

**CMP: INR 362**

**Rating: BUY**

**Target Price: INR 513**

**Stock Info**

BSE	512179
NSE	INE805D01034
Bloomberg	SRIN:IN
Reuters	SUNT.NS
Sector	Real estate
Face Value (INR)	1.00
Equity Capital (INR mn)	140
Mkt Cap (INR bn)	54.31
52w H/L (INR)	484/271

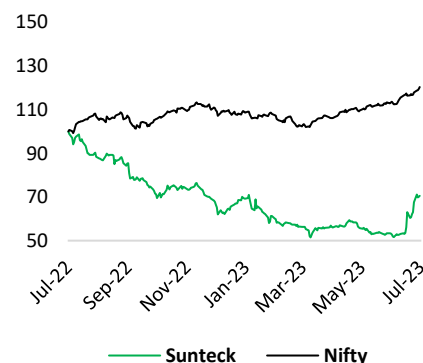
**Shareholding Pattern %**

(As on June, 2023)

Promoters	67.2
DII and FIIs	25.6
Public & Others	7.3

Stock Performance (%)	1m	3m	12m
Sunteck	-1.52	24.12	-22.0
NIFTY	-1.73	6.54	7.95

**Sunteck Vs Nifty**



Source: Company, Arihant Capital Research

**Abhishek Jain**

abhishek.jain@arihantcapital.com  
022-422548871

**Anupama Bhootra**

anupama.bhootra@arihantcapital.com

The Company is engaged in real estate activities with owned or leased property. Its business focuses on designing, developing and managing residential and commercial properties. It is focused on city-centric developments spread-out across Mumbai Metropolitan Region (MMR). Sunteck is known for smart acquisitions and strategic partnerships, with its expertise and vast knowledge in the ultra-luxury and luxury residential segments, Sunteck is expected to register healthy growth in the coming years, we initiate coverage on SRL with a **BUY** rating and a target price of INR 513 which implies an upside of 42%.

**Investment Rationale**

**Robust pipeline will lead to strong operational performance:** In FY23 the company was able to generate INR 425cr of surplus operating cash flows and reported INR 16,020 mn in pre-sales and INR 12,500 mn in collections. Going forward, the company has the potential to generate presales of ~INR 19,700 mn in FY24E, ~INR 24,400 mn in FY25E from residential completed projects as per our estimates, ongoing projects and Kalyan project plus with ~INR 700 mn from commercial annuity projects. Along with these ones, the company has also planned forthcoming projects taking Gross development value potential to ~INR 303 bn over the next 7-8 years.

**New launches:** In FY23, the company added two more new residential projects namely Sunteck Beach Residences at Vasai West and Sunteck Sky Park at Mira Road. These new launches will help the company to achieve a growth of 25-30% in near term. The company plans to launch 1<sup>st</sup> phase of the Kalyan project in H2FY24 which has the potential to generate INR 13,500 mn of sales. The other project which the company is planning to add is the Napean sea road project, the approvals of which are expected to come in next 9 to 12 months and launch will happen following that.

**Annuity income:** Along with residential, the company is also focusing on building a rental portfolio from commercial projects and the company has already pre-leased the entire project of Sunteck BKC51 at BKC Junction for a lease tenure of 29 years. The company is also looking to prelease a second project which is at BKC Junction, namely Sunteck Icon the leasable area is 0.12msf. Both the project will be able to generate ~INR 700mn in the couple of years.

**Strong brand recall value which makes them a dominant player:** In terms of gross sales, the company has more than 50% market share in Naigaon, ODC and BKC. Mira road, the company has mentioned that they have already captured more than 30% of the market share and for Vasai, company has a strong footing with more than 30% of the market share.

**Sunteck to benefit from its core market tailwinds:** The Mumbai markets are on an upward trend and quite stable, SRL has inventory close to 19,000 mn in BKC which we feel is a huge potential and will add significantly to its growth numbers. The company recently launched sky park project which got very good response, the company was able to sell 32% of the inventory in the initial months of the launch and have sold an additional 29% in Q1FY24 taking it to 61% of sky park project already sold out.

**Pre-sales growth multiple to grow at a healthy rate:** In 2018 the company had 2 growth engines and currently, the company has 5 growth engines, every project can contribute ~INR 3000-4000mn of presales per year per growth engine, which takes it to INR 24000 mn kind of presales. Going forward, the company will add Kalyan and by FY26 the company will be able to add more meaningful projects which will improve its presales multiple from 22% CAGR over FY18-FY23 to more than 25% over FY23-FY25E.

**Outlook and Valuation:** Sunteck is at a very attractive valuation with visibility to generate strong operating cash flows. Sunteck's main focus will be to monetize completed inventory of BKC projects, activate its ongoing projects, launch Kalyan project Phase 1, 50% now and 50% later, which can translate into potential sales of INR 19,700 mn in FY24E. The company has achieved a pre-sales CAGR of 22% between FY18 and FY23 and works on asset light model.. We initiate coverage on SRL with BUY rating and a target price of INR 513 (WACC 13%) implying an upside of 42%..

**Investment Rationale**

**Robust pipeline will lead to strong operational performance:** In FY23 the company was able to generate INR 4250 mn of surplus operating cash flows and reported INR 16,020 mn in pre-sales and INR 12,500 mn in collections. Going forward, the company has the potential to generate presales of ~INR 19,700 mn in FY24E, ~INR 24,400 mn in FY25E from residential completed projects as per our estimates, ongoing projects and Kalyan project plus with ~INR 700 mn from commercial annuity projects. Along with these ones, the company has also planned forthcoming projects taking Gross development value potential of ~INR 303 bn over the next 7-8 years.

Sunteck has strong pipeline of ongoing and upcoming projects, there are 5 residential upcoming projects which includes Sunteck maxx world, Sunteck city 4<sup>th</sup> avenue, Sunteck one world, Sunteck beach residences and Sunteck sky park. In FY23, the company added two more new residential projects namely Sunteck Beach Residences at Vasai West and Sunteck Sky Park at Mira Road. The Mira Road project has already been launched, the company sold an area of ~0.24msf, sales value achieved was INR 1973mn in FY23 and the units sold are 300 units. These new launches will help the company to achieve a growth of 25-30% and presales numbers are expected to cross INR 19,700 mn in FY24E. Apart from residential, there are 3 ongoing commercial projects which include- Sunteck BKC51, Sunteck Icon, Sunteck Pinnacle and has the potential to generate ~INR 7700 mn of operating cash flows. Sunteck has achieved a pre-sales growth of ~25% between FY21 and FY23. Going forward, SRL has – 7 Growth Engines + Annuity Income which will fuel the future growth.

**Forthcoming project:** includes Kalyan, and Napeansea road project followed by Borivali west. The Kalyan phase 1 project will have a saleable area of 1.5msf with gross revenue potential of ~INR 14000-16000 mn, out of this the company's share is 72-73%. The realizations expected for Kalyan residential projects are ~INR 9000/sft. The upcoming project Kalyan and Napeancy Road project is expected to be launched by FY25. Napeansea road project and Borivali project, Napeansea road project will add 0.30msf of saleable area with gross development value of INR 25,000 mn and Borivali will add ~0.70 msf of saleable area. By FY26, the company should be able to launch both of these projects. The total cash flow visibility from completed projects, ongoing projects and forthcoming projects is ~INR 21,298+~INR21,978+13,500 Kalyan project which takes it to ~INR 57,500 mn. Apart from these ones, the company has few more projects lined up, that is, the balance of Kalyan project, Sunteck sky park phase 2, Sunteck city 5<sup>th</sup> Avenue(comm and resi) and Sunteck world balance plus completed and ongoing projects, which in total can generate operating cash flows of, ~INR 1,72,921 mn. We believe the company has lined up an impressive number of projects to be completed over 7-8 years of timeline.

**Ongoing Residential Projects**

1. Sunteck Maxx World, Naigaon
2. Sunteck City 4<sup>th</sup> Avenue ODC
3. Suntec one world Naigaon
4. Sunteck Beach Residences
5. Sunteck Sky Park Mira road

**Upcoming**

Kalyan  
Napeancy Road

**Ongoing Commercial projects**

Sunteck BKC  
Sunteck Icon BKC  
Sunteck Pinnacle ODC

## Projects

Project	Status	Location	Type	Ind AS	Ownership
Signature Island	Completed	BKC	Resi	Owned	88%
Signia Isles	Completed	BKC	Resi	Owned	94%
Signia Pearl	Completed	BKC	Resi	Owned	94%
Sunteck City Avenue 1	Completed	ODC	Resi	Owned	100%
Sunteck City Avenue 2	Completed	ODC	Resi	Owned	100%
Sunteck West World	Completed	Naigaon	Resi	JDA	74%
Sunteck One World	Ongoing	Naigaon	Resi	JDA	74%
Sunteck City 4th Avenue Tower 1	Ongoing	ODC	Resi	Owned	100%
Sunteck MaxxWorld - Phase I	Ongoing	Naigaon	Resi / Retail	JDA	74%
Sunteck Beach Residency	Ongoing	Vasai	Resi	JDA	74%
Sunteck MaxxWorld - Phase II	Upcoming	Naigaon	Resi / Retail	JDA	74%
Borivali	Upcoming	Borivali	Resi	JDA	74%
Vasai - Balance Phase	Upcoming	Vasai West	Resi	JDA	74%
Kalyan	Upcoming	Kalyan	Resi	JDA	79%

Source: Company Reports, Aриhant Capital Research

S.No.	Project Name	Location	% of units sold
<b>Completed</b>			
1	Signature Island	BKC, Mumbai	78%
2	Signia Isles	BKC, Mumbai	91%
3	Signia Pearl	BKC, Mumbai	75%
4	Sunteck City, 1st Av.	Goregaon(W), Mumbai	91%
5	Sunteck City, 2nd Av.	Goregaon(W), Mumbai	97%
6	Sunteck West World	Naigaon	99%
<b>Sub-Total</b>			

<b>Ongoing</b>			
<b>Residential</b>			
1	Sunteck City, 4th Av.	Goregaon(W), Mumbai	92%
2	Sunteck One World	Naigaon	69%
3	Sunteck MaxxWorld - Phase I	Naigaon	97%
4	Sunteck SkyPark	Mira Road	61%
5	Sunteck Beach Residency	Vasai West	38%
<b>Sub-Total</b>			

Source: Company, Aриhant Capital Research

S.No.	Project Name	Unsold saleable area (msf)	Price (INR/ sqft)	Estimated operating cash flows in mn
<b>Completed</b>				
1	Signature Island	0.18	65,000	11,959
2	Signia Isles	0.04	50,000	1,871
3	Signia Pearl	0.10	50,000	5,285
4	Sunteck City, 1st Av.	0.06	16,000	1,581
5	Sunteck City, 2nd Av.	0.01	16,000	299
6	Sunteck West World	0.06	6,000	303
<b>Sub-Total</b>		<b>0.45</b>		<b>21,298</b>

<b>Ongoing</b>				
<b>Residential</b>				
1	Sunteck City, 4th Av.	0.04	16,000	7,803
2	Sunteck One World	0.38	6,000	2,835
3	Sunteck MaxxWorld - Phase I	0.06	6,000	2,551
4	Sunteck SkyPark	0.31	10,000	3,388
5	Sunteck Beach Residency	0.63	8,500	4,401
<b>Sub-Total</b>		<b>1.41</b>		<b>20,978</b>

<b>Commercial</b>				
1	Sunteck City, 2nd Av.- Pinnacle	0.02	18,000	737
2	Sunteck Crest (Completed)	0.00	22,000	
3	Sunteck Icon (Annuity)	0.09	35,000	3,245
4	Sunteck BKC 51 (Annuity)	0.10	35,000	3,474
<b>Sub-Total</b>		<b>0.21</b>		<b>7,456</b>

<b>Upcoming</b>				
1	Kalyan phase 1	1.5	9000	
2	Borivali	0.74	18,000	
3	Napeancy road	0.2		

Source: Company, Arianth Capital Research

**Ongoing Projects****Sunteck 4<sup>th</sup> Avenue**

The company has been successful in beginning to hand over the units at Sunteck City Avenues 1 and 2. Construction of Sunteck City 4th Avenue (Tower 1 & Tower 2) has incrementally increased residential space offering in the neighborhood. The opening of the two towers on 4th Avenue has received a resoundingly positive response, and the company has been successful in securing solid pre-sales. Highest-ever pre-sales were reached in FY 2022, and more than 70% of those pre-sales came from the aspirational group and the mid income segment.

There are numerous sizable commercial complexes, including Nirlon Knowledge Park, Nesco, and Mind Space in the close proximity of the project. These facilities are home to notable MNCs, back offices of global banks (Citi, JP Morgan, Deutsche Bank), as well as IT firms. We are now developing detailed designs for Sunteck City 5th Avenue, which will include commercial and retail space, while keeping in mind the current market dynamics.

**Sunteck City 4th Avenue**

Location Advantage	Travel Time
Ram Mandir station	5 min
Mrinal Flyover	5 min
JVLR	10 min
Airport	25 min
Metro station	upcoming
Goregaon Mulund Link road	upcoming

Source: Company, Aриhant Capital Research

**Ongoing Projects****Sunteck One World**

In company's portfolio, the Sunteck World brand in Naigaon continues to enjoy significant demand. Sunteck Oneworld was a huge success when it first launched. Construction on Westworld and Sunteck Maxx world is nearly finished, and the club house being built at Sunteck Maxx world is one of the largest in the neighborhood. Work is in full swing and the company has been able to achieve record construction progress since breaking ground despite the pandemic, a reflection of company's strong execution skill. They have adopted 'Mivan Technology', using pre-casted aluminum structures unlike wooden structure for RCC, to significantly reduce slab cycles.

Naigaon project has strengthened cash flow visibility & enabled portfolio diversification with an entry into aspirational luxury segment. The beginning of subsequent phases will increase the cash flows and product offers even further.

**Sunteck one world**

Location Advantage	Travel Time
Niagaon Railway Station	5 min
Metro station	upcoming
Rail over bridge	upcoming

Source: Company, Aриhant Capital Research

**Ongoing Projects****Sunteck Beach Residency**

Sunteck Beach residences is believed to be an iconic address at vasai, beach side. The project houses fine dining and premium boutiques and is one of the most peaceful places to live in Mumbai. It has scenic coastline, luxury living wit an array of luxurious amenities.

**Sunteck Beach Residency**

Location Advantage	Travel Time
Metro Rail	upcoming
Coastal Road	upcoming
MMR ring road	upcoming

Source: Company, Aриhant Capital Research

**Sunteck Maxx World Phase 1**

Sunteck Maxx World is spreaded across 150 acres, it's a mixed used township with premium 1,2 and 3bhk residences

**Ongoing Projects****Sunteck Sky Park**

Sunteck Sky Park is going to be 45 storeys with 2.6 acres of open green space, 3 floors of European style Hi end retail section. It will have fully loaded amenities like 50 feet above ground level of swimming pool, club house, luxurious grand lobby, gym, jogging track and much more.

**Sunteck Sky Park**

Location Advantage	Travel Time
Mira road railway station	5 min
Bhyander east west flyover	10 min
MMR ring road	upcoming
Metro station	upcoming

Source: Company, Aриhant Capital Research

**Ongoing Projects****Commercial Projects****Sunteck City-2<sup>nd</sup> Avenue Pinnacle**

Sunteck Pinnacle ODC is 18 storeyed is a commercial project in central business district of Oshiwara District Centre (ODC), Goregaon (W), the project is strategically situated to harness the benefits of seamless connectivity and social infrastructure of the locale. The project is well connected to SV Road, Highway, Link Road. The project offers amenities like parking space, CCTV Surveillance, Grand lobby and Sitting area.

**Sunteck City-2<sup>nd</sup> Avenue Pinnacle**

Location Advantage	Travel Time
Ram Mandir railway station	5 min
Gore flyover	5 min
International and Domestic Airport	Close by
3 Metros Bandra-Kurla-Mankhurd	Close by

Source: Company, Aриhant Capital Research

**Investment Rationale****Cost efficient land acquisitions and asset light model lead to better margins:**

The company does periodic land acquisitions through Government Tenders, Joint Development, Outright purchases from private corporates and re-development of housing-societies.

Buying a land at very competitive price allows company to smartly price product in market without giving up on the margins.

The company works on asset light model, JVs and revenue sharing methodology comes into play, for any acquisitions Sunteck gets the entire FSI but outflow for acquisition is in staggered manner, in return the company shares revenue with its JV partner. Its interesting to not that because of its strong brand value, superior quality and timely deliverables the company is able to procure JDAs at a very reasonable cost to the company. The average sharing of revenue is ~25% sharing which sunteck is able to get to their tables, as compared to other players in the market where the revenue share is 35%. So, the company gets straight away 10% benefit over others, which adds up directly to profitability of the company.

SRIN is renowned for buying land parcels at reasonable prices, which enables them to enjoy significant margins. The Mumbai Metropolitan Region Development Authority (MMRDA) offered the company a highly attractive price for the BKC land piece. A while back, the major Japanese corporation Sumitomo Corporation bid for the 3 acres (0.7 million square feet) of land parcel in BKC for the sum of Rs.22.4 billion (exclusive of FSI charges), which equates to INR32000 per square foot. SRIN acquired the land parcel of approximately 1.5 million square feet in BKC on which company constructed the Uber Luxury project. The similar approach was used by SRIN at ODC, where it bought a 23-acre land piece from the same regulatory body, MMRDA, at a discounted price. The company looks into few criteria when ever making fresh acquisitions like the acquisitions shod be able to fetch atleast topline of INR 1000cr, the margins the company like to adhere to is ~40% so the company has room for

Sunteck is a first generation company and all the achievement and business developments are done in the last 15 years. The company does not have any legacy land bank and not leveraging on that, instead all the acquisitions are recent and the company is still able to make margins of ~30-35%.

Additionally, the majority of the land purchases (including BKC, ODC Goregaon-W, and Naigaon) have been supported by thorough study. The company deliberately expanded its portfolio to its maximum size during and after the Lehman crisis, during 2009–2010, as well as during COVID–19, when they were able to strategically increase presence to benefit the company. A comparable opportunity has arisen now as a result of the increasing consolidation, opening the door for aggressive business growth. The company announced fresh acquisitions during the year at Vasai, Vasind, Borivali, and Pen Khopoli as part of the asset light strategy.

The company is majorly into uber luxury, luxury upper middle income and lower middle income. The company is not into affordable space. The company has acquired ~38.5msf of projects since 2018 out of which ~25.5 mn sq ft has been acquired since the onset of COVID-19 pandemic.

**The company has following strengths when it comes to acquisitions:**

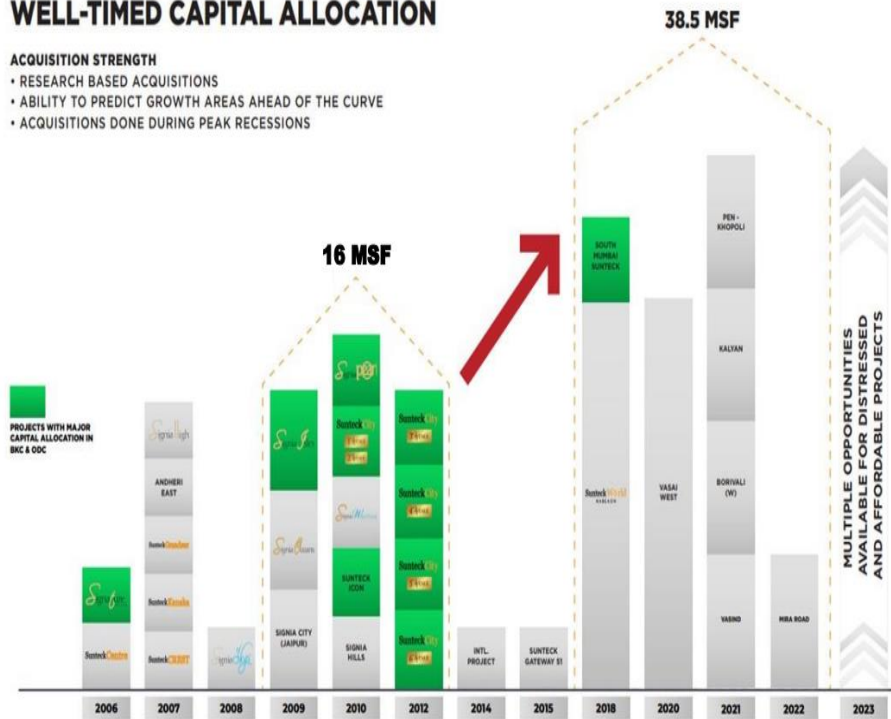
- The company has done many acquisitions during peak covid period to get benefit of the cost of acquisitions.
- The acquisition are research based.
- The company makes sure of the geographies, whether they will be able to maintain the margins and sales velocity and where the company has capability to grab the market share by entering into markets which is less ventured by its peers.

*Source: Company, Aриhant Capital Research*



WELL-TIMED CAPITAL ALLOCATION

- ACQUISITION STRENGTH
- RESEARCH BASED ACQUISITIONS
  - ABILITY TO PREDICT GROWTH AREAS AHEAD OF THE CURVE
  - ACQUISITIONS DONE DURING PEAK RECESSIONS



Source: Company, Aриhant Capital Research

**Annuity income:** Along with residential, the company is also focusing on building a rental portfolio from commercial projects and the company has already pre-leased the entire project of Sunteck. BKC51 at BKC Junction for lease tenure of 29 years. The company is also looking to prelease second project which is at BKC Junction, namely Sunteck Icon. The company leased BKC51 in Q4FY23 with a monthly rental of ~INR 300/sft per month. The company is planning to pre-lease Sunteck Icon as well by Q3FY24 The income from leasing the two properties. that is, BKC51 and Sunteck Icon, the company is expected to generate INR 600mn from FY25E.

**A differentiator:** BKC is the financial hub as there are many commercial properties. Sunteck has entered with the concept of providing Uber luxury homes in BKC which differentiates it from other real estate developers, & SRL has successfully completed few projects in BKC. The company has created a number of brands whose product offerings are well-received by residential and commercial development projects in order to set the Company's projects apart from those of its competitors: ultra-luxurious homes targeted at high-net-worth individuals are Signature and Signia, respectively. The company is well-known for its work on the Bandra Kurla Complex (BKC), one of the earliest famous uber-luxury residential complexes in the CBD. Currently, SRIN is present in 10 micro markets of MMR with residential and commercial assets (build to sell). For instance, SRIN was the first to begin with the residential project in the Business district of the BKC market where acceptance for residential product was weak. SRIN has a history of entering new micro markets and making greater gains over time. SRL successfully sold three of its projects in the BKC, and it is replicating the same model in the other micro-markets of MMR like in Oshiwara District Center, Airoli, Naigaon, Vasai Vasind & Borivali.



**Investment Rationale**

In a few suburban micro markets, Sunteck City, World, and Sunteck are huge mixed-use developments with premium luxury residences, aspirational luxury housing, and commercial developments respectively.

Sales are achieved through its sales offices, well-known channel partners, wealth managers, institutions, and participation in property fairs to draw both retail and corporate clients. The company also places a strong emphasis on customer centricity and offers specialized services for its clients from the time of purchase till flat delivery. The company also launched online platform named Sunteck AER to garner digital sales.

SRL also worked on the strategy of focusing on one project at a time. The company realized the need to focus on one project, take it up, and try to put it on auto pilot for further execution. They launched the Sunteck West World in Q3FY19. Naigaon recorded 65–70% of sales booking within a month of the debut, and it shifted its attention to quick execution. Similar to this, the company carried out activation in Q3FY20 at Sunteck City 4th Avenue in Oshiwara District Centre (ODC) and received an incredibly positive reaction, recording 125 bookings out of the 255 units it launched with a sales value of INR 2 billion. SRL was able to secure this booking at a period when it was difficult for other developers to sell high-end goods. While the firm was working on other projects in autopilot mode in FY21, sales activation was carried out in ODC, resulting in sales of INR 4.8 billion (or 40%) of the total of INR 10.2 billion. SRL has benefited greatly from a change in approach, which has increased market share and brand recognition. We think SRL has a well-thought-out plan for increasing sales that will not only help the company capture more market share but also create a steady cash flow as a result of completing projects on time.

**Strong brand recall value which makes them a dominant player:** SRL is known for its uber luxury and luxury projects, especially after BKC projects. Whenever SRL goes to newer markets which are North like Mira road, Borivali or Vasai, the company is able to command premium pricing of 15-20% over other players due to its strong brand value. SRL is master in choosing unique location and creating value. They try to enter markets where the competition is less, with their superior product offerings as compared to the products available in those micro markets they are able to create a strong footing in those markets. The markets are moving towards bigger players which again is an advantage for the company.

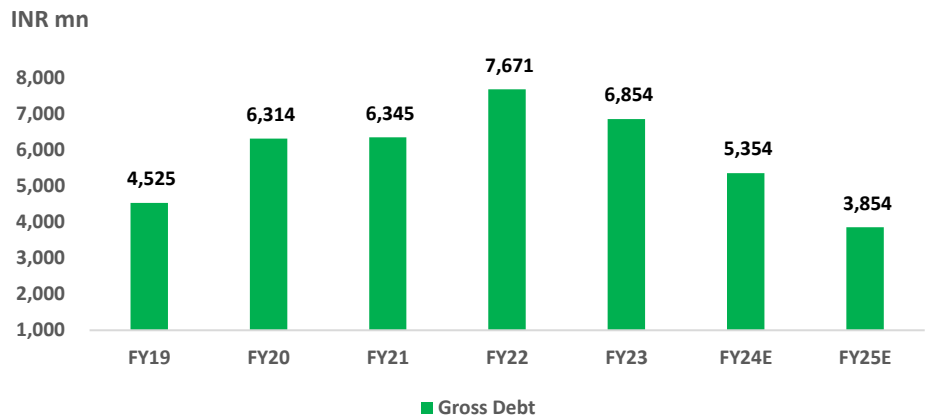
Sunteck has proved time and again that where ever they go they grab the market share and become one of the most preferred developers in real estate and commercial space in the area where they operate. In terms of gross sales, the company has more than 50% market share in Naigaon, ODC and BKC. Mira road, the company has mentioned that they have already captured more than 30% of the market share and for Vasai, company has a strong footing with more than 30% of the market share.

**Expansion at a faster pace:** Sunteck is growing at a very fast pace, in FY18 the company had only 3 growth engines, that is, Bandra Kurla Complex projects, ODC and Naigaon. Currently the company has 5 growth engines, that is, Bandra Kurla Complex projects, ODC, Naigaon, Mira road and Vasai, the company will be adding Kalyan in current financial year and Napean sea road project after kalyan project. Going forward, the target is to reach to more meaningful growth engines, there are very few companies which has given such kind of growth.

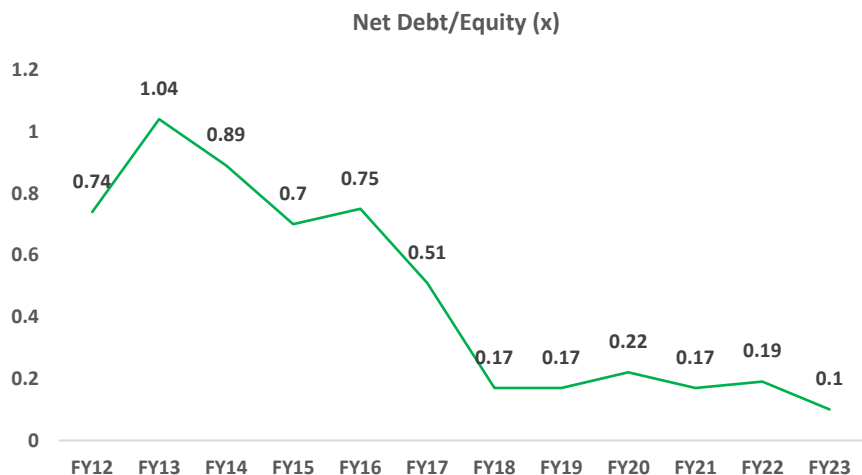
**Investment Rationale**

**Strong Balance sheet and FCF from completed projects:** Low leverage is helpful to the developer in the current situation, and SRIN has steadily decreased its debt over time. The company managed to bring down its D/E ratio from 0.17x in FY18 to 0.10x in FY23.

It presently enjoys a robust position with D/E ratio of 0.10x which is best amongst listed peers having cost of debt at less than 9.5%. With SRL using fewer assets, there will be less room for debt growth, and the company is well-positioned to finance expansion using internal accruals from successful initiatives that will improve cash flow. With the exception of projects still in the construction phase, SRL is anticipated to generate operating cash flow (OCF) from completed projects totaling INR 21 billion over the course of couple of years, which we estimate will be sufficient to pay for the development of ongoing and planned projects. Since its start, the Company has placed a strong emphasis on growing its presence in niche areas through in-depth research, where they can contribute value to spur capital growth in their initiatives. Additionally, the business has consistently practiced financial restraint by adhering to a differential asset-light strategy-JDA/JV strategy in MMR's capital-intensive real estate sector. Prudent cash flow management and efficient capital allocation has enabled the company to grow exponentially in a short span. Wherever required, they have implemented innovative funding structures to maintain optimal debt levels and ensure minimal stress on our balance sheet.



Source: Company, Aриhant Capital Research



Source: Company, Aриhant Capital Research

**Investment Rationale**

**Pre-sales growth multiple to improve**

The company has capability to generate strong surplus cash flows, the company generated INR 9480 mn of operating surplus cash flows in last 3 years including INR 4280 mn in FY23.

**Operating cash flows**

Y/e 31 Mar (INR mn)	FY21	FY22	FY23
Operating cash flows	2810	2390	4280
<b>Operating cashflow</b>	<b>2510</b>	<b>-310</b>	<b>2620</b>
<b>Net Investing cash flow</b>	500	330	-160
<b>Net Financing cash flow</b>	<b>-2960</b>	<b>460</b>	<b>-2610</b>

Source: Company reports, Arihant Capital Research

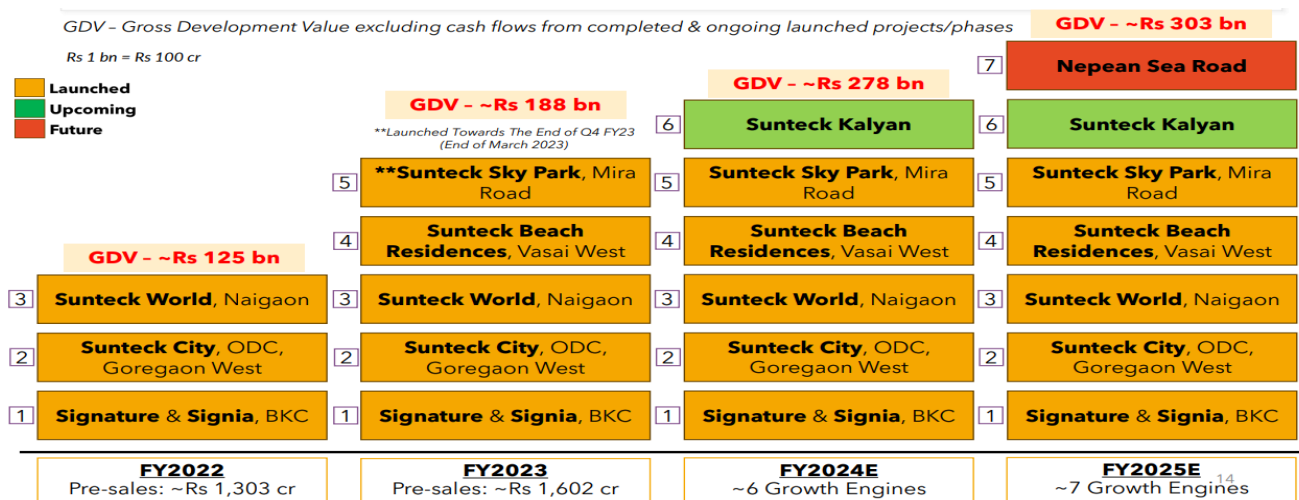
Currently, the company has seven growth engines, which will generate cash flows for coming years, namely

**Growth engines - Residential projects**

Projects	GDV
Signature signia BKC	INR 15,000 mn
Sunteck City ODC Goregaon	INR 60,000 mn
Sunteck World Naigaon	INR 50,000 mn
Sunteck Beach Residences (SBR), Vasai	INR 40,000 mn
Sunteck Skypark, Mira Road Kalyan	INR 23,000 mn INR 90,000 mn
Napean sea	INR 25,000 mn

Source: Company, Arihant Capital Research

**Growth engines:** Sunteck is a first generation company, the company has progressed well in last 15 years. The company is capable of making good margins and the company does not hesitate from going to new markets. In 2018 the company had 2 growth engines and currently, the company has 7 growth engines, going forward the company will add Borivali and by FY26 the company will be able to reach to more than 8 growth engines. Every project can contribute INR 3000-4000mn of presales per year, which takes it to INR 24,000 mn kind of numbers.



Source: Company, Arihant Capital Research

### Q4FY23 Results

Presales at INR 5370mn up by 36% QoQ led by good traction for all the projects and across segments.

Collections at INR 3300 mn up by 8% QoQ and are expected to grow at a faster rate with exponential growth expected in presales

- Sales of INR 20,000mn+ is achievable as per the management in FY24E. Led by completed left over inventory, ongoing projects and Kalyan launch.
- Inventory The company has ~INR 250cr worth inventory left from Sunteck avenue 1,2 and 4. The Naigoan project ~INR400 cr balance in inventory is left; Vasai has ~INR 600cr balance inventory. Launch size of Kalyan would be ~INR 500-600cr.
- In FY23 the prices have been flattish and the company is not expecting any major price hikes in FY24 too. The demand has been good and expected the same to continue this year too.
- Net Debt/Equity at 0.10x at the end of Q4 FY23 down from 0.19x in FY22 despite few acquisitions
- FY23 completed projects The company completed 11 projects including ~2 mn sq ft - Sunteck West World, Naigaon and 5 commercial projects including Sunteck Pinnacle (DMart) and Sunteck Crest.
- Ongoing Projects There are 8 ongoing residential projects of area ~5msf including Suntec maxx world, sunteck city 4<sup>th</sup> avenue, Sunteck One World, Naigaon, Sunteck Beach Residences, Vasai W, Sunteck Sky Park, Mira Rd.
- Additionally, the company is also executing 3 commercial projects which includes Sunteck BKC 51, BKC Jn., Sunteck BKC 51, BKC Jn and Sunteck Pinnacle.
- Total leased area is ~20,000 sqft with project's gross total capital value is ~INR550 cr. Upgrad will start paying rentals of nearly INR300/sqft per month on a carpet area basis.
- All segments performed well with uber luxury contributing INR 47cr, Upper mid income INR 97cr, lower mid income INR 121cr and others INR 65cr.

The company has posted good results, going forward the management has guided for 20-30% growth and is confident of achieving sales of INR 2000 cr in Fy24. SRIN currently has an overall land bank of 45.1msf of which it has launched 7.7msf till now. The company has strong brand recall value in MMR region along with strong balance sheet.

**Q1FY24 Results**

**Presales** at INR 387cr up by 16% YoY, the presales are expected to further up in coming quarters. The presales focus was mainly on the launches at Sunteck Sky Park, Mira Road as well as activations from other upper mid-income projects

**Collections** at INR 288cr up by 1% YoY, were decent and in line with good performance across the segments

**Operating Cash Flow** OCF crosses INR 1,000 cr in 3.25 years, Q1FY24 contributed INR 76cr of OCF; Operating Cash Flow Surplus yielding ~22% on Network

The already-launched 5 growth engines are firing all cylinders – Sunteck Sky Park, Mira Road launch has been one of the fastest monetizations.

**Rental portfolio** Sunteck expanded its rental portfolio by signing a 29-year lease at its commercial project Sunteck BKC 51 at BKC Junction for an average rental of ~Rs 66 cr per year during the lease tenure. Sunteck's share will be ~INR 36cr/ year, its already been preleased. A similar strategy to be adopted for Sunteck Icon at BKC Junction, there too Sunteck will be able to accrue INR 36cr/ year of rental income.

**Net debt** at INR 264 cr as on 30th June, 23; Net Debt to Equity @ 0.09x

**Operational highlights** The revenues stood at INR 71cr vs INR 144cr in Q1FY23; EBITDA at INR 30cr vs INR 68cr in Q1FY23 and margins at 42.9% contracted by 400 bps yoy.

**Growth engines** The company has generated 7 growth engines which includes complete and ongoing projects like BKC, ODC, Vasai west and mira road along with upcoming project Kalyan and future project napean sea road. The total GDV for all these projects stands at INR 303 bn spread over 7 years.

**Kalyan Project** will be launched in next 3 to 4 months, it has GDV value of INR 9000 cr.

**Napean sea Road project** will be launched in next 9 to 12 months with GDV of INR 2500cr and is located in south Mumbai.

**Other opportunities** The company also has large possible projects already acquired but not considered in the calculations such as, Borivali West, Sion, Jaipur and so on as there is very less visibility for these projects. The GDV does not include rise over the next few years and upside from all future JDAs that may be executed.

**Outlook** The company has strong 7 growth engines which has the potential to generate ~INR 300-400cr of cash flows each. The company sticks to its guidance of INR 2000cr of presales for FY24 which will be contributed by ongoing and upcoming projects. SRL is known for its prudent cash flow management and strong balance sheet, SRL has aggressively acquired projects when the land prices were at attractive prices during covid, at the same time keeping the debt levels to its lowest and generating robust cash flows.

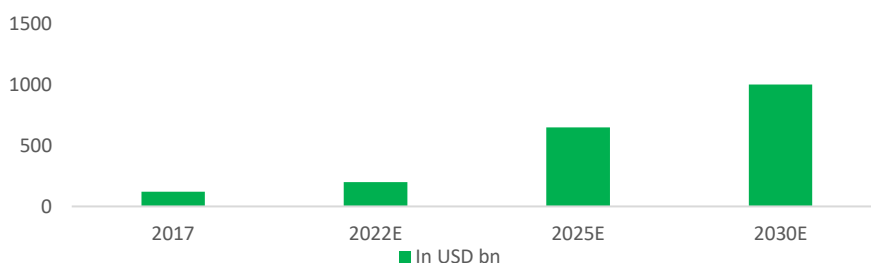
Going forward, we expect the company to generate healthy cash flows in H2FY24, driven by robust pre sales from existing projects and new launches along with collections to be in line with the presales. The company has total cash flow visibility of INR 303 bn which is achievable over 7 years, the company is also building up on annuity income which will generate an income of INR 72cr per year.

### Industry Overview

In FY22 GDP growth was at USD ~3tn and is expected to reach USD ~7-8tn by FY31 which is growth of 2.5x over FY22-FY31. The real estate contributed 6-7% in FY22 and is expected to contribute 13-15% by FY 31 which means the contribution will be 2x from FY22 to FY31.

### Real Estate size

The real estate size is estimated to be USD 200bn in FY22 which is expected to increase to USD 1tn in FY30, ~5 times growth over FY22-FY31.



Source: Industry data, Arianth Capital Research

### Housing Market in India

In the first nine months of FY22, the top eight cities in India's real estate market saw land deals totaling more than 1,700 acres. Over the period of 2017 to 2021, foreign investments in the commercial real estate market totaled US\$10.3 billion. Developers anticipate a sharp increase in demand for office space in SEZs starting in February 2022, following the replacement of the current SEZs statute.

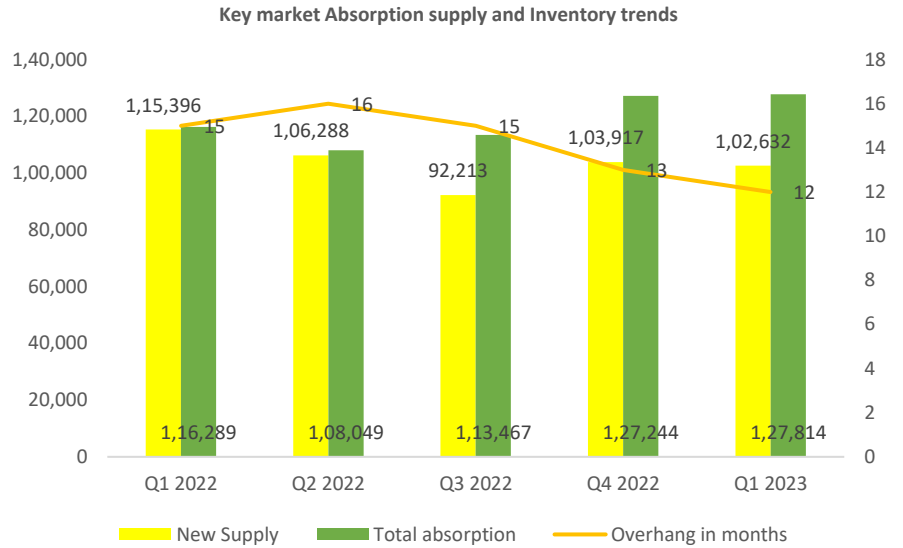
Residential sales increased by more than 50% YoY to 3,65,000 units in 2022, house sales surpass the previous peak of 3,40,000 units reached in 2014. It is encouraging to note that this occurred during a year in which the pandemic's early-year effects were still felt and mortgage rates rose significantly by more than 200 bps. This supports the idea that India's housing demand is structural in nature. Sales once more outpaced product debuts in the top 7 cities, resulting in the lowest level of inventory since 2014. Around 3,60,000 units were launched in the top 7 cities during the course of the year.

Inventory levels have decreased from 32 months in Q42014 to 21 months in Q42023 as a result of rising sales and declining inventory. The industry's supply side consolidation is still growing, which is good news for everyone involved, including customers, reputable developers, and financial institutions. Home capital values have moderately increased as a result of the controlled supply. Residential prices have risen by about 5-7% worldwide, according to numerous industry data. The virtuous price demand cycle has been sparked by this positive nominal price growth, which has encouraged end user demand to rise while maintaining affordability because price growth has lagged behind wage growth.

The 'brand' has grown in significance within the real estate industry. As a "consumer product," housing is progressively getting branded. In the perspective of consumers, a strong housing brand represents exceptional product quality, a chance to change one's lifestyle, a desirable address, and, most importantly, the assurance of fast delivery. Only branded tier 1 developers can provide the aforementioned, which encourages demand side consolidation. Branded tier-1 developers with great execution skills are anticipated to take advantage of this chance to increase their market share by providing fresh products that are fit for the demand dynamics and offer quality, a sustainable environment, and a social ecosystem.

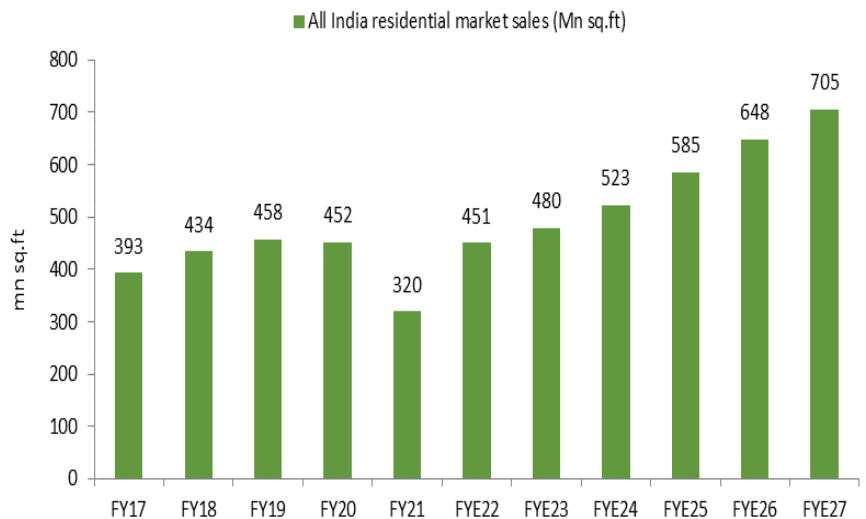
Industry Overview

The industry has witnessed strong growth in demand in key markets, the demand grew 28% YoY in CY22. Supply growth was also robust with 15% growth YoY in CY22. Absorption outweighs supply by 25% in Q4FY23 and prices across Tier-1 cities grew between 6%-20% YoY in Q4FY23. Demand outlook strong, especially in mid-market & affordable segments and inventory declined to 12 months in Q1FY23.



Source: Industry data, Aриhant Capital Research

All over India, residential market stood at 320 mn sq.ft as on FY21 and expected to grow 14.1% CAGR to reach 705 Mn sq.ft over the period of FYE22-FYE27.



Source: Industry data, Aриhant Capital Research

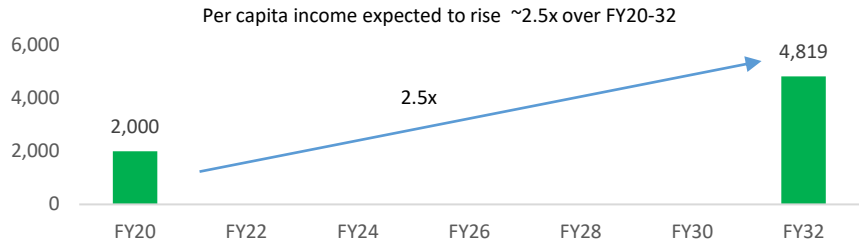


Industry Overview

Industry growth drivers

- Per capita income

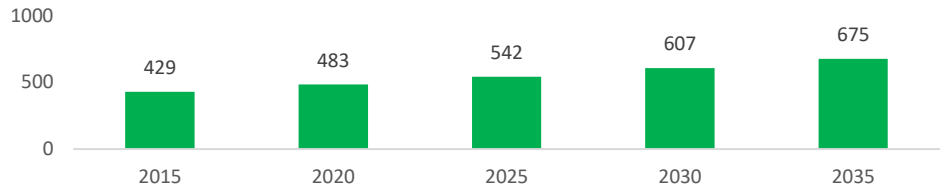
Expected to rise from USD 2000 in FY20 to USD 4519 by FY32. It is also estimated that in this decade 100mn new houses will get new buyers.



■ Per Capita Income in USD

Source: Industry data, Aриhant Capital Research

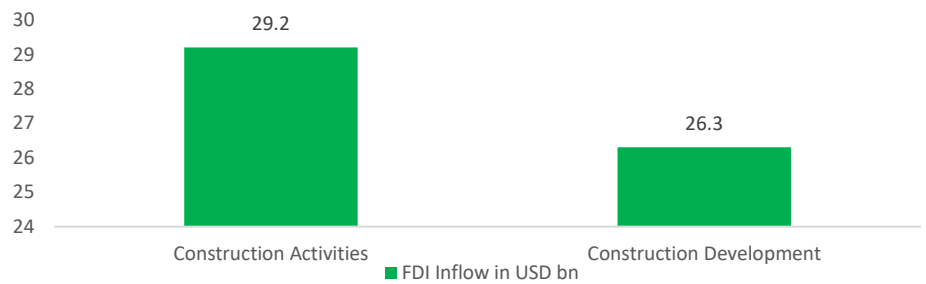
- Urbanization is growing at a rapid pace, the number of Indians living in urban areas is expected to reach 542.7 million by 2025 and 675.5 million by 2035.



■ Urban Population in India In mn

Source: Industry data, Aриhant Capital Research

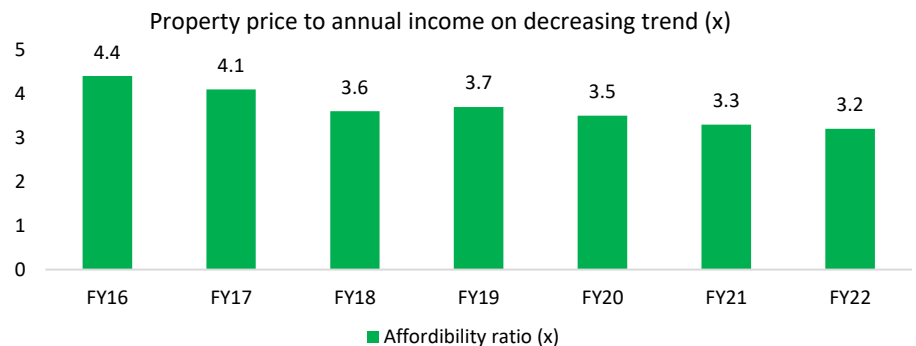
- Construction is the third-largest sector in terms of FDI inflow. FDI in the sector (including construction development & activities) stood at US\$ 55.50 billion from April 2000-December 2022.



■ FDI Inflow in USD bn

Source: Industry data, Aриhant Capital Research

- Increasing affordability leading to increase in housing demand

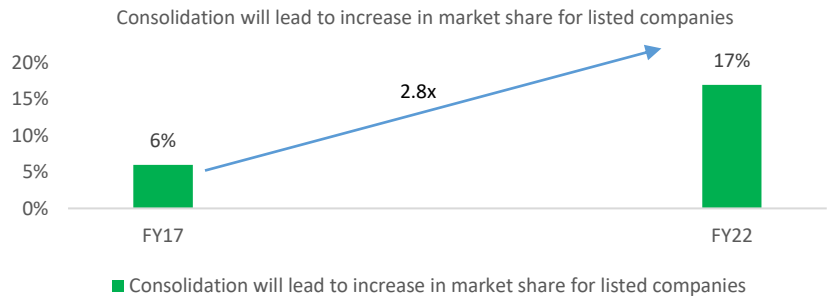


■ Affordability ratio (x)

Source: Industry data, Aриhant Capital Research

## Industry Overview

- Supply-side consolidation which will lead to increased benefits for branded players: the developers have decreased by 60% and supply from branded players has increased by 50%. The market share of listed companies have increased 3 times over FY17-FY22. There are many reasons for consolidation few of them are RERA introduction, capital-intensive industry, Demonetisation, inability to sell during construction leading to cash burn and failure to deliver in timelines. Housing sales estimated to grow at 15% CAGR in top cities and expected to reach 1mn by 2030.



Source: Industry data, Arianth Capital Research

- Increase in nuclear families leading to increase in the number of houses.
- Educated workforce increasing day by day

## Commercial space

Despite better quarterly leasing, commercial real estate in leading Indian cities is struggling. The majority of open positions are in SEZ regions, where it may be difficult to find candidates before the regulatory adjustment is implemented.

While there are several IT firms among the current occupants, Cognizant is taking the initiative to rationalize the demand for office space across important Indian locations. In light of this, FY2024E might not be able to match FY2023, which saw record absorption and an increase in leased space to 524 million square feet (78 million square feet/39 million square feet of gross/net leasing).

Due to the price correction, yields have increased, but visibility for FY2024E is still poor.

Mumbai commercial space scenario: As of March 2023, Mumbai's office space was 111 million square feet, with declining vacancy rates. Due to net absorption being more than supply addition during the quarter, the percentage increased to 15% (17.7% as of Mar 2022 and 15.3% as of Dec 2022). At 1.2 million square feet (-20% year over year), new supply in 4QFY23 was driven by suburbs in the east. In contrast to this additional supply, net absorption was strong at 1.3 million square feet while gross absorption reached 3.9 million square feet in 4QFY23—an increase of 12% year over year. Of the 3.9 million square feet that were absorbed in the fourth quarter of FY23, Navi Mumbai and the western suburbs led with 1.1 million and 0.9 million square feet, respectively.

## Industry Overview

**Mumbai Real Estate Markets:**

In April 2023, the city of Mumbai (under BMC jurisdiction) achieved significant revenue from property registrations. Here's a breakdown of the key details:

**1.Revenue Collection:** The city collected a total of INR 321 million (INR 321 mn) per day from property registrations in April 2023. This amount is substantial and reflects the economic activity related to real estate transactions.

**2.Property Sales:** Mumbai recorded a total of 10,514 property sales registrations in April 2023. This indicates a high level of property market activity during this period.

**3.Revenue Contribution:** The property sales registrations contributed over INR 9,000 million (INR 9,000 mn) to the state exchequer in April 2023. This amount represents the revenue generated from the property transactions.

**4.Residential vs. Non-Residential Properties:** Out of the total properties registered, 83% were residential properties, while 17% were non-residential properties. This breakdown provides insight into the types of properties being transacted during this period.

**5.Property Size Distribution:** A specific statistic is provided regarding properties larger than 1,000 square feet (sq ft) in area. The share of homes with an area larger than 1,000 sq ft was 24% in April 2023. This information highlights the prevalence of relatively larger properties in the market.

**6.Revenue Growth Factors:** The growth in revenue is attributed to two main factors: an increased stamp duty rate and a surge in higher-value property transactions. The higher stamp duty rate likely contributed to the increased revenue collected from property registrations.

**7.Record Revenue Collection:** The revenue collected in April 2023 was described as the highest ever recorded in the last 10 years for the month of April. This achievement indicates a strong performance in terms of revenue generation from property transactions.

Overall, the data suggests a robust real estate market in Mumbai in April 2023, characterized by substantial property sales, significant revenue collection, and a notable contribution to the state's exchequer. The increased stamp duty rate and a surge in higher-value transactions played key roles in driving the growth in revenue collection.

Mumbai city April vs March sales as per registrations done

Month	Sales	Month	Sales
Mar-14	5650	Apr-14	5053
Mar-15	6200	Apr-15	6400
Mar-16	5700	Apr-16	5705
Mar-17	6446	Apr-17	5650
Mar-18	8867	Apr-18	7015
Mar-19	6617	Apr-19	5941
Mar-20	3798	Apr-20	
Mar-21	17728	Apr-21	10135
Mar-22	16726	Apr-22	11742
Mar-23	13150	Apr-23	10511

Source: Industry data, Arianth Capital Research

**Industry Overview****MMR region**

Mumbai, a bustling metropolis known for its vibrant culture and economic dynamism, is poised for significant changes on both its population and real estate fronts. As we approach the year 2030, this megacity finds itself among the top 50 global cities set to experience a remarkable surge in population. This anticipated growth is mirrored in the city's real estate sector, with recent data shedding light on impressive expansion trends and future prospects.

In the year 2022, Mumbai and its sprawling metropolitan region (MMR) witnessed an astonishing 282% increase in new real estate supply, marked by the launch of an impressive 1,65,634 units. This surge in supply not only surpassed pre-RERA (Real Estate Regulation and Development Act) levels but also transcended the constraints imposed by the global pandemic. The MMR now stands tall as India's largest property market, a testament to its enduring appeal and resilience.

Delving deeper into the specifics, the surge in supply was predominantly concentrated in key micro localities. Dombivli, Thane West, Panvel, Mira Road East, and Virar emerged as the driving forces behind this growth, collectively accounting for an impressive 29% share of the overall new supply. This strategic localization underscores the city's evolution and the demand for housing options across various segments of the population.

Looking ahead, projections for the MMR real estate market are equally promising. Forecasts suggest that in the fiscal year 2026-27, the region is expected to witness a substantial absorption volume of 113 million square feet. Of particular note is the anticipated rapid growth in the 30-60 lakh segment, underscoring the city's ability to cater to diverse income brackets.

Several key factors are poised to accelerate this growth trajectory. Notable among these are the scheduled completion of critical infrastructure projects by 2026. The forthcoming Navi Mumbai Airport, Mumbai Trans Harbour Link (MTHL), CST Panvel Fast Corridor, and various Metro Corridors are poised to redefine connectivity and accessibility within the region. These transformative projects are anticipated to serve as significant catalysts for increased sales and demand.

Intriguingly, the growth narrative extends beyond the city's core. Affordable markets such as Khopoli, Panvel, Taloja, and Badlapur are projected to experience high growth rates. This surge is attributed to anticipated improvements in travel times and neighborhood enhancements resulting from the completion of key infrastructure projects. As these areas undergo a metamorphosis, they are likely to become attractive propositions for both investors and potential homeowners.

In summation, Mumbai's real estate landscape is witnessing a remarkable transformation, bolstered by population projections and the city's resilience in the face of challenges. The surge in new supply, localized growth, and impending infrastructure developments paint an optimistic picture of the city's future. As Mumbai continues to evolve and accommodate its burgeoning population, it is poised to remain a compelling destination for real estate investment and a symbol of India's urban dynamism.

MMR region-Residential sales as per ticket size in %

Category	Cost segment INR	H2CY20	H1CY21	H2CY21	H1CY22	H2CY22	H1CY23
Affordable	below 50 lakhs	43	42	42	40	35	32
Mid Income	50-100 lakhs	36	39	35	35	37	38
High Income	above 100 lakhs	21	20	23	25	28	30

Source: Industry data, Aриhant Capital Research

**About the company**

The Company is primarily engaged in the business of real estate and real estate development and incidental services. The Company is engaged in real estate activities with owned or leased property. Its business focuses on designing, developing and managing residential and commercial properties. It is focused on city-centric developments spread-out across Mumbai Metropolitan Region (MMR). The company is amongst one of the India's leading luxury real estate developers.

Sunteck Realty has a presence across segments like Uber luxury, Upper mid Income and low mid income. Some of the most known business tycoons of top financial institutions, corporations, multinational companies, and renowned celebrities call SRL's Flagship Project Signature Island in Bandra-Kurla Complex (BKC) home. SRL has city centric development portfolio of about 50 million square feet spread across 32 projects and 16 Projects completed & delivered. The company is majorly into residential and commercial projects, residential projects contribute 80% and commercial forms 20% of the total portfolio. The company has been a trendsetter in creating iconic destinations which includes Signature Island at Bandra Kurla Complex, Sunteck City at Oshiwara District Centre, Goregaon West and Sunteck at Naigaon.

**Company background**

Sunteck Realty Limited was founded in the year 2000 by Mr. Kamal Khetan, a first-generation entrepreneur with over a decade of experience in the real estate industry. Sunteck Realty Limited (SRL) is a Mumbai-based real estate development company, catering to the ultra-luxury and luxury residential segment. SRL boasts of a city-centric development portfolio of about 30 million square feet spread across 25 projects at various stages of development and 4 rented assets. Of the said portfolio, the company within a span of 4 years has completed 6 projects with a developed area of about 2 million square feet comprising of residential and commercial developments. SRL is renowned for its strong project execution skills through an in-house project management team and strategic tie-ups / associations with domestic / International contractors, architects, engineers and brand partners. SRL works with renowned brands like L&T and Talathy & Panthaky Associated to name a few to provide a unique residential experience to its customers.

**Brands of sunteck group****Uber Luxury**

Signature

Signia

**Premium Luxury**

(Upper Mid-Income)

SunteckCity

Sunteck  
SkyPark**Aspirational Luxury**

(Lower Mid-Income)

SunteckWorld

**Marquee Luxury**

(Beach Residences)

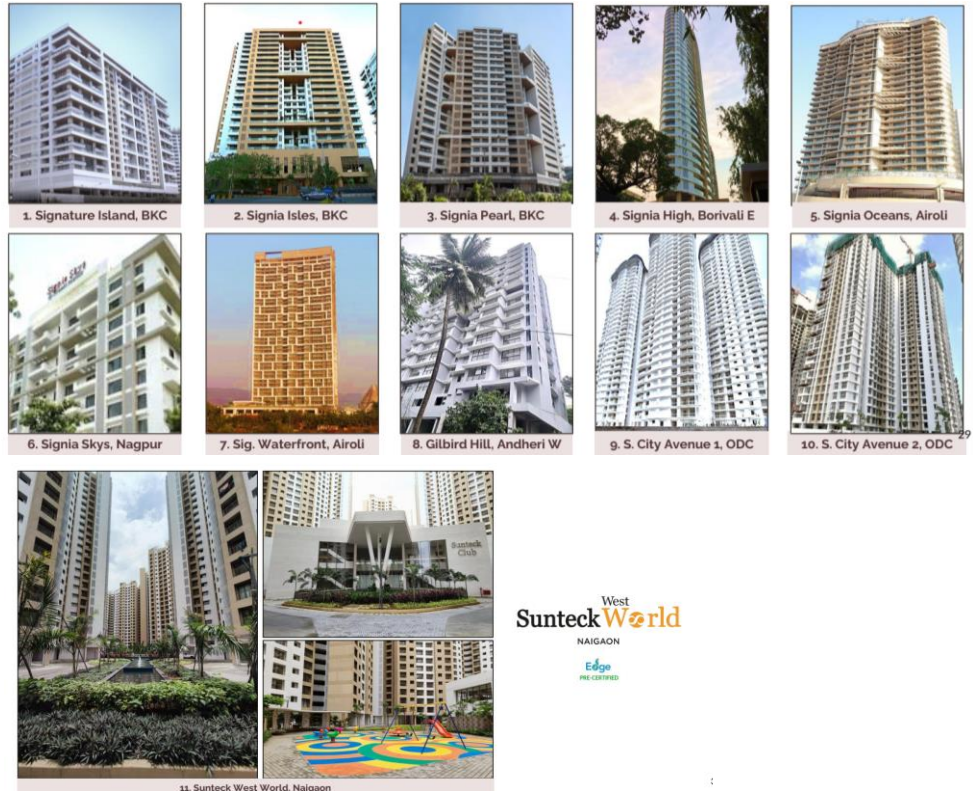
SBR

Sunteck Beach Residences



Completed and ongoing projects of sunteck group

**Completed-Residential Projects:** Sunteck successfully completed and delivered 11 residential projects till FY22 namely Signature Island BKC, Signia BKC, Signia Pearl BKC, Skys Nagpur, Waterfall airoli, Gilbird Andheri w, Signia high, Signia ocean, City Avenue 1 & 2 ODC and West world Naigaon.



Source: Company Filing, Aриhant Capital Research

**Completed-Residential Projects:**

The company has completed 5 commercial projects as well namely, Sunteck Center, Vile Parle, Sunteck Kanaka, Goa, Sunteck Grandeur, Andheri E, Pinnacle (DMART), ODC, Sunteck Crest, Andheri E.



Source: Company Filing, Aриhant Capital Research

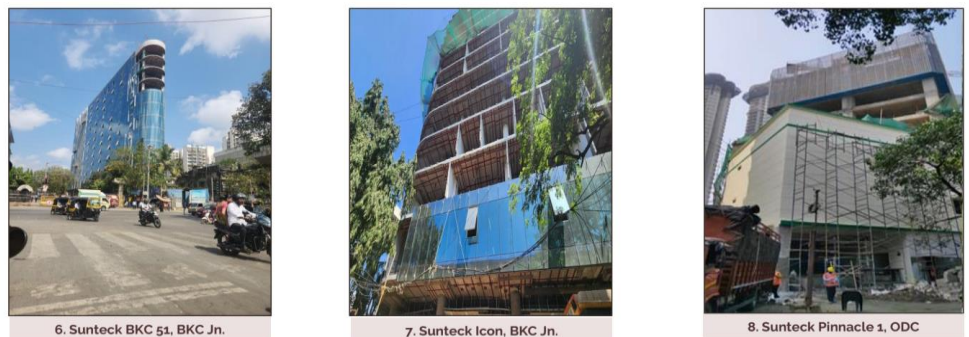
**Ongoing projects:** includes 5 residential and 3 commercial projects. The residential projects includes Sunteck Maxx World, Naigaon, Sunteck City 4th Avenue, ODC Goregaon W, Sunteck One World, Naigaon, Sunteck Beach Residences, Vasai W, Sunteck Sky Park, Mira Rd. Ongoing commercial projects include Sunteck BKC 51, BKC, Sunteck Icon, BKC, Sunteck Pinnacle 1, ODC.

**Ongoing Residential projects**



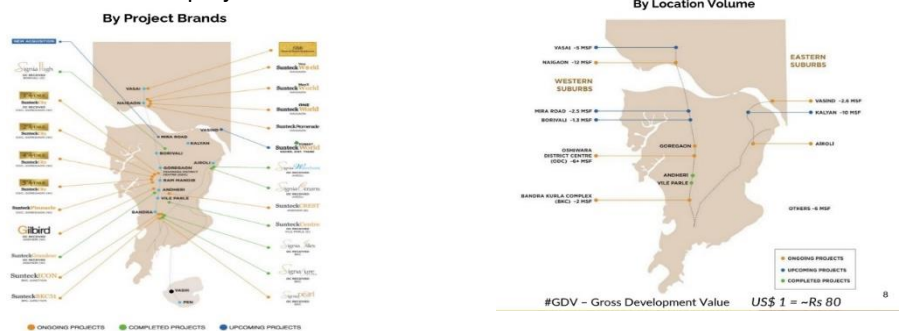
Source: Company, Aриhant Capital Research

**Ongoing Commercial projects**







Source: Company, Aриhant Capital Research

The company has ~5msf of total area to be executed across 5 residential projects and 3 commercial projects.





## Company board

Personnel	Name & Designation	Description
	Kamal Khetan Chairman&Manging Director	Mr Kamal Khetan is an Electronics and Communication Engineer from Mangalore University with 3 decades of experience in the Real Estate industry, the main roles include Formulate corporate strategy, acquisition, execution & diversification plans
	Atul Poopal Executive Director	Mr Atul Poopal has 3 decades of experience in the field of civil engineering, development regulations and project assessments. Previous role was with MCGM In-depth insights in conceptualising, planning, devising and streamlining approval process.
	Rachana Hingarajia Director&Company Secretary	CS & LLB by qualification; Over 15 years of experience in Compliance function, merger & restructuring. Associated with the group for more than 15 years; on board since March 2015
	VADDARSE PRABHAKA Independent Director	Over 4 decades of experience in Banking Has held C&MD position in UCO, Canara and IDBI Bank. Recipient of "Banker of the Year- 2003" award

### Business Overview

One of the fastest-growing real estate development firms, Sunteck Realty focuses on city-centric developments that are evenly dispersed throughout the Mumbai Metropolitan Region (MMR). Designing, developing, and managing upscale residential and commercial properties are the company's main business activities. The Company's strength has been adopting an asset-light strategy to guarantee an effective Return on Equity and produce projects that offer value for money. Through brand positioning, different product offerings, effective designs, and an established network of reputable channel partners for market penetration, the Company has carved out a space for itself in the luxury class.

The primary focus is still the Mumbai Metropolitan Region (MMR); because of the shortage of high-quality land, the emergence of the middle class, and the growing immigrant population, we predict ongoing demand, particularly in the residential sector. The dominant position that the Company's ultra-luxury residential developments in BKC continue to have in the micro market results in significant premium pricing. The ODC in Goregaon (W) is another important place.

Sunteck has also been successful in breaking into the aspirational inexpensive market category, and the Naigaon market has responded with a resounding enthusiasm. Signature (Ultra Luxury Residencies), Signia (Ultra Luxury Residencies), Sunteck City (Mid Income), Sunteck World (Aspirational Luxury), and Sunteck (Commercial) are the five brands that Sunteck offers. The business maintained a good pre-sales trajectory in FY 2022, powered by sales seen in the ready-to-move-in projects across segments such as mid-income, aspirational, commercial and luxury. The Company's strategy is to expedite monetization of its ongoing and ready projects in the near to medium term, thus enabling higher ROEs.

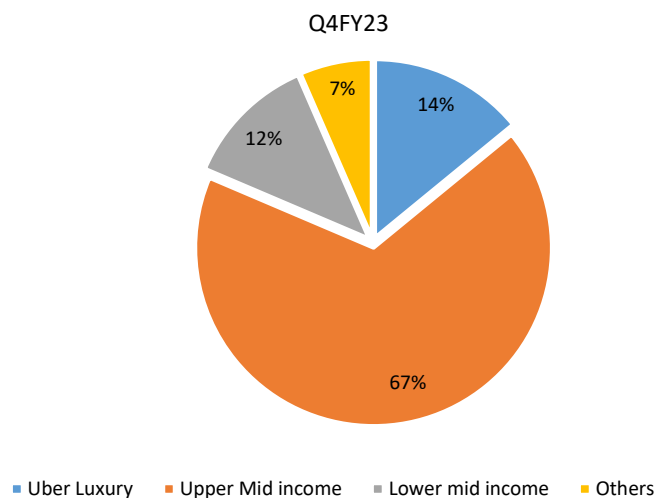
Sunteck has always espoused the idea of "Continuous Growth" and we have been successful in doing so. We have an internal execution capacity that has allowed us to execute projects more quickly. Additionally, we have carefully bought projects and generated strong sales. With a few projects in other cities, our portfolio is now concentrated in the MMR region. We are working to develop a rental portfolio of commercial assets while simultaneously continuing to capitalize on our three growth engines. The Company's growth engines can be divided as follows:

- 1. Bandra Kurla Complex (BKC)** has emerged as the new Central Business District of Mumbai. BKC has evolved over the last decade and continues to remain a preferred choice for international and domestic financial institutions. Demand is expected to increase with ongoing infrastructure initiatives – extension of Santacruz Chembur Link Road, flyover connecting directly to Bandra Worli Sea Link, Phase 3 of Mumbai Metro, etc. Some of the well-known corporates, financial institutions, consulates, educational institutions, hotels, F&B outlets and a hospital already occupy space in BKC.
- 2. Oshiwara District Centre (ODC)** identified as the next CBD by MMRDA is strategically located and enjoys superior connectivity to major nodes of the city. MMRDA continues to improve the infrastructure; construction of six ninety feet roads in the notified zone of ODC and three metro stations in a radius of 2-3kms over the coming years, would further enhance the micro-market's profile. Sunteck City Avenue 1 and Sunteck City Avenue 2 we have successfully been able to start handing over the units. Incrementally, the construction of Sunteck City 4th Avenue (Tower 1 & Tower 2) has added to our residential offering in the vicinity.

**3. Sunteck World** brand in Naigaon continues to witness strong demand in our portfolio. Sunteck Oneworld met with grand success at the time of launch. Sunteck Maxworld construction is going at full speed and the clubhouse constructed is one of the biggest in the area and Westworld construction has been nearing completion.

**4. New acquisitions:** Vasai, Kalyan, and Vasind will develop into growth engines for the company moving forward since they present with potential untapped demand in that micro-market, similar to the approach to enter BKC, ODC, and Naigaon. The company aspires to provide well-designed, high-quality products with a focus on those with middle incomes and aspirations.

Sunteck is majorly in Uber luxury, Upper mid income, lower mid income . In Q4FY23 under uber luxury signature and signia contributed INR 760 mn; under Upper Mid-income Sunteck City, SBR, Sky Park contributed IINR 3600 mn; under Lower Mid-Income Sunteck World contributed INR 660 mn; other contributed INR 350mn of the total pre sales.



Source: Company, Aриhant Capital Research

#### Risk Factors:

Sunteck Realty Limited is entirely focused on the Mumbai metropolitan area, and most of the company's key projects are located in the state of Maharashtra. As a result, any political change in the state or any new law or rule passed in that state may have an impact on Sunteck Realty Limited's operations.

**Sluggish real estate market** Due to the company's total involvement in the real estate industry, any significant downturn in the industry might have a big impact on revenues.

The company's acquisitions are dependent on JDAs, any problem with the collaboration may delay acquisition process.

The company focusses more on luxury projects, any down turn in the economy and adverse business cycle will affect the demand in this particular segment.

The company is dependent on outside fund in form of JDAs, non availability or inability to pay on the partners part may affect the execution of the project adversely.

Source: Company Filing, Aриhant Capital Research

**Valuation & Outlook**

Sunteck believes in being a differentiator, the company has strategically selected new micro markets and turned them around to its advantage. MMR being the core market for SRL, they enjoy first mover advantage in all the micro markets that they moved into. The company has excellent understanding of new micro markets, they enter the markets where there are no or hardly any big names and develop a lucrative market around them. Majority of the markets like BKC, Airoli, ODC and Naigaon when SRL entered there were hardly any big developers. The company has repeated the same strategy for Vasai and Vasind markets too.

SRL is known for well-researched land acquisitions in terms of rates and opportunities available. Whenever they acquire the land they make sure of a lucrative JDA which is 10% more beneficial than their peers, they also look into the minimum top line of INR 1000 cr along with good margins.

As compared to its peers and real estate industry norms, Sunteck maintains lower leverage discipline. The company has acquired ~38.5msf since 2018, yet has been able to repay part of its debt. The company has strong cash flows which is used for acquisitions, debt repayments and advance premium payments. In FY23, the company was able to generate INR 4280mn of gross OCF out of which the company spend INR 1660mn for acquisitions and was left with INR 2620mn of Net OCF, the debt/equity ratio reduced from 0.17x in FY18 to 0.13x in FY23, this shows the debt discipline the company follows. SRL has an asset-light model of working so the scope for debt rise will be low, the company is well positioned to fund growth with its internal accruals which will be cash flow lucrative.

SRL is known for luxury products in its operating market and has a strong brand recall value. They are MMR region focused where realizations are very lucrative, SRL manages to get 15-20% higher realizations in its operating markets as compared to many of its peers on account of timely deliverables, superior quality, specifications, amenities ahead of times and brand value.

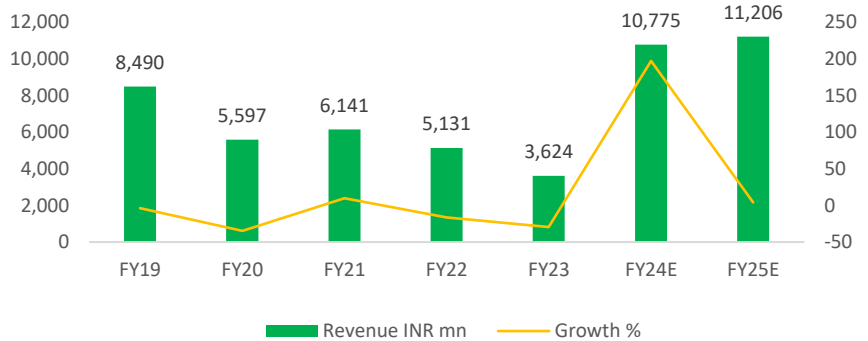
Going forward, SRL has an impressive growth story owing to its lower leverage, asset-light model, prudent periodic project addition, faster execution of projects and industry tailwinds. We have valued SRL on SoTP with residential valued on NPV based NAV approach. We have covered all completed, under construction and forthcoming projects. We initiate coverage on SRL with BUY rating and a target price of INR 513 (WACC 13%) implying an upside of 42%.

Valuations		Total NAV (INRm)	Per share
Residential projects	DF-13%	38,703	264
Commercial and lease	DF-13%, Cap rate 9%	24767	169
Land & other projects		15239	104
<b>Total GAV (Rs mn)</b>		<b>78,708</b>	<b>538</b>
Less: Net Debt		3,641	25
<b>NAV</b>		<b>75,067</b>	<b>513</b>
<b>CMP</b>			<b>362</b>
<b>Upside</b>			<b>42%</b>

Story in charts

Revenue

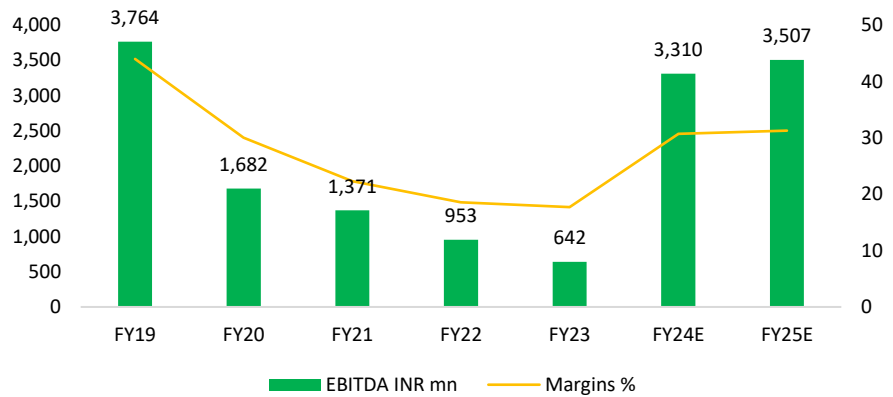
In FY23, there were fewer projects which were under revenue recognition. We expect revenue to reach INR 10775 mn levels driven by completed projects and Sunteck 4<sup>th</sup> Avenue and Sunteck Maxx world which will come in the revenue recognition bracket this year.



Source: Company Filing, Aриhant Capital Research

EBITDA

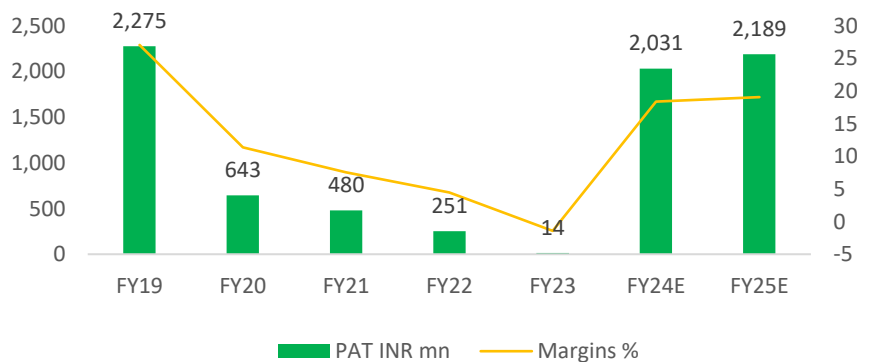
In FY23 the EBITDA margins was low as the company shifted from percentage completion method to project completion method. We expect EBITDA levels to go upto INR 3310 mn and margins to 30% driven by increase in number of projects in the revenue recognition bracket.



Source: Company Filing, Aриhant Capital Research

PAT Margins

Pat and Pat margins to increase on the back of increase in Ebitda.

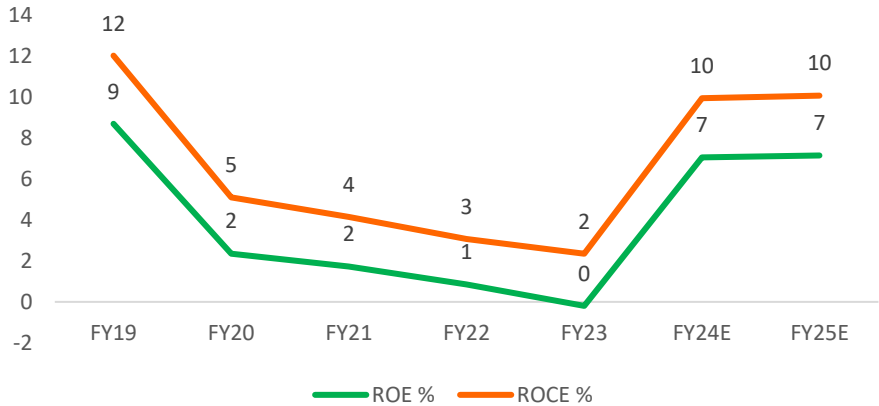


Source: Company Filing, Aриhant Capital Research

Story in charts

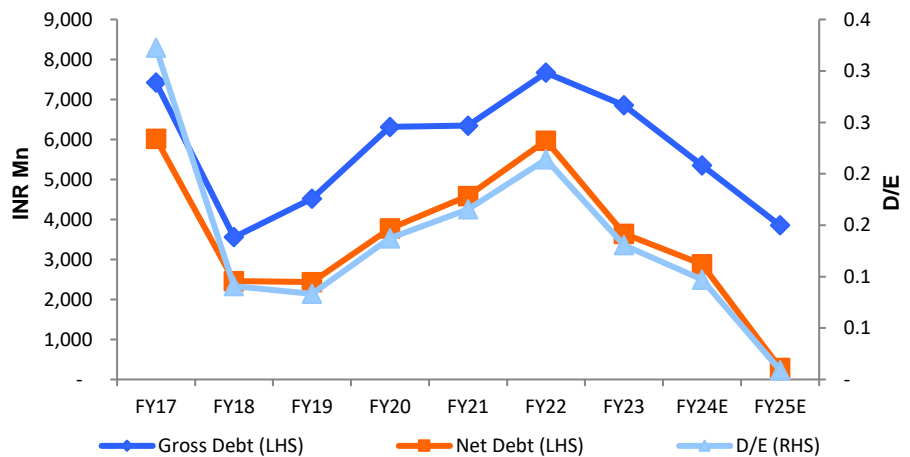
**RoE and RoCE**

The company is expected to do extremely well in terms of sales, collections and operating cash flows. The operating cash flows are expected to increase INR 4000 mn which will be used to reduce debt and fund future growth. The returns ratios are expected to increase to healthy levels of RoE at 7% and RoCE at 10%.



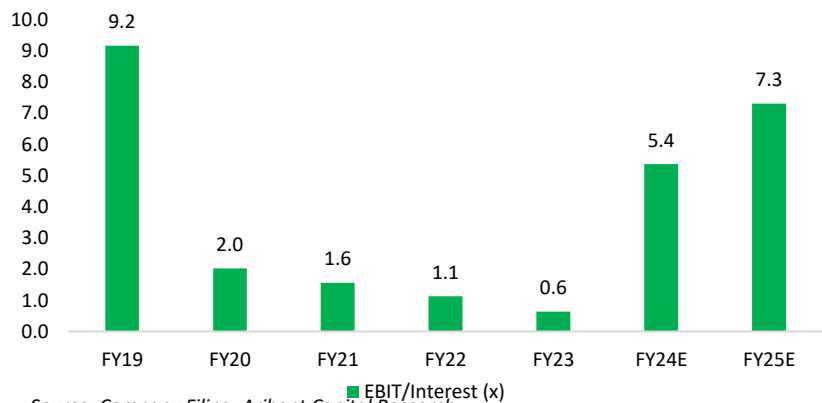
Source: Company Filing, Arihant Capital Research

**Comfortable debt position**



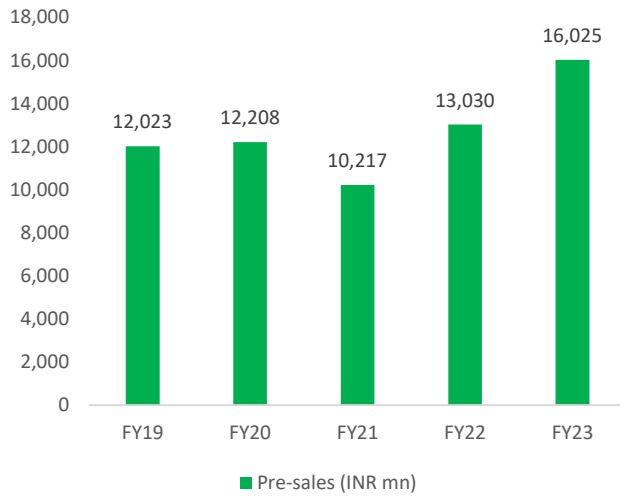
Source: Company Filing, Arihant Capital Research

**EBIT/Interest (x)**

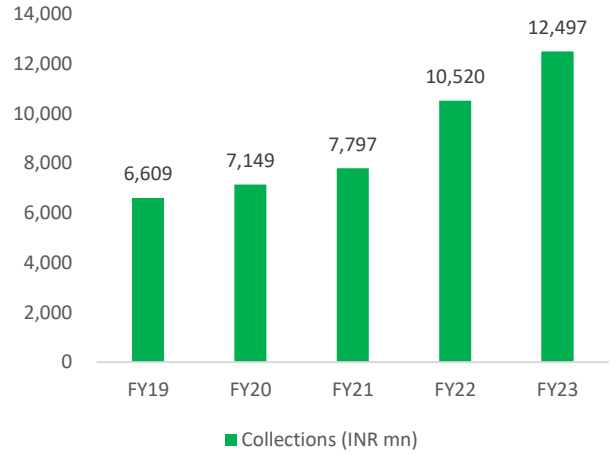


Source: Company Filing, Arihant Capital Research

Story in charts



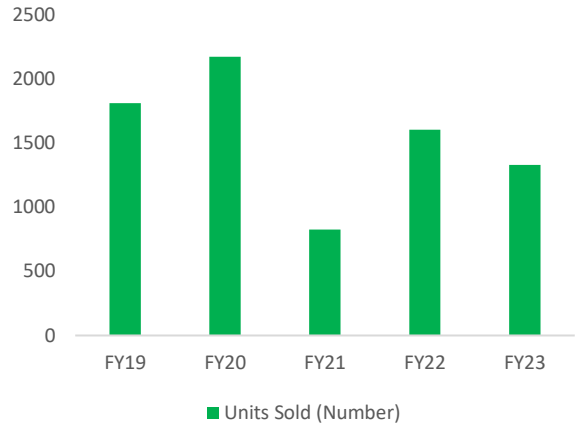
Source: Company Filing, Arianth Capital Research



Source: Company Filing, Arianth Capital Research

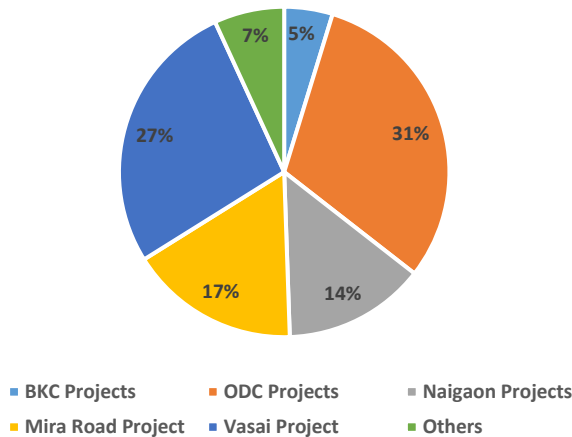


Source: Company Filing, Arianth Capital Research



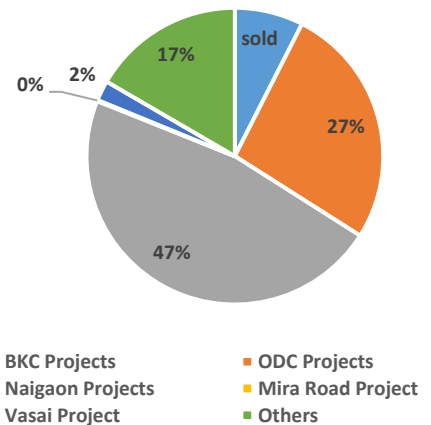
Source: Company Filing, Arianth Capital Research

FY23 Presales mix



Source: Company Filing, Arianth Capital Research

FY23 Collections mix



Source: Company Filing, Arianth Capital Research



## Peer Comparison

Particular	CMP (INR)	M.Cap (INR cr)	Revenue (INR cr)		EBITDA (INR cr)		EBITDA Margin (%)		PAT (INR cr)	
	as on 17-08-23	as on 17-08-23	FY22	FY23	FY22	FY23	FY22	FY23	FY22	FY23
Sunteck Realty	362	5436	513	362	95	64	19.00%	18.00%	33	4
DLF Ltd	477	1,18,110	5,717	5,695	1,743	1,726	30.00%	30.00%	1,500	2034
Prestige Estates Projects Ltd	550	22,031	6,390	8,315	1,517	2,086	24.00%	25.00%	1215	1067
Arihant Superstructures Ltd	171	705	331	389	70	78	21.00%	20.00%	41	43
Brigade Enterprises	581	13,404	2,999	3,445	770	859	26.00%	25.00%	-65	222
Mahindra Lifespace Developers Ltd	509	7.887	394	607	-88	-110	-22.00%	-18.00%	162	103

Source: Industry data, Arihant Capital Research

Particular	ROCE (%)		P/BV (x)		EV/EBITDA (x)		PE (x)		D/E (x)
	FY22	FY23	FY22	FY23	FY22	FY23	FY22	FY23	FY23
Sunteck Realty	3.00%	3.00%	2.6	1.6	55	58	155	181	0.25
DLF Ltd	5.00%	5.00%	2.6	2.7	43	61	54.8	61	0.09
Prestige Estates Projects Ltd	9.00%	11.00%	2.5	2.3	12.5	12.1	44.6	30.7	0.94
Arihant Superstructures Ltd	15.00%	15.00%	4	3.5	11.5	13.7	14.2	17	1.58
Brigade Enterprises	6.00%	8.00%	3.9	4.1	19.5	14.4	NA	63.7	1.43
Mahindra Lifespace Developers Ltd	1.00%	2.00%	3.4	4.1	NA	11.2	NA	160.6	0.15

Source: Industry data, Arihant Capital Research

## Financials (INR mn)

## Profit and Loss Account

Y/e 31st March in mn	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Net Revenue	8,552	5,597	6,141	5,131	3,624	10,775	11,206
Op. Expenses	4,788	3,915	4,769	4,177	2,983	7,464	7,699
<b>EBITDA</b>	<b>3,764</b>	<b>1,682</b>	<b>1,371</b>	<b>953</b>	<b>642</b>	<b>3,310</b>	<b>3,507</b>
Depreciation	22	37	52	73	92	114	228
<b>EBIT</b>	<b>3,742</b>	<b>1,645</b>	<b>1,319</b>	<b>880</b>	<b>550</b>	<b>3,196</b>	<b>3,280</b>
Other income	359	205	168	209	284	284	284
Interest Exp.	408	813	846	776	859	580	437
Extra Ordinary Items	(133)	(15)	3	12	70	-	-
<b>Reported PBT</b>	<b>3,560</b>	<b>1,021</b>	<b>644</b>	<b>325</b>	<b>45</b>	<b>2,901</b>	<b>3,126</b>
Tax	1,284	378	164	75	31	870	938
PAT	2,275	643	480	251	14	2,031	2,189
Net Profit	2,275	643	480	251	14	2,031	2,189
<b>Adjusted PAT</b>	<b>2,409</b>	<b>658</b>	<b>476</b>	<b>239</b>	<b>(56)</b>	<b>2,031</b>	<b>2,189</b>
<b>Adjusted EPS (INR)</b>	<b>17.2</b>	<b>4.7</b>	<b>3.4</b>	<b>1.7</b>	<b>(0.4)</b>	<b>14.5</b>	<b>15.6</b>

Source: Company Filing, Arianth Capital Research

## Balance Sheet

Y/e 31st March in mn	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Share Capital	140	140	140	140	140	140	140
Reserves & Surplus	28,197	27,347	27,582	27,764	27,738	29,516	31,451
<b>Networth</b>	<b>28,337</b>	<b>27,487</b>	<b>27,723</b>	<b>27,904</b>	<b>27,878</b>	<b>29,656</b>	<b>31,592</b>
Debt	6,305	9,354	7,003	8,155	6,885	5,385	3,885
Net deferred Tax liabilities	12	-	3	7	9	9	9
<b>Capital Employed</b>	<b>35,567</b>	<b>36,843</b>	<b>34,732</b>	<b>36,068</b>	<b>34,862</b>	<b>35,139</b>	<b>35,575</b>
Goodwill	320	1	4	7	14	14	14
Property, Plant and Equipment	405	545	438	1,224	1,490	1,497	2,997
Capital work in progress	-	-	93	67	1,012	1,012	1,012
Other Non-Current Assets	3,167	3,373	3,360	3,728	3,820	3,820	3,820
<b>Net Fixed Assets</b>	<b>3,572</b>	<b>3,918</b>	<b>3,891</b>	<b>5,020</b>	<b>6,321</b>	<b>6,328</b>	<b>7,828</b>
<b>Investments</b>	<b>316</b>	<b>319</b>	<b>324</b>	<b>17</b>	<b>99</b>	<b>99</b>	<b>99</b>
<b>Current Assets, Loans &amp; Advances</b>	<b>35,062</b>	<b>37,490</b>	<b>36,354</b>	<b>49,945</b>	<b>66,152</b>	<b>68,040</b>	<b>65,553</b>
Inventory	26,321	27,438	26,145	40,419	57,251	54,742	49,985
Debtors	3,706	3,698	3,352	2,705	1,496	4,424	5,516
Cash & Bank balance	911	832	516	645	888	1,778	2,869
Bank balance	568	830	475	323	694	694	694
Loans & advances and others	3,556	4,692	5,868	5,853	5,823	6,404	6,490
<b>Current Liabilities &amp; Provisions</b>	<b>3,703</b>	<b>4,885</b>	<b>5,841</b>	<b>18,921</b>	<b>37,724</b>	<b>39,342</b>	<b>37,920</b>
Liabilities	3,667	3,210	5,805	18,875	37,672	39,290	37,868
Provisions	36	1,675	35	46	52	52	52
<b>Net Current Assets</b>	<b>31,359</b>	<b>32,605</b>	<b>30,514</b>	<b>31,025</b>	<b>28,428</b>	<b>28,698</b>	<b>27,633</b>
<b>Application of Funds</b>	<b>35,567</b>	<b>36,843</b>	<b>34,732</b>	<b>36,068</b>	<b>34,862</b>	<b>35,139</b>	<b>35,575</b>

Source: Company Filing, Arianth Capital Research

## Cash Flow Statement

Y/e 31st March in mn	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>PBT</b>	<b>3,693</b>	<b>1,029</b>	<b>584</b>	<b>325</b>	<b>45</b>	<b>2,901</b>	<b>3,126</b>
Depreciation & amortisation	22	37	52	73	92	114	228
Interest expense	408	813	846	776	859	580	437
(Inc)/Dec in working capital	(2,862)	(2,291)	2,662	(1,136)	2,020	1,200	2,243
Tax paid	(1,203)	(420)	(231)	(152)	(70)	(870)	(938)
Less: Interest/Dividend Income Received	(104)	(127)	(166)	(208)	(267)	(284)	(284)
Other operating Cash Flow	(33)	178	(885)	14	(60)	494	(228)
<b>Cash flow from operating activities</b>	<b>(79)</b>	<b>(780)</b>	<b>2,861</b>	<b>(307)</b>	<b>2,620</b>	<b>4,134</b>	<b>4,584</b>
Capital expenditure	(43)	(158)	(162)	(183)	(181)	(8)	(1,500)
Inc/(Dec) in investments	(360)	-	-	-	8	(0)	(0)
Others	1,125	(20)	307	364	13	(297)	198
<b>Cash flow from investing activities</b>	<b>723</b>	<b>(178)</b>	<b>145</b>	<b>181</b>	<b>(160)</b>	<b>(305)</b>	<b>(1,302)</b>
Inc/(Dec) in share capital	7	11	7	13	13	-	-
Inc/(Dec) in debt	666	1,942	(2,328)	1,332	(1,650)	(1,500)	(1,500)
Dividend Paid	(256)	(1,074)	(142)	(142)	(215)	(253)	(253)
Others	(640)	-	(860)	(743)	(763)	(580)	(437)
<b>Cash flow from financing activities</b>	<b>(224)</b>	<b>879</b>	<b>(3,323)</b>	<b>459</b>	<b>(2,615)</b>	<b>(2,333)</b>	<b>(2,190)</b>
<b>Net cash flow</b>	<b>420</b>	<b>(79)</b>	<b>(316)</b>	<b>333</b>	<b>(155)</b>	<b>1,497</b>	<b>1,092</b>
Opening balance	491	911	832	103	436	280	1,778
<b>Closing balance</b>	<b>911</b>	<b>832</b>	<b>516</b>	<b>436</b>	<b>280</b>	<b>1,778</b>	<b>2,869</b>

## Per share data

Net Revenue	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
No. of shares (m)	140	140	140	140	140	140	140
Diluted no. of shares (m)	140	140	140	140	140	140	140
BVPS (INR)	202	196	197	199	198	211	225
CEPS (INR)	16.4	4.8	3.8	2.3	0.8	15.3	17.2
DPS (INR)	1.5	1.5	1.5	1.5	1.5	1.5	1.5

## Margins (%)

	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
EBITDA Margin(%)	44.0	30.0	22.3	18.6	17.7	30.7	31.3
EBIT Margin(%)	43.8	29.4	21.5	17.2	15.2	29.7	29.3
PAT Margin(%)	27.0	11.3	7.6	4.5	-1.4	18.4	19.0

## Growth Indicators (%)

	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Revenue(%)	-3.7	-34.6	9.7	-16.4	-29.4	197.3	4.0
EBITDA(%)	-11.9	-55.3	-18.5	-30.5	-32.7	415.8	6.0
Adj PAT(%)	4.9	-72.7	-27.6	-49.8	-123.3	-3739.0	7.8
Adj EPS(%)	4.9	-72.7	-27.7	-49.8	-123.3	-3739.0	7.8

## Valuation (x)

	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
P/E (x)	21.7	79.5	109.9	219.0	-938.9	25.8	23.9
P/BV (x)	1.8	1.9	1.9	1.9	1.9	1.8	1.7
EV/EBITDA (x)	1.4	5.1	4.5	7.9	9.4	1.1	0.3
EV/Sales (x)	0.6	1.5	1.0	1.5	1.7	0.3	0.1

	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
RoE (%)	8.7	2.4	1.7	0.9	-0.2	7.1	7.1
RoCE (%)	12.0	5.1	4.2	3.1	2.4	9.9	10.1
Asset/T.O (x)	0.3	0.2	0.2	0.1	0.1	0.3	0.3
Net Debt/Equity (x)	0.1	0.1	0.2	0.2	0.1	0.1	0.0
EBIT/Interest (x)	9.2	2.0	1.6	1.1	0.6	5.5	7.5

Source: Company Filing, Arianth Capital Research

## Arihant Research Desk

Email: [instresearch@arihantcapital.com](mailto:instresearch@arihantcapital.com)

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 <sup>st</sup> Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	Arihant House E-5 Ratlam Kothi Indore - 452003, (M.P.) Tel: (91-731) 3016100 Fax: (91-731) 3016199

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	Contact	Website	Email Id
<b>INH000002764</b>	<b>SMS: 'Arihant' to 56677</b>	<a href="http://www.arihantcapital.com">www.arihantcapital.com</a>	<a href="mailto:instresearch@arihantcapital.com">instresearch@arihantcapital.com</a>

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Arihant Capital Markets Ltd.  
1011, Solitaire Corporate park, Building No. 10, 1st Floor,  
Andheri Ghatkopar Link Road, Chakala, Andheri (E)  
Tel. 022-42254800 Fax. 022-42254880