

# Building a Solid Foundation

A recent Morgan Stanley note on Mumbai realtors to its clients shows that Sunteck Realty is the cheapest stock amongst its peers. The company's stock is available at a 60% discount to its gross March 2015 NAV compared to 18-47% discount in other companies. The net asset value is the discounted value of the cash flows from the future projects at a certain rate (14-15% usually).

The report looked at developers with strong balance sheets and high cash-flow visibility and does not include players such as DB realty and HDIL. It said Sunteck's stock is the cheapest, while shares of Godrej Properties and Oberoi Realty are the most expensive. In the March

2014 quarter, "We follow project completion method of accounting and, hence, we did not report any profit from our ongoing projects earlier," said Kamal Khaitan, chairman of Sunteck to ET. "But from this year onwards, we will have at least 3-4 projects completing every year which will ensure 25-30% growth in our earnings over the next few years."



**CHART**  
of the day

## Peer Group Comparison



	Mcap (₹ crore)	Gross NAV (Mar 2015)	Discount (%)	Long-term D/E
<b>Sunteck</b>	<b>2,100</b>	<b>5252.2</b>	<b>60.0</b>	<b>0.00</b>
Phoneix	4,105	6684.3	38.6	0.92
Mahindra Lifespaces	1,994	3312.4	39.8	0.96
Oberoi Realty	8,306	10203	18.6	0.00
Indiabull Real estate	4,494	8612.8	47.8	0.84
Godrej Properties	4,961	3560.0	-39.4	0.12

SOURCE: MORGAN STANLEY REPORT