

Company update and TP
change

Real Estate

Target price Rs457

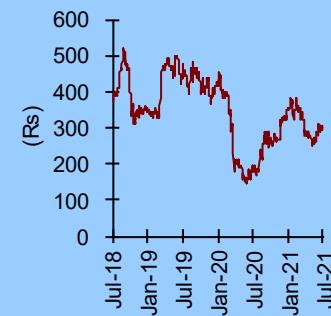
Target price revision
Rs457 from Rs443

Shareholding pattern

	Sep '20	Dec '20	Mar '21
Promoters	67.2	67.2	67.2
Institutional investors	27.5	27.2	27.2
MFs and others	3.0	3.4	3.5
FIs/Banks	0.0	0.0	0.0
Insurance	0.2	0.2	0.2
FII	24.3	23.6	23.5
Others	5.3	5.6	5.6

Source: NSE

Price chart



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INDIA

Sunteck Realty

BUY
Maintained
Rs349

Resilient performance in tough times

As per Sunteck Realty's (SRIN) Q1FY22 operations update, the company has clocked healthy sales bookings of Rs1.8bn in Q1FY22 (up 74% YoY) along with quarterly collections of Rs1.7bn. We believe that SRIN has been able to utilise its learnings from FY21 and has been able to clock higher sales even in a Covid impacted quarter by adopting digital channels to drive its sales bookings. With sales momentum sustaining for completed/launched inventory, SRIN is targeting to launch the Naigaon Phase III and Vasai/Vasind projects in FY22E which is expected to boost sales in FY22-23E. We maintain our BUY rating on SRIN with a revised target price of Rs457/share (earlier Rs443) based on 1x NAV adjusting for lower closing net debt as of Mar'21. Key risks to our call are slowdown in the Mumbai property market volumes and fall in residential/commercial prices.

- **Decent start to FY22 in a tough environment:** SRIN's Q1FY22 sales bookings of Rs1.8bn were up 74% YoY driven by continued momentum in ODC, Goregaon project (Rs0.8bn), Naigaon (Rs0.7bn) and Rs0.3bn from other projects. SRIN also achieved healthy quarterly collections of Rs1.7bn in Q1FY22 with ODC (Rs0.6bn), Naigaon (Rs0.5bn) and others (Rs0.4bn) being the major contributors. While Q1FY22 sales have been impacted by the second Covid wave along expected lines, SRIN has used its learnings from the Covid impact seen in Q1FY21 and has been able to effectively use digital channels to drive increased sales bookings. Monetisation of completed BKC inventory is a key monitorable over the next 12-18 months.
- **Slew of launches targeted in FY22E:** As per SRIN's management, in light of the sales momentum sustaining for completed/launched inventory, the company is targeting to launch the Naigaon Phase III and Vasai/Vasind projects in FY22E which is expected to boost sales in FY22-23E. In addition to these upcoming launches, the company also has an estimated unsold inventory of Rs13bn in ODC, Goregaon project (Rs9-10bn in Avenue 4 and balance in completed/nearing completion Avenue 1 and 2 phases) and Rs5bn in the Naigaon Phase 1 and 2 affordable housing project. Apart from its existing portfolio of projects, the company continues to pursue business development opportunities through an asset light JDA model. Over the long term, SRIN's affordable housing projects are expected to contribute 50% of sales bookings.
- **Borivali project acquisition an additional positive:** SRIN has recently acquired a 7acre land parcel in Borivali West (Mumbai's Western suburbs) on JDA basis where it will have an effective 72% revenue share in the development of a luxury residential project with a saleable area of ~1msf. Assuming a launch price of Rs14,000/psf in FY22E and construction cost of Rs5,000/psf with 5% YoY escalation in selling price and costs, we estimate NAV accretion of Rs2.7bn (Rs 19/share) from this project.

Market Cap	Rs51.0bn/US\$687mn	Year to Mar	FY20	FY21P	FY22E	FY23E
Reuters/Bloomberg	SUNT.BO/SRIN IN	Revenue (Rs bn)	5.6	6.1	10.4	11.8
Shares Outstanding (mn)	146.4	Rec. Net Income (Rs bn)	0.8	0.4	2.1	2.1
52-week Range (Rs)	393/164	EPS (Rs)	5.3	3.0	14.7	15.1
Free Float (%)	32.8	% Chg YoY	(67.5)	(43.3)	391.9	2.5
FII (%)	23.5	P/E (x)	66.1	116.6	23.7	23.1
Daily Volume (US\$/'000)	2,173	P/B (x)	1.8	1.8	1.7	1.6
Absolute Return 3m (%)	28.8	EV/E (x)	33.6	40.0	16.3	16.0
Absolute Return 12m (%)	77.1	Dividend yield (%)	0.6	0.6	0.9	0.9
Sensex Return 3m (%)	9.9	RoCE (%)	5.9	4.6	10.7	10.5
Sensex Return 12m (%)	44.6	RoE (%)	2.7	1.7	7.2	7.0

Please refer to important disclosures at the end of this report

Table 1: SRIN's Key Operating Metrics

Details (Rs mn)	Segment	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	FY21
Sales Bookings:							
BKC Projects	Luxury	-	-	-	900	-	900
ODC Goregaon Projects	Mid-income	410	530	1,890	2,010	760	4,840
Naigaon Projects	Affordable	480	320	620	750	650	2,170
Other Projects	Mixed	120	1,150	990	50	350	2,310
Total Sales Bookings		1,010	2,000	3,490	3,710	1,760	10,220
Collections:							
BKC Projects	Luxury	-	440	-	510	260	950
ODC Goregaon Projects	Mid-income	290	310	1,140	1,040	590	2,780
Naigaon Projects	Affordable	350	410	650	890	480	2,300
Other Projects	Mixed	10	260	730	770	390	1,770
Total Collections		650	1,410	2,520	3,210	1,720	7,800

Source: I-Sec research

Valuations & views

- We like SRIN because it (1) enjoys strong brand recall in Mumbai (2) has strong balance sheet with net debt of 0.2x and (3) asset light model of land acquisition in the Mumbai Metropolitan Region.
- We have valued SRIN on SoTP basis with a combination of DCF-based NAV on FY21 basis.
- We value SRIN's affordable housing foray at Rs5.6bn or Rs40/share. We have assumed a total saleable area of ~10msf on the 100-acre land parcel with project launches over 3 phases and sales/construction cycle from FY19-FY27E.
- We have also assumed a business development value of Rs10bn for Vasai/Vasind acquisitions.
- We maintain our **BUY** rating on SRIN with a revised target price of Rs457/share (earlier Rs443) based on 1x NAV accounting for lower FY21 closing net debt.
- Key risks to our call are slowdown in the Mumbai property market volumes and fall in residential/commercial prices.

Table 2: SoTP valuation

Project	SRIN NAV (Rs mn)	Rs/share	% of GAV
BKC residential	8,796	63	13.7%
BKC commercial	2,696	19	4.2%
ODC Goregaon Avenue 1 and 2	5,666	40	8.9%
Other ongoing projects	2,170	11	3.4%
ODC Goregaon Avenue 3 and 4	15,620	111	24.4%
ODC Goregaon Avenue 5 and 6 (Commercial and Retail) – market value of land	14,000	100	21.9%
Land Bank	2,623	19	4.1%
Vasai/Vasind	10,000	71	15.6%
Borivali West project	2,729	19	4.3%
Naigaon Affordable Housing	5,575	40	8.7%
Gross Asset Value	69,875	499	100.0%
Less: FY21 Net Debt	5,888	42	
Total NAV	63,986	457	

Source: I-Sec research

Summary financials (consolidated)

Table 3: Earnings statement

(Rs mn, year ending March 31)

	FY20	FY21P	FY22E	FY23E
Net Sales	5,597	6,139	10,444	11,797
Operating Expenses	3,916	4,769	7,024	8,255
EBITDA	1,682	1,369	3,420	3,542
% margins	30%	22%	33%	30%
Depreciation & Amortisation	37	52	55	57
Interest expenses	813	846	473	533
Other Income	205	170	187	205
Exceptional items	(7)	60	-	-
PBT	1,043	581	3,079	3,157
Less: Taxes	281	164	1,016	1,042
PAT before Minority/Associate	762	416	2,063	2,115
Minority/Associate share	(8)	3	-	-
Net Income (Reported)	754	419	2,063	2,115

Source: Company data I-Sec research

Table 4: Balance sheet

(Rs mn, year ending March 31)

	FY20	FY21P	FY22E	FY23E
Assets				
Total Current Assets	38,074	37,036	39,926	39,813
of which cash & cash eqv.	1,662	991	2,138	1,196
Total Current Liabilities &				
Provisions	5,035	5,878	5,878	5,878
Net Current Assets	33,039	31,158	34,048	33,935
Goodwill/Investments	2,900	2,685	3,185	3,685
Net Fixed Assets	365	334	258	201
Capital WIP	-	96	352	1,647
Total Assets	36,304	34,274	37,844	39,468
Liabilities				
Borrowings	9,207	6,879	8,879	8,879
Equity Share Capital	140	140	140	140
Reserves & Surplus*	27,347	27,582	29,153	30,777
Net Worth	27,487	27,723	29,293	30,917
Minority Interest	-	-	-	-
Deferred Taxes	(390)	(327)	(328)	(328)
Total Liabilities	36,304	34,274	37,844	39,467

Source: Company data I-Sec research

Table 5: Cashflow statement

(Rs mn, year ending March 31)

	FY20	FY21P	FY22E	FY23E
PBT	1,043	581	3,079	3,157
Depreciation	37	52	55	57
Non-Cash Adjustments	-	-	-	-
Working Capital Changes	(2,291)	1,699	(1,742)	(829)
Taxes Paid	(281)	(164)	(1,016)	(1,042)
Operating Cashflow	(1,491)	2,168	375	1,343
Capital Commitments	(158)	(162)	(256)	(1,295)
Free Cashflow	(1,649)	2,005	119	49
Other investing cashflow	(149)	151	(500)	(500)
Cashflow from Investing Activities				
Issue of Share Capital	11	7	-	-
Inc (Dec) in Borrowings	1,942	(2,328)	2,000	-
Dividend paid	(256)	(142)	(492)	(492)
Cashflow from Financing activities				
Chg. in Cash & Bank balances	(101)	(306)	1,128	(943)

Source: Company data I-Sec research

Table 6: Key ratios

(Year ending March 31)

	FY20	FY21P	FY22E	FY23E
Per Share Data (Rs)				
EPS	5.3	3.0	14.7	15.1
Cash EPS	5.6	3.7	15.1	15.5
Dividend per share (DPS)	2.0	2.0	3.0	3.0
Book Value per share (BV)	196.1	197.8	209.0	220.6
Growth (%)				
Net Sales	(34.7)	9.7	70.1	13.0
EBITDA	(55.5)	(18.6)	149.8	3.6
PAT	(66.8)	(44.4)	392.0	2.5
Valuation Ratios (x)				
P/E	66.1	116.6	23.7	23.1
P/BV	1.8	1.8	1.7	1.6
EV / EBITDA	33.6	40.0	16.3	16.0
Dividend Yield	0.6	0.6	0.9	0.9
Operating Ratios				
Debt/EBITDA (x)	5.5	5.0	2.6	2.5
Net D/E	0.3	0.2	0.2	0.2
Profitability/Return Ratios (%)				
RoE	2.7	1.7	7.2	7.0
RoCE	5.9	4.6	10.7	10.5
EBITDA Margins	30.0	22.3	32.7	30.0
Net Income Margins	13.5	6.8	19.8	17.9

Source: Company data I-Sec research

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