

*Robust set of numbers from Sunteck, strong pre-sales and collection figures with lowest D/E ratio makes us bullish on Sunteck, maintain Buy with revised target price of Rs 569*

Current	Previous
CMP: Rs 467	
Rating: Buy	Rating: Buy
Target: Rs 569	Target: Rs 608

(NR-Not Rated)

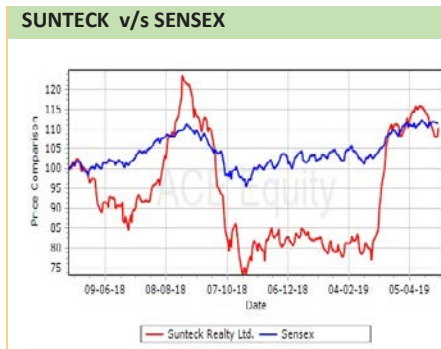
Stock Info	
INDEX	
BSE	512179
NSE	SUNTECK
Bloomberg	SRIN IN
Reuters	SUNT.BO
Sector	Real Estate
Face Value (Rs)	1
Shares Outstanding (Mn)	146.3
Market Cap (Rs Mn)	68,322
52w H/L (Rs)	527 / 296
Avg Weekly Vol (BSE+NSE)	587,450

Shareholding Pattern	%
<b>(As on March, 2019)</b>	
Promoters	67.2
Public & Others	32.8

Source: NSE, Arihant Research

Stock Performance (%)	3m	6m	12m
SUNTECK	35.6	34.7	10.1
SENSEX	6.8	11.3	11.0

Source: ACE Equity, Arihant Research



Source: ACE Equity, Arihant Research

**Sunteck Realty Ltd (SRL) reported strong set of numbers. Standalone results were robust, however consolidated results were below our estimate. Consolidated revenue for the quarter grew 30% YoY and 38% QoQ to Rs 2697mn against our estimate of Rs 3620mn. EBITDA for Q4FY19 came at Rs 888mn (estimate Rs 1270mn) a growth of 4% QoQ and de-growth of 17% YoY. EBITDA margin fell to 33% for the quarter against 44% in QoQ and 52% YoY, mainly due to revenue recognition from Naigaon Project which carries lower margin. PAT for the quarter stood at Rs 634mn which was below our estimate of Rs 830mn, a growth of 3% YoY and 29% QoQ. We remain positive on SRL from longer term perspective and maintain Buy rating with a revised target price of Rs 569, upside of 21.8%.**

#### Q4FY19 and FY19 Operational Highlights

- During Q4FY19, SRL has done pre-sales (new bookings) of Rs 2.9bn (+55% YoY) and collections of Rs 2.1bn (+34% YoY). The strong growth in the pre-sales number was mainly on account of strong sales momentum witnessed in its Naigaon as well as ODC Project. In Q4FY19, BKC contributed 17% to its pre-sales while ODC and Naigaon contributed 55% and 25% respectively. As far as collections are concerned, 48% collections came from BKC during the quarter, while ODC and Naigaon contributed 18% and 29% respectively.
- For FY19, SRL has done pre-sales (new bookings) of Rs 12bn (+105% YoY) and collections of Rs 6.6bn (+25% YoY). The whopping increase in the pre-sales number was mainly due to strong sales momentum witnessed in its Naigaon as well as ODC Project. In FY19, BKC contributed 27% to its pre-sales while ODC and Naigaon contributed 24% and 43% respectively. As far as collections are concerned, 40% collections came from BKC during FY19, while ODC and Naigaon contributed 34% and 15% respectively.

#### Valuations

Our DCF method yields a NAV of Rs 813/share for SRL. At CMP of Rs 467, SRL is trading at a P/E of 22.3x and 16.6x of its FY20E and FY21E earnings respectively. After factoring in Q4FY19 results we have tweaked our FY20E and FY21E estimates slightly. We continue to value SRL at a 30% discount to its NAV, which yields a target price of Rs 569/share for SRL. We are bullish on SRL from longer term perspective and maintain our Buy rating.

#### Financial Performance

YE March (Rs Mn)	Net Sales	EBITDA	PAT	EPS (Rs)	EBITDA Margin %	RoE (%)	P/E(x)
FY18	8,883	3,720	2,142	15.3	41.9	8.1	30.6
FY19	8,568	3,780	2,275	16.2	44.1	8.0	28.8
FY20E	11,889	4,756	2,936	20.9	40.0	8.5	22.3
FY21E	15,693	6,434	3,952	28.2	41.0	8.6	16.6

Source: Company, Arihant Research

## Q4FY19 Financial Performance

Rs Mn (Consolidated)	Q4FY19	Q3FY19	Q4FY18	Q-o-Q %	Y-o-Y %	FY19	FY18	Y-o-Y %
<b>Net Revenue</b>	<b>2,697</b>	<b>1,951</b>	<b>2,067</b>	<b>38.2%</b>	<b>30.5%</b>	<b>8,568</b>	<b>8,883</b>	<b>-3.5%</b>
Total Op. Expenses	1,809	1,099	993	64.6%	82.2%	4,788	5,161	-7.2%
Operating Expenses	1,598	926	884	72.5%	80.7%	4,214	4,898	-14.0%
Employee Cost	27	27	33	0.3%	-18.3%	123	98	26.1%
Other expenditure	184	145	76	26.5%	142.5%	451	165	173.2%
<b>EBITDA</b>	<b>888</b>	<b>852</b>	<b>1,074</b>	<b>4.2%</b>	<b>-17.3%</b>	<b>3,780</b>	<b>3,722</b>	<b>1.6%</b>
Depreciation	6	7	4	-10.7%	43.2%	22	17	29.8%
<b>EBIT</b>	<b>882</b>	<b>845</b>	<b>1,069</b>	<b>4.3%</b>	<b>-17.5%</b>	<b>4,101</b>	<b>3,796</b>	<b>8.1%</b>
Other Income	110	66	50	67.1%	120.0%	343	91	277.6%
Finance costs	92	109	98	-15.6%	-6.2%	408	421	-2.9%
Exceptional items	-	-	-	NA	NA	-	-	NA
<b>Profit before tax</b>	<b>900</b>	<b>802</b>	<b>1,021</b>	<b>12.2%</b>	<b>-11.9%</b>	<b>3,693</b>	<b>3,375</b>	<b>9.4%</b>
Tax expense	294	289	400	2%	-26.4%	1,284	1,078	19.1%
Profit after tax	605	513	621	18.0%	-2.6%	2,409	2,297	4.9%
Minority/Associate	40	-74	-31	-153.5%	-226.8%	-133	-155	-14.0%
<b>Net Profit</b>	<b>645</b>	<b>439</b>	<b>590</b>	<b>47.0%</b>	<b>9.3%</b>	<b>2,275</b>	<b>2,142</b>	<b>6.2%</b>
<b>Reported EPS (Rs)</b>	<b>4.60</b>	<b>3.13</b>	<b>4.20</b>	<b>47.0%</b>	<b>9.3%</b>	<b>16.21</b>	<b>15.26</b>	<b>6.2%</b>
	Margin %	Margin %	Margin %	Basis Points (BPS)		Margin %	Margin %	BPS
<b>EBITDA %</b>	32.9	43.7	52.0	-1075	-1902	44.1	41.9	222
<b>EBIT %</b>	32.7	43.3	51.7	-1063	-1904	47.9	42.7	514
<b>PBT %</b>	33.4	41.1	49.4	-774	-1604	43.1	38.0	511
<b>PAT %</b>	23.9	22.5	28.6	143	-463	26.6	24.1	245

Source: Company, Arianth Research

## Post Result Conference Call Highlights

- Sunteck sold 2 units in BKC during Q4FY19, with Rs 488 mn of sales and collection of Rs 988mn.
- In ODC project it sold 88 units during the quarter with Rs 1582mn of sales and collection of Rs 374mn.
- In its Naigaon project the company sold 223 units during the quarter with sales of Rs 732mn and collection of Rs 598mn.
- In Signia Waterfront the company sold 5 units during the quarter with sales of Rs 88 mn and collection of Rs 102mn.
- Debt/equity ratio stable for last 3 years for the company with lowest D/E.
- Later in the calendar year of 2019 the company plans to launch Phase II of Naigaon Project and next phase of ODC project.
- In ODC sales traction improved in Q4FY19, and to move the slow moving inventory the company offered discount in its ODC project (Avg rate per sq. ft decreased from RS 14,224 /sq. ft. To Rs 13,752/sq.ft).

## Consolidated Financials

## Income Statement (Consolidated)

Y/E March (Rs Mn)	FY16	FY17	FY18	FY19	FY20E	FY21E
<b>Revenues</b>	7,865	9,522	8,883	8,568	11,889	15,693
<i>Change (%)</i>	159.7%	21.1%	-6.7%	-3.5%	38.8%	32.0%
Operating costs	4,952	5,656	4,898	4,214	6,420	8,474
Employee costs	76	129	98	123	178	235
Other expenses	337	257	167	451	535	549
<b>Total Expenses</b>	<b>5,365</b>	<b>6,041</b>	<b>5,163</b>	<b>4,788</b>	<b>7,134</b>	<b>9,259</b>
<b>EBITDA</b>	<b>2,500</b>	<b>3,481</b>	<b>3,720</b>	<b>3,780</b>	<b>4,756</b>	<b>6,434</b>
<i>EBITDA Margin (%)</i>	31.8%	36.6%	41.9%	44.1%	40.0%	41.0%
Other Income	76	82	93	343	476	471
Depreciation	21	23	17	22	32	47
Interest	143	455	421	408	458	538
<b>PBT</b>	<b>2,412</b>	<b>3,084</b>	<b>3,375</b>	<b>3,693</b>	<b>4,741</b>	<b>6,320</b>
Extra-ordinary	0	0	0	0	0	0
<b>PBT after ext-ord.</b>	<b>2,412</b>	<b>3,084</b>	<b>3,375</b>	<b>3,693</b>	<b>4,741</b>	<b>6,320</b>
Tax	819	872	1,078	1,284	1,659	2,212
<i>Rate (%)</i>	34.0%	28.3%	32.0%	34.8%	35.0%	35.0%
<b>PAT</b>	<b>1,593</b>	<b>2,212</b>	<b>2,297</b>	<b>2,409</b>	<b>3,082</b>	<b>4,108</b>
<b>MI &amp; Associates</b>	<b>34</b>	<b>-173</b>	<b>-155</b>	<b>-133</b>	<b>-146</b>	<b>-156</b>
<b>PAT after MI/Associates</b>	<b>1,628</b>	<b>2,040</b>	<b>2,142</b>	<b>2,275</b>	<b>2,936</b>	<b>3,952</b>
<i>Change (%)</i>	138.8%	25.3%	5.0%	6.2%	29.0%	34.6%

Source: Company, Arian Research

## Balance Sheet (Consolidated)

Y/E March (Rs Mn)	FY16	FY17	FY18	FY19	FY20E	FY21E
<b>Sources of Funds</b>						
Share Capital	120	120	140	140	140	140
Reserves & Surplus	16,223	17,833	26,163	28,197	34,402	45,815
<b>Net Worth</b>	<b>16,343</b>	<b>17,953</b>	<b>26,303</b>	<b>28,337</b>	<b>34,542</b>	<b>45,955</b>
<b>Loan Funds</b>						
Minority Interest	555	706	775	910	910	910
Deferred Tax & other liabilities	39	481	112	14	15	15
<b>Capital Employed</b>	<b>29,373</b>	<b>28,578</b>	<b>32,371</b>	<b>33,985</b>	<b>41,191</b>	<b>53,604</b>
<b>Application of Funds</b>						
Gross Block	292	403	386	642	942	1,242
Less: Depreciation	169	192	209	231	263	310
Net Block	123	211	178	412	680	932
Goodwill	611	319	322	598	598	598
Deferred tax assets	7	297	216	160	160	160
<b>Net Fixed Assets</b>	<b>741</b>	<b>828</b>	<b>716</b>	<b>1,170</b>	<b>1,438</b>	<b>1,691</b>
<b>Investments</b>						
Debtors	1,596	1,620	2,906	3,135	3,257	4,299
Inventories	37,681	28,017	26,927	26,321	26,385	34,826
Cash & bank balance	931	1,704	1,589	1,479	10,171	14,932
Loans & advances & other CA	3,116	1,205	2,014	4,523	7,170	8,213
<b>Total Current Assets</b>	<b>43,323</b>	<b>32,547</b>	<b>33,436</b>	<b>35,457</b>	<b>46,983</b>	<b>62,270</b>
Current liabilities	14,013	8,196	4,048	5,183	9,772	12,898
Provisions	1,184	12	145	36	36	36
<b>Net Current Assets</b>	<b>28,125</b>	<b>24,338</b>	<b>29,244</b>	<b>30,238</b>	<b>37,175</b>	<b>49,336</b>
<b>Total Assets</b>	<b>29,373</b>	<b>28,578</b>	<b>32,371</b>	<b>33,985</b>	<b>41,191</b>	<b>53,604</b>

Source: Company, Arian Research

**Cash Flow Statement (Consolidated)**

Y/E March (Rs Mn)	FY16	FY17	FY18	FY19	FY20E	FY21E
<b>PBT</b>	<b>2,412</b>	<b>3,084</b>	<b>3,375</b>	<b>3,693</b>	<b>4,741</b>	<b>6,320</b>
Depreciation	21	23	17	22	32	47
Interest & others	135	201	173	-68	-163	-89
Cash flow before WC changes	2,568	3,308	3,565	3,647	4,610	6,278
<b>(Inc)/dec in working capital</b>	<b>-4,856</b>	<b>2,997</b>	<b>-5,011</b>	<b>-712</b>	<b>-928</b>	<b>-11,098</b>
Operating CF after WC changes	-2,288	6,305	-1,446	2,934	3,682	-4,819
Less: Taxes	-819	-872	-1,078	-1,284	-1,659	-2,212
<b>Operating Cash Flow</b>	<b>-3,107</b>	<b>5,433</b>	<b>-2,525</b>	<b>1,650</b>	<b>2,022</b>	<b>-7,031</b>
(Inc)/dec in fixed assets + CWIP	0	-109	95	-476	-300	-300
(Pur)/sale of investment	-208	-2,905	1,000	-165	0	0
<b>Investing Cash Flow</b>	<b>-207</b>	<b>-3,014</b>	<b>1,095</b>	<b>-642</b>	<b>-300</b>	<b>-300</b>
<b>Free cash flow (FCF)</b>	<b>-3,117</b>	<b>5,322</b>	<b>-2,508</b>	<b>1,394</b>	<b>1,722</b>	<b>-7,331</b>
Loan raised/(repaid)	2,904	-3,000	-4,257	-458	1,000	1,000
Equity raised	1,142	0	20	0	0	0
Interest & others	-808	1,373	5,568	-407	6,223	11,346
Dividend	-61	-18	-18	-253	-253	-253
<b>Financing Cash Flow</b>	<b>3,177</b>	<b>-1,645</b>	<b>1,314</b>	<b>-1,118</b>	<b>6,969</b>	<b>12,093</b>
<b>Net inc /(dec) in cash</b>	<b>-137</b>	<b>774</b>	<b>-115</b>	<b>-110</b>	<b>8,691</b>	<b>4,762</b>
Opening balance of cash	1,068	931	1,704	1,589	1,479	10,171
Closing balance of cash	931	1,704	1,589	1,479	10,171	14,932

Source: Company, Arianth Research

**Key Ratios (Consolidated)**

Y/E March	FY16	FY17	FY18	FY19	FY20E	FY21E
<b>Per share (Rs)</b>						
EPS	13.6	17.0	15.3	16.2	20.9	28.2
CEPS	13.7	17.2	15.4	16.4	21.2	28.5
BVPS	136.3	149.7	187.5	201.9	246.1	327.5
DPS	0.2	0.2	0.1	1.8	1.8	1.8
Payout (%)	1.2%	0.9%	0.8%	11.1%	8.6%	6.4%
<b>Valuation (x)</b>						
P/E	34.4	27.5	30.6	28.8	22.3	16.6
P/CEPS	34.0	27.2	30.4	28.5	22.1	16.4
P/BV	3.4	3.1	2.5	2.3	1.9	1.4
EV/EBITDA	27.0	18.3	18.6	18.2	12.8	8.9
Dividend Yield (%)	0.0%	0.0%	0.0%	0.4%	0.4%	0.4%
<b>Return Ratios (%)</b>						
EBIDTA Margin	31.8%	36.6%	41.9%	44.1%	40.0%	41.0%
PAT Margin	20.7%	21.4%	24.1%	26.6%	24.7%	25.2%
ROE	10.0%	11.4%	8.1%	8.0%	8.5%	8.6%
ROCE	8.4%	12.1%	11.4%	11.1%	11.5%	11.9%
<b>Leverage Ratio (%)</b>						
Total D/E	0.8	0.5	0.2	0.2	0.2	0.1
Net D/E	0.7	0.4	0.1	0.1	-0.1	-0.2
<b>Turnover Ratios</b>						
Asset Turnover (x)	0.3	0.3	0.3	0.3	0.3	0.3

Source: Company, Arianth Research

Inventory Days	2777	1808	2006	2280	1500	1500
Receivable Days	74	62	119	134	100	100
Payable days	705	315	172	222	300	300

Source: Company, Arianth Research

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**Stock Rating Scale**

	<b>Absolute Return</b>
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	<-5%

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