

ICICI Securities Limited  
is the author and  
distributor of this report

## Real Estate

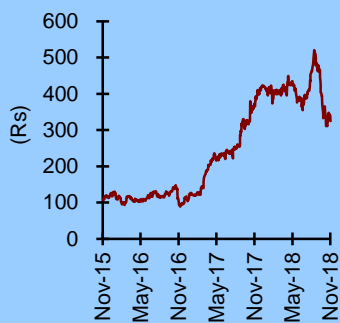
Target price Rs541

### Shareholding pattern

	Mar '18	Jun '18	Sep '18
Promoters	66.8	66.8	66.8
Institutional investors	28.2	28.0	27.9
MFs and UTI	3.7	3.1	2.4
FIs/Banks	0.0	0.1	0.2
Insurance	2.2	0.8	0.9
FIIIs	22.3	25.0	25.4
Others	5.0	5.2	5.4

Source: NSE

### Price chart



### Research Analyst:

Adhidev Chattopadhyay

adhudev.chattopadhyay@icicisecurities.com

+91 22 6637 7451

INDIA

**ICICI Securities**

## Sunteck Realty

**BUY**

**Maintained**

### Affordable housing launch drives sales

**Rs341**

Reason for report: Q2FY19 results review

Sunteck Realty (SRIN)'s Q2FY19 operating performance was boosted by the launch of the Westworld affordable housing project at Naigaon in Mumbai's extended western suburbs during the quarter. Post its fund raise in H2FY18 through QIP route and promoter fund infusion, SRIN has a low net D/E of 0.2x and has also rejigged its strategy by advancing monetisation of its Goregaon ODC land parcel by building annuity assets. Hence, SRIN offers a mix of exposure to luxury housing (BKC), premium housing (Goregaon ODC), annuity assets (Goregaon ODC) and affordable housing (Naigaon JDA land parcel). Accordingly, we retain our BUY rating on SRIN with an unchanged target price of Rs541, valuing the company on 1x FY19E NAV of Rs541/share including Rs62/share for the value of the Naigaon affordable housing land parcel.

- Naigaon project drives sales bookings:** SRIN reported Q2FY19 sales bookings of Rs4.2bn (up 2.5x YoY) and collections of Rs1.4bn (down 3% YoY) which were driven by sales bookings at its Naigaon affordable housing project where SRIN sold 1,015 units worth Rs3.2bn with balance coming mainly from BKC projects (Rs1.0bn). SRIN has continued the strong sales momentum in Naigaon post September 2018 with another 1,000 units of sales and has cumulatively sold ~2,000 of the 2,475 units launched for sale in the project for over Rs6bn.
- Sales momentum to be maintained in H2FY19:** We expect sales momentum to continue in H2FY19 on the back of renewed activations in ODC, Goregaon and Signia High, Borivali projects. Management has maintained guidance for sales volumes of 150-200 units in FY19E from its ongoing Avenue 1 and 2 projects at ODC (50 units sold in H1FY19) and is also planning to launch Avenue 3 and 4 residential project at ODC, Goregaon in H2FY19. Approvals for the commercial towers at ODC, Goregaon are expected to come in H2FY19 post which the company will commence construction activity at the site. As per SRIN's management, the company is not facing any funding related issues at company level and home buyers are not facing any issues with respect to disbursals of loans.
- Naigaon project commences revenue recognition:** SRIN has already commenced revenue recognition at its Naigaon project from Q2FY19 itself wherein it has booked Rs60mn of revenue under the revised INDAS 115 accounting method on launch itself. SRIN has ~73% revenue share will be launched over 3 phases having a total saleable area of ~10msf. We expect the project to deliver ~25% EBITDA margin over its life with a PAT margin of 18-20%.

Market Cap	Rs49.8bn/US\$689mn	Year to Mar	FY17	FY18	FY19E	FY20E
Reuters/Bloomberg	SUNT.BO/SRIN IN	Revenue (Rs bn)	9.5	8.9	13.9	25.0
Shares Outstanding (mn)	146.3	Rec. Net Income (Rs bn)	2.2	2.3	3.1	5.7
52-week Range (Rs)	521/311	EPS (Rs)	17.3	15.3	22.1	40.5
Free Float (%)	33.3	% Chg YoY	1,178.9	(11.9)	44.8	82.9
FII (%)	25.4	P/E (x)	19.7	22.3	15.4	8.4
Daily Volume (US\$/'000)	1,782	P/B (x)	2.3	1.8	1.7	1.4
Absolute Return 3m (%)	(26.3)	EV/E (x)	14.2	13.3	10.2	5.6
Absolute Return 12m (%)	(6.8)	Dividend yield (%)	0.4	0.6	0.9	1.2
Sensex Return 3m (%)	(6.9)	RoCE (%)	14.1	14.4	17.4	26.8
Sensex Return 12m (%)	8.0	RoE (%)	12.6	10.2	11.2	18.1

Please refer to important disclosures at the end of this report

**Table 1: Q2FY19 consolidated results***(Rs mn)*

	Q2FY19	Q2FY18	Q1FY19	YoY (%)	QoQ (%)
<b>Total Operating income</b>	<b>1,803</b>	<b>3,467</b>	<b>2,111</b>	(48.0)	(14.6)
Raw Materials	855	2,451	835	(65.1)	2.4
Personnel Cost	40	19	29	112.2	36.8
Other Expenses	128	5	131	2,493.5	(2.5)
<b>Total Expenses</b>	<b>1,023</b>	<b>2,475</b>	<b>995</b>	(58.7)	2.8
<b>EBITDA</b>	<b>780</b>	<b>993</b>	<b>1,116</b>	(21.4)	(30.1)
<i>EBITDA margin (%)</i>	43.3	28.6	52.9	1,464	(959)
Interest (Net)	104	122	103	(15.2)	0.5
Depreciation	5	3	4	42.7	34.3
Other Income	172	43	139	297.3	24.1
<b>Profit Before Tax</b>	<b>844</b>	<b>910</b>	<b>1,148</b>	(7.3)	(26.5)
Taxation	305	225	397	35.2	(23.2)
<b>Profit After Tax before MI/Associate</b>	<b>539</b>	<b>685</b>	<b>751</b>	(21.3)	(28.2)
MI/Associate share	7	(42)	(11)		
<b>Reported PAT</b>	<b>547</b>	<b>643</b>	<b>740</b>	(14.9)	(26.2)
<i>Net margin (%)</i>	30.3	18.5	35.1	1,179	(476)

Source: Company data, I-Sec research

## Valuations & views

- We like SRIN because it: (1) enjoys strong brand recall in Mumbai, (2) has strong balance sheet with net debt of 0.2x, and (3) rejigged strategy of advancing monetisation of its Goregaon ODC land parcel by building annuity assets.
- We have valued SRIN on SoTP basis with a combination of DCF-based NAV on FY19E basis.
- We value SRIN's affordable housing foray at Rs8.8bn or Rs62/share. We have assumed a total saleable area of ~10msf on the 100 acre land parcel with project launches over 3 phases and sales/construction cycle from FY19-FY26E.
- We retain **BUY** rating on SRIN with an unchanged target price of Rs541, valuing the company on 1x FY19E NAV of Rs541/share.

**Table 2: SoTP valuation**

Project	SRIN FY19E NAV Rs mn)	Rs/share	% of NAV
BKC residential	15,380	110	20.3
BKC commercial	2,026	14	2.7
ODC Goregaon Avenue 1 and 2	4,988	36	6.6
Other ongoing projects	2,989	21	3.9
ODC Goregaon Avenue 3 and 4	13,237	94	17.4
ODC Goregaon Avenue 5 and 6 (Commercial and Retail)	23,269	166	30.7
Naigaon Affordable Housing	8,746	62	11.5
Land Bank	5,247	37	6.9
<b>Total NAV</b>	<b>75,881</b>	<b>541</b>	<b>100.0</b>

Source: I-Sec research

## Summary financials (consolidated)

**Table 3: Earnings Statement**
*(Rs mn, year ending March 31)*

	FY17	FY18	FY19E	FY20E
<b>Net Sales</b>	<b>9,522</b>	<b>8,883</b>	<b>13,860</b>	<b>25,038</b>
<b>Operating Expenses</b>	<b>6,041</b>	<b>5,163</b>	<b>8,687</b>	<b>15,723</b>
<b>EBITDA</b>	<b>3,481</b>	<b>3,720</b>	<b>5,173</b>	<b>9,315</b>
<i>% margins</i>	37%	42%	37%	37%
Depreciation & Amortisation	23	24	25	26
Interest expenses	455	421	400	490
Other Income	82	93	102	112
Exceptional items	(51)	(57)	-	-
<b>PBT</b>	<b>3,135</b>	<b>3,425</b>	<b>4,850</b>	<b>8,911</b>
Less: Taxes	872	1,078	1,601	2,941
<b>PAT before</b>				
<b>Minority/Associate</b>	<b>2,263</b>	<b>2,347</b>	<b>3,250</b>	<b>5,970</b>
Minority/Associate share	(81)	(92)	(150)	(300)
<b>Net Income (Reported)</b>	<b>2,182</b>	<b>2,255</b>	<b>3,100</b>	<b>5,670</b>

Source: Company data I-Sec research

**Table 4: Balance Sheet**
*(Rs mn, year ending March 31)*

	FY17	FY18	FY19E	FY20E
<b>Assets</b>				
Total Current Assets	32,535	36,176	35,792	34,546
<i>of which cash &amp; cash eqv.</i>	986	3,806	2,573	3,947
Total Current Liabilities & Provisions	8,448	9,292	10,221	11,242
<b>Net Current Assets</b>	<b>24,087</b>	<b>26,884</b>	<b>25,571</b>	<b>23,304</b>
Goodwill/Investments	4,119	4,799	5,299	5,799
Net Fixed Assets	139	115	90	64
Capital WIP	-	642	6,239	14,346
<b>Total Assets</b>	<b>28,346</b>	<b>32,441</b>	<b>37,198</b>	<b>43,513</b>
<b>Liabilities</b>				
Borrowings	9,663	5,663	7,663	8,663
Equity Share Capital	120	140	140	140
Reserves & Surplus*	17,834	26,136	28,744	33,759
<b>Net Worth</b>	<b>17,954</b>	<b>26,277</b>	<b>28,884</b>	<b>33,899</b>
Minority Interest	706	798	948	1,248
Deferred Taxes	(297)	(297)	(297)	(297)
<b>Total Liabilities</b>	<b>28,026</b>	<b>32,441</b>	<b>37,198</b>	<b>43,513</b>

Source: Company data I-Sec research

**Table 5: Cashflow Statement**
*(Rs mn, year ending March 31)*

	FY17	FY18	FY19E	FY20E
<b>PBT</b>	<b>3,135</b>	<b>3,425</b>	<b>4,850</b>	<b>8,911</b>
Depreciation	23	24	25	26
Non-Cash Adjustments	-	-	-	-
Working Capital Changes	(499)	23	80	3,642
Taxes Paid	(872)	(1,078)	(1,601)	(2,941)
<b>Operating Cashflow</b>	<b>1,787</b>	<b>2,393</b>	<b>3,355</b>	<b>9,638</b>
Capital Commitments	(5)	(642)	(5,596)	(8,108)
<b>Free Cashflow</b>	<b>1,782</b>	<b>1,751</b>	<b>(2,241)</b>	<b>1,531</b>
Other investing cashflow	840	(1,000)	(500)	(500)
<b>Cashflow from Investing Activities</b>	<b>835</b>	<b>(1,642)</b>	<b>(6,096)</b>	<b>(8,608)</b>
Issue of Share Capital	8	6,510	-	-
Inc (Dec) in Borrowings	(2,899)	(4,000)	2,000	1,000
Dividend paid	(139)	(328)	(492)	(656)
<b>Cashflow from Financing activities</b>	<b>(3,030)</b>	<b>2,182</b>	<b>1,508</b>	<b>344</b>
<b>Chg. in Cash &amp; Bank balances</b>	<b>(408)</b>	<b>2,933</b>	<b>(1,233)</b>	<b>1,375</b>

Source: Company data I-Sec research

**Table 6: Key Ratios**
*(Year ending March 31)*

	FY17	FY18	FY19E	FY20E
<b>Per Share Data (Rs)</b>				
EPS	17.3	15.3	22.1	40.5
Cash EPS	18.4	16.3	22.3	40.6
Dividend per share (DPS)	1.5	2.0	3.0	4.0
Book Value per share (BV)	149.7	187.5	206.1	241.9
<b>Growth (%)</b>				
Net Sales	291.3	(6.7)	56.0	80.6
EBITDA	1,355.2	6.9	39.1	80.1
PAT	1,010.4	3.3	37.5	82.9
<b>Valuation Ratios (x)</b>				
P/E	19.7	22.3	15.4	8.4
P/BV	2.3	1.8	1.7	1.4
EV / EBITDA	14.2	13.3	10.2	5.6
Dividend Yield	0.4	0.6	0.9	1.2
<b>Operating Ratios</b>				
Debt/EBITDA (x)	2.8	1.5	1.5	0.9
Net D/E	0.5	0.1	0.2	0.1
<b>Profitability/Return Ratios (%)</b>				
RoE	12.6	10.2	11.2	18.1
RoCE	14.1	14.4	17.4	26.8
EBITDA Margins	36.6	41.9	37.3	37.2
Net Income Margins	22.9	25.4	22.4	22.6

Source: Company data I-Sec research

This report may be distributed in Singapore by ICICI Securities, Inc. (Singapore branch). Any recipients of this report in Singapore should contact ICICI Securities, Inc. (Singapore branch) in respect of any matters arising from, or in connection with, this report. The contact details of ICICI Securities, Inc. (Singapore branch) are as follows: Address: 10 Collyer Quay, #37-16 Ocean Financial Tower, Singapore - 049315, Tel: +65 6232 2451 and email: navneet\_babbar@icicisecuritiesinc.com, Rishi\_agrawal@icicisecuritiesinc.com.

"In case of eligible investors based in Japan, charges for brokerage services on execution of transactions do not in substance constitute charge for research reports and no charges are levied for providing research reports to such investors."

New I-Sec investment ratings (all ratings based on absolute return; All ratings and target price refers to 12-month performance horizon, unless mentioned otherwise)  
**BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return**

## ANALYST CERTIFICATION

We I, *Adhidev Chattopadhyay, MBA (Finance)* Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of the ICICI Securities Inc.

### Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities Limited is a SEBI registered Research Analyst with SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a wholly-owned subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

It is confirmed that *Adhidev Chattopadhyay, MBA (Finance)*; Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

It is confirmed that *Adhidev Chattopadhyay, MBA (Finance)* Research Analysts do not serve as an officer, director or employee of the companies mentioned in the report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or regulatory requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.