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### Company update and TP change

## Real Estate

Target price Rs443

Target price revision

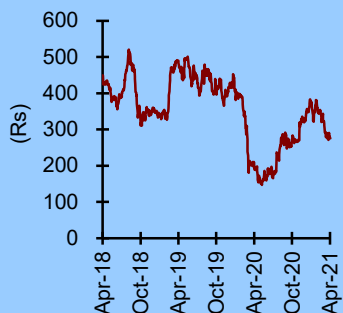
Rs443 from Rs437

### 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
FIIIs	24.3	23.6	23.5
Others	5.3	5.6	5.6

Source: NSE

### Price chart



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INDIA

**ICICI Securities**

## Sunteck Realty

**BUY**

**Maintained**

**Rs278**

### All eyes on upcoming launches

As per Sunteck Realty's (SRIN) Q4FY21 operations update, after a tepid H1FY21, the company has clocked robust sales bookings of Rs3.7bn in Q4FY21 as well (up 6% QoQ) along with record quarterly collections of Rs3.2bn. 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 Rs443/share (earlier Rs437) based on 1x NAV. The change in our target price is driven by including value of new Borivali project addition and exclusion of Andheri West project as the JDA agreement with the landowner has been cancelled. Key risks to our call are slowdown in the Mumbai property market volumes and fall in residential/commercial prices.

- **Strong end to FY21 sales bookings and collections:** SRIN's Q4FY21 sales bookings of Rs3.7bn were up 6% QoQ driven by continued momentum in ODC, Goregaon project (Rs2.0bn), BKC projects (Rs0.9bn) and Naigaon (Rs0.8bn). SRIN also achieved record quarterly collections of Rs3.2bn in Q4FY21 with ODC, Goregaon (Rs1.0bn), BKC projects (Rs0.5bn) and Naigaon (Rs0.9bn) being the major contributors. While H1FY21 sales bookings of just Rs3.0bn were impacted by Covid, the strong bounce back in H2FY21 with sales bookings of Rs7.2bn has enabled SRIN to report FY21 sales bookings of Rs10.2bn (down 16% YoY) and collections of Rs7.8bn (up 9% YoY).
- **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	Rs40.7bn/US\$543mn	Year to Mar	FY20	FY21E	FY22E	FY23E
Reuters/Bloomberg	SUNT.BO/SRIN IN	Revenue (Rs bn)	6.1	6.9	10.4	11.8
Shares Outstanding (mn)	146.4	Rec. Net Income (Rs bn)	1.0	1.0	1.8	1.8
52-week Range (Rs)	393/145	EPS (Rs)	7.2	7.4	12.9	13.1
Free Float (%)	32.8	% Chg YoY	(55.9)	3.0	74.4	1.7
FII (%)	23.5	P/E (x)	38.6	37.5	21.5	21.1
Daily Volume (US\$/'000)	2,037	P/B (x)	1.3	1.3	1.3	1.2
Absolute Return 3m (%)	(20.9)	EV/E (x)	28.6	24.8	15.5	15.5
Absolute Return 12m (%)	47.2	Dividend yield (%)	1.4	1.8	1.8	1.8
Sensex Return 3m (%)	(1.5)	RoCE (%)	5.6	6.0	8.9	8.9
Sensex Return 12m (%)	54.9	RoE (%)	3.5	3.5	6.0	5.9

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	FY20	FY21
<b>Sales Bookings:</b>							
BKC Projects	Luxury	-	-	-	900	720	900
ODC Goregaon Projects	Mid-income	410	530	1,890	2,010	2,730	4,840
Naigaon Projects	Affordable	480	320	620	750	7,630	2,170
Other Projects	Mixed	120	1,150	990	50	1,130	2,310
<b>Total Sales Bookings</b>		<b>1,010</b>	<b>2,000</b>	<b>3,490</b>	<b>3,710</b>	<b>12,210</b>	<b>10,220</b>
<b>Collections:</b>							
BKC Projects	Luxury	-	440	-	510	1,000	950
ODC Goregaon Projects	Mid-income	290	310	1,140	1,040	2,690	2,780
Naigaon Projects	Affordable	350	410	650	890	2,780	2,300
Other Projects	Mixed	10	260	730	770	680	1,770
<b>Total Collections</b>		<b>650</b>	<b>1,410</b>	<b>2,520</b>	<b>3,210</b>	<b>7,150</b>	<b>7,800</b>

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 0.3x 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 FY21E 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 Rs443/share (earlier Rs437) based on 1x NAV. The change in our target price is driven by including value of new Borivali project addition and exclusion of Andheri West project as the JDA agreement with the landowner has been cancelled.
- 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	8,895	63	14.3%
BKC commercial	2,722	19	4.4%
ODC Goregaon Avenue 1 and 2	5,720	41	9.2%
Other ongoing projects	2,181	16	3.5%
ODC Goregaon Avenue 3 and 4	15,858	113	25.5%
ODC Goregaon Avenue 5 and 6 (Commercial and Retail) – market value of land	15,000	107	24.1%
Land Bank	2,623	19	4.2%
Vasai/Vasind	10,000	71	16.1%
Borivali West project	2,729	19	4.4%
Naigaon Affordable Housing	5,575	40	9.0%
<b>Gross Asset Value</b>	<b>71,302</b>	<b>509</b>	
Less: FY21 Net Debt	9,172	65	
<b>Total NAV</b>	<b>62,130</b>	<b>443</b>	<b>100.0%</b>

Source: I-Sec research

## Summary financials (consolidated)

Table 3: Earnings statement

(Rs mn, year ending March 31)

	FY20	FY21E	FY22E	FY23E
<b>Net Sales</b>	<b>6,078</b>	<b>6,869</b>	<b>10,444</b>	<b>11,797</b>
<b>Operating Expenses</b>	<b>4,460</b>	<b>4,938</b>	<b>7,270</b>	<b>8,543</b>
<b>EBITDA</b>	<b>1,618</b>	<b>1,931</b>	<b>3,174</b>	<b>3,254</b>
% margins	27%	28%	30%	28%
Depreciation & Amortisation	36	38	39	41
Interest expenses	435	613	733	793
Other Income	237	261	287	316
Exceptional items	4	-	-	-
<b>PBT</b>	<b>1,381</b>	<b>1,541</b>	<b>2,688</b>	<b>2,735</b>
Less: Taxes	378	509	887	903
<b>PAT before Minority/Associate</b>	<b>1,003</b>	<b>1,033</b>	<b>1,801</b>	<b>1,833</b>
Minority/Associate share	(8)	-	-	-
<b>Net Income (Reported)</b>	<b>994</b>	<b>1,033</b>	<b>1,801</b>	<b>1,833</b>

Source: Company data I-Sec research

Table 4: Balance sheet

(Rs mn, year ending March 31)

	FY20	FY21E	FY22E	FY23E
<b>Assets</b>				
Total Current Assets	38,095	40,397	43,077	42,791
of which cash & cash eqv.	1,662	2,045	2,802	1,651
Total Current Liabilities & Provisions	3,617	4,169	4,583	5,039
<b>Net Current Assets</b>	<b>34,478</b>	<b>36,229</b>	<b>38,494</b>	<b>37,752</b>
Goodwill/Investments	3,300	3,800	4,300	4,800
Net Fixed Assets	330	293	253	212
Capital WIP	191	191	446	1,741
<b>Total Assets</b>	<b>38,299</b>	<b>40,512</b>	<b>43,493</b>	<b>44,505</b>
<b>Liabilities</b>				
Borrowings	9,217	11,217	13,217	13,217
Equity Share Capital	140	140	140	140
Reserves & Surplus*	29,061	29,274	30,255	31,268
<b>Net Worth</b>	<b>29,201</b>	<b>29,414</b>	<b>30,395</b>	<b>31,408</b>
Minority Interest	-	-	-	-
Deferred Taxes	(119)	(119)	(119)	(119)
<b>Total Liabilities</b>	<b>38,299</b>	<b>40,512</b>	<b>43,493</b>	<b>44,505</b>

Source: Company data I-Sec research

Table 5: Cashflow statement

(Rs mn, year ending March 31)

	FY20	FY21E	FY22E	FY23E
<b>PBT</b>	<b>1,381</b>	<b>1,541</b>	<b>2,688</b>	<b>2,735</b>
Depreciation	36	38	39	41
Non-Cash Adjustments	-	-	-	-
Working Capital Changes	(1,834)	(1,367)	(1,508)	(410)
Taxes Paid	(378)	(509)	(887)	(903)
<b>Operating Cashflow</b>	<b>(796)</b>	<b>(297)</b>	<b>332</b>	<b>1,464</b>
Capital Commitments	(191)	(0)	(256)	(1,295)
<b>Free Cashflow</b>	<b>(986)</b>	<b>(297)</b>	<b>77</b>	<b>169</b>
Other investing cashflow	(571)	(500)	(500)	(500)
<b>Cashflow from Investing Activities</b>	<b>(762)</b>	<b>(500)</b>	<b>(756)</b>	<b>(1,795)</b>
Issue of Share Capital	11	-	-	-
Inc (Dec) in Borrowings	1,952	2,000	2,000	-
Dividend paid	(256)	(820)	(820)	(820)
<b>Cashflow from Financing activities</b>	<b>1,707</b>	<b>1,180</b>	<b>1,180</b>	<b>(820)</b>
<b>Chg. in Cash &amp; Bank balances</b>	<b>150</b>	<b>383</b>	<b>757</b>	<b>(1,150)</b>

Source: Company data I-Sec research

Table 6: Key ratios

(Year ending March 31)

	FY20	FY21E	FY22E	FY23E
<b>Per Share Data (Rs)</b>				
EPS	7.2	7.4	12.9	13.1
Cash EPS	7.3	7.6	13.1	13.4
Dividend per share (DPS)	4.0	5.0	5.0	5.0
Book Value per share (BV)	208.4	209.9	216.9	224.1
<b>Growth (%)</b>				
Net Sales	(29.1)	13.0	52.0	13.0
EBITDA	(57.2)	19.3	64.4	2.5
PAT	(56.2)	3.9	74.4	1.7
<b>Valuation Ratios (x)</b>				
P/E	38.6	37.5	21.5	21.1
P/BV	1.3	1.3	1.3	1.2
EV / EBITDA	28.6	24.8	15.5	15.5
Dividend Yield	1.4	1.8	1.8	1.8
<b>Operating Ratios</b>				
Debt/EBITDA (x)	5.7	5.8	4.2	4.1
Net D/E	0.3	0.3	0.3	0.4
<b>Profitability/Return Ratios (%)</b>				
RoE	3.5	3.5	6.0	5.9
RoCE	5.6	6.0	8.9	8.9
EBITDA Margins	26.6	28.1	30.4	27.6
Net Income Margins	16.4	15.0	17.2	15.5

Source: Company data I-Sec research

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