

Date: 30th January, 2024

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National Stock Exchange of India Ltd
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Bandra-Kurla Complex, Bandra (East),
Mumbai - 400 051
Symbol: SUNTECK

BSE Limited
Phiroze Jeejeebhoy Tower,
Dalal Street,
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Scrip Code: 512179

Sub: Transcript of conference call on Q3 results and Business Updates

Dear Sir/Madam,

Pursuant to Regulations 30 and 46 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and in furtherance to our letter dated 17th January, 2024, please find enclosed the transcript of the conference call on Q3 results and Business Updates. The said transcript is also uploaded on the website of the Company. This can be accessed at the link below:

https://www.sunteckindia.com/images/investor/financial/1706593851_SRL%20Transcript%20Q3%20FY24.pdf

Kindly take the same on record.

Thanking You.

For Sunteck Realty Limited

Rachana Hingarajia
Company Secretary
Encl: a/a



“Sunteck Realty Limited
Q3 FY24 Earnings Conference Call”

January 22, 2024



**MANAGEMENT: MR. KAMAL KHETAN – CHAIRMAN AND MANAGING
DIRECTOR – SUNTECK REALTY LIMITED
MR. PRASHANT CHAUBEY – CHIEF FINANCIAL
OFFICER – SUNTECK REALTY LIMITED
MR. ABHISHEK SHUKLA – VICE PRESIDENT OF
STRATEGY AND INVESTOR RELATIONS – SUNTECK
REALTY LIMITED**

Moderator:

Ladies and gentlemen, good day, and welcome to Sunteck Realty's Earnings Conference Call for Q3 FY '24. We have with us today Mr. Kamal Khetan, the Chairman and Managing Director of the company; Mr. Prashant Chaubey, the Chief Financial Officer; and Mr. Abhishek Shukla, the Vice President of Strategy and Investor Relations.

Please note this call will be for 30 minutes and for the duration of the conference call, 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. There is a Q&A session and we request to restrict questions to two per participant. Should you need assistance during this conference call, please signal an operator by pressing star and then zero on your touch-tone 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 may be forward-looking statements, including those related to 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 turn the conference over to Mr. Khetan, the Chairman and Managing Director of the company. Thank you, and over to you, sir.

Kamal Khetan:

A very good afternoon to everyone for joining us today and thank you for taking the time to participate in our company's Earnings Conference Call for the third quarter and 9 months of the financial year 2024.

On our operational performance front, we have registered a robust presales of INR 1,237 crores in 9 months of FY '24 as compared to INR 1,066 crores in the same period last year, which is a growth of about 16%. Our cash inflows, including collections, stands strong at INR 940 crores during the same period. This has enabled us to almost become a net debt 0 company by further reducing our total net debt to only INR 49 crores. Our net debt-to-equity ratio now stands at just 0.02x.

Today, we have a robust and diversified pipeline of projects, spanning over 50 million square feet. We have more than doubled our GDV in less than 3 years from INR 13,650 crores in FY '22 to now INR 30,000 crores in FY '24. We expect to maintain the same growth momentum in the coming years by once again doubling our GDV from INR 30,000 crores to INR 60,000 crores in less than 3 years. We have a strong foothold in MMR market and we are taking the maximum benefit of this deep consolidation in the industry.

Now we are also expanding our annuity income business by creating the commercial portfolio at 2 key business districts of MMR, namely, Bandra-Kurla Complex and Oshiwara District Center, with total potential capital value of INR 5,000 crores. As we now already have completed 2 commercial projects at BKC Junction, namely, Sunteck Icon and Sunteck BKC51, and both

these commercial projects are fully completed and which are waiting -- one of which is already leased out, and second is almost we will be leasing out in this quarter.

With respect -- and both these 2 rental assets is fetching average return of 30% on the invested capital.

With respect to revenue recognition in the financial statement, I would like to reiterate today that per Ind AS, the Indian Accounting Standard, the company follows the project completion method and not the percentage completion method of accounting. Hence, to understand the financials of the company better, it is suggested that one should look at earning number on a yearly basis rather than the quarter-on-quarter basis.

In FY '24, our project Sunteck Maxx World is getting completed. Similarly, in FY '25, we will be completing 4th Avenue, the phase of Sunteck City in Goregaon West. However, to give you a better perspective on the financial performance, we have provided pro forma P&L basis the operating performance that is the profitability of our operation in respect of the presales in the 9 months' period of the current financial year.

As you will observe, the embedded EBITDA for 9 months FY '24 would be INR436 crores on presales of INR1,237 crores, resulting in an embedded EBITDA margin of 35%. We have been able to achieve this performance with the contribution of our highly experienced and talented team that we have built at Sunteck over the last decade and support from our trusted investor community and other stakeholders.

I will now hand over the call to Mr. Prashant Chaubey, our CFO, for more information on the earnings performance of 9 months FY '24. Over to you, Prashant.

Prashant Chaubey:

Thank you very much, sir. And good afternoon, everyone, and welcome to the Earnings Call for the third quarter of financial year 2024. The financial and operational numbers have already published on the stock exchanges. I believe all of you must have gone through the same. Let me give you some of the brief highlights of the financial performance.

Our presales stood at INR1,237 crores and INR455 in 9 month of FY '24 and quarter 3 of FY '24 compared to INR1,066 crores and INR396 crores during the same period last financial year. Our cash inflow stood strong at INR940 crores in 9 months FY'24 and INR438 crores in quarter 3 of FY '24. We have generated an operating cash flow surplus of INR304 crores in 9 months of FY '24. On the P&L front, the company follows Project Completion Method of Accounting and have reported a revenue of INR138 crores and INR42 crores in 9 months of FY '24 and quarter 3 of FY '24, respectively.

With this, we can now open the forum for questions from the participants. Thank you very much.

Moderator:

Thank you. We will now begin the question-and-answer session. The first question is from the line of Pritesh Sheth from Motilal Oswal. Please go ahead.

Pritesh Sheth:

Yes. Thanks for the opportunity, first question is on the presales. So I understand that Kalyan Sunteck Crescent Park was launched this quarter, but I don't see any mention of that project

contributing to in your presales for this quarter. So just wanted to know how has been the response and how much should we expect its contribution from next quarter onwards? That's my first question.

Prashant Chaubey: Hi Pritesh, Prashant this side. So in the quarter gone by, we have launched 1 tower of Kalyan Sunteck Crescent Park at the fag end of the quarter. And from that, we have done a presales of close to around INR73 crores. And going forward, Pritesh, we are of the opinion that on an annual basis, we'll be able to do close to INR250 crores to INR300 crores of presales from Kalyan every year.

Pritesh Sheth: So this INR73 crores is included in current quarter's number, is it?

Prashant Chaubey: Yes, Pritesh. Yes.

Pritesh Sheth: Okay. Got it. That clarifies. Secondly, on your presales guidance of INR2,000 crores for this, we are roughly INR750-odd crores kind of short of achieving that in Q4. So definitely, we would be launching certain projects. So what are our plan of launches in this quarter? Or do we expect that ongoing inventory, whatever we have, will be taking care of that shortfall that we have?

Kamal Khetan: Yes, Pritesh, this is Kamal Khetan here. Pritesh, so we are now short of around close to INR750 crores for the final quarter. But if you see the last 3, 4 financial years, fourth quarter has been the strongest always for Sunteck in terms of presales, and that we are confident we'll maintain that. And because now there are 6 growth engines after the launch of Kalyan, so the sales what we are doing now continuously, that also will be added on the presales of this quarter of this Kalyan launch. So that is continuous because that is not -- because it was towards the fag end of the quarter.

So, most of the sales have also come in this quarter. So we are confident also we will be launching project -- the third tower of Mira Road, where we have almost exhausted our inventory, which we had launched 1 year back. So we see now more demand in that micro market. Plus we are launching 1 new phase in Naigaon. With all these 2 big launches, I think we are confident that we'll be able to achieve INR700 crores to INR750 crores to meet our target of INR2,000 crores of sales.

Pritesh Sheth: Sure, that is helpful. So I have few more questions I will jump back in the queue. Thank you.

Kamal Khetan: Thank you. Pritesh. Thanks

Moderator: Thank you. The next question is from the line of Mohit Agrawal from IIFL. Please go ahead.

Mohit Agrawal: Yes. Thanks for the opportunity, sir. Sir, my first question is on your business development strategy. So in your presentation, you mentioned that you are seeing multiple opportunities available in the distressed and the affordable side. So could you elaborate a bit what are we looking at? Are there any land parcels that you're looking at? Are there any redevelopment projects? So that is my first on the business development.

Kamal Khetan: So Mohit, Kamal Khetan here. So we are confident because there are projects which are already we have -- there is a clear visibility from ongoing deals what we have done, that how we will be making, taking, we are confident that from INR30,000 crores to take it to INR60,000 crores. Ongoing -- the already acquired projects like Borivali, which we are confident that we will bring it to the GDV value because we are seeing the clearance happening very soon, which we have not taken into consideration, which was acquired, I think, more than two years back. Now we see that happening again.

We are increasing our size by acquiring adjacent plots in Nepean Sea Road. So there we are -- we will almost double the GDV value in our Nepean Sea Road. Plus, obviously, we are in talks with several -- one or two more projects which are towards South Mumbai, in the Uber Luxury Segment. With all this, we are confident that we will be like for INR30,000 crores another adding in next three years. We are seeing clear visibility for this year INR10,000 crores which will come very easily from the existing and the new projects what we are acquiring.

Mohit Agrawal: So just to understand this, sir, INR10,000 crores GDV from additional area that you are acquiring in Nepean Sea Road and one or two more projects in South Mumbai that you are seeing. Is that a correct assumption?

Kamal Khetan: Yes. And one, we are also talking one in Bandra, which hopefully we'll be announcing all of this very soon, you'll see. And plus a Borivali project, which is already acquired but not added to the GDV value because we were not certain about the approval status. Now we are quite confident that approval will come in the next few months. So we will be adding that also to the GDV value.

Mohit Agrawal: Sir, any GDV or any area in terms of the Bandra project? How big this could be? And like is it Bandra East or West? If you could give some clarity on that?

Kamal Khetan: I would not like to mention this on this call, very frankly.

Mohit Agrawal: Okay, sir. Okay. But no color on the GDV also, right?

Kamal Khetan: No. I can only tell you that it will be more than INR10,000 crores in this year itself -- in one year itself.

Mohit Agrawal: Okay. Understood, sir. And my second question actually was on the Borivali project, sir. You mentioned that that project is now moving. So any timeline that you can put? Can it launch within FY'25?

Kamal Khetan: So I can only say -- launching I won't be confident that whether we'll be able launch in FY'25. But we'll be able to add because as we get the main key approval, which we are expecting very soon, we are confident that we'll add that into our portfolio like into the GDV value in this current -- in the coming financial year, FY'25-FY'26 -- FY'24-FY'25.

Mohit Agrawal: Sure, sir. Sir, that's very helpful. I have some more questions. I'll come back in the queue.

Kamal Khetan: Thank you, Mohit.

Moderator: Thank you. The next question is from the line of Biplab Debbarma from Antique Stock Broking. Please go ahead.

Biplab Debbarma: Thank you. Good afternoon, sir. Thanks for the opportunity. Sir, my first question is on the commercial portfolio that you are building. In that ODC, when will you commence construction of the project? And how will it be funded, sir? Hello?

Kamal Khetan: Biplab, yes hi. So for the commercial project. Biplab, yes, commercial project, obviously, what we are looking in ODC is the land is already paid for and -- fully paid for, so we don't need any debt on that. And obviously, we don't have any debt on the balance sheet. We can easily take the debt. But just to tell you the kind of cash flow which is there from the already presales what is done.

And also, when we are launching the commercial product, we'll start the execution of the commercial project in the 5th Avenue of Sunteck City, we will be also launching one or two towers of residential projects in the same 5th Avenue. So those one or two towers will be -- the cash flow from those two towers will be much more than the money required for the construction cost of the commercial building of the 5th Avenue.

Biplab Debbarma: So can you assume that in FY'25, the construction will commence for commercial projects?

Kamal Khetan: Yes, commercial projects as well as we are looking to -- also in FY'25, we also want to launch one more tower because we are almost now getting depleted with the inventories in ODC. So we will be launching one residential tower also in the same 5th Avenue.

Biplab Debbarma: My second question is, you have six growth engines. As the inventory gets depleted, you'll launch a new phase in each of these projects. But in addition to these six growth engines, what would be the launch pipeline? I know ballpark launch pipelined for next one year. I mean, Nepean Sea Road, you have mentioned Borivali and you have mentioned a few projects that is on the anvil. So is there any visibility in new locations? Which are the projects that will be launched?

Kamal Khetan: So new location, right now, I can only tell you that -- see our growth of CAGR of what we are talking about 25% CAGR growth, which we are confident we will achieve, even we just launch in Nepean Sea Road, one Nepean Sea Road as far as -- if you see the numbers because of the six growth engines already there and the seventh if Nepean Sea Road gets added, we will easily achieve that CAGR. But I think -- let's hope we can launch more projects.

We are trying, obviously. I said in my last question, like we are confident that we will be able to put Borivali in the GDV value. But we'll try our best, but we are not sure whether if we can launch Borivali West or any other project which we are acquiring or acquired -- or already acquired. But here, we are pretty confident about, right now, Nepean Sea Road, which will at least give us a guaranteed growth of 20%, 25% CAGR.

Biplab Debbarma: And sir, one final question.

Moderator: Sorry to interrupt. We request you to please rejoin the queue for follow-up questions.

- Biplab Debbarma:** Okay. Sure.
- Moderator:** Thank you. The next question is from the line of Abhinav Sinha from Jefferies India. Please go ahead.
- Abhinav Sinha:** Hi. A couple of questions. Firstly, on the BKC, we have seen good movement now for a couple of quarters. So what do you attribute this to? And what can be the sales run rate now from here? So that's the first question.
- Kamal Khetan:** So Abhinav, yes. Great. We did -- already last quarter, we did two sales. This quarter, again, we have done two sales from BKC. We are confident that with this momentum, the way that we are seeing the inquiries picking up in BKC -- we are confident that we'll be able to maintain this momentum and this will go on. I think this should deplete our inventory faster than what we were anticipating.
- Abhinav Sinha:** Great. And these are not in revenue this quarter, right, I understand?
- Kamal Khetan:** Yes, yes. So this should be coming in the revenue maybe in the fourth quarter or the next year. It will come into the revenue depending on the registration.
- Abhinav Sinha:** Sure. And sir, second question is on the debt side. So now we are almost net cash. But I just wanted to check, with a lot of the GDV addition opportunities, what are you comfortable with here in the medium term on the debt addition of year end?
- Kamal Khetan:** So fortunately, we know -- there is a huge consolidation which has happened into the industry. If we are getting the projects, Abhinav, without putting the money, or why should I just put the money and just to -- I can even go with the current cash flows, the debt of even 0.25, 0.3, which can be enough money for the company to further growth.
- But the cash flows are so strong, fortunately -- if you ask me today, I don't think I -- even if I grow very exponentially and very crazily, I don't need to go about 0.2 -- 0.25 or 0.3. But I don't think we will be able to reach that kind of debt looking at our strong cash flows.
- Moderator:** Thank you. The next question is from the line of Sarang Gupta from Dwyer Asset Management. Please go ahead.
- Sarang Gupta:** Hi, sir. Just a quick question on the GDV addition. Like how do you think about the current market conditions and the market -- the real estate markets have been doing well and the listed companies have been -- the stocks have been performing well. Sentiment is well. Do you still think that there are opportunities in this market for you to acquire projects like you have in the past with high margins and returns?
- Or do you expect that the newer crop of projects that you're acquiring won't be as attractive as what you have done in the past?
- Kamal Khetan:** Hi, Sarang. So current market conditions, I would say today, we are actually, if you see, Sarang, we are in stable housing loan rates, at least the rates have been stable now. Comfortable affordability what we look at. Low inventory hangover is now in MMR region. Government

pushed towards the infrastructure growth. And seeing that government is putting too much of money into the infrastructure, especially in MMR market.

Rising income levels of the people, consolidations and preference towards the reputed brands. With this, we are very, very confident that we should be able to see this growth going forward at least for couple of years. And in terms of acquisitions, very clearly, I think, Sarang, I mentioned in my last few questions as well that we will be growing our GDV value from INR30,000 crores to INR60,000 crores in less than three years.

And all this what we are talking, without any compromising in margins and maybe not putting too much money in the projects also. That's why -- so these -- because the consolidation has become -- the last few years, the consolidation has been so strong, I think we will take the maximum benefit out of that consolidation.

Sarang Gupta: Very helpful. That was all I have. Thank you.

Kamal Khetan: Thank you, Sarang. Thanks.

Moderator: Thank you. The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.

Prem Khurana: Yes. Thank you for taking my question sir. Sir my first question was with respect to our partnership with IFC. Would you be able to offer any comments on, have you made any progress on that platform structure? Have you been able to identify anything? And related to this, I mean, this quarter, we sold our treasury shares, which is why the balance sheet has turns sturdier.

So I mean eventually, when I look at your balance sheet today and the way it is with your cash flow situation, it does not seem, I mean you need any IFC money to be able to grow. So now when you say and you want to go from 30 to 60, would this 30 additional include IFC platform or this is without IFC?

Kamal Khetan: So definitely, we have IFC platform. We don't need money. But since we have signed that with IFC, we would definitely like to do at least as a good partner -- it's a reputable partner, and we look at growing exponentially. And this is in the low mid-income segment, where we can do acquisition and make our -- we can buy the land and make it asset light. So that is a big strategy. Because we can make money from the -- we can make more better IRR from the upside. So there we don't compromise our return on our equity, and we still make good money out there.

Because the margins in lower mid-income segment is, obviously, margins would be lesser than the premium segment and the uber luxury segment. That helps us to maintain our margins. So that is one of the reason also. And being such a reputable partner, I think we would like to go ahead and put some projects in that platform.

We are exploring already two or three opportunities with IFC. And if that fits into our criteria, and we are working on that. We will obviously update the market about it as well. We definitely

don't need just the capital for any other further growth, which I already mentioned in my last question as well.

Prem Khurana:

Sure. And sir, I mean, eventually, when you -- let' say, you want to launch a new phase at Mira Road or Naigaon, you want to release some more inventory. How easy or difficult is it to be able to kind of configure your new offerings in a manner wherein these new offerings do not compete with whatever is already there available? Because I mean when I look at, let's say, locations like Mira Road or Naigaon, these are locations are meant for certain type of offerings, right? So how easy or difficult is it to be able to kind of differentiate your new offering so that, I mean, the new units do not compete with the existing inventory and you get to have contribution from existing as well as the new launches?

Kamal Khetan:

So, Prem, it's actually, in fact, when we have already launched the project in Naigaon, when you are talking about in Naigaon, we have already launched three big, large phases. So -- which was first phase was Sunteck Westworld, second phase was Sunteck Maxx World, and the third phase was Sunteck OneWorld, means we were almost more than 2,000 apartments in each phase.

So we have a large experience of that micro market, obviously, and we know that market, micro market, what inventory goes faster and what inventory goes slower. So obviously, when we are launching the fourth phase, obviously, we will be launching the best inventory which will move faster. In fact, that becomes very easier.

It only sometimes becomes difficult when you are launching in some new locations, although we do a lot of research and marketing research and all. What ticket size will sell, what sizes will sell and what will be the fast-moving inventory. But still -- and when it comes to our location where we are already launched, we have enough data to understand what will sell, what will not sell.

So in case of Mira Road and Naigaon, Mira Road already we have done like two tower launches. So we know what inventory has moved faster and what inventory is moving slow. So when we are launching the third tower, it becomes very easy for us to see that which -- the inventory which has moved faster. If we launch that inventory, that will be easier for the market to absorb.

Prem Khurana:

Sure, sir. Thank you. I have few more, I'll come back in queue. Thank you and all the very best for future.

Kamal Khetan:

Thanks.

Moderator:

Thank you. We have the next question from the line of Vasudev from Nuvama. Please go ahead.

Vasudev Ganatra:

Thank you for the opportunity, sir. So my first question is on the pricing front. So what kind of price hikes and pricing scenario are we looking at? Like how much have we done so far? And for the new projects, what kind of premiums are we expecting to charge on the existing market prices?

Kamal Khetan:

Yes, Vasudev, Kamal Khetan here. The focus of the company is now on the sales volume -- because we have good -- already we have good EBITDA margins, prices have already increased

in past quarters. We are now focused towards the sales volume. We are very clear in terms of price increase. We have taken same in line with the market whatever we are selling right now. And the company at current prices is maintaining a healthy margin. So as a result, the focus will be only on more on the volume growth than the prices. And nevertheless, when we see there is an opportunity where we can increase the price, we will always look at it. But right now, if you ask me, we are more focused towards driving the volume than the prices.

Vasudev Ganatra: Okay. Got it, sir. And I just have a few bookkeeping questions. If you can help me with unsold inventory in Naigaon, Vasai, and Mira Road? And what is our current receivables and pending cost of construction against that?

Kamal Khetan: Vasudev, I'll connect with you offline and I'll give you this data. Prashant, this side.

Vasudev Ganatra: Okay, sure. No problem. Thank you.

Moderator: Thank you. We have the next question from the line of Pritesh Sheth from Motilal Oswal. Please go ahead.

Pritesh Sheth: Thanks for the follow up. Just two questions. Firstly, since you mentioned that you are looking to acquire an adjacent plot at Nepean Sea Road, will that impact the launch timeline for Nepean Sea Road project?

Kamal Khetan: Yes. Pritesh, we are very clear that whatever we are acquiring, that has nothing to do with the launch timeline for the current project. We will be launching our current project irrespective of that second project, but the second project will only add to the value of it but it will not delay the project. That can only increase the number of floors. It will not be a separate building or something.

Pritesh Sheth: Got it. And second, on revenue recognition that is coming up for next quarter for MaxxWorld. You have mentioned about the revenue potential. In terms of margins, would it be like similar 20%-odd PAT margin that we have indicated in our presentation? And with that, probably we are expecting around Tier 1 what crore of PAT from just that project, add to that whatever loss we have generated in first nine months. So can the PAT be the roughly INR120-odd crores for the full year FY'24?

Prashant Chaubey: Pritesh, the margin that we have given basis the operational performance, that includes all the segments of the company. If we are talking particularly about Sunteck MaxxWorld, that will give us -- our internal targets for that project is 25% to 30% EBITDA margin. So that is what we work with there and basis that you should do your calculations.

Pritesh Sheth: Got it. That's helpful. That's it from my side. All the best

Prashant Chaubey: Thank you.

Moderator: Thank you. Ladies and gentlemen, we will take that as the last question. I would now 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 us. 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 for taking out the time for Sunteck Earnings Call. You may now disconnect your lines.