

Date: 30th October, 2023

SRL/SE/51/23-24

National Stock Exchange of India Ltd
Exchange Plaza, Plot no. C/1, G Block,
Bandra-Kurla Complex, Bandra (East),
Mumbai- 400 051
Symbol: SUNTECK

BSE Limited
Phiroze Jeejeebhoy Tower,
Dalal Street,
Mumbai – 400 001
Scrip Code: 512179

Sub: Transcript of conference call on Q2 and H1 FY24 results and Business Updates

Dear Sir/ Madam,

Pursuant to Regulations 30 and 46 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and in furtherance to our letter dated 23rd October, 2023, please find enclosed the transcript of the conference call on Q2 and H1 FY24 results and Business Updates. The said transcript is also being uploaded on the website of the Company. This can be accessed at the link below:

https://www.sunteckindia.com/images/investor/financial/1698647522_Transcript%20Q2%20and%20H1%20FY%2024.pdf

Kindly take the same on record.

Thanking You.

For Sunteck Realty Limited

Rachana Hingarajia
Company Secretary
Encl: a/a



“Sunteck Realty Q2 and H1 FY24 Earnings Conference
Call”

October 23, 2023



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

Moderator: Ladies and gentlemen, good day and welcome to Sunteck Realty's Earnings Conference call for Q2 and H1 FY24.

We have with us today, Mr. Kamal Khetan – the Chairman and Managing Director of the Company; Mr. Prashant Chaubey – the Chief Financial Officer and Mr. Abhishek Shukla, the Vice President of Strategy and Investor Relations.

Please note this call will be for 30 minutes and for the duration of the conference call, all participant lines will be in the listen-only mode. This conference is being recorded and the transcripts for the same may be put up on the website of the Company. After the management discussion, there will be an opportunity for you to ask questions. There is a Q&A session, and we request to restrict questions to 2 per participant. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone telephone.

Before I hand the conference over to the management, I would like to remind you that certain statements made during the course of this call may not be based historical information or facts and may be forward-looking statements, including those related to business statements, plans and strategies of the Company, its future financial condition and growth prospects. These forward-looking statements are based on the expectations and projections and may involve the number of risks, uncertainties and other factors that could cause actual results, opportunities and growth potential to differ materially from those suggested by such statements.

I would now like to turn the conference over to Mr. Khetan – the Chairman and Managing Director of the Company. Thank you and over to you, sir.

Kamal Khetan: A very good afternoon to everyone for joining us today and thank you for taking the time to participate in our Company's Earning Conference Call for the 2nd Quarter and first half of the Financial Year 2024.

On the operational performance front, we have recorded a strong presales of Rs. 782 crores in the first half of Financial Year '24. Similarly, our customer collections have crossed Rs. 500 crores during the same time period. This strong cash flow has allowed us to further reduce our negligible net debt to Rs. 259 crores. With this, our net debt to equity ratio stands strong at 0.09X. With respect to revenue recognition in the financial statement as per IndAS, the Indian Accounting Standards, the Company follows the project completion method and not the percentage completion method of accounting. Hence, to understand the financials of the Company better, it is suggested that one should look at earnings number on yearly basis rather than quarter-on-quarter basis.

In Financial Year '24, our project Sunteck Maxx World is getting completed. Due to this, a significant revenue of Rs. 750 crores to Rs. 850 crores shall be recognized by the end of Financial Year 2024. Similarly, in FY25 we are completing Sunteck City 4th Avenue in ODC Goregaon West. This will lead to a revenue recognition of Rs. 950 crores to Rs. 1,050 crores by the end of Financial Year FY2025.

With regards to project launches, we are happy to share that we have received all the approvals for the first phase of Kalyan projects and are gearing to launch the same before Diwali. Post Kalyan launch, Sunteck will have 6 large projects as growth engines. We are looking forward also to start our 7th project of Nepean Sea Road as a new growth engine in the Financial Year FY25.

Over and above this, in Financial Year '24, we have completed one commercial project, Sunteck BKC51, which is fully leased out for 29 years and now we are nearing completion the second commercial project Sunteck Icon at BKC Junction, which will be also completed in Financial Year 2024. These two rented assets will fetch an average return of 30% on the invested capital.

I am happy to share that we have tied up with International Finance Corporation IFC, a member of World Bank group, to create a joint platform with a total equity investment of Rs. 750 crores. This platform will focus on building high quality, large scale green housing projects targeting the mid-income demographics. This equity partnership is a testament to our strong systems and processes, scalable business model and focus on environment sustainability. Talking about sustainability, we are also pleased to share that Sunteck Realty has received 5-star rating and has been ranked third in Asia-Pacific Diversified Office and Residential Peer comparison by Global Real Estate Sustainability Benchmark that is GRESB. We have a strong conviction in our business model, and we look forward to a bright future as we continue to expand our horizons in a financially prudent way. I will now hand over the call to Prashant Chaubey – our CFO for our information on earning performance of H1 FY24. Over to you, Prashant.

Prashant Chaubey:

Thank you, sir. Good afternoon, everyone and welcome to the Earnings Call for the 2nd Quarter and First Half of Financial Year 2024. The financial and operational numbers have already been published on the stock exchanges. I believe all of you must have gone through the same.

Let me give you some of the brief highlights of the financial performance. Our presales stood at Rs. 395 crores and collections stood at Rs. 214 crores for the 2nd Quarter ended FY2024 and I am also happy to share that our presales and collections CAGR since FY21 has increased in tandem to 25% and 27% respectively.

Our operating cash flow surplus has also surpassed Rs. 1,000 crores in the last 3.5 years and for the first half ended FY24 as the Company follows project completion method of accounting, our revenue reported was Rs. 95 crores with a core EBITDA margin of 43%.

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

Moderator:

Thank you very much. We will now begin the question-and-answer session. We have a first question from the line of Sarang Gupta from Briarwood Chase Management LLC. Please go ahead.

Sarang Gupta:

Congratulations on the strong quarter. I want you to touch in on the deal with IFC because it is good to see a vote of confidence on the Company and corporate governance from such a well-

reputed institution. Can you just give us more background on this deal, like how long have you been working on this or talking to IFC? What type of due diligence they did? And why did they choose Sunteck?

Kamal Khetan: Thanks, Sarang for the question. So, we have been obviously working on this deal for almost more than 1.5 years, it is almost 2 years I would say and obviously, IFC being very prudent in their due diligence, so they have done all the due diligence looking financial, technical and economic, all that due diligence and in fact they visited multiple times to Mumbai from US and they met each and every person in the senior management team, I would say and to that extent, I think they visited each and every construction site also and seen the quality and safety measures taken while doing the in-house construction and I could say that they were really very much impressed. And that is how it was done. Now taking to the transaction with IFC, this is an equity transaction, pure equity transaction, this platform will focus on building high quality large scale green housing projects targeting the mid-income demographics. This platform will invest in new project acquisition, as we do not require any capital investment in our any existing projects. This highlights, in fact, once again I will say the strong brand recognition, sound financial and strong systems and processes in-house construction capabilities of Sunteck. We expect definitely this platform to be substantially GDV accretive for Sunteck.

Sarang Gupta: And then just you mentioned GDV accretive, like how big could this platform be? And kinds of what time horizon are you looking at deploying this and then harvesting the returns from this platform?

Kamal Khetan: So, the size of the platform initially what we have decided is Rs. 750 crores and obviously this can add to another Rs. 8,000 crores to Rs. 10,000 crores of GDV accretion and over a period of let us say 2 to 3 years what we are looking at.

Moderator: Thank you. We have our next question from the line of Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati: Just continuing on this IFC deal once again. Can you give us a really a broad boundary that IFC has laid down in terms of what is the ticket size that would be allowed to build in, in terms of units because I presume it is more affordable housing? And second, what all geographies would you be able to operate in?

Kamal Khetan: So, Puneet, one thing I want to clear, it is not only affordable because in the launch itself, we can go a minimum ticket size of Rs. 1.5 crores, so which is like mid-income focused and it is more of a sustainable project, so if you see in every project whether it is IFC is a partner or not, so we are taking too much care and attention about ESG and that is obviously also has impressed them to invest in Sunteck platform the joint platform, so we are focused on the projects to be environment sustainable, as well as obviously we are looking at mid-income segment more of deploying this money with the ticket size should be close to Rs. 1.5 crores.

Puneet Gulati: So, that is a decent ticket, right? And in terms of ESG are there some specific costs that you would have to incur to or initiative you have to do in the ESG front to meet the investment criteria?

Kamal Khetan: So, we are already doing, that is what I told in my opening remarks that we are ranked up third in the Asia-Pacific and that is a miniscule cost. I feel it is more an effort, but we don't mind spending that cost. We don't want to save that cost to compromise ESG.

Puneet Gulati: And secondly, if you can talk a bit about any price increases that you have taken in any of your projects this quarter?

Kamal Khetan: So, I would not say any substantial increase in prices across most of the project, but in certain projects I won't be able to give you anything specific right now, but at places like especially Sky Park and ODC, we have been able to increase some price rise even in this quarter.

Puneet Gulati: Lastly, if I may, the collections were down Q-on-Q, can you help us understand the technicality behind it?

Prashant Chaubey: So, Puneet, our receivables from sales booked is in around Rs. 2,250 crores, which will come as we progress with the construction of our projects. So, this time what you see the collection is down is not a function of anything else. You will see those collections coming through in the coming quarters.

Puneet Gulati: It is just the sales basically got done towards the last part of the quarters.

Prashant Chaubey: Yes.

Moderator: Thank you. We have a next question from the line of Abhinav Sinha from Jefferies India. Please go ahead.

Abhinav Sinha: Congratulations on the IFC deal, just going back to the initial questions there, you have already talked about how much you can add on GDV, so can you guide us when does this platform sort of become operational and where do we see sales say in the next 3-4 years?

Kamal Khetan: So, I will answer this in 2-3 parts like Sunteck is obviously you know we have been always well timed in our capital allocation while doing business development acquisitions especially, so we feel this is a good time to do acquisitions and business development. So, today, if you see we have a portfolio of 7 large projects which are as good as almost launched with GDV value of close to Rs. 30,000 crores and in next 2 years to 3 years, I can say irrespective of IFC platform, we are very confident that we want to grow this portfolio from Rs. 30,000 crores to Rs. 50,000 crores and while doing so, we are ensuring that we have a balanced portfolio across all the segments from uber luxury segment to even the aspirational luxury segment. I think Abhinav, I have answered or if you have any other further questions or anything which you want me to answer.

Abhinav Sinha: Just dwelling a bit on this, with around 300 billion of projects we are doing around, let us say 20 billion of sales, so that is the target for the current year. So, does this become materially say 2X in 3 years or we are looking to continue with the 20% CAGR or 15-20 I mean that is what I was looking for?

Kamal Khetan: So, definitely we will be adding more projects. From the existing projects we can definitely look a growth of close to 15%-20%, but from whatever adding projects that will be additional and if you put everything together then obviously, we look nearly double in close to 3 years to 3.5 years or 4 years, 3 years we should double.

Abhinav Sinha: So, secondly, on P&L, you did mention that we are sort of because of the accounting issues, it is lagging a bit. Now couple of things here, a) on the 2 projects that you have outlined for delivery, so the sales are already done, or we are expecting for example ODC to see more sales to deliver this number? And b) what are the margins we are expecting here broadly?

Kamal Khetan: So, the numbers which I have mentioned to you in my opening remarks, and it is also on the presentation, which is uploaded, the numbers are from the existing current sales, we are not considering any sales till that time. If those sales obviously will come up more sales, then that will take definitely the revenue number to a higher number or on the upper side of the bracket. So, I have given a range which will either surpass the upper range or the lowest, I have given the lowest range also like Rs. 750 crores to Rs. 850 crores for Financial Year '24 which will come from the Sunteck Maxx World Project and Rs. 950 crores to Rs. 1,050 crores which will further go up obviously with the additional sales in the Financial Year 25 and that is from our Sunteck City 4th Avenue ODC Goregaon project and that is about it.

Abhinav Sinha: And what are the margins we are expecting?

Prashant Chaubey: So, if you look in our case study also that we have published with our presentation, you will see that in the Sunteck World project, we are having an operating margin of 30% and going forward we are more bullish on that then the margins will only go up. Similarly, for our ODC project, we have been given an operating margin of 35%, but 4th Avenue is operating at a much higher margin which is close to 40%. So, you will see that the margins will be very strong going forward for both of these projects.

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

Pritesh Sheth: First is on again on IFC, just we have dwelling in that a bit, so profit would be 50-50 shared or how is the share? Is there any minimum expectation of equity return by IFC?

Kamal Khetan: So, there is no minimum return expectation. It is a pure equity deal, and they can invest a maximum of up to 50% not more than 50%, but we can give them 25%-30% it has to be mutually agreed. Also, we have a waterfall structure, which definitely gives us a much better return than

what obviously IFC takes. So, it depends on the IRR what they make after certain IRR hits, maximum profit comes to Sunteck and then only the nominal profit goes to them.

Pritesh Sheth: And what is that benchmark IRR, if you can just help us?

Kamal Khetan: The details, I think we will be able to share with you maybe separately, I don't think I will be able to give it here.

Pritesh Sheth: And in terms of the Kalyan launch, which is upcoming, what is the initial size that we have thought about in terms of that launch? Is it a smaller launch or Rs. 1,500 crores, Rs. 2,000 crores kind of launch that we are planning?

Kamal Khetan: So, the first phase of Kalyan which consists of four towers what we are launching means we are not launching the entire first phase, these are four towers, and which will have obviously a revenue potential as you rightly said from Rs. 1,200 crores to approximately Rs. 1,400 crores. Right now, what we are planning to launch is what we have got the approval for 2 towers, and which will have a potential sales of close to Rs. 600 crores.

Pritesh Sheth: So, we will go ahead with the 2 towers launch or we will wait for another 2 towers and launch altogether?

Kamal Khetan: Obviously not. We will obviously go with 2 towers launch Pritesh. Definitely we will go with the 2 towers launch.

Moderator: Thank you. We have our next question from the line of Ashutosh Mittal from Axis Capital. Please go ahead.

Ashutosh Mittal: So, my first question is related to the amounts spent on business development in H1, so of this how much is for towards projects that have not been announced yet or not launched yet?

Prashant Chaubey: If you look at slide 26 of our presentation, you will see that we have spent close to Rs. 64 crores on business development, landowners funding and JDA cost. Out of this, what is happening is the majority of the amount is for our existing JDA projects and some of it is for our new projects. Roughly you can say around Rs. 10 crores to Rs. 15 crores is towards new projects which has not been announced yet and the balance is all for existing projects.

Ashutosh Mittal: And my second question is related to how does the demand pipeline in BKC projects look like? Specifically, if you can give it for Island and how does it look like for Pearl and Isle?

Kamal Khetan: So, this quarter I think in presales number you must have seen we have sold 2 units and I think this is obviously compared to last quarter nothing and the quarter before that there was nothing. So, we are seeing traction building up and we are quite positive that this will continue every quarter-on-quarter. So, we will see incremental sales happening every quarter. Thank you.

Moderator: Thank you. We have our next question from the line of Anupama Prakash Bhootra from Arihant Capital. Please go ahead.

Anupama P. Bhootra: I just want an update about the Sky Park Mira Road contribution in the Q2 sales, I can get an update?

Prashant Chaubey: So, Anupama out of Rs. 395 crores, roughly around Rs. 98 crores came from Sunteck's Sky Park Mira Road in the 2nd Quarter. Sunteck Sky Park, Anupama has been the response for that project for Sunteck has been quite encouraging and we are doing good sales there. Thank you.

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

Kamal Khetan: Thank you all for taking out the time from your busy schedule today. In case 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.

Moderator: Thank you, members of the management, and thank you all for taking out the time for Sunteck Earnings Call. In case any of your queries have been left unanswered, you can get in touch with the team. We look forward to your continued support. Thank you.