

August 19, 2024

Q1FY25 Result Update

■ Change in Estimates | Target | ■ Reco

Change in Estimates

| | Current | | Previous | |
|----------------|---------|--------|----------|--------|
| | FY25E | FY26E | FY25E | FY26E |
| Rating | BUY | | BUY | |
| Target Price | 700 | | 600 | |
| Sales (Rs. m) | 15,905 | 19,497 | 15,905 | 19,497 |
| % Chng. | - | - | - | - |
| EBITDA (Rs. m) | 4,621 | 6,375 | 4,621 | 6,375 |
| % Chng. | - | - | - | - |
| EPS (Rs.) | 23.9 | 33.6 | 23.9 | 33.6 |
| % Chng. | - | - | - | - |

Key Financials - Consolidated

| Y/e Mar | FY23 | FY24 | FY25E | FY26E |
|----------------|---------|---------|--------|--------|
| Sales (Rs. m) | 3,624 | 5,648 | 15,905 | 19,497 |
| EBITDA (Rs. m) | 642 | 1,173 | 4,621 | 6,375 |
| Margin (%) | 17.7 | 20.8 | 29.1 | 32.7 |
| PAT (Rs. m) | 14 | 709 | 3,494 | 4,922 |
| EPS (Rs.) | 0.1 | 4.8 | 23.9 | 33.6 |
| Gr. (%) | (94.4) | 4,727.9 | 392.6 | 40.9 |
| DPS (Rs.) | 1.0 | 1.0 | 1.5 | 2.0 |
| Yield (%) | 0.2 | 0.2 | 0.3 | 0.3 |
| RoE (%) | 0.1 | 2.4 | 10.6 | 13.4 |
| RoCE (%) | 1.6 | 3.1 | 12.3 | 15.4 |
| EV/Sales (x) | 24.2 | 15.7 | 5.6 | 4.5 |
| EV/EBITDA (x) | 136.9 | 75.7 | 19.3 | 13.9 |
| PE (x) | 5,860.9 | 121.4 | 24.6 | 17.5 |
| P/BV (x) | 3.0 | 2.8 | 2.5 | 2.2 |

Key Data

SUNT.BO | SRIN IN

| | |
|---------------------|---------------------|
| 52-W High / Low | Rs.699 / Rs.351 |
| Sensex / Nifty | 80,437 / 24,541 |
| Market Cap | Rs.86bn / \$ 1,026m |
| Shares Outstanding | 146m |
| 3M Avg. Daily Value | Rs.604.11m |

Shareholding Pattern (%)

| | |
|-------------------------|-------|
| Promoter's | 63.24 |
| Foreign | 18.53 |
| Domestic Institution | 9.29 |
| Public & Others | 8.94 |
| Promoter Pledge (Rs bn) | - |

Stock Performance (%)

| | 1M | 6M | 12M |
|----------|-------|------|------|
| Absolute | (6.7) | 27.4 | 62.3 |
| Relative | (6.4) | 14.1 | 31.9 |

Param Desai

paramdesai@plindia.com | 91-22-66322259

Sanketa Kohale

sanketakohale@plindia.com | 91-22-66322426

Strong quarter; new launches hold key

Quick Pointers:

- Reiterated pre-sales guidance at +30% in FY25; GDV of Rs. 50bn to launch.
- Expect to book revenues from 4th Avenue city in FY25

Sunteck Realty (SRIN) reported healthy pre-sales (+30% YoY) and collections (19% YoY) in Q1. SRIN's proven ability to market ultra-luxury projects, aggressive and multi-pronged land acquisition capabilities in various micro markets across Mumbai Metropolitan Region (MMR) is an interesting play on Mumbai's high value real estate market. We expect company's pre-sales to grow +25% CAGR over FY24-26E aided by ongoing projects and strong new launches pipeline including new Dubai JV project. Further given likely strong cash flow generation and JV with IFC, we see SRIN to step up new project additions which will be a key catalyst for stock performance. Adoption of asset light model has enabled the company to acquire scale without straining its balance sheet. Maintain 'Buy' rating with a revised TP of Rs. 700/share as we incorporate Dubai project.

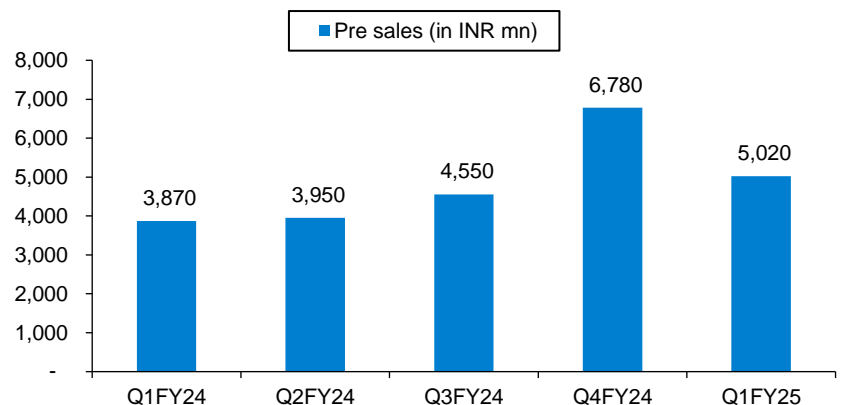
- Naigaon (MaxxWorld) and BKC projects recognition aided revenues:** Operationally, SRIN reported EBITDA of Rs 314mn vs Rs 1.6bn in Q4FY24; QoQ declined was largely due to Naigaon project's revenue recognition. Consolidated revenues grew robust by 348% YoY to Rs. 3.2bn. PAT came in at Rs. 228mn, vs Rs. 1bn QoQ and loss of Rs. 67mn YoY. During Q1, revenue got recognized from its Naigaon project- Max world phase 1 and BKC projects. During the quarter, the company continued to improve its net cash position by Rs. 310mn to Rs. 390mn.
- Healthy pre-sales and collections:** SRIN's pre-sales improved 30% YoY to Rs 5bn (down 26% QoQ); aided by all existing projects. BKC projects contributed Rs1.1bn to total pre-sales while high mid-income projects (Sunteck City, Beach residencies, Sky Park projects) contributed 46% (Rs. 2.3bn) to total pre-sales. During Q1, average realization increased 5% QoQ to Rs. 11,265 psf. Collections grew strong by 19% YoY and 15% QoQ to Rs3.4bn in Q1; aided by OC received for Naigaon project.
- Key con-call takeaways: (1) pre-sales guidance** - Reiterated 32-35% growth in presales for FY25. Mgmt indicated that height approvals for additional FSI utilization are being sought for the existing development at Sunteck City Avenue 2 in ODC. **(2) Combined GDV of Rs. 50bn to launch for FY25** – Plans to launch a new phase in Sunteck World Naigaon, new phase at Mira road, new phase at 5th avenue in ODC, 1-2 towers in SBR Vasai and 1-2 towers in Crescent Park at Kalyan. **(3) Revenue recognition in FY25** Sunteck City 4th Avenue is nearing completion and expect to book revenues in FY25 with higher margins due to better realizations. Sunteck Maxx World also partially to get recognized in FY25. **(4) Dubai project** – The project will be executed by 100% Sunteck subsidiary at 50% profit share where partner company will be constructing the premium residential apartments with a total cost and GDV of Rs. 20bn and 90bn; respectively; of which SRIN has spent Rs. 2.5bn with no incremental capex required. **(5) Nepean sea road project** is progressing well at an advanced stages of clearances, tenant vacating completed and design underway for a Q4FY25 or Q1FY26 launch with a GDV of Rs. 25bn. **(6) Unsold Inventory** – SRIN has ready-to-move-in unsold inventory of Rs. 12bn at BKC, while ongoing projects unsold inventory valued at Rs. 16-17bn. **(7) Exploring 3-4 opportunities in its BD activity.** Also in process of evaluating and finalizing the project through IFC platform.

Exhibit 1: Q1FY25 Result Overview (Rs mn) – Operationally Healthy quarter

| Y/e March | 1QFY25 | 1QFY24 | YoY gr. (%) | 4QFY24 | QoQ gr. (%) | FY25E | FY24 | YoY gr. (%) |
|-------------------------------------|--------------|---------------|-------------|--------------|-------------|---------------|--------------|-------------|
| Net Sales | 3,163 | 706 | 348.2 | 4,269 | (25.9) | 15,905 | 5,648 | 181.6 |
| COGS | 2,316 | 302 | 667.5 | 2,121 | 9.2 | 8,709 | 2,353 | 270.2 |
| <i>% of Net Sales</i> | <i>73.2</i> | <i>42.8</i> | | <i>49.7</i> | | <i>54.8</i> | <i>41.6</i> | |
| Employee Cost | 235 | 216 | 9.1 | 230 | 2.5 | 1,083 | 903 | 20.0 |
| <i>% of Net Sales</i> | <i>7.4</i> | <i>30.5</i> | | <i>5.4</i> | | <i>19.2</i> | <i>16.0</i> | |
| Other Expenses | 298 | 263 | 13.2 | 384 | (22.5) | 1,492 | 1,220 | 22.3 |
| <i>% of Net Sales</i> | <i>9.4</i> | <i>37.2</i> | | <i>9.0</i> | | <i>26.4</i> | <i>21.6</i> | |
| Total | 2,849 | 780 | 265.1 | 2,735 | 4.2 | 11,285 | 4,476 | 152.1 |
| EBITDA | 314 | (75) | (521.0) | 1,534 | (79.5) | 4,621 | 1,173 | 294.0 |
| <i>Margins (%)</i> | <i>9.9</i> | <i>(10.6)</i> | | <i>35.9</i> | | <i>29.1</i> | <i>20.8</i> | |
| Other Income | 117 | 178 | (34.2) | 81 | 44.8 | 600 | 555 | 8.2 |
| Interest | 103 | 173 | (40.7) | 182 | (43.4) | 492 | 684 | (28.0) |
| Depreciation | 34 | 18 | 89.0 | 31 | 8.2 | 110 | 95 | 15.4 |
| PBT | 295 | (87) | (438.5) | 1,402 | (79.0) | 4,618 | 949 | 386.8 |
| Tax | 70 | (27) | (360.6) | 386 | (81.8) | 1,155 | 240 | 380.2 |
| <i>Tax rate %</i> | <i>23.9</i> | <i>31.0</i> | | <i>27.5</i> | | <i>25.0</i> | <i>25.3</i> | |
| PAT | 224 | (60) | (473.5) | 1,016 | (77.9) | 3,464 | 708 | 389.0 |
| Share in (loss)/profit of associate | 3 | (7) | | (3) | | 30 | 1 | |
| Reported PAT | 228 | (67) | (438.2) | 1,013 | (77.5) | 3,494 | 709 | 392.6 |

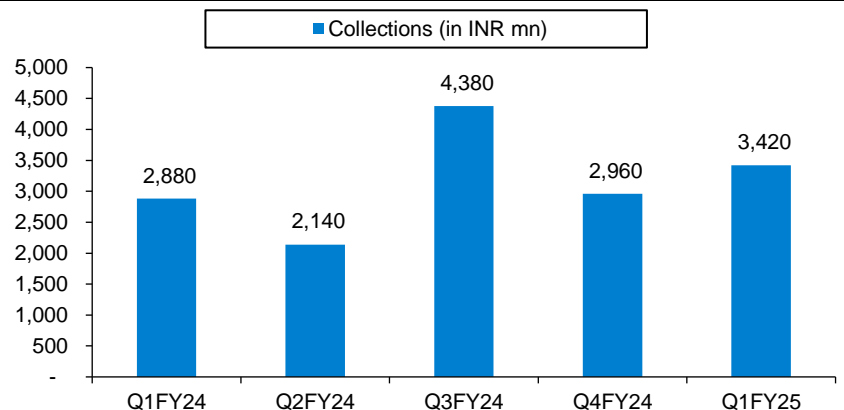
Source: Company, PL

Exhibit 2: Healthy pre-sales led by high mid-income projects



Source: Company, PL

Exhibit 3: Collections improved by 19% YoY and 16% QoQ



Source: Company, PL

Exhibit 4: Pre-sales and collections break up (in mn)

| Segment | Projects | Pre-sales (~Rs in mn) | | Collections (~Rs in mn) | |
|-----------------|-----------------------------|-----------------------|---------------|-------------------------|---------------|
| | | Q1FY25 | FY24 | Q1FY25 | FY24 |
| Uber Luxury | Signature, Signia | 1,100 | 2,450 | 1,140 | 2,200 |
| High Mid-income | Sunteck City, SBR, Sky Park | 2,320 | 9,680 | 750 | 4,130 |
| Low Mid-Income | Sunteck World | 1,210 | 4,870 | 1,360 | 1,770 |
| Others | | 380 | 2,150 | 170 | 4,250 |
| Total | | 5,010 | 19,150 | 3,420 | 12,350 |

Source: Company, PL

Exhibit 5: NAV valuations Summary

| | (Rs mn) | % of total | NAV per share |
|------------------------|------------|------------|---------------|
| Residential | 81,050 | 79% | 553 |
| Commercial (Sell) | 15,301 | 17% | 104 |
| Commercial (Lease) | 6,005 | 7% | 41 |
| Gross NAV | 102,356 | 100% | 700 |
| Add: Cash | 3,858 | | 26 |
| Less: Gross Debt | -3,749 | | -26 |
| Net NAV | 102,465 | | |
| Outstanding shares (m) | 146.5 | | |
| NAV per share | 700 | | |

Source: Company, PL

Financials

Income Statement (Rs m)

| Y/e Mar | FY23 | FY24 | FY25E | FY26E |
|-------------------------------|--------------|--------------|---------------|---------------|
| Net Revenues | 3,624 | 5,648 | 15,905 | 19,497 |
| YoY gr. (%) | (29.4) | 55.8 | 181.6 | 22.6 |
| Cost of Goods Sold | 1,276 | 2,353 | 8,709 | 10,051 |
| Gross Profit | 2,348 | 3,296 | 7,196 | 9,446 |
| Margin (%) | 64.8 | 58.4 | 45.2 | 48.4 |
| Employee Cost | 690 | 903 | 1,083 | 1,300 |
| Other Expenses | - | - | - | - |
| EBITDA | 642 | 1,173 | 4,621 | 6,375 |
| YoY gr. (%) | (32.7) | 82.8 | 294.0 | 38.0 |
| Margin (%) | 17.7 | 20.8 | 29.1 | 32.7 |
| Depreciation and Amortization | 92 | 95 | 110 | 120 |
| EBIT | 549 | 1,078 | 4,511 | 6,255 |
| Margin (%) | 15.2 | 19.1 | 28.4 | 32.1 |
| Net Interest | 859 | 684 | 492 | 492 |
| Other Income | 284 | 555 | 600 | 760 |
| Profit Before Tax | (25) | 949 | 4,618 | 6,523 |
| Margin (%) | (0.7) | 16.8 | 29.0 | 33.5 |
| Total Tax | 31 | 240 | 1,155 | 1,631 |
| Effective tax rate (%) | (122.0) | 25.3 | 25.0 | 25.0 |
| Profit after tax | (56) | 708 | 3,464 | 4,892 |
| Minority interest | - | - | - | - |
| Share Profit from Associate | 70 | 1 | 30 | 30 |
| Adjusted PAT | 14 | 709 | 3,494 | 4,922 |
| YoY gr. (%) | (94.4) | 4,934.3 | 392.6 | 40.9 |
| Margin (%) | 0.4 | 12.6 | 22.0 | 25.2 |
| Extra Ord. Income / (Exp) | - | - | - | - |
| Reported PAT | 14 | 709 | 3,494 | 4,922 |
| YoY gr. (%) | (94.4) | 4,934.3 | 392.6 | 40.9 |
| Margin (%) | 0.4 | 12.6 | 22.0 | 25.2 |
| Other Comprehensive Income | - | - | - | - |
| Total Comprehensive Income | 14 | 709 | 3,494 | 4,922 |
| Equity Shares O/s (m) | 140 | 146 | 146 | 146 |
| EPS (Rs) | 0.1 | 4.8 | 23.9 | 33.6 |

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

| Y/e Mar | FY23 | FY24 | FY25E | FY26E |
|---------------------------------------|---------------|---------------|---------------|---------------|
| Non-Current Assets | | | | |
| Gross Block | 1,768 | 5,255 | 5,355 | 5,455 |
| Tangibles | 1,768 | 5,255 | 5,355 | 5,455 |
| Intangibles | - | - | - | - |
| Acc: Dep / Amortization | 279 | 374 | 484 | 604 |
| Tangibles | 279 | 374 | 484 | 604 |
| Intangibles | - | - | - | - |
| Net fixed assets | 1,490 | 4,881 | 4,871 | 4,851 |
| Tangibles | 1,490 | 4,881 | 4,871 | 4,851 |
| Intangibles | - | - | - | - |
| Capital Work In Progress | 1,012 | 183 | 183 | 183 |
| Goodwill | 14 | 25 | 25 | 25 |
| Non-Current Investments | 4,711 | 5,204 | 5,786 | 6,484 |
| Net Deferred tax assets | 334 | 400 | 400 | 400 |
| Other Non-Current Assets | - | - | - | - |
| Current Assets | | | | |
| Investments | - | - | - | - |
| Inventories | 57,251 | 59,663 | 62,721 | 65,626 |
| Trade receivables | 1,496 | 2,925 | 3,725 | 4,725 |
| Cash & Bank Balance | 1,582 | 1,058 | 531 | 1,398 |
| Other Current Assets | 4,688 | 4,838 | 5,000 | 5,000 |
| Total Assets | 72,243 | 78,778 | 82,843 | 88,293 |
| Equity | | | | |
| Equity Share Capital | 140 | 146 | 146 | 146 |
| Other Equity | 27,738 | 31,095 | 34,369 | 38,998 |
| Total Networkth | 27,879 | 31,242 | 34,516 | 39,145 |
| Non-Current Liabilities | | | | |
| Long Term borrowings | 4,208 | 2,507 | 2,507 | 2,507 |
| Provisions | - | - | - | - |
| Other non current liabilities | - | - | - | - |
| Current Liabilities | | | | |
| ST Debt / Current of LT Debt | 2,646 | 1,243 | 1,243 | 1,243 |
| Trade payables | 2,114 | 2,916 | 3,208 | 3,528 |
| Other current liabilities | 35,731 | 41,270 | 41,770 | 42,270 |
| Total Equity & Liabilities | 72,243 | 78,778 | 82,843 | 88,293 |

Source: Company Data, PL Research

Cash Flow (Rs m)

| Y/e Mar | FY23 | FY24 | FY25E | FY26E |
|--------------------------------------|----------------|----------------|--------------|--------------|
| PBT | (25) | 949 | 4,618 | 6,523 |
| Add. Depreciation | 92 | 95 | 110 | 120 |
| Add. Interest | 859 | 684 | 492 | 492 |
| Less Financial Other Income | 284 | 555 | 600 | 760 |
| Add. Other | (1,261) | (2,142) | 70 | 70 |
| Op. profit before WC changes | (335) | (415) | 5,291 | 7,205 |
| Net Changes-WC | 2,986 | 1,745 | (3,811) | (3,782) |
| Direct tax | (31) | (240) | (1,155) | (1,631) |
| Net cash from Op. activities | 2,620 | 1,090 | 325 | 1,793 |
| Capital expenditures | (1,125) | 197 | (100) | (100) |
| Interest / Dividend Income | - | - | - | - |
| Others | 1,288 | 2,314 | - | - |
| Net Cash from Inv. activities | 162 | 2,511 | (100) | (100) |
| Issue of share cap. / premium | 0 | 6 | - | - |
| Debt changes | (1,015) | (3,105) | - | - |
| Dividend paid | (140) | (146) | (220) | (293) |
| Interest paid | (859) | (684) | (492) | (492) |
| Others | (924) | 77 | (40) | (40) |
| Net cash from Fin. activities | (2,939) | (3,852) | (752) | (825) |
| Net change in cash | (156) | (251) | (527) | 867 |
| Free Cash Flow | 1,495 | 1,287 | 225 | 1,693 |

Source: Company Data, PL Research

Key Financial Metrics

| Y/e Mar | FY23 | FY24 | FY25E | FY26E |
|----------------------------|---------|-------|-------|-------|
| Per Share(Rs) | | | | |
| EPS | 0.1 | 4.8 | 23.9 | 33.6 |
| CEPS | 0.8 | 5.5 | 24.6 | 34.4 |
| BVPS | 198.5 | 213.3 | 235.6 | 267.2 |
| FCF | 10.6 | 8.8 | 1.5 | 11.6 |
| DPS | 1.0 | 1.0 | 1.5 | 2.0 |
| Return Ratio(%) | | | | |
| RoCE | 1.6 | 3.1 | 12.3 | 15.4 |
| ROIC | 0.8 | 1.4 | 5.5 | 7.2 |
| RoE | 0.1 | 2.4 | 10.6 | 13.4 |
| Balance Sheet | | | | |
| Net Debt : Equity (x) | 0.2 | 0.1 | 0.1 | 0.1 |
| Net Working Capital (Days) | 5,703 | 3,856 | 1,451 | 1,251 |
| Valuation(x) | | | | |
| PER | 5,860.9 | 121.4 | 24.6 | 17.5 |
| P/B | 3.0 | 2.8 | 2.5 | 2.2 |
| P/CEPS | 776.4 | 107.0 | 23.9 | 17.1 |
| EV/EBITDA | 136.9 | 75.7 | 19.3 | 13.9 |
| EV/Sales | 24.2 | 15.7 | 5.6 | 4.5 |
| Dividend Yield (%) | 0.2 | 0.2 | 0.3 | 0.3 |

Source: Company Data, PL Research

Quarterly Financials (Rs m)

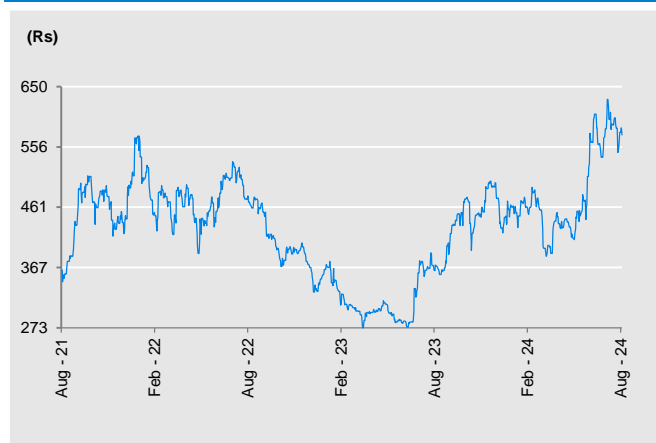
| Y/e Mar | Q2FY24 | Q3FY24 | Q4FY24 | Q1FY25 |
|-----------------------------------|--------------|--------------|--------------|--------------|
| Net Revenue | 249 | 424 | 4,269 | 3,163 |
| YoY gr. (%) | 8.6 | (52.5) | 773.4 | 348.2 |
| Raw Material Expenses | (51) | (28) | 2,121 | 2,316 |
| Gross Profit | 300 | 453 | 2,148 | 846 |
| Margin (%) | 120.3 | 106.6 | 50.3 | 26.8 |
| EBITDA | (141) | (148) | 1,534 | 314 |
| YoY gr. (%) | 148.5 | (182.2) | (1,785.7) | (521.0) |
| Margin (%) | (56.7) | (34.9) | 35.9 | 9.9 |
| Depreciation / Depletion | 22 | 24 | 31 | 34 |
| EBIT | (164) | (172) | 1,503 | 280 |
| Margin (%) | (65.6) | (40.6) | 35.2 | 8.9 |
| Net Interest | 158 | 171 | 182 | 103 |
| Other Income | 113 | 185 | 81 | 117 |
| Profit before Tax | (209) | (158) | 1,402 | 295 |
| Margin (%) | (83.7) | (37.2) | 32.9 | 9.3 |
| Total Tax | (64) | (55) | 386 | 70 |
| Effective tax rate (%) | 30.5 | 34.9 | 27.5 | 23.9 |
| Profit after Tax | (145) | (103) | 1,016 | 224 |
| Minority interest | (6) | (6) | 3 | (3) |
| Share Profit from Associates | - | - | - | - |
| Adjusted PAT | (139) | (97) | 1,013 | 228 |
| YoY gr. (%) | 39.2 | (570.5) | (462.7) | (438.2) |
| Margin (%) | (55.9) | (22.9) | 23.7 | 7.2 |
| Extra Ord. Income / (Exp) | - | - | - | - |
| Reported PAT | (139) | (97) | 1,013 | 228 |
| YoY gr. (%) | 39.2 | (570.5) | (462.7) | (438.2) |
| Margin (%) | (55.9) | (22.9) | 23.7 | 7.2 |
| Other Comprehensive Income | - | - | - | - |
| Total Comprehensive Income | (139) | (97) | 1,013 | 228 |
| Avg. Shares O/s (m) | - | - | - | - |
| EPS (Rs) | (1.0) | (0.7) | 6.9 | 1.6 |

Source: Company Data, PL Research

Key Operating Metrics

| Y/e Mar | FY23 | FY24 | FY25E | FY26E |
|----------------------|-------|-------|--------|--------|
| Real estate revenues | 2,908 | 5,471 | 15,345 | 18,780 |
| Lease Rent | 94 | 103 | 486 | 643 |

Source: Company Data, PL Research

Price Chart
Recommendation History


| No. | Date | Rating | TP (Rs.) | Share Price (Rs.) |
|-----|-----------|--------|----------|-------------------|
| 1 | 02-Jun-24 | BUY | 600 | 471 |
| 2 | 23-Jan-24 | BUY | 565 | 452 |
| 3 | 24-Oct-23 | BUY | 565 | 436 |
| 4 | 13-Sep-23 | BUY | 565 | 397 |

Analyst Coverage Universe

| Sr. No. | Company Name | Rating | TP (Rs) | Share Price (Rs) |
|---------|---------------------------------------|------------|---------|------------------|
| 1 | Apollo Hospitals Enterprise | BUY | 7,150 | 6,516 |
| 2 | Aster DM Healthcare | BUY | 400 | 368 |
| 3 | Aurobindo Pharma | Accumulate | 1,525 | 1,462 |
| 4 | Cipla | Accumulate | 1,680 | 1,575 |
| 5 | Divi's Laboratories | Accumulate | 5,000 | 4,991 |
| 6 | Dr. Reddy's Laboratories | Reduce | 6,000 | 6,879 |
| 7 | Eris Lifesciences | BUY | 1,250 | 1,128 |
| 8 | Fortis Healthcare | BUY | 515 | 486 |
| 9 | Glenmark Pharmaceuticals | Reduce | 570 | 1,017 |
| 10 | HealthCare Global Enterprises | BUY | 420 | 362 |
| 11 | Indoco Remedies | Accumulate | 320 | 322 |
| 12 | Ipca Laboratories | Reduce | 1,250 | 1,349 |
| 13 | J.B. Chemicals & Pharmaceuticals | BUY | 2,100 | 1,930 |
| 14 | Jupiter Life Line Hospitals | BUY | 1,475 | 1,315 |
| 15 | Krishna Institute of Medical Sciences | BUY | 2,400 | 2,192 |
| 16 | Lupin | BUY | 2,300 | 1,994 |
| 17 | Max Healthcare Institute | BUY | 975 | 916 |
| 18 | Narayana Hrudayalaya | BUY | 1,350 | 1,218 |
| 19 | Sun Pharmaceutical Industries | BUY | 1,885 | 1,715 |
| 20 | Sunteck Realty | BUY | 600 | 471 |
| 21 | Torrent Pharmaceuticals | Accumulate | 3,300 | 3,162 |
| 22 | Zydus Lifesciences | Accumulate | 1,305 | 1,301 |

PL's Recommendation Nomenclature (Absolute Performance)

| | |
|--------------------------|-----------------------------------|
| Buy | : > 15% |
| Accumulate | : 5% to 15% |
| Hold | : +5% to -5% |
| Reduce | : -5% to -15% |
| Sell | : < -15% |
| Not Rated (NR) | : No specific call on the stock |
| Under Review (UR) | : Rating likely to change shortly |



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