

February 02, 2023

RESULT REPORT Q3 FY23 | Sector: Real Estate

Sunteck Realty

Launches critical for targeted presales growth in FY24

Our view

Sunteck Realty (SRIN) continued its strong performance and achieved presales of Rs3.96bn and collected Rs3.04bn for the Q3FY23 and reiterated guidance of Rs18bn presales for FY23E. SRIN plans to launch one of the two projects from Kalyan or Mira Road along with the new activation in Vasai. And cumulatively till FY24E company plans to launch ~7.5msf which will guide to achieve 25-30% CAGR. Management reiterated, SRIN will continue to aggressively vouch for lucrative opportunities in market for Business Development (BD) in next 12-18months supported by the best-in-class B/S with leverage as low as 0.14x by the end of Q3FY23.

SRIN has impeccable track record of acquiring projects to the tune of 38.5msf in last 3years (~25.5msf in covid phase) and we expect it will continue to aggressively scout for business development opportunities with higher margin profile projects in mid income and luxury segment which will drive the valuation going ahead along with the steady and timely execution of projects. Hence, we have valued SRIN on the SoTP with residentials valued on an NPV-based NAV approach, capturing all projects - completed (Rs14bn), under-construction (RS.12bn), planned (RS.57bn) and business development (RS.7bn). We retain our 'BUY' rating with a revised target of Rs577/share and an upside of 66%.

Result Highlights:

- SRIN reported presales of 0.35msf translates in value of Rs3.96bn grew by 13% y/y in Q3FY23 and up by 18%q/q. And collection witnessed growth of 13%/y/y and 16% q/q to Rs3.1bn. Collection efficiency shot up to 77% in Q3FY23.
- Presales guided by the sales of 4th Avenue, ODC upper floors, Sunteck Beach Residencies (SBR) Vasai, and sustained sales in Naigaon Three projects' accounts for 90% of total presales.
- SRIN reported revenue of Rs893mn (10.6%q/q & -30.3% y/y) for Q3FY23 and EBITDA came in at Rs180mn (79.9%q/q & -48.1% y/y) with margins of 20.2% (777bps q/q & -692bps y/y).
- Adj. PAT for Q3FY23 came in at Rs21mn (-11.3% q/q & -81.4% y/y) and Adj. profit margin was at 2.3%.
- SRIN is geared up to launch ~7.5msf by FY24E which will guide the company to achieve targeted growth of 25-30%CAGR (presentation). And beyond FY24E company has robust pipeline of 29.9msf.

Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	893	1,879	2,100	(52.5)	(57.5)	Lower deliveries leading lower than expected revenues
EBITDA	180	453	674	(60.2)	(73.2)	
EBITDA Margin (%)	20.2	24.1	32.1	(391 bps)	(1190bps)	
Adjusted PAT	21	168	282	(87.7)	(92.7)	

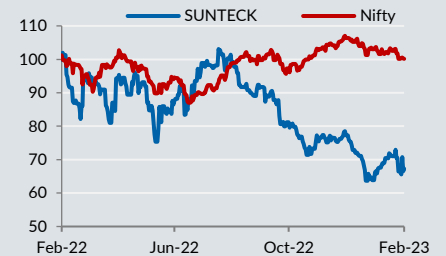
Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 348
Target Price	: Rs 577
Potential Return	: +66%

Stock data (as on Feb 02, 2023)

Nifty	17,610
52 Week h/l (Rs)	545 / 315
Market cap (Rs/USD mn)	50354 / 613
Outstanding Shares (mn)	146
6m Avg t/o (Rs mn):	170
Div yield (%)	0.4
Bloomberg code:	SRIN IN
NSE code:	SUNTECK

Stock performance



	1M	3M	1Y
Absolute return	1.5%	-11.9%	-32.6%

Shareholding pattern (As of Dec'22 end)

Promoter	67.1%
FII+DII	25.7%
Others	7.2%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	577	604

Financial Summary

(Rs mn)	FY23E	FY24E	FY25E
Revenues	6001	8798	9489
YoY growth	17.0	46.6	7.9
EBITDA	1458	3684	3995
YoY growth	57.5	159.8	8.3
PAT	608	2236	2592
YoY growth	142.5	267.7	15.9
EPS	4.2	15.3	17.7
P/E	83.7	22.8	19.6
P/BV	1.8	1.7	1.5
D/E	0.3	0.3	0.2
EV/EBITDA	36.7	14.7	12.7
RoE (%)	2.1	7.3	7.9
RoCE (%)	3.7	8.9	9.6

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Exhibit 2: Quarterly snapshot (Console)

Particulars (Rs mn)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	y/y %	q/q %	FY22	FY21	y/y %
Sales	1,281	1,560	1,435	807	893	(30.3)	10.6	5,131	6,139	(16.4)
EBITDA	347	34	452	100	180	(48.1)	79.9	953	1,369	(30.4)
EBITDA Margin %	27.1	2.2	31.5	12.4	20.2	-692 bps	777 bps	0.0	18.5	-1847 bps
Depreciation	19	25	21	23	22	19.3	(5.0)	73	52	40.0
EBIT	329	9	431	77	158	(51.9)	105.6	880	1,317	(33.2)
EBIT Margin %	25.7	0.6	30.0	9.5	17.7	-795 bps	818 bps	17.2	21.5	-430 bps
Interest charges	196	223	198	176	196	0.0	11.3	813	846	(3.9)
Other Income	33	82	52	70	81	143.2	15.5	205	170	20.7
Profit/ (loss) of JV (net)	(13)	54	27	42	19	(243.0)	(55.0)	1,036	641	61.8
PBT	153	(77)	311	13	62	(59.3)	380.4	325	584	(44.2)
Tax	42	(34)	62	(10)	42	(0.9)	(500.8)	75	164	(54.6)
Effective Tax Rate (%)	27	N/A	20	N/A	66.8	3935 bps	N/A	23	28	-521 bps
PAT	111	(43)	249	23	21	(81.4)	(11.3)	251	419	(40.2)
PAT Margin %	8.7	(2.8)	17.4	2.9	2.3	-636 bps	-57 bps	4.9	6.8	-194 bps
EPS (Rs)	0.8	(0.3)	1.7	0.2	0.15	(80.6)	(7.6)	1.7	2.9	(40.2)

Source: Company, YES Sec

Exhibit 3: SoTP at WACC 12% and For Business Development (BD) WACC14%

Valuation Breakup	Rs. Mn	Rs./share	(%)	Comments
G. NAV Resi. - Completed	13992	96	17%	1yr forward NAV
G. NAV Resi. - Under-Construction	11974	82	14%	1yr forward NAV
Planned Projects	56698	387	67%	PV of 30% Profit Margin and 25%Discount
Less: Net Debt	5297	36	(6%)	Net Debt at end of FY23
NAV	77,367	528		
Business Development (BD)	7099	48	8%	
Total NAV inclusive of BD	84,466	577		
CMP		348		
Upside		66%		

Source: Company, YES Sec

KEY CONFERENCE CALL HIGHLIGHTS

- 9MFY23 achieved robust growth in both presales and collection, this strong performance continued to fetch Rs3.11bn of operating cashflow surplus which supported the b/s much stronger.
- The net debt reduces from 0.19x in FY22 to 0.14x as of Q3FY23.
- Sunteck city at Goregaon west & Sunteck world at Naigaon and Sunteck beach residences at Vasai are throwing positive cashflow on a regular basis.
- In the past 2years, the company acquired ~25.5msf across the micro-market of MMR with a gross development value of Rs200bn.
- In the upcoming quarter, company's endeavor is to launch at least one Kalyan or Mira Road project and activation of new towers in SBR Vasai.
- Borivali project is expected to be launched in FY24 if approvals are achieved.
- Management guided for presales growth of 20-30%CAGR going forward without considering the Borivali launches.
- For Pen-Khapoli project is a plotted/villa development and management are waiting for some approvals to launch it.
- By FY24, management targets to launch 7.5msf of projects will support the 25-30% presales growth targets.
- In Q3FY23, areas sold closed 0.35msf v/s ~0.30msf in Q3FY22.
- Trying aggressively to monetise BKC project and there is an encouraging enquiry for the project in ongoing quarter.

FINANCIALS

Exhibit 4: Balance Sheet (Console)

Y/e 31 Mar (Rs m)	FY21	FY22	FY23E	FY24E	FY25E
Equity capital	140	140	140	140	140
Reserves	27,582	27,764	28,230	30,325	32,775
Net worth	27,723	27,904	28,371	30,465	32,915
Debt	6,879	7,869	8,879	9,879	7,879
Deferred tax liab (net)	328	281	281	281	281
Other non-current liabilities	50	165	165	165	165
Total liabilities	34,979	36,219	37,695	40,790	41,240
Fixed Asset	625	1,298	816	849	908
Investments	2,581	2,346	2,346	2,346	2,346
Other Non-current Assets	130	233	233	233	233
Net Working Capital	31,128	31,697	30,718	33,260	32,228
Inventories	26,145	40,419	40,695	44,001	43,556
Sundry debtors	3,338	2,705	2,342	2,711	2,403
Loans and Advances	3,050	3,028	2,629	2,629	2,629
Sundry creditors	1,827	1,935	2,428	3,560	3,840
Other current liabilities	3,998	17,108	17,108	17,108	17,108
Cash & equivalents	516	645	3,582	4,102	5,525
Total Assets	34,979	36,219	37,695	40,790	41,240

Source: Company, YES Sec

Exhibit 5: Cash Flow (Console)

Y/e 31 Mar (Rs m)	FY21	FY22	FY23E	FY24E	FY25E
PBIT	584	325	813	2,988	3,464
Depreciation	52	73	72	82	92
Tax paid	231	152	205	752	872
Working capital Δ	1,301	(1,138)	1,598	(2,507)	1,032
Other operating items	(46)	(194)	0	0	0
Operating cashflow	2,508	(309)	3,077	700	4,424
Capital expenditure	(162)	(183)	(150)	(150)	(150)
Free cash flow	2,346	(492)	2,927	550	4,274
Equity raised	-	-	-	-	-
Investments	512	643	0	0	0
Debt financing/disposal	(1,973)	1,331	1,010	1,000	(2,000)
Interest Paid	(860)	(743)	(799)	(889)	(709)
Dividends paid	(142)	(142)	(142)	(142)	(142)
Other items	5	13	0	0	0
Net Δ in cash	38	483	2,996	519	1,424

Source: Company, YES Sec

Exhibit 6: Income statement (Console)

Y/e 31 Mar (Rs m)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	6,139	5,131	6,001	8,798	9,489
Operating profit	1,369	953	1,458	3,684	3,995
Depreciation	52	73	72	82	92
Interest expense	846	776	799	889	709
Other income	170	209	250	275	270
Profit before tax	584	325	813	2,988	3,464
Taxes	164	75	205	752	872
Adj. PAT	419	251	608	2,236	2,592
Net profit	419	251	608	2,236	2,592

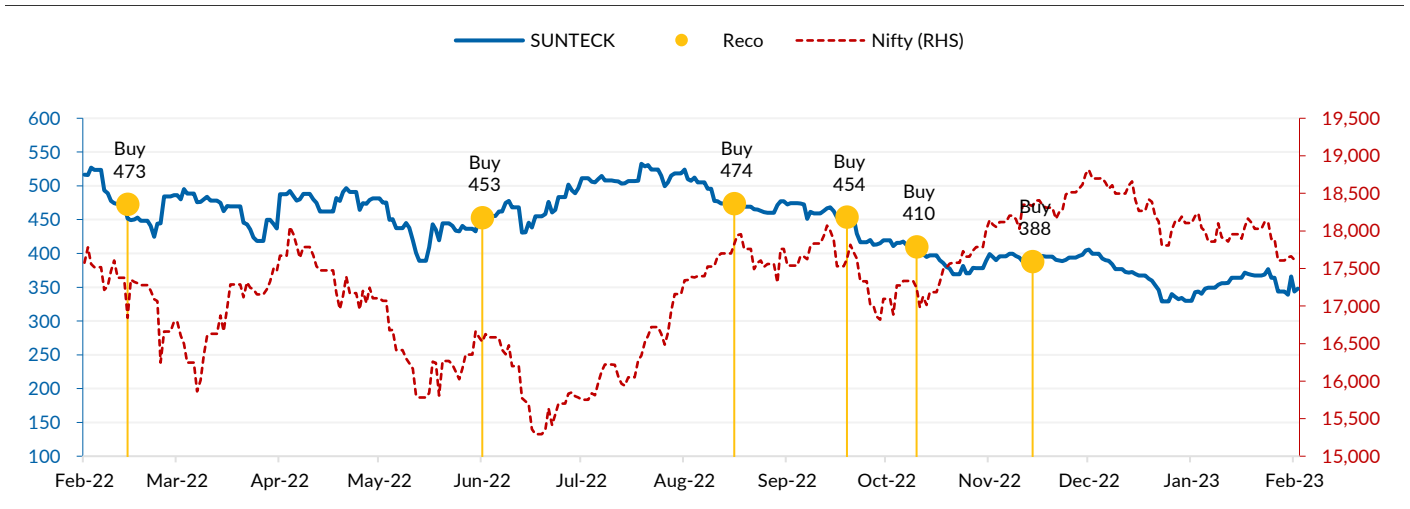
Source: Company, YES Sec

Exhibit 7: Growth and Ratio matrix

Y/e 31 Mar	FY21	FY22	FY23E	FY24E	FY25E
Growth matrix (%)					
Revenue growth	9.7	(16.4)	17.0	46.6	7.9
Op profit growth	(18.6)	(30.4)	53.0	152.7	8.4
EBIT growth	(19.9)	(33.2)	57.5	159.8	8.3
Net profit growth	(43.3)	(40.2)	142.5	267.7	15.9
Profitability ratios (%)					
OPM	22.3	18.6	24.3	41.9	42.1
EBIT margin	21.5	17.2	23.1	40.9	41.1
Net profit margin	6.8	4.9	10.1	25.4	27.3
RoCE	3.8	2.5	3.7	8.9	9.6
RoNW	1.5	0.9	2.1	7.3	7.9
RoA	67.1	19.3	74.5	263.3	285.5
Per share ratios					
EPS	2.9	1.7	4.2	15.3	17.7
Dividend per share	1.0	1.5	1.0	1.0	1.0
Cash EPS	3.2	2.2	4.6	15.8	18.3
Book value per share	189.4	190.6	193.8	208.1	224.8
Payout (%)					
Dividend payout	33.8	87.5	23.3	6.3	5.5
Tax payout	28.1	25.2	25.2	25.2	25.2
Liquidity ratios					
Debtor days	198	192	142	112	92
Inventory days	1,555	2,875	2,475	1,825	1,675
Creditor days	109	138	148	148	148

Source: Company, YES Sec

Recommendation Tracker



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