



***Building foundations in MMR***

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## Company Initiation

Rating: BUY | CMP: Rs397 | TP: Rs565

### Building foundations in MMR

**We initiate coverage on Sunteck Realty (SRIN) with 'Buy' rating and DCF based NAV with TP of Rs565/share, 42% upside from current levels. SRIN, with its 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 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. We expect Revenue/EBIDTA CAGR of ~83%/123% over FY23-26E. Initiate 'Buy'.**

**Pivoted focus on asset light model:** SRIN follows an asset light strategy (JV/JDA) in a capital intensive real estate market of MMR; an asset-light business model and aggressive management known for its ability to recognize and execute opportunities at early conception. Over last 3-4 years, SRIN has acquired 25msf in MMR through JDA and JV route. Despite being aggressive in the MMR, cost of acquisition has been quite low at less than Rs 1,000 psf for the portfolio acquired since 2018 (assuming construction spend to be done for JD partners) – a key advantage.

**Pre-sales to grow 2x over FY23-26E:** SRIN's pre-sales have grown at 10% CAGR from FY20-23 to Rs16bn. Currently, SRIN has five ongoing projects and three new launches (Kalyan, Borivali & Napean Sea Road) over FY23-26E. This would aid pre-sales to grow ~2x over FY23-26E. Kalyan project will be integrated township while Borivali and Napean Sea Road project will be mid and high end residential projects. We have factored in ~Rs 30bn pre-sales by FY26E from current level of Rs16bn in FY23 at 23% CAGR over FY23-26E.

**Healthy Balance sheet:** Adoption of JV/JDA structures has enabled it to acquire scale without straining the balance sheet (FY23 net gearing of 0.10x) and minimizing outflow on land acquisitions. SRIN's business model and its strategy to turn around projects quickly have kept the leverage low.

**Outlook and valuation:** SRIN follows project completion method. We expect 6x growth in revenues over FY23-26E as projects like Maxx world Phase 1 (Naigaon), Avenue city 4 (Goregaon), One world (Naigaon) and Sky Park (Mira road) will start getting recognized. The company will also generate strong cash flow and materially step up land acquisitions and project launches. We value SRIN through DCF based NAV method and recommend 'BUY' with a SOTP based TP of Rs 565/share.

#### Key Financials - Consolidated

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	3,624	10,965	16,026	22,140
EBITDA (Rs. m)	642	2,818	5,390	7,138
Margin (%)	17.7	25.7	33.6	32.2
PAT (Rs. m)	14	1,733	3,729	5,041
EPS (Rs.)	0.1	12.3	26.5	35.9
Gr. (%)	(94.4)	NA	115.2	35.2
DPS (Rs.)	1.0	1.0	1.5	2.0
Yield (%)	0.3	0.3	0.4	0.5
RoE (%)	0.1	6.1	12.0	14.3
RoCE (%)	1.6	7.7	13.9	16.7
EV/Sales (x)	16.8	5.5	3.8	2.7
EV/EBITDA (x)	95.1	21.5	11.4	8.4
PE (x)	NA	32.2	14.9	11.1
P/BV (x)	2.0	1.9	1.7	1.5

#### Key Data

SUNT.BO | SRIN IN

52-W High / Low	Rs. 480 / Rs. 271
Sensex / Nifty	67,467 / 20,070
Market Cap	Rs. 58 bn / \$ 700 m
Shares Outstanding	146m
3M Avg. Daily Value	Rs. 375.8m

#### Shareholding Pattern (%)

Promoter's	67.22
Foreign	17.47
Domestic Institution	5.98
Public & Others	9.33
Promoter Pledge (Rs bn)	-

#### Stock Performance (%)

	1M	6M	12M
Absolute	7.2	30.3	(15.0)
Relative	3.8	12.5	(23.7)

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## Valuations Summary

### Exhibit 1: NAV 1 year forward summary

	(Rs mn)	% of total	NAV per share
Residential	69,476	79%	474
Commercial (Sell)	11,906	14%	81
Commercial (Lease)	6,231	7%	43
Gross NAV	87,613	100%	598
Add: Cash	1,967		13
Less: Gross Debt	(6,854)		(47)
Net NAV	82,726		565
Outstanding shares (m)	146.5		
<b>NAV per share</b>	<b>565</b>		

Source: PL

### Exhibit 2: Our project-wise NAV contribution

Key Projects	NAVs (in mn)	% of Gross NAV
Gorgeaon	21,668	24.5%
BKC	15,993	18.2%
Vasai	13,996	15.9%
Kalyan	10,905	12.4%
Napean sea Road	9,201	10.5%
Naigaon	6,166	7.0%
Mira road	6,052	6.9%
Borivali	3,631	4.1%
<b>Gross NAV</b>	<b>87,613</b>	<b>100%</b>

Source: Company, PL

### Exhibit 3: Pre-sales will be aided by upcoming new launches

Location	FY23	FY24E	FY25E	FY26E
BKC	760	912	1,459	1,824
Gorgeaon	5,715	2,410	970	2,520
Naigaon	2,230	2,196	3,878	3,901
Mira road	2,880	4,331	6,064	6,367
Vasai	4,329	2,835	1,985	1,563
Kalyan (Shahad)	-	6,300	6,615	6,174
Borivali	-	-	-	3,749
Nepean Sea Raod	-	-	1,890	3,969
Others	106	-	-	-
<b>Total</b>	<b>16,020</b>	<b>18,984</b>	<b>22,861</b>	<b>30,066</b>

Source: Company, PL

### Exhibit 4: Project completions to drive traction in revenues

Location	FY24E	FY25E	FY26E
BKC	912	1,459	1,824
Gorgeaon	1,440	13,562	2,608
Naigaon	8,436	444	5,461
Mira road	-	-	5,256
Vasai	-	-	6,274
<b>Total</b>	<b>10,788</b>	<b>15,465</b>	<b>21,423</b>

Source: Company, PL

We expect ~59% NAV contribution from Goregaon, BKC and Vasai projects.

SRIN has unsold inventory of 1.85mst from its completed and ongoing projects which may translates into Rs 42bn of pre-sales. We expect pre-sales growth of 23% CAGR for FY23-26E.

Projects such as Max world phase 1 at Naigaon, Avenue city phase 4 at Goregaon and Sky Park at Mira road are schedule to be completed from FY24E onwards.



## Sunteck Realty - MMR based real estate developer

Sunteck Realty Limited (SRIN) was incorporated on 1<sup>st</sup> October 1981 as Insul Electronics Private Limited. Its status changed from private company to public limited company on 5<sup>th</sup> February 1985 and name was changed to Insul Electronics Limited. Subsequently, Insul Electronics Limited was further changed to Sunteck Realty & Infrastructure Limited with effect from 26<sup>th</sup> April 2006 and again to Sunteck Realty Limited on 29<sup>th</sup> November 2007.

SRIN is one of the fastest growing, Mumbai based real-estate developer company, founded in the year 2000 by Mr. Kamal Khetan with current 67.2% promoters stake. SRIN raised Rs 1.58bn through QIP in Nov-2009. The proceeds were mainly utilized to fund acquisition of the Goregaon land parcel (5.9 acres) and other projects in Mumbai. In 2017, SRIN raised another round of QIP worth Rs. 5bn; which was mainly utilized for new asset acquisitions.

*Strong project portfolio of ~52.5msf (SRIN's share of ~38.5msf) with potential GDV of Rs. 303bn.*

### Exhibit 5: SRIN's equity issuances

Particulars	Year	Amount (Rs bn)
Preferential allotment issued to Kotak	2008	1.4
QIP of 3 mn shares	2010	1.6
QIP of 16 mn shares	2017	5.0
Preferential issued to promoter entities	2017	1.5

Source: Company, PL

SRIN's presence across the spectrum is differentiated by Uber Luxury, Ultra Luxury and Premium & Aspirational Luxury segments. The company has been a trendsetter in creating iconic flagship projects such as Signature Island at Bandra Kurla Complex (BKC), Sunteck City in Oshiwara District Centre (ODC), Goregaon and Sunteck World at Naigaon which is the largest township in MMR's extended western Suburbs. SRIN's projects span across residential and commercial portfolios in MMR.

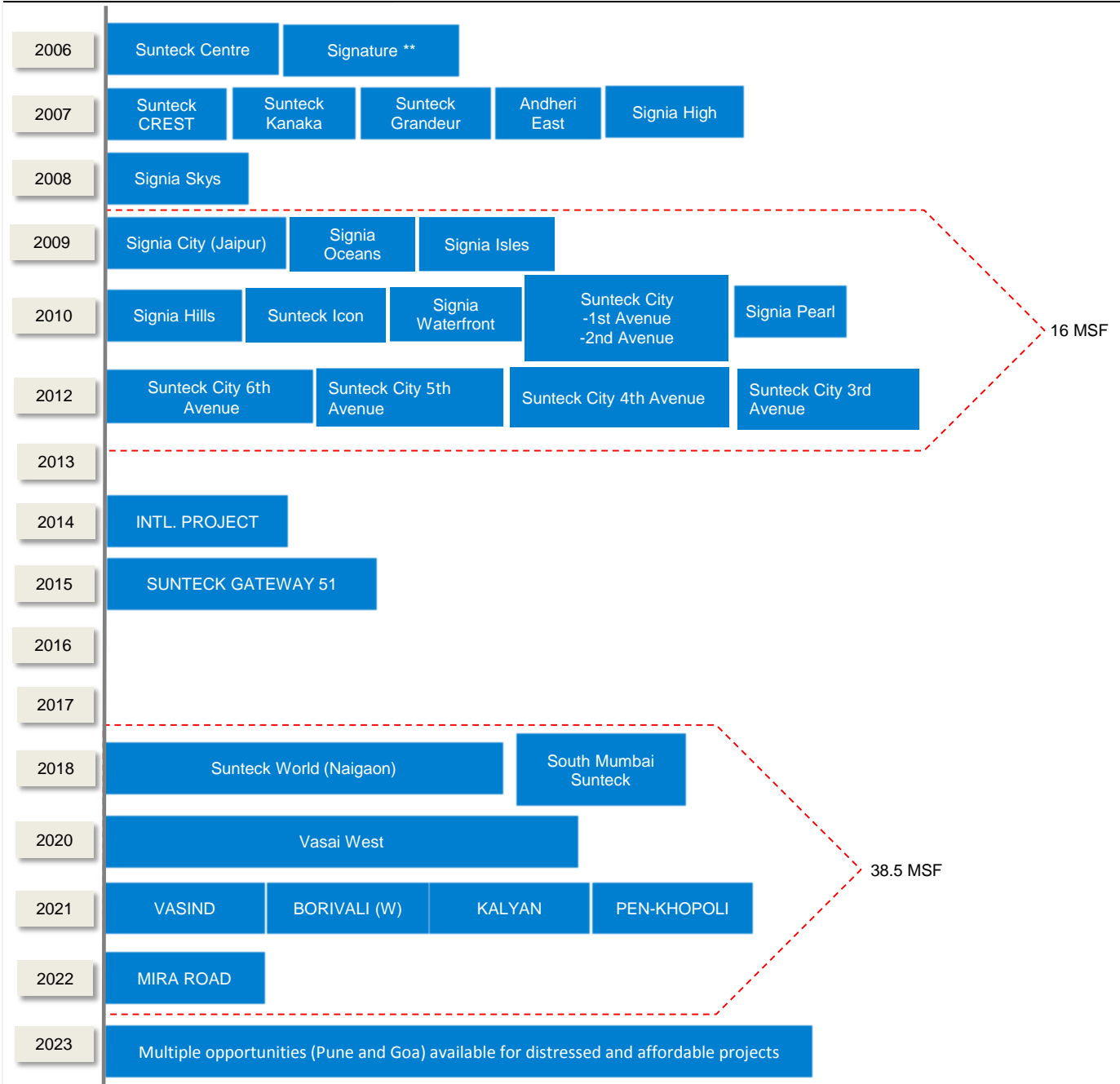
SRIN has a strong project portfolio of ~52.5msf (SRIN's share of ~38.5msf) with potential GDV (Gross Development Value) of Rs. 303bn (excluding cash flows from completed & ongoing launched projects/ phases). The company has delivered ~7msf since 2007. Overall company has portfolio of 32 projects which includes 16 completed projects.

### Exhibit 6: SRIN's growth trajectory

Year	Key developments
2005	Ventures into real estate sector with its first commercial asset Sunteck Center in Vile parle, Mumbai
2006	India REIT private equity invested at Signature Island
2007	50% JV with Piramal Group unite to undertake multiple projects
2008	Introduced Uber-Luxury residences at BKC
2009	Kotak Real Estate Fund invested in Sunteck Realty and offered PE SPV funding at Signia Isles in 2009
2016	Strategic acquisition of 23 acres of land in Oshiwara district Center to develop Sunteck City mixed-use township
2018	Only listed developer to enter in Naigaon (MMR's western suburb) with lower-income luxury segment called Sunteck World
2019	Acquired strategic locations during pandemic such as Vasai West, Borivli West, Kalyan Shahad, Mira Road West; with potential development of 20 msf and GDV of Rs. 200bn.

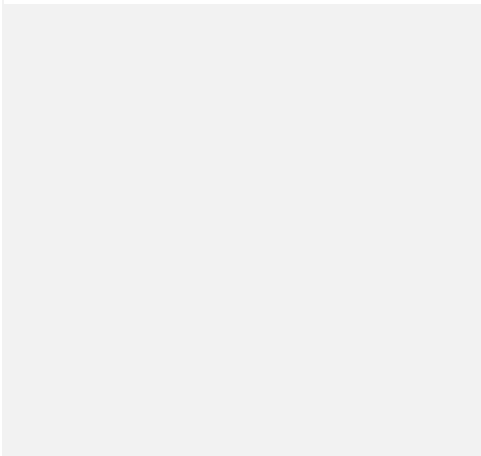
Source: Company, PL

**Exhibit 7: SRIN projects acquisitions from 16 msf (FY09-12) to 38.5 msf (FY18-23)**



Source: Company, PL

Note: \*\*Projects with major capital allocation



## Investment Rationale

### Pivoted focus on asset light model

SRIN's city centric asset-light (JV/JDA) acquisitions strategy in a capital intensive real estate market of MMR has helped in establishing itself into premium brand and diversified player that caters to high-income, mid-income and lower income group segment. Its key strengths constitute of asset-light business model and aggressive management mainly known for their ability to recognize and execute opportunities at an early stage. MMR region has limited land for outright purchase, but provides alternative means of acquiring land, including slum rehabilitation projects, redevelopment of dilapidated structures, JV/JDA with land owners and government tenders & auctions. While most Mumbai developers specialize in one or two categories, SRIN has been active in all of them.

#### Exhibit 8: SRIN followed asset light model for land acquisition

Projects	Location	Mode of acquisition	Year
Commercial Properties	BKC	Government Auction	1999
Residential Properties	BKC	Government Auction/ JV	2006
Sunteck City	Goregaon	Private Acquisition	2010
Residential Properties	Dubai	JV	2015
Mixed Used	Naigaon	JDA	2018
Mixed Used	Vasai	JDA	2021
Mixed Used	Mira Road	JDA	2021
Residential Properties	Borivali	JDA	2021
Mixed Used	Kalyan	JDA	2022

Source: Company, PL

### Early identification of opportunities

SRIN has been ahead of its curve in its ability to identify early opportunities. It has identified BKC, Mumbai as a potential residential space in the heart of commercial hub. It also acquired land for its flagship project "Sunteck Signature Island" in 2006 via government tender. The project was launched in FY09 with an elite list of buyers such as top corporates, global CEOs etc. with elevated realizations (currently pricing at around ~Rs 58,000 psf).

### Focused on extended suburbs of MMR – Added 30msf since 2018

Since 2018, SRIN has focused on project expansion in extended suburbs of MMR with large project size. Company has demonstrated better acquisition capabilities in extended suburbs of MMR region where it has been able to negotiate for a higher revenue share with its JDA partners. Most of its recent projects have limited presence of A grade developers. Further SRIN provides better amenities and acquired projects have also better connectivity to cities. This have helped them to command higher pricing and also faster monetization at time of launch.

*Demonstrated better acquisition capabilities in extended suburbs of MMR region where it has been able to negotiate for a higher revenue share with its JDA partners.*

**Exhibit 9: JDA projects in extended suburbs of MMR**

Project name	Location	JDA -SRIN's Share (%)	Total saleable area (msf)
Sunteck World	Naigaon East	74.1	12.0
Sunteck Beach Residences	Vasai West	73.9	5.0
Sunteck Sky Park	Mira Road East	68.5	2.5
Kalyan	Shahad	79.0	10.0

Source: Company, PL

**Exhibit 10: Higher realization versus peers for its key projects in same vicinity**

Projects	Location	Pricing (Rs. psf)*
Signature Island + Signia Isles + Signia Pearl	BKC	58,000
Avenue City	Goregaon West	18,000
One World - Phases 1-3	Naigaon East	6,500
Sky Park	Mira Road East	12,500
Beach Residencies	Vasai West	10,000

Source: Company, PL Note: On saleable area

JDA project acquisitions do not involve any material upfront cash out-go, as landowners are given their revenue share and hence proven to have higher ROEs.

**Continued expansion even in COVID times**

SRIN was aggressive in acquiring new projects since onset of the COVID-19 pandemic. During that time when most developers slowed their business development activities, SRIN continued to build its portfolio via acquiring JV/JDA, slum rehabilitation and redevelopments projects of ~25 msf saleable area at a much lower cost (less than Rs 1,000 psf for the portfolio acquired since 2018) taking its total acquired saleable area to ~38.5msf in the last 5 years with potential GDV acquisition value of Rs 303bn (excluding cash flows from completed & ongoing launched projects/ phases). These JDA project acquisitions do not involve any material upfront cash out-go, as landowners are given their revenue share and hence proven to have higher ROEs.

**Exhibit 11: Assets acquisitions since FY18 – Added 38.5msf with GDV value of Rs303bn**

Asset acquisitions	Year of Acquisition	Land Area (acres)	Saleable Area (msf)	Acquisition model	Sunteck's Revenue share (%)	Revenue Potential (Rs mn)	Refundable Deposit/land cost (Rs mn)
Naigaon	2018	150	12.0	JDA	74.1	65,000	500
Nepean Sea Road	2018	0.5	0.25	Redevelopment	100.0	25,000	1,000
Vasai West	2020	50.0	5.0	JDA	73.9	40,000	100
Borivali West	2021	7.0	1.0	JDA	73.0	23,000	100
Vasind	2021	50.0	2.6	JDA	79.0	12,000	10
Kalyan (Shahad)	2021	50.0	10.0	JDA	79.0	87,000	110
Mira Road	2022	7.25	2.5	JDA	68.5	31,000	480
Pen- Khopoli	2022	110.0	5.0	JDA	80.0	20,000	10
<b>Total</b>		<b>425</b>	<b>38.5</b>			<b>3,03,000</b>	<b>2,310</b>

Source: Company, PL



### Uniquely positioned via market research and strong brand equity

SRIN's city centric approach of expanding in MMR region followed by micro-market research for its unique positioning in diversified segments (lower income to higher income segment) and strong brand name are proving to get premium pricing. Most of the projects in extended MMR have little to no presence of quality grade-A developers which helps the company to garner higher-than-market realization. Naigaon project has seen 35-40% price appreciation over last 3-4 years since its first phase launch.

#### Exhibit 12: Increasing price realization indicates strong brand recall for SRIN

Price Realization (Rs/ psf)	FY20	FY21	FY22	FY23
BKC	33,500	43,500	45,400	56,300
Gorgeaon	13,500	14,000	16,000	17,000
Naigaon	4,700	5,000	6,200	6,500
Mira road				10,600
Vasai				9,000

Source: Company, PL

### Improved execution

SRIN utilizes its strong in-house project management and construction team for execution. This has ensured quality, design and timely completion of its project. Earlier company used to follow outsourcing model. There had been project delays in major projects in past and most delay were in order to get approvals for higher FSI. There has been marked improved in execution and quicker turnaround specifically for projects added since 2018.

### Sound and focused Management

SRIN has an experienced senior management led by Mr Kamal Khetan, Chairman and Managing Director. Mr Khetan is a promoter with an eye for identifying lucrative opportunities and has significant real estate experience. Also, management's strategy to de-risk SRIN from project-specific risks by either stake sale to a PE player or development through a JV has paid off. SRIN has struck a good balance between luxury and affordability and overall the asset-light model has enabled a strong foundation in MMR.

### Pre-sales to grow by 2x over FY23-26E

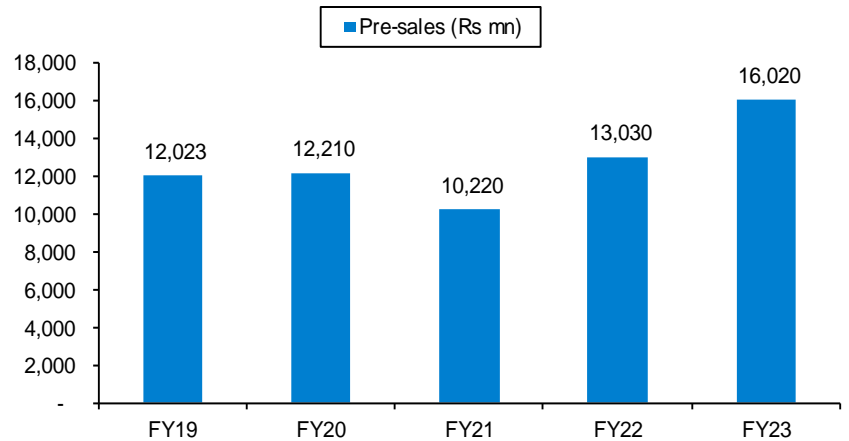
#### Healthy pre-sales and collections in past

SRIN's pre-sales grew at a CAGR of 7.4% over FY19-23; driven by pre-sales booking in Mira road, Vasai and Naigaon projects. Its cash collections also grew at a healthy pace of 17% CAGR over FY19-23 which highlights strong execution ability and faster monetization in mid-income and lower income segment. As of FY23, SRIN has unsold inventory from its completed projects with potential sale value upwards of Rs 20bn.

*Strong in-house project management and construction team for execution has ensured quality, design and timely completion of its project.*

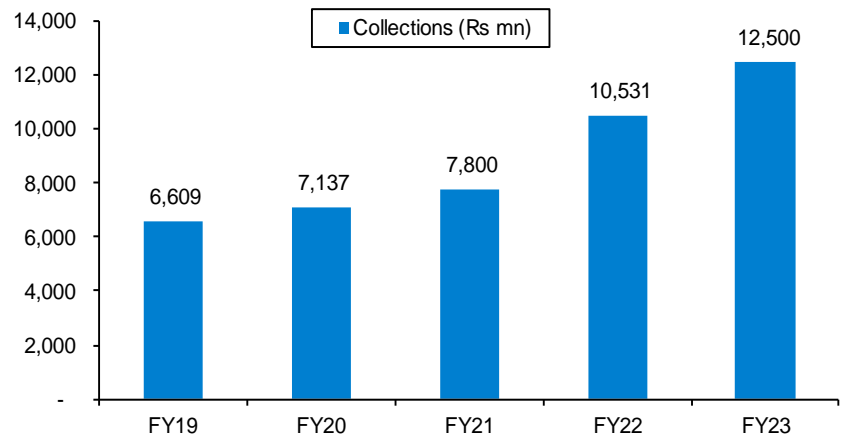
*SRIN has unsold inventory from its completed projects with potential sale value upwards of Rs 20bn.*

**Exhibit 13: Pre-sales have been steady- grown at 28% CAGR over FY21-23**



Source: Company, PL

**Exhibit 14: Strong collections - 30% CAGR over FY21-23**



Source: Company, PL

**Strong launch pipeline- 6 msf launch likely over FY23-26E**

SRIN has planned to launch seven projects including subsequent phases of existing projects over FY23-26E.

- Launched two new residential projects namely Sunteck Beach Residences at Vasai West and Sunteck Sky Park at Mira Road in FY23.
- From existing projects - launch of subsequent phases in Naigaon, Mira Raod, ODC Goregaon and Vasai.
- Further three new launches across new locations are being planned - Kalyan, Borivali & Napean Sea Road.
- On immediate basis Kalyan Phase-1 will be launched in H2FY24 with potential GDV of +Rs10bn.

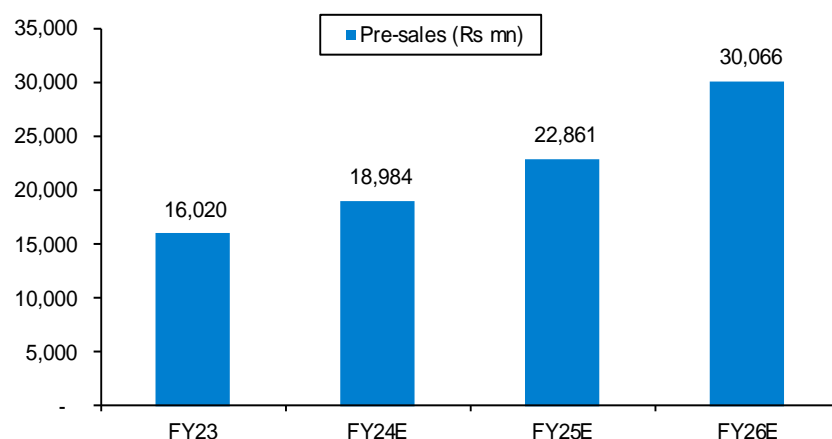
*Kalyan Phase-1 will be launched in H2FY24.*

**Exhibit 15: Launch Pipeline over FY23-26E**

Projects	Location	Saleable Area (msf)	Est. price	Est. sales value
Sunteck MaxxWorld - Phase II	Naigaon	0.74	6,500	4,816
Borivali	Borivali west	1.0	18,000	18,000
Sunteck City 6th Avenue	Goregaon	1.0	18,000	18,000
Sunteck Beach Residency	Vasai West	~0.75-1.0	9,000	9,000
Kalyan	Kalyan	1.5	9,000	13,500
Sunteck Sky Park Phase 2	Mira Road	0.58	12,000	6,960
Nepean Sea Road	South Mumbai	0.25	1,00,000	25,000
<b>Total</b>		<b>~6.1</b>		<b>95,270</b>

Source: Company, PL

Overall we expect pre-sales to grow to Rs30bn by FY26E from current level of Rs16bn in FY23 at 23% CAGR over FY23-26E. Project wise Kalyan is likely to contribute ~34%, Mira road 21%, Vasai 15%, Goregaon 13%, Naigaon ~12%, and BKC projects to contribute 5%. Management intends to target pre-sales of Rs 20bn for FY24E.

**Exhibit 16: Pre-sales to grow almost 2x over FY23-26E on new launches**


Source: Company, PL

**Residential portfolio**
**BKC projects – Timely monetization of ~Rs20bn unsold inventory will be key**

SRIN acquired 2 acres of land in 2009 from MMRDA in BKC for Rs5.2bn. Initially SRIN invested for Rs1.5bn for 50% stake and remaining by PE investors. Over the years SRIN increased its stake to 100%. Company has three projects in BKC – Signature Island (80 units, 0.7msf), Signia Isles (96 units, 0.4msf) and Signia Pearl (100 units, 0.4msf). Sunteck first launched its projects in BKC in FY09 (three projects launched over FY09-12) and delivered them over FY15-18. As of FY23, SRIN has sold 80% of inventory- 1.2msf with sales value of Rs. 37.3bn. Cash flow from this projects initially aided SRIN to fund new project acquisitions. SRIN has unsold inventory (42 units;0.32msf) with a potential sale value of~ Rs20bn. Faster monetization will be a key re-rating for stock performance. We have factored in 5 years for monetization of unsold inventory.

As of FY23, SRIN has sold 80% of inventory- 1.2msf with sales value of Rs. 37.3bn.

**Exhibit 17: The super-luxury BKC portfolio**

Project Name	Saleable area (msf)	Ownership	Total pre-sales achieved so far (Rs mn)	Unsold area (msf)	Potential inflows from unsold + outstanding receivables (mn)
BKC projects	1.48	100%	37,344	0.32	19,499

Source: Company, PL

**ODC at Goregaon West - ~4msf inventory yet to be monetized**

SRIN' has two land parcels in Goregaon west; 5 acres and 16 acres acquired in FY10 and FY12 for a combined cost of Rs. 3.75bn with a development potential of ~6msf. Sunteck City is an upper mid-income residential and 100% owned project.

Sunteck has completed two residential projects in ODC (Sunteck City, Avenue-1 and Sunteck City, Avenue-2 have received part OC) while another two (Sunteck City, Avenue-4 and Sunteck City, Avenue-5) are under construction. Additionally, Sunteck Pinnacle (Avenue-2) is a 0.15msf commercial building which is likely to be handed over by FY24E.

Overall SRIN has sold 2msf with sales value of Rs30bn and has another Rs25bn of potential sales likely to be achieved over next 6-7 years. Further another 2.5msf of commercial development (Avenue city 5) can generate potential annuity income of Rs4bn. Management has guided that construction will commence from FY25.

Overall SRIN has sold 2msf with sales value of Rs30bn.

**Exhibit 18: Premium mixed used Sunteck City project**

Project Name	Saleable area (msf)	Ownership	Total pre-sales achieved so far (Rs mn)	Unsold area (msf)	Potential inflows from unsold +outstanding receivables (mn)
Sunteck City	6.17	100%	28,960	4.16	103,693

Source: Company, PL

**Naigaon projects – Another 1-1.5msf launch likely in H1CY24**

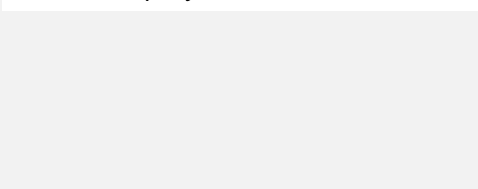
Sunteck World is a lower income segment township built in Naigaon spread across 150 acres with total saleable area of 12msf; of which 4.4msf launched in three phases (Sunteck West World in FY19, Sunteck Maxx World in FY20 and Sunteck One World in FY22) and another 1.5msf will be launched by end of FY24 with additional potential of over 6msf beyond FY24. This project is JDA with SRIN stake at 74%. Overall, the company has achieved total pre-sales of Rs16bn across Naigaon projects. The project has also seen price appreciation of 35-40% since its launch.

Naigaon projects has seen price appreciation of 35-40% since its launch.

**Exhibit 19: Lower income segment residential Sunteck World City project**

Project Name	Saleable area (msf)	Ownership	Total pre-sales achieved so far (Rs mn)	Unsold area (msf)	Potential inflows from unsold +outstanding receivables (mn)
Sunteck World	12	74%	15,923	7.72	56,724

Source: Company, PL



Vasai residential projects contributed Rs3.2bn of pre-sales value in FY23.

### **Sunteck Beach Residences at Vasai (W) - ~4.4msf yet to be monetized**

It's a 50 acres JDA project (SRIN's revenue share at 73.9%) acquired in Vasai West in FY21, where SRIN has sold off 38% inventory from already launched saleable area of 1.36msf. It has luxurious beachfront apartments that offer higher realization at Rs. 8.5k-10k psf. Vasai residential projects contributed Rs3.2bn of pre-sales value in FY23. The company had also planned luxurious 48 Vilas in this property. It has unsold saleable area of 0.63 msf from already launched area as of FY23 and plans to launch another 2.32msf with sale value of Rs. 21bn in FY25.

#### **Exhibit 20: Upper mid-Income Sunteck Beach-front Residence project**

Project Name	Saleable area (msf)	Ownership	Total pre-sales achieved so far (Rs mn)	Unsold area (msf)	Potential inflows from unsold +outstanding receivables (mn)
Beach Residences	5.00	73.9%	3,199	4.49	48,998

Source: Company, PL

Mira road residential project contributed Rs.2bn of pre-sales value in FY23.

### **Sunteck Sky Park at Mira road West- 2msf yet to be monetized**

This is a high mid-income project built on a 7.25-acre land parcel with total development potential of 2.5 msf at Beverly Park, Mira Road. SRIN has added this project in Q2FY23 and plans to develop premium 2-3bhk apartments and retail shops. Phase 1 was launched with 0.93 msf in Q4FY23 under the name Sunteck Sky Park (sold 32% of inventory as of FY23). Additionally, 0.58msf of saleable area will be launched in FY25. SRIN further has ~2 acres of land adjacent to Sunteck Sky Park project, where management has proposed a space for hospital. Mira road residential project contributed Rs.2bn of pre-sales value in FY23. We have not factored in any monetization/annuity income from hospital segment.

#### **Exhibit 21: Upper mid-Income Sunteck Sky Park**

Project Name	Saleable area (msf)	Ownership	Total pre-sales achieved so far (Rs mn)	Unsold area (msf)	Potential inflows from unsold +outstanding receivables (mn)
Sky Park	2.5	68.5%	1,973	2.23	30,737

Source: Company, PL

SRIN is set to launch total ~19 msf of saleable area in coming 7-8 years.

### **Upcoming new projects- 19msf launch likely over next 7-8 years**

Having successfully established presence across all segments from lower income to high income category at BKC, ODC and Naigaon - SRIN is now focusing on spreading its wing in central MMR market of Kalyan (Shahad) and exploring opportunities in western suburbs of MMR to further grow its portfolio. SRIN is set to launch total ~19 msf of saleable area in coming 7-8 years.

Its upcoming projects include ~7msf from Naigaon, 1.5 msf from Goregaon, ~3.6msf from Vasai, ~1.6msf from Mira Road, 1msf from Borivali, ~10 msf from Kalyan and ~0.3 msf from Nepean Sea Road which have total potential GDV value of Rs 273bn.



**Exhibit 22: Upcoming Projects**

Project	Location	Saleable area (in msf)	Already launched (in msf)	GDV (Rs mn)	Sunteck Share (%)
Sunteck World	Naigaon	12.0	5.0	50,000	74.1
Sunteck Sky Park	Mira Road	2.5	0.9	23,000	68.5
Sunteck Beach Residency	Vasai	5.0	1.4	40,000	73.9
Kalyan	Kalyan	10.0	-	90,000	78.8
Sunteck City 6th Avenue	Goregaon	1.5	-	27,000	100.0
Borivali	Borivali West	1.0	-	18,000	73.0
Nepean sea road	South Mumbai	0.3	-	25,000	100.0
<b>Total</b>		<b>30.3</b>	<b>7.3</b>	<b>273,000</b>	

Source: Company, PL

**Added seven new projects since FY18**

SRIN has added 7 projects via JDA route spread over 38.5msf in extended markets of MMR since FY18. It has already launched 3 projects namely 1) Sunteck World in **Naigaon**, 2) Sunteck Sky Park in **Mira Road** and 3) Sunteck Beach residency in **Vasai** out of 7 projects; for which it saw higher demand and improving pricing due to non-availability of A-listed developer in extended western suburbs of MMR.

**Kalyan launch in H2FY24**

SRIN is planning to launch its forth upcoming project in Kalyan (Shahad) phase I in FY24 with GDV of Rs. 12-13bn. It entered into this agreement in FY22 and will be integrated into residential township on 50 acres' land parcel. This is a JDA project with Amar Dye Chem Ltd with total potential development of 10msf and GDV of Rs. 90bn.

**Borivali West- Launch is dependent on regulatory approvals**

SRIN has added residential project n Borivali West in FY21 with a saleable area of 1msf on 7 acres of land. This is JDA project with SRIN stake at 73%. The land has a reservation remark and there is a club operating on-site. The project launch is dependent on regulatory approvals. Management expects approval to be received within 6months -1year. We have factored in FY26 launch with potential saleable value of +Rs20bn.

**Nepean Sea Road project – Redevelopment project with GDV of Rs25bn**

SRIN has undertaken redevelopment project at Nepean Sea Road for which upfront payment was made to tune of ~Rs.350mn in FY18 with saleable area of 0.25msf. Further Rs600-700mn have been spend towards other approvals and charges. The project has potential to generate GDV of ~Rs. 25bn along with +40-45% of operating margins. Management plans to operationalize the project FY25 onwards.

Saw higher demand and improving pricing due to non-availability of A-listed developer in extended western suburbs of MMR.

Operating margin potential of +40-45%.

*We have not factored these project while calculating our NAV calculation.*

**Vasind- Not factored in for our NAV calculation**

SRIN added a 50-acre land parcel at Vasind in Q3FY21 which is close to the Mumbai-Nasik Highway. The company launched Forest World Phase 1 from its Sunteck World project in Q2FY22. However subsequent phases were pulled back due to lack of demand. We have not factored this project while calculating our NAV calculation.

**Pen-Khopoli- Not factored in for our NAV calculation**

SRIN signed a JDA for 110 acres of land on the Pen-Khopoli Road in Q3FY22 to develop plotted layouts and luxurious bungalows. The project is located close to Pen city and will offer holiday or second homes with total development potential of ~6msf. We have not factored this project while calculating our NAV calculation.

**Exhibit 23: Seven new projects – Asset light JDA structure**

Project Name	Location	Segment	Land area (acres)	Total area (msf)	SRIN's stake (%)	Acquisition
Sunteck World City	Naigaon (East)	Lower income	150	12.0	74.1	Q4FY18
Sunteck Beach Residency	Vasai (West)	Mid-income	50	5.0	73.9	Q2FY21
Vasind	Vasind	Lower income	50	2.6	79.3	Q3FY21
Borivali	Borivali (West)	Upper mid-income	7	1.0	73.0	Q4FY21
Kalyan	Kalyan (Shahad)	Lower & Mid-income	50	10.0	78.9	Q2FY22
Sunteck Sky Park	Mira Road (East)	Upper mid-income	7	2.5	68.5	Q2FY23
Khopoli	Khopoli- Pen	Holiday Homes	110	6.0	80.0	Q3FY22

Source: Company, PL

*2-3 deals will be nearing at finalizing stage and is currently considering Pune-Goa as their new geography for expansion.*

**Dubai project - Under arbitration**

SRIN has entered in 50% stake JV agreement with Dubai based company in FY15-16 for an investment of Rs.1.4bn on 2.28acres of land located in Downtown Dubai, close to Burj Khalifa tower and Dubai mall. The project has potential development of 0.83msf and expected sales of ~Rs. 17bn. Dubai location is an opportunistic investment with lowest capital and strong demand in coming years for second home buyers (where buyers profile is 15% Indians). The project is under litigation and timely resolution will be key. We have not factored in our NAV assumption.

**Management also cited for 4 to 5 new business development deals with each GDV of more than Rs 10bn, of which 2-3 deals will be nearing at finalizing stage. Further, management will focus to remain in MMR region for next few years and is currently considering Pune and Goa as their new geography for expansion.**

**Annuity portfolio- Rs700mn annuity income to be added from FY25**

In addition to residential business, SRIN has 2 commercial projects generating lease income of Rs120mn annually. The company also has two commercial projects under BKC, Mumbai which are currently under construction stage. It includes Sunteck BKC 51 and Sunteck Icon at BKC junction which has potential to generate a combined rental income of ~Rs. 700mn from FY25 onwards. Sunteck BKC 51's construction is likely to be completed by H1FY24 and has recently pre-leased out entire ~0.2msf area to "Edtech unicorn - Upgrad" for 29 years at an

annual rental income of Rs 300psf/month. This would fetch Rs 360mn (SRIN's share) annuity income on annual basis. Further SRIN has a new upcoming commercial asset with leasable area of 2.5msf from its ongoing Sunteck City avenue 5<sup>th</sup> with a potential rental of Rs 4bn as and when it gets fully leased out.

**Exhibit 24: SRIN's upcoming leasing portfolio**

Project	City	Potential Rental Income (Rs mn)	Area (msf)	Expected Completion	Leased (in msf)
Sunteck BKC 51, BKC Jn	Mumbai	360	0.18	H1FY24	100% pre-leased
Sunteck Icon, BKC Jn.	Mumbai	340	0.17	FY24	Yet to be lease
Avenue 5, ODC- Goregaon	Mumbai	4,000	2.50	FY30	Yet to be lease

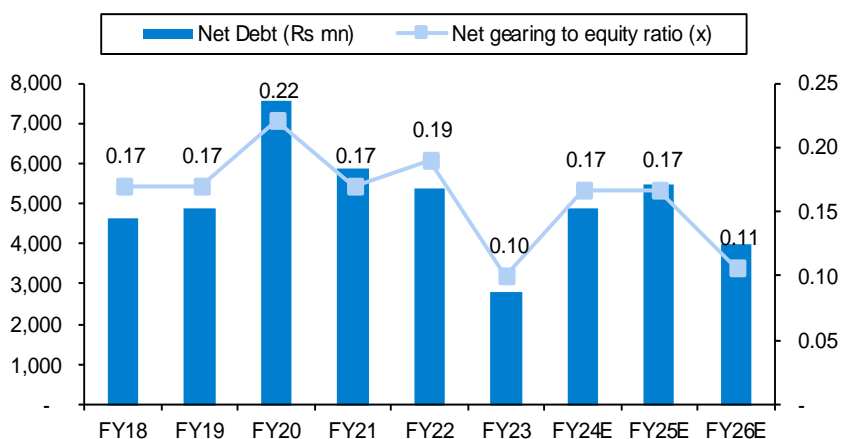
Source: Company, PL

**Healthy balance sheet with net D/E of 0.1x**

SRIN generated robust operational cash flows of Rs. 2.6bn in FY23 on the back of new launches such as Sunteck Sky Park in Mira Road launch and Sunteck Beach Residency in Vasai West which saw faster monetization. Despite acquisitions of 38.5 msf since FY18 (of which, ~25.5 msf has been acquired during onset of COVID-19 pandemic), its Net D/E ratio decreased from 0.17x in FY18 to 0.09x in Q1FY24 due to no land banking and funding done largely through internal accruals.

Going forward, we expect rising pre-sales should further improve cash collections and net debt could be utilized for new project additions.

**Exhibit 25: We expect debt profile to remain low**



Source: Company, PL

**Key drivers for cash surplus**

We expect 6x revenue growth over FY23-26E as projects like Maxx world Phase 1 (Naigaon), Avenue city 4 (Goregaon), One world (Naigaon) and Sky Park (Mira road) will start getting recognized. We expect SRIN to generate strong cash flow and materially step-up land acquisitions and project launches. While the BKC projects remain key contributors, we also expect strong cash-flows to generate from Goregaon, Naigaon, Vasai and Kalyan projects over FY23-26E.

Despite acquisitions since FY18; its Net D/E ratio decreased from 0.17x in FY18 to 0.09x in Q1FY24 due to no land banking and funding done largely through internal accruals.

Expect 6x revenue growth over FY23-26E as projects like Maxx world Phase 1 (Naigaon), Avenue city 4 (Goregaon), One world (Naigaon) and Sky Park (Mira road) will start getting recognized.

**Exhibit 26: Project's Cash flows**

Location	Potential inflows (Rs mn)	Our NPV assumption (in mn)	Year to sale (#)
BKC	22,761	15,993	5.0
Gorgeaon	70,069	21,668	4.5
Naigaon	20,147	6,166	6.0
Mira road	9,076	6,052	6.0
Vasai	16,968	13,996	6.0
Kalyan (Shahad)	37,000	10,905	8.0
Borivali	10,804	3,631	5.0
Nepean Sea Raod	20,350	9,201	5.0
<b>Total</b>	<b>2,07,175</b>	<b>87,613</b>	

Source: Company, PL

**Acquisitions supported through internal funding**

SRIN's business model and its strategy to turn around projects in short period have proved to be generating positive cash-flows and keeping its leverage low. The company takes short-term debt largely based on specific projects, strives for fast approvals and launches, and pre-pays debt from free cash-flows. It also reflects in to generating higher RoEs.

SRIN's landmark project 'Signature Island' in BKC is a case in where Rs 700mn borrowed for acquiring land and was pre-paid from project cash-flows. Additionally, it has 6mn of treasury shares which management could eventually monetize to fund business development activities.

**Timely addition of new projects is key for stock performance**

SRIN's JV/JDA strategy and positive operating cash flows have kept its balance sheet clean and negligible leverage; we expect SRIN to generate strong positive net cash surplus over FY23-26E. This provides high visibility on execution in near term with a strong launch pipeline.

We believe SRIN will materially step up land acquisitions and project launches on the back of its ability to generate strong cash flow. Going forward, SRIN will continue to be in a strong negotiation position for future land and project acquisitions which will enable a new growth trajectory and create significant shareholder value. However, SRIN's new business development project additions will be a key monitorable for sustaining future growth.

*The company takes short-term debt largely based on specific projects, strives for fast approvals and launches, and pre-pays debt from free cash-flows.*

*Expect positive net cash surplus over FY23-26E. This provides high visibility on execution in near term with a strong launch pipeline.*

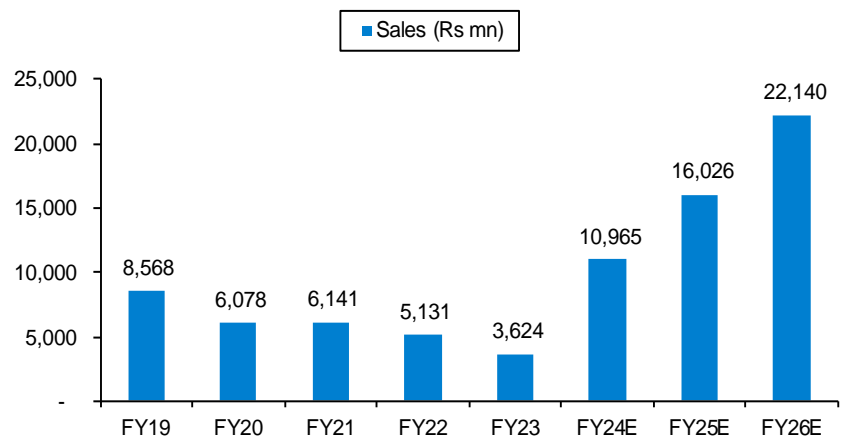
## Financial Projections

### Revenue recognition to accelerate from FY24

SRIN follows project completion method where revenues are recognized only when a project is completed or handed over, irrespective of cash-flows. We expect significant jump in revenues from FY24 as projects like Max world phase 1, Naigaon, Avenue city phase 4 and Sky Park Mira road are schedule to be completed. We have factored in Rs 4.2bn of revenues from BKC projects over FY23-26E. Overall this will drive revenues from Rs3.6bn in FY23 to Rs 22bn in FY26E.

Projects like Max world phase 1, Naigaon, Avenue city phase 4 and Sky Park Mira road are schedule to be completed.

#### Exhibit 27: Key projects to be completed from FY24E onwards



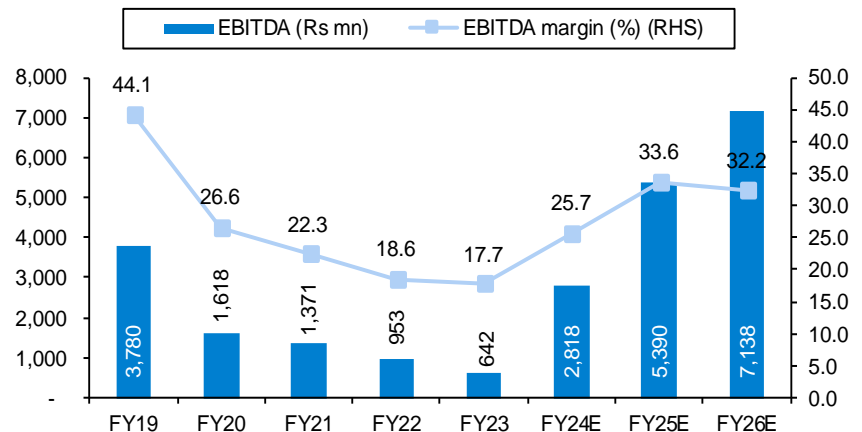
Source: Company, PL

### EBITDA to grow 10x over FY23-26E

SRIN project margins vary significantly depending on the revenue/profit sharing arrangement of each project. While project-level EBITDA margins range from 25-40%, we expect overall margins to remain at 30-35% on sustainable basis. Similarly, we expect PAT margins to stabilize at 15-20%. Resultant we see EBITDA from Rs 642mn in FY23 to Rs 7bn in FY26E.

Project-level EBITDA margins range from 25-40%, we expect overall margins to remain at 30-35% on sustainable basis.

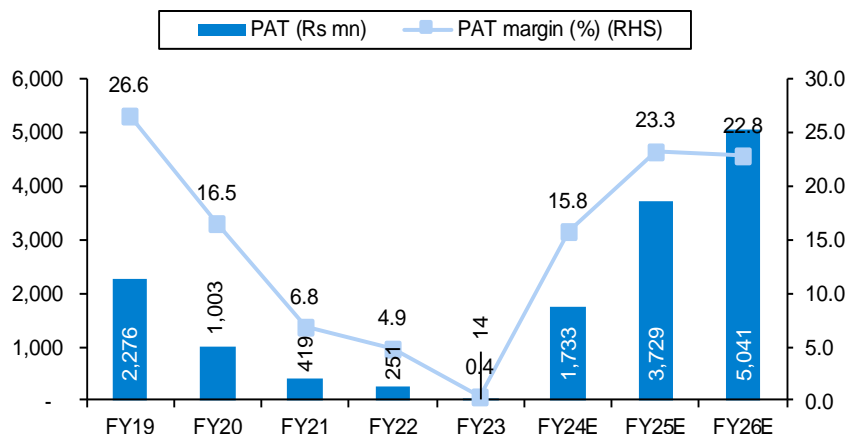
#### Exhibit 28: Expect sustainable margins to be in a range of 30-35%



Source: Company, PL



**Exhibit 29: Expect profit margins to improve significantly**



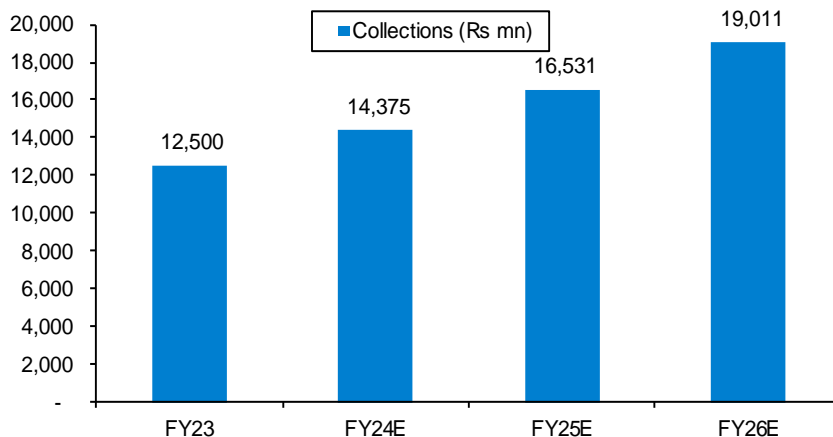
Source: Company, PL

### Healthy balance sheet; strong collection for new projects

SRIN has a strong balance sheet with a low D/E ratio and high cash-flow visibility. With ~Rs8-10bn of cash surplus over FY23-26E, we expect company likely to scale up new project additions. We estimate SRIN to generate collections of Rs. 19bn by FY26E at 15% CAGR aided by pre-sales velocity. Given company follows more JV/JDA to acquire scale, we expect debt to remain low.

*Estimate SRIN to generate collections of Rs. 19bn by FY26E at 15% CAGR aided by pre-sales velocity.*

**Exhibit 30: We expect collections to grow at 15% CAGR over FY23-26E**



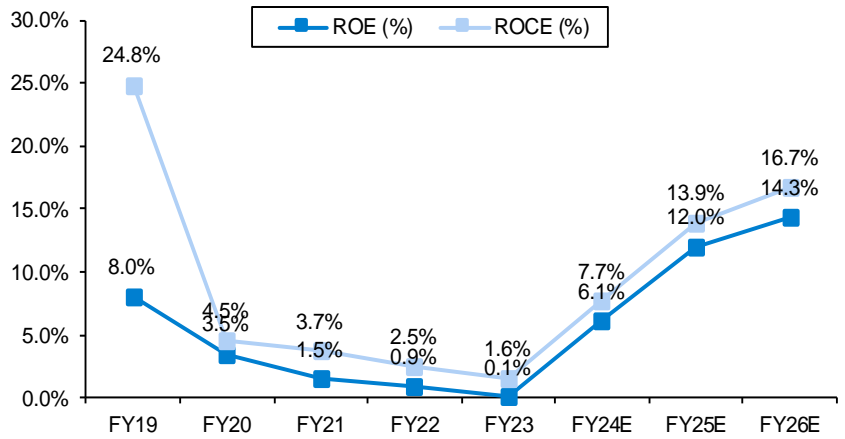
Source: Company, PL

### Return ratios to surge

With new projects like Naigaon, Goregaon and Mira Road getting recognized over next 2-3 years, we expect sharp jump up in profitability. This should result in sharp increase in return ratios from a low base; RoE should sustain at 13-15%.

RoE should sustain at 13-15%.

Exhibit 31: Asset light profitable biz to support healthy ROE and ROCE profile



Source: Company, PL

## Valuations & View

- We value SRIN using NAV based valuation methodology which best captures value of developer's land bank.
- We have assumed an entire land bank to be monetized over next 9-10 years and assumed 5% increase in property prices excluding BKC projects with similar 5% increase in construction cost FY24 onwards.
- We have taken 14% WACC to discount project level cash flows and 8% cap rate for annuity business.
- Residential segment accounts for 79% of our gross NAV. Completed BKC projects accounts for 11% of gross NAV.
- We have not valued development potential for two projects Vasind and Khopoli.

Arrive at a 1 year forward NAV of Rs 82.7bn, translating into an NAV of Rs 565 per share.

We expect SRIN to trade at par with NAV given 1) strong development visibility, 2) execution track record shown over last few years and 3) potential healthy cash-flows. Based on above assumptions and timelines, we arrive at a 1 year forward NAV of Rs 82.7bn, translating into an NAV of Rs 565 per share. Initiate coverage with 'Buy' rating.

## Key Assumptions

### Exhibit 32: NAV 1 year forward summary

	(Rs mn)	% of total	NAV per share
Residential	69,476	79%	474
Commercial (Sell)	11,906	14%	81
Commercial (Lease)	6,231	7%	43
Gross NAV	87,613	100%	598
Add: Cash	1,967		13
Less: Gross Debt	(6,854)		(47)
Net NAV	82,726		565
Outstanding shares (m)	146.5		
<b>NAV per share</b>	<b>565</b>		

Source: PL

We expect ~59% NAV contribution from Goregaon, BKC and Vasai projects.

### Exhibit 33: Our project-wise NAV contribution

Key Projects	NAVs (in mn)	% of Gross NAV
Gorgeaon	21,668	24.5%
BKC	15,993	18.2%
Vasai	13,996	15.9%
Kalyan	10,905	12.4%
Nepean sea Road	9,201	10.5%
Naigaon	6,166	7.0%
Mira road	6,052	6.9%
Borivali	3,631	4.1%
<b>Gross NAV</b>	<b>87,613</b>	<b>100%</b>

Source: Company, PL

## Key project assumptions

### Pre- sales assumptions

- SRIN has unsold inventory of 1.85msf from its completed and ongoing projects which may translates into Rs 42bn of pre-sales. We expect pre-sales of Rs.19bn for FY24E and Rs22.9n for FY25E; largely contributed by upcoming new launches and ongoing projects.
- We believe SRIN's launch pipeline of projects at Kalyan, Borivali and Nepean Sea Road along with existing projects at Mira road, Naigaon and Vasai to support pre-sales growth of 23% CAGR for FY23-26E.

Estimate pre-sales growth of 23% CAGR for FY23-26E.

### Exhibit 34: Pre-sales will be aided by upcoming new launches

Location	FY23	FY24E	FY25E	FY26E
BKC	760	912	1,459	1,824
Gorgeaon	5,715	2,410	970	2,520
Naigaon	2,230	2,196	3,878	3,901
Mira road	2,880	4,331	6,064	6,367
Vasai	4,329	2,835	1,985	1,563
Kalyan (Shahad)	-	6,300	6,615	6,174
Borivali	-	-	-	3,749
Nepean Sea Raod	-	-	1,890	3,969
Others	106	-	-	-
<b>Total</b>	<b>16,020</b>	<b>18,984</b>	<b>22,861</b>	<b>30,066</b>

Source: Company, PL

## Revenue recognition to accelerate from FY24

We see residential revenue traction from FY24E onwards as projects such as Max world phase 1 at Naigaon, Avenue city phase 4 at Goregaon and Sky Park at Mira road are schedule to be completed.

### Exhibit 35: Project completions to drive traction in revenues

Location	FY24E	FY25E	FY26E
BKC	912	1,459	1,824
Gorgeaon	1,440	13,562	2,608
Naigaon	8,436	444	5,461
Mira road	-	-	5,256
Vasai	-	-	6,274
<b>Total</b>	<b>10,788</b>	<b>15,465</b>	<b>21,423</b>

Source: Company, PL

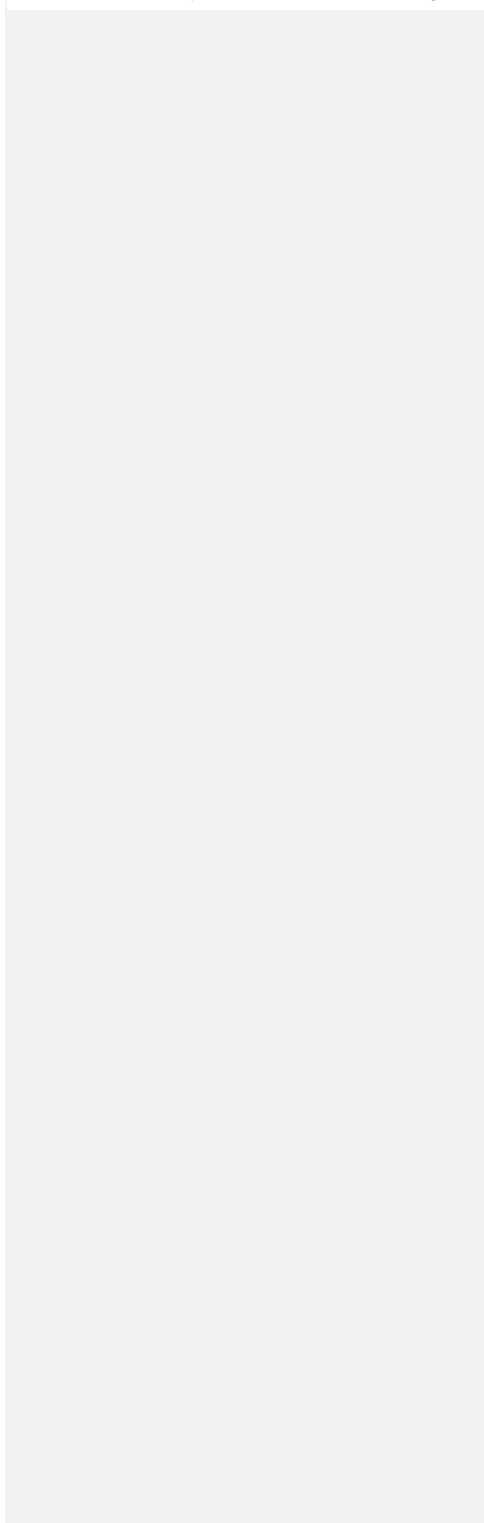
Under construction projects Sunteck BKC 51 and Sunteck Icon at BKC junction, Mumbai have potential to generate a combined rental income of ~Rs. 700mn from FY25 onwards.

SRIN's commercial projects in Goregaon West and Andheri East currently generate ~Rs120mn of rentals. We assumed under construction projects Sunteck BKC 51 and Sunteck Icon at BKC junction, Mumbai have potential to generate a combined rental income of ~Rs. 700mn from FY25 onwards.

**Exhibit 36: Peer comparison**

Companies	Mkt cap (in bn)	FY23 Pre-sales (in bn)	EV/EBITDA (x)		P/E (x)		P/BV (x)		RoE (%)	
			FY24E	FY25E	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
<b>Sunteck</b>	<b>58.0</b>	<b>16.0</b>	<b>21.5</b>	<b>11.4</b>	<b>32.2</b>	<b>14.9</b>	<b>1.9</b>	<b>1.7</b>	<b>6.1</b>	<b>12.0</b>
Brigade	135.9	41.1	15.0	12.6	38.7	28.5	4.0	3.6	9.8	12.1
DLF	1,272.3	150.6	58.1	49.8	46.1	38.3	3.2	3.0	7.3	8.3
Sobha	59.0	42.3	12.2	9.0	20.7	14.5	2.1	1.9	11.2	14.0
Prestige	236.7	129.3	13.0	10.9	33.0	26.2	2.3	2.1	7.4	8.2
Godrej	484.9	122.3	130.2	64.4	55.0	41.0	4.4	3.9	9.0	9.7
Oberoi	403.6	85.7	17.8	13.5	22.9	17.0	3.0	2.6	13.2	15.3

Source: Company, PL Note - Bloomberg consensus





## Key Risks

**High concentration on MMR market:** SRIN 100% of portfolio concentration is in MMR region. While there is strong demand for properties in MMR, any slowdown in lower income or premium segment could impact our pre-sales assumptions.

**Potential conflicts of interest with JDA partners:** Over last few years SRIN has added projects through JDA and JV route. Any disagreement between partner and SRIN would adversely impact growth. Further it is responsibility of JDA partners to get all necessary approvals and any delay in getting approvals could impact new launches.

**Delay in monetization of BKC projects:** SRIN has Rs20bn of unsold inventory across BKC completed projects. We have assumed 5 years for monetization from BKC projects. These are super luxury projects with ticket size of Rs 500mn/apartment. Velocity of sales can be slower than expected with delayed cash flow, thereby impacting new project additions.

## Appendix – MMR market

The MMR is one of the biggest real estate markets in India. As per industry report, the Mumbai Metropolitan Region (MMR) had the highest proportion of apartment sales and value among top seven cities in India during FY23. MMR accounted for 30% of the total residential realty sales. Overall sales in MMR region increased by 46% YoY to Rs1672bn in FY23.

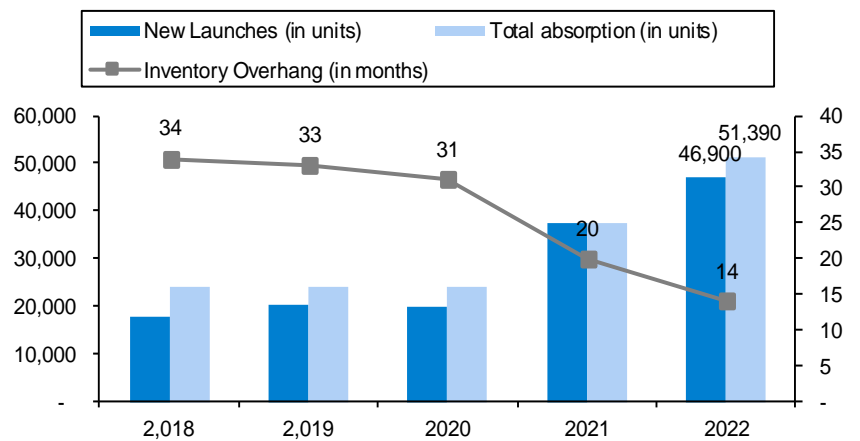
*MMR accounted for 30% of the total residential realty sales.*

Over last few decades, MMR has evolved from an industrial hub to a service sector-driven destination. Mumbai has witnessed rapid development and seen expansion of its limits with all industries slowly and gradually moving to adjoining areas of Greater Mumbai. Rapid agglomeration led to expansion of Greater Mumbai to MMR which houses Greater Mumbai, Navi Mumbai, Thane city and the two peripheries, namely, western peripheral suburbs and central peripheral suburbs.

Varied developments across all real estate categories ranging from affordable (lower income) to ultra-luxury, makes MMR stand out from the rest, as far as real estate developments across the country is concerned. Amidst the transforming real estate sector in MMR, developers are moving north and east, to cater to rising demands and thus, peripheral suburbs are emerging as most prominent destinations where affordability is high. MMR saw highest affordable housing sales with a 37% (17,470 units) in H1FY23. **This augurs well for developers like SRIN who have been increasing presence in extended suburbs of MMR.**

*MMR saw highest affordable housing sales with a 37% (17,470 units) in H1FY23.*

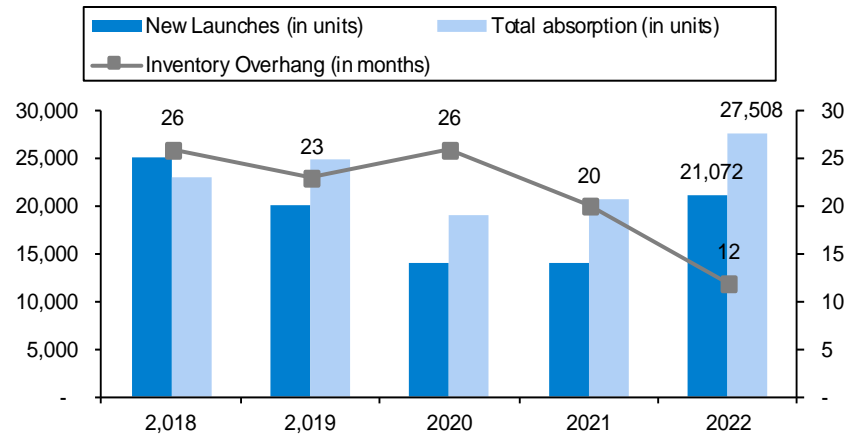
**Exhibit 37: Mumbai market saw highest ever supply and absorption**



Source: Company, PL

The absorption in Mumbai has witnessed a growth of 37% on YoY basis and supply has witnessed 26% growth on YoY basis. In CY'22 absorptions were at all-time high with 51,390 units; maximum in Western suburban region of Mumbai city.

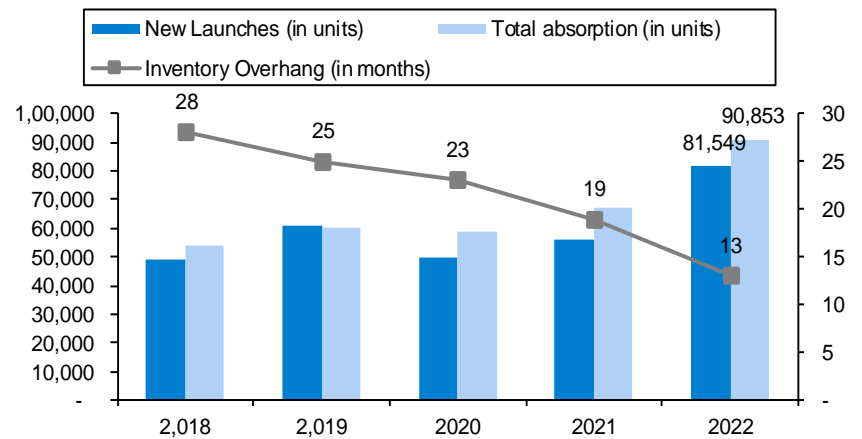
**Exhibit 38: Navi Mumbai saw lowest inventory overhang at 12 months**



Source: Company, PL

In CY'22, Navi Mumbai absorption outweighed new launches by 31%, resulting in decline of overhang to an all-time low of 12 months.

**Exhibit 39: Strong demand in Thane market**



Source: Company, PL

Thane has witnessed all-time high new supply and absorption in CY'22. It has seen phenomenal demand in residential sector due to affordability and organized development by large developers. Inventory overhang has fallen to an all-time low of only 13 months in the city.

## Board of Directors and Key Management

### Exhibit 40: Board of Directors

Name	Designation	Experience
Mr. Kamal Khetan	Chairman & Managing Director	Founder of Sunteck Group with over 20 years of experience in the real estate and construction industry. He has an Engineering degree in Electronics and Communications from Mangalore University.
Mr. Atul Poopal	Executive Director	Over three decades of experience in civil engineering, development regulations and project assessments. In-depth insights in conceptualizing, planning, devising and streamlining approval process.
Mrs. Rachana Hingarajia	Non-Executive/Non-Independent Women Director	Over 15 years of experience in compliance functions, mergers, and restructuring. She is a Company Secretary (CS) and a Bachelor at Law (LLB) and has been associated with the group for more than 15 years.
Mr. V. P. Shetty	Independent Director	Over 4 decades of experience in Banking and has held C&MD position in UCO, Canara and IDBI Bank.
Mr. Mukesh Jain	Independent Director	Over 4 decades of experience in Banking, Real Estate and Insolvency. Presently, practicing law and Alumnus of SRCC, New Delhi.
Mr. Chaitanya Dalal	Independent Director	Over 3 decades of experience in audits including Statutory and CAG audits. Practicing CA and also teaches accountancy in colleges of Mumbai University.
Mrs. Sandhya Malhotra	Independent Director	Approx. 2 decades of experience in corporate law compliances. Presently, practicing CS and law graduate and active involvement in human rights and CSR matters.

Source: Company, PL

### Exhibit 41: Key Management

Name	Designation	Experience
Mr. Kamal Khetan	Chairman & Managing Director	Founder of Sunteck Group with over 20 years of experience in the real estate and construction industry. He has an Engineering degree in Electronics and Communications from Mangalore University.
Mr. Atul Poopal	Executive Director	Over three decades of experience in civil engineering, development regulations and project assessments. In-depth insights in conceptualizing, planning, devising and streamlining approval process.
Mr. Prashant Chaubey	Chief Financial Officer	Over 18 years of real estate experience in the field of corporate finance, investments and research. He holds an MBA (Finance), CFA-India, CAIIB and Post Graduate Certificate in Construction Engineering and Management from the University of Michigan, USA, and has been associated with the company for 13 years.
Ms. Anupama Khetan	Head – Strategy & Marketing	She has a bachelor's degree from Warwick Business School, UK, and has been associated with the company for the past five years.
Mr. Santhana Kumar	Chief Technical Officer	Overall +25 years of experience in construction industry.

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
<b>Net Revenues</b>	<b>3,624</b>	<b>10,965</b>	<b>16,026</b>	<b>22,140</b>
YoY gr. (%)	(29.4)	202.5	46.1	38.2
Cost of Goods Sold	1,276	5,931	7,706	11,470
Gross Profit	2,348	5,035	8,320	10,670
Margin (%)	64.8	45.9	51.9	48.2
Employee Cost	690	793	912	1,049
Other Expenses	-	-	-	-
<b>EBITDA</b>	<b>642</b>	<b>2,818</b>	<b>5,390</b>	<b>7,138</b>
YoY gr. (%)	(32.7)	339.1	91.3	32.4
Margin (%)	17.7	25.7	33.6	32.2
Depreciation and Amortization	92	100	110	120
<b>EBIT</b>	<b>549</b>	<b>2,718</b>	<b>5,280</b>	<b>7,018</b>
Margin (%)	15.2	24.8	32.9	31.7
Net Interest	859	900	900	900
Other Income	284	399	499	510
<b>Profit Before Tax</b>	<b>(25)</b>	<b>2,217</b>	<b>4,879</b>	<b>6,628</b>
Margin (%)	(0.7)	20.2	30.4	29.9
Total Tax	31	554	1,220	1,657
Effective tax rate (%)	(122.0)	25.0	25.0	25.0
<b>Profit after tax</b>	<b>(56)</b>	<b>1,663</b>	<b>3,659</b>	<b>4,971</b>
Minority interest	-	-	-	-
Share Profit from Associate	70	70	70	70
<b>Adjusted PAT</b>	<b>14</b>	<b>1,733</b>	<b>3,729</b>	<b>5,041</b>
YoY gr. (%)	(94.4)	12,199.4	115.2	35.2
Margin (%)	0.4	15.8	23.3	22.8
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>14</b>	<b>1,733</b>	<b>3,729</b>	<b>5,041</b>
YoY gr. (%)	(94.4)	12,199.4	115.2	35.2
Margin (%)	0.4	15.8	23.3	22.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	14	1,733	3,729	5,041
<b>Equity Shares O/s (m)</b>	<b>140</b>	<b>140</b>	<b>140</b>	<b>140</b>
<b>EPS (Rs)</b>	<b>0.1</b>	<b>12.3</b>	<b>26.5</b>	<b>35.9</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>1,768</b>	<b>1,868</b>	<b>1,968</b>	<b>2,268</b>
Tangibles	1,768	1,868	1,968	2,268
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>279</b>	<b>379</b>	<b>489</b>	<b>609</b>
Tangibles	279	379	489	609
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>1,490</b>	<b>1,490</b>	<b>1,480</b>	<b>1,660</b>
Tangibles	1,490	1,490	1,480	1,660
Intangibles	-	-	-	-
Capital Work In Progress	1,012	1,306	1,306	1,106
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	-	-	-	-
<b>Current Assets</b>				
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	1,967	1,384	2,867
Other Current Assets	4,688	4,688	4,000	4,000
<b>Total Assets</b>	<b>72,243</b>	<b>75,656</b>	<b>78,897</b>	<b>83,901</b>
<b>Equity</b>				
Equity Share Capital	140	140	140	140
Other Equity	27,738	29,174	32,693	37,453
<b>Total Networth</b>	<b>27,879</b>	<b>29,314</b>	<b>32,833</b>	<b>37,593</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	4,208	4,208	4,208	4,208
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
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
<b>Total Equity &amp; Liabilities</b>	<b>72,243</b>	<b>75,656</b>	<b>78,897</b>	<b>83,901</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	(25)	2,217	4,879	6,628
Add. Depreciation	92	100	110	120
Add. Interest	859	900	900	900
Less Financial Other Income	284	399	499	510
Add. Other	(1,261)	70	70	70
Op. profit before WC changes	(335)	3,287	5,959	7,718
Net Changes-WC	2,986	(757)	(4,112)	(3,297)
Direct tax	(31)	(554)	(1,220)	(1,657)
<b>Net cash from Op. activities</b>	<b>2,620</b>	<b>1,976</b>	<b>627</b>	<b>2,764</b>
Capital expenditures	(1,125)	(394)	(100)	(100)
Interest / Dividend Income	-	-	-	-
Others	1,288	-	-	-
<b>Net Cash from Invt. activities</b>	<b>162</b>	<b>(394)</b>	<b>(100)</b>	<b>(100)</b>
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	-	-
<b>Net cash from Fin. activities</b>	<b>(2,939)</b>	<b>(924)</b>	<b>(1,111)</b>	<b>(1,181)</b>
<b>Net change in cash</b>	<b>(156)</b>	<b>658</b>	<b>(583)</b>	<b>1,483</b>
Free Cash Flow	2,620	1,976	627	2,764

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q2FY23	Q3FY23	Q4FY23	Q1FY24
<b>Net Revenue</b>	<b>230</b>	<b>893</b>	<b>489</b>	<b>706</b>
YoY gr. (%)	(83.1)	(30.3)	(68.5)	(50.8)
Raw Material Expenses	83	338	93	302
Gross Profit	147	555	396	404
Margin (%)	64.0	62.1	81.0	57.2
<b>EBITDA</b>	<b>(57)</b>	<b>180</b>	<b>(91)</b>	<b>(75)</b>
YoY gr. (%)	(115.6)	(48.1)	(254.4)	(116.5)
Margin (%)	(24.8)	20.2	(18.6)	(10.6)
Depreciation / Depletion	10	22	25	18
<b>EBIT</b>	<b>(67)</b>	<b>158</b>	<b>(116)</b>	<b>(92)</b>
Margin (%)	(29.3)	17.7	(23.8)	(13.1)
Net Interest	118	196	289	173
Other Income	41	81	80	178
<b>Profit before Tax</b>	<b>(145)</b>	<b>44</b>	<b>(325)</b>	<b>(87)</b>
Margin (%)	(63.2)	4.9	(66.4)	(12.3)
Total Tax	(45)	42	(62)	(27)
Effective tax rate (%)	31.0	95.5	19.2	31.0
<b>Profit after Tax</b>	<b>(100)</b>	<b>2</b>	<b>(262)</b>	<b>(60)</b>
Minority interest	-	(19)	17	7
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>(100)</b>	<b>21</b>	<b>(279)</b>	<b>(67)</b>
YoY gr. (%)	(165.6)	(81.4)	548.2	(127.0)
Margin (%)	(43.6)	2.3	(57.2)	(9.5)
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>(100)</b>	<b>21</b>	<b>(279)</b>	<b>(67)</b>
YoY gr. (%)	(165.6)	(81.4)	548.2	(127.0)
Margin (%)	(43.6)	2.3	(57.2)	(9.5)
<b>Other Comprehensive Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Comprehensive Income</b>	<b>(100)</b>	<b>21</b>	<b>(279)</b>	<b>(67)</b>
<b>Avg. Shares O/s (m)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EPS (Rs)</b>	<b>(0.7)</b>	<b>0.1</b>	<b>(2.0)</b>	<b>(0.5)</b>

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY23	FY24E	FY25E	FY26E
<b>Per Share(Rs)</b>				
EPS	0.1	12.3	26.5	35.9
CEPS	0.8	13.0	27.3	36.7
BVPS	198.5	208.7	233.7	267.6
FCF	18.7	14.1	4.5	19.7
DPS	1.0	1.0	1.5	2.0
<b>Return Ratio(%)</b>				
RoCE	1.6	7.7	13.9	16.7
ROIC	0.8	3.7	6.8	8.7
RoE	0.1	6.1	12.0	14.3
<b>Balance Sheet</b>				
Net Debt : Equity (x)	0.2	0.2	0.2	0.1
Net Working Capital (Days)	5,703	1,957	1,425	1,075
<b>Valuation(x)</b>				
PER	NA	32.2	14.9	11.1
P/B	2.0	1.9	1.7	1.5
P/CEPS	524.1	30.4	14.5	10.8
EV/EBITDA	95.1	21.5	11.4	8.4
EV/Sales	16.8	5.5	3.8	2.7
Dividend Yield (%)	0.3	0.3	0.4	0.5

Source: Company Data, PL Research

**Key Operating Metrics**

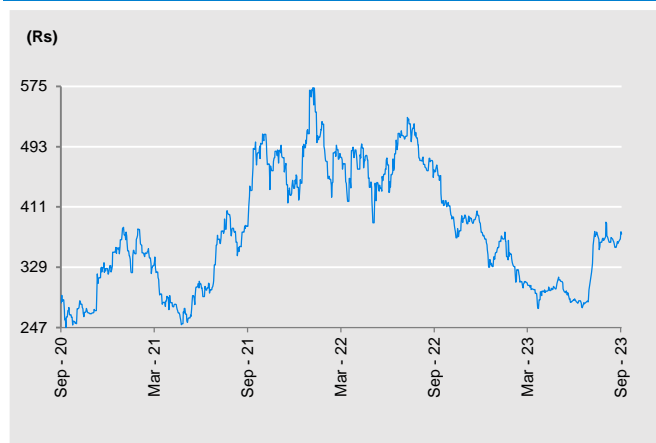
Y/e Mar	FY23	FY24E	FY25E	FY26E
Real estate revenues	2,908	10,788	15,465	21,423
Lease Rent	94	103	486	643

Source: Company Data, PL Research



## Notes



**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
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**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apollo Hospitals Enterprise	BUY	5,800	4,906
2	Aster DM Healthcare	BUY	345	307
3	Aurobindo Pharma	Accumulate	900	871
4	Cipla	BUY	1,220	1,069
5	Divi's Laboratories	Reduce	3,000	3,731
6	Dr. Reddy's Laboratories	Reduce	5,150	5,476
7	Eris Lifesciences	BUY	910	828
8	Fortis Healthcare	BUY	365	324
9	Glenmark Pharmaceuticals	Reduce	570	668
10	HealthCare Global Enterprises	BUY	385	331
11	Indoco Remedies	BUY	380	324
12	Ipca Laboratories	Hold	880	905
13	J.B. Chemicals & Pharmaceuticals	BUY	3,000	2,711
14	Krishna Institute of Medical Sciences	BUY	2,000	1,831
15	Lupin	Hold	1,010	1,064
16	Max Healthcare Institute	BUY	610	560
17	Narayana Hrudayalaya	BUY	1,110	1,010
18	Sun Pharmaceutical Industries	BUY	1,265	1,141
19	Torrent Pharmaceuticals	BUY	2,250	2,055
20	Zydus Lifesciences	Accumulate	650	651

**PL's Recommendation Nomenclature**

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

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