



“Sunteck Realty Q2 FY-21 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to Sunteck Realty Earnings Conference Call for Q2 FY21. 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 Rathi – (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 “*” 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 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 earning calls for the second quarter and first half of the financial year 2021, thank you for joining us. Before, I share a few update, I wish you all a very Happy Diwali and a very Happy New Year. As you all may be aware, we are now seeing a revival in residential demand, especially in MMR owing to the combination of various favorable factors such as reduction in stamp duty and lower home loan rates. At Sunteck, we are witnessing an expedited turnaround cycle for purchasing decisions by prospective customer. There is a customer bias towards organized developer, which we see for ready to move in inventory and nearing completion projects. Our luxury projects are also seeing a spike in inquiries, especially on account of lower stamp duty. Post lockdown as well, our digital platform Sunteck Aer continues to garner customer interest and add to our sales momentum., We continue to be agile to adapt to the disruptive changes brought about by the ongoing pandemic and are utilizing this phase to strengthen our systems and processes, including onboarding of Grant Thornton affiliate Walker Chandio & Co as our company auditor.

All are under construction sites are now approaching pre lockdown activity level and finishing work is in full swing at few of our projects, which are like namely Signia Waterfront at Airoli, Gilbird Hill at Andheri West, Sunteck Westworld in Naigaon. It is also important that we continue to focus on construction progress, which in turn will lead to generate strong cash flows in coming quarters and revenue recognition at regular intervals.

Secondly, the affirmation of AA minus credit rating with a stable outlook by ICRA highlights our continued focus on prudent cash flow management. The sales and collection trajectory has been growing post the easing of the lockdown and we remain confident of increasing our market share. Our recent project additions are the perfect example of a philosophy of making research based, asset light, value added acquisitions. These projects will largely cater to the mid income to affordable segments, especially post COVID-19 scenario.

We continue to aggressively explore new opportunities and intend to capitalize on these opportunities at hand, setting the stage for further sustainable growth and attractive ROEs. On that note, now I would like to hand over the call to our CFO Mr. Manoj Agarwal, who will take you through the operational and the financial number for this quarter. As always, I will be happy to answer any of your questions that you may have during the conference call.

Manoj Agarwal:

Thank you, sir. Good evening, everyone and thank you once again for joining us today. Before I begin, I would like to take this opportunity to wish everyone a Happy Diwali and Happy New Year. I'll start with update on the revenue recognition method in the financial statements during this quarter, looking into the current COVID-19 impacted environment, we have moved revenue recognition to project completion method from percentage completion method for old and new as well as upcoming projects and accordingly comparative numbers have been also initiated. The same was also concurred by new incoming auditors, this was Grant Thornton affiliate Walker Chandiok & Co LLP. It's project completion method for revenue recognition is more conservative. Please note, while cash flow of the project and company remains as it is, it is mere timing difference of revenue accounting.

Now, I would like to run through the financial and business performance numbers for the second quarter and half year of financial year 2021. Pre sales in Q2 FY21 stood at Rs.200 crore and at Rs.300 crore for H1 FY21, distribution mix of quarterly pieces remain healthy and are as follows, 56% in Signia High Borivali, 27% in ODC, 16% in Naigaon and the balance in other projects. On correction front momentum picked up in this quarter is function of healthy presales of recent past as well as increase in home loan disbursements with recorded collection of Rs.141 crore in Q2 of FY21 a 117% increase on quarter-on-quarter basis as against Rs.65 crores in Q1 FY21 in terms of financial highlights, we reported a consolidated revenue of Rs.143 crore in Q2 FY21 as against Rs.53 crore in Q1 FY21 a 117% growth on quarter-on-quarter basis and as against Rs.132 crore in Q2 FY20 8% growth of year-on-year basis.

Revenue stood at Rs.196 crore for H1 FY21 as against Rs.305 crore in H1 FY20. On EBITDA front the consolidated EBITDA for Q2 FY21 is Rs.31 crore as against Rs.13 crore in Q1 FY21, 140% growth on quarter-on-quarter basis. EBITDA for H1 FY21 was Rs.44 crore as against Rs.110 crore for H1 of previous financial year. Our consolidated EBITDA margin for H1 FY21 stands at 22%. With respect to PAT we recorded Rs.14 crore in Q2 of this financial year as against Rs.28 crore in Q2 of previous year of FY20 and Rs.11 crore for H1 FY21 as compared to Rs.61 crore in H1 FY20. Our consolidated PAT margin in H1 FY21 stood at 6%.

We continue to focus on our cash flow management and financial discipline, a must in this environment and that continues to reflect in our lower net debt equity ratio, which is 0.25 which exclude quasi equity component. We can now open the forum for questions from the participants. Thank you very much.

Moderator: Thank you very much. Ladies and gentlemen we will now begin the question-and-answer session. We have our first question from the line of Sagar Karkhanis from Motilal Oswal.

Sagar Karkhanis: Sir, my question was more broad based on these new integrated comprehensive development control regulations these ICDCR, what can be the potential upside for us in our lands in Naigaon, Vasai and in Asangaon if they are to be implemented the way the draft is right now, if you can highlight something on that?

Kamal Khetan: So, Sagar it will be very frankly too early to comment, what will be the advantage on that so, I would refrain from making any comment on that very frankly, I don't because we have to get into detail of every project versus that policy. So once everything is cleared, get on to that.

Sagar Karkhanis: Sure sir, no problem. So, I'll come back in the queue for more questions.

Kamal Khetan: No, you can ask second question if you want.

Sagar Karkhanis: The next question was on the update on our Oshiwara project only if you can highlight what steps we are taking to improve the sales velocity in ODC, that would be helpful.

Raunaq Rathi: So, Sagar. Just wanted to highlight if you see the quarterly performance in Sunteck City, for the last two quarters have been very good. We have been able to achieve significant sales especially in Avenue 1, which is now ready and OC has been received. And even for Avenue 2, which is nearing completion, as Mr. Khetan had said, we are also seeing more and more demand in this category of projects. So, Sunteck City continues to see good momentum for the last few quarters and we are fairly confident going forward also. We have sold 27 units in this quarter, 26 in First Avenue and 1 in Second Avenue, worth about 54 crores.

Prashant Chaubey: In fact, Sagar in the entire first half we have done sales of close to around 90 crores in ODC. So, from that perspective our digital sales platform which is the Sunteck AER platform, that has served us quite well and it has enabled us to go ahead with the sales momentum plus the completion of Avenue 1, as Avenue 1 has received OC. So, that is also now giving it another level of growth. So, that is something which will also help.

Sagar Karkhanis: Sure, got that. And just one more thing, any update on the retail or commercial development in that plot.

Kamal Khetan: Sagar we updated in the last analyst call as well that looking at the current pandemic going on, it will be too early. We all know what is the state of retail, in fact in this pandemic situation, so it will be stupid to start any retail project at this juncture and the commercial that the clarity is

still not there. So, we would like to wait and watch that whether there is a demand which comes like residential. The demand has picked up in residential that certainty is not there in retail and commercial. If once that is cleared we will definitely look to start as on, I would say as on yesterday basis, but nevertheless if we see that demand is paused for quite a long time or there is some problem in the demand of retail or commercial we can always launch looking at the residential demand which has picked up, we can always launch a residential tower or a residential phase in that particular component of 3 million square feet.

Sagar Karkhanis: Okay. So just one thing I wanted to understand. So it is possible that we may not do any retail development in ODC also, is that what you are saying?

Kamal Khetan: If the market does not allow why should we do it, not just for the heck of it. So we'll do maybe the limited retail, the size of the retail may change, the size of the commercial might change. But looking at the demand, we would like to see that what kind of demand is there accordingly we can, we have that advantage that we can shift from the commercial, what we were looking to do 3 million square feet of commercial and retail. Maybe we do it 2 million or one and a half million, but we will continue to explore. We don't say we will not do retail or commercial, we continue to explore retail and commercial. We'll see what is more beneficial for the company, obviously we'll do that.

Sagar Karkhanis: Sure understood. I was just asking from the perspective, that it can improve the velocity of sales for our residential units?

Kamal Khetan: If you look at that micro market, we feel we have done decently without any launch without any new activation like on a regular sustainable basis, this momentum what we see over the past years, in fact this has been better than the few quarters even pre COVID quarters when there was not a launch. So, this is quite decent and we see this momentum continuing and this will only pick up from here.

Moderator: Thank you. We have next question from the line of Murtuza Arsiwalla from Kotak Securities. Please go ahead.

Murtuza Arsiwalla: Just two questions, but one of them on the ODC commercial has been answered, just want a clarification on the percentage completion because the wording in the notes to accounts is says certain assets, just want to be sure we moved across the board to project completion or it's selective, that some assets are on percentage completion and some on project, just want to clarify on that?

Kamal Khetan: So, Murtuza going forward, obviously all the projects will be on the project completion method and so, the old which are almost near in completion or project which are completed or going to complete within next one quarter or two quarter, obviously there is no point shifting because substantial amount of profit has been already booked. So, we are trying more conservative method obviously.

- Murtuza Arsiwalla:** Sure. And just on the big projects can you just say which are the ones which are still on percentage completion?
- Kamal Khetan:** Like Avenue 1 and Avenue 2 which are almost near completion or almost completion. So, they are on percentage completion and the West World which is completed these are on percentage completion, but going forward, I said like Max World is on project completion. So which is moved from percentage completion to project completion, anything new we launch obviously that will go into project completion.
- Murtuza Arsiwalla:** Okay. So whatever launched in existing inventory, given that it doesn't make much of a difference in the project's already nearing completion, you have not changed. But going forward, all the new projects will be on project completion is that?
- Kamal Khetan:** Yes.
- Moderator:** Thank you. We have next question from line of Parvez Akhtar from Edelweiss Securities. Please go ahead.
- Parvez Akhtar:** Couple of questions from my side, first how do we see our launch trajectory going ahead and this quarter we have done very well despite now going ahead what kind of projects can we expect to in next one year or two. And second thing if you could update on the commercial project?
- Kamal Khetan:** Sorry, your voice is breaking, I think you are taking call from your mobile phone so the question is breaking.
- Parvez Akhtar:** I said the first question was about the launch pipeline what kind project we can getting launched in the next three, four quarters and the second is an update on the BKC commercial projects.
- Kamal Khetan:** Okay. So Parvez the launch, obviously the launch pipeline, obviously we have a lot of projects right now in our hand to launch, we have a phase 3 we can do for the Naigaon project, phase 1 and phase 2 as we have already launched and we have successfully got a good response and so, we have phase three, where we can launch. We have a Vasai project, which we are looking forward to launch, then we have Vasind what we have taken recently that is we are looking at ahead to launch. So these are the few projects and plus maybe, but one more tower in ODC. Since we have almost now, almost in the verge of almost exhausting quite a lot inventory almost 2 BHK we have almost exhausted in the Fourth Avenue first tower. So we are looking to launch even the second tower. So there are quite a few in pipeline and we will see this multiple launches happening very soon. So coming to the second question on the update of the project timeline completion of the BKC commercial projects. Both are on track, I have already got a CC about the plinth level. There was obviously some delay of three to four months because the execution was stopped due to the pandemic COVID-19. But now since the constructions are back to normal almost in across all our sites, they are also in full speed and we see them to get completed over the next 12 to 15 months. If not 12 to 15, I would put it on a more conservative side 15 to 18 months.

- Moderator:** Thank you. We have next question from the line of Dhruv Galara from Aurum Capital. Please go ahead.
- Dhruv Galara:** Sir I have two questions, first on can you give us a figure for the total value of ready or almost ready inventory?
- Raunaq Rathi:** Dhruv, across all our ready projects today stands to close to 2200 crore.
- Dhruv Galara:** Thank you for that, I just had another question as well about the total realization potential of the current and future projects in the Sunteck's pipeline.
- Prashant Chaubey:** So, Dhruv if I understand you correctly you are basically trying to understand what is the estimated future sales value potential of the company right?
- Dhruv Galara:** Exactly sir.
- Prashant Chaubey:** Yes, so Dhruv what we can share with you right away is that as Raunaq said that our total estimated operating cash flows on the completed projects is close to 2200 crores then from our ongoing projects we are going to realize another 2000 crores and from our upcoming projects we have the potential to realize another close to 4000 crores so all-in-all you are looking at a total future operating surplus of close to around 8800 to 9000 crores. So, that is the number basically that we have.
- Kamal Khetan:** Excluding obviously not the project which are not launched, these are only the projects which we have launched.
- Moderator:** Thank you. We have next question from line of Prem Khurana from Anand Rathi, Mr. Khurana. Please go ahead.
- Prem Khurana:** Sir two questions from my side, so one was if you could share your thoughts on, in terms of when do you expect to it.
- Kamal Khetan:** Mr. Prem you are not audible properly, can you speak slow and loud enough?
- Prem Khurana:** So my first question was with respect to our recent acquisition Vasind, if you could share timelines in terms of by when do we expect to have approval to place and hit the market and also when you give us your launch pipeline, there was no mention of Andheri so any thoughts there as well please?
- Kamal Khetan:** So, Prem Andheri project obviously we have not got any approvals till now. So, I don't want to comment on where we are seeing any delay or any possibility of any due to any other reasons. So, we want to hold to announce on that, I would not like to say that it will be very soon or something. Whereas you're asking about the Vasind, where we are quite we have moved fast on the approval side and you wanted to know the numbers on the Vasind side, I believe?

- Prem Khurana:** Yes, eventually in terms of when do we expect this to launch early next year or say a year after that because the presentation says the land owner is responsible Liaoning and approval so things are not moving to your expectation?
- Kamal Khetan:** So, yes Prem where we are seeing the land owner is able to get the most of the approval past we are talking only about the projects when I said about the launch project, we are not talking about the launch which can happen after 15 months or 18 months or two years. So we are talking only about the projects which we will be able to launch in less than 9 to 12 months. So 8 to 9 months. So 9 to 12 months, I would say. So, while talking about Vasind so we are talking Vasind also to launch in less than 9 to 10 months. So, all these projects what we're talking about whether it is Vasind, Vasai, the phase 2, phase 3 of Naigaon as well as the tower two of the Fourth Avenue the next tower of the Fourth Avenue. Which we are very, we are seeing that they are the approvals are going at the very advance stage and we are looking to launch all these four projects in less than 12 months in the current these are the pipeline which we can see, we can launch in next 9 to 12 months.
- Raunaq Rath:** Prem regarding the commercials of Vasind. So, we are expecting about 1200 crores to be the top line of the project. Our share is about 80% which translates to about 950 crores, the project cost we estimate to be about 550 crores, the gross surplus is expected to be 400 crores which we hope to realize over the project time cycle of about four odd years. Those are the commercials for Vasind.
- Moderator:** Thank you. We have next question from the line of Rohan Koshi from New Horizons. Please go ahead.
- Rohan Koshi:** Just had one question, could you give us some idea on FY22 and 23 what sort of pre sales target you're setting up for yourself?
- Kamal Khetan:** It will be wrong on my part to give you a forward looking statement, very frankly but I can say that it will be, in spite of this pandemic and as we are seeing the sales are picking up in real estate specially in the residential, I can only say that you will see a good results, you will see a good numbers.
- Rohan Koshi:** Okay, sir. And second question was really on the debt where do you see it going from this level over the next couple of years and what's the plan?
- Kamal Khetan:** So, Rohan we are very clear that we have been always very disciplined in terms of debt in the Sunteck maximum we have always tried to see and restrict our debt to not more than 0.3, 0.35 and whereas not compromising any acquisitions or further growth story. So that is one thing very clear. So we don't see ourselves crossing the debt level of 0.35 like those kinds. At the same time, we will continue to aggressively keep doing acquisitions. As you saw in last two quarters we have done already two acquisitions Vasai and Vasind and there are many more news, you will be hearing going forward.

- Moderator:** Thank you. We have next question from the line of Aditya Mehta from ZM Investments. Please go ahead.
- Aditya Mehta:** Sir my question is from Vasind project, we have a quite 50 acres of land over there, am I right?
- Kamal Khetan:** Yes.
- Aditya Mehta:** And does this around 50 acres of land was acquired in Vasai also, but the developer area in Vasind is quite less approximately half of that in Vasai. So, could you please explain how that works out?
- Kamal Khetan:** So Aditya, obviously there is a FSI difference obviously how much you can construct in Vasai is obviously much more, if the same 50 acres in Mumbai would construct much more than what we are constructing in Vasai. And like Vasai we construct much more than what we will be constructing in Vasind. So it's a local authority norms obviously, we can't construct more than what is allowed what FSI allows so it is because of that, the difference is because of that.
- Aditya Mehta:** Okay. Got it sir and then next question is you mentioned that you have a ready plus ongoing plus upcoming inventory of around 9000 crores. Excluding projects which has not launched. So, upcoming obviously includes the projects which are not launched by us so what do you mean to say by that, it doesn't include not launched projects?
- Prashant Chaubey:** So, Aditya Prashant this side. For upcoming projects what you have to understand is that, upcoming projects are projects where we believe all the approvals are in almost in place and we can launch it. So for upcoming and there is a difference between upcoming and planned projects. So in our upcoming projects like we have projects like Max World Phase 2, we have the tower two of Fourth Avenue, ODC we have the Vasai project. So, these are projects where the visibility is very, very high from our side and tower one like tower one of Fourth Avenue is already launched. So, from that perspective, we talk about this projects and even if you exclude the upcoming project, still we are sitting on close to around 5000 crores of operating surplus. So, from that perspective, the company is sitting on a solid foundation. Thank you Aditya.
- Moderator:** Thank you. We have next question from the line of Yash Mandawewala from Mandawewala Family Trust. Please go ahead.
- Yash Mandawewala:** The first question is on the pricing. So, have you taken any pricing action this quarter across any of our properties and if you can also provide some sort of outlook on prices going forward?
- Kamal Khetan:** So, Yash there is pricing means very frankly, we have not given any discount on, we are selling at the similar same level, as we have been selling so, I don't see there is any problem of pricing and since the velocity of the sales is good and decent. So we don't see any upward movement of price, whereas the downward revision of the price. But going forward, if this trend continues, we can only see that the prices will be firmer and firmer going forward. That's the trend which

is going, right now the way the sales velocity is going I feel the prices moving only towards North nowhere else.

Yash Mandawewala: Got it, so the sales we've done this quarter, they would be the realization would have been closer to what we did last year or last quarter, there's not been any decline this quarter?

Kamal Khetan: No, I don't see. So we have given the numbers pre sales number in the starting also and the results also and you can compare that obviously. So in fact, from the last quarter it has doubled this quarter.

Yash Mandawewala: Got it. My next question is on BKC residential, it's been a few quarters now since we saw a sales there. So any update on that, what is the feedback that we're receiving there?

Kamal Khetan: For last in fact, two quarters unfortunately we have not been able to do one deal. So one quarter we did one deal but against that we had to so, we had to write back one deal. So but we are seeing now because of in fact post this COVID-19 we are seeing now very firm inquiries for the BKC project. Hopefully we may see something good in coming quarter.

Moderator: Thank you very much sir. Ladies and gentlemen, that was the last question, I'd like to hand the conference over to the Chairman and Managing Director Mr. Khetan for closing comments. Over to you, sir.

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

Moderator: Thank you very much sir. Ladies and gentlemen on behalf of Sunteck Realty, that concludes this conference call. Thank you for joining with us and you may now disconnect your lines.