

CMP	: INR 435
Reco	: BUY ↔
Target Price	: INR 565 ↔
Target Price Change	: No Change
Target 1HFY26 P/E (x)	: 29
EPS Change FY24/ 25	: 4%/-18%

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Market data	
Sensex	: 64,572
Sector	: Real Estate
Market Cap (INR bn)	: 63.9
Market Cap (USD bn)	: 0.768
O/S Shares (mn)	: 146.5
52-wk HI/LO (INR)	: 488/271
Avg. Daily Vol ('000)	: 328
Bloomberg	: SRIN IN

Source: Bloomberg

	FY24e	FY25e	FY26e
EPS (INR)	17.5	20.4	18.3
P/E (x)	24.9	21.3	23.7
P/BV (x)	2.1	1.9	1.8
EV/EBITDA (x)	-3.1	-5.1	-8.5
EV/Sales (x)	-0.7	-1.5	-2.8

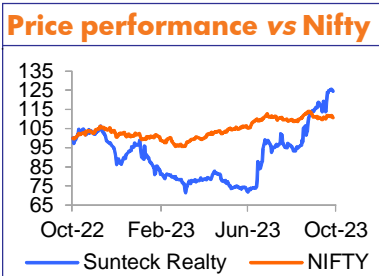
Source: Antique

Returns (%)				
	1m	3m	6m	12m
Absolute	1	16	47	18
Relative	3	19	35	9

Source: Bloomberg

Shareholding pattern	
Promoters	: 67%
Public	: 33%
Others	: 0%

Source: Bloomberg



Source: Bloomberg Indexed to 100

2QFY24 RESULT REVIEW

# Sunteck Realty

## Steady quarter

Sunteck Realty’s (SRIN) 2QFY24 highlight is the setting up of an INR 7.5 bn joint platform with IFC. The platform is a pure equity deal (IFC will hold a maximum of 50% stake in the platform) with a waterfall structure (after a hurdle IRR, profit skewed towards SRIN). The platform will develop around 12,000 units targeting mid-income demographics. On the operational front, the quarter didn’t see new launches and sustenance sales led to sales booking of INR 3.95 bn (17%/ 2% QoQ/ YoY). All the projects contributed including BKC; Sunteck Sky Park in Mira Road contributed the most at 25% of sales booking in 2QFY24. The upcoming project launch in Kalyan is expected to aid sales guidance of INR 20 bn for FY24. The company is slated to launch two towers of phase 1 of its Kalyan project with a potential booking value of INR 6 bn in 3QFY24. Kalyan, with a total saleable area of >9.0 mn sq. ft., is expected to follow Naigaon and Oshiwara (ODC) as the next growth center. On the back of sustained strong operating cashflow, the balance sheet continues to remain lean with a D/E of 0.09. Business development remains the key monitorable. We maintain BUY with a TP of INR 565.

### 2QFY24 in a nutshell

2QFY24 saw sales booking of INR3.95 bn (17%/ 2% QoQ/ YoY) (Vs our estimate of INR 3.5 bn) driven entirely by sustenance sales. All the projects contributed with Sky Park contributing 25%, ODC 9%, Naigaon 24%, Vasai 14%, BKC 11%, and others 17%. The sales velocity of BKC continues to be a key concern, and in the last 14 quarters BKC did a sales booking of INR 2.48 bn with an unsold inventory of INR 18 bn. Collections during the quarter were at INR 21.3 bn (-36%/ -26% QoQ/ YoY); collections to go up as Mira Road and Vasai projects see construction work gain momentum. Collections from ODC and Naigaon contributed 74%. Net debt reduced further by INR 50 mn to INR 2.59 bn with D/E at 0.09x.

### Comfortable cash flow visibility and existing inventory

While the company has been calibrated in its project launches, sales momentum within these projects remains strong and there is a clear visibility of surplus cash flow. The company has receivables of INR 22.5 bn from sold units against the projected project cost (to be incurred) of INR 14.7 bn, resulting in a surplus of INR 78 bn even without additional sales. The above surplus cash flows would be realized over the next 3–4 years. The unsold inventory of ongoing/completed projects stands at INR 30 bn, of which BKC is INR 18.0 bn. We expect consistent progress in ongoing projects, coupled with the increasing sales momentum from existing and new projects to generate substantial surplus cash flow to drive growth without stressing the balance sheet.

### All eyes on business development

SRIN has a project portfolio with a potential GDV of INR303 bn but concentrated on seven projects, thereby increasing concentration risk. For granularity and consistent growth in sales booking business development is critical. With the platform deal with IFC and sales booking growth target of CAGR 25% in the next 3–4 years, business development remains the key monitorable for SRIN. The company is currently negotiating 4–5 large business development deals and expects to close a few in FY24. SRIN expects its portfolio to grow from INR 300 bn to INR 500 bn in the next 2–3 years.

### Investment Summary

In our view, SRIN is in a comfortable position to participate aggressively in the current upcycle with superior net gearing (0.09x) giving it enough room to scale. Continued focus on cash flow and balance sheet remains a key positive. We maintain BUY with a target price of INR 565 based on the SoTP of its assets.

## Conference Call Highlights

- **Pre-sales** grew by 17.2% YoY to INR 3.9 bn.
- **Collections** remained strong at INR 2.1 bn. Collections were down QoQ as receivables were high during the quarter, which will reflect in the forthcoming quarters.
- **Net debt** as on Sept'23 stands at INR 2.6 bn.
- The **Kalyan project** will be launched by Diwali. Phase 1 consists of four towers with a revenue potential of INR 1.2–1.4 bn. The company has received approvals for two towers which has a revenue potential of INR 6 bn.
- An uber-luxury project coming up at **Nepean Sea Road** will be launched by the end of FY25.
- **Revenue recognition** Maxxworld is on the verge of completion. INR 7.5–8 bn of revenue will be recognized from this project in FY24. Plans to complete the Sunteck 4th Avenue, Oshiwara (ODC) project with a revenue potential of INR 9.5–10.5 bn in FY25.
- Completed BKC51 **leased** out for 29 years and BKC Icon will also be completed in FY24. RoCE of 30%.
- **Core EBITDA** margin **stood at 43% for 2QFY24**.
- **Joint investment with IFC** of up to INR 7.5 bn to develop around 12,000 units targeting mid-income demographics. The ticket size for this project is INR 15 mn.
- For its Skypark and ODC projects in 2QFY24.
- The company expects its portfolio GDV to increase from INR 300 bn in FY24 to INR 500 bn in the next 2–3 years. Operating margin is expected to be 30%.
- The company spent INR 640 mn on business development in 1HFY24, out of which a majority was for its existing projects. INR 100–150 mn was spent on its new projects which are yet to be launched.

### Valuation - SoTP

Valuations		Total NAV (INR mn)	Per share
Residential - for sale	DF-11.5%	41,629	284
Commercial - lease	DF-11.5%, Cap rate 9%	20,168	138
Land & other projects		23,533	161
<b>Total GAV (INR mn)</b>		<b>85,330</b>	<b>583</b>
Less: Net Debt		2,590	18
<b>NAV</b>		<b>82,740</b>	<b>565</b>

Source: Company, Antique

## Financial & operational performance - 2QFY24

### Operational performance

INR mn	2QFY24	1QFY24	QoQ %	2QFY23	YoY %	1HFY24	1HFY23	FY23	FY22
Booked value (INR mn)	3,950	3,860	2	3,370	17	7,810	6,700	16,030	13,026
Collections (INR mn)	2,130	2,880	(26)	3,308	(36)	5,010	6,158	12,498	10,532

Source: Company, Antique

### Financial performance

INR mn	2QFY24	1QFY24	QoQ %	2QFY23	YoY %
<b>Net Sales</b>	<b>249</b>	<b>706</b>	<b>(65)</b>	<b>807</b>	<b>(69)</b>
Total Expenditure	391	780		707	
EBITDA	-141	-75	na	100	na
Margins (%)	(56.7)	(10.6)	na	12.4	na
Depreciation	22	18		23	
Interest	158	173		176	
Other Income	113	178		70	
<b>PBT before EO expense</b>	<b>-209</b>	<b>-87</b>	<b>na</b>	<b>-29</b>	<b>na</b>
<b>PBT</b>	<b>-209</b>	<b>-87</b>	<b>na</b>	<b>-29</b>	<b>na</b>
Tax	-64	-27		(10)	
Rate (%)	30.5	31.0		36.3	
MI & Profit/Loss of Asso. Cos.	-6	7		(42)	
<b>Reported PAT</b>	<b>-139</b>	<b>-67</b>		<b>23</b>	
<b>Adj PAT</b>	<b>-139</b>	<b>-67</b>	<b>na</b>	<b>23</b>	<b>na</b>
Margins (%)	(55.9)	(9.5)		2.9	

Source: Company, Antique

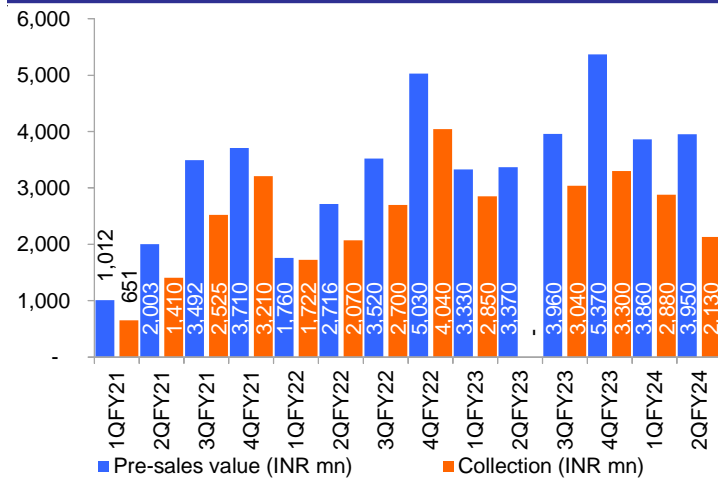
### Half-yearly balance sheet

Year ended	1HFY24	1HFY23	YoY	FY24E	FY23
Share Capital	140	140		140	140
Reserves & Surplus	27,356	27,988	(632)	29,659	27,738
<b>Networth</b>	<b>27,496</b>	<b>28,128</b>		<b>29,800</b>	<b>27,879</b>
Debt	6,298	6,505	(207)	5,885	6,885
Net deferred Tax liabilities	15	9		9	9
Others	89	2		90	90
<b>Capital Employed</b>	<b>33,898</b>	<b>34,644</b>		<b>35,783</b>	<b>34,862</b>
Property, Plant and Equipment	2,765	1,342	1,422	1,447	1,490
Capital work in progress				1,025	1,025
Other Non-Current Assets	1,919	1,581		1,734	1,734
<b>Net Fixed Assets</b>	<b>4,683</b>	<b>2,924</b>		<b>4,206</b>	<b>4,248</b>
<b>Investments</b>	<b>2,627</b>	<b>2,533</b>		<b>2,407</b>	<b>2,407</b>
Non Current Investments	2,627	2,533		2,407	2,407
<b>Current Assets, Loans &amp; Adv.</b>	<b>67,648</b>	<b>55,384</b>		<b>70,820</b>	<b>65,930</b>
Inventory	59,825	46,898	12,927	39,958	57,251
Debtors	1,027	2,465		5,594	1,496
Cash & cash equivalents	220	248		17,184	888
Other bank balances	460	543		694	694
Loans	6,116	5,230		7,389	5,601
<b>Current Liabilities &amp; Provisions</b>	<b>41,061</b>	<b>26,196</b>		<b>41,650</b>	<b>37,725</b>
Liabilities	41,006	26,143		41,598	37,672
Provisions	56	53		52	52
<b>Net Current Assets</b>	<b>26,587</b>	<b>29,188</b>		<b>29,169</b>	<b>28,206</b>
<b>Application of Funds</b>	<b>33,898</b>	<b>34,644</b>		<b>35,783</b>	<b>34,862</b>

Source: Company, Antique

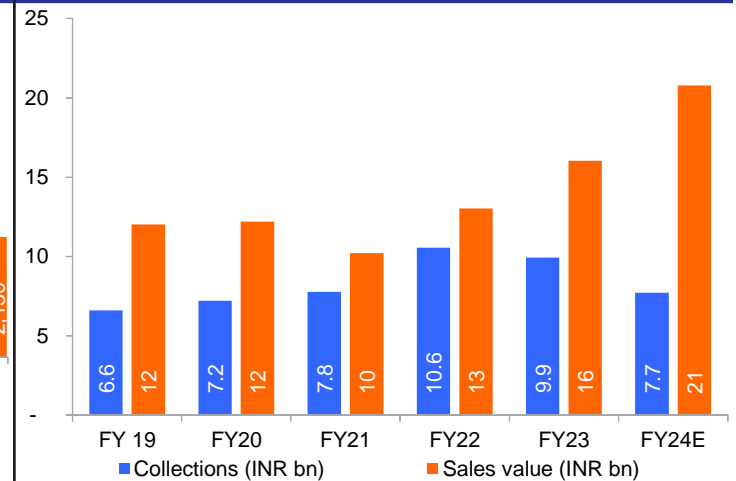
Story in charts

Exhibit 1: Quarterly sales booking and collection



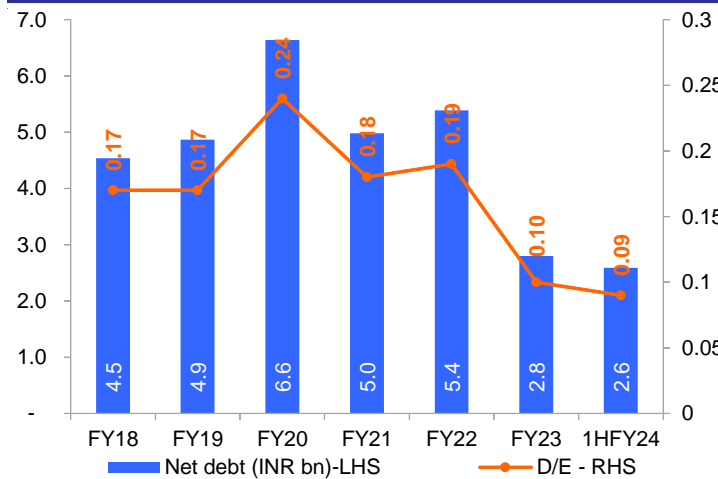
Source: Company, Antique

Exhibit 2: Pre-sales growth of 25% CAGR (FY21-24E)



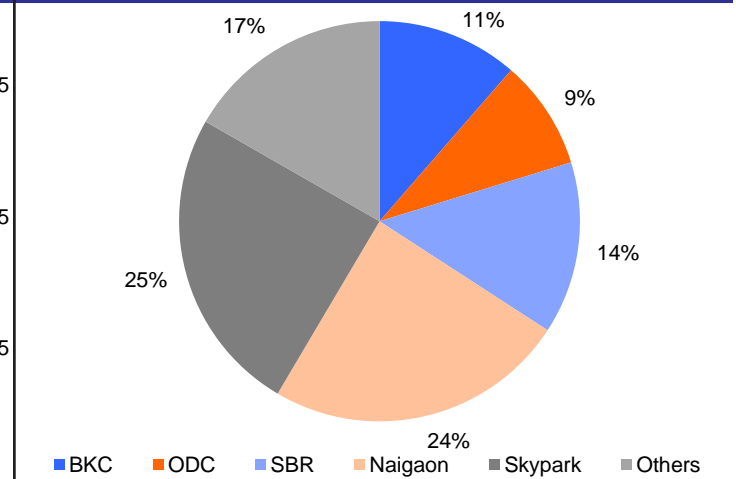
Source: Company, Antique

Exhibit 3: Consistent reduction of net debt post-Covid-19



Source: Company, Antique

Exhibit 4: Project-wise contribution in 2QFY24



Source: Company, Antique

## Financials

### Profit and loss account (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
<b>Net Revenue</b>	<b>5,131</b>	<b>3,624</b>	<b>15,699</b>	<b>14,157</b>	<b>10,928</b>
Op. Expenses	4,177	2,983	12,080	10,079	7,335
<b>EBITDA</b>	<b>953</b>	<b>642</b>	<b>3,620</b>	<b>4,078</b>	<b>3,594</b>
Depreciation	73	92	90	93	96
<b>EBIT</b>	<b>880</b>	<b>549</b>	<b>3,530</b>	<b>3,985</b>	<b>3,498</b>
Other income	209	284	284	284	284
Interest Exp.	776	859	604	509	414
Extra Ordinary Items -gain/(loss)	12	70	-	-	-
<b>Reported PBT</b>	<b>325</b>	<b>45</b>	<b>3,211</b>	<b>3,761</b>	<b>3,368</b>
Tax	75	31	752	893	793
<b>Reported PAT</b>	<b>251</b>	<b>14</b>	<b>2,459</b>	<b>2,867</b>	<b>2,576</b>
<b>Net Profit</b>	<b>251</b>	<b>14</b>	<b>2,459</b>	<b>2,867</b>	<b>2,576</b>
<b>Adjusted PAT</b>	<b>239</b>	<b>(56)</b>	<b>2,459</b>	<b>2,867</b>	<b>2,576</b>
<b>Adjusted EPS (INR)</b>	<b>1.7</b>	<b>(0.4)</b>	<b>17.5</b>	<b>20.4</b>	<b>18.3</b>

### Balance sheet (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Share Capital	140	140	140	140	140
Reserves & Surplus	27,764	27,738	29,659	31,990	34,028
<b>Networth</b>	<b>27,904</b>	<b>27,879</b>	<b>29,800</b>	<b>32,130</b>	<b>34,169</b>
Debt	8,155	6,885	5,885	4,885	3,885
Net deferred Tax liabilities	7	9	9	9	9
Others	3	90	90	90	90
<b>Capital Employed</b>	<b>36,068</b>	<b>34,862</b>	<b>35,783</b>	<b>37,113</b>	<b>38,152</b>
Goodwill	7	1	1	1	1
Property, Plant and Equipment	1,224	1,490	1,447	1,497	1,547
Capital work in progress	67	1,025	1,025	1,025	1,025
Other Non-Current Assets	3,728	1,734	1,734	1,734	1,734
<b>Net Fixed Assets</b>	<b>5,020</b>	<b>4,248</b>	<b>4,206</b>	<b>4,256</b>	<b>4,306</b>
Investments	17	2,407	2,407	2,407	2,407
Non Current Investments	17	2,407	2,407	2,407	2,407
<b>Current Assets, Loans &amp; Adv.</b>	<b>49,945</b>	<b>65,930</b>	<b>70,820</b>	<b>71,100</b>	<b>70,719</b>
Inventory	40,419	57,251	39,958	32,492	25,228
Debtors	2,705	1,496	5,594	5,054	3,924
Cash & cash equivalents	645	888	17,184	25,779	34,438
Bank balance	323	694	694	694	694
Loans & advances and others	5,853	5,601	7,389	7,080	6,434
<b>Current Liabilities &amp; Provisions</b>	<b>18,921</b>	<b>37,725</b>	<b>41,650</b>	<b>40,650</b>	<b>39,278</b>
Liabilities	18,875	37,672	41,598	40,598	39,226
Provisions	46	52	52	52	52
<b>Net Current Assets</b>	<b>31,025</b>	<b>28,206</b>	<b>29,169</b>	<b>30,450</b>	<b>31,441</b>
<b>Application of Funds</b>	<b>36,068</b>	<b>34,862</b>	<b>35,783</b>	<b>37,113</b>	<b>38,155</b>

### Per share data

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
No. of shares (mn)	140	140	140	140	140
Diluted no. of shares (mn)	140	140	140	140	140
BVPS (INR)	199	198	212	229	243
CEPS (INR)	2.3	0.8	18.1	21.1	19.0
DPS (INR)	1.5	1.5	1.5	1.5	1.5

Source: Company Antique

### Cash flow statement (INR mn)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
<b>PBT</b>	<b>325</b>	<b>45</b>	<b>2,926</b>	<b>3,477</b>	<b>3,084</b>
Depreciation & amortization	73	92	90	93	96
Interest expense	776	859	604	509	414
(Inc)/Dec in working capital	(1,129)	2,022	17,120	7,006	7,022
Tax paid	(152)	(68)	(752)	(893)	(793)
Less: Interest/Div. Income Recd.	(208)	(267)	(284)	(284)	(284)
Other operating Cash Flow	10	(63)	(94)	(97)	(97)
<b>CF from operating activities</b>	<b>(305)</b>	<b>2,620</b>	<b>19,610</b>	<b>9,809</b>	<b>9,441</b>
Capital expenditure	(183)	(183)	42	(50)	(50)
Inc/(Dec) in investments	394	247	0	0	0
Others	(31)	(227)	(894)	597	935
<b>CF from investing activities</b>	<b>181</b>	<b>(162)</b>	<b>(852)</b>	<b>547</b>	<b>885</b>
Inc/(Dec) in share capital	13	7	-	-	-
Inc/(Dec) in debt	1,332	(1,647)	(1,000)	(1,000)	(1,000)
Dividend Paid	(142)	(211)	(253)	(253)	(253)
Others	(743)	(762)	(604)	(509)	(414)
<b>CF from financing activities</b>	<b>459</b>	<b>(2,614)</b>	<b>(1,857)</b>	<b>(1,762)</b>	<b>(1,667)</b>
<b>Net cash flow</b>	<b>335</b>	<b>(156)</b>	<b>16,902</b>	<b>8,594</b>	<b>8,659</b>
Opening balance	103	438	283	17,184	25,779
<b>Closing balance</b>	<b>438</b>	<b>283</b>	<b>17,184</b>	<b>25,779</b>	<b>34,438</b>

### Growth indicators (%)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Revenue (%)	-16.4	-29.4	333.1	-9.8	-22.8
EBITDA (%)	-30.5	-32.7	464.0	12.7	-11.9
Adj PAT (%)	-49.8	-123.4	-4494.3	16.6	-10.2
Adj EPS (%)	-49.8	-123.4	-4494.3	16.6	-10.2

### Valuation (x)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
P/E (x)	255.4	-1092.2	24.9	21.3	23.7
P/BV (x)	2.2	2.2	2.1	1.9	1.8
EV/EBITDA (x)	7.9	9.4	-3.1	-5.1	-8.5
EV/Sales (x)	1.5	1.7	-0.7	-1.5	-2.8

### Financial ratios

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
RoE (%)	0.9	-0.2	8.5	9.3	7.8
RoCE (%)	3.1	2.4	10.8	11.7	10.0
Asset/T.O (x)	0.1	0.1	0.5	0.4	0.3
Net Debt/Equity (x)	0.3	0.2	-0.4	-0.7	-0.9
EBIT/Interest (x)	1.1	0.6	5.8	7.8	8.5

### Margins (%)

Year ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
EBITDA Margin (%)	18.6	17.7	23.1	28.8	32.9
EBIT Margin (%)	17.2	15.2	22.5	28.2	32.0
PAT Margin (%)	4.5	-1.4	15.4	19.9	23.0

Source: Company Antique