"Sunteck Realty Limited Q2 FY 2020 Earnings Conference Call"

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Moderator: Ladies and Gentlemen, Good day and Welcome to the Sunteck Realty's Earnings Conference Call for Q2 FY 2020. 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, 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. 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 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 Second Quarter of the Financial Year 2020. Thank you for joining us. I would like to share with you a couple of quick updates.

As you all might know, we have announced an acquisition of a mixed use project under asset-light strategy of JDA Model in Andheri West, marking our entry into the established residential micro market, with an inherent strong demand. The project will have a total saleable area of 1.1 million square feet and will generate potential revenue of approximately Rs. 2,800 crores. This structure is very similar to our Naigaon acquisition, where all land related responsibilities and associated costs premiums are to be borne by the landowner and execution, sales and marketing – our key strengths – will be done by Sunteck. As the approvals are in advance stage and expected soon, we remain hopeful to launch this project by Q4 of FY 2020 or Q1 of FY 2021.

Taking this opportunity at hand, we are evaluating multiple other business development proposals to aggressively scale up our portfolio. We are in advanced discussion for a few transactions and hope to share with you all in in the coming quarters.

Despite a slow start to the financial year, we remain confident of ramping up our pre-sales in Q3 and Q4 of FY 2020, with multiple launches across our portfolio, especially at ODC Naigaon and

Lokhandwala Andheri West. We have always maintained that the collections from pre-sales of H2 FY 2019 would follow in upcoming quarters. H1 FY 2020 has already shown a growth of 24% in terms of collection and going forward, this will further be enhanced with strong pre-sales supported by upcoming big launches.

Given our strength of in house construction capabilities, we are well-poised to scale up the execution across our various brands at Sunteck. At WestWorld, we have been able to achieve terrace slabs for more than a 50% of our towers. And the same is also reflected in our execution spent of Rs. 307 crores in H1 FY 2020 as against Rs. 410 crores in FY 2019.

On that note, I would now like to hand over the call to our CFO -- Mr. Manoj Agarwal, he will take you through Q2 numbers.

Manoj Agarwal: Thank you, sir. Good evening, everyone and thank you once again for joining us today. I would now like to run you through the financials and business performance numbers for second quarter and half year financial year 2020.

I will begin with the operational performance numbers:

Pre-sales in Q2 FY 2020 stood at Rs. 102 crores and at Rs. 287 crores for H1 FY 2020.

Distribution mix of quarterly pre-sales are as follows:

37% in BKC; 24% in ODC; 19% in Naigaon 20% spread across our other projects.

On collection front, significant construction progress has enabled our collections momentum in this quarter as well. We recorded collections of Rs. 185 crores in Q2 of Financial Year 2020, a 32% increase in year-on-year in comparison to Rs. 141 crores of Q2 FY 2019 and Rs. 375 crores for H1 FY 2020, growth of 24% year-on-year when compared to Rs. 302 crores in FY 2019.

In terms of financial highlights:

We reported to consolidate revenue of Rs. 135 crores in Q2 FY 2020 as against Rs. 180 crores in Q2 FY 2019 and Rs. 309 crores for H1 FY 2020 as against Rs. 391 crores in H1 FY 2019.

On the EBITDA front, our consolidated EBITDA for Q2 FY 2020 is Rs. 41 crores as against Rs. 61 crores in Q1 FY 2020 and Rs. 102 crores for H1 FY 2020 as against Rs. 190 crores in H1 FY 2019.

Our consolidated EBITDA margin in H1 FY 2020 stands at 33%. With respect to PAT, we recorded Rs. 30 crores in Q2 of this financial year as against Rs. 55 crores in Q2 financial year 2019 and Rs. 67 crores of H1 FY 2020 as compared to Rs. 129 crores in H1 FY 2019. Our consolidated PAT margin in H1 FY 2020 stood at 22%.

We continue to focus on our cash flow management and financial discipline reflected in our low net debt equity ratio that is 0.21.

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

Moderator: Sure. Thank you very much. We will now begin with the Question-and-Answer Session. We take the first question from the line of Adidev C. from ICICI Securities. Please go ahead.

Adidev Chattopadhyay: So if you could just elaborate and what are our launch plan for both the further phases of Naigaon ODC both the resi and commercial and the new Andheri West acquisition. Where are the approvals and when do we plan to launch all these projects?

Kamal Khetan: This is Kamal here. For ODC launch, that is the Phase-III, we are almost there and we will be launching in next few days. You will see the launch in next few days. So definitely, as I mentioned in my opening comments that in Q1 - Q2, we were unfortunately not able to do some big launches for activation. The only reason I feel was there was a lot extended monsoon and also, there was a slight delay in some approvals. So going forward we are very confident in Q3 and Q4 to launch ODC as well as Naigaon and also, we are looking forward to launch of our new acquisition project which we have done in Lokhandwala, Andheri.

Adidev Chattopadhyay: Okay. Sir, just on that commercial part that ODC commercial, what is the status there?

Kamal Khetan: As good as we are launching along with the residential, you will hear this in next few days.

Adidev Chattopadhyay: Okay. Sir, just to be clear, so the approvals are all in place both for the resi and commercial, just a matter of time, when you want to launch it, right? Is it the right way to look at it.

Kamal Khetan: Final leg of approvals are going on and to maintain that you will hear not even in next few weeks, in next few days, maybe about the commercial you will hear in two days to three days itself.

Adidev Chattopadhyay: Okay, that is wonderful to hear. Sir, secondly, just on our Avenue I and Avenue II, are we on track to deliver like Avenue I this year and Avenue II next year? And any activations planned for the remainder of the year in that project?

Kamal Khetan: So if you see most of the inventory Raunaq, would you like to?

Raunaq Rathi: Yes. So, Adidev, if you see in ODC, we have already sold more than 70% of the inventory which is there. In terms of delivery, we are on track to deliver Avenue I; under RERA it is March 2020. So we are on track to deliver, if that addresses your concern.

Adidev Chattopadhyay: Yes. And sir, I just wanted to on the activations means how were you looking to push the inventory over here, right? Because we will also be launching Avenue III also right shortly as you said. So just want to understand your strategy like to prevent cannibalization of the inventory from, so the new launch to the completed inventory like how do you intend to address that?

Kamal Khetan: So, Adidev, yes you yourself agree that one project is almost ready to move in, which is Avenue I. So people who are looking for a ready project, they will obviously opt for Avenue I and the people who are looking to take a position in the next one year or two years will definitely look at Avenue II and at the same time the Phase-III what we will be launching I said in next few days, which you will again see that will take obviously three years minimum to complete the project. So that helps the buyer to decide whether he wants Avenue I, Avenue II or the Phase-III. Also the ticket size is very different. The product sizing is different than what we have designed in Avenue I and Avenue II and we have done maximum inventory in the Phase-III, which we are almost left with no inventory in that category. So where the demand is very high and we do not have that inventory at all. So accordingly, we have planned the Phase-III.

Moderator: Thank you. The next question is from the line of Ridhesh Gandhi from Discovery Capital. Please go ahead.

Ridhesh Gandhi: I just had a question with regards to the overall distress which we are seeing in real estate and given the strength of the balance sheet which you have. Could you just kind of run us through the kind of acquisition opportunities which you are actually looking at and how you are strategically looking at it and the criteria which you have in mind, while looking at specific opportunities and also the potential equity?

Kamal Khetan: So, Ridhesh, thank you for joining us. Ridhesh, one thing is very clear that there is so much of distress available in the market. So and it will continue we feel. So, obviously, we are growing aggressively at the same time, you can see the way we are doing acquisition we are doing cautiously and most of the new acquisitions what we are looking are asset-light model because if we can put negligible capital like what we did in Naigaon and what we repeated the same thing in Andheri West, Lokhandwala, we are getting similar opportunities so that we can maintain our debt at a similar levels and continue to grow the company exponentially So, That is the strategy and I can tell you there are so many projects, which are there we are simultaneously looking at, you will be happy to hear maybe announcements every quarter for new acquisitions.

Ridhesh Gandhi: Okay. And are these acquisitions is any indication as to how large these are and how this will move or and is there also any kind of concerns that you have with regards to biting off more than you can chew in an environment that slightly stressed on the real estate side or you guys are comfortable?

Kamal Khetan: So when you said more than we can chew, so that is why we are very clear that we do not want to do acquisitions by paying upfront too much money. So that is why so there is no stress on the balance sheet or the cash flows. So that is very primary thing we are looking at when we are doing acquisition because so many acquisitions are there. So we do not want to at the same time, get into a trouble with our balance sheet. We are cautious on that. At the same time when you talk about the sizes, Ridhesh, we are very clear that if you look at Naigaon, it was not a small acquisition again, when we look at Lokhandwala where we are talking about the top-line of revenue have close to Rs. 2,800 crores. So we are looking at a similar size nothing small or it has to be significantly big for the company size because we know that there are overheads and all and we do not want to lose our bandwidth with small projects.

Moderator: Thank you. The next question is from the line of Tanuj Makhija from Bank of America. Please go ahead.

Tanuj Makhija: Sorry, if I am repeating the question. Can you please elaborate details about your recent signed Andheri project as to what is the share of Sunteck Realty, what was a deposit paid? That is refundable or non-refundable and third, your launch timelines?

Kamal Khetan: Tanuj, our economic interest is 54% of the top-line comes to us and all the premiums related to liaisoning cost and land cost everything is payable by the landlord or the developer we can call it. And as far as Sunteck is concerned, we are focused on our execution capabilities and sales and marketing. Whereas the deposit is concerned, upfront there is no deposit. There is definitely some amount of if the developer or the landlord requires small money, let us say Rs. 25 crores to Rs. 50 crores, that will be interest bearing a refundable security deposit adjusted against the first sales whatever their share goes to them.

Tanuj Makhija: Okay, understood. And sir, your launch timelines for this project?

Kamal Khetan: Launch, we are trying our best to launch it in this H2 of financial year FY 2020. We are quite hopeful that we should be able to launch in next six months.

Tanuj Makhija: Understood. And sir, second question on your commercial projects, you are going to start construction at ODC for commercial project. And now we are already building it Sunteck Icon and Sunteck BKC 51. So that is part one. And secondly, what is the construction cost for these commercial projects put together?

Kamal Khetan: So I think total all three projects to four projects put together the total construction costs overall is close to Rs. 1,500 to Rs. 2,000 I think I am quite confident it is a similar figure. It is close to Rs. 1,500 crores to Rs. 2,000 crores and what we are looking at in the phases, Tanuj. So it is not that we will be spending this Rs. 1,500 crores over the next one year or two years. So while we complete let us say BKC 51 and Sunteck Icon in next one year, which we are very confident where we will be putting close to let us say Rs. 200 crore, we will start getting our rental income or we will be doing a start our sales, we will do the sales there and the positive cash flow generating from that will be close to again Rs. 500 crores. So, positive cash flow coming from those two project itself will be Rs. 500 crores and we will not be putting, I think more than Rs. 250 crores close to Rs. 300 crores in the ODC development in Phase-I of the commercial. So, we are very clear that when we are doing commercial also, we do not want to take an exposure of more than Rs. 200 crores to Rs. 300 crores and put the company’s balance sheet under any stress or pressure. So, we want to maintain our debt levels at the similar levels what we are and without affecting, let me reiterate without affecting the growth and the potential of growth in this distress market.

Tanuj Makhija: Understood. So sir, to summarize, I think on your capital allocation front, your leverage ratios over the next 12 months should be at current levels, is my understanding right?

Kamal Khetan: Yes.

Tanuj Makhija: Got it. And a third question, on Naigaon, obviously, the photos of construction look, you have made a very good progress on the project front. Can you remind us, what is your completion timeline in quarter or which part of the month you will complete Naigaon project?

Kamal Khetan: So, if you look at as per the RERA date, it is September 2022 and within the same phase we have divided in RERA September 2022 and December 2022. But I can tell you, we will deliver both the phases much before 2021. In fact in the early or by second quarter or third quarter of 2021.

Tanuj Makhija: So you are saying deliver in second quarter or third quarter of financial year 2021, is that, right?

Kamal Khetan: It is maximum 9 months to 12 months from here. So, you can see almost like almost 60% of the towers, the last terrace slabs are already casted. And the finishing are going in full speed and so other 40% towers also the slabs are going at the cycle of almost seven days to eight days cycle and we are very confident that we will deliver much ahead of the schedule, this project means the entire Phase-I and Phase-II of the Westworld that we have already launched. I think we will deliver in record time of this 2,500 apartments in close to two years from the starting of the project, in less than two years.

Moderator: Thank you. We move to the next question. The next question is from the line of Kunal Lakhan from Axis Capital. Please go ahead.

Kunal Lakhan: Sir, quickly on firstly on ODC, so how is the Avenue III of the next Phase in terms of configuration and ticket size going to be different from Avenue I and Avenue II?

Kamal Khetan: Here I would not like to reveal this on this conference call very frankly. Kunal, I appreciate you asking. But I told you just have to wait not more than next few days to know about this. The configurations are obviously we know the market, we know what will be acceptable for the people in this market. And since we are already having an experience of that market by launching Avenue I and Avenue II, what is the most fast moving inventory, I do not think anybody knows better than us in ODC and definitely we are pretty confident that the inventory which we are launching will be absorbed well in the market.

Kunal Lakhan: Okay. You mentioned earlier that do be launching Phase-I of commercial in ODC, what are the size you mentioned of Phase-I?

Kamal Khetan: So it will be a close to 1 million square feet.

Kunal Lakhan: Okay. And the total potential break-up has it changed? Is it still 1.7 million square feet residential and about 2.5 million - 2.6 million square feet commercial, or has it changed?

Kamal Khetan: 2.6 million to 3 million square feet is commercial and 1.1 million to 1.5 million square feet approximately is residential.

Kunal Lakhan: Sure, that is helpful. And sir, secondly on our strategy, I remember last year we had highlighted that know every quarter you are planning to activate one project at least every quarter, we have not activated anything in the last two quarters as such. So what has changed? I mean is it something specific to our bandwidth or is it some something specific to the market environment?

Kamal Khetan: Kunal, I would correct you there. In quarter one, we has activated ODC and we sold almost close, so it was Q4, sorry I am sorry, so it was in Q4. So obviously, if not the bandwidth obviously, you cannot say that a company like Sunteck does not have a bandwidth to launch in six months then we should not be talking about coming six months launching, if not, three activations, at least two big launches if not three, we are looking at three launches back to back, it is I said there was an extended monsoon. So obviously, Naigaon, we had to keep it on hold also ODC. And there was some delay due to reasons beyond the company's control, some delay due to approvals, approvals were not coming on time.

Kunal Lakhan: And any color on the demand environment, how you are seeing the demand going ahead?

Kamal Khetan: So I do not see any problem for any organized developer with a good balance sheets and if you are in the right location, with the right ticket size, I do not think there is a problem of doing the same, we are pretty confident.

Moderator: Thank you. The next question is from the line of Vishnu Shankar from Allegro Capital Advisors. Please go ahead.

Vishnu Shankar: I just wanted to understand when it comes to the JDA projects, what is the kind of risk control mechanisms that are in place in case of a future dispute between the parties? So, who technically controls ownership of the land? Where do the cash flows of the project come into? Who controls that? And sir, just trying to understand in case if there is a dispute in the future? How does that you withhold?

Kamal Khetan: So in terms of dispute as you rightly said, but if you look at we are doing only a JDA model joined development, where obviously the project is the possession of the land comes to us and we drive the project. So, whether it is terms of execution, sales or marketing only we believe the responsibility of a developer or a landlord that approvals had to be he has to get the approval, in case we find he is delaying, or he is not able to get the approval, which is possible to be done or beyond that any timeline. So, we can always step in, in all our agreements, we put that clause we can always step in and get that get those approvals. So, I think we almost mitigate the risk that even if there is a litigation project does not get affected or the cash flows of the project does not get affected. Again, as far as the money again, from the sales coming again, it comes to our account. And from there it is first obviously it goes to the RERA account and from therer it is of distributed as per the RERA norms and whatever from the balance is again given to the landlord or the developer accordingly as per the agreement.

Vishnu Shankar: Okay, excellent. The second question is when you are speaking of new deal acquisition acquisitions, just wanted to understand, are you also open to looking at under construction projects or you are primarily looking for land parcels under JDA model?

Kamal Khetan: So ideally, very frankly, we are very clear, So, again to not to take risk, we are avoiding any Brownfield projects. So, Brownfield can be like one tower which is already completed or to tower which is already completed where we do not want to be part of that project. We can just help them in marketing and sales and marketing maybe to certain extent, where otherwise, we do not want to get into that. We only want to do Greenfield projects, unless and until we see that the opportunity is good and we do a proper due diligence,. But probably so much of projects are available in the market, so much of distress is there. Ideally we like to stay away from the Brownfield projects.

Moderator: Thank you. The next question is from the line of Parvez Akhtar from Edelweiss. Please go ahead.

Parvez Akhtar: Couple of questions from my side. Sir I just want to clarify we are talking about launching Naigaon, Phase-II in Q3 or Q4 of this year itself, right?

Kamal Khetan: Yes.

Parvez Akhtar: Sure. And so what would it be the completion timeline for our two commercial projects in BKC?

Kamal Khetan: From today onwards, you can say less than a year.

Parvez Akhtar: For both of them.

Kamal Khetan: Yes, for both of them.

Parvez Akhtar: And sir, last question. I mean, what is our thought process regarding the new tax rate? I mean, have we decided about it?

Kamal Khetan: Yes. So Prashant, would you like to answer?

Prashant Chaubey: Hi, Parvez. This is a positive move by the government, we are definitely going to benefit. To arrive at the exact impact, we are already working with one of the big four to maximize that benefit.

Moderator: Thank you. The next question is from the line of Vineet Manek from Karma Capital. Please go ahead.

Vineet Manek: Hi, Kamal. For the first-half if we go to see for our Sunteck Avenue I, Avenue II, we have sold close to 30 units and if I am not wrong, then last year we are so close to 110 units. So excluding the new launch of Avenue III, how could we expect this is for the second-half of the project?

Kamal Khetan: So, Vineet, if you see last year also in first three quarters there was no negligible sale in Avenue I and Avenue II. In fact, there was less than 30% of the sales overall total sales done. So, it is not that, if we do the activation, we will obviously price it the way we want and we will accordingly if you want to increase the volume, there is a proper sales strategy what we are going through and I think we will meet whatever targets what we have in our mind, we are quite confident and I repeat that we will be able to achieve that. So, last year also just to repeat, in fact, there was a doubt that in first three quarters we have done sales of less than like 60 apartments. And, in fact in last quarter, we sold more than 80 apartments in fact. So, that is how sometimes the sales strategy we have to use, that kind of sales strategy.

Vineet Manek: Right. So for this year also we would look for a similar same strategy….

Kamal Khetan: Yes.

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

Ruchi Parekh: Sir, just if you can help me with a couple of questions. First on breakup for the top-line, in terms of how much percent would be from your ODC ,BKC or Naigaon project?

Prashant Chaubey: Hi, Ruchi. Prashant, this side. In the second quarter the total revenue has been broken up as BKC accounts for 30%, ODC accounts for 35%; and Naigaon for the balance 30%.

Ruchi Parekh: Okay, thank you, sir. And sir, one more question, regarding the unit sold, the portion of others that you have shown where five units have been sold in terms of it can be broken up in terms of from which projects this has come from these five units?

Prashant Chaubey: So these are basically from our projects Signia High at Borivali and Gilbird in Andheri West.

Ruchi Parekh: Okay. And so on another one if I may, just that we see you were guiding around 8 units to 10 units. to be sold at BKC. So now with two in the first-half, of course, the second -half generally tends to be better. But then, are we sort of lowering the guidance or do we have a good pipeline to stay intact at eight units a year or so?

Kamal Khetan: Ruchi, I think you have to understand when we talk about 8 units to 10 units, it is always depending on which building are we talking about. So, if we sell a larger unit of Signature Island, which is equivalent to itself for three units of Signia Isles & Pearl, so, and if we sell even a smaller unit of Signature Island, it is equivalent to two units of Signia Isles & Pearl. So, this in fact, if we consider this is on already more than four units to five units, what we have sold we are not lowering our guidance in terms of value of sales good what we are doing which will continue. So we are talking about almost close to almost Rs. 250 crores of sales across over a full year. And I think, we are very close to already achieved almost closer to 50%. So it is I think, it is close to Rs. 110 crores - Rs. 125 crores, around Rs. 250 crores to Rs. 300 crores of the sales for the full year.

Moderator: Thank you. The next question is from the line of Adidev Chattopadhyay from ICICI Securities. Please go ahead.

Adidev Chattopadhyay: I just had a few housekeeping questions on Naigaon. So you said, around 2500 units are to be delivered. So sir, could you just remind us like what is the cumulative sales we have done till date over there? And of that how much would have been recognizing in P&L just want to understand accounting and the sales over there?

Raunaq Rathi: Hi, Adidev. So till date, we have sold 1849 units out of 2476 in Naigaon, which comprises of Phase-I.

Prashant Chaubey: And, Adidev, out of that close to around Rs. 150 crores, we have recognized in the P&L.

Adidev Chattopadhyay: Okay. And how much is left to go? I understand we have 73% revenue share. So, out of 150, so in terms of percentage completion, how much have we recognized in P&L. this is just housekeeping?

Kamal Khetan: In terms of percentage completion, we have just recognized till now only 30%.

Adidev Chattopadhyay: Okay. Sir, any specific, could you help us understand like because you have said a lot of the buildings have reached the Terrace slab. So, means is it a blended thing for the entire project we are taking 30% or?

Kamal Khetan: Most of the money, although the work left is less. But the value wise the work in the finishes goes higher. So, that is how, so when we recognize it is in terms of value, not in terms of volume. So, most of the voluminous work has been done, finishing which will take more of value than the time. Obviously, that is left. So that is why we feel the spend in finishing will be more and it is done conservatively.

Adidev Chattopadhyay: Okay sure. Sir, so you are expecting in the next two to three quarters that recognition should pick-up as you do more finishing in that project.

Kamal Khetan: We are talking to deliver the entire project over a period of next three quarters to four quarters. So 100% of this entire recognition will come in next three quarters to four quarters.

Moderator: Thank you. The next question is from the line of Kunal Lakhan from Axis Capital. Please go ahead.

Kunal Lakhan: Just a follow up on the previous question. Sir how much how much you would have connected based on the milestone payments in Naigaon? In terms of percentage?

Raunaq Rathi: So in terms of percentage, Kunal, to give you an idea the sold value is close to 604 out of which received is about 246. So we have receivables close to 60% of the sold inventory.

Kunal Lakhan: Okay, that is that is good. But just want to understand in terms of our cash flows right, spend as increase, which you highlighted in your opening comments. But even a connection run rate it seems to be going well, we have collected a lot more in Naigaon than what we have recognized. So clearly, I am just trying to understand where is the mismatch in terms of operating cash flow, which has been negative in the first-half?

Kamal Khetan: So Prashant, would you like to answer that?

Prashant Chaubey: So Kunal, Hi, Prashant, this side. Kunal, if you see our statements, in our operating activities, we are Rs. (-24) crores. Now this negative number is also because we have spent around close to Rs. 60 crores towards approvals and FSI cost. So that is the reason why you see this Rs. (-24) crores. Apart from that in the investing activities, we have spent close to around Rs. 60 crores, this is basically interest bearing deposit, which we have paid towards to our JDA partners and towards business development. And our financing activities is positive around Rs. 60 crores, our debt-equity ratio as we see is close to 0.21 as of today.

Kamal Khetan: Kunal, you have to also understand that Rs. 60 crores has gone as good as which is interest bearing. So, it is not actually a real negative cash flow. So, it is as good as Rs. 60 crores you can add it to the Rs. (-24) crores. So, that will give you a positive cash flow because tha is as good as for the new acquisitions or to the existing landlord, which has given as a refundable security deposit. Interest bearing.

Kunal Lakhan: I understand that, that is I think after the operating cash flow. My question was on the operating cash flow per se, so this Rs. 60 crores towards approvals and permissions. Is this pertaining to your ODC project and I am just trying to understand like whether this will be recurring because generally these payments are recurring in nature. But just wanted to understand the trend going ahead? Have you already paid for permissions and approvals so that this will not recur in H2 and going ahead or how do how should we look at it?

Kunal Lakhan: So Naigaon project obviously, the landlord has to pay all this money, so we do not pay for any of the premiums and all. It is for the all the other projects put together, this money

Moderator: Thank you. The next question is from the line of Vishnu Shankar from Allegro Capital. Please go ahead.

Vishnu Shankar: Thanks for the follow-up. Just wanted to check this new CRZ norms were notified sometime back and it is my understand is that CRZ at Chennai, any one status update on that in terms of what is happening with opening up of CRZ in Bombay and your assessment of how that could impact the market and whether that is an opportunity for us?

Kamal Khetan: I do not think now will so much of uncertainty in the government anything can be commented on that. Obviously, it is hanging, and I only feel that whatever happens to that, that is not that too much of inventory will come overnight. But as of now it is very difficult to comment and that I do not see anything happening very soon.

Vishnu Shankar: Okay, understood. Just secondly, update us with addition on the ODC project how much inventory is left and Avenue I and Avenue II? And across Avenue III, any upcoming projects, how much of inventories to the launch going forward?

Kamal Khetan: I think we already clarified, in Avenue I and Avenue II, 70% of the inventory is already sold. So it is only 30% of the inventory is pending. And Avenue III obviously the Phase-III what is we will be launching in next few days is for which the impact is close to 1.2 million square feet what we are launching. So that will, that will be coming up in the market very soon.

Vishnu Shankar: And how much is the future potential in ODC apart from Avenue III?

Kamal Khetan: So total what we are talking 4.2 million square feet to 4.4 million square feet what, total potential of commercial and resi, put together. Right now, we are launching this space of 1.2 million square feet of residential and so two towers 0.6 - 0.6. Again, commercial is close to we are talking about up near about 2.5 million square feet any balance left looking at the demand where we can maximize the value we have that flexibility whether to do a resi of the balance FSI or to go with a commercial. That is that is total flexibility is there in terms of where Sunteck can decide what is more commercially viable and beneficial for Sunteck.

Moderator: Thank you. The next question is from the line of Parvez Akhtar from Edelweiss. Please go ahead.

Parvez Akhtar: Hi, sir. Just one question. So now that our BKC commercial projects I mean, we have a timeline of less than an year. Have you thought about the monetization mode? I mean, are we going to lease it / Are we looking towards selling it? So what are our thoughts on that part?

Kamal Khetan: Very frankly, it is less than a year, we know. But we want the project to come at least to 40% - 50% of the completion level so that we can maximize the value. And that time looking at the market condition and what is beneficial and what is right for Sunteck, I think we obviously take accordingly the decision what is more beneficial for the company?

Moderator: Thank you very much. That would be the last question. I would now like to hand the conference back to the management team for closing comments.

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 have a pleasant evening. Thank you once again.

Moderator: Thank you very much. On behalf of Sunteck Realty Limited, that concludes the conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.