



“Sunteck Realty Q4 FY20 & Q1 FY21 Earnings Conference Call”

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Moderator:

Ladies and gentlemen good day and welcome to the Sunteck Realty's Earnings Conference Call for Q4 FY2020 and Q1 FY2021. We have with us today, Mr. Kamal Khetan – the Chairman and Managing Director of the company along with the senior management team of Sunteck, comprising of Mr. Manoj Agarwal – Chief Financial Officer, Mr. Prashant Chaubey – Head of Corporate Finance and Mr. Raunaq Rath – AVP (Investor Relations).

Please note this call will be for 60 minutes and for the duration of this conference call, all participant lines will be in the listen-only mode. The conference is being recorded and the transcript for the same maybe put up on the website of the company. After the management's 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 '*' and then '0' on your touchtone phone.

Before I hand the conference over to the management, I would like to remind you the certain statements made during the course of this call may not be based on historical information of facts and maybe forward-looking statements including those related to general business statements, plans and strategies of the company, its future financial condition and growth prospects. These forward-looking statements are not 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 statements.

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

Kamal Khetan:

Good evening everybody and welcome to the earnings call for the Fourth Quarter of the Financial Year 2020 as well as the First Quarter of the Financial Year 2021. Thank you for joining us.

Before I share few updates, I sincerely hope all of you are safe and fine. The ongoing COVID 19 pandemic for the last 4 to 5 months has significantly impacted the economy across industries. The quarter gone by has been the most unprecedented and challenging one so far.

On the macro side we are seeing few things, uncertainty in business and employment could lead to near headwinds. On the flipside, the interest rates for housing are extremely low and affordability is attractive. The importance of having a nice home in the work from home environment is positive. We are observing a major shift from wanting to buy under construction to wanting to buy ready or near ready inventory. More by luck rather than design, a majority of our inventory is now ready or near ready. We have been positively surprised by the kind of pre-sales we have been able to do and most of it is driven by either finished or close to finished inventory such as in our projects like Sunteck City Avenue 1, Signia High at Borivali and Signia Waterfront in Airoli. We have also seen a significant momentum at Sunteck World Naigaon - Phase 1 Sunteck West World which is near ready and affordable hence most resilient. During the lockdown, we shifted gears to launch a digital platform Sunteck Aer that accelerated the sales momentum despite the pandemic. During the complete lockdown in MMR, we were able

to book healthy pre-sales. All our under construction sites now have resumed and we are on track to returning to pre-lockdown activity level by next month. It is opportune timing to offer ready to move in inventory given the current demand trend. It is important that we continue to focus on our construction progress which in turn will lead to stronger revenue recognition as well as generate steady cash flows in coming quarters.

GST, demonetization, RERA, NBFC crisis and now COVID19, is only going to increase the pace of consolidation in the real estate industry. Developers with weak balance sheets have multifold challenges - lack of liquidity to complete the projects and non-availability of fresh capital; lenders not willing to offer home loans to buyer of unorganized developer and there is a tremendous distress on the street. Our brand recall, quality, execution track record and balance sheet strength positions us to be one of the biggest beneficiaries and increase our market share. We intend to capitalize on the opportunity at hand setting the stage for further sustainable growth and an attractive ROEs.

Our recent acquisition of Vasai West is a step in this direction, similar to a strategy to enter Bandra-Kurla Complex (BKC), ODC at Goregaon West and the Naigaon market. Vasai will evolve into our fourth growth engine as it offers a big demand potential in an untapped micro market. With a focus on middle income group, we intend to offer well-designed apartments with unobstructed sea view, catering to emerging customer need of residential premises that not only offer a luxurious lifestyle but also ensures a comfortable work from home environment.

On that note I would now like to hand over the call to our CFO Mr. Manoj Agarwal, who will take you through the operational and financial numbers of both the quarters. And as always I will be happy to answer any of your questions that you may have during the conference call. Over to you Manoj.

Manoj Agarwal: Thank you sir. Good evening everyone and thank you once again for joining us today. Now I would like to run you through the financial and business performance numbers of our Fourth Quarter full-year Financial Year '20 and Q1 Financial Year 2021.

Manoj Agarwal: I will begin with the operational performance numbers; we recorded presales of Rs. 608 Crores in Q4 of FY20 which is 110% increase year-on-year as compared to Rs. 289 crores in Q4 of FY19. For the presales in financial year '20 stood at Rs. 1221 crores which is a 2% increase year-on-year as compared to Rs. 1202 crores last year. In terms of distribution mix of quarterly presales of Rs. 608 crores, Naigaon presales stood at Rs. 680 crores while ODC contributed Rs. 6 crores, BKC one unit was cancelled of Rs. 81 crores and balance Rs. 3.2 crores spread across other projects.

In Q4 we sold 1772 units in Naigaon, 3 units in ODC and 1 in Signia Waterfront. We achieved collection of Rs. 715 crores in FY20 against Rs. 661 crores which is an 8% growth as compared to financial year '19 and Rs. 175 crores for Q4 of FY20 against Rs. 166 crores in previous year and Rs. 207 crores in previous quarter last year.

In terms of financial highlights:

We reported consolidated revenue of Rs. 608 crores in FY20 as against Rs. 857 crores last year. Our consolidated revenue in Q4 of FY20 was at Rs. 92 crores against Rs. 198 crores of Q3 of FY20 and Rs. 270 crores of Q4 of FY19.

On the EBITDA front:

The consolidated EBITDA for FY20 is Rs. 163 crores as against Rs. 378 crores in the last financial year. We recorded consolidated EBITDA for Q4 at Rs. 9.2 crores as against Rs. 50.2 crores of Q3 and Rs. 88.8 crores of Q4 of FY19. Our consolidated EBITDA margin in FY20 is at 28% compared to 44% last year because of change in revenue mix.

With respect to profit after tax:

We recorded Rs. 1 crore in Q4 against Rs. 33.6 crores in the previous quarter. We have recorded PAT of Rs. 101 crores in FY20 as against Rs. 241 crores in last year. Our consolidated PAT margin for FY20 are at 17% compared to 28% last year. I also want to touch upon on the cash flow statement for FY20; our cash flow generated from operations before tax and after investment in business development for the year stood at Rs. 7.3 crores and after tax Rs. (-34.6) crores.

Now I would also like to run you through the financial year business performance numbers for the first quarter of financial year 2021:

I will begin with the operational performance numbers first:

Presales in the first quarter stood at Rs. 101 crores compared to Rs. 185 crores last year same quarter. In terms of distribution mix of quarterly sales of Rs. 101 crores is 40% of the ODC, 48% in Naigaon and the balance in other projects. Unit wise breakup is 21 units in ODC and 123 units in Naigaon and 7 units in Signia Waterfront. We also achieved collection of Rs. 65 crores in first quarter compared to Rs. 189 crores in Q1 financial year 2020.

In terms of financial highlights:

We reported consolidated revenue of Rs. 61 crores in Q1 of financial year 2021. This is decrease of 34% Q-on-Q against Rs. 92 crores of Q4 financial year '20 and decrease of 66% Y-on-Y is against Rs. 178 crores of Q1 financial year '20. On the EBITDA front, the consolidated EBITDA for Q1 at Rs. 10 crores is against Rs. 9 crores for Q4 financial year 2020. Our consolidated EBITDA margin for the first quarter financial year '21 is at 17% compared to 10% last year. With respect to profit after tax we recorded Rs. 3 crores in Q1 as against Rs. 1 crore in the previous quarter.

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

- Moderator:** Thank you. Ladies and gentleman, we will now begin with the question and answer session. The first question is from the line of Adhidev Chattopadhyay from ICICI Securities.
- Adhidev Chattopadhyay:** The first question on the BKC cancellations, could you just explain for how many units has it been? What is the accounting impact and do we expect any more cancellations in the first or second quarter of this year, depending on what visibility you have?
- Prashant Chaubey:** We had canceled one unit in Signature Island which is of the value of 81 crores is and that is what has been written down in the fourth quarter financial year 2020 which was sold in Q2.
- Adhidev Chattopadhyay:** Just on that follow up, any further cancellations or is it just one-off you have seen?
- Kamal Khetan:** So Adhidev obviously this was just pre-COVID, the deal was in Q2 and the deal was going through and this is one-off I can say, obviously we don't expect any more to happen.
- Adhidev Chattopadhyay:** And second question is now after COVID, so what is the plan now for our ODC commercial, the 3 million square feet? How do you look at the project mix and now timelines for the project?
- Kamal Khetan:** Adhidev we want to be cautious after this Covid. It is again by luck I would say, we were in fact it was our due to the delay in getting the approvals. In fact on the hind sight now it has turned out to be lucky for us that we didn't start the project. But we would definitely want to see the market once this COVID thing gets over for 3 to 6 months and if we see the demand continues to be there in the commercial segment we will go ahead and do commercial out there. If we don't see the demand we have a plan too that is definitely we can start looking at residential in that sector. So the Fifth Avenue which we call where we going to do commercial, so we can partly start with residential instead of commercial if we feel that commercial demand goes down completely post-COVID. But we want to wait and watch for next 3 to 6 months.
- Moderator:** The next question is from the line of Riddhesh Gandhi from Discovery Capital.
- Riddhesh Gandhi:** Given we are actually located in MMR which was pretty much under hardcore lockdown in Q1, can you just explain to us how we are able to do the presales of (+100) crores and also the trajectory we are seeing between April-May to June and also like as we are in the quarter July-August, how the presales is looking and how the markets looking?
- Kamal Khetan:** So definitely when there was a complete lockdown in MMR is spite of that I think one of the biggest things which helped us that we started immediately the online platform after the lockdown within 15 days. We tried to put our online platform and we marketed it as Sunteck Aer and we put it up. We felt that there should be some demand whatever, we didn't want to keep our sales team idle and in fact they were also really pleasantly surprised. We thought that okay we will at least keep our sales team busy and try to do some sales than rather doing nothing. In fact we were pleasantly surprised after seeing the demand and as I spoke in my speech before in my commentary that the most of the demand we could see was coming for the people are on the leave and license or they don't have a home and now the work from home has become maybe

going forward we will see lot more and more work from home happening in many companies. In fact at least 20%-25% of the staff some of the departments can work from home. I think this has made people who are fence sitter or who are not buying home and waiting for the correction because pre-COVID also the market was not so good for real estate. So post-COVID people like that now obviously people feel this is the bottom and now it's a right time to buy house so we see good demand and that's why we could do good sale. And not only that if you look at the current quarter I can share that till July we have done sales and looking at the current sales I won't be hesitant in saying that I'm pretty confident this Q2 might surpass the corresponding Q2 of the last year presales. So we are seeing that kind of demand especially in ready to move in product or near ready to move in products.

Riddhesh Gandhi:

And the other question was if you could just highlight some of the economics of your recent acquisition in Vasai. We saw in the press release the potential 5000 crores of the revenue, if you could just give us it in a broad view of how much of that will be shared, how much of that will be our cost and in turn effectively, how do you think about this project as a whole in terms of equity IRRs and also in terms of absolute profitability?

Kamal Khetan:

I will give you some stats what is the reason; as you see that we have always tried to go when we take a big project we are very particular about the location. We do lot of research before we get into a location. If historically you see we have gone to the BKC and then ODC and then the Naigaon. So we have explored such new locations and there we saw where is an untapped demand which is there in which can be tapped even in any market that outperforms. So while doing this we obviously see this Vasai market which is one of the posh locations of the Vasai and which has a very beautiful scenic view from this property, a sea view and we definitely wanted to tap this and this is again an asset light model. I think we got a better deal than what we did for Naigaon because of the current market conditions. So almost like 25% of the top line this is a micro market which is more expensive than Naigaon and still in Naigaon like we give close to 25% of the topline. This market being in spite of being expensive than the Naigaon market, we will still continue to give almost similar 25% of the topline to the landlords. And looking at IRR numbers and other things I think Raunaq can you explain in detail?

Raunaq Rath:

Sure. So in terms of topline as we mentioned in our press release as well, we are looking at close to 5000 crores. Our share will be closer to 3750 crores out of that if we do a simple math of 75%. This in terms of structure is very similar to our Naigaon deal, so we are only responsible for execution, sales and marketing. All land related premiums as well as approvals have to be to account of the landowners. So our limited cost will be only to the tune of 1250 crores, which is for execution. We are looking to realize the surplus of about 2500 crores on a project lifecycle of about 5 to 7 years. In terms of margins, we expect this to be close to between 25% to 30%, typically in range for this pricing.

Riddhesh Gandhi:

Our share plus from Vasai after cost could be 2500 crores?

Raunaq Rath:

Yes that's correct.

- Riddhesh Gandhi:** And over how many years you said?
- Raunaq Rathi:** We are looking at project lifecycle of about 5 to 7 years.
- Riddhesh Gandhi:** Just a last question, are there other acquisitions like this which we are currently doing or we will go slowly the bite size like piece by piece?
- Kamal Khetan:** So definitely because we want to be very aggressive at the same time very-very cautious. So you can understand that's why we are very clear, we are doing asset light, we won't stress our balance sheet. But I can tell you we are at the similar kinds of projects without putting balance sheet under pressure. We will continue to do some aggressive cautious acquisitions.
- Moderator:** The next question is from the line of Puneet Gulati from HSBC.
- Puneet Gulati:** Just on this Vasai thing how many million square feet will that add to your portfolio?
- Kamal Khetan:** It will add almost 4.5 million square feet.
- Puneet Gulati:** So basically you're looking to sell half a million square feet every year in that locality, more than half?
- Kamal Khetan:** Yes, if you look at Naigaon typically we sell close to a million square feet every time we launch which is in a year, 12 to 15 months. So we are looking half of it to be sold, 50% of that kind of volumes for Vasai.
- Puneet Gulati:** So this is very interesting, you guys are going to places like Naigaon, Vasai and obviously doing very well. The deal looks good and your performance on Naigaon also is quite impressive. What is it that you are doing differently versus some of the other guys who would also be seeking to these markets? What is the competitive advantage that you have there?
- Kamal Khetan:** I think Puneet definitely today everything is your brand and the performance and the financial strength. So I think this three put together and also the execution track record. So if you maintain brand that means your everything comes under that obviously you have to be financially disciplined, your strong balance sheet. One more thing we have always if you must have seen our track record that we have not rushed or desperately gone and did some acquisition. Whenever we did acquisition we have done a lot of research on that location before entering any location, so historically even if you see. Since the Sunteck has born since 2006-07, always whenever we have gone big in any location which is we have taken that territory into a different zone that particular micro market.
- Puneet Gulati:** Secondly if can give some color on what is the enquiry momentum in the current month July for your ODC portfolio because I thought it was a very interesting portfolio pre-COVID? Do you think that portfolio might become a disadvantage given that people might ask for slightly bigger homes?

- Kamal Khetan:** No, I don't think so because, in fact the most of the inventory what we sold right now means second to Naigaon is ODC which is our all the three phases Phase 1, Phase 2 and Phase 3. So obviously Phase 3 which is the Fourth Avenue, the inventory sold post COVID is negligible because it is just under construction and it's just started the construction and the project will be delivered after 2.5 to 3 years whereas the Avenue 1 and Avenue 2, first phase and second phase which is almost completed and near completion where we have seen a good demand and Excellent demand and we continue to see that robust demand and that's why we are putting all our strength I would say to do execution and keep the execution at the fastest speed as possible.
- Raunaq Rathi:** Just one more point because you spoke about larger homes. In fact in the last quarter or two we have also seen a lot more enquiries in Avenue 1 because relatively there the apartments are slightly bigger and that also being nearing completion becomes a very attractive proposition for the customers as well.
- Kamal Khetan:** So also larger homes with affordability, so that is also a key thing. So if you give a larger home in Goregaon which is worth like 5-6 crores obviously then how much affordability you can look at and how many apartments you can sell. So definitely we are seeing in July a great demand again what we could not sell in last 2 years that kind of momentum just in July in Signia High. So we are seeing that kind of demand which is completed project and as rightly what you speak large homes. These are large homes but not too much of the inventory like not 200-500 apartments which are like balance apartments are just 30-40. So I see a market in every micro market for that kind of a product but not more than 40-50. So that is the ticket size of 5 to 6 crores in Borivali but that ticket size you can't sell 400 or 500 apartments but you can definitely sell 30-40 apartments. And fortunately by luck we only have that 30-40 apartments and we are so confident that what we didn't sell in last 2 years we may end up selling in this month or maybe next month, so that's how the demand which we are seeing. Its lot of exciting time let me tell you that.
- Puneet Gulati:** What is also interesting is that for the ODC side you actually did a higher number of sales in Q1 versus Q4.
- Kamal Khetan:** Correct.
- Puneet Gulati:** Is there something to read into it or would you comment what was different in Q1?
- Kamal Khetan:** So post-COVID that's what I'm trying to say. We have been selling more in post-COVID the ready inventory than pre-COVID. That is what we are seeing the difference.
- Puneet Gulati:** In these 40 crores you would say bulk of it would be Avenue 1 and 2?
- Kamal Khetan:** So in Sunteck City 90% is in Avenue 1 and 2 post-COVID.
- Moderator:** We will move on to the next question that is from the line of Prem Khurana from Anand Rathi.

Prem Khurana: Two questions from my side, so one was eventually when I look at acquisitions that you have done in the recent past. You have done three that have been announced, so one was Andheri West and then we had Naigaon and then we have this Vasai. So are these things kind of extended, so it by design that you have been able to manage these or we were working towards adding more on extended suburbs because you get to have larger layouts where you have options to be able to design your product as per your discretion whereas when you look at some of the suburbs we tend to have some restrictions in terms of FSI usage as well as in terms of the kind of size that you will be able to get?

Kamal Khetan: So by design definitely we would not like to enter certain micro markets. I would not like to name but where many of the developers are there and they have burnt their fingers and they are not able to sell given even a single apartment. So where we see there is a demand which is there and we do our research that's what I said Naigaon, there was no one who tapped Naigaon or no one who tapped BKC as a residential or there was no demand in ODC. But we saw that there is a demand which is there which is untapped. So similarly in that micro market of Vasai we see a huge potential of demand which is untapped by any organized players. So we like to go in those micro markets, we don't like to go where everybody else is going just we also go by default in that micro market. So we have been very selective and I can say fortunately we have been lucky and what we want with the hard work we get it finally. Otherwise it is not necessary that you do all the hard work and you get it, so God has been kind I would say we have been also lucky in getting that.

Prem Khurana: Just to understand it better, so when you evaluate or when you look at growth opportunity do you tend to go with a mind that I want to have this much area in let's say before Borivali and then these many million square feet after Borivali or we have no such restrictions, I mean we are free? If it fits our strategy we are open to kind of take more on beyond Borivali project?

Kamal Khetan: Definitely, so we are open to take where we feel there is enough demand. We will continue to do aggressive but definitely cautious in current times acquisition on an asset light mode. And we see there is a huge potential and there is lot of distress in the market. So at the same time we want to be aggressive but again very cautious.

Prem Khurana: Last from my end. On Andheri West launch, are there any timelines in mind now? Especially given in the backdrop of COVID I mean as you said is it rightly to assume the demand seems to be much better for the near complete or ready to move inventory, so would that make you push that launch to a date which is farther in the future now? Eventually are you planning to launch it this year or could it be pushed to next year or are we going ahead with the launch this year only?

Kamal Khetan: So we will definitely continue to keep our launches on. We would not like to delay. Maybe we may see not that much of a demand for under construction but it's not that there is no demand for under construction. For a good developer, organised developer there is enough demand for even under construction. But if there is any demand which goes down obviously in under construction I think more than that which will be compensated by selling ready inventory with the cash flow coming up front. I think that is the key point which we should understand which a

big benefit for the company I think and I would be more keen in selling the ready inventory. That does not mean that I will not sell or not launch any new project but we are anticipating, let us accept and understand that suppose pre-COVID we would sell let's say 100 apartments, I wouldn't be surprised now in the same launch maybe under construction we may end up selling only 60% or 70% of it, if 100 versus only 60 or 100 versus only 70. But I think more than that it will be compensated, that 30% loss or 40% loss will be compensated by selling the ready inventory which was not moving out for quite some time and which was building up in our portfolio. In fact that has come as a great advantage I think. I think that answers your question?

Moderator: The next question is from the line of Sagar Karkhanis from Motilal Oswal.

Sagar Karkhanis: I just had some questions on our new project in Vasai. If you can just share what is our vision in terms of what will be the ticket size over there and what kind of customer profile that we are looking at because I understand this location is pretty far away from the railway station. So you must have thought of what kind of customers you will be looking at and if you can just share some of your broad overview on this.

Kamal Khetan: So we are looking definitely Sagar at a mid-income group segment which is the demand in that micro market what we studied. So what we are selling in Naigaon is the ticket size which is like 35 lakhs 1BHK to 3BHK which is 65-70 lakhs in Naigaon. Here what we are looking at 2BHK which is 45-50 lakhs to going up to 3BHK which may go up to less than a crore, which is something between 75 lakhs to 1 crore. So I think that micro market has enough potential for this kind of and this may be slightly away from the station but this will complement something like Juhu for Andheri or a Vile Parle area or a Lokhandwala for Andheri location. This will be something similar demand which will go in that micro market of Vasai, something which we create a luxury in that micro market. There is a huge demand for that kind of a product there.

Sagar Karkhanis: And given that we are seeing good traction for ready to move in apartments and this is going to be a Greenfield project so how do you see the sales velocity picking up for this project we will be doing presales for under construction and the construction we will be doing in house for this?

Kamal Khetan: We have across all our brand if you see we have construction in house only. So whether it is our top end which is Uber luxury signature brand or a Signia brand or a Naigaon construction or the City construction, it is all in house. So this comes something between City and World, I would say this is something a product which is slightly lesser expensive than the City Goregaon product and it is more expensive slightly more expensive than Naigaon. So I think there is no reason why should we outsource the construction when we have good enough capability of constructing in house. I don't see any specific reason why should we construct through a third party.

Raunaq Rathi: Just one more thing. From a customer perspective, large organized players will continue to be the preferred mode for buying when looking at new projects. Though we'll be offering it as an under construction project, I think somewhere the customer will also derive comfort from our balance sheet strength and our ability to deliver. So we don't really foresee it to be a challenge from that perspective.

- Kamal Khetan:** More than that we have only considered half of the volume of Naigaon that's why. We have already taken that thing into consideration that whatever we have sold in the past, whatever we have sold in Naigaon let's say almost a million square feet during the launch versus which we will every year we'll only sell in every relaunch half a million square feet. So I think that we have already taken it quite conservatively.
- Sagar Karkhanis:** That's very helpful. And like I said in a dull environment we are showing such encouraging numbers I'm really excited for what we can achieve when the market recovers.
- Moderator:** We will move on to the next question that is from the line of Biplab Debbarma from Antique Stock Broking.
- Biplab Debbarma:** My first question is on the cash flow situation; just trying to understand the cash flow situation. If we assume that there is no incremental sales in FY21, how would the cash flow situation be? Like what is your total receivables, construction cost to be incurred, fixed cost, interest and debt requirement in FY21, just trying to understand the cash flow situation.
- Prashant Chaubey:** First of all I would like to mention that the situation of no sale doesn't arise because in the first quarter we have already done 100 crores worth of sales and that too in a lockdown environment. So from that perspective the question of no sales doesn't arise. So that is the first point I want to clarify. Secondly sir on the debt front I can tell you that our debt levels are one of the best in the industry, our debt-equity ratio today stands at 0.26 net debt to equity ratio and our total debt is around 750 crores, total net debt. Coming to the receivables, our receivables from both completed, nearing completion projects is to the tune of 1,100 crores and against that 1,100 crores we have to incur only 300 crores of cost. So balance 700 crores is free cash flow for us. This is committed receivables I am talking about. And from projects which we have launched in the last two quarters we have total receivables of close to 800 crores against which we have to spend 650 crores. So all in all if you see my total net cash flow from commuted receivables will be close to 930 crores and over and above this I am sitting on an unsold inventory in these two brackets of close to 3,500 crores. So over the next 2-3 years you will see these 4,500 crores of potential getting tapped. In this I am not taking in to account any new acquisitions and any new launches.
- Biplab Debbarma:** One more question is on the Sunteck City; so in the year FY20 you sold around 156 units. So all the units you sold are from Avenue 1, Avenue 2 or also in Avenue 5? Whatever is the new project?
- Prashant Chaubey:** So Biplab bhai we have sold 123 units in Fourth Avenue and the balance 30-40 units we have sold in Avenue 1 and Avenue 2 and the sales in the first quarter has been mostly from Avenue 1, the ready to move in inventory.
- Moderator:** We will move on to the next question that is from the line of V. P. Rajesh from Banyan Capital.

- V. P. Rajesh:** I was just wondering earlier you would give a slide which had estimated inventory value and estimated cost. So have you discontinued that or will you be publishing that separately?
- Raunaq Rath:** If you have noticed we have started updating our fact sheet on our website as well as we file it with the stock exchange. That will continue to be updated on a quarterly basis which will contain all the information that you just mentioned. So that is just been the change, it's being uploaded and disclosed regularly.
- V. P. Rajesh:** Just on the BKC, what is the number of unsold apartments as of Q1 and what is the value which is there at the balance sheet in the inventories category I assume?
- Raunaq Rath:** So the total unsold units are close to 39 units.
- V. P. Rajesh:** And what is the value of those 39 units?
- Raunaq Rath:** Total unsold inventory is at 1800 crores.
- V. P. Rajesh:** My follow-up question was that given the way market is, what is the sale velocity you expect in BKC because last year we sold only 2 on a net basis, so are you expecting this to pick up in this year or next year or the year after that? So that was just trying to get a sense on that.
- Kamal Khetan:** We definitely are looking forward to sell as much as units every quarter-on-quarter and year-on-year. Always we have been able to sell 8 to 9 units every year. Unfortunately the last two quarters has been bad quarters because due to COVID otherwise if you see the track record from last more than 4 to 5 years we have been able to maintain the velocity of 8 to 10 units on every year-on-year basis and on every quarter at least maybe 2 to 3 units. So going forward we don't see any, if we continue in even that momentum, we are confident that at least we should be able to maintain that momentum.
- V. P. Rajesh:** Even in the current financial year you think you can sell 8-9 units?
- Kamal Khetan:** We have already lost one quarter and maybe very frankly we don't know nine-months, this COVID will last how much time. So if this goes, continues for another nine months to 1 year maybe we might see lesser velocity in that. We are not very confident on the BKC product sales to be very frank but now as we hear from the market even the demand has slowly started picking up in even the uber luxury segment. So we have seen quite a few sales happening in the South Mumbai which has in the uber luxury segment which is like ticket size upward of 30-40 crores. So that is slowly picking up and hopefully we should at least do if not 6-7 apartments at least we will try and what we are looking forward for at least 4 to 5 apartments in coming quarters.
- V. P. Rajesh:** My second question is your debt that has gone up year over year. So any thoughts around what it will look like by the end of this financial year?

- Kamal Khetan:** Sorry Rajesh you are saying the debt has gone up. The way you said I really felt that it is rocketed or something. It is marginally going up, we are doing new acquisitions, we are putting too much money into the constructions. We want the construction speed to be fast and you are seeing the cash flows are very strong. So I don't think we need to worry with such a kind of debt equity ratio. If we don't have this much debt then we can't get a good ROE or we will never be able to do good business. I think this is relatively in fact very conscious and conservative debt equity ratio and we like to maintain this kind of debt equity ratio. In fact historically if you see Sunteck always has been near this ratio and we continue to maintain in spite of aggressive acquisitions mode which we will get into, what we are looking forward, what we are seeing in the market. We are not looking to increase our debt anyhow and stretch the balance sheet.
- Moderator:** We will move on to the next question that is from the line of Mr. Sameer Baisiwala from Morgan Stanley.
- Sameer Baisiwala:** Quick question on the Vasai acquisition and congrats for that. Is the selling price assumption 10,000 and construction cost 2500?
- Kamal Khetan:** Sameer the construction sales velocity what we have taken is starting from Rs. 7500-8000 a square foot in fact and the construction what we are doing in Naigaon and today what we are getting because we are doing in house construction. Because of our in-house construction capability, I think today we are doing construction cost at Naigaon is close to 2000-2200. So for a year this will be a slightly one notch higher product than the Naigaon and similar 23 storey towers. So we look at Rs. 2500-2600 a square foot and that's all and over a period of the lifespan of the project we are looking to achieve Rs. 8500 to 9000 a square foot on a realization value which is close to if you look at 4.5 million square feet, there will be some small in-out retail and other components which will give us a higher realization and some other product what we are looking to design which I would not like to very frankly share on this call that will give us on an average we are pretty confident over the lifespan of the project. We will easily achieve anything closer to Rs. 10,000 a square foot but we will start with close to Rs. 8000 a square foot.
- Sameer Baisiwala:** Would this be affecting any tax benefit or would this be at your marginal tax rate?
- Kamal Khetan:** We are not taking into consideration any tax benefit on this. So you are talking about 25%-30% margin that this post tax.
- Sameer Baisiwala:** Second question here is given the current market conditions and your balance sheet strength, is it possible to do 2-3-4 such deals in a year rather than one every 1 to 2 years?
- Kamal Khetan:** I will be very happy Sameer, why not do two or why to restrict myself to 2 or 3. In fact I will love to have 4 or 5 but on a lighter note sorry but definitely we will look to do as much as possible. But we want to be very selective because even if you take one wrong project maybe you will not make loss because of the asset light model but your bandwidth loss can be enough that may eventually lose the potential to acquire a better and good project. So we will be quite selective but we will not stop. If in this year itself if we get similar 2 or 3 more projects, we will

not stop that because we will be able ramp up for that. We are ready for that and if this is a once-in-a-lifetime opportunity I think unfortunately it's a wrong purpose; the opportunity has come due to wrong reason but it is an opportunity as a business. I don't think we will leave it if we get any such similar opportunity once again.

Sameer Baisiwala: Are you also thinking of doing such deals within the municipal limits or would these be outer suburbs?

Kamal Khetan: We have been very clear Sameer that we want to maintain MMR region is our key strength and this has proved even in this worst COVID kind of a scenario. In spite of complete lockdown, Mumbai was in complete lockdown and we could do such kind of sales. So we are pretty confident that we want to maintain ourselves, restrict ourselves in MMR region and again not lose out our bandwidth because if it's being in the MMR region; if we can do a product of 25 lakhs to 125 crores why should I feel we should go out of MMR region. What is the reason, what is the compulsion and I think MMR market is the most resilient market. We have seen this during the Lehman crisis, time and again we have gone through so many crises whether it is demonetization, GST, RERA etc. so many things, NBFC crisis - I think this is the most resilient market except the few micro markets where there is an oversupply and you can see we have always stayed away from those kinds of micro markets.

Sameer Baisiwala: No, I meant within MMR the municipal limits.

Kamal Khetan: Vasai is again in VVMC that is a Vasai-Virar Municipal Corporation which is not BMC and Naigaon is again in VVMC, so it is not in BMC. So it's a municipal limit but not in municipal limit of Bombay. So like Thane does not come or Navi Mumbai what we do, which is NMMC which is Navi Mumbai Municipal Corporation and Thane which is obviously TMC. So these are municipal limits but outside Bombay municipal limits.

Moderator: The next question is from the line of Parvez Akhtar from Edelweiss.

Parvez Akhtar: Couple of questions from my side, the near-term environment is pretty uncertain and challenging but what is the kind of launches that we can probably see in FY21 across all our projects?

Kamal Khetan: Parvez I would definitely not like to disclose right now on this call what are the launches but you will very definitely see some launches coming up from Sunteck. We will not shy away, so like we didn't close our sales pavilions or sale shop during the lockdown. Now almost the lockdown is now slowly-slowly getting over and we are looking forward to do 2-3 launches and activation as well. We are confident that good sales momentum we will see especially in this quarter July-August-September.

Parvez Akhtar: And also because of the lockdown there would have been some disruptions who are construction timeline. So for an under-construction project what are the kind of construction timelines that we are now focused?

- Kamal Khetan:** We have internally calculated. I think because of the lockdown where there was a complete lockdown, construction was not allowed, that was close to like two months or so and those two months we could not do any construction at all. No one was allowed to do any construction but we have insitu workers. So workers they were most of the workers we tried to retain them at the site and we kept them well with a proper social distancing, providing them proper hygiene and giving them food and everything. We could retain many of them from going back to their hometowns. That helped us to pick up our construction site faster and I can tell you that we are almost, almost I would not say but still we are slightly away from the pre-COVID time but we are almost near pre-COVID time and that's what. I think by the end of the August we will again, in fact almost to the pre-COVID level or in fact faster than that because we want to catch up for the loss of the time whatever we have done during that COVID time. So that's all.
- Parvez Akhtar:** One last just data specific question, what is the inventory that we still have in ODC 1 & 2.
- Raunaq Rathi:** The total unsold inventory in Avenue 1 & 2 will be close to about 575 crores roughly.
- Moderator:** The next question is from the line of Sumit Kumar from Max Life Insurance.
- Sumit Kumar:** My question is on the commercial projects particularly the BKC project that you have and the one in ODC and Naigaon. So what's the construction status and any update on leasing or pre-leasing. The second question is a follow-up on the ODC commercial. It's been since FY18 since you had plans of starting it. So what was the reason for the delay in approvals?
- Kamal Khetan:** Commercial projects first of all when you are talking about commercial projects, we have in all 4 to 5 commercial projects. Let's talk about BKC which is BKC Sunteck Icon and then the second BKC is Sunteck BKC 51. So both those projects are under construction and in full swing. They are above the plinth level and we are looking forward to complete those projects in next 9 to 10 months so those are again being nearer to BKC. We don't see any problem in those and the construction that's why we don't want to slow down. We want to maintain that same speed and we are quite confident because being close to BKC we will be able to get away with that.
- Now coming to the ODC project so fortunately I would say once again at the cost of a repetition we were lucky that we didn't get the approval. Now there are the approval could not come, we all know there are various approvals which are required in every project. There are N number of approvals and starting from environment to the ULC to your high-rise approval, HRC/HR approval, N number of approvals I can continue to go on but definitely there were 2-3 approvals which were challenging. I think we were fortunate so that's why right now if you see we say that we may be best in doing the construction, designing, architecture, putting a right product, right everything but maybe I think we are slightly less efficient in getting the approval and we don't mind saying that and I think that has—in this case at least on a hindsight this has—been helpful to the company and we have been lucky. I would put it that way. I think that's okay?
- Sumit Kumar:** Sure but on the mixed-use projects in ODC and Naigaon prospect status?

Kamal Khetan: So Naigaon there is nothing called commercial. So there is a retail which we want to strata sell or only 1 or 2 may be strategically to get the better sales velocity we will lease it out to a good brand but otherwise the idea is to do strata sale. Retail, if we do a retail mall or something that will be only if the things get improved and that is only to complement the residential and the size will be only that size which can cater to the community which is staying in Sunteck world. Not that we want to do a mall and get into a small business out there. The idea is to complement and get a better pricing for residential in that micro-market by giving a proper, good infrastructure to that entire community. That's the idea of doing retail shops and the retail mall out there and ODC we have already said they are commercial. Anything which I have missed out?

Sumit Kumar: No.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to the Chairman and Managing Director Mr. Khetan for his closing comments.

Kamal Khetan: Thank you all for taking out to the time from your busy schedules today. In case if any of your queries have been left unanswered you can get in 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 call. Thank you for joining us and you may now disconnect your lines. Thank you.