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Q3FY23 Results update

## Real Estate

Target price Rs590

## Shareholding pattern

	Jun '22	Sep '22	Dec '22
Promoters	67.1	67.1	67.1
Institutional investors	24.8	24.8	25.3
MFs and others	3.4	3.1	2.6
FIs/Banks	0.0	0.0	0.0
Insurance	2.0	3.1	3.7
FII	19.4	18.6	19.0
Others	8.1	8.1	7.6

Source: NSE

## ESG disclosure score

Year	2020	2021	Chg
<b>ESG score</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
Environment	NA	NA	NA
Social	NA	NA	NA
Governance	NA	NA	NA

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.  
Source: Bloomberg, I-sec research

INDIA

## Sunteck Realty

BUY

Maintain

New launches key to achieving FY23 guidance

Rs343

Sunteck Realty (SRIN) clocked healthy Q3FY23 sales bookings of Rs4.0bn (I-sec estimate of Rs3.5bn) driven by the ODC, Goregaon (Rs1.9bn) project and Sunteck Beach Residences (Rs1.1bn) in the extended western suburb of Vasai during the quarter. The company had given a formal guidance of Rs18.0bn of FY23 sales bookings and with 9MFY23 sales bookings of Rs10.7bn, it is looking to achieve Q4FY23 sales bookings of ~Rs7.0bn through the launch of its Kalyan or Mira Road project in Q4FY23 which may contribute Rs3-4bn of sales bookings in addition to current quarterly run rate of Rs3-4bn. In the medium term, the company has planned launches of 7.5msf over Q4FY23-FY24 having GDV of over Rs60bn and is targeting FY24 sales bookings of ~Rs25bn. We maintain our BUY rating on SRIN with an unchanged target price of Rs590/share based on 1x FY23 NAV. Key risks are slowdown in the Mumbai property market and fall in residential prices.

- ▶ **ODC, Goregaon and Vasai projects drive sales momentum:** SRIN's Q3FY23 sales bookings of Rs4.0bn were driven by the ODC, Goregaon (Rs1.9bn) project and Sunteck Beach Residences (Rs1.1bn) in the extended western suburb of Vasai during the quarter. Collections of Rs3.0bn were primarily driven by West World, Naigaon (Rs1.0bn), ODC 4<sup>th</sup> Avenue (Rs0.6bn) and Maxx World, Naigaon (Rs0.5bn).
- ▶ **Q4FY23 launches crucial for achieving sales guidance:** SRIN had given a formal guidance of Rs18.0bn for FY23 sales bookings and has achieved 9MFY23 sales bookings of 10.7bn which implies Q4FY23 sales bookings target of Rs7.3bn for achieving FY23 sales guidance. As per the company, it intends to launch the initial phase of either its Kalyan or Mira Road project in Q4FY23 which may contribute Rs3-4bn of sales bookings in addition to current quarterly run rate of Rs3-4bn. For the Borivali project, the company is targeting a launch sometime in FY24 subject to the approvals coming through.
- ▶ **Medium term launch pipeline of 7.5msf with GDV of over Rs60bn:** SRIN currently has an overall land bank of 45.1msf as of Dec'22 of which it has launched 7.7msf till date. It plans to launch another 7.5msf of projects over Q4FY23-FY24 having a GDV of over Rs60bn with key projects being new phases in ODC, Goregaon (1.0msf), Naigaon (1.5msf), Vasai (1.0msf), Kalyan and Vasind (2.0msf), Borivali West (0.5msf) and Mira Road (0.5msf). Along with these planned launches and unsold inventory of over Rs15bn in ongoing projects, the company will have a cumulative GDV of ongoing/upcoming inventory value of over Rs75bn by Mar'24 and it is targeting FY24 sales bookings of Rs25bn subject to the approvals for Kalyan/Borivali/Mira Road coming through. The company continues to evaluate value accretive land bank opportunities across the Mumbai Metropolitan Region.

Market Cap	Rs50.4bn/US\$615mn	Year to Mar	FY21	FY22	FY23E	FY24E
Reuters/Bloomberg	SUNT.BO/SRIN IN	Revenue (Rs bn)	6.1	5.1	9.4	11.5
Shares Outstanding (mn)	146.5	Rec. Net Income (Rs bn)	0.4	0.2	1.1	1.5
52-week Range (Rs)	533/329	EPS (Rs)	3.0	1.8	8.1	11.0
Free Float (%)	32.9	% Chg YoY	(43.3)	(40.2)	353.3	35.5
FII (%)	19.0	P/E (x)	114.6	191.6	42.3	31.2
Daily Volume (US\$/'000)	1,423	P/B (x)	1.7	1.7	1.7	1.6
Absolute Return 3m (%)	(13.9)	EV/E (x)	39.4	57.7	26.7	19.4
Absolute Return 12m (%)	(33.2)	Dividend yield (%)	0.6	0.9	0.9	1.2
Sensex Return 3m (%)	(2.3)	RoCE (%)	4.6	3.4	6.7	8.4
Sensex Return 12m (%)	2.7	RoE (%)	1.7	0.8	4.0	5.3

Please refer to important disclosures at the end of this report

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**Table 1: Q3FY23 consolidated results***(Rs mn)*

	Q3FY23*	Q3FY22*	Q2FY23*	YoY (%)	QoQ (%)
<b>Total Operating income</b>	<b>893</b>	<b>1,281</b>	<b>807</b>	<b>(30.3)</b>	<b>10.6</b>
Raw Materials	338	550	320	(38.5)	5.8
Personnel Cost	172	139	184	24.0	(6.5)
Other Expenses	203	276	204	(26.6)	(0.5)
<b>Total Expenses</b>	<b>713</b>	<b>965</b>	<b>707</b>	<b>(26.1)</b>	<b>0.8</b>
<b>EBITDA</b>	<b>180</b>	<b>316</b>	<b>100</b>	<b>(42.9)</b>	<b>79.9</b>
<i>EBITDA margin (%)</i>	20.2	24.7	12.4	(448)	777
Interest (Net)	196	198	176	(1.0)	11.3
Depreciation	22	19	23	19.3	(5.0)
Other Income	81	67	70	22.2	15.5
Exceptional items	-	-	-		
<b>Profit Before Tax</b>	<b>44</b>	<b>166</b>	<b>(29)</b>	<b>(73.8)</b>	<b>NM</b>
Taxation	42	42	(10)	NM	NM
<b>Profit After Tax before MI/Associate</b>	<b>2</b>	<b>124</b>	<b>(18)</b>	<b>NM</b>	<b>NM</b>
MI/Associate share	19	(13)	42	NM	NM
<b>Reported PAT</b>	<b>21</b>	<b>111</b>	<b>23</b>	<b>NM</b>	<b>NM</b>
<i>Net margin (%)</i>	2.3	8.7	2.9	NM	NM

Source: Company data, I-Sec research, \*numbers not comparable owing to project completion accounting

**Table 2: SRIN's launch pipeline visibility**

Projects	Project Size	Already Launched	Balance Potential	Est, Sales Visibility	Up to FY23-24 E	Beyond FY24 E
	(~ mn sq ft)	(~ mn sq ft)	(~ mn sq ft)	(~ Rs crores)	(~ mn sq ft)	(~ mn sq ft)
ODC, Goregaon W	6.0	2.3	3.7	5,200	1.00	2.70
Naigaon	12.0	4.4	7.6	4,500	1.50	6.10
Vasai W	5.0	0.5	4.5	5,000	1.00	3.50
Kalyan & Vasind	12.6	0.5	12.1	9,900	2.00	10.1
Borivali W	1.0	-	1.0	2,000	0.50	0.50
Mira Road	2.5	-	2.5	3,000	0.50	2.00
Others	6.0	-	6.0	2,000	1.00	5.00
<b>Total</b>	<b>45.1</b>	<b>7.7</b>	<b>37.4</b>	<b>30,600</b>	<b>7.50</b>	<b>29.90</b>

Source: Company data, I-Sec research

**Table 3: SRIN's Key Quarterly Operating Metrics**

Details (Rs mn)	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
<b>Sales Bookings:</b>								
Luxury Projects	900	-	146	770	1,560	-	-	-
Mid-income Projects	2,010	760	1,000	1,390	990	2,600	2,780	2,950
Affordable Housing	750	650	1,190	1,110	2,210	330	570	670
Other Projects	50	350	380	250	270	400	10	340
<b>Total Sales Bookings</b>	<b>3,710</b>	<b>1,760</b>	<b>2,720</b>	<b>3,520</b>	<b>5,030</b>	<b>3,330</b>	<b>3,370</b>	<b>3,960</b>
<b>Collections:</b>								
Luxury Projects	510	260	466	154	1,660	840	250	230
Mid-income Projects	1,040	590	991	1,232	1,070	740	890	1,000
Affordable Housing	890	480	562	1,190	1,250	1,160	1,980	1,540
Other Projects	770	390	54	120	60	110	190	270
<b>Total Collections</b>	<b>3,210</b>	<b>1,720</b>	<b>2,070</b>	<b>2,696</b>	<b>4,040</b>	<b>2,850</b>	<b>3,310</b>	<b>3,040</b>

Source: Company data, I-Sec research

## Valuations & views

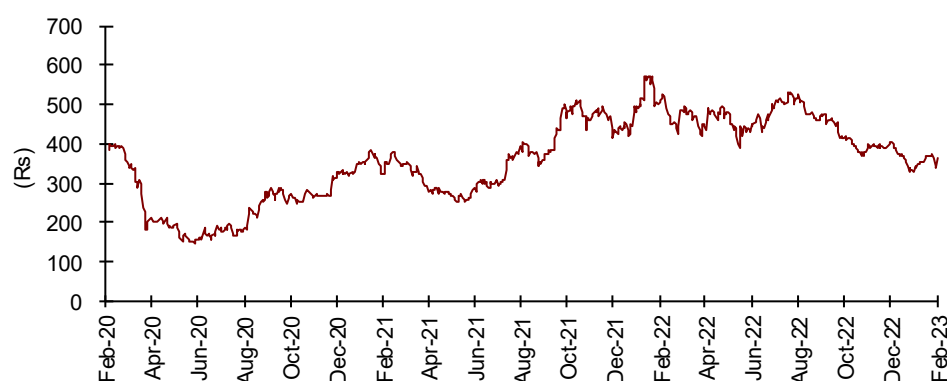
- We like SRIN because it (1) enjoys strong brand recall in Mumbai, (2) has strong balance sheet with net debt of 0.2x and (3) asset-light model of land acquisition in the Mumbai Metropolitan Region.
- We have valued SRIN on SoTP basis with a combination of DCF-based NAV on Mar'23 basis.
- We value SRIN's affordable housing foray in Naigaon at Rs5.6bn or Rs40/share. We have assumed a total saleable area of ~10msf on the 100-acre land parcel with project launches over 3 phases and sales/construction cycle from FY19-FY27E.
- We have also assumed a business development value of Rs10bn for Vasai/Vasind acquisitions.
- We maintain our **BUY** rating on SRIN with an unchanged target price of Rs590/share based on 1x FY23 NAV incorporating project level adjustments. We will incorporate new Mira Road project acquisition upon launch of the project.
- Key risks to our call are slowdown in the Mumbai property market volumes and fall in residential/commercial prices.

**Table 4: SoTP valuation**

Project	SRIN NAV (Rs mn)	Rs/share	% of GAV
BKC residential	9,097	65	11.0%
BKC commercial	2,774	20	3.4%
ODC Goregaon Avenue 1 and 2	5,831	42	7.1%
Other ongoing projects	2,205	16	2.7%
ODC Goregaon Avenue 3 and 4	16,348	117	19.8%
ODC Goregaon Avenue 5 and 6 (Commercial and Retail) – market value of land	14,000	100	16.9%
Land Bank	5,247	37	6.4%
Vasai/Vasind	10,000	71	12.1%
Borivali West project	3,003	21	3.6%
Shahad project	14,428	103	17.5%
Naigaon Affordable Housing	5,575	40	6.7%
<b>Gross Asset Value</b>	<b>88,509</b>	<b>632</b>	<b>100.0%</b>
Less: Net Debt	5,888	42	
<b>Total NAV</b>	<b>82,620</b>	<b>590</b>	

Source: I-Sec research

## Price chart



Source: Bloomberg

## Summary financials (consolidated)

**Table 5: Earnings statement**
*(Rs mn, year ending March 31)*

	FY21	FY22	FY23E	FY24E
<b>Net Sales</b>	<b>6,139</b>	<b>5,131</b>	<b>9,438</b>	<b>11,504</b>
<b>Operating Expenses</b>	<b>4,769</b>	<b>4,177</b>	<b>7,347</b>	<b>8,671</b>
<b>EBITDA</b>	<b>1,369</b>	<b>953</b>	<b>2,090</b>	<b>2,833</b>
% margins	22%	19%	22%	25%
Depreciation & Amortisation	52	73	77	80
Interest expenses	846	776	547	707
Other Income	170	209	230	253
Exceptional items	60	12	-	-
<b>PBT</b>	<b>581</b>	<b>302</b>	<b>1,697</b>	<b>2,299</b>
Less: Taxes	164	75	560	759
<b>PAT before Minority/Associate</b>	<b>416</b>	<b>227</b>	<b>1,137</b>	<b>1,541</b>
Minority/Associate share	3	-	-	-
<b>Net Income (Reported)</b>	<b>419</b>	<b>227</b>	<b>1,137</b>	<b>1,541</b>

Source: Company data, I-Sec research estimates

**Table 6: Balance sheet**
*(Rs mn, year ending March 31)*

	FY21	FY22	FY23E	FY24E
<b>Assets</b>				
Total Current Assets	37,036	51,057	54,089	58,448
of which cash & cash eqv.	991	968	2,554	4,590
Total Current Liabilities & Provisions	5,878	19,209	20,813	23,708
<b>Net Current Assets</b>	<b>31,158</b>	<b>31,848</b>	<b>33,275</b>	<b>34,740</b>
Goodwill/Investments	2,685	3,096	3,596	4,096
Net Fixed Assets	334	474	397	317
Capital WIP	96	74	1,369	1,369
<b>Total Assets</b>	<b>34,274</b>	<b>35,493</b>	<b>38,638</b>	<b>40,522</b>
<b>Liabilities</b>				
Borrowings	6,879	7,869	10,369	11,369
Equity Share Capital	140	140	140	140
Reserves & Surplus*	27,582	27,764	28,409	29,293
<b>Net Worth</b>	<b>27,723</b>	<b>27,904</b>	<b>28,549</b>	<b>29,434</b>
Minority Interest	-	-	-	-
Deferred Taxes	(327)	(281)	(281)	(281)
<b>Total Liabilities</b>	<b>34,274</b>	<b>35,493</b>	<b>38,638</b>	<b>40,522</b>

Source: Company data, I-Sec research estimates

**Table 7: Cashflow statement**
*(Rs mn, year ending March 31)*

	FY21	FY22	FY23E	FY24E
<b>PBT</b>	<b>581</b>	<b>302</b>	<b>1,697</b>	<b>2,299</b>
Depreciation	52	73	77	80
Non-Cash Adjustments	-	-	-	-
Working Capital Changes	1,699	(1,138)	158	572
Taxes Paid	(164)	(75)	(560)	(759)
<b>Operating Cashflow</b>	<b>2,168</b>	<b>(837)</b>	<b>1,372</b>	<b>2,192</b>
Capital Commitments	(162)	(183)	(1,295)	(0)
<b>Free Cashflow</b>	<b>2,005</b>	<b>(1,020)</b>	<b>77</b>	<b>2,192</b>
Other investing cashflow	151	332	(500)	(500)
<b>Cashflow from Investing Activities</b>	<b>(11)</b>	<b>149</b>	<b>(1,795)</b>	<b>(500)</b>
Issue of Share Capital	7	13	-	-
Inc (Dec) in Borrowings	(2,328)	1,331	2,500	1,000
Dividend paid	(142)	(142)	(492)	(656)
<b>Cashflow from Financing activities</b>	<b>(2,462)</b>	<b>1,202</b>	<b>2,008</b>	<b>344</b>
<b>Chg. in Cash &amp; Bank balances</b>	<b>(306)</b>	<b>514</b>	<b>1,585</b>	<b>2,037</b>

Source: Company data, I-Sec research estimates

**Table 8: Key ratios**
*(Year ending March 31)*

	FY21	FY22	FY23E	FY24E
<b>Per Share Data (Rs)</b>				
EPS	3.0	1.8	8.1	11.0
Cash EPS	3.7	2.1	8.7	11.6
Dividend per share (DPS)	2.0	3.0	3.0	4.0
Book Value per share (BV)	197.8	199.1	203.7	210.0
<b>Growth (%)</b>				
Net Sales	9.7	(16.4)	83.9	21.9
EBITDA	(18.6)	(30.4)	119.3	35.5
PAT	(44.4)	(45.7)	399.8	35.5
<b>Valuation Ratios (x)</b>				
P/E	114.6	191.6	42.3	31.2
P/BV	1.7	1.7	1.7	1.6
EV / EBITDA	39.4	57.7	26.7	19.4
Dividend Yield	0.6	0.9	0.9	1.2
<b>Operating Ratios</b>				
Debt/EBITDA (x)	5.0	8.3	5.0	4.0
Net D/E	0.2	0.2	0.3	0.2
<b>Profitability/Return Ratios (%)</b>				
RoE	1.7	0.8	4.0	5.3
RoCE	4.6	3.4	6.7	8.4
EBITDA Margins	22.3	18.6	22.1	24.6
Net Income Margins	6.8	4.4	12.0	13.4

Source: Company data, I-Sec research estimates

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