Sunteck Realty — Accumulate

Real Estate | Q2FY24 Result Update

DART — DOLAT ANALYSIS & RESEARCH THEMES — IN-DEPTH•PRECISE•ACTIONABLE

Result Update

Existing engines delivering a mixed show. Levers in place to accelerate growth.

- **Headline presales retained its sustainable quarterly run-rate of Rs4bn (up 17% YoY; flat QoQ) aided by the uber luxury (BKC) back in action (2 units sold). Notably contribution from the high mid income projects declined to <50% vs. 78% last Q on account of relatively muted sales in ODC and SBR. Drop in collections to Rs2.1bn (down 26 % QoQ) is attributable to presales skewed to the end of the Q.**
- **Growth is set to accelerate in the med-term: 1) Two planned launches from existing landbank – Kalyan (GDV of ~Rs90bn) and Nepean Sea road (GDV of Rs25bn). This will strengthen Sunteck's positioning in both affordable and uber luxury segments. 2) Joint platform with IFC of upto Rs7.5bn will aid BD activity in the affordable-mid income segments; garnering a GDV potential of Rs80-100bn.**
- **Retain 'Accumulate' with a revised TP of Rs500 as we roll forward to Mar '25. 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 cancelations, 2) delay in project launches and 3) weaker than anticipated presales.

Planned launches and BD acceleration key for achieving 20-30% presales CAGR in the med-term

The management is confident of launching both Kalyan and Nepean Sea road in FY24. This is set to diversify the overall product offering and geographic mix. Notably phase 1 launch of Kalyan will comprise of 2 towers amounting to a GDV of Rs6bn. 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 (GDV of >Rs300bn), deleveraged balance sheet (Adj. ND/E at 13%) and joint platform with IFC for investments upto Rs7.5bn (GDV of Rs80-100bn). The aim is to achieve sustainable annual presales of Rs3-4bn from each micro market.

Q2FY24 Result (Rs Mn)

Particulars	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)
Presales (Rs Mn)	3,950	3,370	17.2	3,870	2.1
Collections (Rs Mn)	2,140	3,310	(35.3)	2,880	(25.7)
Sales (Rs Mn)	250	810	(69.1)	710	(64.8)
EBITDA (Rs mn)	(141)	100	(241.0)	(75)	89.6
PAT (Rs Mn)	(139)	23	(697.7)	(67)	107.0
OCF (Rs Mn)	140	1,430	(90.2)	760	(81.6)
Net Debt (Rs Mn)	2,590	4,100	(36.8)	2,640	(1.9)
ND / E (%)	12.7	17.8	(29.0)	12.7	0.1

CMP	Rs 436
Target / Upside	Rs 500 / 15%
NIFTY	19,282

Scrip Details

Equity / FV	Rs 140mn / Rs 1
Market Cap	Rs 61bn
	USD 745.5mn
52-week High/Low	Rs 488/ 271
Avg. Volume (no)	576,738
Bloom Code	SRIN IN

Price Performance	1M	3M	12M
Absolute (%)	1	16	18
Rel to NIFTY (%)	0	16	6

Shareholding Pattern

	Mar'23	Jun'23	Sep'23
Promoters	67.1	67.1	67.1
MF/Banks/FIs	6.3	5.9	6.9
FIIs	18.9	17.5	16.7
Public / Others	7.7	9.0	9.1

Valuation (x)

	FY24E	FY25E	FY26E
P/E	25.9	20.5	20.4
EV/EBITDA	17.7	14.7	14.7
ROE (%)	8.2	9.6	9.0
RoACE (%)	8.4	9.6	9.0

Estimates (Rs bn)

	FY24E	FY25E	FY26E
Revenue	11.5	13.7	14.3
EBITDA	3.6	4.3	4.3
PAT	2.4	3.0	3.0
EPS (Rs.)	16.8	21.3	21.4

VP - Research: Rahul Jain, CFA
Tel: +9122 40969795
E-mail: jrahul@dolatcapital.com

Associate: Jay Shah
Tel: +91 22 4096 9722
E-mail: jays@dolatcapital.com

Associate: Taran Gupta
Tel: +9122 40969623
E-mail: tarang@dolatcapital.com

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

Particulars (Rs Mn)	Actual	Estimate	%/ bps variance	Comments
Presales	3,950	4,000	(1.3)	No major project deliveries during the Q driving the P&L miss.
Revenue	249	1,200	(79.2)	
EBITDA	(141)	180	(178.5)	
PAT	(139)	60	(332.5)	

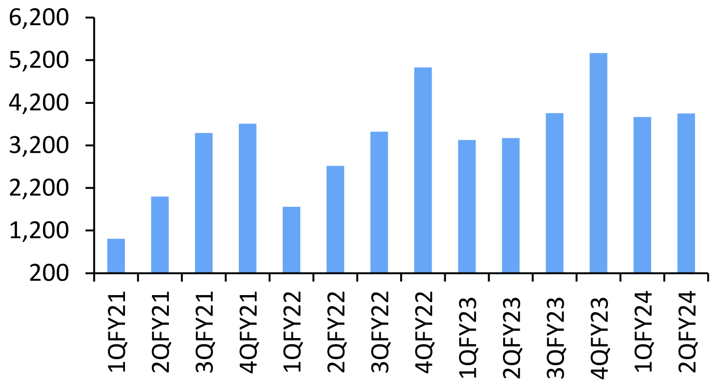
Source: Company, DART

Exhibit 2: Change in Estimates – Aligning estimates with guidance on project handovers resulting in P&L changes

Particulars (Rs mn)	FY24E			FY25E		
	Old	New	Chg. (%)	Old	New	Chg. (%)
Presales	21,405	21,405	0.0	24,955	24,955	0.0
Revenue	13,202	11,537	(12.6)	13,047	13,747	5.4
EBITDA	4,396	3,596	(18.2)	3,707	4,279	15.4
PAT	2,964	2,366	(20.2)	2,510	2,993	19.3

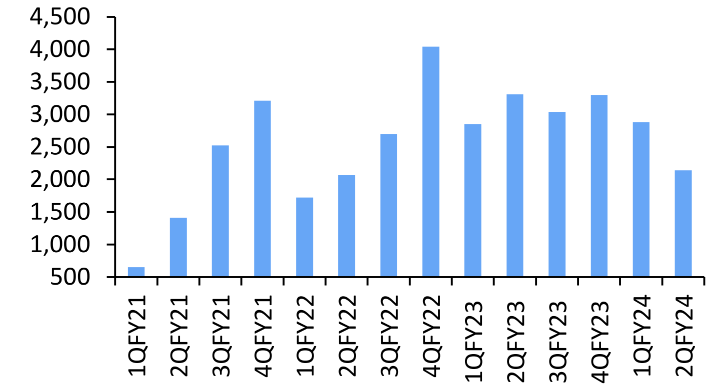
Source: Company, DART

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)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	QoQ (%)	YoY (%)
Presales	3,330	3,370	3,960	5,370	3,870	3,950	*2*	*17*
Sales Collections	2,850	3,310	3,040	3,300	2,880	2,140	*(26)*	*(35)*
LTM collection (%)	*80*	*85*	*84*	*78*	*76*	*66*		
Net Debt / Equity (%)	**17.9**	**14.6**	**19.2**	**10.0**	**9.5**	**9.4**		
P&L summary								
Revenue from operations	1,435	810	890	490	710	250	*(65)*	*(69)*
COGS	(525)	(320)	(338)	(93)	(302)	51		
GP	910	490	552	397	408	301	*(26)*	*(39)*
GP margin	***63.4***	***60.5***	***62.0***	***81.0***	***57.5***	***120.2***		
Opex	(458)	(388)	(375)	(487)	(478)	(441)	*(8)*	*14*
EBITDA	450	100	180	(90)	(75)	(140)	*87*	*(240)*
EBITDA Margin (%)	***31***	***12***	***20***	***(18)***	***(11)***	**(56)**		
D&A	(21)	(23)	(22)	(25)	(18)	(22)		
EBIT	**429**	**77**	**158**	**(115)**	**(93)**	**(162)**	***75***	***(312)***
Net Interest expense	(146)	(106)	(115)	(208)	5	(45)		
Share of profits in JV / Associates	27	42	19	(17)	(7)	6		
PBT	309	13	62	(341)	(95)	(202)	*113*	*(1692)*
Taxes	(62)	10	(42)	62	27	64		
PAT	**247**	**23**	**20**	**(278)**	**(68)**	**(138)**	***104***	***(699)***
PAT margin (%)	***17.2***	***2.8***	***2.3***	***(56.8)***	***(9.6)***	***(55.2)***		

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**	**16,717**	**21,405**	**24,955**	**28,212**
Sales growth	**1.5**	**(16.3)**	**27.5**	**28.3**	**33.6**	**16.6**	**13.1**
Share of inventory + land (%)			0	13	18	5	4.2
Trailing 3Y moving average	10,036	11,483	11,818	13,321	16,818	20,793	24,857
Key Financials							
OCF after tax before NWC	1,511	1,207	828	599	2,799	3,271	3,296
NWC changes	(2,291)	1,301	(1,138)	2,022	648	(1,618)	(2,651)
OCF (before int paid)	**(780)**	**2,508**	**(309)**	**2,620**	**3,447**	**1,653**	**645**
Net interest paid	(689)	(704)	(252)	(381)	(341)	(185)	(201)
FCFE	**(1,469)**	**1,804**	**(561)**	**2,240**	**3,106**	**1,468**	**444**
Net Worth	27,487	27,723	27,904	27,879	29,893	32,325	34,484
Net Debt	7,545	5,888	6,901	5,272	2,577	1,731	2,190
ND / Equity	***27.4***	***21.2***	***24.7***	***18.9***	***8.6***	***5.4***	***6.4***
Headline RoE	3.0	1.4	1.1	0.6	8.2	9.6	9.0
Core ROE (estimated)	**3.3**	**2.0**	**0.5**	**(1.1)**	**11.9**	**13.9**	**12.5**

Source: Company, DART

Valuation

We apply a blended approach (combination of NAV premium and EV / EBITDA) for arriving at our Mar '25 TP of Rs500. Our NAV premium approach uses a WACC of 12.5% for arriving at our target NAV of Rs535. For multiple based, we ascribe a 8x EV / EBITDA on estimated steady state economic profitability (EBITDA margin: 40%) on FY26E presales (3yr moving average).

Exhibit 7: SOTP Summary

Mar '25 SOTP	Value (in Rs mn)	Per share	% of GAV	Comments
Ongoing & Development potential	60,138	428	78%	
Inventory & Receivables	7,151	51	9%	
Rental portfolio	2,824	20	4%	BKC 51; 8.5% cap rate
Landbank	6,730	48	9%	ODC 6th Avenue
Total GAV	**76,843**	**547**		
Net Debt	1,731	12		
NAV	**75,111**	**535**	100%	
Shrs outstanding	140			
NAV / sh	**535**			
Premium to NAV	0%			
Premium (Rs / share)	-			
Target NAV (Rs / share)	**535**			

Source: DART

Exhibit 8: Sunteck- Valuation basis EV / EBITDA

Particulars	In Rs Mn
FY25E Presales (3yr moving average)	24,857
Economic share	82%
EBITDA margin %	40%
EV @ 8x EBITDA	**65,226**
Rental portfolio	2,824
Net Debt	**1,731**
NAV	66,318
Target NAV (Rs / share)	**472**

Source: DART

Financial Performance

Profit and Loss Account

(Rs Mn)	FY23A	FY24E	FY25E	FY26E
Revenue	**3,624**	**11,537**	**13,747**	**14,321**
Total Expense	**2,983**	**7,941**	**9,468**	**10,013**
COGS	1,276	5,896	7,005	7,304
Employees Cost	690	931	978	1,027
Other expenses	1,017	1,113	1,485	1,683
EBIDTA	**642**	**3,596**	**4,279**	**4,307**
Depreciation	92	92	92	92
EBIT	**550**	**3,504**	**4,187**	**4,215**
Interest	859	565	450	403
Other Income	284	224	265	202
Exc. / E.O. items	159	0	0	0
EBT	**134**	**3,163**	**4,002**	**4,014**
Tax	31	797	1,008	1,012
RPAT	173	2,366	2,993	3,002
Minority Interest	0	0	0	0
Profit/Loss share of associates	**70**	**0**	**0**	**0**
APAT	**173**	**2,366**	**2,993**	**3,002**

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	29,753	32,184	34,344
Net Worth	**27,879**	**29,893**	**32,325**	**34,484**
Total Debt	6,854	5,354	4,354	4,354
Net Deferred Tax Liability	9	9	9	9
Total Capital Employed	**34,741**	**35,256**	**36,687**	**38,847**
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**	**70,413**	**72,463**	**76,409**
Inventories	57,251	59,662	61,503	63,480
Receivables	2,391	2,224	2,587	5,015
Cash and Bank Balances	1,582	2,777	2,623	2,164
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**	**40,078**	**40,664**	**42,418**
Payables	2,114	5,455	5,686	5,931
Other Current Liabilities	35,731	34,623	34,978	36,487
sub total				
Net Current Assets	29,788	30,335	31,799	33,991
Total Assets	**34,741**	**35,256**	**36,687**	**38,847**

E – Estimates

Important Ratios

Particulars	FY23A	FY24E	FY25E	FY26E
(A) Margins (%)				
Gross Profit Margin	64.8	48.9	49.0	49.0
EBIDTA Margin	17.7	31.2	31.1	30.1
EBIT Margin	15.2	30.4	30.5	29.4
Tax rate	23.0	25.2	25.2	25.2
Net Profit Margin	4.8	20.5	21.8	21.0
(B) As Percentage of Net Sales (%)				
COGS	35.2	51.1	51.0	51.0
Employee	19.0	8.1	7.1	7.2
Other	28.1	9.6	10.8	11.8
(C) Measure of Financial Status				
Gross Debt / Equity	0.2	0.2	0.1	0.1
Interest Coverage	0.6	6.2	9.3	10.5
Inventory days	5765	1888	1633	1618
Debtors days	241	70	69	128
Average Cost of Debt	11.7	9.3	9.3	9.3
Payable days	213	173	151	151
Working Capital days	3000	960	844	866
FA T/O	2.4	7.7	9.4	10.0
(D) Measures of Investment				
AEPS (Rs)	1.2	16.8	21.3	21.4
CEPS (Rs)	1.9	17.5	22.0	22.0
DPS (Rs)	1.5	2.5	4.0	6.0
Dividend Payout (%)	121.6	14.8	18.8	28.1
BVPS (Rs)	198.5	212.8	230.1	245.5
RoANW (%)	0.6	8.2	9.6	9.0
RoACE (%)	2.3	8.4	9.6	9.0
RoAIC (%)	1.6	10.7	12.6	11.9
(E) Valuation Ratios				
CMP (Rs)	436	436	436	436
P/E	353.6	25.9	20.5	20.4
Mcap (Rs Mn)	61,256	61,256	61,256	61,256
MCap/ Sales	16.9	5.3	4.5	4.3
EV	66,528	63,833	62,987	63,446
EV/Sales	18.4	5.5	4.6	4.4
EV/EBITDA	103.7	17.7	14.7	14.7
P/BV	2.2	2.0	1.9	1.8
Dividend Yield (%)	0.3	0.6	0.9	1.4
(F) Growth Rate (%)				
Revenue	(29.4)	218.3	19.2	4.2
EBITDA	(32.7)	460.4	19.0	0.7
EBIT	(37.6)	537.7	19.5	0.7
PBT	(64.6)	2261.7	26.5	0.3
APAT	(45.0)	1265.8	26.5	0.3
EPS	(45.0)	1265.8	26.5	0.3

E – Estimates

Cash Flow

Particulars	FY23A	FY24E	FY25E	FY26E
Profit before tax	**45**	**3,163**	**4,002**	**4,014**
Depreciation & w.o.	92	92	92	92
Net Interest Exp	859	565	450	403
Direct taxes paid	(68)	(797)	(1,008)	(1,012)
Change in Working Capital	2,022	648	(1,618)	(2,651)
Non Cash	0	0	0	0
(A) CF from Operating Activities	**2,620**	**3,447**	**1,653**	**645**
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(181)	(60)	(60)	(60)
Free Cash Flow	**2,439**	**3,387**	**1,593**	**585**
(Inc)./ Dec. in Investments	108	0	0	0
Other	11	224	265	202
(B) CF from Investing Activities	**(162)**	**164**	**205**	**142**
Issue of Equity/ Preference	7	0	0	0
Inc./(Dec.) in Debt	(1,020)	(1,500)	(1,000)	0
Interest exp net	(762)	(565)	(450)	(403)
Dividend Paid (Incl. Tax)	0	0	0	0
Other	0	0	0	0
(C) CF from Financing	**(1,987)**	**(2,417)**	**(2,012)**	**(1,246)**
Net Change in Cash	471	1,195	(154)	(459)
Opening Cash balances	**438**	**910**	**2,104**	**1,950**
Closing Cash balances	**910**	**2,104**	**1,950**	**1,492**

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.)
Nov-22	Accumulate	460	388
Feb-23	Accumulate	400	344
Aug-23	Accumulate	430	370

*Price as on recommendation date

DART Team

Purvag Shah	**Managing Director**	**purvag@dolatcapital.com**	**+9122 4096 9747**
Amit Khurana, CFA	**Head of Equities**	**amit@dolatcapital.com**	**+9122 4096 9745**

CONTACT DETAILS

Equity Sales	**Designation**	**E-mail**	**Direct Lines**
Dinesh Bajaj	VP - Equity Sales	dineshb@dolatcapital.com	+9122 4096 9709
Kapil Yadav	VP - Equity Sales	kapil@dolatcapital.com	+9122 4096 9735
Jubbin Shah	VP - Equity Sales	jubbins@dolatcapital.com	+9122 4096 9779
Girish Raj Sankunny	VP - Equity Sales	girishr@dolatcapital.com	+9122 4096 9625
Pratik Shroff	AVP - Equity Sales	pratiks@dolatcapital.com	+9122 4096 9621
Equity Trading	**Designation**	**E-mail**	
P. Sridhar	SVP and Head of Sales Trading	sridhar@dolatcapital.com	+9122 4096 9728
Chandrakant Ware	VP - Sales Trading	chandrakant@dolatcapital.com	+9122 4096 9707
Shirish Thakkar	VP - Head Domestic Derivatives Sales Trading	shirisht@dolatcapital.com	+9122 4096 9702
Kartik Mehta	Asia Head Derivatives	kartikm@dolatcapital.com	+9122 4096 9715
Bhavin Mehta	VP - Derivatives Strategist	bhavinm@dolatcapital.com	+9122 4096 9705

Dolat Capital Market Private Limited.

Naman Midtown, A-1203, 12th Floor, Senapati Bapat Marg, Prabhadevi, Mumbai 400013

Analyst(s) Certification

The research analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

I. Analyst(s) and Associate (S) holding in the Stock(s): (Nil)

II. Disclaimer:

This research report has been prepared by Dolat Capital Market Private Limited. to provide information about the company(ies) and sector(s), if any, covered in the report and may be distributed by it and/or its affiliated company(ies) solely for the purpose of information of the select recipient of this report. This report and/or any part thereof, may not be duplicated in any form and/or reproduced or redistributed without the prior written consent of Dolat Capital Market Private Limited. This report has been prepared independent of the companies covered herein. Dolat Capital Market Private Limited. and its affiliated companies are part of a multi-service, integrated investment banking, brokerage and financing group. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have provided or may provide services in respect of managing offerings of securities, corporate finance, investment banking, mergers & acquisitions, financing or any other advisory services to the company(ies) covered herein. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have received or may receive compensation from the company(ies) mentioned in this report for rendering any of the above services. Research analysts and sales persons of Dolat Capital Market Private Limited. may provide important inputs to its affiliated company(ies) associated with it. While reasonable care has been taken in the preparation of this report, it does not purport to be a complete description of the securities, markets or developments referred to herein, and Dolat Capital Market Private Limited. does not warrant its accuracy or completeness. Dolat Capital Market Private Limited. may not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This report is provided for information only and is not an investment advice and must not alone be taken as the basis for an investment decision. The investment discussed or views expressed herein may not be suitable for all investors. The user assumes the entire risk of any use made of this information. The information contained herein may be changed without notice and Dolat Capital Market Private Limited. reserves the right to make modifications and alterations to this statement as they may deem fit from time to time. Dolat Capital Market Private Limited. and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions. This report is neither an offer nor solicitation of an offer to buy and/or sell any securities mentioned herein and/or not an official confirmation of any transaction. This report is not directed or intended for distribution to, or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Dolat Capital Market Private Limited. and/or its affiliated company(ies) to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this report may come, are required to inform themselves of and to observe such restrictions.

For U.S. persons only: This research report is a product of Dolat Capital Market Private Limited, under Marco Polo Securities 15a-6 chaperone service, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

Research reports are intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a-6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Dolat Capital Market Private Limited has entered into a chaperoning agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be affected through Marco Polo or another U.S. registered broker dealer.

DOLATCAPITAL

Dolat Capital Market Private Limited.

Corporate Identity Number: U65990GJ993PTC116741
Member: BSE Limited and National Stock Exchange of India Limited.
SEBI Registration No: BSE - INZ000274132, NSE - INZ000274132, Research: INH000000685
Regd. office: 1401-1409, Dalal Street Commercial, Block 53 (Bldg. No.53E) Zone-5, Road-5E, Gift City, Sector 9, Gandhinagar-382355 Gujarat, India.
Board: +9122 40969700 | Fax: +9122 22651278 | Email: research@dolatcapital.com | www.dolatresearch.com