

Sunteck Realty

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	SRIN IN
Equity Shares (m)	140
M.Cap.(INRb)/(USD\$)	66.3 / 0.8
52-Week Range (INR)	512 / 271
1, 6, 12 Rel. Per (%)	2/13/4
12M Avg Val (INR M)	278

Financials & Valuations (INR b)

Y/E Mar	FY24E	FY25E	FY26E
Sales	8.5	14.1	18.3
EBITDA	1.9	3.5	4.9
EBITDA (%)	22.2	24.8	26.5
PAT	1.3	2.4	3.3
EPS (INR)	9.1	16.4	22.8
EPS Gr. (%)	NA	80.9	39.4
BV/Sh. (INR)	197.9	212.7	234.1

Ratios

Net D/E	0.0	0.1	0.0
RoE (%)	4.7	8.0	10.2
RoCE (%)	5.2	8.0	9.9
Payout (%)	16.6	9.2	6.6

Valuations

P/E (x)	49.9	27.6	19.8
P/BV (x)	2.3	2.1	1.9
EV/EBITDA (x)	35.2	19.8	14.0
Div Yield (%)	0.3	0.3	0.3

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	63.3	67.2	67.1
DIIDIIDIIDII	7.3	7.0	6.7
FIIFIIFIIFI	20.3	16.7	19.0
Others	9.2	9.3	7.2

CMP: INR452

TP: INR640 (+42%)

Buy

On track to achieve the guidance on bookings

P&L performance to improve in 4QFY24

- Sunteck Realty (SRIN) reported 3QFY24 pre-sales of INR4.5b, up 15% YoY/ QoQ each (in line). For 9MFY24, bookings stood at INR12.4b, up 16% YoY.
- Including the proceeds from the recent stake sale, collections rose 44% YoY and doubled sequentially to INR4.4b. For 9MFY24, collections remained flat at INR9.4b, and SRIN generated a net surplus of INR2b during this period.
- Its Uber luxury projects at BKC generated sales of INR840m (vs. nil in 3QFY22), while the upper mid-income projects recorded a 39% decline in bookings to INR1.8b. However, the lower mid-income projects posted strong bookings of INR1.4b, up 113% YoY.
- Aided by strong surplus cash, the net debt reduced to INR490m in 3Q from INR2.6b in 2QFY24.
- **P&L performance:** Revenue decreased 52% YoY, but increased 70% QoQ to INR424m. It reported an operating loss of INR148m vs. EBITDA of INR180m in 3QFY23. Net loss stood at INR98m vs. PAT of INR21m in 3QFY23.
- We expect the financial performance to improve significantly in 4QFY24, as the company is on track to deliver the Maxx World project in Naigaon. This project can add INR7.5-8.0b to its revenue.

Key management commentary

- **Launches:** Towards the end of the quarter, SRIN launched one tower at Kalyan and effected bookings of INR730m. On an annual basis, SRIN can generate INR2.5-3.0b pre-sales from the project. It will launch the third tower at Mira Road along with a new phase launch at Naigaon in 4Q, which will help the company in meeting its target of INR20b sales. With the launch of the Napean Sea Road project in FY25, SRIN can surely achieve 25% growth in pre-sales.
- **Business development:** The company is acquiring adjacent plots at the Napean Sea Road project, which will double the project size. SRIN is also in talks for a few new projects in South Mumbai and Bandra, which could be announced soon. Further, key approvals for the Borivali project are likely to be received soon. Management is confident that all these projects will help it add INR100b of new GDV to the existing pipeline.
- **Commercial:** In FY25, SRIN will launch the residential towers at Avenue 5, and cash flows from the same will be utilized towards funding capex for the office assets.

Valuation and view

- We expect Sunteck to deliver a healthy 25% pre-sales CAGR over FY23-26, fueled by a ramp-up in launches from both new and existing projects. Further, its sound balance sheet, strong cash flows, and recent partnership with IFC would spur project additions and drive sustainable growth.
- We value its residential segment based on the NPV of existing pipelines and its commercial segment based on an 8% cap rate on FY25E EBITDA. We also assign INR14b of value to future project additions through the IFC platform to arrive at our TP of INR640, indicating 42% upside potential.

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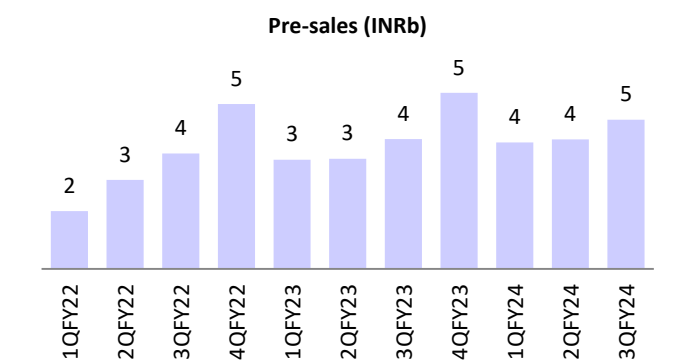
Quarterly performance

Y/E March (INR m)	FY23				FY24E				FY23	FY24E	FY24E	Var (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			3QE	
Net Sales	1,435	807	893	489	706	250	424	7,133	3,624	8,513	459	-7
YoY Change (%)	-35.4	68.8	43.4	219.2	-50.8	-69.1	-52.5	1,359.4			-48.7	
Total Expenditure	983	707	713	579	780	391	573	4,883	2,982	6,627	755	
EBITDA	452	100	180	-91	-75	-141	-148	2,250	642	1,886	-296	NA
Margins (%)	31.5	12.4	20.2	-18.6	-10.6	-56.5	-34.9	31.5	17.7	22.2	-64.6	
Depreciation	21	23	22	25	18	22	24	7	92	72	21	
Interest	198	176	196	289	173	158	171	142	859	644	151	
Other Income	52	70	81	80	178	113	185	108	284	584	10	
PBT before EO expense	285	-29	44	-324	-87	-208	-158	2,208	-24	1,755	-458	NA
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	285	-29	44	-324	-87	-208	-158	2,208	-24	1,755	-458	NA
Tax	62	-10	42	-62	-27	-64	-55	584	31	439	74	
Rate (%)	21.7	36.3	95.3	19.2	31.0	30.5	34.9	26.5	-125.6	25.0	-16.2	
MI & Profit/Loss of Asso. Cos.	-27	-42	-19	17	7	-6	-6	-6	-70	-10	-14	
Reported PAT	250	23	21	-279	-67	-139	-97	1,629	15	1,326	-519	NA
Adj PAT	250	23	21	-279	-67	-139	-97	1,629	15	1,326	-519	NA
YoY Change (%)	NA	-90.6	-11.4	NA	-75.8	105.7	-29.9	NA	NA	NA	273.8	
Margins (%)	17.4	2.9	2.3	-57.1	-9.6	-55.6	-22.9	22.8	0.4	15.6	-113.1	
Operational metrics												
Pre-sales	3,330	3,360	3,960	5,370	3,860	3,950	4,550	7,972	16,020	20,332	4,550	0
Collections	2,840	3,310	3,040	3,300	2,880	2,140	4,380	3,926	12,490	13,326	2,951	48

Source: MOFSL, Company

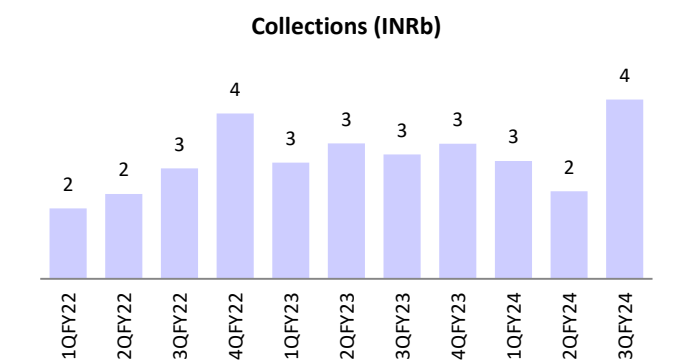
Key exhibits

Exhibit 1: Pre-sales increased 15% YoY to INR4.5b



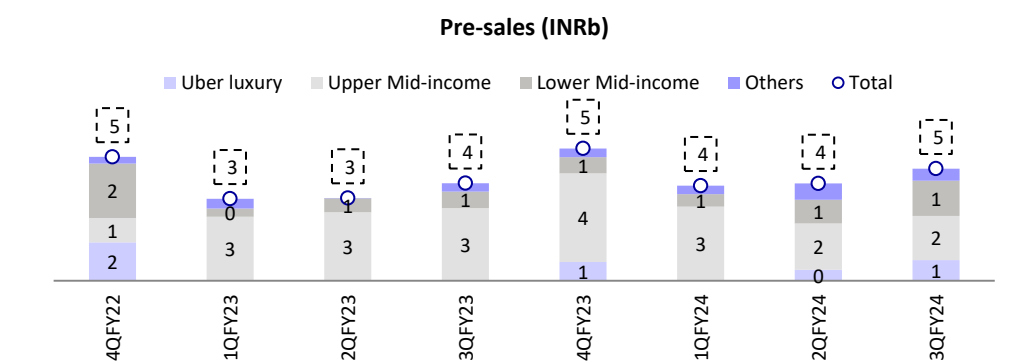
Source: Company, MOFSL

Exhibit 2: Collections were up 44% YoY to INR4.4b



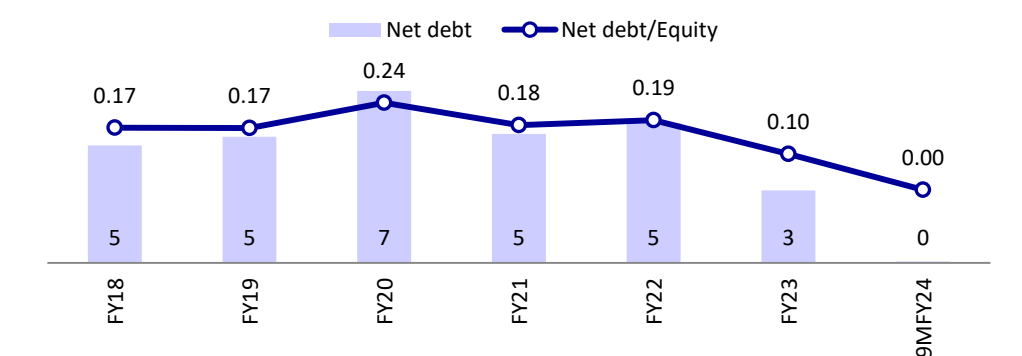
Source: Company, MOFSL

Exhibit 3: Lower mid-income segment witnessed 113% YoY surge in sales



Source: Company, MOFSL

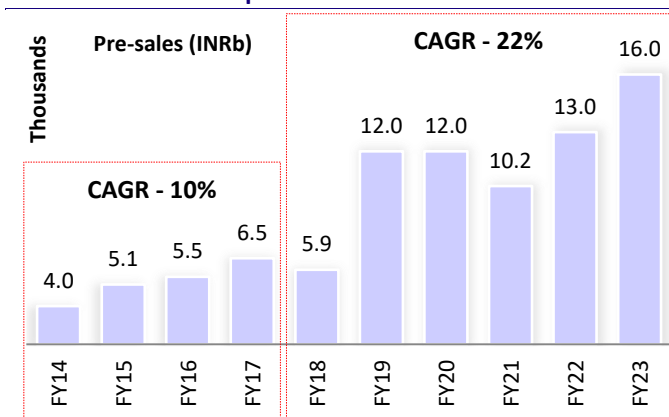
Exhibit 4: SRIN is now debt free



Source: Company, MOFSL

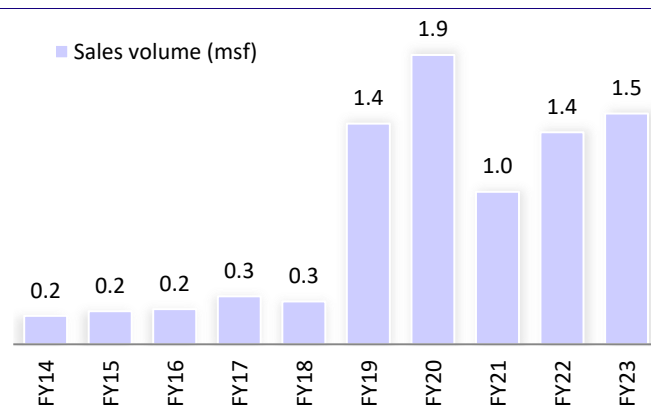
Story in charts

Exhibit 5: Pre-sales reported 22% CAGR over CY18-23



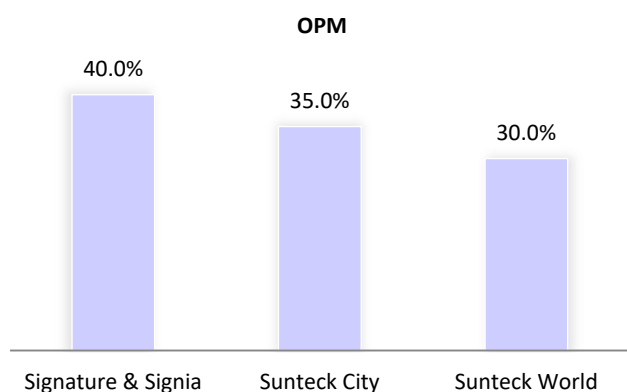
Source: Company, MOFSL

Exhibit 6: Volume rose to 1.5msf in FY23 vs. 0.3msf in FY18



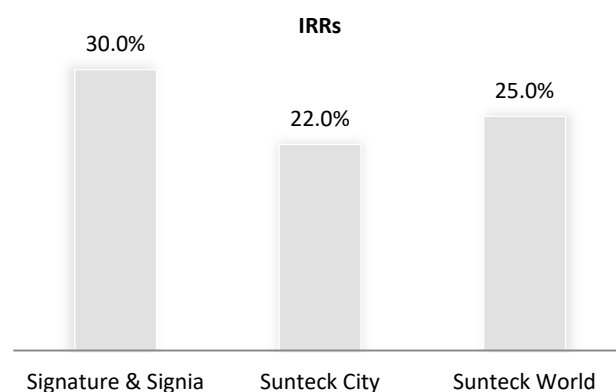
Source: Company, MOFSL

Exhibit 7: Targets 30-40% OPM...



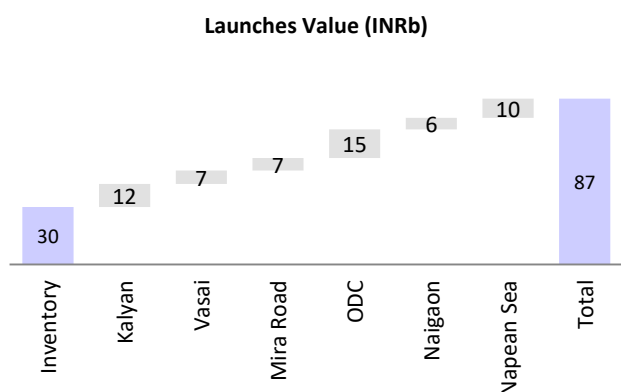
Source: Company, MOFSL

Exhibit 8: ...and generates healthy IRRs



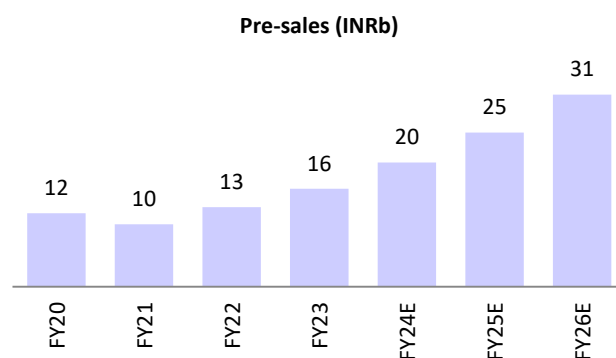
Source: Company, MOFSL

Exhibit 9: Gearing up for INR57b of launches from the ongoing and new projects over the next two years

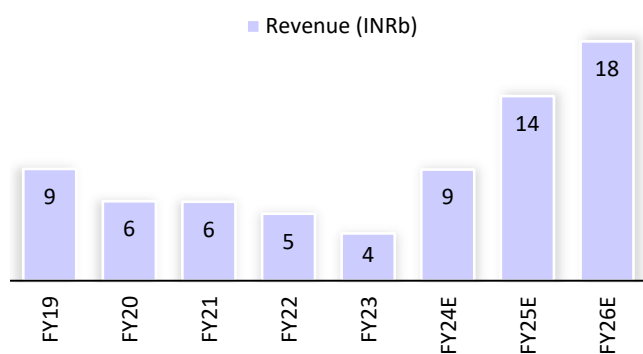


Source: MOFSL, Company

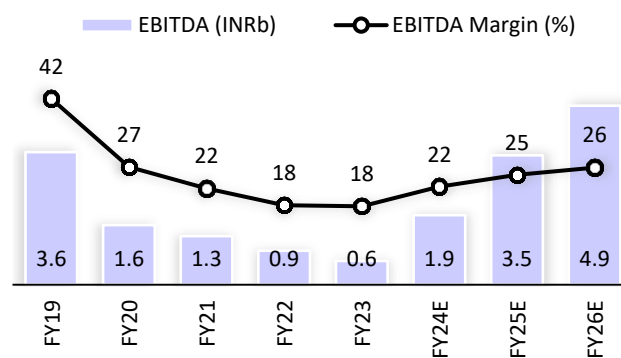
Exhibit 10: We expect SRIN to post 25% pre-sales CAGR over FY23-26



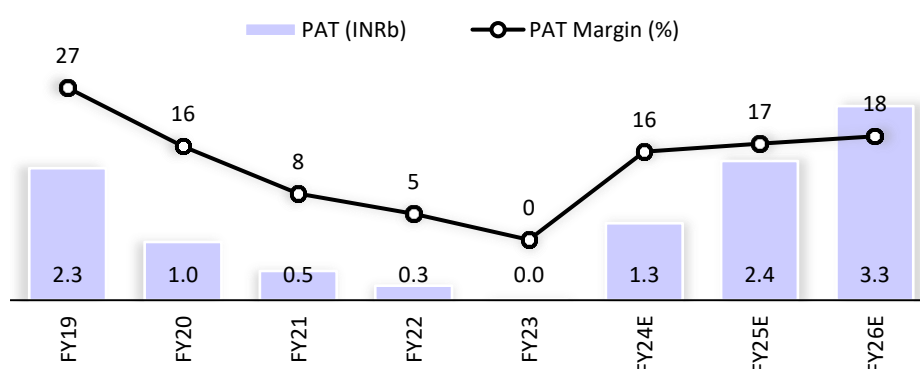
Source: MOFSL, Company

Exhibit 11: Expect 72% CAGR over FY23-26

Source: Company, MOSL

Exhibit 12: EBITDA margin to recover to >20% from FY24

Source: Company, MOSL

Exhibit 13: PAT to increase to INR3.3b with a margin of 18%

Source: Company, MOFSL

Exhibit 14: Changes to our estimates

(INR m)	Old		New		Change	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	9,173	14,138	8,513	14,138	-7%	0%
EBITDA	2,023	3,506	1,886	3,510	-7%	0%
Adj. PAT	1,195	2,305	1,326	2,398	11%	4%
Pre-sales	20,463	25,297	20,332	25,232	-1%	0%
Collections	13,337	17,353	13,326	17,307	0%	0%

Source: MOFSL, Company

Valuation and view

We value SRIN on a DCF-based approach:

- Its residential business is valued by using a DCF of expected cash flows over project cycle with a WACC of 13.1%.
- Its operational commercial assets are valued at 8% cap rate on FY25E EBITDA.
- We expect the company to add INR150b worth of new projects in the near term and discount the expected cash flows with a WACC of 13.1%.

Based on the above approach, we arrive at a NAV of INR94b, or INR640/share, indicating an upside potential of 42%. **Reiterate BUY.**

Exhibit 15: Our SoTP-based TP of INR640 indicates an upside potential of 42%

NAV Summary		INR b	Per Share	as % of NAV
Completed Projects	INR16b of net cash surplus, excluding overheads discounted at a WACC of 13% over the next four years	15	102	16%
Ongoing Projects	INR22b of net cash surplus, excluding overheads discounted at a WACC of 13% over the next four years	23	157	24%
Upcoming projects	Around 12msf of pipeline with GDV of INR200b discounted at a WACC of 13%	36	248	39%
Commercial	Operational assets valued at a cap rate of 8% and ongoing projects through DCF	5	36	6%
Value of Existing Pipeline		80	543	85%
New project additions	Value of expected new project additions of INR150b with cash flow potential of INR40b	14	98	15%
Gross Asset value		94	641	100%
Net debt	FY24E net debt	0	0	0%
Net Asset value		94	641	100%
No. of share		146		
NAV per share		640		
CMP		452		
Upside Potential		42%		

Source: MOFSL

Financials and valuations

Consolidated - Income Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Total Income from Operations	8,558	6,078	6,046	5,132	3,624	8,513	14,138	18,334
Change (%)	-3.7	-29.0	-0.5	-15.1	-29.4	134.9	66.1	29.7
Total Expenditure	4,960	4,460	4,730	4,211	2,982	6,627	10,627	13,478
% of Sales	58.0	73.4	78.2	82.1	82.3	77.8	75.2	73.5
EBITDA	3,598	1,618	1,316	921	642	1,886	3,510	4,856
Margin (%)	42.0	26.6	21.8	17.9	17.7	22.2	24.8	26.5
Depreciation	22	36	51	73	92	72	94	98
EBIT	3,576	1,583	1,265	848	550	1,814	3,417	4,757
Int. and Finance Charges	408	435	802	778	859	644	522	510
Other Income	525	237	211	244	284	584	289	197
PBT bef. EO Exp.	3,693	1,385	674	314	-24	1,755	3,184	4,444
PBT after EO Exp.	3,693	1,385	674	314	-24	1,755	3,184	4,444
Total Tax	1,284	378	173	75	31	439	796	1,111
Tax Rate (%)	34.8	27.3	25.6	23.8	-125.6	25.0	25.0	25.0
Minority Interest	133	4	-3	-12	-70	-10	-10	-10
Reported PAT	2,275	1,003	505	251	15	1,326	2,398	3,343
Adjusted PAT	2,275	1,003	505	251	15	1,326	2,398	3,343
Change (%)	6.2	-55.9	-49.6	-50.3	-94.1	NA	80.9	39.4
Margin (%)	26.6	16.5	8.4	4.9	0.4	15.6	17.0	18.2

Consolidated - Balance Sheet

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	140	140	140	140	140	140	140	140
Total Reserves	28,197	29,061	27,347	27,764	27,738	28,844	31,023	34,146
Net Worth	28,337	29,201	27,487	27,904	27,878	28,985	31,163	34,287
Total Loans	6,346	9,217	6,512	7,882	6,854	4,854	4,854	4,854
Deferred Tax Liabilities	12	0	0	7	9	9	9	9
Capital Employed	35,606	38,418	34,000	35,793	34,741	33,847	36,026	39,150
Gross Block	200	442	460	660	787	858	952	1,050
Less: Accum. Deprn.	49	77	125	186	264	336	429	528
Net Fixed Assets	150	365	334	474	522	522	522	522
Investment Property	254	221	186	750	967	967	967	967
Capital WIP	0	0	0	67	1,012	1,012	1,012	1,012
Total Investments	287	319	319	17	99	109	119	129
Curr. Assets, Loans&Adv.	38,230	40,786	40,852	53,681	69,985	70,238	74,902	80,272
Inventory	26,321	27,203	27,438	40,419	57,251	55,391	61,973	65,300
Account Receivables	4,101	3,587	3,698	2,703	1,496	1,399	1,743	1,758
Cash and Bank Balance	1,479	1,662	1,662	970	1,582	4,701	1,503	3,168
Loans and Advances	6,329	8,334	8,054	9,589	9,656	8,746	9,683	10,046
Curr. Liability & Prov.	3,664	3,556	7,722	19,196	37,845	39,001	41,496	43,753
Account Payables	1,492	1,654	2,122	1,936	2,114	1,633	2,711	3,516
Other Current Liabilities	2,136	1,857	5,571	17,214	35,679	37,316	38,733	40,185
Provisions	36	45	30	46	52	52	52	52
Net Current Assets	34,595	37,195	33,160	34,485	32,141	31,237	33,405	36,519
Appl. of Funds	35,606	38,418	34,000	35,793	34,741	33,848	36,026	39,150

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)								
EPS	15.5	6.8	3.4	1.7	0.1	9.1	16.4	22.8
Cash EPS	15.7	7.1	3.8	2.2	0.7	9.5	17.0	23.5
BV/Share	193.5	199.4	187.7	190.5	190.3	197.9	212.7	234.1
DPS	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Payout (%)	9.7	21.9	43.5	87.6	NA	16.6	9.2	6.6
Valuation (x)								
P/E	29.2	66.3	131.7	NA	NA	49.9	27.6	19.8
Cash P/E	28.9	64.0	119.6	NA	NA	47.4	26.6	19.2
P/BV	2.3	2.3	2.4	2.4	2.4	2.3	2.1	1.9
EV/Sales	8.3	12.2	11.8	14.3	19.8	7.8	4.9	3.7
EV/EBITDA	19.8	45.8	54.2	79.7	111.7	35.2	19.8	14.0
Dividend Yield (%)	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
FCF per share	-0.8	-3.7	18.4	-3.3	16.7	36.9	-19.0	14.8
Return Ratios (%)								
RoE	8.3	3.5	1.8	0.9	0.1	4.7	8.0	10.2
RoCE	8.0	3.6	3.0	2.4	1.8	5.2	8.0	9.9
RoIC	7.1	3.3	2.7	1.9	3.7	4.5	8.3	10.5
Leverage Ratio (x)								
Current Ratio	10.4	11.5	5.3	2.8	1.8	1.8	1.8	1.8
Interest Cover Ratio	8.8	3.6	1.6	1.1	0.6	2.8	6.5	9.3
Net Debt/Equity	0.2	0.3	0.2	0.2	0.2	0.0	0.1	0.0

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
OP/(Loss) before Tax	3,693	1,385	584	326	-24	1,755	3,184	4,444
Depreciation	22	36	52	73	92	72	94	98
Interest & Finance Charges	408	435	846	776	859	644	485	485
Direct Taxes Paid	-1,203	-420	-231	-152	-68	-439	-796	-1,111
(Inc)/Dec in WC	-2,862	-1,834	1,699	-1,129	2,022	4,023	-5,367	-1,449
CF from Operations	59	-398	2,950	-106	2,880	6,054	-2,400	2,468
Others	-138	43	-88	-198	-260	-584	-289	-197
CF from Operating incl EO	-79	-355	2,861	-305	2,620	5,470	-2,689	2,272
(Inc)/Dec in FA	-43	-192	-164	-183	-181	-72	-94	-98
Free Cash Flow	-122	-548	2,697	-487	2,439	5,398	-2,783	2,173
(Pur)/Sale of Investments	-360	-121	139	248	7	0	0	0
Others	1,125	-311	170	115	12	584	289	197
CF from Investments	723	-624	145	181	-162	513	196	98
Issue of Shares	7	11	7	13	7	0	0	0
Inc/(Dec) in Debt	666	1,952	-2,328	1,331	-1,647	-2,000	0	0
Interest Paid	-640	-807	-860	-743	-762	-644	-485	-485
Dividend Paid	-256	-256	-142	-142	-211	-220	-220	-220
Others	-423	864	-413	0	0	0	0	0
CF from Fin. Activity	-647	1,765	-3,736	459	-2,614	-2,864	-705	-705
Inc/Dec of Cash	-3	785	-729	335	-156	3,119	-3,199	1,665
Opening Balance	49	47	832	103	438	282	3,401	203
Closing Balance	47	832	103	438	282	3,401	203	1,868

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Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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