

# Rustomjee®

Date: August 11, 2023

The Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai - 400 001  <b>Script Code: 543669</b>	National Stock Exchange of India Limited 5 <sup>th</sup> Floor, Exchange Plaza, Bandra Kurla Complex Bandra (East) Mumbai-400051  <b>Script Code: RUSTOMJEE</b>
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**Sub: Q1 FY24 - Earnings call Transcript**

Dear Sir/ Madam,

We are enclosing herewith a copy of the transcript of the Company's earnings conference call which was held on August 07, 2023 with respect to un-audited Financial Results with limited review for quarter ended June 30, 2023. The transcript is also being uploaded on the Company's website i.e. [www.rustomjee.com](http://www.rustomjee.com) under the Investors section.

This is for the information of your members and all concerned.

Thanking You.

Yours faithfully,

**For Keystone Realtors Limited**

**Boman Irani**  
**Chairman and Managing Director**  
**DIN : 00057453**  
**Encl.: As above**

**KEYSTONE REALTORS LIMITED**

# Rustomjee®

“Keystone Realtors Limited  
Q1 FY '24 Earnings Conference Call”

August 07, 2023

Rustomjee®



**MANAGEMENT:** **MR. BOMAN IRANI – CHAIRMAN AND MANAGING DIRECTOR – KEYSTONE REALTORS LIMITED**  
**MR. CHANDRESH MEHTA – EXECUTIVE DIRECTOR – KEYSTONE REALTORS LIMITED**  
**MR. PERCY CHOWDHRY – EXECUTIVE DIRECTOR – KEYSTONE REALTORS LIMITED**  
**MR. SAJAL GUPTA – GROUP CHIEF FINANCIAL OFFICER – KEYSTONE REALTORS LIMITED**

**MODERATOR:** **MR. SAMAR SARDA – AXIS CAPITAL**

**Moderator:** Ladies and gentlemen, good day and welcome to Keystone Realtors Limited Q1 FY24 Results Conference Call hosted by Axis Capital Limited. 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 star, then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Samar Sardar from Axis Capital. Thank you, and over to you, sir.

**Samar Sardar:** Thanks, Zico, and good evening everyone. Welcome again to the post results conference call for Keystone Realtors better known as Rustomjee Group. As in the past few quarters the company is represented by the senior management on this call led by Mr. Boman Irani, Chairman and Managing Director, Mr. Chandresh Mehta and Mr. Percy Chowdhry, Executive Directors, and the Group CFO, Sajal Gupta. I request the management to take over for their initial comments.

**Boman Irani:** Good evening and welcome to our Q1 Financial Year 24 Earnings Conference Call. I am Boman Irani, CMD, Keystone Realtors Limited. I express my heartfelt gratitude to everyone joining us on the call today. I am pleased to announce the quarterly results for Q1 financial year 24. We've had a great start to the financial year as we have reported the highest ever Q1 pre-sales of INR502 crores, signifying a growth of 106% year on year as compared to Q1 financial year 23.

Our collections have been strong, standing at INR495 crores, representing a 23% year on year growth over Q1 FY23. During the quarter, we have launched two projects, one in Bandra East and the other in Thane, and measuring about 0.58 million square feet of saleable area with an estimated GDV of INR890 crores. This is in line with our guidance of launching one project every quarter. Our Thane launch surpassed our expectations with 122 units sold within 45 days of launch. That was selling almost three units a day.

The launch had an exceptional EOI conversion rate of 54%, highlighting the effectiveness of our sales and marketing strategies. Again, Seasons achieved an impressive 8% lead to walk-in conversion ratio, again attributed to our strategic marketing initiatives and the fact that we received the OC in the last quarter. We have begun the utilization of AI tools and this has optimized creatives and provided us valuable insights into customer preferences and maximized engagement for sustained growth.

The robust Q1 FY24 presales combined with our ongoing and upcoming project launches sets us firmly on course to achieve our expected presales growth of 25% year-on-year in FY24. We continue to remain optimistic about the MMR residential development and redevelopment space. We take pride in being the pioneer in redevelopment, having housed more than 1,400 plus families over our journey. With vast experience and expertise in this domain, Rustomjee is poised to leverage the immense potential that redevelopment space offers the city of Mumbai.

Having successfully executed several projects, we are well equipped to capitalize on the vast opportunities of redevelopment and contribute significantly to the transformation and growth of our city. In line with our philosophy of continuous growth and on the back of a proven track record and a reputation as a reliable redevelopment partner, this quarter we have added three

projects in Prabhadevi, Pali Hill and Kandivali with a GDV of total 2,495 crores. As part of these projects of total of 326 members will experience the Rustomjee redevelopment.

It will worthy to note that the LOI for one of our project was added this quarter and was secured in a period of just 5.5 months. The set three projects added this quarter in addition to the five projects we added in the previous financial year are all in line with our asset light business strategy. As emphasized in our previous conference call, we have entered a new micro market such as Mahim, Chembur and Dombivli. We continue to look for opportunities in newer micro markets, closer to upcoming infrastructure.

We look forward to a lot of developments having either the green or the blue view as we have maintained from the start. We are well positioned to capitalize on opportunities and grow our pre-sales base year on year. Moving to the console key financial numbers, the revenue for Q1 FY24 stands at INR272 crores as compared to INR168 crores in Q1 FY23. This is a robust growth of 61% year-on-year. The EBITDA and PAT for Q1 FY24 stood at INR74 crores and INR47 crores respectively.

These margins for the set quarter stand at 26% and 17% respectively. As part of our commitment to the environmental, social and governance, namely ESG practices, we have made significant strides in enhancing our sustainability initiatives. In addition to tracking our carbon footprint and our water usage, we are also taking recycling efforts for hazardous waste, contributing to our environmental goals. The past quarter was dedicated to consolidating essential data on environmental and social indicators, which is mentioned in our BRSR report.

By calculating and being conscious about the scope one and scope two carbon emissions plus energy and water intensity across projects, we have established a baseline to drive future improvements. We have also taken proactive steps in engaging with key suppliers to assess their ESG practices and address the material issues collaboratively with them. With an optimistic mindset and the right approach, we are confident in our ability to make a positive difference and the areas of sustainability, ultimately bolstering our commitment to ESG and responsible business practices.

To conclude, we are well positioned to capture the synergies presented in this uptrend of real estate market, a strong operational performance and experience team, our focused approach. With all of this, we are confident to deliver value to our stakeholders while continuing to emerge as the most sought after real estate developer in this space. I once again thank you for your unwavering support and your trust in Keystone Realtors Limited. With this we can now open the floor to questions. Thank you.

**Moderator:** Thank you very much. Our first question is from the line of Pritesh Sheth from Motilal Oswal. Please go ahead, sir.

**Pritesh Sheth:** Hi. Thanks for the opportunity. First, is on launches. So, this quarter, LB launches around INR900 crores. How much of that contributed to our recent number this quarter?

**Management:** I'm sorry. Out of the launches of 900 crores, how much has been contributed in the current quarter Right, that is the question?

- Pritesh Sheth:** Yes, yes, that's the question.
- Management:** So both the projects have got the very impressive response. In Thane, in less than 45 days, we have sold about 122 units. Similarly, in the Bandra East project also, we have got a very good response. Give me a minute, basically we will tell you the exact number which has been contributed by these two projects which have been launched. But both basically put together is about 34% of the stock in what we have sold of the project that we have launched. Total value is about INR169 crores.
- Pritesh Sheth:** Thanks for that. And how should we look at the launch pipeline for rest of FY24? Any key projects that we are looking forward to launch this year?
- Management:** Sure, Pritesh. I mean, thanks for that. We had actually made a view that we would be able to launch at least one project every quarter, and we are very much in line for that. And we will be announcing them as we go closer. Now we are coming up with the festive season, so we are gearing up for that and launches for that itself.
- Pritesh Sheth:** Sure, so we should consider one launch a quarter or obviously there is an upside for that because this quarter also we saw a couple of launches. So, overall if you can highlight whether we just three projects or it can be more than that as well?
- Boman Irani:** So, Pritesh, let's say this way that three projects will be a given and then anything more than that we can just be happy about. But thank you very much for that.
- Pritesh Sheth:** Sure. Got it. And just one question on the project acquisitions that we did or the project that we added this quarter. One of the projects that is Kandivali, it's at LOI stage. In general, whenever we find a project which is under LOI project, how confident are we in terms of converting that into development agreement and eventually launching it and what's the timeline between LOI to the actual development agreement been signed?
- Boman Irani:** So, Pritesh, in the redevelopment space there is no given markers as such. But what really happens is that the society and its members start engaging with the developer. We put forth all the designs to them. We start with the process of identifying the kind of agreement that will be entered into. Given the size of the project, I would say this should take anywhere up to about 12 months to 15 months to come into fruition.
- And again, this is in keeping in line with what we've said earlier as well. Redevelopment projects have a cycle because first there is the member's acceptance in terms of an LOI, then there is an agreement that's got to come in place, then there are approvals after which we give them notice to vacate, and thereafter, after demolition, there is the RERA approval, I mean, our RERA certification, and that is after which we go in ready for sale.
- So, this process takes time. We're pretty confident that given the fact that most of the work is done pre-LOI, that is to say largely the matching of ideas, the matching of requirements, takes place pre-LOI, and that allows us to be fairly confident with the engagement of the society managing committee that these things would continue towards an agreement, which would take anywhere up to about, I would say, three months to four months.

- Pritesh Sheth:** Sure, so overall, 12 months to 15 months from LOI to launch, is it and three months to four months from LOI to development agreement if that..
- Boman Irani:** That is part of the 15 months, but yes.
- Pritesh Sheth:** Sure, okay. And I'm just aware about that location, so there are I think multiple buildings, maybe 18, 20 of them. So, we have signed up for everything all together, right? I mean, it's not in parts?
- Boman Irani:** So, there are only six buildings with about 17 wings in them, Pritesh.
- Pritesh Sheth:** Oh yes, 17 wings, yes.
- Boman Irani:** The location is something that we plan to execute as a whole at one point of time. Of course, there will be phases in that, but yes, the signing is with all the LOIs from all the members.
- Pritesh Sheth:** Sure. Got it. Thanks for answering those questions. I will have a couple of more, but I will jump back into the queue.
- Boman Irani:** Thank you, Pritesh.
- Moderator:** Thank you. Our next question is on the line of Abhishek Lodhia from Yes Securities. Please go ahead, sir.
- Abhishek Lodhia:** Yes, hello. Good afternoon, sir. Sir, two basic questions. What are our internal targets for the yearly pre-sales, as with the currently quarterly rate, we should be clocking around INR2,000 or INR2,500 crores and with the total GDV, which is available for us is roughly INR35,000 crores, roughly, right? So it might take nearly 15 years to 18 years kind of timeline. So how should we look at that and secondly, what are the plans to ramp up the sales, I mean, that's the two questions?
- Boman Irani:** So thanks, Abhishek. First of all, please guys, just refer to me as Boman. I mean, I'll be a lot more comfortable with that. Coming to answer your question, you're right with the INR500 crores that we've done as pre-sales in quarter 1, we are well on our way to do about the 2,000 plus number that you've mentioned. This is going to be a 25% growth over last year, as we had already given a guidance of earlier.
- And yes, you're right, there are a lot more projects in the pipeline, but we always ascertain the market and the market conditions and our ability to launch those projects in those markets and be – how do I say this, profitable largely in them going forward. So, we will keep planning our launches and of course we will see the growth on a continuous basis. With regards to your sales and marketing ramp-up, all I can say is like I mentioned in my opening remarks. We have AI tools that we use that allow us to better understand customer's requirements and address them in a much more organized manner.
- And as we continue on this path, we will be able to ramp up sales as we go along. As of right now, our targets for this year are 25% over last year, and more or less in line with the numbers that you mentioned. Thank you.

**Abhishek Lodhia:** Thank you, sir.

**Moderator:** Thank you. Our next question is from the line of Dhruvesh from Prospero Tree. Please go ahead.

**Dhruvesh:** Yes. Hi, sir. Just wanted to understand your view on the pricing in Mumbai. Let's say, for example, there was a time in the Parel–Worli area, the prices were unsustainably low and now we have reached to a stage where they have reached 30%, 40% increase in the last two years and similarly when we see a typical scenario where the South Bombay used to be highly premium versus a North Bombay let's say a Borivali or a Goregaon catchment and now those catchments are having prices which are sometimes equivalent to certain parts of South Bombay. What are your views on Mumbai pricing in general and how are you seeing this over the next three years to five years?

**Boman Irani:** Thanks, Dhruvesh. I think you hit the nail on the head. Mumbai is changing in the way being perceived as the earlier we had this North-South kind of price increasing continuously from North as you go towards the South and that has all changed thanks to the infrastructure boost that has taken place. Today, you connect Andheri to Ghatkopar. Next, you're going to connect Goregaon to Mulund. Third, you're going connect Borivali to Thane. You're connecting everything from Andheri all the way to the Navi Mumbai Airport by your coastal road and your sea links and the MTHL.

So, the city as such is now changing the way it perceives locations. There are micro markets or people in certain micro markets that wish to continue living out there. There is always the allure of newer and better developments taking place in some of the suburbs. As you're aware, the western suburbs are blessed with a very healthy coastline and consumers who are used to or who would like to stay across or near the sea will continue to want a home in that area and in that micro market.

You are seeing larger developments taking place. We used to have a very cookie cutter approach that if you were building in Borivali, for instance, you would build two bedrooms and smaller three bedrooms, that has seen a sea change over a period of time today. Just to give you as an example the Borivali micro market you can explore even 4 BHK and 5 BHK homes out there. So, very strong sales taking place of that.

Secondly, Dhruvesh we should also understand that, wherever Rustomjee goes, we create and foster communities. That is to say that when we take a gated community and we have a gated development that we do, and there are 200 families, 300 families living out there, we create a lot of community activities that brings people together. And this is something unique to Rustomjee so far. We have done it extremely well and other than mentioning other people's developments, I'd like to say that wherever we go, we try and get a markup over everything in that area.

And that means we usually target for a 10% to 15% – I'm saying going forward – 10% to 15% higher prices than let's say the other developments in the area. I think that more or less answers the question but yes, you're right Lower Parel was unsustainably low and then when locations develop they create their own energy and today Lower Parel is a very sought after whether it be commercial or residential kind of development.

And we've seen a great amount of interest in our project which is in Prabhadevi called Crown where customers have been showing a lot more interest given the fact that we are approaching OC status on one of the buildings and will be approaching OC status on the other buildings and we'll be approaching OC status on the other building in the next 6 months and we're very happy to see the kind of interest the consumers are having for our projects. Thank you.

**Dhruvesh:**

Thanks a lot for this elaborate answer. One more strategic question here again, is that let's say from a business model perspective we are predominantly into redevelopment and we are proudly saying this on an asset light base etc, but a lot of people in the past they went ahead with and experimented with a lot of models tried multiple such things and ended up targeting land ownership or new land purchases. How scalable can this be? I mean, can Rustomjee, let's say, do 25 projects in Mumbai at a point in time of decent size and grab a 5 year, 7 year journey at each place? How should we see the scale factor for you over the next 4 years, 5 years. Once we will peak out on a 20 project, how much can we keep revamping this and how safe is it to assume on those areas?

**Boman Irani:**

Dhruvesh. Thanks for the question, but I'm thinking to myself that every organization has a structure in which it works. We have built this structure painstakingly over time. Yes, we've had our moments where we had to rework our strategies, but I can tell you this, that we've got a 20 year lead over anybody else in the organized redevelopment space. And this should give us tremendous tailwinds to be able to carry us through.

Given the size of projects, I think we're doing about 14 projects on the floor as of today, and I'm very happy with the way these are being executed. I don't think 25 projects would be out of our reach or stretch. I mean, just to give a number, I'm not saying that we'll start doing that tomorrow, but we'll keep building our strength of people without an organization and a proper backing. I don't think this will be possible but given the wealth of knowledge that we have internally and our SOPs that we've created, we believe that we are in a position to be able to take on redevelopments and actually grow them.

And I don't need to speak about redevelopment, it's in front of you. All of Mumbai is undergoing a kind of, how do I say, an upliftment. And in this upliftment, other than infrastructure, you see a whole host of redevelopments that are taking place. Pick up the newspaper every morning and you will see some society or the other coming up for redevelopment. We believe that good redevelopments will continue to grow and some people may or may not, who may or may not have the experience will learn as they go along and overall Mumbai will benefit.

**Moderator:**

Thank you. Our next question is from the line of Anurag Katta from B&K Securities. Please go ahead.

**Anurag Katta:**

I have two questions, one of which has been answered already. But we want to get a feel as to what are your estimates on how big will be the redevelopment market in the coming five years in terms of new projects being added?

**Management:**

Anurag, thank you. Thank you for the compliment first. To answer your question, look, Mumbai needs to add more development, so that we can continue to compete or continue to outsell the



other cities that compete with us. And given the peculiarity of this city having been developed over the last 100, 150 years, redevelopment is probably the largest opportunity available in this city.

So if I am to answer your question, what do I think of redevelopment? I think it's definitely one of the key supply systems for, or key supply areas for future development. And over here we have been a developer that has continuously created SOPs and has built on its experience and ability. And generally speaking, a developer like us would replenish his stock by about one and a half times to two times of what he delivers or what we deliver in a particular period. Just to give you an idea, Bandra East started off with one project, then we took on something much larger, and now we are picking up multiple other projects in that area to keep our growth going.

Because with any, as it happens across any development, once you establish yourself in a particular location, there is a lot more demand, and you understand that market a lot better, so you're able to serve that market a lot better. And as long as you keep the supply going, you should be able to continue to be a developer of choice out there.

And as we mentioned when we were going out to market, today we are about 11% of our development is in the redevelopment space. I think we'd like to see this double in a very short time and keep growing it. Thank you.

**Moderator:**

Thank you. Our next question is from the line of Prem Khurana from Anand Rathi Shares. Please go ahead, sir.

**Prem Khurana:**

So I want to understand our pre-sales a little better. So I mean, correct me if I'm wrong, but as far as my calculation goes, so out of INR500 odd crores, you said 130 seems to have come from recent launches, Q1 launches. And as for my calculation, 250 seems to be the number that has come from our ready-to-move-in inventory and the likes of seasonal elements.

So which leaves me with a number of almost INR120 crores, INR130 odd crores rupees and this comes on a base of almost around INR3,100 crores rupees of unsold inventory that we have in our ongoing projects. In an ideal situation would you consider this INR120 crores, INR130 crores a quarter number on a base of INR3000 crores rupees as an ideal number as a good number or I mean would you consider it to be on a lower side this quarter and you see this number going to go up in the coming quarters?

**Management:**

So Prem, thank you. Thank you for you for the good wishes. Let me start off by telling you that the RTMI to the pre-sales that we've had this year, this quarter, have been about 13% is the RTMI. And the rest of it have all been projects that have been ongoing projects as such. So that's about, just to give a breakup, INR438 crores have been in the under construction projects and about INR63 crores have been in the completed projects.

So we are very infused by the interest that our home buyers have had in the project launches that we have and the ongoing projects that we have. And we are also certain that RTMI will continue to be very important for a certain category of buyer who is looking for a quick move in for reasons that they need to immediately expand and move into a new home or move locations and move into a new home.

But our belief is that our homes that we launch are definitely data decided, so we study the data before we kind of launch any product. And we are fairly confident of the market that we are addressing. And so far we've had a very good success. Just to give you an idea, like I mentioned, 122 homes were sold in Thane in under 45 days. That's roughly about three apartments a day. And that itself should speak about what it is that we do before launches and how we go about studying the market itself.

And again, just to add that as a developer we've always targeted about 30% to 35% sales on launches and then through the life cycle of a project 35% to 40% sales going through and always about 20% RTMI because that allows us to get exactly what numbers we really target. Thank you.

**Moderator:** Thank you. Our next question is from the line of Deep Mehta from Bank of India Mutual Fund. Please go ahead.

**Deep Mehta:** I had a question regarding your launch pipeline. I understand that you want to launch at least one project per quarter, but it will be very helpful if you can quantify your launches for next current as well as next financial year in terms of GDV of the project?

**Management:** So what we have done in the quarter 1 is about INR900 crores GDV coming out of the two projects that we have launched which is in Bandra East and Thane that we just spoke about. Based on one project a quarter this year, we expect the total GDV of the new launches to be closer to about INR4,000 crores as we spoke even in the last conference call also.

And we will continue our pace to continue to launch out of the forthcoming projects in the years to come, almost in a similar way or maybe in a higher way.

**Deep Mehta:** One more question, if I can ask? In redevelopment typically as you said we have been pioneers and we are doing this for last 20 years. What is the typical IRR which we target for a new project which we sign in redevelopment.

**Management:** So IRR on the new redevelopment project that we are signing off, of course it is a function of that in which category it lies. On a premium, super premium, of course the margins are better compared to mid-mass and aspirational. But if I have to give you a sense of the IRR on these projects, you know that our model is a satellite model. We don't invest more than 10% of the project GDV upfront before we go to market. And our margins, basically the net margins, PBT margins, if I may say, is about 20%, 21%. By virtue of that, the IRR comes very close to about 25%-30%.

**Moderator:** Thank you. Our next question is from the line of Ritwik Sheth from OneUp Financial. Please go ahead.

**Ritwik Sheth:** Hi, good, good evening, sir. And thank you for the opportunity. Sir, I just have one question on the investment that we've done in the current quarter. In the cash flow side, we have mentioned INR30 crores. So is it completely related to the two projects we've acquired? Sorry, three projects that we've acquired in this quarter?

**Management:** No, not necessarily. It is for all the projects which is a part of the forthcoming projects which are going to be launched. So maybe some small amount would have been spent on the three projects that we have taken, but large part of the spend is on the projects that we are going to launch over the next three quarters. What we do that all those projects which are in a forthcoming category before they are ready to launch get categorized into this as an investment into the new projects. And the moment the project is ready for launch or launch rather, then thereafter, it is taken as an operating cash flow.

**Ritwik Sheth:** Okay, so what is the kind of investment that we are looking to make in FY '24? Because on INR2,500 crores of GDV for Q1, the three projects which we acquired, so will the cash outflow start from Q2, or if you can throw some light on that, please?

**Management:** I think some cash outflow may start from the Q2, but as Boman has said, that there is a gestation period of 12 to 15 months from the LOI, and our model is that even in the 10%, the bulk of our cash flow gets spent towards the later part of the pipeline in terms of a launch.

Means like if there is a 12 months to 15 months' time period for the launch, out of this 10%, I will say 7% to 8% will get spent in the last three months or last two months just before the launch. So by virtue of that, the spend on these three projects will be largely into the next fiscal and maybe some small part in terms of a stamp duty, registration, maybe some small corpus to the members may get spent in the current year, but large part of that will go into the next fiscal.

And what will go into this fiscal is the projects that we are going to launch and the projects that we are going to launch and the projects that we are already acquired in the previous year and we are working towards making them launch maybe in this year and next year. So that is how typically a cycle of investment will flow.

**Ritwik Sheth:** Okay. Thank you. And any figure that you would like to guide for FY'24, the investments in new projects for FY '24?

**Management:** I think we go by the investment philosophy. Investment philosophy is not to spend more than 10%. The second part that we would like to give a guidance is basically that it takes about 12 to 15 months for the project to launch.

Third part is that bulk of our spend is towards the later part. So we just try to stay within these guardrails and then make sure that our spends are aligned to these guardrails. Based on that, if I were to give you a very ballpark number, it should be somewhere around INR300 crores to INR400 crores that we will be spending during the current financial year on the new project.

**Moderator:** Thank you. Our next question is from the line of Jeet Shah from Pinpoint Asset Management. Please go ahead.

**Jeet Shah:** My question is with regards to a launch pipeline and one specific project in mind, which is the Bandstandone. Just want to know, is it on track to be launched this fiscal? And if yes, could you highlight which quarter it could potentially fall under? Because I think it was planned to be in the first half of FY'24, right?

**Management:**

Jeet, thank you for bringing that up. Bandstand is a project that is, let's say, one of the most exquisite projects that we will be doing given our ability to kind of design and create high-end luxury. And towards that and the fact that there have been some iterations due to the RG issue that happened to all of the city. We are now more or less ready with the final plans.

As a matter of fact, we started the clearance on the site itself with some amount of machines that have started working. And you will see progress. I am hoping that if I have given the rainy situation, etcetera, if I do manage to achieve the timeline that we are thinking in terms of work to be done on the site, I'd like to launch it with some amount of preparedness so that my consumer who's expecting the epitome of luxury gets to experience that even when he comes to make a booking. I don't want to give a date but it shouldn't be later than this financial year.

**Jeet Shah:**

Okay, that's great sir, thank you for clarifying. And secondly, just a more longer dated question, let's say, taking a two year, three year or four year view in mind at the moment. You mentioned, the business structure research that it can internally generate enough funds to sort of achieve that 20%, 25% year-on-year growth.

But given the current pipeline of projects we have; do you think that's a normalized number that we can apply to our current sales run rate? Or do you think there's an elevated number we could reach in the next one year or two years and then on that elevated base we get into this normalized growth mode? Just your outlook on what the growth of the company should be in terms of pre-sales in the next couple of years, essentially?

**Management:**

So again, Jeet, I'll let Sajal take that, but I'd like to tell you that we've given already a guidance of 25% growth year-on-year, and when somebody else asked the question, I said, let's take this as the base and then anything more than that should make us very happy.

Having said that, you're also aware that Rustomjee as a group develops everything from affordable housing, which is less than INR1 crores, going into mid-mass, which is INR1 crores to INR3 crores, which is, according to us, the largest segment of Mumbaikar's requirements at this moment in time. And then we do aspirational, which is up to INR7 crores in luxury and Uber luxury. So yes, our cashflow cycles are kind of well-managed, well-balanced, because we have steady-state sales taking place continuously with regards to our affordable and mid-mass housing that we do.

At the same point of time, I'm sure it didn't escape your attention in the papers that we did do some good high-end value sales as well in our projects. This again speaks to the fact that our buildings or our developments are usually designed keeping the customer in mind, and we usually have a very good idea of the quarter-on-quarter sales that we'll achieve. And our reach out to our consumers is also done.

Now we're using AI tools, but earlier with all the data that we used to have, we used to reach out to them. And some very good tie-ups that we have in the market help us achieve this. I think the 25% year-on-year growth is what you can take and we can be confident about. But anything more than that, I'm sure, Jeet, would make everyone very happy, including you.

**Jeet Shah:**

Perfect, sir. Thank you and all the best.

**Moderator::** Thank you. Our next question is from the line of Dhruvesh from Prospero Tree. Please go ahead with your question.

**Dhruvesh:** Sir, can you talk about how the organization is structured around its corporate overheads or project-related expenses, which are generally a going-concern expense?

**Management:** Thank you. So, Dhruvesh, the bulk of our expenses, which we think that is more variable, is the project overheads, because that's where depending on what amount of work we are doing, determines that what is the kind of money that we have to spend on the projects. Corporate overheads are by and large a sort of a fixed base. Of course, it goes up, but it doesn't go up exponentially. If I were to give you a sense, and which can be also seen in the investor presentation that we are putting out, our total soft cost, which is the combination of sales and marketing, admin, all that put together is about 10% of the total.

**Dhruvesh:** Right, so where I was coming from is, when we see the INR700 crores broader range on let's say a financial year '23, we see employee cost to be only 6%, 7%. And I assume that the bulk of this part will be the corporate, I mean, the top-heavy part of the organization which is not linked to a particular project. Is this understanding broadly, correct?

**Management:** Yes, your understanding is definitely correct.

**Dhruvesh:** Okay, and the reason why I'm asking is because generally in my mind I'm just trying to compare versus a land purchase model to a multiple micro market model, where a large part of negotiations are happening, there is a continuous activity. I'm sure there is a huge learning curve that you have and customers also trust you naturally because of that.

But there will still be much more maturity required of the people who are in touch with those society members and consistently engaging with them. So if you can also talk about how the organization is typically different versus a buy, land and build model to a redevelopment model, how are the functions and the expertise different in the organization? If you can expand a little bit on it?

**Management:** You know, I'll just say it a little differently. Fortunately, we are blessed to have, well, the three of us as promoters have been in this business for 27 years. And beyond that, we've got a team of professionals that we've been growing as a team for a long period of time. If you heard me earlier, most of my team has been around for more than seven-plus years. My core team, or the KMP as we call them, have been around for more than seven-plus years, ranging all the way up to about 17 years, 18 years. So there's a lot of wealth of experience out there. We as an organization pride ourselves on being a learning organization.

At the same point of time, we've built trust amongst at least the fraternity that looks at redevelopment, that is where you hand over your most precious asset which is your home and then work with developers who are in a position to be able to give you what has been promised in the timeline that's been promised with the amenities that have been promised.

Having said that, each type of negotiation has its own set of skills and while I'm not going to spell it out because that'd be like, sharing the secrets of some simple things that we've learned

over time and I'm hoping that the others also quickly pick them up. But I can tell you that on the redevelopment front, we've created SOPs that allow us to address issues of all the individual members. And actually be able to move them a lot faster.

At the same point of time, we also do JVs and JDs. And I think I will say this with pride again, with a lot of humility, but feeling good about it, not pride, that when we do a JV, JD, the very fact that we have been doing these JV, JDs for a long period of time have created a good amount of reference base for us. And this reference base usually is the one that goes out and they say a whisper in the ear is much louder than all the ads that you can put in the paper. That really helps us get projects or deals at much more competitive prices than most others would be able to get it.

And our focus as we go along in time, is to create value for all our stakeholders, whether they are our customers, whether they are our investors, whether they are our landowners, whether they are our contractors and suppliers. So we keep this win-win approach in mind.

And once again, just to give you an idea on the organizational structure, we've created project group heads that independently run projects that are based out of MHADA or out of redevelopment in regular and or townships. And each one has his own set of skills that he's building and building. When I say he, he or she are building juniors under them to be able to take on more, allowing them to be able to take on a larger role. I hope that answers you, Dhruvesh, that's a very long answer, but thank you for the question.

**Dhruvesh:**

No, thank you. And on one more side, similarly, if we, I think I heard about your metric that 10% and ultimately targeting a 25% IRR. But a lot of times you will have a much, much like, I mean, from an IRR perspective, it will be infinite IRR because if you end up selling 20%, 30% at a very early stage, it will translate into a much bigger IRR.

So I don't actually sense a correctness of IRR in the case of your model. How would you as promoters will be really thinking on, I mean, because IRR doesn't sound to be a right metric for your model, considering that there is very low investment. So how do you think, is it payback period or, or if you can, I mean, in numbers, how do you think as a group of promoters?

**Management:**

So, Dhruvesh, the way we look at it is this, right? When we enter a project, we try and minimize our investment to about 10% of the GDV of that particular project. And the idea for doing that is, even if a project should falter, which it should not by the time you've invested the 10% because you're ready to go to market, but even if a project should falter, you're very well in your power to be able to continue doing the rest of the developments and even if there have been consumers or customers that come in for this project, take care of them. So that is, let's say, a risk mitigation strategy.

Again, we look for a healthy return on the investments that we do. And again, real estate is not a run-of-the-mill business. It is, it has its risks, and when you mitigate these risks and when you see the time that it takes a certain number of projects to go along, it is very important promoters remember that there's got to be a healthy baseline for them to work with. So we are choosy about

the projects, and we are fortunate that we are in a position to be able to kind of select projects that come to us.

We don't go for all the projects that really come to us, but we select them, we choose them because every project takes a lot of bandwidth, takes a lot of personal effort, and we'd like to create future emissaries so it always makes more sense to talk to or work with people who we could totally satisfy and take ahead.

Our numbers going forward will continue to show that this IRR that we speak of are achievable. In certain projects, yes, you do manage to sell a certain amount of inventory up front, but which we never do before we go to RERA. So RERA is usually the starting point by when we've invested about 10% of the GDV of the project. And again, Dhruvesh, if you should remember that even if the pre-sales are taking place, the numbers that you can collect are about 9.99% before registration and then up to about 40% by the time you go to plinth, which is about four months to six months depending on the kind of basements or the kind of footings that you do. So cash actually comes into the project over a period of time and doesn't just happen because the bookings take place. I hope I've tried to put it well. I hope that it's cleared it out for you.

**Dhruvesh:**

Sure. And the last if I may. You're again, when we see Mumbai, so for the builder of your size or the experience and the kind of scale that you will ultimately want to achieve, some minimum size of the project will be required. Typically, I'm not talking about those extreme micro markets where prices are about INR80,000 and INR1 lakh, but on a broader level, I assume that a 1,000 square meter plot and 2,000 square meter plot will not really make sense or is that, no, that is not the correct way to see. And if this is true, how does the real market become?

Because even though we see a lot of redevelopment buildings coming in, but the problem is the size of those buildings are sometimes so small that most of the time, it is taken by a very local per lane, there is a builder who is taking it in their hand. So if you can help me understand this.

**Management:**

You're right. Ideally, one would like to take on a project that was of a sizable area because that would allow us to have a meaningful development there. But there are limitations sometimes, where the plots are 1000 square meters but they are cheek by jowl and that allows us to create the same type of, if I may say, speed of development in a particular area.

So if I can take up a 5000 meter plot, that's one way of looking at it. Otherwise, I can take up five plots of a 1000 meter that are, adjoining each other and put the same amount of resources, whether it be sales and marketing, whether it be construction, whether it be approvals, all of those work in tandem and more or less the results are the same. So I would much rather never forego a location, where we are desired as a developer just because I was not getting the size.

It's about how you reinvent or the solution to a problem that you're facing and give an answer to yourself and to your team that allows them to work in a fashion that allows us to serve our consumers as we go along. So that's exactly, what we're doing in Bandra East right now. Till we get the larger plots out there, we are working with the smaller ones, but we are working with them almost in a cluster and taking up the launches as if they are one after the other in terms of wings rather than buildings. It's just a mind-set that we are using to get there.

- Dhruvesh:** Thanks a lot, sir, thank you. It was enjoyable to hear the call, thank you.
- Moderator:** Thank you. Our next question is from the line of Pritesh Sheth from Motilal Oswal, please go ahead.
- Pritesh Sheth:** Yes, thanks for the follow-up opportunity. First question is, we have had a healthy start in terms of project acquisition this year, with INR2,500 crores already acquired, and you have concluded in the call as well that, in general the target is to acquire 1.5x or 2x times of sales in a given particular year.
- Would you restrict yourself to that kind of target or considering huge pipeline that is there on offer and even cash flows are sort of not a problem, when we are just planning to spend around INR300 crores, INR400 crores in a year, so how would one look at it in terms of the business development target in a particular year?
- Management:** So, Pritesh, thanks for that question because it allows me to speak about the fact that, we as Rustomjee are the ones that get maximum amount of the redevelopment proposals brought to us by the societies that are going in for redevelopment themselves because of the trust that – or just the fact that, we've got enough and more people who talk about us because of the redevelopment that we've done. Having said that, one has to be choosy, if I may say or look for a better word.
- One has to be clear that he is able to serve both the society and the members of the society that he is going in for redeveloping at the same point of time serve the consumer that will come in that area. And like I mentioned on one of the earlier questions, each project requires a certain amount of bandwidth and one has to pick and choose or keep building the blocks of the organization, which we continuously do.
- But our idea is not to, for want of a better word, go overboard, and pick up more projects and then wonder what we did. So yes, we have an internal risk assessment. I had mentioned earlier, we have an internal IC that kind of goes through a checklist of points before we can go ahead and make a call on a project and only allows us to work with that.
- Of course, at times, promoters like Chandresh, Percy and I do get a little bit aggressive, but we are blessed to have a good IC that kind of puts the guide rails and allows us to see reason in what they say. And so far, it's working well, and I hope to continue our growth in, what the old age saying used to be, slow and steady, but firmly moving ahead.
- Moderator:** Mr. Pritesh, does that answer your question?
- Pritesh Sheth:** Yes, that's helpful. Sorry, I was on mute. I didn't realize. Thank you for that, that's very clear. A couple of questions for Sajal, on the bookkeeping side. Firstly on debt. So in general, in the presentation we report secured debt, if I understand that correctly. So how much was unsecured debt in our books currently and last quarter, we were talking about some NCLT transaction to get complete. So whether that is completed and the debt, resulting debt has been knocked off?
- Sajal Gupta:** Yes, the NCLT transaction has been completed, Pritesh. That has been accounted for in the quarter one. And as a result of that, the resultant unsecured debt has been knocked off about



INR311 crores odd. That's what, we told in the last conference call. And that got eliminated now, since the merger accounting has taken place.

I also told that, other unsecured debt as it appears, not in the nature of a debt, that is largely in the nature of equity, the covenants associated with those debts are in the nature of equity, save and except some small debt of about INR10 crores, INR12 crores. Other than that, all other unsecured debt are not in the nature of a debt. So, when one has to look at the debt structure of Rustomjee, then the secured debt is the medium of a debt for us.

**Pritesh Sheth:** Got it, that's clear. And just lastly on margins, last two quarters, we have blocked like 25%, 28% kind of EBITDA margins in our P&L as well. That should be the margins that, we should look forward to block on a regular basis, on the on-going projects as well.

**Sajal Gupta:** So we told you that, on the projects pipeline that we have, this is the kind of a margins, which should come. But at the same time, we also informed that, we have some of our legacy projects, where for a variety of reasons, the margins are lower and they will be coming up for the completion in the current year and may not have the kind of a margin that has been, let us say, achieved in the quarter four or the quarter one now. But after '24- '25, that is from FY '25 onwards, you can expect this more or less on a sustainable basis.

**Pritesh Sheth:** Got it. That's what I was looking out for. Thank you. That's it from my side. All the best. Thank you very much.

**Sajal Gupta:** Thank you.

**Moderator:** Thank you. Ladies and gentlemen, due to time constraints, that was the last question of our question and answer session. I would now like to hand the conference over to the management for closing comments.

**Management:** Thank you very much to one and all, on behalf of the management at Rustomjee. I thank you for joining us today. In case of any further queries, please feel free to reach out to our investor relations team. And I must say there was a very good interaction and I learned a lot from the questions. Thank you very, very much.

**Moderator:** Thank you. On behalf of Axis Capital Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.