



## “Sunteck Realty Q1 FY22 Earning Conference Call”

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**MANAGEMENT: MR. KAMAL KHETAN – CHAIRMAN AND MANAGING  
DIRECTOR  
MR. MANOJ AGARWAL – CHIEF FINANCE OFFICER  
MR. PRASHANT CHAUBEY – SVP (CORPORATE  
FINANCE)**

**Moderator:** Ladies and Gentlemen, Good day and welcome to Sunteck Realty Earnings Conference Call for Q1 FY22. We have with us today Mr. Kamal Khetan – the Chairman and Managing Director of the Company, Mr. Manoj Agarwal – the Chief Finance Officer and Mr. Prashant Chaubey – SVP (Corporate Finance).

Please note this call will be for 60 minutes and for the duration of this conference all participant lines will be in the listen-only mode. This conference is being 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, please signal an operator by pressing ‘\*’ and then ‘0’ on your touchtone telephone.

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 statements, plans 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. Kamal Khetan the Chairman and the Managing Director of the company. Thank you and over to you, sir.

**Kamal Khetan:** Thank you for joining Sunteck Realty first quarter FY2022 Earnings Call. I am excited to share with you our continued progress on the next phase of our development as a business. In our last call we introduced the guiding principle of the new Sunteck, what we are calling Sunteck 3.0. Sunteck 3.0 is focused on three key priorities – first, an asset light approach; second, a flywheel of high velocity growth and third, an exceptional and incentivized team.

Over the years as Sunteck worked to establish its brand and track record we acquired large land holdings on our balance sheet. In certain cases, we also held onto finished apartments that could increase in value while these decisions were strategic and created enormous shareholder value. Currently, we have over Rs. 1,700 crores of finished inventory although, this is only approximately 15% of the total inventory of respective projects. I am focused to exhaust this inventory in next few years.

Slide 6 of our presentation shows our finished inventory and the progress we have made in last 15 months including the sell-down of almost entire inventory at our Borivali East project namely Signia High and a Gilbert Hill project. We also do not want to add new finished inventory to our balance sheet. Our priority is high sales velocity. This has been the hallmark of our recent launches and will continue to be our modus operandi moving forward. Sunteck City and Sunteck World are the exhibits of this approach. I think of Sunteck as an efficient factory that takes input just in time and manufactures widgets, which happen to be highly desirable apartments. Our

trusted brand and reputation allow us to operate this factory through JVs and JDAs that require very little capital upfront and yield high returns on our invested capital.

Sunteck spends approximately just less than Rs. 100 crores a year on overheads. If you see a slide 8 of our presentation, our near-term engine alone have a potential to generate approximately Rs. 700 crores of profit after tax for next 6 to 7 years. With more scale our cash flow engine will grow stronger. The key is to expand and strengthen our factory, our senior team and execution capability so that we can do 6 to 8 or even more sizable projects simultaneously. Our project level operating margins are trending higher from 25% towards an average of 35% per project.

As a brand and offering grew stronger, our price realizations are improving. This coupled with the greater economies of scale is improving the profitability, sustainable expense control we implemented during COVID are helping our margins further. In 2021, the state of Maharashtra is cutting various developer fees by 50% to incentivize developers. These fees are significant and amount almost 30% of the price we realize. We are taking full advantage of this opportunity and pass on the benefit to our customer. We plan to prepay almost Rs. 250 crores of this fees in 2021. The 50% savings means that we will also be saving Rs. 250 crores which is wonderful. This should further improve our project level IRR. As we work with more capital per group, the benefit will come over the next few years.

I am very proud of the team we have built at Sunteck. In recent weeks Sunteck has begun to roll out a new employee incentive program tied up to form an employee level objective. I am excited about this development; incentives can be very powerful in influencing and rewarding outcomes and we intend to put a lot of our attention on our employee's development in this regard. Sunteck 3.0 is off to the races. It is still early days for us, but we are well positioned and focused on what we need to achieve. The runway is long, but Mumbai Housing stock have significant room for continued growth and redevelopment and the demand we are witnessing for homes today and have a structural tailwind that we expect will continue for a very long time. I am excited for what the future has in store for Sunteck. I am excited to continue to share it with all of you. Thank you. I will now hand over the call to our CFO Mr. Manoj Agarwal for his comments and thereafter I will be happy to answer your questions if any.

**Manoj Agarwal:**

Thank you sir. Good evening everyone and thank you once again for joining us today. I hope all of you are safe and well. The financials and operational numbers have been already uploaded on the stock exchanges I hope you must have gone through the same.

Now I would like you to run through the key financials and business performance numbers

Pre-sales in Q1 FY22 stood at Rs. 176 crores as against Rs. 101 crores in Q1 FY21 an increase of 74% on year-to-year basis. On collection front, we achieved collection of Rs. 172 crores in Q1 FY22 as against Rs. 65 crores in same quarter last year that is 165% increase year-on-year basis. Presales to collection efficiency ratio is 98% in this quarter which is highest.

In terms of the financial highlights reported a consolidated revenue of Rs. 93 crores in Q1 FY22 as against Rs. 55 crores in same quarter last year which is an increase of 69% year-on-year basis. Consolidated EBITDA for Q1 FY22 is Rs. 21 crores as against Rs. 16 crores in Q1 FY21 which is also an increase of 32% year-on-year basis. As always we continue to focus on our cash flow management and financial discipline, that is must in this environment and that continues to reflect in our low adjusted net debt equity ratio that is excluding quasi equity which has been reduced 0.17 times due to our strong operating cash flows. In this quarter also our gross operating cash flow was positive by Rs. 32 crore the positive cash flow helped to reduce interest cost by 19% compared to the same period last year. We can now open the floor for question from the participants. Thank you very much.

**Moderator:** Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. We have the first question is from the line of Kunal Lakhan from CLSA. Please go ahead.

**Kunal Lakhan:** I have three questions actually so firstly on the Borivali project, can you update us on what is the status of the settlement of the club members by the land owner and what is the status on the approvals and also the targeted timeline for the launch? Second question is on the BKC side, we have not seen much of traction in the last five quarters, but what is the strategy to monetize this in the next three to four years that we are targeting and third question is little generic in terms of what is the sales target for FY22 and in general over the next three years what kind of sales level do we plan to achieve?

**Kamal Khetan:** On the Borivali project, just to answer that query, the landlord has to settle this and anyhow the club is on another company; it is not with the company where the land is so we have done a JDA and that should not be a problem. They are simultaneously settling the members, but that should not stop the project from going ahead. As far as the approvals are concerned, it is again the landlord that had to get the approval, we are monitoring it definitely and we are seeing to it that it should happen in next 6 to 9 months and we are looking to launch this project by the last quarter of FY 2021-22 or the first quarter of FY 2022-23. Coming to the BKC project, in the last year we did a sale of 90 crore in BKC in one quarter. Definitely this quarter we have not been able to do any sales, but we are pushing and now with the lockdown opening up and slowly the things are getting to the normal we are seeing good traction which we are expecting from BKC projects also. Coming to the third question on sales level, we are definitely looking to double our sales every two to three years that is we have been giving them on all our calls and we maintain that and looking at the current momentum and the current sales velocity we are very confident of achieving that.

**Moderator:** Thank you. We have the next question from the line of Raj Rishi an Investor. Please go ahead.

**Raj Rishi:** Just want to ask you what would be your aspirational sales in say three years compared to what it is today?

**Kamal Khetan:** We are looking at least minimum double the sales in next two to three years.

- Raj Rishi:** And like compared to say a quarter back, let us say last concall how would you assess the present scenario in the geography you are serving?
- Kamal Khetan:** There is a good traction in MMR region and we are focusing obviously on MMR region. If you see year-on-year basis, this first quarter versus last, the first COVID wave was there and the second COVID wave we have done much more than the last corresponding quarter of the last year. So, we see this momentum across all the quarters and that is what we are confident about.
- Raj Rishi:** And you think this trend should continue for a long time what is your assessment?
- Kamal Khetan:** We see that housing demand at least in the housing segment we are very bullish and we feel this will continue.
- Raj Rishi:** So, you think the cycle has turned for the positive finance?
- Kamal Khetan:** Yes we believe this cycle has turned positive and already we are seeing the prices strengthening across all the organized developers and we also see that we will be one of the big beneficiary out of it.
- Raj Rishi:** What would be your appreciation like how much price hike can you assess in the next one year in the projects you are doing?
- Kamal Khetan:** We are here to first exhaust the inventory very fast, but that does not mean we will not raise the prices, we have already hiked up our prices in certain projects where we are seeing a good velocity, we will definitely like to maximize the pricing without affecting a sales velocity.
- Moderator:** Thank you. We have the next question from the line of Parvez Akhtar Qazi from Edelweiss Securities. Please go ahead.
- Parvez Akhtar Qazi:** Two questions from my side - first what would be a target launch timeline for the Vasai and the Vasind project and second on the business development obviously FY21 was a very good year for us so what are our thoughts regarding FY22 and going ahead. Is there any internal target as for the number of projects or maybe sales potential that we would like to add every year for project portfolio?
- Kamal Khetan:** As far as Vasai and Vasind we are pretty confident in current quarter we will at least launch one project out of the book. So, we have acquired recently three projects Vasai, Vasind and Borivali Eskay Resorts. So, out of this three projects we are very confident that at least two projects we will launch before the end of this financial year and as far as at least this quarter we are confident that at least one project we will launch in this quarter. Coming to the BD development acquiring more projects we are aggressively looking out for the projects and as we speak we are already negotiating with one or two and we expect something to close in near future. Coming to the sales I have been maintaining that we will double our sales in less than two to three years.

- Moderator:** Thank you. We have the next question from the line of Biplab Debbarma from Antique Stock Broking. Please go ahead.
- Biplab Debbarma:** Sir my first question is on Sunteck avenue, I believe that you have around 3 million square feet yet to be developed; just wondering whether the 3 million square feet in terms of development whether there is any flexibility, is there a flexibility option where you can develop residential or whatever you want to develop or is there as per the layout you have to develop some amount of commercial, some amount of retail, some amount of residential?
- Prashant Chaubey:** As far as Sunteck City is concerned the 3 million number is a conservative number the actual development potential is much higher and yes as you rightly pointed out there is flexibility in the development. We can do commercial; we can do residential. So, there is lot of flexibility that is allowed in that land parcel. So, yes you are absolutely right depending on the market conditions we will take a decision on that.
- Biplab Debbarma:** My second question is on the price rise you mentioned so just wondering in the last three to six months can you give us some insight in terms of percentage or in terms of project some insight on the price hike that you did in the last three to six months in your project?
- Prashant Chaubey:** We have done some price hikes and without affecting the velocity of the projects and going forward also without affecting the velocity of the project we will take a decision on the price rise, but as sir also pointed out in the previous question the prime motive is to exhaust the inventory.
- Biplab Debbarma:** I just wanted to know if you can give us some number like 5% price hike, 10% across the board because this has been observed amongst other developers also so I was just trying to understand what kind of price hike you have done in the past three to six months?
- Kamal Khetan:** Biplab you can see already our EBITDA margin is going that means obviously we have done some increase of minimum 5% to 10% in our existing prices and that we will continue to see in our result whatever the outcome comes. So, we are pretty confident, but at the same time we do not want to lose on the velocity, but we will not leave any opportunity; we will try to maximize our brand value I can tell you that.
- Moderator:** Thank you. We have the next question from the line of Rahul Jain from Emkay Global. Please go ahead.
- Rahul Jain:** Just wanted to know the breakup of sales between April, May and June and how are the run rate been in July so far, any color on that?
- Prashant Chaubey:** Often we do not have that data I can share it to you offline. However, we are getting back to track post the second wave and that is getting reflected in our numbers.

- Kamal Khetan:** Again obviously April was the weakest, May was better than that and June is better than May. The exact numbers we do not have at the moment, but you can take the split from Prashant offline.
- Moderator:** Thank you. We have the next question from the line of Sahaj Sondhi, a student . Please go ahead.
- Sahaj Sondhi:** I just had a single question on the investor presentation, it was written as a collection efficiency for presales, so it was written 98% I just wanted to know like it was 98% for the whole presales?
- Prashant Chaubey:** It includes the collections from the past presales as well. However, when we calculate the number, it is calculated on collections for the quarter divided by presales for the quarter.
- Sahaj Sondhi:** The presale for this quarter would have been 98% or it would be from previous quarter as well included?
- Kamal Khetan:** Yes.
- Sahaj Sondhi:** For the future like where we would be seeing this percentage of the collection efficiency?
- Kamal Khetan:** It will be good do not worry about that. I think this is a very simple thing I think it is very nicely explained in the presentation.
- Moderator:** Thank you. We have the next question from the line of Anirudh from ZM Investments. Please go ahead.
- Anirudh:** Sir just needed a clarification from your end in your opening remarks you mentioned that we could do a Rs. 700 crores of PAT in next few years so do we need PAT or operating profits?
- Kamal Khetan:** This is PBT what we are talking about Rs. 700 crores I am dividing over the period of 5 years to 6 years only from the existing projects in whatever portfolio we have right now. We are not talking about any further new acquisitions from the existing acquisitions whatever we have done, in the existing portfolio we are talking about. So, for the receivable if you see the presentation it almost comes to Rs. 13,000 crores so this is Rs. 700 crores of you can consider almost a PAT also.
- Anirudh:** Sir just one more question may I know what is the cumulative booking till date and cumulative revenue recognized in Avenue 2 projects?
- Prashant Chaubey:** If you see slide number 7, in Sunteck City we have sold 64% of the inventory that we have launched in Sunteck City Avenue 1 and Avenue 2 we have almost sold 80% of our inventory. So, apart from this whatever remaining data that you require I can provide to you offline.
- Anirudh:** In Naigaon we launched around Rs. 7,500 per square feet and what are the current realization right now?

- Kamal Khetan:** Current realization is close to Rs. 8,500 to Rs. 9,000.
- Anirudh:** So, the higher close must be going for the high prices around 10,000 per square feet also?
- Kamal Khetan:** Q2 we saw strengthening of the prices, and as we already said that we are increasing the prices expense.
- Moderator:** Thank you. We have the next question from the line of Biplab Debbarma from Antique Stock Broking. Please go ahead.
- Biplab Debbarma:** In your presentation you have mentioned receivable from sole inventory of 1,400 crore out of this 1,400 crore how much is from the non BKC project?
- Prashant Chaubey:** Non BKC projects will be closer to 70%.
- Biplab Debbarma:** On this ongoing non BKC project, total how much cost to be incurred?
- Prashant Chaubey:** The cost to be incurred can be completely taken care of from the receivable which is yet to come. So, any new sales that you are seeing in slide number 7 that will be only be the additional cash flow. The cost can be completely taken care of from the receivables that will come from the non BKC projects.
- Biplab Debbarma:** I just wanted to understand the cost that you foresee to be in incurred for these ongoing projects overall I understand that receivable should cover, but just wanted to understand if you have some ballpark numbers for this cost to be incurred?
- Prashant Chaubey:** The balance cost to be incurred majorly will go towards Sunteck City 4th Avenue and Sunteck Maxx world Naigaon and the other project the cost remaining very minimal the total cost will be closer to around Rs. 800 crores to Rs. 900 crores and that can be easily covered from the balance receivables that we will be having of plus 1,000 crores from this non BKC projects.
- Biplab Debbarma:** So, basically without any incremental sales you have surplus cash flow?
- Prashant Chaubey:** Absolutely sir.
- Moderator:** Thank you. We have the next question from the line of Parvez Akhtar Qazi from Edelweiss Securities. Please go ahead.
- Parvez Akhtar Qazi:** So, two questions again - first is what would be the completion timeline for the BKC commercial projects and second as far as ODC is concerned when do we expect to get OC for ODC the second phase and any plans of further launch in ODC this year?
- Kamal Khetan:** So, as far as BKC projects both the commercial projects we are looking to complete in next 12 months to 18 months from now. The construction is in full swing and we are quite confident to



complete in less than 18 months or maximum 18 to 20 months. Coming to the ODC project the second phase we are expecting to give possession in this current quarter itself so phase 2 Avenue 2 which is Sunteck city Avenue 2 we are looking to give possession in the current quarter itself. So, August, September we are confident to give the possession. Looking to launch ODC we looking at the demand we are definitely planning to do one more new launch very soon.

**Moderator:** Thank you. We have the next question from the line of Anirudh from ZM Investments. Please go ahead.

**Kamal Khetan:** Sir just a follow up on the previous participant question so Naigaon project Naigaon WestWorld when will we expecting an OC?

**Kamal Khetan:** This also we are looking to get the OC in the next quarter.

**Moderator:** Thank you. Ladies and gentlemen, we will take one last question from the line of Bajrang Bafna from Sunidhi Securities. Please go ahead.

**Bajrang Bafna:** So, sir what could be demand drivers for this structural change that is happening in the real estate sector if you could slightly outline on that will be really helpful?

**Kamal Khetan:** We are all seeing the demand is easy and we are seeing this demand across the globe not only in India and we are definitely seeing this demand in India as well as the demand in MMR region in fact more stronger so we continue to see this demand over the next at least minimum two to three years.

**Moderator:** Ladies and gentlemen that was the last question I would like to hand the floor back to Mr. Kamal Khetan the Chairman and Managing Director for closing comments.

**Kamal Khetan:** Thank you all for taking out the time from your busy schedule today. In case 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 once again.

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

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(This document has been edited to improve readability)