

Current	Previous
CMP : Rs 330	
Rating : BUY	Rating : BUY
Target : Rs 434	Target : Rs 502

(NR-Not Rated)

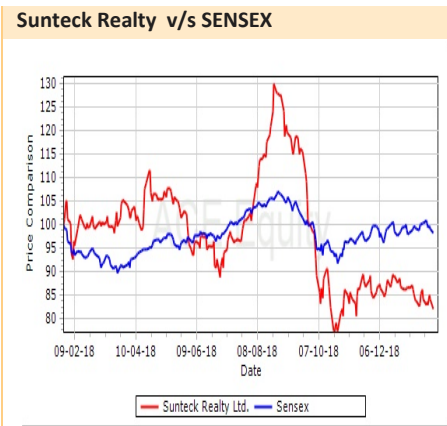
STOCK INFO	
INDEX	
BSE	512179
NSE	SUNTECK
Bloomberg	SRIN IN
Reuters	SUNT.BO
Sector	Real Estate
Face Value (Rs)	1
Equity Capital (Rsmn)	140
Mkt Cap (Rsmn)	46,311
52w H/L (Rs)	527 / 296
Avg Weekly Vol (BSE+NSE)	819,310

SHAREHOLDING PATTERN	%
(As on December, 2018)	
Promoters	67.0
Public & Others	33.0

Source: ACE Equity, Arihant Research

Stock Performance (%)	3m	6m	12m
Sunteck Realty	6.0	-18.8	-18.8
SENSEX	6.9	-4.5	-1.1

Source: ACE Equity, Arihant Research



Source: ACE Equity, Arihant Research

Sunteck Realty (SRL) reported stable set of numbers. SRL's revenue for Q3FY19 saw a de-growth of 3.4% YoY to Rs 1.9bn while for 9MFY19 revenue declined 14% YoY, mainly due to higher base of last year as during 9MFY18, SRL first time recognised revenue from its Sunteck City project, which led to higher base. EBITDA witnessed 8.6% YoY decline to Rs 814mn, though on nine-month basis EBITDA grew 3.8% YoY to Rs 2.7bn in 9MFY19. EBITDA margin saw an expansion of 794bps YoY to 46.2% against 38.3% in 9MFY18, though it contracted 239bps YoY for Q3FY19 period. PAT for the quarter declined by 21.2% YoY to Rs 439mn though on 9MFY19 basis PAT saw 5.1% YoY rise to Rs 1.6bn against Rs 1.5bn in 9MFY18. We remain positive on SRL from a longer term perspective and maintain our BUY rating with a revised target price of Rs 434, giving an upside of 31.5%.

Q3FY19 and 9MFY19 Operational Highlights

- During the quarter, SRL has done pre-sales (new bookings) of Rs 3.1bn (199% YoY increase) and collections of Rs 1.5bn (52% YoY increase). The whopping increase in the pre-sales number was mainly on account of overwhelming response the company got in its Naigaon Project "Sunteck West World" – Phase I. SRL sold 381 units with a total sales turnover of Rs 1302mn in Q3FY19, which is over and above 1015 units it sold in Q2FY19.
- In Q3FY19, the company has seen good sales traction at its BKC projects and continue to register increased inquiry levels and sales. SRL did pre-sales of Rs 1113mn in its BKC projects for Q3FY19 by selling 3 units. In Sunteck City, SRL sold 15 units while in Signia Waterfront and Signia High, SRL sold 10 units and 4 units respectively during Q3FY19.

Valuations

After factoring in Q3FY19 results of the company and listening to the management commentary in its post result conference call, we have revised our FY19E and FY20E estimates upwards and introduced FY21E estimates. Though we are positive on the stock, however we are increasing our discount to the NAV from 40% earlier to 50% now to factor in the overall negative macro sentiment prevailing in the real estate sector. Our DCF method yields a NAV of Rs 869/share for SRL. Applying a 50% discount to our NAV, we arrive at a target price of Rs 434/share for SRL. At the CMP of Rs 330, SRL is currently available at a significant discount of 62% to its NAV of Rs 869, which is quite attractive given the company's future growth potential. We maintain our BUY rating on the stock with a revised TP of Rs 434, giving an upside of 31.5%.

Financial Performance

YE March (Rs Mn)	Net Sales	EBITDA	PAT	EPS (Rs)	EBITDA Margin %	RoE (%)	P/E (x)	EV/EBITDA (x)
FY17	9522	3481	2040	17.0	36.6	11.4	19.4	13.6
FY18	8883	3720	2142	15.3	41.9	8.1	21.6	13.4
FY19E	9483	3983	2455	17.5	42.0	9.2	18.9	12.5
FY20E	11889	4756	2950	21.0	40.0	10.5	15.7	10.7
FY21E	15693	6434	3999	28.5	41.0	13.5	11.6	8.0

Source: Company, Arihant Research

Q3FY19 Conference Call Highlights

- Pre-sales grew by 199% YoY during Q3FY19 to Rs 3,106 mn, while for 9MFY19 period, pre-sales grew by 127% YoY to Rs 9,133 mn
- Collections grew by 52% YoY during Q3FY19 to Rs 1,529 mn, while for 9MFY19 period, collections grew by 21% YoY to Rs 4,544 mn.
- During Q3FY19, the company sold total 413 units (0.32mn sq.ft. area) for an amount of Rs 3106mn, for which SRL received an advance of Rs 1529mn.
- The break-up of the 413 units sold are given below,---

S.No.	Project Name	Sales	Advances Received	Area Sold	Units Sold
		Rs Mn	Rs Mn	Lac Sq.Ft.	Nos.
1	Signature Island, BKC	863	561	0.2	2
2	Signia Isles, BKC	250	99	0.1	1
3	Signia Pearl, BKC	-	9	-	-
4	Sunteck City, Avenue 1 and 2, ODC	266	518	0.2	15
5	Signia Waterfront, Airoli	210	52	0.2	10
6	Signia High, Borivali	215	52	0.1	4
7	Gilbird Hill, Andheri W	-	9	-	-
8	Sunteck West World, Phase 1, Naigaon	1,302	229	2.6	381
Total		3,106	1,529	3.2	413

- The company is witnessing very good leasing demand in BKC and has already commenced commercial construction in BKC junction
- Sunteck's projects at BKC, ODC as well as Naigaon are seeing very good demand
- The company is targeting to sell 10-12 units on yearly basis in its premium projects in BKC, -- for 9MFY19 period the company already sold 8 units and management is confident of achieving the target by year end
- In its ODC project, Sunteck has sold 65 units for 9MFY19 period, as against company's target of selling approx. 150 units in a year
- Sunteck management is confident that going forward collection figure will improve further and will be commensurate with the pace of its new bookings and pre-sales number, as such company is not overtly worried about this and is positive that collection figure will go up in next few quarters
- SRL management is expecting that in 2-3 years from now, the company will double its turnover from now and the management is taking every step to achieve this
- As far as timeline of project completion are concerned, Avenue 1 project is expected to be completed in 12 months, while for Avenue 2 project, completion is expected in 12-18 months
- Sunteck is targeting to launch 1-1.5mn sq. ft every year and the company is dedicated to achieve this target

Q3FY19 and 9MFY19 Financial Performance

Rs Mn (Consolidated)	Q3FY19	Q2FY19	Q3FY18	Q-o-Q %	Y-o-Y %	9MFY19	9MFY18	Y-o-Y %
Net Revenue	1,947	1,803	2,015	8.0%	-3.4%	5,861	6,816	-14.0%
Total Op. Expenses	1,133	1,023	1,124	10.8%	0.8%	3,151	4,206	-25.1%
Operating Expenses	926	855	992	8.4%	-6.6%	2,616	4,014	-34.8%
Employee Cost	27	40	23	-33.9%	17.8%	96	65	48.5%
Other expenditure	180	128	110	40.8%	64.3%	439	127	245.8%
EBITDA	814	780	891	4.4%	-8.6%	2,710	2,610	3.8%
Depreciation	7	5	5	42.9%	30.4%	16	12	25.0%
EBIT	807	775	885	4.1%	-8.8%	3,109	2,676	16.2%
Other Income	104	172	34	-39.7%	204.7%	415	79	427.3%
Finance costs	109	104	97	5.7%	12.5%	316	322	-1.9%
Exceptional items	-	-	-	NA	NA	-	-	NA
Profit before tax	802	844	822	-5.0%	-2.5%	2,794	2,354	18.7%
Tax expense	289	305	230	-5%	25.4%	990	679	45.8%
Profit after tax	513	539	592	-4.9%	-13.3%	1,803	1,675	7.6%
Minority/Associate	-74	-30	-35	145.4%	110.8%	-173	-124	39.9%
Net Profit	439	509	557	-13.8%	-21.2%	1,630	1,552	5.1%
Reported EPS (Rs)	3.13	3.63	3.97	-13.8%	-21.2%	11.62	11.06	5.1%
	Margin %	Margin %	Margin %	Basis Points (BPS)		Margin %	Margin %	BPS
EBITDA %	41.8	43.3	44.2	-146	-239	46.2	38.3	794
EBIT %	41.4	43.0	43.9	-154	-249	53.1	39.3	1379
PBT %	41.2	46.8	40.8	-564	37	47.7	34.5	1312
PAT %	22.5	28.2	27.6	-570	-509	27.8	22.8	505

Source: Company, Aриhant Research

Future Outlook

Over the past few quarters SRL is showing increased traction in its pre-sales volume and also witnessing robust collections. We believe, going forward, SRL's robust sales momentum coupled with strong execution of its ongoing projects would help it to register 20.9% revenue CAGR over FY18-21E period, while earnings are expected to report a 23.1% CAGR over the same period.

Valuations

After factoring in Q3FY19 results of the company and listening to the management commentary in its post result conference call, we have revised our FY19E and FY20E estimates upwards and introduced FY21E estimates. Though we are positive on the stock, however we are increasing our discount to the NAV from 40% earlier to 50% now to factor in the overall negative macro sentiment prevailing in the real estate sector. Our DCF method yields a NAV of Rs 869/share for SRL. Applying a 50% discount to our NAV, we arrive at a target price of Rs 434/share for SRL. At the CMP of Rs 330, SRL is currently available at a significant discount of 62% to its NAV of Rs 869, which is quite attractive given the company's future growth potential. We maintain our BUY rating on the stock with a revised target price of Rs 434, giving an upside potential of 31.5%.

Income Statement (Consolidated)

Y/E March (Rs Mn)	FY16	FY17	FY18	FY19E	FY20E	FY21E
Revenues	7,865	9,522	8,883	9,483	11,889	15,693
<i>Change (%)</i>	159.7%	21.1%	-6.7%	6.8%	25.4%	32.0%
Operating costs	4,952	5,656	4,898	4,742	6,420	8,474
Employee costs	76	129	98	152	178	235
Other expenses	337	257	167	607	535	549
Total Expenses	5,365	6,041	5,163	5,500	7,134	9,259
EBITDA	2,500	3,481	3,720	3,983	4,756	6,434
<i>EBITDA Margin (%)</i>	31.8%	36.6%	41.9%	42.0%	40.0%	41.0%
Other Income	76	82	93	427	476	471
Depreciation	21	23	17	19	24	29
Interest	143	455	421	454	494	534
PBT	2,412	3,084	3,375	3,936	4,713	6,341
Extra-ordinary	0	0	0	0	0	0
PBT after ext-ord.	2,412	3,084	3,375	3,936	4,713	6,341
Tax	819	872	1,078	1,378	1,649	2,219
<i>Rate (%)</i>	34.0%	28.3%	32.0%	35.0%	35.0%	35.0%
PAT	1,593	2,212	2,297	2,558	3,063	4,122
PAT after MI/Associates	1,628	2,040	2,142	2,455	2,950	3,999
<i>Change (%)</i>	138.8%	25.3%	5.0%	14.6%	20.2%	35.5%

Source: Company, Arianth Research

Balance Sheet (Consolidated)

Y/E March (Rs Mn)	FY16	FY17	FY18	FY19E	FY20E	FY21E
Sources of Funds						
Share Capital	120	120	140	140	140	140
Reserves & Surplus	16,223	17,833	26,163	26,548	27,956	29,480
Net Worth	16,343	17,953	26,303	26,688	28,097	29,620
Loan Funds	12,437	9,437	5,181	5,681	6,181	6,681
Minority Interest	555	706	775	870	870	870
Deferred Tax & other liabilities	39	481	112	112	113	113
Capital Employed	29,373	28,578	32,371	33,351	35,260	37,284
Application of Funds						
Gross Block	292	403	386	486	586	686
Less: Depreciation	169	192	209	228	252	282
Net Block	123	211	178	258	334	405
Goodwill	611	319	322	322	322	322
Deferred tax assets	7	297	216	216	216	216
Net fixed assets	741	828	716	796	872	943
Investments	507	3,412	2,412	2,412	2,412	2,412
Debtors	1,596	1,620	2,906	3,118	3,909	5,159
Inventories	37,681	28,017	26,927	27,280	31,662	37,147
Cash & bank balance	931	1,704	1,589	2,100	1,700	1,268
Loans & advances & other CA	3,116	1,205	2,014	2,466	2,994	3,397
Total current assets	43,323	32,547	33,436	34,965	40,264	46,972
Current liabilities	14,013	8,196	4,048	4,677	8,143	12,898
Provisions	1,184	12	145	145	145	145
Net current assets	28,125	24,338	29,244	30,143	31,976	33,929
Total Assets	29,373	28,578	32,371	33,351	35,260	37,284

Source: Company, Arianth Research

Cash Flow Statement (Consolidated)

Y/E March (Rs Mn)	FY16	FY17	FY18	FY19E	FY20E	FY21E
PBT	2,412	3,084	3,375	3,936	4,713	6,341
Depreciation	21	23	17	19	24	29
Interest & others	135	201	173	-75	-94	-59
Cash flow before WC changes	2,568	3,308	3,565	3,880	4,643	6,311
(Inc)/dec in working capital	-4,856	2,997	-5,011	-2,825	-5,165	-6,366
Operating CF after WC changes	-2,288	6,305	-1,446	1,055	-522	-55
Less: Taxes	-819	-872	-1,078	-1,378	-1,649	-2,219
Operating cash flow	-3,107	5,433	-2,525	-323	-2,172	-2,274
(Inc)/dec in fixed assets + CWIP	0	-109	95	-100	-100	-100
(Pur)/sale of investment	-208	-2,905	1,000	0	0	0
Cash flow from investing	-207	-3,014	1,095	-100	-100	-100
Free cash flow (FCF)	-3,117	5,322	-2,508	-423	-2,272	-2,374
Loan raised/(repaid)	2,904	-3,000	-4,257	500	500	500
Equity raised	1,142	0	20	0	0	0
Interest & others	-808	1,373	5,568	452	1,389	1,460
Dividend	-61	-18	-18	-18	-18	-18
Cash flow from financing activities	3,177	-1,645	1,314	934	1,871	1,942
Net inc /(dec) in cash	-137	774	-115	511	-400	-432
Opening balance of cash	1,068	931	1,704	1,589	2,100	1,700
Closing balance of cash	931	1,704	1,589	2,100	1,700	1,268

Source: Company, Arianth Research

Key Ratios (Consolidated)

Y/E March	FY16	FY17	FY18	FY19E	FY20E	FY21E
Per share (Rs)						
EPS	13.6	17.0	15.3	17.5	21.0	28.5
CEPS	13.7	17.2	15.4	17.6	21.2	28.7
BVPS	136.3	149.7	187.5	190.2	200.2	211.1
DPS	0.2	0.2	0.1	0.1	0.1	0.1
Payout (%)	1.2%	0.9%	0.8%	0.7%	0.6%	0.5%
Valuation (x)						
P/E	24.3	19.4	21.6	18.9	15.7	11.6
P/CEPS	24.0	19.2	21.4	18.7	15.6	11.5
P/BV	2.4	2.2	1.8	1.7	1.6	1.6
EV/EBITDA	20.4	13.6	13.4	12.5	10.7	8.0
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Return Ratios (%)						
EBIDTA Margin	31.8%	36.6%	41.9%	42.0%	40.0%	41.0%
PAT Margin	20.7%	21.4%	24.1%	25.9%	24.8%	25.5%
ROE	10.0%	11.4%	8.1%	9.2%	10.5%	13.5%
ROCE	8.4%	12.1%	11.4%	11.9%	13.4%	17.2%
Leverage Ratio (%)						
Total D/E	0.8	0.5	0.2	0.2	0.2	0.2
Net D/E	0.7	0.4	0.1	0.1	0.2	0.2
Turnover Ratios						
Asset Turnover (x)	0.3	0.3	0.3	0.3	0.3	0.4

Source: Company, Arianth Research

Arihant Research DeskEmail: research@arihantcapital.com

Tel. : 022-42254800

Head Office

#1011, Solitaire Corporate Park,
Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road
Chakala, Andheri (E).
Mumbai – 400093
Tel: (91-22) 42254800
Fax: (91-22) 42254880

Registered Office

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%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	research@arihantcapital.com

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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