

Presales inline; cash generation steady.

- Presales of Rs3.9bn (est: Rs4bn) registered a 16% YoY growth aided by Mira road launch along with sustained momentum in ODC / Vasai. The three projects account for ~80% of overall presales for the Q. Launches planned in two new micro markets (Kalyan / Nepean Sea road) over the next 12 months will aid diversification and support med-term growth guidance of 20-30%.
- Collections sustained the quarterly run-rate of ~Rs3bn aiding core OCF of Rs0.8bn. Leverage remains low with Adj Net Debt / Equity at 13%. This positions Sunteck on a strong footing for undertaking new BD activity. Notably the developer is closely evaluating 5 new large BDs (2 outright and 3 JDAs); offering upside risks to our estimates.
- Retain 'Accumulate' with a Mar '24 TP of Rs430. Note that our NAV valuation remains conservative as we assign no value to non-core land assets (Jaipur, Dubai). Consistency in faster turnaround of projects from acquisition to launch (Mira road: 6 months) and showcasing the ability to sustain gas in all growth engines together will be key for turning more constructive.

Key upside risks to TP and rating include: 1) Faster than anticipated launch of projects, 2) new high value acquisitions in markets having limited competition from grade A developers and 3) non-core land monetization. **Key downside risks include:** 1) JDA cancellations, 2) delay in project launches and 3) weaker than anticipated presales.

Kalyan and Nepean Sea road launches key for med-term presales growth target of 20-30%.

The developer plans on bringing both Kalyan and Nepean Sea road projects over the next 12 months. This is set to diversify the overall product offering and geographic mix. The developer is confident on growing presales at a CAGR of 20-30% in the med-term. This is supported by a launch pipeline >37msf equating to an estimated GDV of >Rs300bn. The aim is to achieve Rs3-4bn in annual presales from each micro market.

Q1FY24 Result (Rs Mn)

Particulars	Q1FY24	Q1FY23	YoY (%)	Q4FY23	QoQ (%)
Presales (Rs Mn)	3,870	3,330	16.2	5,370	(27.9)
Collections (Rs Mn)	2,880	2,850	1.1	3,300	(12.7)
Sales (Rs Mn)	710	1,435	(50.5)	490	44.9
EBITDA (Rs mn)	(75)	452	(116.5)	(91)	(18.1)
PAT (Rs Mn)	(67)	249	(127.0)	(279)	(75.9)
OCF (Rs Mn)	760	650	16.9	1,870	(59.4)
Net Debt (Rs Mn)	2,640	4,990	(47.1)	2,800	(5.7)
ND / E (%)	12.7	21.1	(40.1)	13.4	(5.4)

CMP	Rs 372
Target / Upside	Rs 430 / 16%
NIFTY	19,543

Scrip Details

Equity / FV	Rs 140mn / Rs 1
Market Cap	Rs 52bn
	USD 635.3mn
52-week High/Low	Rs 484/ 271
Avg. Volume (no)	9,50,842
Bloom Code	SRIN IN

Price Performance	1M	3M	12M
Absolute (%)	16	19	(22)
Rel to NIFTY (%)	14	11	(35)

Shareholding Pattern

	Dec'22	Mar'23	Jun'23
Promoters	67.1	67.1	67.1
MF/Banks/FIs	6.3	6.3	5.9
FIs	18.9	18.9	17.5
Public / Others	7.7	7.7	9.0

Valuation (x)

	FY24E	FY25E	FY26E
P/E	19.5	21.6	22.3
EV/EBITDA	13.8	15.5	15.5
ROE (%)	9.2	7.8	7.1
RoACE (%)	9.2	8.0	7.4

Estimates (Rs bn)

	FY24E	FY25E	FY26E
Revenue	12.4	12.8	13.1
EBITDA	4.0	3.6	3.6
PAT	2.7	2.4	2.3
EPS (Rs.)	19.1	17.2	16.7

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Exhibit 1: Consolidated Actual V/s DART estimates (Rs mn)

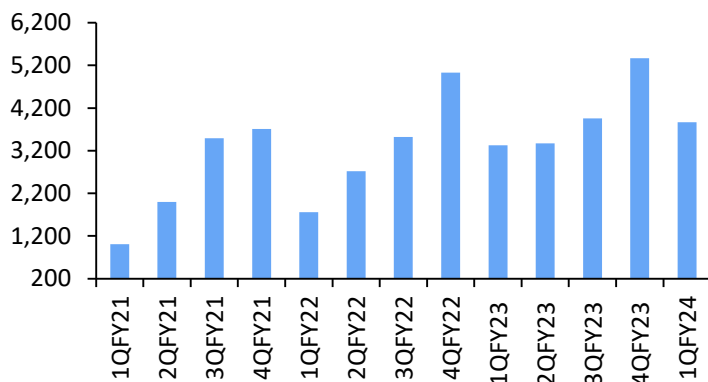
Particulars (Rs Mn)	Actual	Estimate	%/ bps variance	Comments
Presales	3,870	4,000	(3.3)	Lower unit deliveries and higher fixed overheads driving the miss on P&L.
Revenue	706	850	(17.0)	
EBITDA	(75)	213	(135.1)	
PAT	(67)	70	(196.4)	

Source: Company, DART

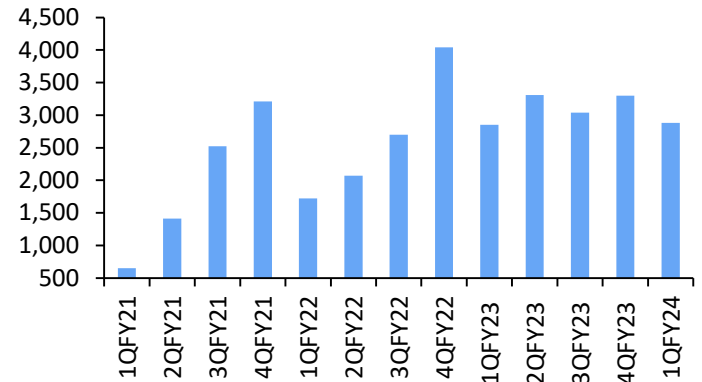
Exhibit 2: Change in Estimates

Particulars (Rs mn)	FY24E			FY25E		
	Old	New	Chg (%)	Old	New	Chg (%)
Presales	20,312	21,405	5.4	24,779	24,955	0.7
Revenue	12,015	12,396	3.2	12,533	12,815	2.3
EBITDA	3,924	4,017	2.4	3,460	3,601	4.1
PAT	2,640	2,681	1.5	2,336	2,421	3.6

Source: Company, DART

Exhibit 3: Sunteck – Presales (in Rs Mn)


Source: Company, DART

Exhibit 4: Sunteck – Collections (in Rs Mn)


Source: Company, DART

Exhibit 5: Sunteck : Quarterly Summary

Particulars (Rs mn)	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	QoQ (%)	YoY (%)
Presales	5,030	3,330	3,370	3,960	5,370	3,870	(28)	16
Sales Collections	4,040	2,850	3,310	3,040	3,300	2,880	(13)	1
LTM collection (%)	81	80	85	84	78	76		
Net Debt / Equity (%)	19.3	17.9	14.6	19.2	10.0	9.5		
P&L summary								
Revenue from operations	1,560	1,435	810	890	490	710	45	(51)
COGS	(1,041)	(525)	(320)	(338)	(93)	(302)		
GP	519	910	490	552	397	408	3	(55)
GP margin	33.2	63.4	60.5	62.0	81.0	57.5		
Opex	(485)	(458)	(388)	(375)	(487)	(478)	(2)	5
EBITDA	300	450	100	180	(90)	(75)	(17)	(117)
EBITDA Margin (%)	19	31	12	20	(18)	(11)		
D&A	(25)	(21)	(23)	(22)	(25)	(18)		
EBIT	275	429	77	158	(115)	(93)	(20)	(122)
Net Interest expense	(141)	(146)	(106)	(115)	(208)	5		
Share of profits in JV / Associates	54	27	42	19	(17)	(7)		
PBT	189	309	13	62	(341)	(95)	(72)	(131)
Taxes	34	(62)	10	(42)	62	27		
PAT	223	247	23	20	(278)	(68)	(76)	(127)
PAT margin (%)	14.3	17.2	2.8	2.3	(56.8)	(9.6)		

Source: Company, DART

Exhibit 6: Sunteck: Key assumptions and forecasts

Particulars (Rs mn)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Total Sales	12,208	10,217	13,030	16,020	21,405	24,955	33,956
Sales growth	1.5	(16.3)	27.5	22.9	33.6	16.6	36.1
Share of inventory + land (%)			0	13	18	5	3.5
Trailing 3Y moving average	10,036	11,483	11,818	13,089	16,818	20,793	26,772
Key Financials							
OCF after tax before NWC	1,511	1,207	828	599	3,114	2,785	2,770
NWC changes	(2,291)	1,301	(1,138)	2,022	(204)	(2,226)	(1,137)
OCF (before int paid)	(780)	2,508	(309)	2,620	2,911	559	1,633
Net interest paid	(689)	(704)	(252)	(381)	(341)	(272)	(337)
FCFE	(1,469)	1,804	(561)	2,240	2,570	287	1,297
Net Worth	27,487	27,723	27,904	27,879	30,208	32,068	33,566
Net Debt	7,545	5,888	6,901	5,272	3,114	3,448	3,055
ND / Equity	27.4	21.2	24.7	18.9	10.3	10.8	9.10

Source: Company, DART

Valuation

We apply a blended approach (combination of NAV premium and EV / EBITDA) for arriving at our Mar '24 TP of Rs430. Our NAV premium approach uses a WACC of 12.5% for arriving at our target NAV of Rs476. For multiple based, we ascribe a 8x EV / EBITDA on estimated steady state economic profitability (EBITDA margin: 40%) on FY25E presales (3yr moving average)

Exhibit 7: SOTP Summary

Mar '24 SOTP	Value (in Rs mn)	Per share	% of GAV	Comments
Ongoing & Development potential	50,867	362	73%	
Inventory & Receivables	10,274	73	15%	
Rental portfolio	2,824	20	4%	BKC 51; 8.5% cap rate
Landbank	5,955	42	9%	ODC 6th Avenue
Total GAV	69,919	498		
Net Debt	3,114	22		
NAV	66,806	476	100%	
Shrs outstanding	140			
NAV / sh	476			
Premium to NAV	0%			
Premium (Rs / share)	-			
Target NAV (Rs / share)	476			

Source: DART

Exhibit 8: Sunteck- Valuation basis EV / EBITDA

Particulars	In Rs Mn
FY25E Presales (3yr moving average)	20,793
Economic share	82%
EBITDA margin %	40%
EV @ 8x EBITDA	54,561
Rental portfolio	2,824
Net Debt	3,114
NAV	54,271
Target NAV (Rs / share)	387

Source: DART

Financial Performance

Profit and Loss Account

(Rs Mn)	FY23A	FY24E	FY25E	FY26E
Revenue	3,624	12,396	12,815	13,141
Total Expense	2,983	8,378	9,214	9,582
COGS	1,276	6,422	6,871	6,691
Employees Cost	690	724	761	799
Other expenses	1,017	1,232	1,583	2,092
EBIDTA	642	4,017	3,601	3,559
Depreciation	92	92	92	92
EBIT	550	3,925	3,509	3,467
Interest	859	565	496	496
Other Income	284	224	224	159
Exc. / E.O. items	159	0	0	0
EBT	134	3,584	3,237	3,130
Tax	31	903	816	789
RPAT	173	2,681	2,421	2,342
Minority Interest	0	0	0	0
Profit/Loss share of associates	70	0	0	0
APAT	173	2,681	2,421	2,342

Balance Sheet

(Rs Mn)	FY23A	FY24E	FY25E	FY26E
Sources of Funds				
Equity Capital	140	140	140	140
Minority Interest	0	0	0	0
Reserves & Surplus	27,738	30,068	31,927	33,426
Net Worth	27,879	30,208	32,068	33,566
Total Debt	6,854	5,354	5,354	5,354
Net Deferred Tax Liability	9	9	9	9
Total Capital Employed	34,741	35,571	37,430	38,929

Applications of Funds

Net Block	1,534	1,502	1,470	1,438
CWIP	1,012	1,012	1,012	1,012
Investments	2,407	2,407	2,407	2,407
Current Assets, Loans & Advances	67,633	69,389	72,251	77,473
Inventories	57,251	58,806	60,727	63,254
Receivables	2,391	2,592	3,869	6,170
Cash and Bank Balances	1,582	2,241	1,906	2,300
Loans and Advances	1,409	750	750	750
Other Current Assets	5,000	5,000	5,000	5,000
Less: Current Liabilities & Provisions	37,845	38,739	39,709	43,400
Payables	2,114	5,369	5,609	5,909
Other Current Liabilities	35,731	33,369	34,101	37,492
<i>sub total</i>				
Net Current Assets	29,788	30,650	32,542	34,073
Total Assets	34,741	35,571	37,430	38,929

E – Estimates

Important Ratios

Particulars	FY23A	FY24E	FY25E	FY26E
(A) Margins (%)				
Gross Profit Margin	64.8	48.2	46.4	49.1
EBIDTA Margin	17.7	32.4	28.1	27.1
EBIT Margin	15.2	31.7	27.4	26.4
Tax rate	23.0	25.2	25.2	25.2
Net Profit Margin	4.8	21.6	18.9	17.8
(B) As Percentage of Net Sales (%)				
COGS	35.2	51.8	53.6	50.9
Employee	19.0	5.8	5.9	6.1
Other	28.1	9.9	12.4	15.9
(C) Measure of Financial Status				
Gross Debt / Equity	0.2	0.2	0.2	0.2
Interest Coverage	0.6	6.9	7.1	7.0
Inventory days	5765	1732	1730	1757
Debtors days	241	76	110	171
Average Cost of Debt	11.7	9.3	9.3	9.3
Payable days	213	158	160	164
Working Capital days	3000	903	927	946
FA T/O	2.4	8.3	8.7	9.1
(D) Measures of Investment				
AEPS (Rs)	1.2	19.1	17.2	16.7
CEPS (Rs)	1.9	19.8	17.9	17.3
DPS (Rs)	1.5	2.5	4.0	6.0
Dividend Payout (%)	121.6	13.1	23.2	36.0
BVPS (Rs)	198.6	215.2	228.4	239.1
RoANW (%)	0.6	9.2	7.8	7.1
RoACE (%)	2.3	9.2	8.0	7.4
RoAIC (%)	1.6	11.8	10.2	9.6
(E) Valuation Ratios				
CMP (Rs)	372	372	372	372
P/E	301.3	19.5	21.6	22.3
Mcap (Rs Mn)	52,198	52,198	52,198	52,198
MCap/ Sales	14.4	4.2	4.1	4.0
EV	57,471	55,312	55,647	55,253
EV/Sales	15.9	4.5	4.3	4.2
EV/EBITDA	89.5	13.8	15.5	15.5
P/BV	1.9	1.7	1.6	1.6
Dividend Yield (%)	0.4	0.7	1.1	1.6
(F) Growth Rate (%)				
Revenue	(29.4)	242.0	3.4	2.5
EBITDA	(32.7)	526.0	(10.4)	(1.2)
EBIT	(37.6)	614.3	(10.6)	(1.2)
PBT	(64.6)	2576.1	(9.7)	(3.3)
APAT	(45.0)	1447.6	(9.7)	(3.3)
EPS	(45.0)	1447.6	(9.7)	(3.3)

E – Estimates

Cash Flow

Particulars	FY23A	FY24E	FY25E	FY26E
Profit before tax	45	3,584	3,237	3,130
Depreciation & w.o.	92	92	92	92
Net Interest Exp	859	565	496	496
Direct taxes paid	(68)	(903)	(816)	(789)
Change in Working Capital	2,022	(204)	(2,226)	(1,137)
Non Cash	0	0	0	0
(A) CF from Operating Activities	2,620	2,911	559	1,633
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(181)	(60)	(60)	(60)
Free Cash Flow	0	0	0	0
(Inc.)/ Dec. in Investments	108	0	0	0
Other	11	224	224	159
(B) CF from Investing Activities	(162)	164	164	99
Issue of Equity/ Preference	7	0	0	0
Inc./(Dec.) in Debt	(1,020)	(1,500)	0	0
Interest exp net	(762)	(565)	(496)	(496)
Dividend Paid (Incl. Tax)	0	0	0	0
Other	0	0	0	0
(C) CF from Financing	(1,987)	(2,417)	(1,058)	(1,339)
Net Change in Cash	471	658	(335)	394
Opening Cash balances	438	910	1,568	1,233
Closing Cash balances	910	1,568	1,233	1,627

E – Estimates

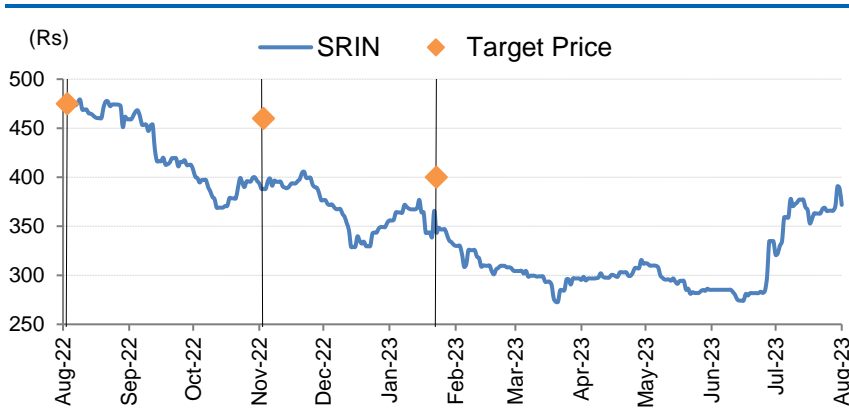
Notes

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Aug-22	Reduce	475	474
Nov-22	Accumulate	460	388
Feb-23	Accumulate	400	344

**Price as on recommendation date*

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