

CMP: INR 439
Outlook : Positive

Stock Info

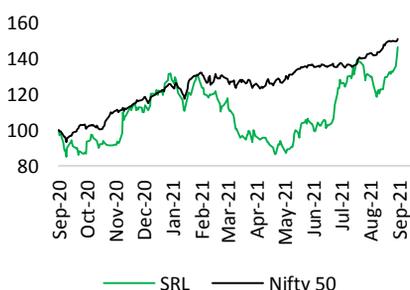
BSE	512179
NSE	SUNTECK
Bloomberg	SRIN:IN
Reuters	SUNT.NS
Sector	Realty
Face Value (Rs)	1
Equity Capital (INR cr)	14.04
Mkt Cap (INR cr)	6,431
52w H/L (INR)	449 / 244
Avg Yearly Volume (in 000')	740.2

Shareholding Pattern %

(As on June, 2021)

Promoters	67.2
DII	21.3
FII	4.0
Public & Others	7.6

SRL Vs Nifty



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Sunteck Realty Ltd (SRL) was incorporated in 2000, engaged in the business of real estate and incidental services. SRL is one of the fastest growing Mumbai based real estate company, focuses on city centric development portfolio of about ~38 million square feet spread across 19 projects. It has 5 brands; those are, **Signature:** Uber luxury residences, **Signia:** Ultra luxury residences, **Sunteck City:** Premium luxury residences, **Sunteck World:** Aspirational luxury residences, **Sunteck:** Commercial & Retail developments. The company developing projects at iconic destinations such as; Signature Island at Bandra Kurla Complex (BKC), Sunteck City in Oshiwara District Centre (ODC), Goregaon and SunteckWorld at Naigaon - the largest township of MMR's western Suburbs.

Key Highlights:

Strong Cashflow from Vasind after Naigaon – Affordable Segment: Vasind is the 2nd largest project consists of 4,000 units after Naigaon. Products ticket sizes are range between INR 23 lakhs to 33 lakhs. The project targets affordable segments which is having average family income of 5 lakhs to 10 lakhs. The project is located near by strong job corridors, manufacturing plants, SME's, logistic parks, ware houses etc likely to be main drivers for the demand.

Established presence in MMR Market: SRL is planning to launch 3-4 projects in the current fiscal to tap the increase in demand for residential properties. It had already acquired 3 significant portfolios in the western suburbs of the Mumbai Metropolitan Region (MMR) and is looking at more acquisitions to boost its portfolio. The company is also expecting higher prices and sales realizations in these targeted areas.

Significant acquisition in Shahad (Kalyan) Region: SRL has entered into a joint agreement with Amar Dye Chem. Ltd. to develop luxury integrated residential township at Shahad (Kalyan) under the asset light JDA model. The development is value accretive and the revenue potential is around INR 9,000cr over the next 7-8 years, thus facilitating its cash flow and balance sheet. On a standalone basis, the project would contribute INR 100 to the NAV of the company. The current agreement will strengthen the company's portfolio in the Eastern markets of MMR and will add further 10 mn sq. ft. to the existing portfolio.

New launches are key driver for strong sales outlook: SRL targets presales of ~INR 2,500cr in FYE23-E24 with strong annual growth. The presales will driven by launches across various phases from new projects such as, Vasind (2QFYE22 onwards), Vasai (3Q/4QFYE22 onwards), Borivali (FYE23 onwards) and new phases in already established ODC, Goregaon West and Naigaon. The launches are targeted in the growth-oriented affordable and mid income segments, especially within MMR market.

Steady growth in MMR market: MMR market sales were weak in Apr-May,2021 followed by revival in June 2021 and sales sustained in Jul-Aug, 2021. The govt allowed a window for four months (Apr-Jul, 2021) to register properties with low stamp duty which is transacted up to Mar,2021 resulted inflated registration during the period of Apr-Jul, 2021. new registrations sales up by 19% in Aug, 2021 vs Jul, 2021 after adjusted for spillover sales up to Mar,21. Having said that, MMR is offering the best affordability in a decade and unsold inventory is down to 2.3 years from over 3.5 years. These factors are structural tailwinds for the MMR RE market.

Outlook & Valuation : Sunteck Realty has presence in residential space across entire product spectrum. Post Covid, we have seen market share gain from unorganized to organized players and SRL is a big beneficiary of overall market share gain, strategic acquisition in MMR market, improved pre sales, upcoming launches in Vasind, Vasai, Borivali, Kalyan and Naigaon. Additionally, completion of Phase 2 and new launches of Phase 4 & 5 under ODC project, and recent joint agreement with Amar Dye Chem. Ltd. to develop luxury township in Kalyan will be key drivers for the company. The Kalyan project will individually contribute about INR 100 to the NAV of the company. Based on Bloomberg estimates, and at CMP of INR 439, the stock is trading at 0.9x its FY23E NAV of INR 470. We have Positive outlook on the stock.

Financials (in INR cr)	FY18	FY19	FY20	FY21
Revenue (cr)	888	857	608	614
EBITDA (cr)	367	378	162	137
EBITDAM (%)	41%	44%	27%	22%
PAT (cr)	214	228	100	42
PATM (%)	24%	27%	16%	7%
EPS (INR)	14.6	15.6	6.9	2.9

Source: Aриhant Research, Company Filings

Strong Cashflow from Vasind after Naigaon – Affordable Segment:

SRL plans to launch its Sunteck Forest World located in Vasind, Thane focused on festival season (Diwali) in Q3FY21. Vasind is the 2nd largest project consists of 4,000 units after Naigaon. Products ticket size range between INR 23 lakhs to 33 lakhs. The project targets affordable segments which is having average family income of 5 lakhs to 10 lakhs. The project is located near by strong job corridors, manufacturing plants, SME's, logistic parks, ware houses etc. likely to be main drivers for the demand.

Vasind project

Particulars	
Land area (acres)	50
Total developable area (msf)	2.6
- Residential area(msf)	2.48
- Retail area (msf)	0.13
Ownership structure	Joint Development Agreement (JDA)
Total units planned for sales	4,000
Total expected sales (INR cr)	1250
SRL revenue share (%)	80%
Land owner's share in the revenue (%)	20%
SRL revenue share (INR cr)	1000

Source: SRL Reports, Aриhant Capital Research

The Company plans to launch 1000 units in project 1st phase, 1BHKs and 2BHK ticket sizes range between INR 23Lakh to INR 33Lakh.

Unit Launches - Planned

Product Configuration	No of units	Area (sqft)	Ticket Size (INR Lakhs)	Selling Price (INR psf)	Sales Potential (INR cr)
1BHK	~500	380	23	6,053	115
2BHK	~500	500	33	6,600	165
Total	1,000				280

Source: Real Estate Regulatory Authority (RERA), Aриhant Capital Research

sqft - square feet

psf - per square feet

The affordable and mid segments focused more on 1BHK units, more than 80% of demand in Vasind for 1BHK units.

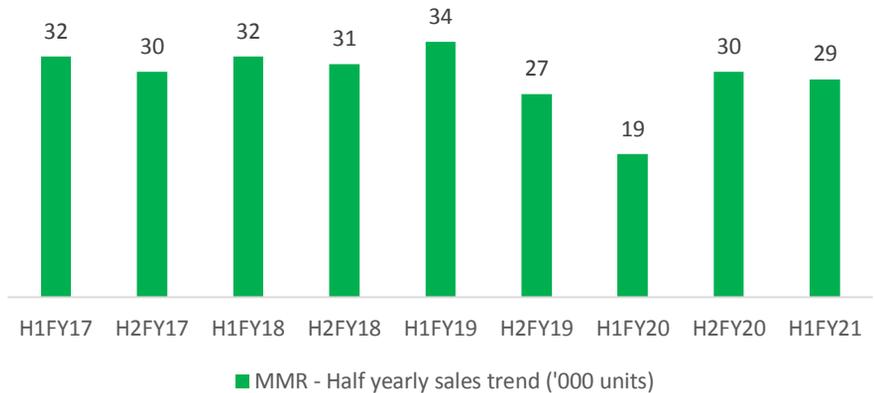
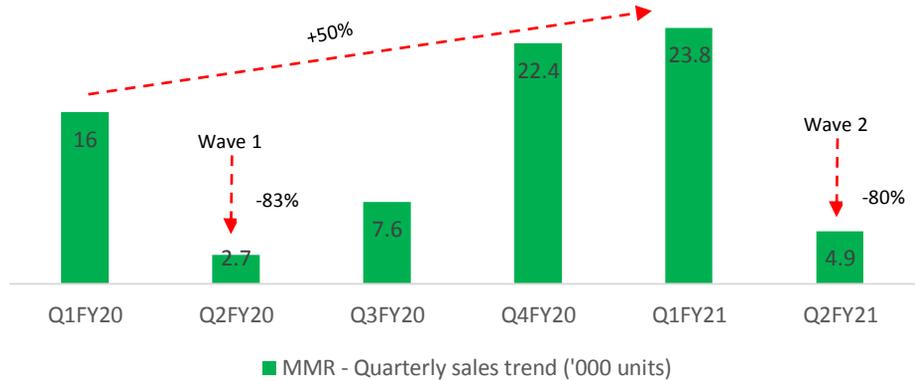
Vasind - Product demand concentration

Product Configuration	Area (sqft)	Demand
1BHK	350-450	82%
2BHK	500-550	11%
1 RK	<300	7%

Source: Liasas Foras

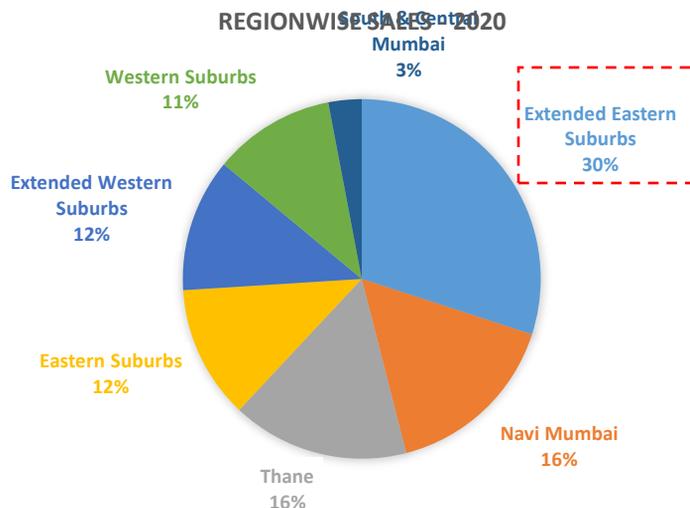
Steady growth in MMR Market:

Maharashtra govt was the 1st state in the country, imposed lockdown due to 2nd wave of covid, from 5th April, 2021 and partially lifted on 7th June,2021. The several home buyers closed the transactions before 31st Mar, 2021 to avail benefits of lower stamp duty. So, the sales drop happened in Apr – May, 2021. however, sales recovery indicated by developers in June and momentum sustained in Jul – Aug, 2021.



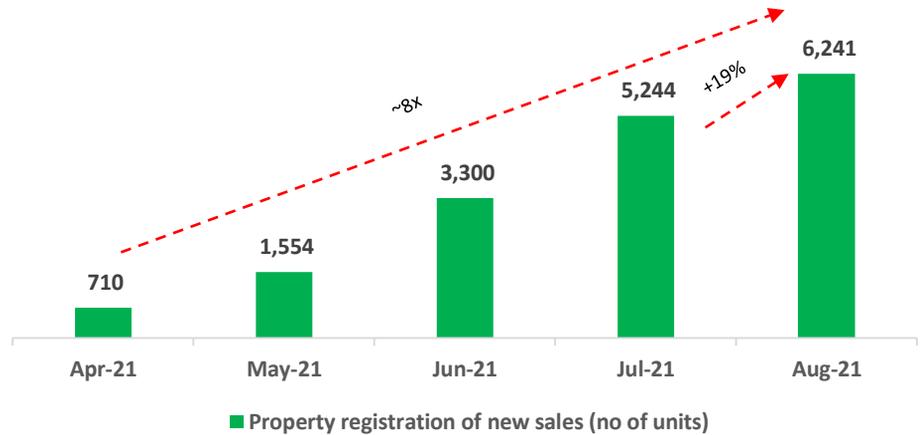
Source: Knight Frank, Aриhant Capital Research

Extended Eastern Suburbs accounts for 30% of sales in MMR market. Vasind is located in this region implies positive.



Source: Anarock, Aриhant Capital Research

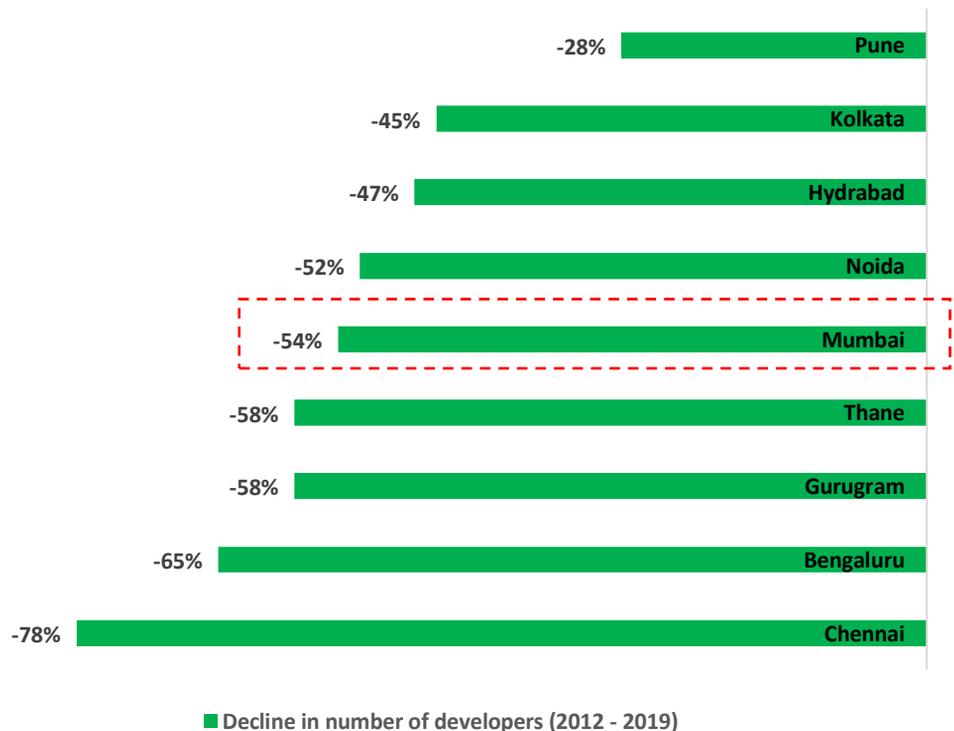
Robust pickup in new registration: The Maharashtra Govt given benefits for registration of properties to lower stamp duty which is transacted before 31st March, 2021. So, the sales drop happened in Apr – May, 2021, However, the new registration pickup up gradually and grew 8x from Apr - Aug, 2021. New sales registration stood at 6,241 units in Aug 2021 were actually 19% higher than Jul – 2021.



Source: Knight Frank, Aриhant Capital Research

Above sales excludes spill over of sales up to Mar'21 in Apr-Jul'21

Organized developers gaining market share: Tightening regulatory norms, changing customer preferences and funding scarcity for weaker players led to favor for organized developers. Small players were exit in a decade creates room for gaining market share of organized developers. In Mumbai region, more than 50% of small and unorganized developers exited from the period of 2012 to 2019. Sunteck Realty is one of the organized player benefits to gain market share due to decline in number of developers.



Source: Anarock, Aриhant Capital Research

New Launches - Sunteck City in ODC:

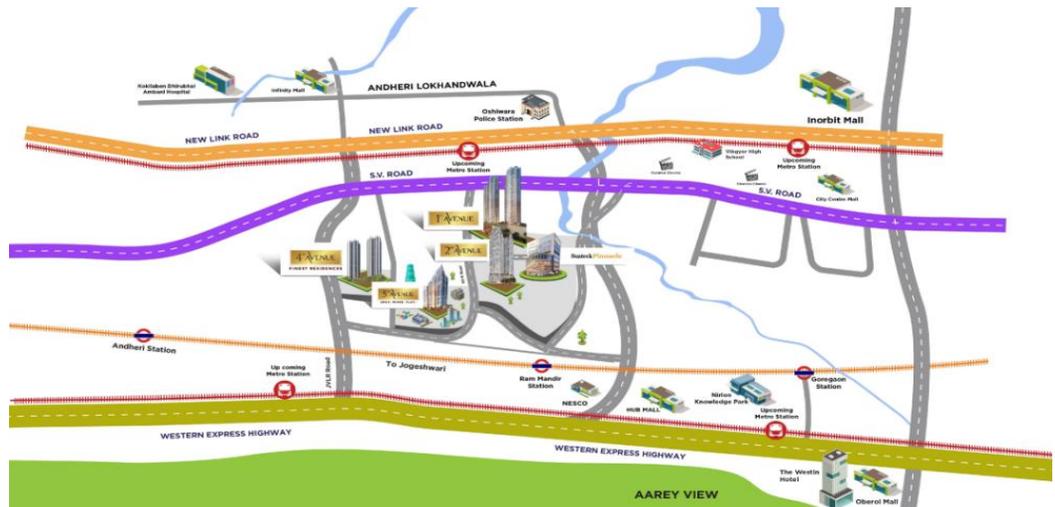
The project is ongoing at ODC (Oshiwara District Centre), designed to meet evolving demand in Mumbai regions. The Sunteck City Avenue 1 & 2 is spread across 7 acres, Avenue 4 & 5 is a part of future development on 16 acres with commercial, high street retail, multiplex & entertainment zones. The facilities are in ODC; social infrastructure, corporate centres, schools, hospitals, hotels and malls, all within 3km. The ODC project has Excellent connectivity to S.V Road, W.E. Highway and Link Road.

The Project lies between 3 metros:

1. Bandra-Kurla-Mankhurd
2. Versova-Andheri-Ghatkopar
3. Colaba-Mahim-Charkop.

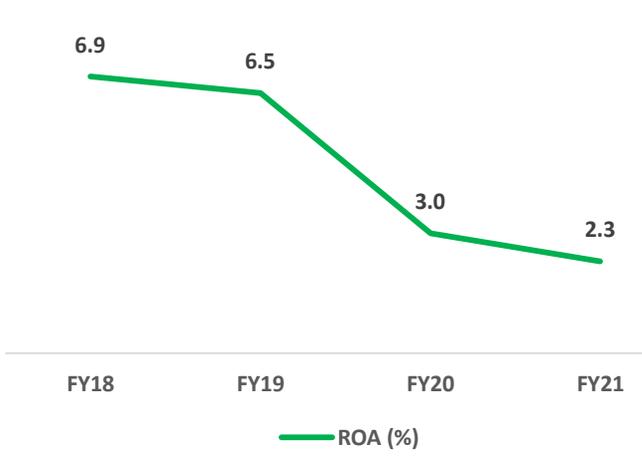
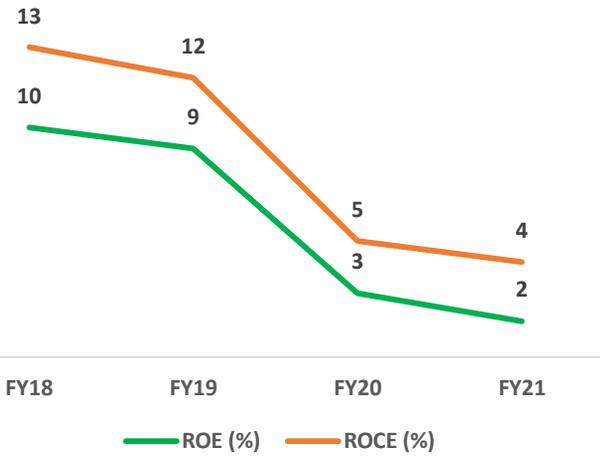
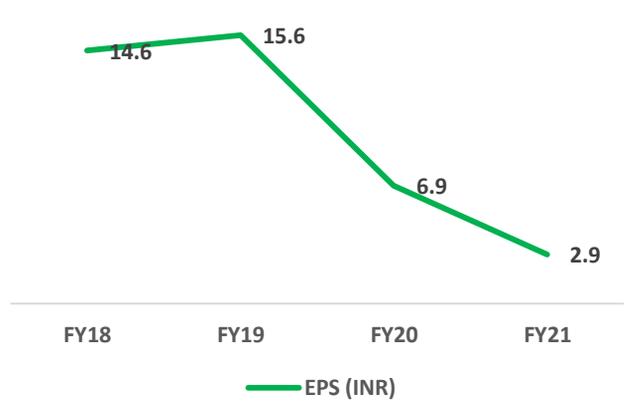
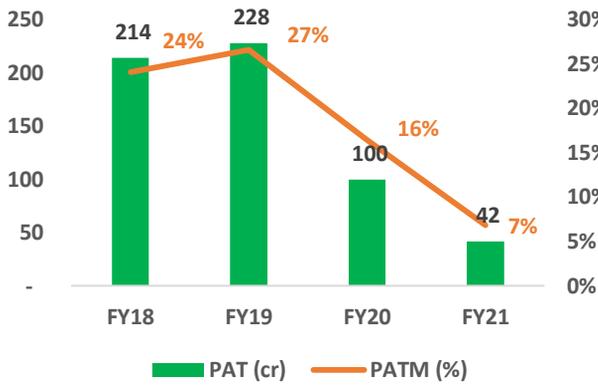
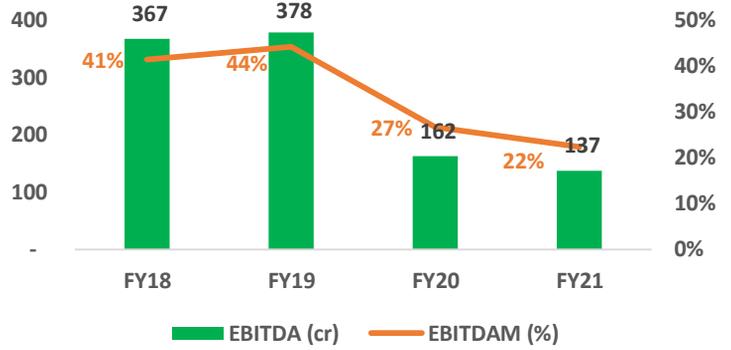
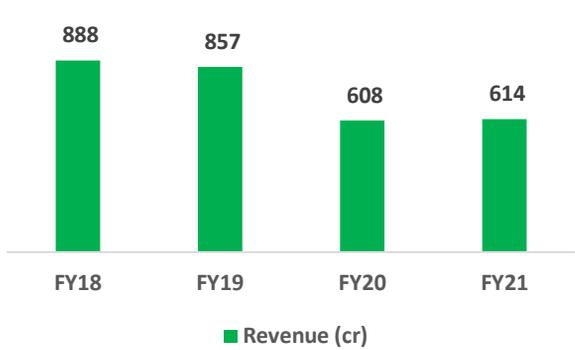
ODC also has close proximity to Chhatrapati Shivaji Maharaj International and Domestic Airport (25 min. drive).

The locational advantages of ODC and its many commercial spaces would be a prime opportunity for Mumbai's businesses.



Source: SRL Reports, Aриhant Capital Research

Charts



Source: SRL Reports, Arianth Capital Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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