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13 January 2021

India Property

Reuters SUNT.NS
Bloomberg SRIN IN

Priced on 12 January 2021
CNX Nifty @ 14,563.5

12M hi/lo Rs443.85/146.75

12M price target Rs460.00
±% potential +21%

Shares in issue 140.4m
Free float (est.) 32.8%

Market cap US\$0.8bn

3M ADV US\$2.8m

Foreign s'holding 23.8%

Major shareholders
Kamal Khetan family 67.2%

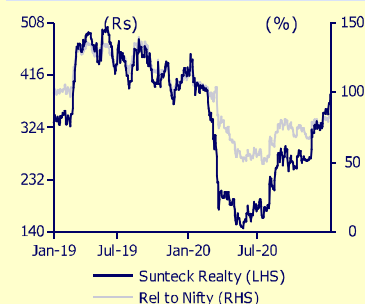
Blended ESG Score (%)*

Overall	71.7
Country average	68.6
GEM sector average	67.4

*Click to visit company page on clsa.com for details

Stock performance (%)

	1M	3M	12M
Absolute	16.6	51.0	(13.5)
Relative	8.2	23.7	(27.2)
Abs (US\$)	17.0	50.1	(16.4)



Source: Bloomberg

Back on a growth trajectory

Presales improve YoY, collections surge

Sunteck Realty 3QFY21 presales rose 7% YoY to Rs3.5bn and collections jumped to Rs2.5bn, up 52% YoY. With a strong launch pipeline and execution pace ramp-up, presales and collections are likely to show sustained medium-term growth. Sunteck is one of the few developers that acquired new projects during lockdown. It continues to ramp up its portfolio via an asset-light approach. We are positive on value-accretive acquisition potential. We maintain a BUY rating, raise our target price from Rs345 to Rs460, increase FY21-23 presales assumptions, and trim WACC from 14% to 12% on a reduced risk outlook and overall interest-rate decline.

Operational performance - 3QFY21

Sunteck reported strong presales of Rs3.5bn, up 75% QoQ and 7% YoY, led by steady sales in ready inventory and a healthy response to newly launched projects (launched second tower in Sunteck City 4th Avenue, Oshiwara District Centre). Collections have finally started to catch up with presales, improving to Rs2.5bn (up 79% QoQ and 52% YoY), driven by a ramp-up in project execution.

Improved outlook on presales and collections in the medium term

During the past few years, Sunteck has built a strong launch pipeline via new acquisitions, especially in the affordable and mid-income categories (about 90% of the portfolio). Demand remains strong in these segments and we expect a strong response to the new launches. Furthermore, strong presales in the past few years, coupled with a ramp-up in execution, are likely to result in improved collections.

Maintains growth focus, financial prudence

Even during lockdown, Sunteck acquired new projects totalling about 7msf (the highest among India developers and even higher than Godrej Properties). Such a feat implies Sunteck's brand strength, backed by a strong sales and execution track record. The company continues to follow an asset-light approach (joint development agreements) towards project acquisitions, maintaining financial prudence while focusing on growth.

Key beneficiary of Mumbai market consolidation

Sunteck is benefiting from consolidation – it added about 20msf of projects with revenue potential of Rs100bn in FY18-20 using nominal deposits of about Rs1bn. With its strong brand, faster velocity of sales (eg, Naigaon) and a healthy balance sheet (net D/E of 0.25x), Sunteck should benefit from accelerating Mumbai market consolidation. Our new Rs460 target price is derived from an NAV approach.

Financials

Year to 31 March	19A	20A	21CL	22CL	23CL
Revenue (Rsm)	8,568	6,078	7,477	10,975	12,438
Rev forecast change (%)	-	-	15.3	3.7	8.8
Net profit (Rsm)	2,411	1,011	926	1,544	1,880
NP forecast change (%)	-	-	20.7	4.6	3.7
EPS (Rs)	17.2	7.2	6.6	11.0	13.4
CL/consensus (7) (EPS%)	-	-	79	97	90
EPS growth (% YoY)	12.6	(58.1)	(8.4)	66.8	21.7
PE (x)	22.2	53.0	57.9	34.7	28.5
Dividend yield (%)	0.5	0.5	0.2	0.7	0.8
ROE (%)	8.8	3.5	3.1	5.0	5.9
Net debt/equity (%)	16.6	25.9	29.6	25.7	38.1

Source: www.clsa.com

Financials at a glance

Year to 31 March	2019A	2020A	2021CL	(% YoY)	2022CL	2023CL
Profit & Loss (Rsm)						
Revenue	8,568	6,078	7,477	23	10,975	12,438
Cogs (ex-D&A)	(4,214)	(3,367)	(4,611)		(6,767)	(7,345)
Gross Profit (ex-D&A)	4,354	2,712	2,866	5.7	4,207	5,093
SG&A and other expenses	(574)	(1,093)	(1,271)		(1,646)	(1,928)
Op Ebitda	3,780	1,618	1,595	(1.4)	2,561	3,165
Depreciation/amortisation	(22)	(36)	(36)		(36)	(36)
Op Ebit	3,758	1,583	1,560	(1.5)	2,525	3,129
Net interest inc/(exp)	(408)	(435)	(576)		(715)	(873)
Other non-Op items	343	237	237	0	237	237
Profit before tax	3,693	1,385	1,221	(11.8)	2,047	2,494
Taxation	(1,284)	(378)	(307)		(515)	(628)
Profit after tax	2,409	1,007	914	(9.2)	1,532	1,866
Minority interest	3	4	12	175.4	12	14
Net profit	2,411	1,011	926	(8.4)	1,544	1,880
Adjusted profit	2,411	1,011	926	(8.4)	1,544	1,880
Cashflow (Rsm)						
Operating profit	3,758	1,583	1,560	(1.5)	2,525	3,129
Depreciation/amortisation	22	36	36	0	36	36
Working capital changes	(2,862)	(1,834)	(2,185)		(361)	(5,875)
Other items	(1,037)	122	(295)		(503)	(614)
Net operating cashflow	(119)	(94)	(885)		1,697	(3,323)
Capital expenditure	(43)	(191)	0		0	0
Free cashflow	(161)	(284)	(885)		1,697	(3,323)
M&A/Others	765	(433)	0		0	0
Net investing cashflow	723	(624)	0		0	0
Increase in loans	666	1,952	750	(61.6)	500	4,000
Dividends	(256)	(256)	(108)		(361)	(440)
Net equity raised/other	(634)	(796)	(338)		(478)	(636)
Net financing cashflow	(224)	901	303	(66.3)	(339)	2,925
Incr/(decr) in net cash	380	183	(582)		1,358	(399)
Exch rate movements	-	-	-		-	-
Balance sheet (Rsm)						
Cash & equivalents	1,479	1,662	1,080	(35)	2,438	2,040
Accounts receivable	3,135	3,553	6,146	72.9	8,118	8,179
Other current assets	30,263	31,584	30,888	(2.2)	30,286	36,718
Fixed assets	405	551	515	(6.5)	480	444
Investments	2,776	2,760	2,760	0	2,760	2,760
Intangible assets	318	318	318	0	318	318
Other non-current assets	692	1,426	1,426	0	1,426	1,426
Total assets	39,068	41,855	43,133	3.1	45,826	51,884
Short-term debt	-	-	-		-	-
Accounts payable	1,503	1,654	1,642	(0.7)	2,410	2,616
Other current liabs	2,119	1,902	1,625	(14.6)	1,866	2,278
Long-term debt/CBs	6,346	9,217	9,967	8.1	10,467	14,467
Provisions/other LT liabs	(148)	(119)	(119)		(119)	(119)
Shareholder funds	28,337	29,201	30,019	2.8	31,202	32,642
Minorities/other equity	910	0	0		0	0
Total liabs & equity	39,068	41,855	43,133	3.1	45,826	51,884
Ratio analysis						
Revenue growth (% YoY)	(3.5)	(29.1)	23.0		46.8	13.3
Ebitda margin (%)	44.1	26.6	21.3		23.3	25.4
Ebit margin (%)	43.9	26.0	20.9		23.0	25.2
Net profit growth (%)	12.6	(58.1)	(8.4)		66.8	21.7
Op cashflow growth (% YoY)	nm	nm	nm		nm	(295.8)
Capex/sales (%)	0.5	3.1	0.0		0.0	0.0
Net debt/equity (%)	16.6	25.9	29.6		25.7	38.1
Net debt/Ebitda (x)	1.3	4.7	5.6		3.1	3.9
ROE (%)	8.8	3.5	3.1		5.0	5.9
ROIC (%)	8.1	3.5	3.3		5.2	6.0

Source: www.clsa.com

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We would like to thank Evalueserve for its help in preparing our research reports. Ashit Jain (Consumer), Akshay Chandak (Strategy), Ayush Gandhi (Strategy), Mohit Gupta (Auto), Mononita Mitra (Materials) and Zen Javeri (Power, Infra and Capital Goods) provide research support services to CLSA.

Improved outlook on operations

Sunteck reported strong presales of Rs3.5bn, up 75% QoQ and 7% YoY, led by steady sales in ready inventory and a healthy response to newly launched projects (it launched the second tower in Sunteck City 4th Avenue, Oshiwara District Centre). Collections have finally started to catch up with presales, improving to Rs2.5bn (up 79% QoQ and 52% YoY), driven by a ramp-up in project execution. While sales for 9MFY21 are up 6% YoY, collections are down 15% YoY due to lockdown-led slowdown in execution pace in 1HFY21.

Figure 1

Quarterly and YTD performance

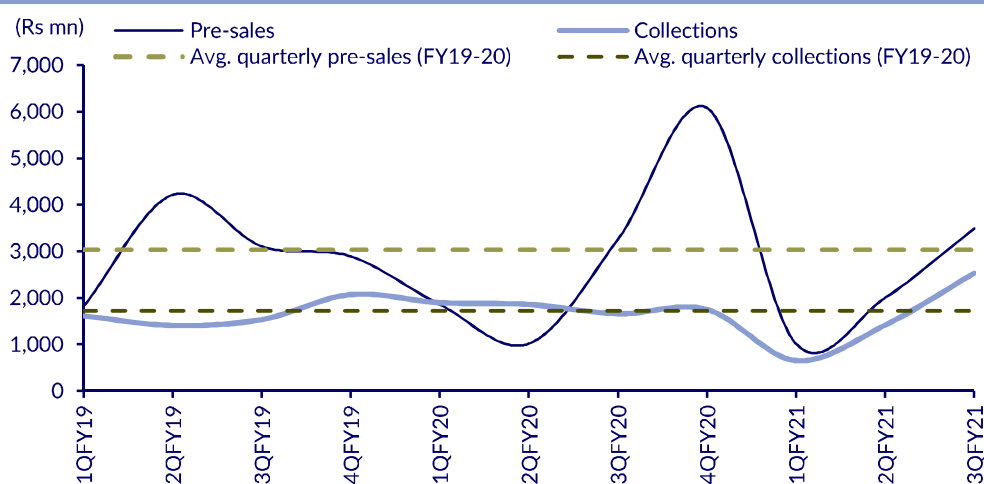
(Rsm)	Quarterly performance					YTD performance		
	3QFY20	2QFY21	3QFY21	QoQ	YoY	9MFY20	9MFY21	YoY
Presales	3,254	2,000	3,490	75%	7%	6,128	6,502	6%
Collections	1,655	1,410	2,520	79%	52%	5,401	4,581	(15%)

Source: Sunteck Realty

Presales and collections in 3QFY21 are above the average quarterly run rate of FY19-20. This is mainly on account of 1) industry consolidation, which has skewed demand towards well-reputed developers such as Sunteck, 2) product portfolio across price segments, 3) high demand for ready/near-ready inventory (Signia High, Gilbert Hill, Oshiwara District Centre), and 4) continued new launches, especially in the affordable/mid-income segment (Naigaon, Oshiwara District Centre). Management expects the sales and collections run rate to continue. Furthermore, improvement in collections was aided by a ramp-up in the execution run rate to pre-Covid levels (1HFY21 impact due to the lockdown and migration of labour).

Figure 2

Sales and collections trend



Source: Sunteck Realty

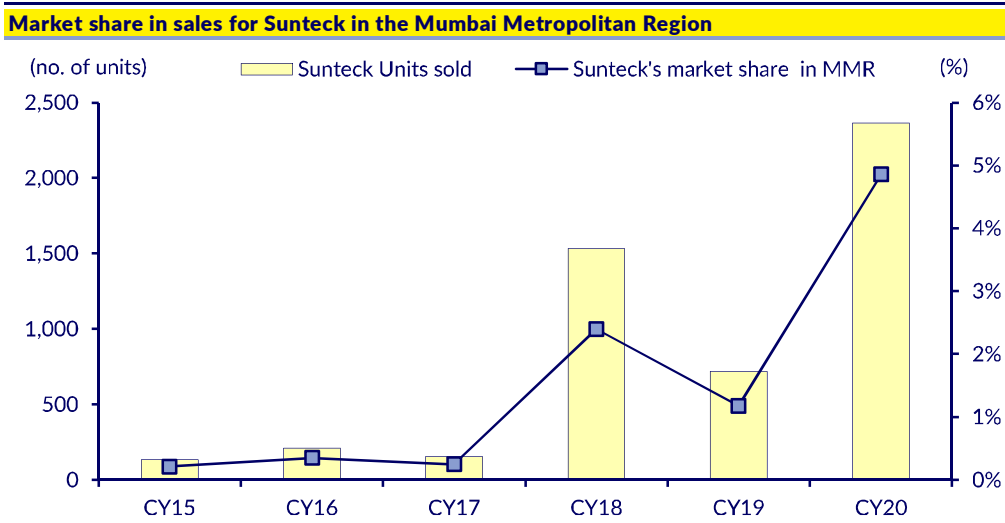
Operational growth YoY

Presales and collections are higher than pre-Covid averages

Sunteck has gained significant share, driven by a volume focus and industry consolidation

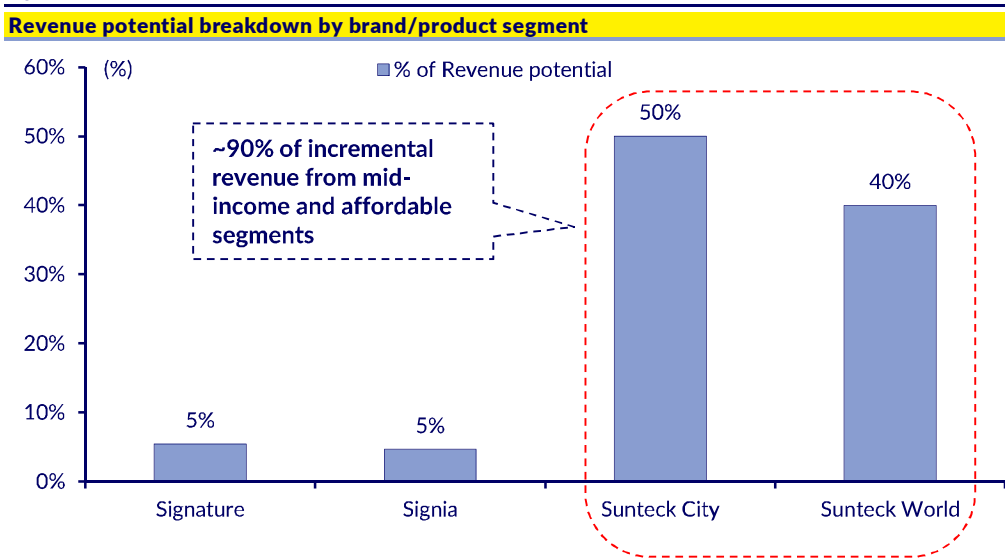
The portfolio is concentrated in the mid-income and affordable segments

Figure 3



Source: Sunteck Realty, Knight Frank

Figure 4



Source: Sunteck Realty. Note: Only residential brands are included for this analysis.

Focused on growth

Sunteck added about 20msf of projects with revenue potential of Rs100bn in FY18-20, using nominal deposits of about Rs1bn. Even during lockdown, Sunteck acquired new projects totalling about 7msf (the highest among India developers and even higher than Godrej Properties). Such a feat implies Sunteck's brand strength, backed by a strong sales and execution track record. The company continues to follow an asset-light approach (joint development agreements) towards project acquisitions, maintaining financial prudence while focusing on growth.

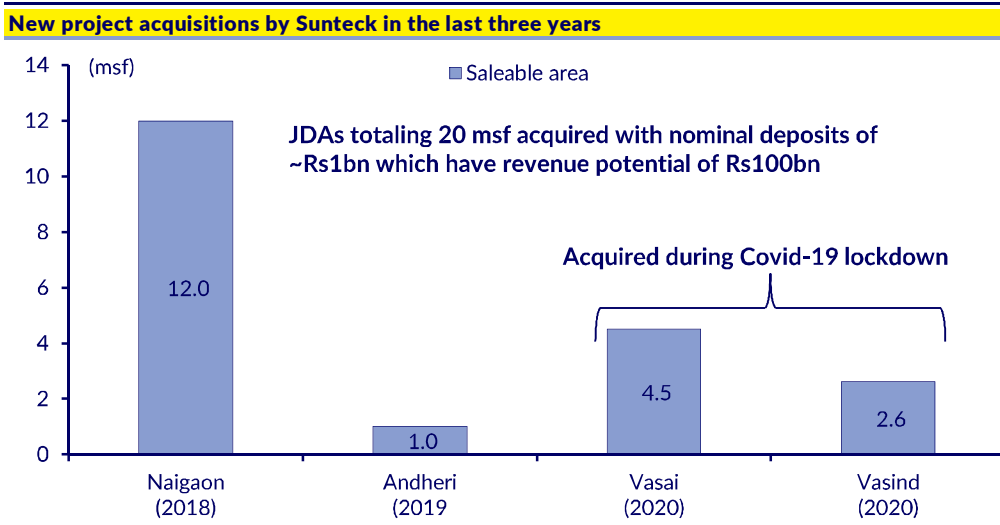
With its strong brand, faster velocity of sales (eg, Naigaon) and a healthy balance sheet (net D/E of 0.25x), we expect Sunteck to benefit from accelerating Mumbai market consolidation.

Sunteck has had large project acquisitions with nominal upfront payments

Sunteck acquired a larger portfolio than even Godrej Properties during the lockdown

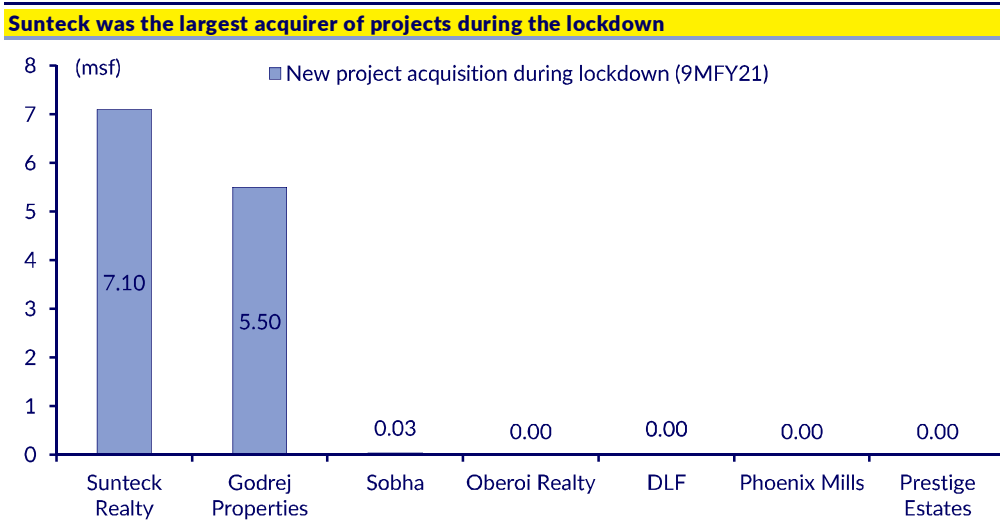
The company focuses on faster sales and execution

Figure 5



Source: Sunteck Realty

Figure 6

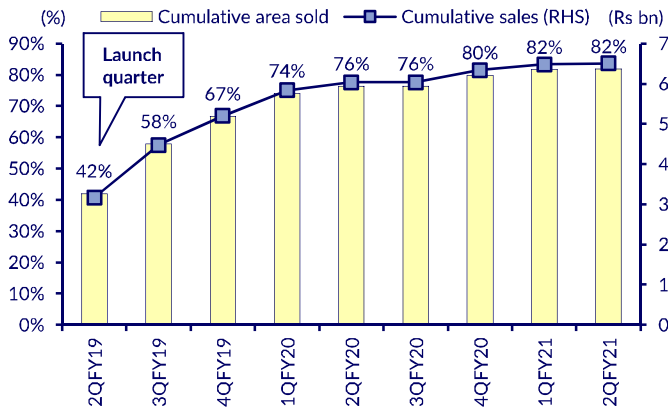


Source: companies

Preferred land-owner partner due to fast monetisation, healthy balance sheet
 Sunteck launched Naigaon project within four quarters of acquiring it. Moreover, it sold more than 70% of its launched inventory in Naigaon Phase 1 (Sunteck West World) within four quarters of launch. Furthermore, the company has completed construction of its first phase within 24 months, further driving buyer interest. Consequently, the launch of its phase 2 at Naigaon (Sunteck Maxx World) had a strong response with more than 70% of inventory sold within two quarters of launch.

Figure 7

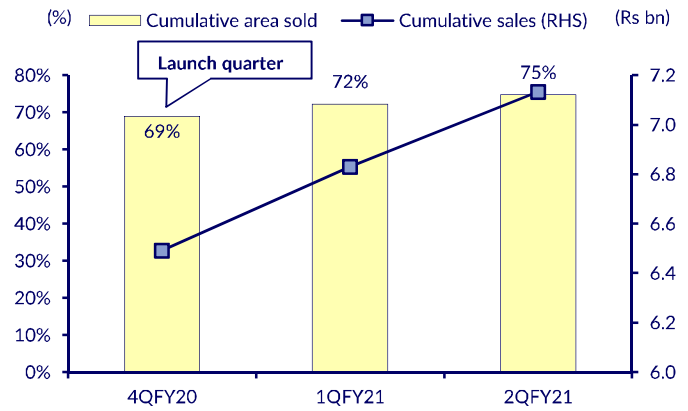
Sales performance of Sunteck West World (phase 1, Naigaon)



Source: Sunteck Realty

Figure 8

Sales performance of Sunteck Maxx World (phase 2, Naigaon)

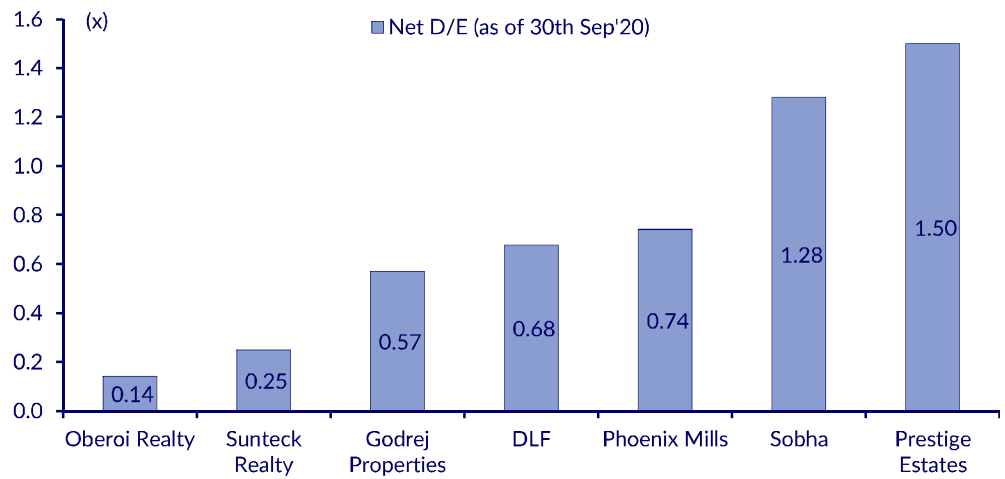


Source: Sunteck Realty

Sunteck's healthy balance sheet is a key attribute that land owners prefer

Figure 9

Comparison of gearing across leading developers



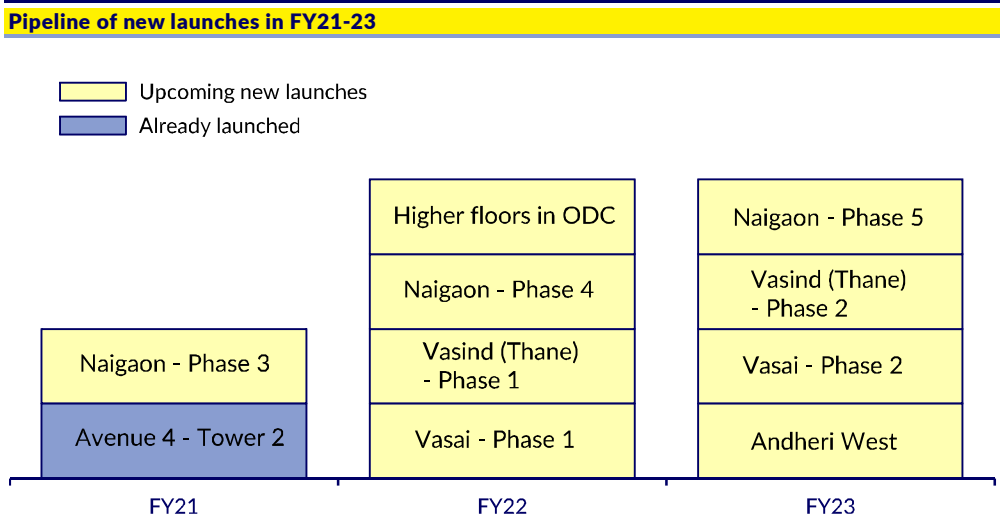
Source: companies

A strong pipeline of new project/phase launches is likely to drive presales growth

Why presales and collections run rate may continue to grow

During the past few years, Sunteck has built a strong launch pipeline via new acquisitions, especially in the affordable and mid-income categories (about 90% of the portfolio). Demand remains strong in these segments and we expect robust response to these new launches. During FY21-23, management plans to launch these newly acquired projects in a phased manner, which is likely to drive presales growth in the medium term.

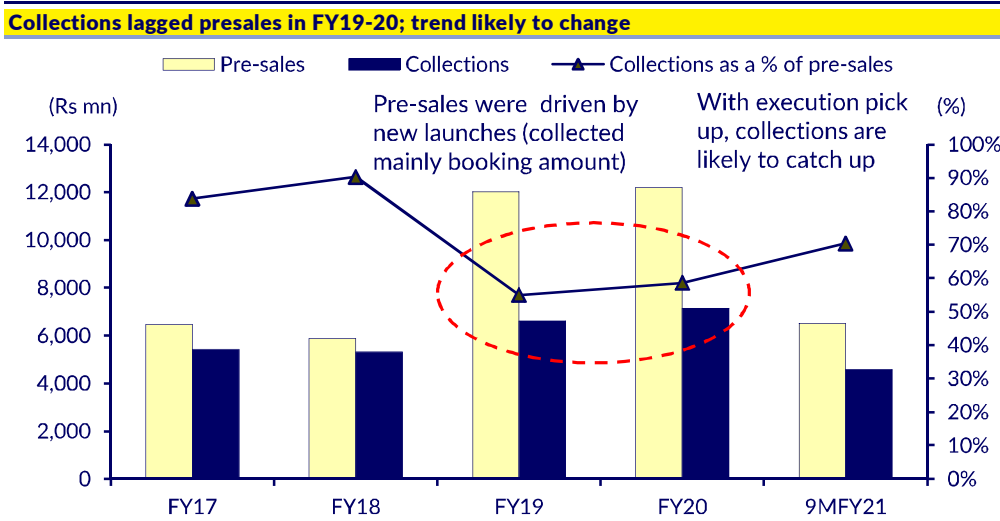
Figure 10



Source: Sunteck Realty

During FY19-20, Sunteck booked presales of Rs24bn, of which about 62% were from new launches (mainly Naigaon), where the company collected mainly the booking amount due to the launch stage. However, as the construction pace has picked up in newly launched projects/phases, the company should now be able to collect the construction-linked milestone payments, which should drive collections in the medium term (already seen in 3QFY21).

Figure 11



Source: Sunteck Realty

Collections are expected improve, driven by a ramp-up in execution

We increase our presales assumptions for FY21-23 by 14-17%

Change in operational estimates and valuation

Due to a revival in presales and collections to pre-Covid levels and improved visibility on new launches, we increase presales and collections assumptions for FY21-23. We also lower our WACC from 14% to 12% due to a reduced risk outlook and an overall decline in interest rates.

Figure 12

Changes in operational estimates						
(Rsm)	Revised estimates			Earlier estimates		
	FY21CL	FY22CL	FY23CL	FY21CL	FY22CL	FY23CL
Presales	9,861	13,760	17,942	8,487	11,796	15,695
% change from earlier estimates	16%	17%	14%	-	-	-
Collections	9,243	11,580	13,282	8,853	10,710	11,907
% change from earlier estimates	4%	8%	12%	-	-	-

Source: CLSA

Valuation- We raise our target price from Rs345 to Rs460

Figure 13

NAV-based valuation				
(Rsbn)	Area (msf)	Expected net cashflow	Monetisation period (number of years)	NPV
BKC projects				
Signature Island	0.7	7.4	4.0	5.9
Signia Isles	0.4	1.3	1.0	1.3
Signia Pearl	0.4	3.3	3.0	2.8
Subtotal	1.5	12.0	8.0	9.9
Goregaon (Oshiwara District Centre) projects				
Sunteck City - Avenue 1 & 2	1.4	7.9	3.0	7.0
Sunteck City - Avenue 4,5 &6	4.9	34.3	6-10	19.3
Subtotal	6.2	42.1	3.0	26.4
Naigaon project	12.0	25.0	9.0	18.4
Vasai project	4.5	10.6	7.0	7.1
Andheri West project	1.0	6.4	5.0	4.8
Vasind (Thane) project	2.6	1.9	4.0	1.5
Others	1.7	8.8	2-6	7.6
Total EV	29.5	106.9		75.8
Less: net debt				8.5
Equity value				67.3
Shares O/S (m)				146.4
Equity value per share (Rs)				460

Source: CLSA

Valuation details

Sunteck is a residential developer; thus we use an NAV approach to value the company. We build in no escalations in selling prices and cost escalation of 3% due to the stress in the overall industry. We assume a WACC of 12% . We assign no premium or discount to the NAV.

Investment risks

We believe the housing sector will be hindered by the economic slowdown and Covid-19 lockdown. Sunteck has about Rs16bn of ready inventory in the super-luxury segment (ticket size of more than Rs100m/unit), which may be challenging to sell in the mid term. Moreover, Sunteck's portfolio is concentrated in Mumbai, which remains a difficult market, with high unsold inventory due to high property prices.

Detailed financials

Profit & Loss (Rsm)

Year to 31 March	2017A	2018A	2019A	2020A	2021CL	2022CL	2023CL
Revenue	9,522	8,883	8,568	6,078	7,477	10,975	12,438
Cogs (ex-D&A)	(5,425)	(4,783)	(4,214)	(3,367)	(4,611)	(6,767)	(7,345)
Gross Profit (ex-D&A)	4,097	4,099	4,354	2,712	2,866	4,207	5,093
Research & development costs	-	-	-	-	-	-	-
Selling & marketing expenses	-	-	-	-	-	-	-
Other SG&A	(487)	(282)	(451)	(834)	(935)	(1,262)	(1,493)
Other Op Expenses ex-D&A	(129)	(98)	(123)	(259)	(336)	(384)	(435)
Op Ebitda	3,481	3,720	3,780	1,618	1,595	2,561	3,165
Depreciation/amortisation	(23)	(17)	(22)	(36)	(36)	(36)	(36)
Op Ebit	3,458	3,703	3,758	1,583	1,560	2,525	3,129
Interest income	0	0	0	0	0	0	0
Interest expense	(455)	(421)	(408)	(435)	(576)	(715)	(873)
Net interest inc/(exp)	(455)	(421)	(408)	(435)	(576)	(715)	(873)
Associates/investments	82	93	343	237	237	237	237
Forex/other income	-	-	-	-	-	-	-
Asset sales/other cash items	-	-	-	-	-	-	-
Provisions/other non-cash items	-	-	-	-	-	-	-
Asset revaluation/Exceptional items	-	-	-	-	-	-	-
Profit before tax	3,084	3,375	3,693	1,385	1,221	2,047	2,494
Taxation	(872)	(1,078)	(1,284)	(378)	(307)	(515)	(628)
Profit after tax	2,213	2,297	2,409	1,007	914	1,532	1,866
Preference dividends	-	-	-	-	-	-	-
Profit for period	2,213	2,297	2,409	1,007	914	1,532	1,866
Minority interest	(173)	(155)	3	4	12	12	14
Net profit	2,040	2,142	2,411	1,011	926	1,544	1,880
Extraordinaries/others	0	0	0	0	0	0	0
Profit available to ordinary shares	2,040	2,142	2,411	1,011	926	1,544	1,880
Dividends	(18)	0	(256)	(256)	(108)	(361)	(440)
Retained profit	2,022	2,142	2,156	756	817	1,183	1,440
Adjusted profit	2,040	2,142	2,411	1,011	926	1,544	1,880
EPS (Rs)	17.0	15.3	17.2	7.2	6.6	11.0	13.4
Adj EPS [pre excep] (Rs)	17.0	15.3	17.2	7.2	6.6	11.0	13.4
Core EPS (Rs)	17.0	15.3	17.2	7.2	6.6	11.0	13.4
DPS (Rs)	0.1	0.0	1.8	1.8	0.8	2.6	3.1

Profit & loss ratios

Year to 31 March	2017A	2018A	2019A	2020A	2021CL	2022CL	2023CL
Growth (%)							
Revenue growth (% YoY)	291.3	(6.7)	(3.5)	(29.1)	23.0	46.8	13.3
Ebitda growth (% YoY)	1,355.2	6.9	1.6	(57.2)	(1.4)	60.5	23.6
Ebit growth (% YoY)	1,494.3	7.1	1.5	(57.9)	(1.5)	61.9	23.9
Net profit growth (%)	788.0	5.0	12.6	(58.1)	(8.4)	66.8	21.7
EPS growth (% YoY)	788.0	(10.2)	12.6	(58.1)	(8.4)	66.8	21.7
Adj EPS growth (% YoY)	788.0	(10.2)	12.6	(58.1)	(8.4)	66.8	21.7
DPS growth (% YoY)	-	(100.0)	-	0.0	(57.6)	233.6	21.7
Core EPS growth (% YoY)	788.0	(10.2)	12.6	(58.1)	(8.4)	66.8	21.7
Margins (%)							
Gross margin (%)	43.0	46.1	50.8	44.6	38.3	38.3	40.9
Ebitda margin (%)	36.6	41.9	44.1	26.6	21.3	23.3	25.4
Ebit margin (%)	36.3	41.7	43.9	26.0	20.9	23.0	25.2
Net profit margin (%)	21.4	24.1	28.1	16.6	12.4	14.1	15.1
Core profit margin	21.4	24.1	28.1	16.6	12.4	14.1	15.1
Op cashflow margin	30.4	(26.5)	(1.4)	(1.5)	(11.8)	15.5	(26.7)
Returns (%)							
ROE (%)	12.0	9.7	8.8	3.5	3.1	5.0	5.9
ROA (%)	6.4	6.9	6.5	2.8	2.7	4.2	4.8
ROIC (%)	10.4	9.5	8.1	3.5	3.3	5.2	6.0
ROCE (%)	13.0	13.1	11.8	4.6	4.2	6.6	7.6
Other key ratios (%)							
Effective tax rate (%)	28.3	32.0	34.8	27.3	25.2	25.2	25.2
Ebitda/net int exp (x)	7.6	8.8	9.3	3.7	2.8	3.6	3.6
Exceptional or extraord. inc/PBT (%)	-	-	-	-	-	-	-
Dividend payout (%)	0.9	0.0	10.6	25.3	11.7	23.4	23.4

Source: www.clsa.com

Balance sheet (Rsm)

Year to 31 March	2017A	2018A	2019A	2020A	2021CL	2022CL	2023CL
Cash & equivalents	597	1,099	1,479	1,662	1,080	2,438	2,040
Accounts receivable	1,620	2,906	3,135	3,553	6,146	8,118	8,179
Inventories	28,017	26,927	26,321	27,203	26,507	25,904	32,337
Other current assets	1,175	879	3,942	4,381	4,381	4,381	4,381
Current assets	31,410	31,811	34,877	36,800	38,114	40,842	46,936
Fixed assets	141	128	405	551	515	480	444
Investments	3,482	2,461	2,776	2,760	2,760	2,760	2,760
Goodwill	318	318	318	318	318	318	318
Other intangible assets	0	0	0	0	0	0	0
Other non-current assets	1,202	1,681	692	1,426	1,426	1,426	1,426
Total assets	36,553	36,400	39,068	41,855	43,133	45,826	51,884
Short term loans/OD	-	-	-	-	-	-	-
Accounts payable	1,381	1,082	1,503	1,654	1,642	2,410	2,616
Accrued expenses	-	-	-	-	-	-	-
Taxes payable	0	0	0	0	0	0	0
Other current liabs	7,309	2,715	2,119	1,902	1,625	1,866	2,278
Current liabilities	8,690	3,798	3,622	3,556	3,267	4,276	4,894
Long-term debt/leases/other	9,437	5,680	6,346	9,217	9,967	10,467	14,467
Convertible bonds	-	-	-	-	-	-	-
Provisions/other LT liabs	(234)	(157)	(148)	(119)	(119)	(119)	(119)
Total liabilities	17,894	9,322	9,821	12,654	13,115	14,624	19,242
Share capital	120	140	140	140	140	140	140
Retained earnings	5,766	7,702	9,748	10,612	11,429	12,612	14,052
Reserves/others	12,068	18,462	18,449	18,449	18,449	18,449	18,449
Shareholder funds	17,953	26,303	28,337	29,201	30,019	31,202	32,642
Minorities/other equity	706	775	910	0	0	0	0
Total equity	18,659	27,078	29,248	29,201	30,019	31,202	32,642
Total liab & equity	36,553	36,400	39,068	41,855	43,133	45,826	51,884
Total debt	9,437	5,680	6,346	9,217	9,967	10,467	14,467
Net debt	8,840	4,581	4,867	7,555	8,887	8,029	12,427
Adjusted EV	51,866	56,481	56,596	58,403	59,735	58,877	63,276
BVPS (Rs)	149.7	187.5	201.9	208.0	213.9	222.3	232.5

Balance sheet ratios

Year to 31 March	2017A	2018A	2019A	2020A	2021CL	2022CL	2023CL
Key ratios							
Current ratio (x)	3.6	8.4	9.6	10.3	11.7	9.6	9.6
Growth in total assets (% YoY)	(11.9)	(0.4)	7.3	7.1	3.1	6.2	13.2
Growth in capital employed (% YoY)	0.7	12.5	11.6	6.5	6.0	0.9	15.3
Net debt to operating cashflow (x)	3.1	(1.9)	(41.0)	(80.7)	(10.0)	4.7	(3.7)
Gross debt to operating cashflow (x)	3.3	(2.4)	(53.4)	(98.4)	(11.3)	6.2	(4.4)
Gross debt to Ebitda (x)	2.7	1.5	1.7	5.7	6.2	4.1	4.6
Net debt/Ebitda (x)	2.5	1.2	1.3	4.7	5.6	3.1	3.9
Gearing							
Net debt/equity (%)	47.4	16.9	16.6	25.9	29.6	25.7	38.1
Gross debt/equity (%)	50.6	21.0	21.7	31.6	33.2	33.5	44.3
Interest cover (x)	7.6	8.8	9.2	3.6	2.7	3.5	3.6
Debt cover (x)	0.3	(0.4)	0.0	0.0	(0.1)	0.2	(0.2)
Net cash per share (Rs)	(73.7)	(32.7)	(34.7)	(53.8)	(63.3)	(57.2)	(88.5)
Working capital analysis							
Inventory days	1,995.3	2,096.3	2,306.1	2,901.5	2,126.0	1,413.4	1,447.1
Debtor days	61.5	93.0	128.7	200.8	236.7	237.2	239.1
Creditor days	89.1	94.0	112.0	171.1	130.5	109.3	124.9
Working capital/Sales (%)	232.3	303.0	347.5	519.6	451.6	311.0	321.6
Capital employed analysis							
Sales/Capital employed (%)	35.7	29.6	25.6	17.0	19.8	28.8	28.3
EV/Capital employed (%)	194.3	188.1	168.9	163.6	157.8	154.2	143.8
Working capital/Capital employed (%)	82.9	89.6	88.9	88.5	89.2	89.4	90.9
Fixed capital/Capital employed (%)	0.5	0.4	1.2	1.5	1.4	1.3	1.0
Other ratios (%)							
PB (x)	2.6	2.0	1.9	1.8	1.8	1.7	1.6
EV/Ebitda (x)	14.9	15.2	15.0	36.1	37.4	23.0	20.0
EV/OCF (x)	17.9	(24.0)	(476.3)	(623.8)	(67.5)	34.7	(19.0)
EV/FCF (x)	17.9	(23.7)	(350.7)	(205.5)	(67.5)	34.7	(19.0)
EV/Sales (x)	5.4	6.4	6.6	9.6	8.0	5.4	5.1
Capex/depreciation (%)	30.8	193.2	194.7	532.8	0.0	0.0	0.0

Source: www.clsa.com

Cashflow (Rsm)

Year to 31 March	2017A	2018A	2019A	2020A	2021CL	2022CL	2023CL
Operating profit	3,458	3,703	3,758	1,583	1,560	2,525	3,129
Operating adjustments	(338)	8	165	542	12	12	14
Depreciation/amortisation	23	17	22	36	36	36	36
Working capital changes	619	(5,079)	(2,862)	(1,834)	(2,185)	(361)	(5,875)
Interest paid/other financial expenses	-	-	-	-	-	-	-
Tax paid	(864)	(1,002)	(1,203)	(420)	(307)	(515)	(628)
Other non-cash operating items	0	0	0	0	0	0	0
Net operating cashflow	2,898	(2,353)	(119)	(94)	(885)	1,697	(3,323)
Capital expenditure	(7)	(33)	(43)	(191)	0	0	0
Free cashflow	2,891	(2,385)	(161)	(284)	(885)	1,697	(3,323)
Acq/inv/disposals	421	1,510	(360)	(121)	-	-	-
Int, invt & associate div	69	(2)	1,125	(313)	-	-	-
Net investing cashflow	483	1,475	723	(624)	0	0	0
Increase in loans	(2,900)	(4,259)	666	1,952	750	500	4,000
Dividends	(18)	0	(256)	(256)	(108)	(361)	(440)
Net equity raised/others	(782)	5,638	(634)	(796)	(338)	(478)	(636)
Net financing cashflow	(3,700)	1,379	(224)	901	303	(339)	2,925
Incr/(decr) in net cash	(319)	502	380	183	(582)	1,358	(399)
Exch rate movements	-	-	-	-	-	-	-
Opening cash	917	597	1,099	1,479	1,662	1,080	2,438
Closing cash	597	1,099	1,479	1,662	1,080	2,438	2,040
OCF PS (Rs)	24.2	(16.8)	(0.8)	(0.7)	(6.3)	12.1	(23.7)
FCF PS (Rs)	24.1	(17.0)	(1.1)	(2.0)	(6.3)	12.1	(23.7)

Cashflow ratio analysis

Year to 31 March	2017A	2018A	2019A	2020A	2021CL	2022CL	2023CL
Growth (%)							
Op cashflow growth (% YoY)	148.4	(181.2)	nm	nm	nm	nm	(295.8)
FCF growth (% YoY)	147.8	(182.5)	-	-	-	-	(295.8)
Capex growth (%)	-	365.0	30.8	347.8	(100.0)	-	-
Other key ratios (%)							
Capex/sales (%)	0.1	0.4	0.5	3.1	0.0	0.0	0.0
Capex/op cashflow (%)	0.2	(1.4)	(35.8)	(203.6)	0.0	0.0	0.0
Operating cashflow payout ratio (%)	0.6	-	-	-	-	21.3	-
Cashflow payout ratio (%)	0.6	-	-	-	-	21.3	-
Free cashflow payout ratio (%)	0.6	-	-	-	-	21.3	-

DuPont analysis

Year to 31 March	2017A	2018A	2019A	2020A	2021CL	2022CL	2023CL
Ebit margin (%)	36.3	41.7	43.9	26.0	20.9	23.0	25.2
Asset turnover (x)	0.2	0.2	0.2	0.2	0.2	0.2	0.3
Interest burden (x)	0.9	0.9	1.0	0.9	0.8	0.8	0.8
Tax burden (x)	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Return on assets (%)	6.4	6.9	6.5	2.8	2.7	4.2	4.8
Leverage (x)	2.2	1.6	1.3	1.4	1.4	1.5	1.5
ROE (%)	12.6	10.0	8.6	3.4	3.1	5.0	5.8

EVA® analysis

Year to 31 March	2017A	2018A	2019A	2020A	2021CL	2022CL	2023CL
Ebit adj for tax	2,480	2,520	2,451	1,151	1,167	1,890	2,342
Average invested capital	23,922	26,413	30,116	32,534	34,952	36,189	39,271
ROIC (%)	10.4	9.5	8.1	3.5	3.3	5.2	6.0
Cost of equity (%)	11.5	11.5	11.5	11.5	11.5	11.5	11.5
Cost of debt (adj for tax)	7.2	6.8	6.5	7.3	7.5	7.5	7.5
Weighted average cost of capital (%)	10.5	10.4	10.4	10.5	10.6	10.6	10.6
EVA/IC (%)	(0.1)	(0.9)	(2.2)	(7.0)	(7.2)	(5.4)	(4.6)
EVA (Rsm)	(32)	(231)	(666)	(2,273)	(2,528)	(1,937)	(1,810)

Source: www.clsa.com



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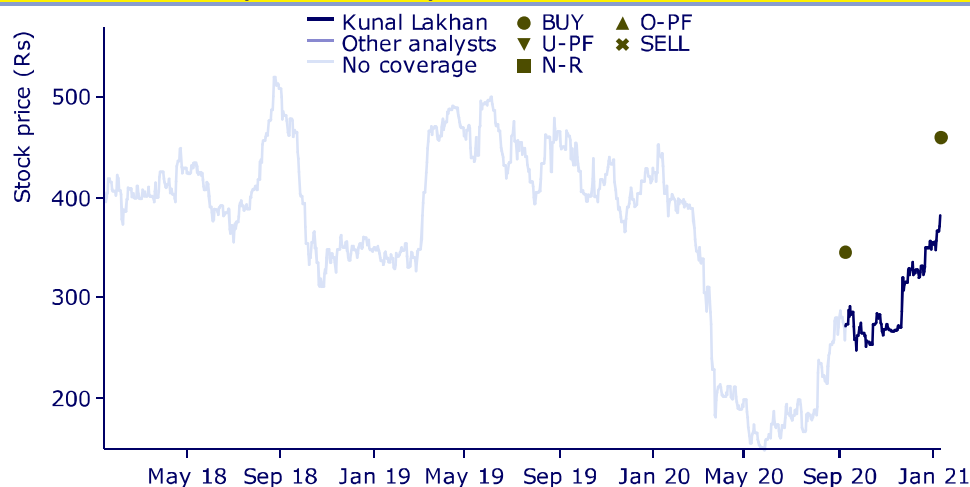
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Recommendation history of Sunteck Realty Ltd SRIN IN



Date	Rec	Target	Date	Rec	Target
LATEST	BUY	460.00	10 Sep 2020	BUY	345.00

Source: CLSA

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