



“Sunteck Realty Limited Earnings Conference Call for Q3 FY2020”

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Moderator: Ladies and gentlemen, good day and welcome to Sunteck Realty's Earnings Conference Call for Q3 FY2020. 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 discussion there will be an opportunity for you to ask questions. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded.

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 of 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 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 call for the Third Quarter of the Financial Year 2020. Thank you for joining us. I would like to share with you a couple of quick updates. Our presales have jumped significantly, which was expected with our ongoing launches across our portfolio especially ODC, Goregaon West and Naigaon. Due to the extended monsoon, our launch timelines were affected but we have been able to successfully launch 4th Avenue at Sunteck City and Sunteck Maxx World at Naigaon in consecutive quarters. Both projects have seen phenomenal response, at 4th Avenue in Sunteck City we were able to sell close to 125 units within 3 weeks of the launch and Sunteck Maxx World at Naigaon, we have sold already 1,600 apartments in just 2 weeks. We are extremely overwhelmed and humbled with the confidence shown by the customers in our brand. Despite the ongoing market conditions, we have been able to outperform our own last year's record sales at Naigaon. Looking at continuous good sales momentum in our recent launches, we are confident to maintain the strong traction in multiple launches coming soon.

While we intend to begin our rental income portfolio with Avenue-5 in Sunteck City, our boutique commercial projects like Sunteck Icon and Sunteck BKC 51, both at BKC Junctions, and Sunteck Crest at Andheri are garnering interest and we remain confident of monetizing them in the upcoming quarters. Our high street retail at Sunteck West World, Annex 2 at Sunteck City

and retail at Signia Waterfront is already being preleased to large established retail player as they see immense opportunity with such captive residential catchment in our projects itself. This in itself will generate a strong cash flows of close to Rs. 1,000 crores.

Construction is in full swing at all our ongoing projects across Sunteck World, Sunteck City and at all our commercial projects. Given the current market scenario, it is imperative that we continue to focus on delivery which in turn will continue to generate strong cash flows. Further, our development spends in first 9 months of FY20 is Rs. 390 crores approximately, which is equivalent to what we spent in the entire FY19.

With respect to now acquisitions, we have already entered into several binding and non-binding term sheets. In few of these we are already in a very advanced stage and I am hoping to announce once we conclude the definitive documentation. On that note, I would like to handover the call to our CFO Mr. Manoj Agarwal, who will take you through the Q3 numbers. As always, I will be happy to answer any of your questions that you may have during the conference call. Thank you, Manoj.

Manoj Agarwal:

Thank you Sir. Good evening everyone and thank you once again for joining us today. I would now like to run through the financial and business performance numbers for the third quarter and 9 months of Financial Year 2020. I will begin with the operational performance numbers.

Presales in Q3 FY20 stood at Rs. 325 crores, a robust growth of 222% Q-on-Q in comparison to Rs. 102 crores of Q2 FY20 and 5% increase Y-o-Y in comparison to Q3FY19. Presales for 9 months FY20 stood at Rs. 613 crores against Rs. 913 crores for 9 months FY19. Distribution mix of quarterly sales is as follows - 10% in BKC, 64% in ODC and 26% across our other projects. On collection front, significant construction has enabled our collection momentum in this quarter as well. We recorded collections of Rs. 166 crores in Q3 of FY20, a 9% increase Y-o-Y in comparison to Rs. 153 crores of Q3 FY19 and Rs. 540 crores for 9 months FY20, a growth of 19% Y-o-Y when compared to Rs. 454 crores in 9 months FY19. During this quarter, we have spent Rs. 112 crores on execution, Rs. 19 crores on over heads and generated Rs. 33 crores of gross operational cash flow.

In terms of financial highlights, we reported consolidated revenue of Rs. 194 crores in Q3 FY20 as against Rs. 135 crores in Q2 FY20, a 44% Q-o-Q increase and Rs. 505 crores for 9 months FY20 as against Rs. 587 crores in 9 months FY19, a 14% Y-o-Y decrease. On the EBITDA front, the consolidated EBITDA for Q3 FY20 is Rs. 50 crores, a 21% increase in Q-on-Q in comparison to Rs. 41 crores in Quarter 2 FY20 and Rs. 153 crores for 9 months FY20 as against Rs. 275 crores in 9 months FY19. Our consolidated EBITDA margins in 9 months FY20 stays at 30%. With respect to PAT, we recorded Rs. 34 crores in Quarter 3 of this Financial Year as against Rs. 30 crores in Quarter 2 FY20 and Rs. 100 crores for 9 months FY20 as compared to Rs. 163 crores in 9 months FY19. Our consolidated debt margin in 9 months FY20 stood at 20%.

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

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question and answer session. Our first question is from the line of Adhidev Chattopadhyay from ICICI Securities. Please go ahead.

Adhidev Chattopadhyay: Sir, now specifically we have done this tie-up with SBI right, for few of our projects assured possession. Could you help us understand how many of the apartments should have been sold under the scheme in these launches and going forward how do you expected to help you garner more sales. That is first question. Our second question is on the ODC project, now that we have seen such a good response to the new launch and Avenue-1 and Avenue-2 are nearing possession. So, what is our strategy to monetize that inventory and when we see the commercial project kicking off over there? Thank you.

Kamal Khetan: So Adhidev, first coming to SBI scheme. So first of all, I would like to clarify both these launches - 4th Avenue at Sunteck City as well as the recent launch of Sunteck Maxx World, the tie-up has not started. So not a single unit has been sold under that scheme of SBI. Both these launches have been due to the credentials and on the merits of Sunteck itself. We definitely see advantage of this tie-up, they are working out the modus operandi and how it will work and all. So, to give you a broad understanding about the scheme, what they are trying to do is to obviously bring positive sentiments to the entire industry. They wanted to start with one credible developer, so we were lucky to give, we were their first choice. So the scheme says that if the construction of the apartments are not completed or the developer due to any reason, may be due to the financial crisis or due to any reason, is not able to deliver the project on time, so SBI will give that equivalent money paid by the customer. Whatever money paid by the customer to that date and if he wants to get out of the project, SBI will be responsible and SBI will pay that entire money to the customer that is the scheme guarantee by the SBI. So, that definitely will help lot of developers and bring lot of positive sentiment to the sector which is the idea, I think. But going forward, we definitely look forward to launching one of the projects as we have tied-up ideally for ODC, Naigaon and our Andheri project. But once everything is finalized and systems are in place, we will definitely go and work together with SBI and maybe we will be able to generate some additional sales. That will be always benefit to the Sunteck. Now coming to your next question which is ODC project, obviously we have done a good sale. We will keep doing good activations as we are keen to exhaust the inventory of Avenue-1 and Avenue-2 and we would ideally also like to launch the second tower in 4th Avenue very soon. So, that is top of our mind and very soon you will hear some good news on those as well.

Adhidev Chattopadhyay: Sir, any clarity on the OC for Avenue-1 or Avenue-2 when are they expected the final completion?

Kamal Khetan: We are maintaining that OC obviously we will be delivering by March for Avenue-1 and before end of next financial year we will deliver Avenue-2.

Moderator: Thank you. Our next question is from the line of Janki Krishnan from Cogencis. Please go ahead.

- Janki Krishnan:** I just wanted to get an idea about how the pricing is? Have you taken, have you reduce the pricing in anyway? Are you seeing the prices being stable and how do you see the trend in pricing going forward?
- Janki Krishnan:** So, if you see both the launches, at 4th Avenue the launch price was almost equivalent to what we are selling at Avenue-1 and Avenue-2. The difference is only people are happy to pay over a period of 2 to 3 years instead of giving one time say immediate in case of Ready to Move Inventory which is RTMI, they find it difficult to pay. So they are happy to pay over a period of like 2 to 3 years. So, that gives them good comfort. Even in the case of Naigaon, if you see we not only outperformed the sales volume, but also last year when we launched the ticket size was the price was Rs 25,00,000 for 1 BHK and this time we launched the same product close to Rs 30,00,000. So, we have been able to get a better sales realization and better volume than the last year.
- Janki Krishnan:** And the pricing trend for the next year or so?
- Kamal Khetan:** So, we would not say that the prices will go up or we will increase the prices. Definitely our focus is to do volume sales and we see our prices to remain stable.
- Moderator:** Thank you. Our next question is from the line of Parvez Akhtar from Edelweiss. Please go ahead.
- Parvez Akhtar:** Couple of questions from my side. Sir, first what would be the value of units that we would have sold in Naigaon, Phase-2 this quarter?
- Kamal Khetan:** So, that is close to 600 crores.
- Parvez Akhtar:** That is great, I mean that is really a fantastic launch from you for that market.
- Kamal Khetan:** In 2 weeks.
- Parvez Akhtar:** Second sir, what would be the timeline for the completion of the 2 commercial projects in BKC?
- Kamal Khetan:** So we are looking less than a year in both the projects. Not only both the projects of BKC, also the Andheri project which is Sunteck Crest and also we have created one more small commercial next to Avenue-2 at Sunteck City, ODC which is we are calling Annex 2. So all these 4 commercial projects we are looking to complete in less than 12 months.
- Parvez Akhtar:** Sir, as far as the commercial projects in ODC is concerned what is the status on that?
- Kamal Khetan:** So, we are definitely delayed there as some approval delays are there but we continue to maintain we expect those approvals very soon. We are looking forward to launch in at least first quarter of next financial year.
- Parvez Akhtar:** And sir lastly the status on the Lokhandwala project?

- Kamal Khetan:** So again, we have an arrangement with the developer that obviously the approvals have to be brought by them. We are all ready with our plans and everything. So, they are working on the approvals. Once the approval is there from their side, we are all ready for sales and execution and to go ahead with the project.
- Moderator:** Thank you. We will take our next question from the line of Biplab D from Antique Stock Broking. Please go ahead.
- Biplab D:** Sir, on Lokhandwala if I understand correctly I have a JDA with a landlord and can you give us some down the line the market because Lokhandwala seems to be a premium market of Andheri West. What kind of projects that you want to launch and what would be the time duration like 3 years, 4 years you will be able to sell that 1 million square feet. What kind of products that you are planning for in Lokhandwala?
- Kamal Khetan:** So we would, it will be very difficult to disclose that as obviously strategy about what product and what we would be like to launch. But we are confident that whenever we do that launch, we have done our full research study on that. We are confident that you will get a similar good response what you have experience recently.
- Biplab D:** Sir second question is on the inventory, unsold inventory. What kind of unsold inventory is there in BKC and ODC Phase1, Phase2 in terms of value?
- Raunaq Rathi:** Biplab, Raunaq here. In BKC in terms of unsold inventory it will be close to 1,750 odd crores and if you look at ODC, the unsold potential will be close to 600 odd crores that is in Avenue-1 and 2 and not including Avenue-4. Avenue-4 separately will be another 1,150 odd crores.
- Moderator:** Thank you. We will take our next question from Adhidev Chattopadhyay from ICICI Securities. Please go ahead.
- Adhidev Chattopadhyay:** Now specifically Naigaon now when is the completion of Phase-1 expected and do we also expect the retail portion to become operational along with the Phase-1 completion of it as well.
- Kamal Khetan:** So Adhidev, yes, first I will first answer your last question which is retail. So, we have already signed up leases with some good brands for the high street retail and we are confident that most of them will take possession in next 2 to 3 months and will be operational in next let us say 3 to 6 months. We are also looking at our timeline to deliver the Phase-1, which is West World and what we launched last year, as per RERA it is 3-3.5 years, but I can confidently tell you that we will be able to get the occupation certificate and deliver before schedule in less than 6 to 9 months from now. We will be able to give the possession of the all the towers to our customers.
- Adhidev Chattopadhyay:** Sir just to want to understand it correctly sir around Diwali or by December the first possessions will be given, and the shops will also open simultaneously. Is the understanding correct?

- Kamal Khetan:** Yes, so this will be a record that someone giving from the date of start of the construction in less than 18 months, let us say 21 months, we will be delivering all 2,500 apartments all 20 wings of towers you can see will be delivered.
- Adhidev Chattopadhyay:** Sir and just lastly again on Naigaon only. Sir, now looking at the phenomenal response you have in Phase-2 any thoughts on launching Phase-3 or whatever more inventory very soon over there or you prefer to wait again before up new.
- Kamal Khetan:** I think we will wait but we will definitely want to go very aggressive. If you see last year we launched in Phase-1 and only due to monsoon we got delayed by 3 months otherwise almost similar time in less than 1 year or with almost 1 year, we launched Phase-2. If you leave apart the delay which was due to the monsoon because we did not want it to launch it during the monsoon period because it becomes difficult to handle the crowd and the response maybe go weak during that times. So that is why intentionally we delayed that. But if given a choice it is not required that we have to again wait for 12 months or 15 months, we see a great a response and traction from the customers. So we will definitely look to launch Phase-3 as early as possible.
- Moderator:** Thank you. We will take our next question from the line of Ruchi Parekh from Anand Rathi. Please go ahead.
- Ruchi Parekh:** Sir, I have 2 questions. Sir one would be if you can help me revenue breakup of this quarter in terms of majorly from which projects the revenue came from and the second is if you can help me with the breakup of strata sales that has happened during this quarter.
- Prashant Chaubey:** Hi Ruchi, this is Prashant this side. The revenue breakup is as such for the third quarter. From BKC projects it was around 18%, from ODC it was around 41%, from Naigaon 27% and the balance was from our other projects.
- Ruchi Parekh:** Sir, in terms of strata sales breakup?
- Prashant Chaubey:** So basically we have been able to achieve a very good sales in our Sunteck Icon project, where we have been able to monetize the asset since the construction has already been initiated and as you can see construction is going on in full swing in both Sunteck Icon and Sunteck BKC 51. So that has helped us to achieve this monetization of close to around Rs 80 crores in Sunteck Icon for close to 2 floors.
- Moderator:** Thank you. We will take our next question from the line of Sandeep Mathew from SBI Capital. Please go ahead.
- Sandeep Mathew:** My question actually related to collection side. So because we obviously been showing very strong presales and also on the construction front we have been extremely doing very well. But however on the collection side, I think the pace probably is slightly still a bit lacking even though we have a lot of sales completed as well as inventory that we sold in the past and also in Naigaon where, as sir pointed out the construction phase has been very good. So, I am guessing why

would the collections what point, the collection cycle as such really also kind of go and start go in tandem with the presales numbers that we are reporting.

Kamal Khetan:

So very frankly if you see the last year, so presales in fact numbers have been good and you will see this number will incrementally continue to improve. So, if you see in 9 months of FY20, months we have collected **Rs. 540** crores versus 454 crores 9 months last year. So, it is almost moved Rs 90 to 100 crores more than the last year in the 3 quarters. And fourth quarter you will see much more and going forward because of our strong presales number definitely you will see the collections will improve further and further when we will have a very strong cash flows. That is what we are confident on.

Sandeep Mathew:

So, is there any particular reason for cash flow slightly becoming one step towards the end because I would suspect even the presales number would be I guess much more than 20%, right on a year-on-year and the 9 month number are close to close to ...

Kamal Khetan:

No, if you see very frankly projects are under construction. So, presales number effect will come exponentially every quarter, you will see it will come so like right now we have done 600 crores sales where we have not even collected let us say 10% immediately. So in next 21 days and that will come in this quarter, current quarter. So, that will not be reflected in last quarter also if you see what we did ODC good sales that was towards the end of last quarter. Again the money has to come, the 20%-30% when people start registering and as per RERA we cannot take more money till the time the stamp duty and registration is done more than 10%. So, all those take time, such volumes and people take time to register and pay the stamp duty. So, that is what I am trying to say exponentially we will see a strong growth of cash flows.

Sandeep Mathew:

And just one final question if I may, you had indicated that going forward or rather you were in very advance stages of negotiations with probably multiple land owners or developers for new projects. Is it safe to assume that we will probably continue with the JDA approach which has worked well for us in the case of Naigaon and also ideas in Lokhandwala to some extent? So should we approach, should we expect the similar kind of a strategy or are we also looking at buying land parcels out right?

Kamal Khetan:

So we are very clear. Since this is a distress market, (a) we want to be conscious at the same time very aggressive, will continue to explore every opportunity which is there. But it is not that we will prefer obviously joint development or asset like model. But if there is a good opportunity to buy we will definitely buy and how to ensure that we do not increase our debt to see the balance with the cash flows, we will be very cautious on even that so that we do not want to increase our debt levels. We are very clear but there is a lot of opportunities in the market we will cautiously look at those without increasing the debt we will continue to do good acquisitions you will hear from us.

Moderator:

Thank you. Our next question is from the line of Chandrashekhhar Shridhar from Fidelity. Please go ahead.

Chandrashekhar Shridhar: Just a question over here. What would you assess the competitive environment in Naigaon which is going ahead because of this Suraksha Realty Smart City which is sort of bring land around there and it just seems like just in terms of planning it seems huge area. So, I am just trying to understand your thoughts on competition there.

Kamal Khetan: So Chandrashekhar, again why Suraksha Realty, if you start that micro market from Virar, Vasai, Nalasopara and Naigaon we take that entire micro market there is not only Suraksha City. There are many Suraksha cities like that which are there in the market and there are ready inventories which are available in the market in Virar. I can tell you en-number of inventory which is readily available. I do not know the reasons but we are doing something right and something better fortunately and I think so we are, I can say that we will continue to perform in a similar manner and we will monetize and get the best value for our investors.

Chandrashekhar Shridhar: But do you see that the, as the inventory competing because I think from what I gather **is as its** dimensions are little smaller than yours. Is there any color which you would sort of can you help little more specific?

Kamal Khetan: Which inventory slightly smaller than the?

Chandrashekhar Shridhar: On Suraksha's.

Kamal Khetan: So, I can only tell you that I do not know about their inventory but we know that definitely they will be launching. Again that micro market is they are into the Vasai micro market. They are different, within that micro market the set of people who would like to buy then that target audience I think will be totally different than our targeted audience I feel. And so as far as Phase-1 and Phase-2 we have almost done with our inventory. We are confident before their launches come and in Phase-3 whatever we plan will not be again competition with them. So, just to share with you, it is not Suraksha is a new fear out there but I can name some very established players and some of the big corporates who are there in that micro market which I think has not affected us at all and they are of huge land parcels. So, if you look from Virar to Naigaon there are enough land parcels which are vacant and we cannot stop someone from coming, I can only say we will do much better than the other players. I am pretty confident.

Moderator: Thank you. We will take the next question from the line of Parvez Akhtar from Edelweiss. Please go ahead.

Parvez Akhtar: Just a book keeping question. What would be your gross debt at the end of Q3?

Prashant Chaubey: Parvez, this is Prashant this side. So, our gross debt levels are at similar levels at what they were in the first half of FY2020 and our debt to equity ratio is less than 0.25.

Moderator: Thank you. Our next question is from the line of Janki Krishnan from Cogencis. Please go ahead.

- Janki Krishnan:** I need to, do you have some kind of an outlook as to for the next fiscal year what is the kind of project launches that you have envisaged in terms of square feet or in terms of growth?
- Kamal Khetan:** So, if you see we have already surpass the presales number of last year in almost, even this year we will be surpassing the presales number of the last year and we are confident that the next years what we are planning our sales and marketing team and our team together we are again pretty confident you will see a good growth over the current financial year, the next financial year the numbers you will see a better presales than even this year.
- Janki Krishnan:** In terms of a scheme with SBI which you had said earlier that you are still thrashing out the details of it. Will any scheme be launched in the next year, FY21?
- Kamal Khetan:** Why FY21 Janki, we would love to launch it as of yesterday, but my team is definitely working on this as it is the first time for SBI also and for us as well. So we both are the reputed brands, both want to be extra cautious and before we launch everything is in line because the same scheme will be applicable for any other developer. So, they want to make it fool proof, so that they do not have any problems in future. Because it is a big risk SBI would be taking by saying that if someone defaults they will be paying that entire money to the buyer, to the customer.
- Janki Krishnan:** So, would it be a new project or would it be in any of your existing projects? I mean, how would that work? Have you thought about that also?
- Kamal Khetan:** In the existing project definitely and it can be in the new projects. we would ideally prefer to be a new phase in the existing projects like ODC we launch a new tower let us say now in the 4th Avenue, there we would like to take the advantage of that scheme or let us say Phase-3 when we launch in Naigaon. So, there we can take the advantage or we launch in Lokhandwala something there we can take advantage.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the floor back Mr. Khetan for closing comments. Over to you sir!
- Kamal Khetan:** Thank you all for taking out the time from your busy schedule. 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 and have a pleasant evening.
- Moderator:** Thank you members of the management. Ladies and gentlemen, on behalf of Sunteck Realty that concludes this conference call. Thank you for joining us and you may now disconnect your line.