

January 23, 2024

Q3FY24 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	BUY		BUY	
Target Price	565		565	
Sales (Rs. m)	16,470	22,140	16,026	22,140
% Chng.	2.8	-		
EBITDA (Rs. m)	5,554	7,138	5,390	7,138
% Chng.	3.0	-		
EPS (Rs.)	27.5	35.9	26.5	35.9
% Chng.	3.6	-		

Key Financials - Consolidated

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	3,624	10,521	16,470	22,140
EBITDA (Rs. m)	642	2,654	5,554	7,138
Margin (%)	17.7	25.2	33.7	32.2
PAT (Rs. m)	14	1,598	3,863	5,041
EPS (Rs.)	0.1	11.4	27.5	35.9
Gr. (%)	(94.4)	NA	141.8	30.5
DPS (Rs.)	1.0	1.0	1.5	2.0
Yield (%)	0.2	0.2	0.3	0.4
RoE (%)	0.1	5.6	12.5	14.3
RoCE (%)	1.6	7.2	14.4	16.7
EV/Sales (x)	19.0	6.5	4.2	3.1
EV/EBITDA (x)	107.3	25.9	12.5	9.5
PE (x)	NA	39.8	16.5	12.6
P/BV (x)	2.3	2.2	1.9	1.7

Key Data

SUNT.BO | SRIN IN

52-W High / Low	Rs.512 / Rs.271
Sensex / Nifty	71,424 / 21,572
Market Cap	Rs.66bn/ \$ 798m
Shares Outstanding	146m
3M Avg. Daily Value	Rs.490.37m

Shareholding Pattern (%)

Promoter's	63.25
Foreign	20.28
Domestic Institution	7.24
Public & Others	9.23
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	3.7	21.0	23.2
Relative	3.2	12.9	4.6

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Sunteck Realty (SRIN IN)

Rating: BUY | CMP: Rs452 | TP: Rs565

On track with new launches & project additions

Quick Pointers:

- Exploring new BD activities with likely to double GDV in coming years.
- Launch of new tower in Mira road and new phase in Naigaon in Q4FY24.

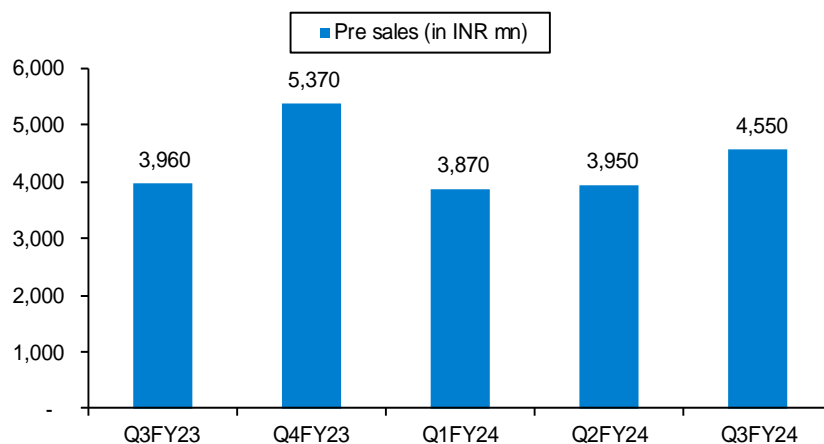
Sunteck Realty (SRIN) reported healthy pre-sales of Rs. 4.6bn; increased 15% YoY and QoQ. Collections increased sharply by 105% QoQ led by one-time inflow from security sale. SRIN's proven ability to market ultra-luxury projects, aggressive and multi-pronged land acquisition capabilities in various micro markets across Mumbai Metropolitan Region (MMR) is an interesting play on Mumbai's high value real estate market. We expect company's pre-sales to grow 2x over next 3 years aided by ongoing projects and strong new launches pipeline. Further given likely strong cash flow generation (Rs8-10bn over FY23-26E), we see SRIN to step up new project additions which will be a key catalyst for stock performance. Adoption of asset light model has enabled the company to acquire scale without straining its balance sheet and this will likely continue in new project additions too. Maintain 'Buy' rating with a TP of Rs. 565/share.

- No meaningful project completion resulting in EBITDA loss:** Operationally, SRIN reported EBITDA loss of Rs 148mn vs Rs 180mn profit in Q3FY23 and loss of Rs. 141mn in Q2FY24. Consolidated revenues de-grew by 52% YoY to Rs. 424mn. PAT came in at negative Rs. 97mn vs profit of Rs. 21mn YoY and loss of Rs.139mn QoQ. Net debt further reduced by Rs.2.1bn QoQ to Rs490mn aided by recent treasury shares sale.
- Healthy pre-sales; driven by Kalyan launch:** SRIN reported pre-sales of Rs 4.6bn (up 15% YoY and QoQ) aided by recent launch in Kalyan. High mid-income projects (Sunteck City, SBR, Sky Park projects) contributed 39% (Rs. 1.8bn) to total pre-sales vs Rs. 1.9bn in Q2FY24. During the quarter, average realization increased 6% QoQ to Rs. 10,974 psf. Collections includes one-time inflows from security sale to tune of Rs2.8bn. Adjusted for this collections came in at Rs1.6bn; down 25% QoQ and should pick up as it received OC for Max word and Avenue City 4 projects. During the quarter, newly launched Kalyan project (Sunteck Crescent Park- tower one) contributed Rs 726mn whereas BKC projects contributed Rs. 836mn to the total pre-sales.
- Key con-call takeaways:** (1) Mgmt plans to add new projects and double GDV in next 3 years. It includes already acquired Borivali project (expecting approval soon), adjacent land at Nepean sea road and 1-2 projects in south Mumbai including Bandra project. (2) **Plans to launch** Tower 3 in Mira road and New 4th phase in Naigaon which will aid pre-sales in Q4. Reiterated its pre-sales target of Rs. 20bn in FY24 (Rs12.4bn achieved in 9M). Also plans to launch residential tower at Sunteck city 5th Avenue in FY25. BKC sale momentum to continue and will see revenue booking in FY25. Guided Rs. 2.5-3bn of pre-sales from Kalyan project every year. (3) **Annuity portfolio** – Both Sunteck Icon and Sunteck BKC 51 are fully completed; of which one is leased out and another will be lease out in Q4FY24. (4) Exploring 2-3 opportunities in affordable segment through IFC platform. (5) Nepean sea road project guided to launch by H2FY25E.

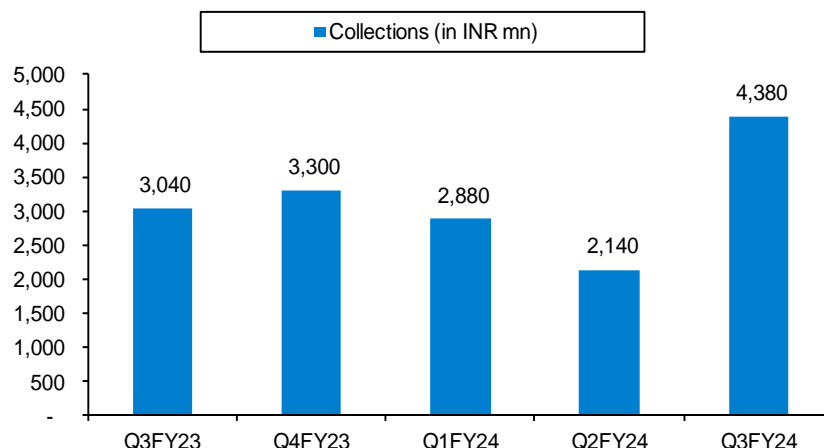
Exhibit 1: Q3FY24 Result Overview (Rs mn) – Operationally steady quarter

Y/e March	3QFY24	3QFY23	YoY gr. (%)	2QFY24	QoQ gr. (%)	9MFY24	9MFY23	YoY gr. (%)
Net Sales	424	893	(52.5)	249	70.2	1,380	2,558	(46.1)
COGS	(28)	338	NA	(51)	(44.5)	223	946	(76.4)
<i>% of Net Sales</i>	<i>(6.6)</i>	<i>37.9</i>		<i>(20.3)</i>		<i>16.2</i>	<i>37.0</i>	
Employee Cost	230	172	34.0	229	0.5	675	433	55.8
<i>% of Net Sales</i>	<i>54.2</i>	<i>19.2</i>		<i>91.9</i>		<i>6.4</i>	<i>11.9</i>	
Other Expenses	371	203	82.7	212	74.6	846	603	40.2
<i>% of Net Sales</i>	<i>87.3</i>	<i>22.7</i>		<i>85.1</i>		<i>8.0</i>	<i>16.6</i>	
Total	573	713	(19.7)	391	46.6	1,744	1,982	(12.0)
EBITDA	(148)	180	NA	(141)	NA	(364)	576	NA
<i>Margins (%)</i>	<i>(34.9)</i>	<i>20.2</i>		<i>(56.7)</i>		<i>(26.4)</i>	<i>22.5</i>	
Other Income	185	81	127.8	113	64.3	477	174	173.7
Interest	171	196	(12.8)	158	8.3	502	513	(2.1)
Depreciation	24	22	9.0	22	8.4	64	54	19.0
PBT	(158)	44	NA	(209)	NA	(454)	183	NA
Tax	(55)	42	NA	(64)	NA	(146)	59	NA
<i>Tax rate %</i>	<i>34.9</i>	<i>95.5</i>		<i>30.5</i>		<i>32.1</i>	<i>32.0</i>	
PAT	(103)	2	NA	(145)	NA	(308)	125	NA
Share in (loss)/profit of associate	6	19		6		4	45	
Minority Interest	-	-		-		-	-	
Reported PAT	(97)	21	NA	(139)	NA	(304)	170	NA

Source: Company, PL

Exhibit 2: Healthy pre-sales led by Kalyan launch and BKC projects


Source: Company, PL

Exhibit 3: Collections increased led by one-time inflow from security sale


Source: Company, PL

Exhibit 4: Pre-sales and collections break up (in mn)

Segment	Projects	Pre-sales (~Rs in mn)		Collections (~Rs in mn)	
		Q3FY24	9MFY24	Q3FY24	9MFY24
Uber Luxury	Signature, Signia	840	1,290	50	600
High Mid-income	Sunteck City, SBR, Sky Park	1,790	6,680	840	3,280
Low Mid-Income	Sunteck World	1,430	2,900	370	1,450
Others		490	1,490	3,120	4,060
Total		4,550	1,237	4,380	9,400

Source: Company, PL

Exhibit 5: NAV valuations Summary

	(Rs mn)	% of total	NAV per share
Residential	67,191	79%	459
Commercial (Sell)	11,906	14%	81
Commercial (Lease)	6,005	7%	41
Gross NAV	85,102	100%	581
Add: Cash	4,485		31
Less: Gross Debt	(6,854)		(47)
Net NAV	82,730		565
Outstanding shares (m)	146.5		
NAV per share	565		

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	3,624	10,521	16,470	22,140
YoY gr. (%)	(29.4)	190.3	56.5	34.4
Cost of Goods Sold	1,276	5,651	7,986	11,470
Gross Profit	2,348	4,871	8,484	10,670
Margin (%)	64.8	46.3	51.5	48.2
Employee Cost	690	793	912	1,049
Other Expenses	-	-	-	-
EBITDA	642	2,654	5,554	7,138
YoY gr. (%)	(32.7)	313.5	109.3	28.5
Margin (%)	17.7	25.2	33.7	32.2
Depreciation and Amortization	92	100	110	120
EBIT	549	2,554	5,444	7,018
Margin (%)	15.2	24.3	33.1	31.7
Net Interest	859	900	900	900
Other Income	284	383	513	510
Profit Before Tax	(25)	2,037	5,057	6,628
Margin (%)	(0.7)	19.4	30.7	29.9
Total Tax	31	509	1,264	1,657
Effective tax rate (%)	(122.0)	25.0	25.0	25.0
Profit after tax	(56)	1,528	3,793	4,971
Minority interest	-	-	-	-
Share Profit from Associate	70	70	70	70
Adjusted PAT	14	1,598	3,863	5,041
YoY gr. (%)	(94.4)	11,240.4	141.8	30.5
Margin (%)	0.4	15.2	23.5	22.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	14	1,598	3,863	5,041
YoY gr. (%)	(94.4)	11,240.4	141.8	30.5
Margin (%)	0.4	15.2	23.5	22.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	14	1,598	3,863	5,041
Equity Shares O/s (m)	140	140	140	140
EPS (Rs)	0.1	11.4	27.5	35.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	1,768	1,868	1,968	2,268
Tangibles	1,768	1,868	1,968	2,268
Intangibles	-	-	-	-
Acc: Dep / Amortization	279	379	489	609
Tangibles	279	379	489	609
Intangibles	-	-	-	-
Net fixed assets	1,490	1,490	1,480	1,660
Tangibles	1,490	1,490	1,480	1,660
Intangibles	-	-	-	-
Capital Work In Progress	1,012	1,453	1,453	1,253
Goodwill	14	14	14	14
Non-Current Investments	4,711	5,171	5,724	6,388
Net Deferred tax assets	334	334	334	334
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	57,251	58,525	61,694	63,572
Trade receivables	1,496	2,496	3,296	4,296
Cash & Bank Balance	1,582	1,685	1,235	2,718
Other Current Assets	4,688	4,688	4,000	4,000
Total Assets	72,243	75,521	78,895	83,900
Equity				
Equity Share Capital	140	140	140	140
Other Equity	27,738	29,039	32,691	37,451
Total Network	27,879	29,179	32,831	37,591
Non-Current Liabilities				
Long Term borrowings	4,208	4,208	4,208	4,208
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	2,646	2,646	2,646	2,646
Trade payables	2,114	2,220	2,442	2,686
Other current liabilities	35,731	37,603	37,103	37,103
Total Equity & Liabilities	72,243	75,521	78,895	83,900

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	(25)	2,037	5,057	6,628
Add. Depreciation	92	100	110	120
Add. Interest	859	900	900	900
Less Financial Other Income	284	383	513	510
Add. Other	(1,261)	70	70	70
Op. profit before WC changes	(335)	3,107	6,137	7,718
Net Changes-WC	2,986	(757)	(4,112)	(3,297)
Direct tax	(31)	(509)	(1,264)	(1,657)
Net cash from Op. activities	2,620	1,841	761	2,764
Capital expenditures	(1,125)	(541)	(100)	(100)
Interest / Dividend Income	-	-	-	-
Others	1,288	-	-	-
Net Cash from Invt. activities	162	(541)	(100)	(100)
Issue of share cap. / premium	0	-	-	-
Debt changes	(1,015)	-	-	-
Dividend paid	(140)	(140)	(211)	(281)
Interest paid	(859)	(900)	(900)	(900)
Others	(924)	116	-	-
Net cash from Fin. activities	(2,939)	(924)	(1,111)	(1,181)
Net change in cash	(156)	376	(450)	1,483
Free Cash Flow	1,495	1,300	661	2,664

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	0.1	11.4	27.5	35.9
CEPS	0.8	12.1	28.3	36.7
BVPS	198.5	207.7	233.7	267.6
FCF	10.6	9.3	4.7	19.0
DPS	1.0	1.0	1.5	2.0
Return Ratio(%)				
RoCE	1.6	7.2	14.4	16.7
ROIC	0.8	3.5	7.0	8.6
RoE	0.1	5.6	12.5	14.3
Balance Sheet				
Net Debt : Equity (x)	0.2	0.2	0.2	0.1
Net Working Capital (Days)	5,703	2,040	1,386	1,075
Valuation(x)				
PER	NA	39.8	16.5	12.6
P/B	2.3	2.2	1.9	1.7
P/CEPS	597.6	37.4	16.0	12.3
EV/EBITDA	107.3	25.9	12.5	9.5
EV/Sales	19.0	6.5	4.2	3.1
Dividend Yield (%)	0.2	0.2	0.3	0.4

Source: Company Data, PL Research

Quarterly Financials (Rs m)

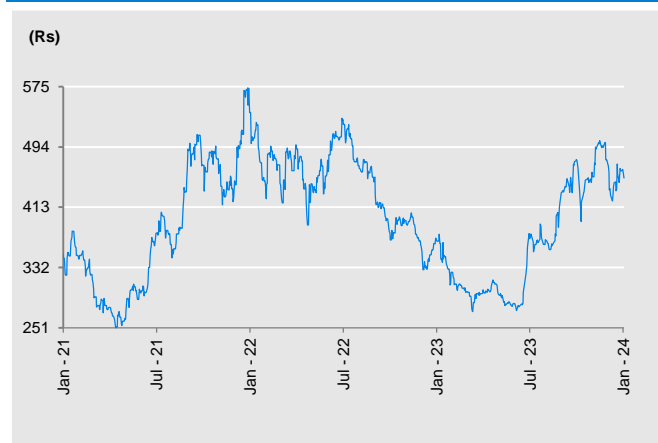
Y/e Mar	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Net Revenue	489	706	249	424
YoY gr. (%)	(68.5)	(50.8)	8.6	(52.5)
Raw Material Expenses	93	302	(51)	(28)
Gross Profit	396	404	300	453
Margin (%)	81.0	57.2	120.3	106.6
EBITDA	(91)	(75)	(141)	(148)
YoY gr. (%)	(254.4)	(116.5)	148.5	(182.2)
Margin (%)	(18.6)	(10.6)	(56.7)	(34.9)
Depreciation / Depletion	25	18	22	24
EBIT	(116)	(92)	(164)	(172)
Margin (%)	(23.8)	(13.1)	(65.6)	(40.6)
Net Interest	289	173	158	171
Other Income	80	178	113	185
Profit before Tax	(325)	(87)	(209)	(158)
Margin (%)	(66.4)	(12.3)	(83.7)	(37.2)
Total Tax	(62)	(27)	(64)	(55)
Effective tax rate (%)	19.2	31.0	30.5	34.9
Profit after Tax	(262)	(60)	(145)	(103)
Minority interest	17	7	(6)	(6)
Share Profit from Associates	-	-	-	-
Adjusted PAT	(279)	(67)	(139)	(97)
YoY gr. (%)	548.2	(127.0)	39.2	(570.5)
Margin (%)	(57.2)	(9.5)	(55.9)	(22.9)
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	(279)	(67)	(139)	(97)
YoY gr. (%)	548.2	(127.0)	39.2	(570.5)
Margin (%)	(57.2)	(9.5)	(55.9)	(22.9)
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	(279)	(67)	(139)	(97)
Avg. Shares O/s (m)	-	-	-	-
EPS (Rs)	(2.0)	(0.5)	(1.0)	(0.7)

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Real estate revenues	2,908	10,344	15,909	21,423
Lease Rent	94	103	486	643

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	24-Oct-23	BUY	565	436
2	13-Sep-23	BUY	565	397

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	6,000	5,754
2	Aster DM Healthcare	BUY	430	417
3	Aurobindo Pharma	Accumulate	1,065	1,124
4	Cipla	BUY	1,350	1,287
5	Divi's Laboratories	Reduce	3,150	4,015
6	Dr. Reddy's Laboratories	Reduce	5,300	5,852
7	Eris Lifesciences	BUY	1,050	928
8	Fortis Healthcare	BUY	400	434
9	Glenmark Pharmaceuticals	Reduce	570	893
10	HealthCare Global Enterprises	BUY	420	371
11	Indoco Remedies	BUY	385	390
12	Ipca Laboratories	Hold	1,060	1,119
13	J.B. Chemicals & Pharmaceuticals	BUY	1,800	1,682
14	Jupiter Life Line Hospitals	BUY	1,310	1,138
15	Krishna Institute of Medical Sciences	BUY	2,000	2,000
16	Lupin	Hold	1,200	1,390
17	Max Healthcare Institute	BUY	675	715
18	Narayana Hrudayalaya	BUY	1,250	1,212
19	Sun Pharmaceutical Industries	BUY	1,280	1,300
20	Sunteck Realty	BUY	565	436
21	Torrent Pharmaceuticals	BUY	2,250	2,350
22	Zydus Lifesciences	Accumulate	670	714

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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