

June 25, 2024

Company Update | Sector: Real Estate

# Sunteck Realty

**Strong launches + improving execution = Better CF**

## Our view

**Sunteck Realty (SRIN) has achieved the presales of Rs19.5bn (20%/y) for FY24 and guided 30-35% presales growth for FY25 on the back of a strong launch pipeline of Rs50-55bn GDV. Company plans to launch subsequent phases of ODC, Naigaon, Mira Road and Vasai in FY25. Post the special development zone (SDZ) policy in place, Borivali project gathered pace and the company might bring it to the launch phase by FY26. Post leasing two assets at BKC junction, the company plans to build 5<sup>th</sup> Avenue at ODC in 3-4 years, which can potentially generate annuity of Rs3bn and valued at Rs27.1bn with 25% discount.**

**We have valued SRIN on SoTP with residential valued on an NPV-based NAV approach, capturing all projects: completed (Rs8.6bn), under-construction (RS40.1bn), planned (RS16.2bn) and commercial (Rs37.2bn). Given that SRIN is aggressive on project acquisition, we have added BD of Rs7.1bn to valuation and maintained 'BUY' with an upgraded target price of Rs759/share.**

## SRIN's another addition to commercial portfolio

SRIN has leased out its two assets at BKC junction i.e. Sunteck BKC51 & ICON for 29 years, yielding a rent of Rs300/sft/month with 4% escalation. These two assets are generating 30% returns on the invested capital and the company's asset duo is cumulatively valued at Rs10.2bn. SRIN with the strong balance sheet is now planning to add another asset 5<sup>th</sup> Avenue, ODC under the commercial segment. SRIN will build 5<sup>th</sup> Avenue (~1msf) with the investment of Rs6-6.5bn and which is expected to yield rent of Rs250/sft/month resulting in a gross asset value of Rs42.9bn at 7% cap rate. After netting it with the capital invested and 25% discount, arrived at NAV of Rs27.1bn.

## Presales growth of 30-35% easily achievable with strong pipeline

In FY24, SRIN added projects at the marquee Mumbai location i.e. Bandstand, Bandra, following the Nepean sea. Company clocked presales of Rs19.2bn with 20% y/y and aspires to achieve 30-35% presales growth for FY25 on the back of strong launch pipeline of GDV totaling to Rs50-55bn. Company plans to launch subsequent phases of ODC (Rs30bn), Mira Road (Rs8bn), Naigaon (Rs25bn) and Vasai (Rs10bn). Additionally, gearing up to launch its newly acquired Nepean Sea project by Q1FY26. SRIN has sold Rs2.45bn inventory in BKC projects and expects sales momentum to continue in FY25 as well and should contribute meaningfully to the sales.

## Steadily improving execution/turnaround timeline

SRIN has an unparalleled track of acquiring projects which is backed by the strong and lean B/S. Company has acquired GDV of Rs300bn in less than three years and plans to repeat the same in coming years. While the company is acquiring projects at a fast pace it also needs to reduce the time to bring the projects to execution phase to redeploy the capital for BD without putting pressure on B/S. Internally the company is targeting 8-12 months from acquisition to launch time which can be clearly visible from the status of Nepean Sea projects. With the launch plan across the year, the company is steadily scaling its execution capability.

## Strong cashflow visibility and lean B/S allows to accelerate growth

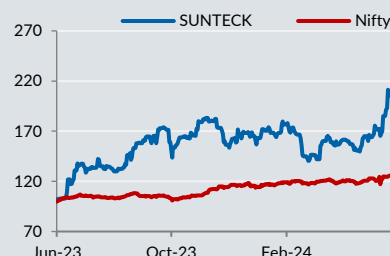
SRIN received OC for Maxx World in the end of FY24 resulting in spillover of cashflow in H1FY25 and with execution of the ongoing projects there is strong visibility of cashflow for coming years. Moreover, the company has only Rs2.95bn gross debt (gross D/E 0.09x) while net cash of Rs80mn for FY24, allows the company to acquire projects at better pace without putting pressure on B/S.

Reco	: <b>BUY</b>
CMP	: Rs 602
Target Price	: Rs 759
Potential Return	: +26%

## Stock data (as on Jun 25, 2024)

Nifty	23,721
52 Week h/l (Rs)	619 / 272
Market cap (Rs/USD mn)	88829 / 1065
Outstanding Shares (mn)	146
6m Avg t/o (Rs mn):	358
Div yield (%):	0.4
Bloomberg code:	SRIN IN
NSE code:	SUNTECK

## Stock performance



	1M	3M	1Y
Absolute return	33.9%	49.7%	119.4%

## Shareholding pattern (As of Mar'24 end)

Promoter	63.2%
FII+DII	27.5%
Others	9.3%

## Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	759	582

## Financial Summary

(Rs mn)	FY24	FY25E	FY26E
Revenues	5648	10111	10241
YoY growth	55.8	79.0	1.3
EBITDA	1173	2062	1770
YoY growth	96.1	81.3	(15.3)
PAT	709	1430	1226
YoY growth	N/A	101.7	(14.3)
EPS	5.0	10.2	8.7
P/E	119.2	59.1	69.0
P/BV	2.7	2.6	2.5
D/E	0.1	0.1	0.1
EV/EBITDA	70.3	38.1	44.3
RoE (%)	2.3	4.4	3.7
RoCE (%)	3.1	5.5	4.6

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## Exhibit 1: Quarterly snapshot (Console)

Particulars (Rs mn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	q/q %	y/y %	FY23	FY24	y/y %
Sales	489	706	249	424	<b>4,269</b>	905.7	773.4	3,624	5,648	55.8
EBITDA	(91)	(75)	(141)	(148)	<b>1,534</b>	N/A	N/A	642	1,173	82.8
EBITDA Margin %	(18.6)	(10.6)	(0.6)	(0.3)	<b>0.4</b>	N/A	N/A	17.7	20.8	306 bps
Depreciation	25	18	22	24	<b>31</b>	28.5	22.5	92	95	3.3
EBIT	(116)	(92)	(164)	(172)	<b>1,503</b>	N/A	N/A	549	1,078	96.1
EBIT Margin %	(23.8)	-13.1	(65.6)	-40.6	<b>35.2</b>	N/A	N/A	15.2	19.1	392 bps
Interest charges	289	173	158	171	<b>182</b>	6.2	(37.1)	859	684	(20.4)
Other Income	80	178	113	185	<b>81</b>	(56.3)	1.0	284	555	95.1
Profit/ (loss) of JV (net)	(17)	-7	6	6	<b>(3)</b>	N/A	N/A	(25)	949	N/A
PBT	(342)	(94)	(203)	(152)	<b>1,400</b>	N/A	N/A	45	950	2,018.3
Tax	(62)	(27)	(64)	(55)	<b>386</b>	N/A	N/A	31	240	682.1
Effective Tax Rate (%)	N/A	N/A	N/A	N/A	<b>27.6</b>	N/A	N/A	69	25	-4326 bps
PAT	(279)	(67)	(139)	(97)	<b>1,013</b>	N/A	N/A	14	709	4,934.3
PAT Margin %	(57.1)	(9.5)	(55.9)	(22.9)	<b>23.7</b>	N/A	N/A	0.4	12.6	1217 bps
EPS (Rs)	(2.0)	(0.5)	(1.0)	(0.7)	<b>7.21</b>	N/A	N/A	0.1	5.0	4,934.3

Source: Company, YES Sec

## Exhibit 2: Quarterly snapshot (Console)

Particulars (Rs mn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	q/q %	y/y %	FY23	FY24	y/y %
Sales (msf)	0.46	0.36	0.38	0.41	<b>0.63</b>	53.7	37.0	1.5	1.8	20.3
Sales	5,370	3,870	3,950	4,550	<b>6,780</b>	49.0	26.3	16,020	19,150	19.5
Collection	3,300	2,880	2,143	4,380	<b>2,960</b>	(32.4)	(10.3)	12,500	12,360	(1.1)
Collection Efficiency	61%	74%	54%	96%	<b>44%</b>			78%	65%	

Source: Company, YES Sec

## Exhibit 3: SoTP at WACC 12%

Valuation Breakup	Rs. Mn	Rs./share	(%)	Comments
G. NAV Resi. - Completed	8585	59	8%	1yr forward NAV
G. NAV Resi. - Under-Construction	40089	274	36%	1yr forward NAV
Commercial	37160	254	33%	Value at Cap Rate of 8%
Planned Projects	16199	111	15%	PV of 30%Profit Margin and 25%Discount
Less: Net Debt	-2054	-14	2%	Net Debt at end of Q3FY24
<b>NAV</b>	<b>104,086</b>	<b>711</b>		
Business Development (BD)	7099	48	6%	
<b>Total NAV inclusive of BD</b>	<b>111,185</b>	<b>759</b>		
CMP		602		
<b>Upside</b>		<b>26%</b>		

Source: Company, YES Sec

## KEY CONFERENCE CALL HIGHLIGHTS

- SRIN ended the year by achieving a milestone of net zero debt while gross debt stands at Rs2.95bn translating to D/E of 0.09x.
- Company plans to launch subsequent phases of ODC, Mira Road, Naigaon and Vasai. And in advance stage for new launches in Nepean Sea and Bandstand which cumulatively have GDV of Rs30bn.
- SRIN is geared up to achieve the presales growth of 30-35% in FY25 on the back of strong demand momentum across its ongoing projects.
- Company is evaluating projects in Western Suburban and South Mumbai and expects to double its GDV from Rs300bn to Rs600bn in coming years.
- SRIN is on track to complete Sunteck 4<sup>th</sup> Avenue in FY25 and expects to recognize it at record higher margins in FY25.
- Company plans to launch new phases in Mira Road and Naigaon in Q2FY25, plans to launch 5<sup>th</sup> Avenue, ODC in Q3FY25 and gearing up for the South Mumbai project in Q4FY25; while Q1FY25 might only see sustenance sales.
- SRIN plans to deploy cashflow in building annuity assets and business development.
- Company is targeting MCGM area for business development and confident of achieving atleast one project in FY25.
- Company plans to launch ~Rs80bn of new phases in FY25 which gives company confidence to achieve 30-35% presales growth even without launching Nepean Sea Road project.
- SRIN achieved sales of Rs2.45bn from the BKC project and expects continuation of demand for FY25 as well.
- Company received OC for Sunteck Maxx World at the fag end of FY24 resulting in spillover of collection in H1FY25 and which will result in strong cashflow in FY25.

## FINANCIALS

**Exhibit 4: Balance Sheet (Console)**

Y/e 31 Mar (Rs m)	FY22	FY23	FY24	FY25E	FY26E
Equity capital	140	140	146	146	146
Reserves	27,764	27,738	31,095	32,315	33,330
Net worth	27,904	27,879	31,242	32,462	33,477
Debt	7,882	6,854	3,749	3,249	2,749
Deferred tax liab (net)	281	334	400	117	117
Other non-current liabilities	42	142	243	243	243
Total liabilities	36,109	35,209	35,634	36,071	36,586
Fixed Asset	1,298	2,515	5,089	2,607	2,642
Investments	2,346	2,407	2,295	2,295	2,295
Other Non-current Assets	233	274	395	439	439
Net Working Capital	31,734	29,124	27,256	25,426	26,190
Inventories	40,419	57,251	59,663	59,710	60,473
Sundry debtors	2,703	1,496	2,925	3,020	3,059
Loans and Advances	3,178	4,885	5,171	3,852	3,852
Sundry creditors	1,936	2,114	2,916	3,004	3,042
Other current liabilities	17,218	35,589	41,027	41,027	41,027
Cash & equivalents	497	888	597	5,303	5,019
Total Assets	36,109	35,209	35,634	36,071	36,586

Source: Company, YES Sec

**Exhibit 5: Cash Flow (Console)**

Y/e 31 Mar (Rs m)	FY22	FY23	FY24	FY25E	FY26E
PBIT	326	45	950	1,911	1,638
Depreciation	73	92	95	108	115
Tax paid	152	68	121	481	412
Working capital Δ	(1,129)	2,022	(502)	1,504	(764)
Other operating items	(198)	(329)	(16)	0	0
Operating cashflow	(305)	2,620	1,090	3,635	1,078
Capital expenditure	(183)	(181)	(629)	2,374	(150)
Free cash flow	(487)	2,439	460	6,009	928
Equity raised					
Investments	5	(219)	234	0	0
Debt financing/disposal	1,331	(1,647)	(2,784)	(500)	(500)
Interest Paid	(743)	(762)	(534)	(592)	(501)
Dividends paid	(142)	(211)	(211)	(211)	(211)
Other items	13	7	2	0	0
Net Δ in cash	335	(156)	74	4,706	(284)

Source: Company, YES Sec

## Exhibit 6: Income statement (Console)

Y/e 31 Mar (Rs m)	FY22	FY23	FY24	FY25E	FY26E
Revenue	5,131	3,624	5,648	10,111	10,241
Operating profit	953	642	1,173	2,062	1,770
Depreciation	73	92	95	108	115
Interest expense	776	859	684	592	501
Other income	209	284	555	550	485
Profit before tax	325	45	950	1,911	1,638
Taxes	75	31	240	481	412
Adj. PAT	251	14	709	1,430	1,226
Net profit	251	14	709	1,430	1,226

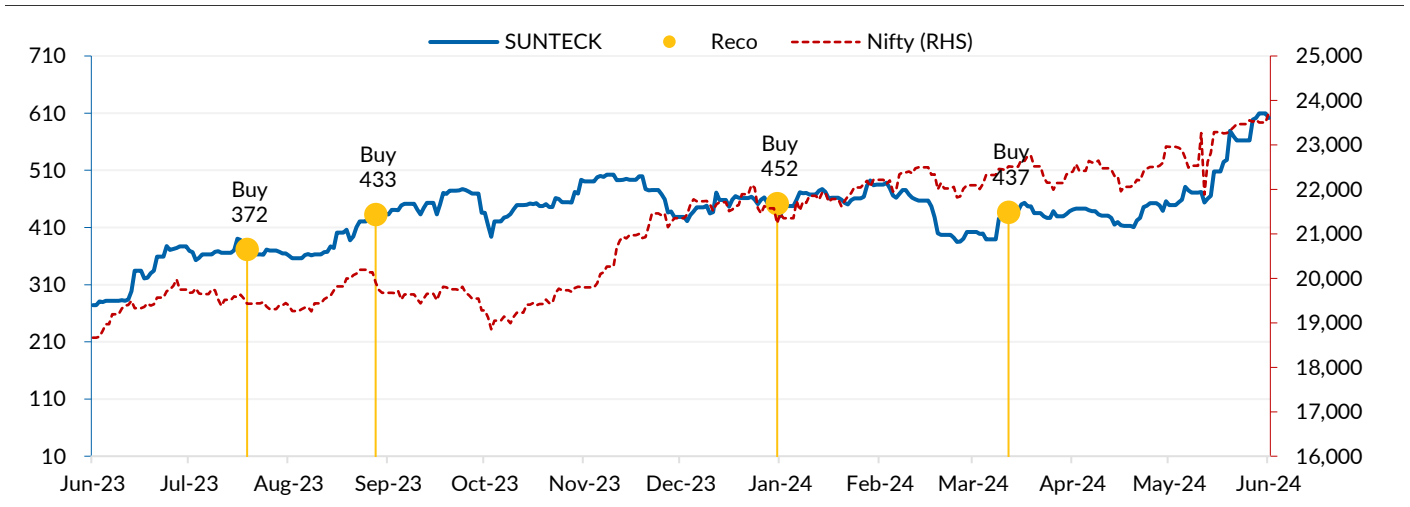
Source: Company, YES Sec

## Exhibit 7: Growth and Ratio matrix

Y/e 31 Mar	FY22	FY23	FY24	FY25E	FY26E
<b>Growth matrix (%)</b>					
Revenue growth	(16.4)	(29.4)	55.8	79.0	1.3
Op profit growth	(30.4)	(32.7)	82.8	75.8	(14.2)
EBIT growth	(33.2)	(37.6)	96.1	81.3	(15.3)
Net profit growth	(40.2)	(94.4)	N/A	101.7	(14.3)
<b>Profitability ratios (%)</b>					
OPM	18.6	17.7	20.8	20.4	17.3
EBIT margin	17.2	15.2	19.1	19.3	16.2
Net profit margin	4.9	0.4	12.6	14.1	12.0
RoCE	2.5	1.6	3.1	5.5	4.6
RoNW	0.9	0.1	2.3	4.4	3.7
RoA	19.3	0.6	13.9	54.9	46.4
<b>Per share ratios</b>					
EPS	1.8	0.1	5.0	10.2	8.7
Dividend per share	1.5	1.0	1.5	1.5	1.5
Cash EPS	2.3	0.8	5.7	10.9	9.5
Book value per share	198.7	198.5	222.4	231.1	238.3
<b>Payout (%)</b>					
Dividend payout	84.0	964.6	29.7	14.7	17.2
Tax payout	25.2	25.2	25.2	25.2	25.2
<b>Liquidity ratios</b>					
Debtor days	192	151	189	109	109
Inventory days	2,875	5,765	3,855	2,155	2,155
Creditor days	138	213	188	108	108

Source: Company, YES Sec

## Recommendation Tracker



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**NEUTRAL:** Upside between 0% to 10% over 12 months

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