



“Q3 FY 2022 Earnings Conference Call”

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**MANAGEMENT: MR. KAMAL KHETAN – CHAIRMAN AND MANAGING
DIRECTOR
MR. MANOJ AGARWAL – CHIEF FINANCIAL OFFICER
MR. PRASHANT CHAUBEY – SVP (CORPORATE
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Moderator: Ladies and gentlemen, Good day and welcome to Sunteck Realty's Earnings Conference call for the Q3 FY 2022. We have with us today, Mr. Kamal Khetan- the Chairman and Managing Director of the company. Mr. Manoj Agarwal- the Chief Financial Officer, and Prashant Chaubey- SVP- Corporate Finance. Please note, this call will be for 60 minutes. And for the duration of this conference call, all participant lines will be in listen-only mode. This conference has been recorded and the transcript for the same may be put up on the website of the company. After the management discussion, there will be an opportunity for you to ask questions. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone.

Before I hand the conference over to the management, I would like to remind you that certain statements made during the course of this call may not be based on historical information or facts, and maybe forward looking statements, including those related to general business statement, plan and strategy of the company, its future financial condition and growth prospects. These forward looking statements are based on the expectations and projections and may involve a number of risks, uncertainties and other factors that could cause actual results, opportunities and growth potential to differ materially from those suggested by such statement.

I would now like to hand the conference over to Mr. Khetan, the Chairman and Managing Director of the company. Thank you and over to you sir.

Kamal Khetan: Thank you for joining Sunteck Realty third quarter, FY 2022 earnings call. I hope each one of you and your family are safe and healthy. Over to the previous quarters, I have introduced yourself to the guiding principles of the new Sunteck, what we are calling Sunteck 3.0. Sunteck 3.0 is focused on three key priorities, maintain a strong balance sheet and strong cash flow. Second, continue to do marquee acquisitions, in

line with our business development strategy. Third, building an exceptional team. Given our strong balance sheet, high brand recall and strong execution of projects, both our pre-sales and collections are registering healthy and rising growth on – on all sustained basis. This has also enabled us to grow our business and fiscal prudence by maintaining net debt equity ratio at sub 0.25.

In the last 18 months through excellent cross team coordination at the organization level, we have succeeded in acquiring approximately 23 million square feet across MMR. This has enabled us to double our growth engines from three to now six, namely BKC, ODC Goregaon West, Naigaon, Vasai West, Kalyan and Borivali West. We have close to 36 million square feet of development portfolio now, across all these three -- six locations. All these locations give us a clear visibility for the coming seven to eight years.

The strong project pipeline has allowed us a slew of launches over the next 12 to 18 months across all segments. We are confident that these launches will scale up our presale to achieve the next leg of growth for Sunteck and continue to witness rising market share. There is a continuous flow of business development opportunities that we are currently evaluating. Our endeavor is to capitalize on our strength of business development and do similar acquisitions, taking our portfolio from current 50 million square feet to approximately 70 million square feet to 75 million square feet over the next 18 to 24 months.

We are not just focusing on our pre sales growth, but profitable growth. We have achieved an average EBITDA margin of 35% in the last five years. Going forward, we are looking at upwards of 35% margin from our current portfolio.

Last but not the least, I'm very proud of the team that we have built at Sunteck in last 15 years and focused on strengthening it further. Thank you. I will now hand over the call to our CFO, Mr. Manoj Agarwal for

his comments. I would be happy to answer thereafter your questions if any. Over to you Manoj.

Manoj Agarwal: Thank you Sir. Good evening, everyone. And thank you once again for joining us today, take out your -- your valuable time for Sunteck. Hope all of you are safe and well.

The financial and operational numbers has already been published on the stock exchanges. I believe all of you must have gone through the same. Now, I would like to highlight the key financials and business performance numbers starting from the pre-sales. Our pre-sales grew up by 29% on Q-on-Q basis in Q3 FY '22 to INR 352 crore compared to INR 272 crore in Q2 FY '22 and 1% year-on-year basis from INR 349 crore in Q3 FY '21, [last year](#) same period. Collections grew by 30% on quarter to quarter basis in Q3 of FY '22 to INR 272 crore compared to INR 207 crore in Q2 FY '22 and 7% on year-on-year basis from INR 250 crore in the last year. For the period nine months ended FY '22 the pre sales grew up by 23% on year-on-year basis to INR 800 crore compared to INR 651 crore in the last year. Also the collections grew up by 41% on year-on-year basis to INR 649 crore compared to INR 459 crore in the comparative period last year.

With respect to the financial highlights, we have reported a consolidated revenue of INR 128 crore in Q3 FY '22 compared to INR 136 crore in Q2, on nine months basis the revenue for FY '22 stood at INR 357 crore compared to INR 419 crore in the comparative period last year.

The consolidated EBITDA for Q3 FY '22 is INR 35 crore compared to INR 37 crore in the last quarter. EBITDA for nine months stood at INR 92 crore compared to INR 98 crore in that last year.

During last nine months, we have taken 50% consistent benefit on premium and approval payments and paid INR 222 crore in advance to get the benefit of the same.

We can now open the forum for questions from the participants. Thank you very much.

Moderator: Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press '*' and '1' on their touchstone telephone. If you wish to remove yourself from the question queue, you may press '*' and '2'. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. A reminder to the participants, please limit your questions to two per participant. Should you have any follow up may we requested you to rejoin the queue. The first question is from the line of Puneet from HSBC. Please go ahead.

Puneet: Yeah, thanks for the opportunity. And congratulations on you know, good performance. My first question is, with respect to land acquisition, you talked about acquiring 23 million square feet of land since the pre-COVID. Why do you see a need to acquire more land? And how different are the land prices or the terms of agreement versus what you did during the pre COVID and the COVID period?

Kamal Khetan: So Puneet, good evening. So we have obviously, why do we need land for acquisitions? Definitely, this is a lot-- raw material for us. And we continuously need that to grow the company. I don't think we cannot survive if we don't have a proper land acquisition strategically on right time. And this is looking at the timing obviously, where the consolidation is taking in the industry, I think it is the best time to do acquisitions and that to at the asset-light model and with the better terms than what we would get obviously before pre-COVID.

Puneet: Okay, so you're saying the terms are better than pre-COVID even now and versus the COVID period. Are the terms equaling or worse or better?

Kamal Khetan: It is better. It is better Puneet.

Puneet: Even when you look at the COVID period of 2020 and 2021 deals which are sitting on negotiating are better than 2020-2021?

Kamal Khetan: Yeah. So we are -- I can say if not better, they are similar, but not as bad as a pre COVID level when there was like everybody or anybody was there. So we know that a lot of consolidation is already taken in the industry and that has only given us an edge because the few players are left, very few players we all know and that's where organized and listed players are definitely getting that benefit.

Puneet: Okay. And in terms of his land acquisition, what kind of land parcels are these. Do have to -- are they auctioned land parcels or do you have to JVs or are there slum and slash redevelopment business redevelopment potential as well.

Kamal Khetan: Puneet we definitely don't do any slum redevelopment and we have not done any redevelopment projects as well. These are all [JDAVs](#) asset light model with most of the landlords and it is there in the public domain. And I think if you are -- if you must be tracking Sunteck, all these deals are there in the public domain.

Puneet: Understood. That's okay. My second question.

Moderator: Mr. Puneet, so sorry to interrupt but for any follow up may we requested to rejoin the queue please. The next question is from the line of Kunal from CLSA. Please go ahead.

Kunal Lakhan: Yeah, good evening Kamalji. My question first question was on the on the BKC sale. So in the last nine months, we haven't seen much happening there. So going forward, what will be our strategy to know revive sales here? And what is the monetization timeline that we are looking at here?

Kamal Khetan: So Kunal, definitely we are concerned about the BKC sales going slightly low. But one thing is we have to understand at one point of time,

Sunteck was doing almost -- just two years back, in fact, 60% to 65% -- 50% to 60%, two to three years back 50% to 60%, of the sales would be from BKC. So our dependency on the BKC sales have in fact, gone down. At the same time, nevertheless, that we cannot forget, we know that we cannot forget doing sales at BKC. So we are finding, we are doing different strategy. And we see very frankly, right now some action going forward from -- in this sector, especially in BKC project, and we'll see some, some improvement in the sales from this project.

Kunal Lakhan: Okay, sure. And Sir, on the on your slide 17 of your -- 27 of your presentation. So you've given the timeline for the new launches, I wanted a particular update on Borivali project. Can you give us an update, an update where -- when we expect the site to be handed over and then submit the plans for approvals and the final nod because we acquired this project in March 2021, and we are expecting the launch to happen in FY '24. So just trying to understand like know, why, what is happening here.

Kamal Khetan: So, obviously, there is a registered definitive document with the landlord. And it's a JDA model. So, that -- it is a landlord primitive to get approvals. as per the agreement. So he has to get the approvals. We are seeing that approvals, the way the approvals are moving. So there are obviously we know that there are a lot of approvals before we start the projects. So we are not expecting those approvals to -- all these approvals to come before the end of 2023, financial year 2023. So that's why on a safer side, we have tried to show that the launch, which we expect during the financial year 2023-2024.

Kunal Lakhan: Sure. Thanks so much.

Moderator: Thank you. The next question is from the line of Adhidev from ICICI Securities, please go ahead.

Adhidev: Yeah. Good evening, everyone. Thanks for taking my question. So just a couple of questions. So firstly sir, we have done around 800 crore in

nine months this year. So any guidance you'd like to share the for this full year? And for FY '23 for the INR 1800 crore your guidance, you have given here, could you break it up into how much would come from ODC Naigaon, BKC means the projects which you already have, plus, how much would come from the new launches, which you plan next year. That's it. That's it. That's it for my thing. Thank you.

Prashant Chaubey**Kamal Khetan:** So, Adhidev, thank you so much for asking the question.

In terms of the target for FY '22. We are targeting close to INR 1300 crore of pre sales for the entire year of FY '22. Right. In the fourth quarter, that is a quarter which is currently ongoing. We have launched our third phase in Naigaon, which is Sunteck One World and the kind of response that we are receiving is quite encouraging. So, that gives us confidence in terms of achieving INR 1300 crore for the current financial year. In terms of FY '23, in slide 27 of our presentation, as you can see, we will be launching close to 3.35 million square feet of portfolio. So, that portfolio plus the foundation plus the sales from other ongoing projects that we already have, we are very confident that we can achieve INR 1800 crore of target that we have given in our presentation. Thank you Adhidev.

Adhidev: Okay. That's it from my side.

Moderator: Thank you. The next question is from the line of Venkat from Tata AMC. Please go ahead.

Venkat Samala: Hi, sir. Am I audible?

Kamal Khetan: Yes, you're audible?

Venkat Samala: Yeah, thanks. Thanks for the opportunity. Sir, my first question pertains to the sales figure. So basically, we had initially guided for around 1,500 odd crore in FY '22, and FY '23, INR 20 billion to INR 22 billion. So any reason why we are kind of revised this kind of downwards. And then again, the way that we are kind of adding to our gross development

value, the conversion of the same isn't reflecting in terms of our pickup in sales. Right. So how should we think about this?

Kamal Khetan: Yeah, good evening. Venkat. Venkat, Kamal Khetan here. So, what we are talking about the revision very frankly, we were looking at upwards of INR 1300 crore. But as we know that there is always an uncertainty of getting the approvals. So we were looking at atleast one new launch from the new acquisitions what we have done, let's say, like, Vasai or Kalyan. But definitely the approvals have not come in line with what our expectation was. So we are definitely looking -- we have missed this quarter -- we will miss this quarter for the approvals of one of these projects. So I'm -- we are really confident those approvals will go to the next quarter. And hence, that's why we had to maybe we were looking at INR 1300 crore Plus pre sales, but right now, that's why we want to restrict it to INR 1300 crore.

Venkat Samala: Right, right. So sir if the approvals are slipping to the next quarter ideally, what you were originally guiding for FY '23 there should be some upward revision or at least you know, reinforcement of that guidance, right. But again, when we look at FY '23 numbers also they are kind of revised downwards. So, well -- what exactly are we missing here?

Kamal Khetan: So Venkat very frankly, we are very clear that INR 2000 crore getting, achieving that -- we don't want to revise next time, I would put it that way, there are always some uncertainty, we all know. We are getting -- any new project started, there are a lot of approvals, which is required in this segment in real estate sector, so as a sector, so we know that uncertainties are always there. So we want to be conservative, I can guarantee that if all the approvals are in line and what we are targeting this time the approvals -- the projects, which will be launched in next financial year, FY '22 - FY '23, we will definitely see not only INR 1800 crore, maybe about INR 2000 crore, but at the same time on a

conservative side, we want to give a guidance of INR 1800 crore. So do we don't need to revise downward next time.

Venkat Samala: Right, right, right sure Sir. Thanks for that update. I mean, one request is if you whenever you are guiding to the market, if you could please take that conservatism into consideration whenever you're guiding because obviously you will be the person who will best know about this business, right versus the investors. So, so that that's one request I would want to place on record. And my second question is, and there is a request to this as well, with respect to the way that you are planning your investor presentation, if you could make it more consistent, because in this quarterly presentation, we don't really see a walk down of the cash flow, right. It is really important for the investor to understand because that's the single most important metric that investors would like to look at. So if you could kind of incorporate that in all the future presentations. And just as a continuation of that, could you help us understand I mean, what was -- how the collection -- what was the collection, what were the spends, different types of spends and then the net debt figure at the end of Q3 FY '22.

Prashant Chaubey: Hi, Venkat this is Prashant this side. Trust you are doing well. So, Venkat we have tried to better the presentation and make it more investor friendly, we are happy to take your suggestions and from next time onwards we would incorporate all your suggestions. Thank you so much for being candid with us. As far as the cash flow is concerned, Venkat as you are aware, we have done INR 800 crore of pre-sales in the current nine months and the breakup of the pre-sales is as follows. In the luxury segment, we have done -- in the luxury segment we have done -- third quarter we have done INR 77 crore of pre sales. In the mid income segment, we have done INR 139 crore of pre sales. In the affordable segment we have done INR 111 crore of pre sales and the balance comes INR 25 crore we have done in our ongoing commercial projects. So, that translates to INR 352 crore. In terms of collections

Venkat in the third quarter from the luxury segment we have collected INR 115 crore, from the mid-income segment we have collected INR 123 crore, from the affordable segment we have collected INR 119 crore and from the commercial segment we have collected INR 12 crore. We take your point Venkat, we will try to incorporate this into the presentation as well. Thank you so much.

Venkat Samala: Thanks. Thanks a lot. Wish you all the best.

Moderator: Thank you. The next question is from the line of Parvez from Edelweiss Securities. Please go ahead.

Parvez Akhtar Qazi: Yeah, good evening sir and thanks for taking my question. So two questions from my side. First, what is the kind of inventory that we have currently in the ODC project? And second is with respect to the Naigaon project, have we launched the entire 1.25 million square feet in the third phase that we were targeting to launch in Q4? And what is the pricing that you have kept for this phase three? Thank you.

Kamal Khetan: Firstly the inventory in ODC. Parvez can you repeat your question second and third?

Parvez Akhtar Qazi: So the first question is what is the kind of inventory that we have in the ODC project currently and the second is in your opening remarks, you said that you we have launched the third phase of Naigaon project. Sir, have we launched the entire 1.25 million square feet that we were planning to launch in Q4 Naigaon phase three and also what is the pricing which we have kept in this phase three for Naigaon, these are my two questions.

Kamal Khetan: And so, coming to your second question, the Naigaon phase three has been launched in line with what we were looking at and the pricing is similar to what means I will say pricing is similar to the market what we are selling the current products at. So, it is it the same in line with the

existing sales which is happening. And the first question Prashant can you give the inventory?

Prashant Chaubey: Hi Parvez. So, with regards to the inventory at ODC I would like to break it up for you from currently ongoing and the future. So in the currently ongoing Parvez we have close to INR 1,000 crore plus of unsold stock which is available with us across Fourth Avenue, Sunteck City First Avenue and Sunteck City Second Avenue. This is because in the first avenue and the second avenue we have got extra approvals. So because of that there is a generation of new inventory. Secondly, in our upcoming projects, in ODC we have a total inventory of plus INR 5000 crore. So that is the breakup of inventory for you sir.

Parvez Akhtar Qazi: Thank you all the best.

Prashant Chaubey: Thank you.

Moderator: Thank you. The next question is from the line of Pritesh from Motilal Oswal, please go ahead.

Pritesh Sheth: Hi sir. Good evening thanks for the opportunity just on the launches so the ODC launches that we are planning for FY '22 - FY '23 these are going to be the new avenues or these are going to be the you know higher floor inventory which you are planning to launch.

Kamal Khetan: So yeah Pritesh, it will be a combination of higher flows and the new tower launch.

Pritesh Sheth: So new tower launch will happen in FY '22 or FY '23 or FY '24.

Kamal Khetan: I can only say that a total put together we are looking at the launch area of close to 0.6 million square feet, which is -- which will be from -- because we as -- we discussed in the past one of the questions that there are always uncertainty in getting some approvals. So, we are confident that at least 0.6 million square feet we will be able to launch taking the

combination of new tower and higher floor higher floor launches, put together.

Pritesh Sheth: Sure, got it. I think that's it from my side. Thank you.

Kamal Khetan: Thank you Pritesh. Thank you.

Moderator: Thank you. Before we take the next question, a reminder to the participants, anyone who wishes to ask a question, press '*' and '1' at this time. The next question is from the line of Mohit from Leverage capital. Please go ahead.

Mohit: Yeah, hi. Thanks for the opportunity. So my question is essentially on Avenue [1](#) One while you're talking about the higher floors, etc. when we do channel check, we understand that you know for even the existing ones the amenities is not ready the gym is just about 400 square feet between 440 odd flats. So how do you plan to sort of really scale up your luxury project? And in light of that, do you want to do more luxury projects? Or do you think management capabilities lies best in Naigaon, Kalyan etc. Thank you.

Kamal Khetan: Mohit, I don't need to explain the capability of Sunteck. Sunteck has started the journey with BKC Signature Island Project. I don't know your market sources from where you got this feedback. But as far as today, I can proudly say there are some of the best corporate people are staying in our projects in BKC. And we are pretty confident -- we are in fact Sunteck is known for the luxury. And whether it is maybe in a uber-luxury segment, or in the mid income premium segment, or maybe in the affordable segment. So we will continue to command luxury and we continue to command premiums over across all our projects. So sorry to say that if you think that Sunteck is -- would be only doing affordable, I don't think we would be getting so many of BD development projects on an asset like model where the landlord is trusting Sunteck with his land property, which is worth like close to INR 1,000 crore – INR 8,00

crore. So I don't know where you have got your channel checks done from. Thank you. Thank you.

Moderator: Thank you. I would now like to turn the conference over to the Chairman and Managing Director Mr. Khetan for closing comments.

Kamal Khetan: Thank you all for taking all the time from your busy schedule today. In case if any of your queries have been left unanswered, you can get into touch with me or my team. We look forward to your continued support. Thank you once again for joining us today. And please be safe. Thank you.

Moderator: Thank you. Ladies and gentlemen on behalf of Sunteck Realty, that concludes this conference. We thank you all for joining us and you may now disconnect your lines.