence in peripheral areas of MMR with 11.8msf of area in MMR's extended Western suburbs (7.3msf in Naigaon and 4.5msf in Vasai) and 12.6msf in MMR's extended Eastern suburbs (2.6msf in Vasind and 10.0msf in Shahad).
- **Shahad project estimated to add Rs103/share to NAV:** Current residential prices in the vicinity of SRIN's Shahad project hover between Rs6,000-6,500/psf on saleable area basis (Rs10,000-10,500/psf on carpet area basis) for similar Tier 1 developments (Birla Vanya). Typical ticket sizes for 1BHKs and 2BHKs in this micro-market range between Rs5-10mn/unit. We assume a FY24E launch as the land owner (Amar Dye Chem) may require time to secure land conversion approvals. We build in project development over FY24-35E across five phases of 2msf each with a base launch price of Rs6,700/psf and construction cost of Rs3,500/psf and 5% annual escalation in selling prices and costs. We estimate the project to generate gross revenue of Rs91.8bn of which SRIN revenue share is Rs72.6bn and project cost of Rs45.9bn which implies pre-tax operating surplus of Rs26.6bn over the life of the project. Assuming a 30% tax rate and WACC of 11%, we arrive at a NAV of Rs14.4bn or Rs103/share for the project.

Market Cap	Rs64.3bn/US\$876mn	Year to Mar	FY20	FY21	FY22E	FY23E
Reuters/Bloomberg	SUNT.BO/SRIN IN	Revenue (Rs bn)	5.6	6.1	10.4	11.8
Shares Outstanding (mn)	146.4	Rec. Net Income (Rs bn)	0.8	0.4	2.1	2.1
52-week Range (Rs)	439/247	EPS (Rs)	5.3	3.0	14.7	15.1
Free Float (%)	32.8	% Chg YoY	(67.5)	(43.3)	391.9	2.5
FII (%)	21.3	P/E (x)	82.9	146.4	29.8	29.0
Daily Volume (US\$/'000)	5,223	P/B (x)	2.2	2.2	2.1	2.0
Absolute Return 3m (%)	48.4	EV/E (x)	41.0	49.1	19.9	19.5
Absolute Return 12m (%)	51.9	Dividend yield (%)	0.5	0.5	0.7	0.7
Sensex Return 3m (%)	13.0	RoCE (%)	5.9	4.6	10.7	10.5
Sensex Return 12m (%)	52.1	RoE (%)	2.7	1.7	7.2	7.0

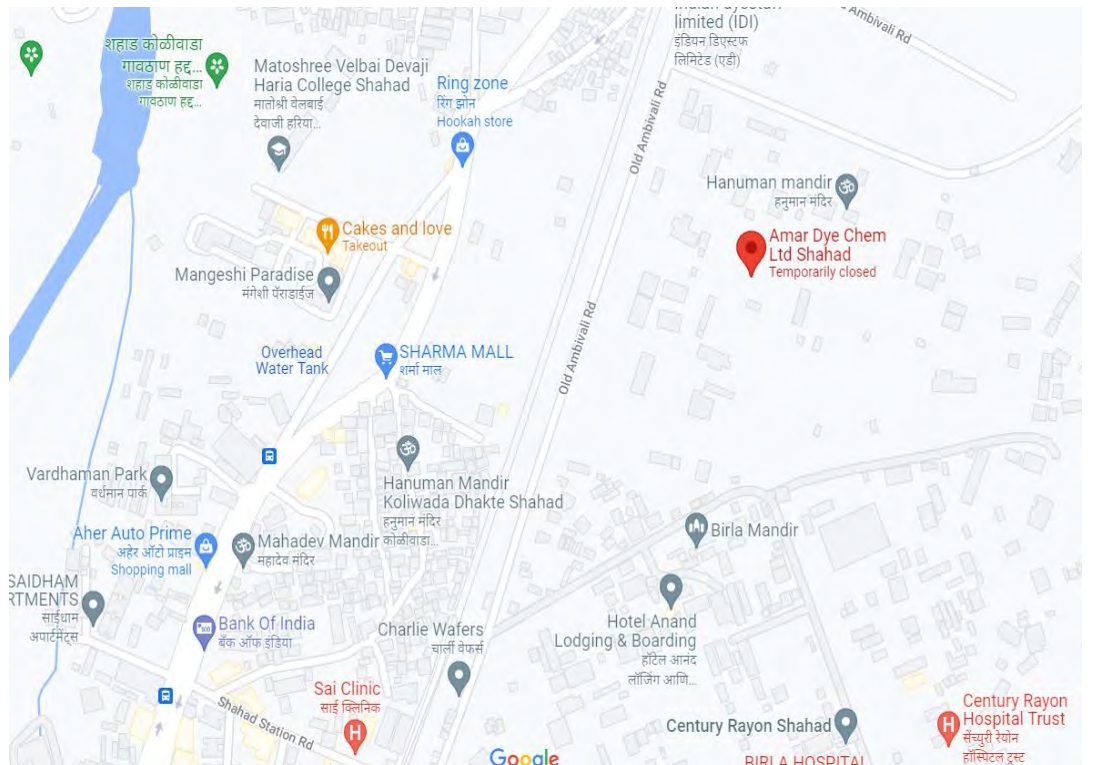
Please refer to important disclosures at the end of this report

Chart 1: Shahad is a micro-market in MMR's extended eastern suburbs



Source: Google Maps, I-Sec research

Chart 2: SRIN's Shahad project has adequate social infra in the vicinity



Source: Google Maps, I-Sec research

Valuations & views

- We like SRIN because it (1) enjoys strong brand recall in Mumbai (2) has strong balance sheet with net debt of 0.2x and (3) asset light model of land acquisition in the Mumbai Metropolitan Region.
- We have valued SRIN on SoTP basis with a combination of DCF-based NAV on FY22 basis.
- We value SRIN's affordable housing foray in Naigaon at Rs5.6bn or Rs40/share. We have assumed a total saleable area of ~10msf on the 100-acre land parcel with project launches over 3 phases and sales/construction cycle from FY19-FY27E.
- We have also assumed a business development value of Rs10bn for Vasai/Vasind acquisitions.
- We maintain our **BUY** rating on SRIN with a revised target price of Rs580/share (earlier Rs475) based on 1x NAV incorporating the new Shahad acquisition which adds Rs14.4bn or Rs103/share to our NAV.
- Key risks to our call are slowdown in the Mumbai property market volumes and fall in residential/commercial prices.

Table 1: SoTP valuation

Project	SRIN NAV (Rs mn)	Rs/share	% of GAV
BKC residential	9,097	65	11.2%
BKC commercial	2,774	20	3.4%
ODC Goregaon Avenue 1 and 2	5,831	42	7.2%
Other ongoing projects	2,205	16	2.7%
ODC Goregaon Avenue 3 and 4	16,348	117	20.1%
ODC Goregaon Avenue 5 and 6 (Commercial and Retail) – market value of land	14,000	100	17.2%
Land Bank	3,935	28	4.8%
Vasai/Vasind	10,000	71	12.3%
Borivali West project	3,003	21	3.7%
Shahad project	14,428	103	17.7%
Naigaon Affordable Housing	5,575	40	6.9%
Gross Asset Value	87,197	622	100.0%
Less: Net Debt	5,888	42	
Total NAV	81,308	580	

Source: I-Sec research

Summary financials (consolidated)

Table 2: Earnings statement
(Rs mn, year ending March 31)

	FY20	FY21	FY22E	FY23E
Net Sales	5,597	6,139	10,444	11,797
Operating Expenses	3,916	4,769	7,024	8,255
EBITDA	1,682	1,369	3,420	3,542
<i>% margins</i>	30%	22%	33%	30%
Depreciation & Amortisation	37	52	55	57
Interest expenses	813	846	473	533
Other Income	205	170	187	205
Exceptional items	(7)	60	-	-
PBT	1,043	581	3,079	3,157
Less: Taxes	281	164	1,016	1,042
PAT before Minority/Associate	762	416	2,063	2,115
Minority/Associate share	(8)	3	-	-
Net Income (Reported)	754	419	2,063	2,115

Source: Company data I-Sec research

Table 3: Balance sheet
(Rs mn, year ending March 31)

	FY20	FY21	FY22E	FY23E
Assets				
Total Current Assets	38,074	37,036	39,926	39,813
<i>of which cash & cash eqv.</i>	1,662	991	2,138	1,196
Total Current Liabilities & Provisions	5,035	5,878	5,878	5,878
Net Current Assets	33,039	31,158	34,048	33,935
Goodwill/Investments	2,900	2,685	3,185	3,685
Net Fixed Assets	365	334	258	201
Capital WIP	-	96	352	1,647
Total Assets	36,304	34,274	37,844	39,468
Liabilities				
Borrowings	9,207	6,879	8,879	8,879
Equity Share Capital	140	140	140	140
Reserves & Surplus*	27,347	27,582	29,153	30,777
Net Worth	27,487	27,723	29,293	30,917
Minority Interest	-	-	-	-
Deferred Taxes	(390)	(327)	(328)	(328)
Total Liabilities	36,304	34,274	37,844	39,468

Source: Company data I-Sec research

Table 4: Cashflow statement
(Rs mn, year ending March 31)

	FY20	FY21	FY22E	FY23E
PBT	1,043	581	3,079	3,157
Depreciation	37	52	55	57
Non-Cash Adjustments	-	-	-	-
Working Capital Changes	(2,291)	1,699	(1,742)	(829)
Taxes Paid	(281)	(164)	(1,016)	(1,042)
Operating Cashflow	(1,491)	2,168	375	1,343
Capital Commitments	(158)	(162)	(256)	(1,295)
Free Cashflow	(1,649)	2,005	119	49
Other investing cashflow	(149)	151	(500)	(500)
Cashflow from Investing Activities	(307)	(11)	(756)	(1,795)
Issue of Share Capital	11	7	-	-
Inc (Dec) in Borrowings	1,942	(2,328)	2,000	-
Dividend paid	(256)	(142)	(492)	(492)
Cashflow from Financing activities	1,697	(2,462)	1,508	(492)
Chg. in Cash & Bank balances	(101)	(306)	1,128	(943)

Source: Company data I-Sec research

Table 5: Key ratios
(Year ending March 31)

	FY20	FY21	FY22E	FY23E
Per Share Data (Rs)				
EPS	5.3	3.0	14.7	15.1
Cash EPS	5.6	3.7	15.1	15.5
Dividend per share (DPS)	2.0	2.0	3.0	3.0
Book Value per share (BV)	196.1	197.8	209.0	220.6
Growth (%)				
Net Sales	(34.7)	9.7	70.1	13.0
EBITDA	(55.5)	(18.6)	149.8	3.6
PAT	(66.8)	(44.4)	392.0	2.5
Valuation Ratios (x)				
P/E	82.9	146.4	29.8	29.0
P/BV	2.2	2.2	2.1	2.0
EV / EBITDA	41.0	49.1	19.9	19.5
Dividend Yield	0.5	0.5	0.7	0.7
Operating Ratios				
Debt/EBITDA (x)	5.5	5.0	2.6	2.5
Net D/E	0.3	0.2	0.2	0.2
Profitability/Return Ratios (%)				
RoE	2.7	1.7	7.2	7.0
RoCE	5.9	4.6	10.7	10.5
EBITDA Margins	30.0	22.3	32.7	30.0
Net Income Margins	13.5	6.8	19.8	17.9

Source: Company data I-Sec research

This report may be distributed in Singapore by ICICI Securities, Inc. (Singapore branch). Any recipients of this report in Singapore should contact ICICI Securities, Inc. (Singapore branch) in respect of any matters arising from, or in connection with, this report. The contact details of ICICI Securities, Inc. (Singapore branch) are as follows: Address: 10 Collyer Quay, #40-92 Ocean Financial Tower, Singapore - 049315, Tel: +65 6232 2451 and email: navneet_babbar@icicisecuritiesinc.com, Rishi_agrawal@icicisecuritiesinc.com.

"In case of eligible investors based in Japan, charges for brokerage services on execution of transactions do not in substance constitute charge for research reports and no charges are levied for providing research reports to such investors."

New I-Sec investment ratings (all ratings based on absolute return; All ratings and target price refers to 12-month performance horizon, unless mentioned otherwise)
BUY: >15 return; ADD: 5 to 15 return; HOLD: Negative 5 to Positive 5 return; REDUCE: Negative 5 to Negative 15 return; SELL: < negative 15 return

ANALYST CERTIFICATION

I/We, *Adhidev Chattopadhyay, MBA (Finance)* authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of the ICICI Securities Inc. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Institutional Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Retail Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as an entity are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.