



Sunteck Realty Ltd (SRL): Update (BUY)

<u>Date</u>	<u>CMP - 08 May'25</u>	<u>Price Target (12 mths)</u>	<u>FY26e BVPS / PB(x)</u>	<u>Market Cap</u>	<u>52 wk High / Low</u>
08 May 2025	Rs. 382	Rs.650	Rs.243 / 1.6x	Rs.5,608 cr	Rs.699 / Rs.347

Key Highlights of Q4FY25:

- In Q4FY25, SRL's revenue was down by ~52% YoY to Rs.206 cr attributed partly to revenue recognition timing from specific projects like Naigoan and BKC. EBITDA goes down by ~55% YoY to Rs.69 cr. Margins were suppressed by ~300 bps YoY to 33% due to operating deleverage. PAT down by ~50% YoY to Rs.50 cr.
- SRL reported strong pre-sales of Rs.870 cr (up by 28% YoY) driven by uber luxury projects like Nepean Sea Road and BKC which contributed ~66% of quarterly sales. Management is confident of similar pre-sales growth of ~30-35% like FY25. Collections for the quarter remained stable at Rs.310 cr (up by 5% YoY)
- SRL has achieved highest ever pre-sales in FY25 of Rs.2,531 cr (up by 32% YoY). The strong pre-sales translated to significant increase in operating revenue by 51% YoY to Rs.851 cr and Net profit of Rs.150 cr (up by 112% YoY). Collections remained flat, up by 2% YoY to Rs.1,255 cr due to lower initial collection from new luxury projects.
- SRL's net GDV stands at ~Rs.39,370 cr which has grown substantially, nearly ~3x from FY22. Management targets further increase in GDV to ~Rs.50,000 cr in next 2 years through new project additions. They will continue to focus of uber luxury and premium luxury segments which have shown strong sales traction and better margins.
- The high value Dubai project with a GDV of Rs.9000 cr is currently under approval and designing stage. It is expected to be launched at the end of FY26 or Q1FY27. Similarly, Bandra redevelopment project with GDV of ~Rs.1,000 cr is expected to be launched in 1H-FY27. Its finalization of design and approval is pending.
- SRL has pipeline of new project in FY26 cumulatively valued at Rs.7,500-8,000 cr. Launches include Nepean Sea Road project with balance GDV of Rs.4,600 cr, new phase of ODC Goregaon with GDV of Rs.1,500 cr and new towers at Mira Road, Vasai & Naigoan cumulatively valued at GDV of Rs.1,500 cr.
- Management remains confident of sustained growth and high margins driven by focus on luxury segments. Overall revenue and net profits are also expected to be in similar range of ~30-35%. Collections are likely to remain robust in FY26, aided by completion of ODC 4th Avenue and collections from luxury segment sales.
- Consensus estimates ~48% CAGR growth in Net sales and ~60% CAGR growth in net profits over FY25-27e. SRL is likely to remain net debt free and generate sufficient cashflows to fund upcoming projects. Its expectation to generate free cashflows of Rs.250 cr in next two years should leave scope for re-rating.

Valuation & View:

SRL has a healthy and diverse launch pipeline for FY26e. SRL's consistently lean and net cash positive balance sheet and strong operating cashflow generation makes it an outlier among its peers. The significant and growing GDV (from Rs.40,000 cr to Rs.50,000 cr in next two years) provides long term visibility. However, execution pace of the projects and collection efficiency would remain the key monitorable. We have witnessed sector de-rating due to global uncertainties & geopolitical issues. Hence, we feel valuing the company based on average of P/B and EV/EBITDA could be appropriate. We assign 3x P/B and 22x EV/EBITDA (in line with the industry average) to arrive at the target price of Rs.650 (i.e. potential upside of ~70% in 12 months). However, based on the NPV method (i.e. discounting cashflows of residential projects based on future GDV) along with 12x EV/EBITDA ascribed to commercial projects, the SoTP for 1 year works to Rs.800.

Sunteck Realty Ltd.: Financial Summary

Sunteck Realty Ltd. (Rs.cr) / CMP: Rs.382	FY24a	FY25a	FY26e	FY27e
Revenue	565	853	1,412	1,882
% chg		51.0%	65.5%	33.4%
EBITDA	117	186	374	502
% chg		58.4%	101.1%	34.4%
Net Profit	71	150	285	380
% chg		111.9%	89.4%	33.5%
Free Cash Flows (FCF)	46	157	102	141
EPS (Rs.)	5.0	10.3	19.0	26.1
% chg		105.6%	85.6%	37.2%
EBITDA Margin	20.8%	21.8%	26.5%	26.7%
Net Margin	12.6%	17.6%	20.2%	20.2%
FCF Margin	8.1%	18.4%	7.2%	7.5%
FCF / Net Profit (%)	65%	105%	36%	37%
FCF Yield (%)	0.8%	2.7%	1.8%	2.5%
PE (x)	76.6	37.2	20.1	14.6
EV/EBITDA (x)	48.9	31.5	15.1	11.1
RoE (%)	2%	5%	8%	10%

Source: Marketscreener & 9 Rays Equiresearch



Sunteck Realty Ltd.: P/B Chart



Sunteck Realty (Weekly Price chart): Post the steep correction stock is now closer to the trendline support area. It needs to break 200 WMA (Rs.440) to again go into structural bull phase. On the upside Rs.500 & Rs.650 could be the targets. Trendline support comes at Rs.360, which should hold due to lower RSI.



Source: ACE, Spider Software



Short Disclosure:

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SELL	If one year downside is > -10%.

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