



“Sunteck Realty Limited Q4 FY-17 Earnings Conference
Call”

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**MANAGEMENT: MR. KAMAL KHETAN – CHAIRMAN & MANAGING
DIRECTOR, SUNTECK REALTY LIMITED
MR. SUMESH MISHRA – CHIEF OPERATING OFFICER,
SUNTECK REALTY LIMITED**

**MODERATOR: MR. KUNAL LAKHAN – RESEARCH ANALYST, AXIS
CAPITAL LIMITED**

Moderator: Good day, ladies and gentlemen, and a very warm welcome to the Sunteck Realty Earnings conference call hosted by Axis Capital Limited. As a reminder, all participants' 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 '*' followed by '0' on your touchtone phone.

Before I handover the conference, I would like to remind you that certain statements made during the course of this call may not be based on historical information or facts and may be forward-looking statements including those related to the 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 the actual results, opportunities and growth potential to differ materially from those suggested by such statements.

I now hand the conference over to Mr. Kunal Lakhan from Axis Capital. Thank you and over to you, Kunal.

Kunal Lakhan: Good afternoon, everyone. Thanks for taking time out today to attend this conference call. From the management, we have with us today Mr. Kamal Khetan – Chairman & Managing Director and Mr. Sumesh Mishra – Chief Operating Officer. I would now like to handover the call to Mr. Khetan for the opening comments. Thank you and over to you, sir.

Kamal Khetan: Good afternoon everybody. I am Kamal here. And welcome to the earnings call for the fourth quarter and full year ending 31 March 2017. Thank you all for taking out the time for this call. At Sunteck, FY17 has been a very strong year for the company both operationally and financially. In BKC, all three of our residential projects are operational with Signature Island, Signia Isles already seeing lot of South Mumbai's family shifting their base to BKC. And the third project Signia Pearl already obtained the OC in last year.

As all the three projects are completed and the entire complex see more habitation, we are witnessing good tractions unsealed. The next two to three years will see approximate four to five million square feet of commercial space being occupied in BKC which will add to the target audience with the new flyovers connecting BKC to the entire city the two new five star hotels coming up in the Maker Maxity, high-end malls coming up and the Reliance Convention Centre getting operational in next 18 to 24 months, we believe that we should be able to position to monetize our balance inventory at a faster pace and a higher value.

Other projects under Signia brand are moving well with Signia High Borivali getting ready for habitation in FY18 where we will be starting the sales of the unsold units shortly. Signia Waterfront at Airoli garnered a strong response from the customers after success of Signia Oceans in the same location.

As you are all aware the second biggest capital allocation after BKC for Sunteck has been towards the Sunteck City projects at Oshiwara District Center which we call ODC, Goregaon West there have been some very significant development in this location during this year apart from one East-West flyover which is an extension of the JVLR another flyover got operational during the year which is the next ODC to the IT hub and Nirlon, Nesco, in the Goregaon East which are the main target audience for the residential development.

The past year also saw Ram Mandir Station becoming operational. Then in the next two years we will see further development like completion of six 90 feet roads in the notified zone of ODC and three metro stations in the radius of two to three kilometers. These infrastructure developments will further enhance the value of ODC spread over 160 acres and our project Sunteck City the largest mix used development in the area which spreads over 23 acres.

On the policy front now the year gone has been an eventful one for India's real estate sector. A lot of positive changes and initiatives being introduced by the government central and state. Reforms measures like implementation of RERA, clarity on GST are structural changes which are likely to give increased confidence to the home buyers and provide consolidation opportunities for the organized player.

The provision to encourage affordable housing like 100% deduction on profit for the developer, lower interest rates for the borrower and infrastructure status for the lender perspective further underlying the government's sincerity their housing for all scheme we believe all these measures are setting the stage for the sustainable growth for the organized and well capitalized player in the real estate sector.

Now looking forward, in the coming year we will continue to focus on our execution ramp up at our ongoing projects and selectively launching the new projects. In addition, we will continue to evaluate several projects in our focus area of MMR and also selectively evaluate opportunities in mid income value housing given the government's thrust on housing for all.

I would now like to handover the call to Sumesh Mishra, our COO to provide with the detailed insight on our operational and financial performance for the period. We look forward to you for the question-and-answer session later on and we will be happy to be answer all your queries. Sumesh, over to you.

Sumesh Mishra:

Thank you very much, sir. Good evening everyone, once again and thank you for joining us today evening. I would like to quickly take you through the financial and the business highlights for quarter 4 and 12 months period ending financial year 2017. So operationally this year we have clocked about Rs. 647 crores of pre-sales booking versus Rs. 550 crores of pre-sales booking last year. In terms of our collections, we have done a collection of Rs. 542 crores for the full year versus Rs. 483 crores.

Just to give you a broad break up of this Rs. 647 crores of pre-sales. So out of Rs. 647 crores, our BKC projects we have clocked pre-sales of Rs. 300 crores and Rs. 300 crores and we were

able to collect about Rs. 370 crores from them. With regards to our ODC projects, Avenue 1 and 2 we were able to clock pre-sales of Rs. 251 crores for the full year and we collected Rs. 107 crores. And other remaining projects put together we have clocked a pre-sales of Rs. 95 crores and we have collected about Rs. 65 crores.

With regards to P&L statement and our financial numbers, we have seen significant increase in terms of overall numbers and performance of the company and I am sure you would have got a chance to see the numbers and the press release along with the presentation which is on the website.

On the balance sheet front, I would just like to highlight that we have been talking about the debt reduction which has been a stated priority for the company and in fact we have been able to reduce our net debt levels by almost Rs. 300 crores during the year looking the industry trend. Our net debt is now at Rs. 845 crores which is a reduction of 26% year-on-year. And our net switch out borrowings is Rs. 680 crores on a net worth of approximately Rs. 1,800 crores.

Out of 25 projects, we have a construction finance on only 7 projects and there too we have been able to further bring down the cost of debt. So overall, we would like to state once again that our leverage position is quite comfortable and very comfortable and we would like to keep it at similar levels so that we can time the market whenever there are opportunities and we always have the balance sheet strength.

Other key developments are that we were able to reaffirm our credit rating on A plus on the debt of the company from CARE and Switch both. This was the upgrade on the financial front and the business performance. We can now open the forum for questions from the participants.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session.

We will take the first question from the line of Sagar Karkhanis from Nirmal Bang. Please go ahead.

Sagar Karkhanis: Firstly, I would like to congratulate the entire management for a Rs. 650 crores of pre-sales in a very tough environment. Sir, if you could I mean Sumesh sir or Kamal sir or anybody if you could share the project wise inventory that we have now that would be very useful especially in Oshiwara in the Sunteck City First Avenue and Second Avenue?

Sumesh Mishra: Hi Sagar, Sumesh here. So overall the eight projects that we have completed which includes the BKC three projects that put together our inventory will be approximately Rs. 2,500 crores. In our ODC project that is Avenue 1 and Avenue 2, our net inventory after taking into consideration the cost to be incurred is approximately Rs. 1,325 crores. And apart from that there will be the other projects like Borivali and Airoli projects or the Andheri project put together, our balance inventory will be about Rs. 500 crores.

So if I take just to summarize, including the eight completed projects and the seven ongoing projects put together our inventory will be valued approximately around Rs. 4,500 crores.

Sagar Karkhanis: And in Oshiwara now what is the developable area that we still have based on the current FSI regulations?

Sumesh Mishra: So Avenue 1 so the entire project just to give you a brief. The overall the 23 acres, out of that currently Avenue 1 and Avenue 2 over 7 acres that is under execution. So there the saleable area approximately is about 1.4 million square feet. Out of that 1.4 million square feet, we have launched approximately under 1 million square feet for sale and we have sold close to 600,000 or 0.6 million in terms of the sales till date.

Sagar Karkhanis: And when you say that Rs. 250 crores of pre-sales in ODC this year, what will be the number of units that would be?

Sumesh Mishra: So the number of units will be about 144 units.

Sagar Karkhanis: And when you say Rs. 1,325 crores inventory in ODC that would be what units roughly some rough number if you can give?

Sumesh Mishra: Yes, so whatever in terms of 1.4 million square feet if I have to give you a broad number approximately those will be about 850 odd apartments. Out of that if you see so we would have about an inventory of about 400 odd apartments remaining.

Moderator: Thank you. We will take the next question from the line of Sameer Seth from Nomura. Please go ahead.

Sameer Seth: This question is to Mr. Khetan. Just a quick one on, if you could give us some indication on what could be the true value on opportunity in your ODC project?

Kamal Khetan: Can you repeat the question?

Sameer Seth: Quickly, if you could Mr. Khetan, give us a broad overview on what could be the value that could be generated from the ODC project for your company over the next five, ten years?

Kamal Khetan: ODC project put together if you see we have already have a cash receivable from the existing sale is close to from Avenue 1 and Avenue 2 is Rs. 500 crores from the existing sale and the cost to be incurred in Avenue 1 and Avenue 2 is close to again Rs. 650 crores to Rs. 700 crores. And plus we have an inventory which is close to Rs. 1,325 crores.

So we can see a good surplus of Rs. 1,000 crores plus net cash flow from Avenue 1 and Avenue 2 itself. And if you look at now another 16 acres, out of the 23 acres we have done this 7 acres. This is first Avenue and second Avenue and obviously we will be launching third Avenue, fourth

Avenue, fifth and sixth Avenue. We are dividing that 16 acres in four phases. And we look at a net surplus from those projects, those four Avenues close to Rs. 8,000 crores.

Sumesh Mishra: So over the next five to seven years as you said there is a potential of realizing about Rs. 10,000 crores from these projects which are under execution right now and which will be launching in this financial year partly.

Moderator: Thank you. The next question is from Adhidev Chattopdhay from Emkay Global. Please go ahead.

Adhidev Chattopdhay: Firstly, could you just provide for the quarter the project wise sales break up and collection break up just for the quarter?

Sumesh Mishra: So in terms of this quarterly performance we have done a sales of about Rs. 175 crores and the collections were Rs. 112 crores.

Adhidev Chattopdhay: So could you just break it up how much between BKC and ODC is the sale and other projects for the quarter?

Sumesh Mishra: So out of Rs. 175 crores the three BKC projects put together contributed Rs. 101 crores and the balance was from the other projects.

Adhidev Chattopdhay: But that would be mainly ODC or the other projects, just trying to understand?

Sumesh Mishra: I will say ODC as well as Signia Waterfront which is our project in Airoli, Navi Mumbai.

Adhidev Chattopdhay: Okay and BKC how many units would we have sold during the quarter?

Sumesh Mishra: So during the quarter we sold four apartments.

Adhidev Chattopdhay: Next question again on BKC project. Now we have got around Rs. 2,200 crores of inventory and I think all our three projects are more or less been completed. So what is going to be our sales strategy over the next two to three years over here?

Kamal Khetan: So Adhidev, what we have already told that during the financial year we have sold Rs. 300 crores of sales at BKC project. And the current inventory obviously stands at Rs. 2,000 crores to Rs. 2,200 crores. We now have only you have to understand 60 apartments left unsold. And definitely we are looking to ramp up the sales and as in my opening remarks I have made that there is lot of infrastructure and buildings are getting habitable.

So we see the volumes as well as the price rise both we are expecting and lot of people which are moving inside with lot of conflicts and other multinationals which are started moving into the projects and taking the apartments and building is becoming more and more habitable. So we definitely our focus is to get further more sales from these three projects.

- Adhidev Chattopdhay:** So is there any timeline you want to set it in three years, two years, four years like what is the thinking broadly?
- Kamal Khetan:** So ideally obviously I would like to exhaust it in two years but nevertheless we want to maintain a conservative approach and we would like to say anything between three to four years.
- Adhidev Chattopdhay:** Okay and sir, between the three projects how are you able to like sell it, I am just trying to because does the one project cannibalize the other one in terms of the because all are in the same location?
- Kamal Khetan:** Sorry Adhidev, it is not cannibalizing it is obviously the ticket sizes are different and the apartments are different size and they are not competing with each other. And I think it is in fact there are only 200 units you have to understand, exclusive units and this is like an entity of BKC. So it takes time to create this value because the value of Bandra it was Rs. 10,000 for residential and it was not even recognized as luxury destination.
- So we created that value from Rs. 10,000 when the commercial was Rs. 34,000 in 2007 it is still Rs. 34,000 in 2017 whereas we have taken that value close to Rs. 50,000 a square feet. You will appreciate it takes time and it is only 200 apartments.
- Adhidev Chattopdhay:** Sir, next question on is ODC project of ours. So when do we see it hitting revenue recognition and for Avenue 3 to 6 when do we see a possible launch for the project?
- Kamal Khetan:** So Adhidev, I think most of these questions are repetition I believe. And anyhow I will answer it once again for your sake. Like we have said that all these ongoing projects, seven projects out of which the inventory of another Rs. 1,325 crores of Avenue 1 and 2 which will be getting completed in the next 18 to 24 months we are expecting that to complete. And obviously other Avenues the 16 acres the third Avenue, fourth Avenue, fifth Avenue at least these two to three Avenues we are looking to launch in next 9 months to 12 months.
- Moderator:** Thank you. We have the next question from the line of VP Rajesh from Banyan Capital. Please go ahead.
- VP Rajesh:** The first question was as you said you had sold four apartments in BKC in Q4. So what was the per square foot price that we sold them at?
- Sumesh Mishra:** So with regards to BKC projects, I would have to give you the numbers because as per the new regulations and all if you see as per the usable carpet area our average realization in BKC was approximately Rs. 63,000 per square feet. So that was the average realization for our BKC projects. And apart from BKC our other projects, for example Avenue 1 and Avenue 2 in Goregaon our average realization has been on a usable carpet area would be approximately Rs. 24,700 per square feet. And other projects give us a realization of approximately Rs. 20,000 per square feet. That is the broad break up of overall realization on the usable carpet area.

- VP Rajesh:** So Sumesh, if you can give a comparable number for Q3 that will be helpful or if in the old terms you can give the number for Q4 that will be helpful either way it is fine, just for comparison sake if there has been any price fluctuation that we saw in BKC and ODC?
- Sumesh Mishra:** So overall, I think I will be able to take this question better offline. But just to give you a brief overall in quarter 3 and quarter 4 we were just the focus was obviously to sell more rather than focusing on realization. But I think separately I will be able to give you an apple-to-apple comparison.
- Kamal Khetan:** And also it has been more or less the prices has been same or may be slightly higher than the last year. It is not gone down the prices we have not gone below what we have.
- Sumesh Mishra:** Q3 and Q4 are primarily the realization per square feet is more or less the similar only.
- Kamal Khetan:** It is almost same?
- Sumesh Mishra:** Almost same.
- Moderator:** Thank you. The next question is from Dhruvesh Sanghvi from Prospero Tree. Please go ahead.
- Dhruvesh Sanghvi:** Just one thing that Sumesh said was out of Rs. 175 crores, Rs. 101 crores for the Q4 came out of BKC, is that right I mean I did not hear it well?
- Sumesh Mishra:** Yes, you are right.
- Dhruvesh Sanghvi:** And in Airoli how many apartments did we sell in Q4?
- Sumesh Mishra:** All in all we have done sales of total Rs. 23 crores which is 15 apartments in the Signia Waterfront in Airoli.
- Dhruvesh Sanghvi:** And can we also have the number of apartments probably sold in the Goregaon approximately for the quarter 4?
- Sumesh Mishra:** So for the full year we did about 144 apartments. For the quarter 4 we did about 12 apartments.
- Dhruvesh Sanghvi:** Sir, and in terms of broadly Rs. 850 crores of debt are we looking to bring down it to some numbers, would you like to guide it?
- Kamal Khetan:** Yes, so we have already brought down the debt if you see by almost the debt number that been brought down if you see by 23% and the net debt has reduced by 26% compared to real estate sector if you see average increase in debt was almost close to 13% to 15%. And our net debt equity ratio is now if you see with the current debt equity ratio it is at 0.47% versus the industry average of 1:1.

And we definitely would like to our focus will be continues that we bring down the debt although we would like our debt to be at close to around Rs. 500 crores which is right now Rs. 845 crores. We would like to bring down closer to Rs. 500 crores which is our target and that is where we are looking at the debt comfortable level. And our incremental cost of debt also to bring it to your notice that whatever incrementally we are borrowing today is that 9.25% which is one of the most attractive in the sector today.

Moderator: Thank you. We will take the next question from the line of Sameer Baisiwala from Morgan Stanley. Please go ahead.

Sameer Baisiwala: Sir, the question is on the fiscal 18 construction spent. What is the sort of an outlay for this year?

Kamal Khetan: So obviously we would like to increase the construction spent at least by 20% to 25% what we have spent last year which is Rs. 270 crores. And our outlay is close to Rs. 350 crores this year.

Sameer Baisiwala: And in terms of collections I would imagine it will be far in excess of it and the difference its corporate overhead is all that goes into debt reduction?

Kamal Khetan: Correct.

Sameer Baisiwala: And sir, the second question is how are you thinking about new projects addition and also in the last call you talked about the affordable housing. So are there any JDAs or any transactions that are on the table?

Kamal Khetan: Sameer, very frankly it will be too early to comment on this call. But Sameer, definitely we are for affordable for us is a mid-income value what we are looking at. We have a very clear focus on MMR regions, one thing we are clear. With 80% to 85% of the economic value coming from MMR region and will continue to remain MMR focused to ensure long term sustainable growth of the company we definitely aspired to be present across pricing spectrum within obviously MMR. But that does not mean we will get into some 10 lakhs, 15 lakhs segment. For definition of affordable in MMR is obviously everybody knows that it is compared to other markets it is totally different.

Thus we will be selectively we will evaluate opportunities with JV/JD models as we have been maintaining and stating that. And currently if you look at Sameer, our EBITDA margins are close to 35% to 37% range and the PAT margins are close to 20% to 24%. So using the benefit of available under affordable scheme regulations we will try to maintain our similar profitability level at least at the net profit level we will continue to maintain 22% to 24%. That is what the mindset of the company is to take forward to get into the mid-income value.

Moderator: Thank you. We will take the next question from the line of Nitin Agarwal from IDFC Securities. Please go ahead.

Nitin Agarwal: Kamal, on going forward in terms of new project addition in the MMR region outside of the affordable segment what is the thought process how is the market been one would have thought that given the stress which has been there in the sector over the last few quarters one should have seen some amount of pickup in the transactions happening but it is just been a pretty dull market to that extent?

Kamal Khetan: So Nitin, definitely there is lot of distress which is coming up and I think we do not have to rush for that distress because this distress will continue to come and we will see more and more may be pain and consolidation which will happen because of the especially thanks to the RERA which will be operational in next two months. And definitely we will look at those opportunities but we have to be cautious and selective. We are very clear on that.

Nitin Agarwal: And in the Mumbai region are there any specific areas that you are focusing on going forward or you believe that there is I mean at what stage you feel there would be a need for you to start aggressively looking for incremental projects beyond the one that we have on our plate right now?

Kamal Khetan: So obviously we have been if you see Sunteck's philosophy if you see we tried to go to locations which are not explored and which not only gives a good upside to that market if you see what we have done in BKC which was not rested presidential destination so we could achieve that. And similarly, we have been ahead in Airoli there was not a single organized player. So where the prices were Rs. 4,000 and the last apartment what we sold in Signia Ocean was closer to like Rs. 12,000 plus a square feet on the saleable area that time. Plus if you see now ODC, which was quite unexplored and we saw there are lot of opportunities coming up in that micro market because of there are lot of infrastructure which MMRDA is planning to do a mini-BKC something like BKC in the Goregaon West.

We saw that opportunity and we have acquired a huge chunk. If you see in my opening speech also I have reiterated that after the biggest capital deployment what Sunteck has done in BKC we have done it in ODC. And we will continue to see such kind of opportunities, we will just not go left, right, center and we have been aggressive I feel we have enough on our platter for next five to seven years at the same time we will not leave any opportunity which will come to our table and we will leave it and looking at the balance sheet strength and all we will definitely try to maximize the shareholder value.

Moderator: Thank you. We will take the next question from the line of Kunal Lakhan from Axis Capital. Please go ahead.

Kunal Lakhan: Sir, if I look at your presentation we have reduced our debt by almost like Rs. 300 crores in FY17. I wanted to understand what is the outlook on debt going ahead considering we do not have much cost left towards the BKC project however we do have some CAPEX lined up for our commercial projects. So what is the outlook on debt if you can?

Kamal Khetan: Kunal, I will just repeat this once again that we are very clear that we have if you can see we have brought down the debt drastically by 26% this year and we would like to continue to put our cash flows to reduce the debt. But we are very clear that we do not want to go below anything we would definitely like to use the capital more obviously at the same time for the growth as well. So we are looking at a debt level which is very, very, very comfortable for the company would be at closer to Rs. 500 crores.

Kunal Lakhan: And sir, my second question was on post RERA or even in the current environment how are we seeing things, are we seeing consolidation happening, are we seeing the unbranded developers trying to tie up with branded guys like you and what is the pipeline look like in terms of project development?

Kamal Khetan: So definitely Kunal, again there is lot of opportunities which are coming but we want to be there definitely because there are half completed projects and those are incomplete lot of messes there in those projects. We do not just want to get into it and get trapped into the other's problem, we buy other's problem all the more we know that RERA is coming up so we cannot get into the problems of the other developers.

So we have to be very careful at the same time RERA definitely you know everybody knows we all welcome RERA that will enhance transparency, it will increase accountability and enable the discipline. So thus it will be benefitting obviously we all know that to the customer as well as the organized player. So we definitely Sunteck will like to maximize as well as be cautious and make sure that we do not get into the trap by getting too greedy and getting into too much aggressive mode. There will be enough opportunities for consolidation. Lot many opportunities we see coming up so we have to be careful as well as aggressive this we understand and we will continue to maintain that.

Moderator: Thank you. We will take the next question from the line of Jaykant Kasthuri from Dolat Capital. Please go ahead.

Jaykant Kasthuri: Sir, I heard that for Q4 FY17 the collections were around Rs. 112 crores. So is that right?

Sumesh Mishra: So for the quarter you are asking, Jaykant?

Jaykant Kasthuri: Yes, quarter FY17 collections, so if you can give me the breakup of BKC, ODC that would be helpful?

Sumesh Mishra: So in terms of our overall collection of Rs. 112 crores, BKC contributed approximately about Rs. 60 crores; 50% of the collection came from our three BKC projects approximately and remaining were from other projects which Waterfront contributed about Rs. 17 crores and Avenue 1 and Avenue 2 contributed about Rs. 35 crores and balance from the other smaller projects.

- Moderator:** Thank you. We will take the next question from the line of Sagar Karkhanis from Nirmal Bang. Please go ahead.
- Sagar Karkhanis:** I just had two small questions. One is I believe we were looking at generating some rental income on our BKC inventories. Any update on that? And secondly, we had a small investment in Dubai or somewhere in UAE, any update on that as well? Thank you.
- Kamal Khetan:** So rental means from which project, Sagar, sorry you are mentioning it is from the residential or commercial projects?
- Sagar Karkhanis:** Yes, from our both commercial as well as residential I believe we were contemplating whether we can generate any rental income on our inventory of residential also. Is that a correct one?
- Kamal Khetan:** No Sagar, just to clarify one thing I will make it very clear. Obviously, we are not in the business of getting 1% or 2% yield on the or 3% may be 3.5% yield business of renting out residential projects. So we are very clear we will be using a sale model. That is as far as the residential projects are concerned. And as far as Gateway 51 and Sunteck Icon which is there two commercial projects you can say on the boundaries of BKC. So those definitely we will like to get the value out of it in may be next two to two-and-a-half years.
- Sagar Karkhanis:** Okay and on the Middle East investments if any update?
- Kamal Khetan:** So obviously we have told you that this Dubai is a part of the various other projects that we have invested. And if you look this has been we will continue to maintain that this has been again a negligible investment and Dubai project we are waiting for some approvals as well as once those are there we will be like to update you on that as we move forward.
- Moderator:** Thank you. We will take the next question from the line of Nitin Agarwal from IDFC Securities. Please go ahead.
- Nitin Agarwal:** What are the thoughts now going forward in the commercial part of the business I mean is there a how you are looking at approaching this business now beyond what we are doing currently right now?
- Kamal Khetan:** Nitin, what we are looking definitely in is to increase our rental portfolio definitely. So whatever rental portfolio what we have we want to increase it so one big opportunity we see because ODC is kind of a commercial destination which MMRD is trying to create and it is adjacent to Nirlon and Nesco. So we see a good opportunity there to create a rental portfolio for the company. Out of the 16 acres what we have in third Avenue, fourth Avenue.
- So we want to do a mixed used development there where there is residential small kind of a retail as well as the commercial all put together. So definitely as far as commercial and the retail side of it is there we would like to do it as the rental models to get a good rental income build there

good there good rental portfolio for the company. And going forward may be if there is opportunity we may look at the REIT if it becomes successful.

Nitin Agarwal: And sir, what is the time line for these Goregaon rental asset coming through?

Kamal Khetan: So we have potential annuity income it definitely it is a huge potential annuity income which upcoming commercial property can generate is again it can be up to Rs. 2,700 million by 2020-21 and that is equivalent to almost Rs. 270 crores. So one of the Avenues either fifth Avenue or sixth Avenue we want to convert it into a good commercial cum retail format of it.

Moderator: Thank you. We will take the next question from the line of Vaibhav Khachoriya from VK Capital. Please go ahead.

Vaibhav Khachoriya: I had two questions. One was, what do we see as the impact of GST, sir?

Kamal Khetan: GST right now obviously there are how the GST means setback will be given that is slight hopefully we will get the full setback. So that should be a good impact further but it will see definitely a 12% GST which is there for the home buyers and under construction projects. This means slightly add slight cost to the buyer because anyhow he is paying 5% stamp duty and when he was paying VAT and service tax put together I feel it was close to 6% to 7% which will go to 12%. So he will have to bear this additional cost.

Vaibhav Khachoriya: But sir, the abatement will not be there the 70%, 75% abatement which is currently there on the service tax?

Kamal Khetan: So abatement definitely will be there. So that abatement will in fact give us the full benefit today to the developer and whatever cost I think which can be passed on because of this abatement can if any developer can obviously pass on to the end customer.

Vaibhav Khachoriya: Sir, my understanding was that currently the service tax is 14.5% on which there is a 70% on small houses and 70% on large houses and 75% on bigger houses and that will come down to 12% and the VAT will also 1% will go away, is that correct or not the number?

Kamal Khetan: 70% is not the service tax, sorry.

Vaibhav Khachoriya: 14.5%?

Kamal Khetan: No, not 14.5%. It is in single digit.

Sumesh Mishra: You are asking from the customer perspective?

Vaibhav Khachoriya: Yes, customer and the builder in that sense.

Sumesh Mishra: So in terms of I think overall service tax I would rather say that since these are still early days in terms of really seeing the value and really seeing the kind of benefits which can be passed on

to the customers. Because I think it just the fine print just came in early last week and I think everybody is just trying to see what are the set offs which are available and then on the basis of that I think developers will start contemplating on what benefits should be passed on to the customers.

Kamal Khetan: But just for your knowledge, the service tax is closer to some 4.5%. So just for clarification.

Vaibhav Khachoriya: That is because of the abatement for the land value, right sir the 70%, 75% abatement?

Kamal Khetan: There is nothing called abatement for the land value. So let us wait, this is too early question. I think let us wait for lot of clarification which are pending. Let us not confuse people on this call.

Moderator: Thank you. We have the next question from the line of Rahul Jain from Systematix Shares. & Stock. Please go ahead.

Rahul Jain: Just a very basic query. Given that in projects like BKC where our land costs are pretty historical and realization we are seeing going up every year. Do you see this profitability gap which is widening this leading to a very, very high profitability and similar thing we may see in ODC Avenue 3,4,5 whenever we launch because the construction cost or land cost per square foot put together would not go beyond Rs. 5,000 to Rs. 7,000?

Kamal Khetan: Good afternoon Rahul, good question. Definitely see we have been telling that we see that upside is more and more building is getting habitable and lot of infrastructure development which is happening in BKC as well as ODC and both by MMRDA you see whatever infrastructure development all across Mumbai most of the developments especially Metros and Monos and all these are by MMRDA is one of the most cash rich organization today in the country.

So definitely that we see a lot of upside but our focus will be for the current next 12 to 18 months at least that we increase the volume. Obviously no one we would not like to shy away we get our opportunity to increase the prices as well. But focus will be continued on the increase in volumes. Because we are sitting on in our inventory and we know that briefly we can generate this kind of cash flows, we will give more value to the cash flows and we will be able to generate may be better opportunities from that cash flows to make more money out of it than to holding on to the stock.

Rahul Jain: So I am not talking more from an incremental perspective even if we consider today's price like based upon the old method it used to be around 45,000 realization versus around 10,000 to 11,000 per quarter fee cost on the BKC. Similarly, if we see for the ODC it would come around 4,000 to 5,000 on the cost side and around 15,000 average, on the basis of realization based on their old method. So what I am trying to say here is that gross profit margin are in the range of 65% do you see given that and other overhead for our company would not be great because the number of projects are less. So do you see these are the margin which we are going to accrue in the existing projects?

- Kamal Khetan:** Yes, these whatever margins currently what we are getting will continue. We are focus on Rahul, we are very clear that we are focused on this EBITDA margin and PAT margin will definitely will continue to maintain and we will be happy see more than that definitely. And undoubtedly since these are all at a lower value what we have acquired the land. So we have that edge over whenever we want to increase the volumes and maintain our profitability as well.
- Moderator:** Thank you. We will take the next question from the line of Harshal Pandiya from Edelweiss. Please go ahead.
- Harshal Pandiya:** Sir, my first question pertains to your new launch plans for FY18. So what are the projects which we can expect to be launched in this year?
- Sumesh Mishra:** So Harshal, the first thing that we will be obviously starting in terms of sales is the Signia High which is in Borivali. So we have the project is nearing completion where we have completed the show apartment and the building is ready for launch. So in terms of sales that will be the first launch that we are looking for this year. Apart from that in Goregaon we are looking at launching the Avenue 3 that is third Avenue. So these are the two bigger launches in terms of sales. Apart from that there will be one or two smaller other projects that we will look for launching in this particular financial year from the current portfolio.
- Kamal Khetan:** And just to reiterate we continue to do the activations of the Avenue 1 and Avenue 2 to increase the velocity of the sales. So that is the clear focus and Signia High is obviously as Sumesh said just now our first focus is because we have completed the building and we wanted to sell it is a quite luxury what we have created there and we wanted to get a proper value and a good sales velocity.
- So we have completed two show flats in fact there in that building. And we would like one of you people should come and visit that show flat, that state. Really a good show flat I believe and from that we are already seeing lot of good enquiries getting generated. So we are very close to the launch of Signia High and thereafter obviously third Avenue and may be fourth Avenue as well.
- Harshal Pandiya:** And sir, just a follow up on that. So Signia High it has been an ongoing project since now almost seven years. Have you got the OC for this because as we need to register it for RERA for launching it for sale again?
- Kamal Khetan:** So just for your obviously we had this land parcel from quite a long time. But that is why initially some few years back we have launched it and then we stopped it. And then we got the full approvals and then only we wanted to start the project and then we saw that the value will because it was in between on halt means the project was on hold for because of the approvals.

So we did not want to sell with any negativity. So we wanted to complete the project and the project is fully completed and we are expecting in fact the OC we are trying our best to get the OC in next one, one-and-a-half months so maybe we will not get into the RERA because it is and the project is even if it gets into the RERA it is almost complete.

So we are not looking at OC beyond two to three months. So hopefully and the entire cash flow again will be coming like BKC project will be coming 100% of the money will be upfront and the entire cash flow will come to the company. And that the inventory is close to I believe if you want to just for your knowledge just about Rs. 200 crores.

Moderator: Thank you. We will take the next question from Harshal Pandiya from Edelweiss. Please go ahead.

Harshal Pandiya: Sir, just a second question. We were awaiting height approval for our Pearl project. So have you got through that?

Kamal Khetan: So obviously we have got the occupation certificate of the height till what we have right now already. We have some FSI which is balance. So definitely we are waiting for that height to come. And once that height is come I think we should be able to complete that in very fast and quick. So we have planned it in such a manner. So we are waiting for the height approval definitely further above few.

Harshal Pandiya: And sir, just a last question. How is the preparation for getting our ongoing projects approved under RERA?

Kamal Khetan: So in terms of RERA readiness for our all ongoing projects we are obviously we have we Sunteck means we will definitely take we are well placed I can tell you just to reiterate and to take in fact not only well placed to register the project but we will take all the benefits and support in progression. And our internal systems and process are largely geared towards RERA provisions already and as an organized player we will in fact like to take benefit out of this.

Sumesh Mishra: As you see Harshal, all the BKC projects are have got OC so that is already RERA complaint and other projects which are under sale most of them have got OC. So there are three or four major projects like say Avenue 1, Sunteck City Avenue 2 or Signia Waterfront which will require RERA compliance and registration. So we are under process to get them RERA registered. And Signia High I think sir already spoke about what is the way forward in Signia High. So we are comfortably placed in terms of registering and we are working towards it to register them as per the compliance.

Harshal Pandiya: Okay so we are confident of registering it before 31st July deadline?

Sumesh Mishra: Yes, we are working towards it, Harshal. We do not think that there should be any issue in that. We are working very aggressively to do that.

Moderator: Thank you. That was the last question. I now hand the conference over to the management for their closing comments.

Kamal Khetan: Thank you all of you for your time and have a pleasant evening. In case if any of your queries have been left unanswered by us, you can get in touch with me or Sumesh or my team, we will be happy to address the same. We look forward for your continued support and thank you once again for joining us today. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Axis Capital, that concludes this conference call for today. Thank you for joining us and you may now disconnect your lines.