

Company update and TP
change

Real Estate

Target price Rs590

Target price revision

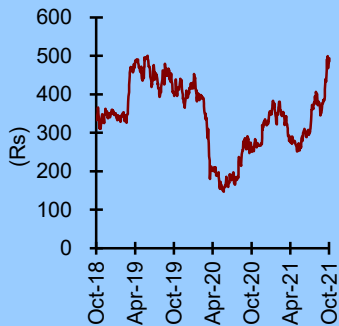
Rs590 from Rs580

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



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INDIA

Sunteck Realty

BUY

Maintained

Rs511

All eyes on festive season

As per Sunteck Realty's (SRIN) Q2FY22 operations update, the company has clocked healthy sales bookings of Rs2.7bn in Q2FY22 (up 36% YoY) along with quarterly collections of Rs2.1bn (up 47% YoY). With sales momentum sustaining for completed/launched inventory, SRIN has done a soft launch for its Vasind project in Sep'21 and is targeting to launch the Naigaon Phase III and Vasai projects in H2FY22 which is expected to boost sales in FY22-23E. We maintain our BUY rating on SRIN with a revised target price of Rs590/share (earlier Rs580) based on 1x NAV incorporating project level adjustments. Post the recent Shahad project addition, the company has a significant presence in peripheral areas of MMR with 11.8msf of area in MMR's extended Western suburbs and 12.6msf in MMR's extended Eastern suburbs. Key risks to our call are slowdown in the Mumbai property market volumes and fall in residential/commercial prices.

- **Resilient show in a tough environment:** SRIN's Q2FY22 sales bookings of Rs2.7bn were up 36% YoY which we estimate has been driven by continued momentum in ODC, Goregaon, Naigaon and other projects. SRIN also achieved healthy quarterly collections of Rs2.1bn in Q2FY22 (up 47% YoY). In Sep'21, the company also did a soft launch for its Vasind project christened "Sunteck Forest World". As per company, out of the total 4,000 units in the project, ~1,000 units consisting of 500 1BHKs (carpet area of 380sqft) and 500 2BHKs (carpet area of 500sqft) have been launched with ticket sizes for 1BHKs starting from Rs2.3mn and 2BHKs starting from Rs3.1mn which implies potential sale value of over Rs2.7bn in Phase 1 of this project.
- **All eyes on festive season:** As of Jun'21, with unsold inventory of ~Rs13bn in Goregaon (~Rs9bn in Avenue 4 and balance in completed Avenue 1 and 2 phases) and ~Rs2bn in Naigaon (SRIN share), SRIN's execution progress will enable faster monetisation of inventory over H2FY22-23E. Apart from these, we believe that the targeted launches of 2.5msf in new projects (Vasai/Vasind/Borivali/Shahad) over the next 12-18 months will enable sustained sales momentum for the company.
- **Shahad project addition cements SRIN's position in MMR's extended suburbs:** SRIN has announced plans to develop a residential township spread over 50 acres with saleable area of 10msf 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. 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).

Market Cap	Rs74.8bn/US\$997mn	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)	524/246	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)	96.7	170.6	34.7	33.8
Daily Volume (US\$/'000)	7,075	P/B (x)	2.6	2.6	2.4	2.3
Absolute Return 3m (%)	53.6	EV/E (x)	47.0	56.6	22.9	22.4
Absolute Return 12m (%)	99.9	Dividend yield (%)	0.4	0.4	0.6	0.6
Sensex Return 3m (%)	15.0	RoCE (%)	5.9	4.6	10.7	10.5
Sensex Return 12m (%)	50.0	RoE (%)	2.7	1.7	7.2	7.0

Please refer to important disclosures at the end of this report

Table 1: SRIN's Key Operating Metrics

Details (Rs mn)	Segment	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Sales Bookings:							
BKC Projects	Luxury	-	-	-	900	-	NA
ODC Goregaon Projects	Mid-income	410	530	1,890	2,010	760	NA
Naigaon Projects	Affordable	480	320	620	750	650	NA
Other Projects	Mixed	120	1,150	990	50	350	NA
Total Sales Bookings		1,010	2,000	3,490	3,710	1,760	2,720
Collections:							
BKC Projects	Luxury	-	440	-	510	260	NA
ODC Goregaon Projects	Mid-income	290	310	1,140	1,040	590	NA
Naigaon Projects	Affordable	350	410	650	890	480	NA
Other Projects	Mixed	10	260	730	770	390	NA
Total Collections		650	1,410	2,520	3,210	1,720	2,070

Source: 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 Rs590/share (earlier Rs580) based on 1x NAV incorporating project level adjustments.
- Key risks to our call are slowdown in the Mumbai property market volumes and fall in residential/commercial prices.

Table 2: SoTP valuation

Project	SRIN NAV		
	(Rs mn)	Rs/share	% of GAV
BKC residential	9,097	65	11.0%
BKC commercial	2,774	20	3.4%
ODC Goregaon Avenue 1 and 2	5,831	42	7.1%
Other ongoing projects	2,205	16	2.7%
ODC Goregaon Avenue 3 and 4	16,348	117	19.8%
ODC Goregaon Avenue 5 and 6 (Commercial and Retail) – market value of land	14,000	100	16.9%
Land Bank	5,247	37	6.4%
Vasai/Vasind	10,000	71	12.1%
Borivali West project	3,003	21	3.6%
Shahad project	14,428	103	17.5%
Naigaon Affordable Housing	5,575	40	6.7%
Gross Asset Value	88,509	632	100.0%
Less: Net Debt	5,888	42	
Total NAV	82,620	590	

Source: I-Sec research

Summary financials (consolidated)

Table 3: 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 4: 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 5: 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 6: 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	96.7	170.6	34.7	33.8
P/BV	2.6	2.6	2.4	2.3
EV / EBITDA	47.0	56.6	22.9	22.4
Dividend Yield	0.4	0.4	0.6	0.6
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

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