

# Rustomjee®

Date: November 10, 2023

The Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai - 400 001 Script Code: 543669	National Stock Exchange of India Limited 5 <sup>th</sup> Floor, Exchange Plaza, Bandra Kurla Complex Bandra (East) Mumbai-400051 Script Code: RUSTOMJEE
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## Sub: Q2 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 November 06, 2023 with respect to un-audited Financial Results with limited review for quarter and half year ended September 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**

**Sajal Gupta**  
Chief Financial Officer

**Encl.: As above**

**KEYSTONE REALTORS LIMITED**



# “Keystone Realtors Limited Q2 FY-24 Earnings Conference Call”

**November 06, 2023**



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

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



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**Moderator:** Ladies and gentlemen good day and welcome to the Keystone Realtors Limited Q2 FY24 Earnings Conference Call hosted by Axis Capital.

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 '\*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Samar Sarda from Axis Capital. Thank you and over to you sir.

**Samar Sarda:** Thanks Jacob and good evening, everybody. As always, we have the senior management from Rustomjee Group for this conference call led by Mr. Boman Irani – the Chairman and Managing Director, Executive Directors – Percy Chowdhry and Chandresh Mehta and Sajal Gupta – the Group Chief Financial Officer.

I handover the call to the management for the initial comments.

**Boman Irani:** Thank you Samar. So good evening, everyone and welcome to our Q2 and H1 FY24 earnings conference call. I hope you can all hear me clearly. I am Boman Irani, Chairman and Managing Director of Keystone Realtors Limited and I express my heartfelt gratitude to everyone joining us on this call today.

One of the major highlights of this quarter are the project completions achieved. I'm pleased to share that during this quarter we successfully completed 5 RERA projects ad measuring 3.1 million sq ft of construction area. This is the highest ever quarterly completion achieved by the company. I'm also happy to state that we accomplished the first milestone recording of zero fatal accidents. I must express my sincere appreciation to all the contractors and project teams involved in the construction of our buildings. With improvements in infrastructure, connectivity, decongestion and a sustainable growth across the micro markets MMR's preferred positioning for real estate investments has improved and is expected to improve further given the government's constant push for infrastructure development.

Rustomjee has successfully executed several projects over our 27 years of existence and we are well equipped to capitalize on the opportunities within the space of redevelopment and development and contribute significantly to the transformation and growth of the city. In this quarter, we have added a project in a record span of 102 days from the date of first offer in the redevelopment space, having a GDV of approximately 1,150 crores in the promising micro market of Bandra, Mumbai, demonstrating our continued focus towards redevelopment, realizing the pivotal role it can play in the growth of MMR residential market. As already informed to all our investors earlier, redevelopment forms a major part of the development of

the city of Mumbai itself. With this in H1 Financial Year '24 we have added a total number of 4 projects having total saleable area 1.27 million sq ft and a GDV of 3,644 crores approximately. A total of 388 existing members will be rehoused in these projects that we have undertaken.

Further the company has recorded presales of 306 crores for the quarter and 807 crores for H1 FY24 showing a growth of 16% year-on-year on the half yearly basis. Collections are robust at 585 crores in the Q2 FY24 and 1,080 crores for H1 Financial Year '24, a growth of 45% year-on-year on half yearly basis. During the current quarter in Q3 we're thrilled to share that we have successfully launched two wings of our Thane project with a combined GDV of approximately 1,348 crores. The response from the market has been nothing short of extraordinary for a project of this type with more than 50 units sold within the first 10 days of the launch itself.

Additionally, the positive momentum continues as the wings of La Vie A which were introduced in the last quarter have achieved remarkable sales with around one third of its total inventory snapped up by eager buyers. These achievements are a testament to the strength of our brand and the unwavering trust our customers place in our product quality and the domestic market, not only the domestic market but also the NRI segment which has shown a significant revenue growth for these projects.

Given the strong collections the Company has generated an operating cash flow of 149 crores in Q2 FY24 as compared to 63 crores in Q2 FY23, resulting in a growth of 136% year-on-year. OCF for H1 FY24 is 260 crores as compared to 171 crores the same period last year, showing a growth of 52% year-on-year on half yearly basis. We have almost doubled our investment on new projects to Rs, 84 crores in H1 FY24 from the Rs. 48.7 crores in the same half year last year.

On the sales and marketing front, we have achieved a remarkable 54% reduction in the cost per visit and a significant 40% in the cost per closure. This adds tremendously to the bottom line. Construction spends during the quarter are very healthy and we intend to maintain a strong emphasis on construction leading to timely completion moving forward.

Moving to the consolidated key financial numbers:

The revenue for Q2 FY24 stands at 618 crores as compared to 272 crores in Q1 FY24 and Rs. 46.2 crores in Q2 FY23. During this quarter, two of our legacy projects got completed with almost Nil margins. As explained on various previous calls, they were projects that we have undertaken a long time back and we are just completing those. Given the revenue recognition based on the project completion method, margins for this quarter had a one-off impact due to these projects. The EBITDA and PAT for Q2 FY24 stood at 1 crore and 4 crores, respectively.



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After removing the effect of the two legacy projects, the EBITDA and PAT will be Rs. 22 crores and Rs. 20 crores, respectively.

Our liquidity position continues to be strong with cash and cash equivalent of 483 crores as on the 30<sup>th</sup> of September 2023 and that makes our net debt continue to be at Nil. As part of our commitment to the environmental, social and governance practices, we have made significant strides in enhancing our sustainability initiatives. We have initiated KPIs for each function, department related to the ESG based on the material issues. Some of our HR and IT related policies such as grievance management for employees and information security were cascaded across the organization. We have also commenced collection of data for all new and upcoming projects, starting from and including demolition, excavation and the piling stages. Furthermore, we are in the process of identifying the best possible software for collection and calculation of ESG data from all the sites for internal and external comparison and improvements and to have a common dashboard amongst our sites.

Lastly, we have initiated collation of data on purchased goods and items to calculate our Scope 3 Emissions in this category, in addition to the contractor related fuel consumption for upstream activities again for Scope 3. We have during the quarter strengthened our leadership team and welcomed highly experienced individuals to key function heads including IT, operations and legal heads. The strategic enhancement not only reflects our commitment to growth but also prepares us to navigate the dynamic landscape of the real estate industry with greater agility and efficiency.

To Conclude,

We are well positioned to capture the synergies presented in this uptrend of the real estate market. With our strong operational performance and experienced team, a focused approach we are confident to deliver significant value to our stakeholders while emerging as the most recognized real estate developer in this space. I once again thank you for your unwavering support and trust in Keystone Realtors Limited.

With this we can now open the floor for questions. Thank you very much.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ritwik Sheth from One Up Financial.

**Ritwik Sheth:** A couple of questions from my end. Firstly, how is the launch schedule looking like in second half of the financial year if you can throw some light on that?

**Boman Irani:** As we had announced in the start of the year, we would be launching at least one or two projects every quarter. What we've done in this quarter was we've launched two projects in our Thane



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development of a GDV of approximately 1,348 crores. We similarly have projects lined up for the next quarters as well. We will stay in line with our announcements of having at least one or two projects also every quarter this year.

**Ritwik Sheth:** So, we are on track to launch about 4,000 crores of projects in this financial year.

**Boman Irani:** That is correct Ritwik.

**Ritwik Sheth:** Second question is on the upcoming pipeline. We've mentioned in one of the slides that we have about 38,000 crores of GDV. So, what is at an advanced stage, what percentage of this is at an advanced stage if you can throw some light on that which we can expect to be launched in say FY25-26?

**Boman Irani:** Excellent question Ritwik. I will have Sajal take that.

**Sajal Gupta:** As stated in the previous calls we have three township projects. One is Thane, another one is Virar and the third one now we have signed up for the Dombivli. These three projects we are launching in phases. The longest of that is Thane which is about 9 years or so which includes about 17 lakh sq ft on the residential side and another 45 lakh sq ft on the commercial side. Barring these three township projects, the rest of our projects we will be launching over the next two to three years. So, we will go in line with what we told that one to two projects every quarter, minimum one project every quarter that is a rate at which we will be launching. So, as I said that all the rest of our projects, they will all be launched over this year plus next couple of years.

**Ritwik Sheth:** And would it be possible to share the GDV of the township and the non-township project? That would be helpful.

**Sajal Gupta:** We should be able to. So out of these 38,000 odd crores, roughly about 14,000-15,000 is non-township, rest are the township.

**Ritwik Sheth:** So, the township project should be like a sustenance sale going forward over the next 5 years?

**Sajal Gupta:** True. So that will be about from a township project, we expect over a period of time to clock the presales of about 800 to 1,000 crores every year. This year also we are expecting of 700-800 crores of sales to come from our township projects.

**Moderator:** The next question is from the line of Samar Sarda from Axis Capital.

**Samar Sarda:** Till we get the other questions, I just wanted clarity on three things. The first one is like Bombay had an issue with respect to the Supreme Court chipping in and creating a lot of issues on the utilization of RG and ground. Like a lot of projects for different developers have been delayed.



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Bandstand was a very big proposition which probably got a little impacted by that. (A) if you could give some clarity on, when do we launch that project whether this fiscal or next fiscal?

**Boman Irani:**

Yes, the RG on ground did become an issue for projects that were halfway through the approval process as well. And towards that yes, Bandstand had suffered an entire change in plans because as you can understand we had taken the entire RG on the podium where it would be a lot better utilized by the residents of the building. And we had to make major changes. And these changes go all the way to the RCC as well as the design, as well as how the projects are exhibited. And projects of this value are generally, we prefer at Rustomjee to exhibit them only once they are down to the 99% detail. We should be in a position to launch this project within this fiscal itself.

**Samar Sarda:**

And from a launch pipeline perspective, you mentioned it like you are targeting one or two launches every quarter. Other than the new phases of existing projects since we are adding a lot of projects, any more detail or clarity with respect to which projects would get added up or launched probably in the fourth quarter or the first quarter of next fiscal year, for instance like say a Mahim or Sewri or more clarity on that piece?

**Boman Irani:**

As we had announced that we'll be launching one or two projects every quarter, in the next quarter we've got Mahim planned for a launch and we also have Dombivli planned for a launch. At the same point of time, we are also looking at taking advantage of the fact that we are nearly closing all approvals on our Kher Nagar second building out there, which we should be able to launch also in the forthcoming quarter. So, we might actually have a bumper in the coming quarter but at least two projects out of the three that I had mentioned should be in a launch phase.

**Samar Sarda:**

A couple of more from my end. So, we've added decent amount of projects post the IPO in the last three quarters. Is it safe to say that our launch pipeline will only exponentially go up next year? We've never kept a land bank in the past and most of these are redevelopment projects. So, probably the launch pipeline number of projects per quarter might increase, one. And a related question to that is any things which we are doing to reduce the timelines from an MoU to a DA to a launch like you said you tied up a project in 102 days in this quarter, so any more clarity would help because that will significantly increase the sales for the next 2 years?

**Boman Irani:**

Definitely. Samar, and that's another good thing that we've always been mentioning that at Keystone Realtors, we've been working on the turnaround time of a project. We normally would want to keep moving it towards a more efficient model and over here I'd like to state that the 102 days in terms of turnaround time from the first offer has been something which is very good considering the project is 1,150 crores in Bandra. We are constantly working on these metrics and we are constantly easing the path of how the process can be taken through at a quicker pace. Not only that after the project is signed also, we look at quickly vacating the project depending on the level of approvals that are required. If there's a CRZ, that adds some more time. If there



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is not, then it is mostly environment clearances because the projects generally go in the (+20,000) meters category and after the environment clearances we usually apply for the CCs at which point of time we vacating of the projects after which we apply for the CC and then we kind of have the launch. We will come back to you with the exact metrics. But there are totally different markets depending on the size of the number of residents. If the residents are very many then we try to do the project in phases and if the residents are let's say in the number of 50 to 75, it is easier to do in one single phase and vacate all of them and start the construction. We keep adding or we keep working towards adding 1.5 times of the area that we have completed in a particular micro market as the new stock for that micro market, so that we continuously are in a position to take advantage of the fact that of the completed projects which gives us a great amount of visibility in one particular area. At the same point of time Dombivli is a new area that we've entered into, Mahim is a new area that we've entered into and both these happen to be very promising markets. And even as we are in the process of launching, we are also in the process of tying up another project in Mahim—which I don't know if I can say but Yes—we're negotiating projects in Mahim area at the same point of time we are also adding to the land bank in areas where we think that there is a promise. I mean not land bank but development potential in areas where we believe there's a promise like Dombivli itself.

**Sajal Gupta:**

And if I may add just one small point Samar to what has been spoken about, this year in the first half, we have added about 1.28 million sq ft of salable area which is equivalent to what we added in the whole of last year. 1.27 million sq ft. Overall GDV which has been added is 3,644 crores which is again higher than the 3,450 that we added in the last year. So, as we said that we are rapidly adding the projects and that should start seeing the much bigger launches, much bigger value of the launches in the quarters to come.

**Samar Sarda:**

And Sajal just one question for you. You did roughly Rs. 4.6 billion of OCF post interest last year. This year again you're already at 2.6. Any number you're targeting for this year which you can highlight or guide from an OCF perspective?

**Sajal Gupta:**

OCF we expect more or less in line with the last year. As we said that there are lot many new projects which are coming up every quarter. We have a target to launch one or two projects. They are all in the initial phases. Having said that we still expect ourselves to be very close to the OCF that we have generated in the last year.

**Moderator:**

The next question is from the line of Abhishek Lodhia from Yes Securities Ltd.

**Abhishek Lodhia:**

My first question is, did I hear it right that we are going to launch all the projects in the portfolio in next 3 to 4 years? First thing is that. Second thing is, we guided for roughly 25% CAGR presales growth which would take another 10 years to exhaust whatever portfolio right now we are having. So, the point I am trying to ask is, if we are launching 3 or 4 years or say 5 years





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right and we are taking 10 years grossly with the CAGR of 25%. So doesn't it contradict with our understanding of the strong brand and all that sense or how should we see that 5 years of launch and 10 years of sales total?

**Sajal Gupta:**

I think we clarified in the previous question; our total portfolio can be divided into two parts, township and non-townships. Townships are roughly about 22,000-23,000 of the total GDV of the forthcoming project and the non-townships are 16,000. So, townships are launched in the phases. So, to do basically that 25% year and then divided by the total GDV that we have to launch, may not be leaving it to the right conclusions because rest of the stock that we have, we will continue to churn every year. Just like as can be seen in the last year, this year and the new launches that we are having. So that's the stock, we will keep adding new projects, we'll keep completing new projects and of course at the much higher rate than that we have been doing. We have of course given a guidance of 25% year-on-year and that's what we maintain.

**Abhishek Lodhia:**

I am saying sir that 25% CAGR growth seems to be little conservative, considering the fact that we are going to launch everything in next 3-4 years. Nothing else.

**Sajal Gupta:**

So, we have given a guidance for the current year, as we said that every quarter we are coming and talking to you. We will continue to give you as to how the subsequent years look like. So as far as the current year is concerned, we have given a guidance of 25%.

**Moderator:**

The next question is from the line of Mohit Agrawal from IIFL.

**Mohit Agrawal:**

My first question is, if you can talk a little bit about the pricing behavior in Mumbai markets and your projects. So, some markets like NCR are seeing a very different kind of pricing behavior. If you could throw some light on how Mumbai markets are faring and across your projects when you launch subsequent phases what kind of increases you've been able to take? So that's my first question.

**Boman Irani:**

Thank you for that question. But truly I don't think developers should look at increasing prices to be a metric at all. We at KRL would prefer a higher velocity in sales and that is what we try to keep working towards. After all, homes have got to be made available and affordable to all the people that are looking for in that particular category. Having said that I can tell you Mumbai can be defined into eight or nine different segments. I mean I'm not even talking about MMR area but everything from other than affordable between mid and mass that is 1 to 3 crores aspirational, 3 to 7 crores premium and super premium. You can define certain locations. I used to give the example of mid-mass being between Borivali and maybe Jogeshwari or Dahisar and Jogeshwari on the western suburbs and then maybe Mulund and coming all the way up to Bhandup or even a little further than that, Vidya Vihar on the eastern suburbs. Again, then you have aspirational which used to go from Andheri west and coming all the way up to Bandra East



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out here and similarly on the other side Sion-Chembur being in that market. Of course, premium and super premium having their pockets of sales in all of these markets. We've seen in the past few quarters that there is a great amount of affinity for people to buy in the blue and the green views. That is to say that anywhere that's a sea view is really lapped up or is really liked by the buyer because I guess that is what Mumbai is known for. And then even locations around very large green spaces like golf courses or large garden areas are becoming preferred for buyers as well. At the same point of time, if there is a layout that is a gated community that does command a premium over standalone buildings and that's how we keep working towards even gated communities that would be in the vicinity or would overlook either the ocean or a very large garden. And we've seen that the prices are generally 5% to 10% or more firmer depending on where that location is versus other buildings in the same location as well.

**Mohit Agrawal:**

Yes, I agree. I was just trying to look at on a like to like basis let's say on a year-on-year basis, have you been able to take price increases which are well above your inflation and your cost of construction and other things? So, is it possible to quantify for a Thane project last year and now, between the launches on a like to like basis what kind of increases you could have taken?

**Boman Irani:**

So, Thane saw an increase in the cost of inputs, that is say certain premiums did go up in Thane and that is why the prices rose up. But I don't think it was more than 7% or 8% to be precise on a year-on-year basis that we've taken the rates up. Thane as you are aware is a very large township that we have and we have millions of square feet to go out there. So, we try to keep working on building our customer base and adding more velocity to the sales. But yes, whatever cost increases take place we are able to pass them on and whatever efficiency we are allowed we are able to create. Like I mentioned cost of walk ins and cost per transactions have been brought down on the marketing side. Likewise, we've done a lot of work even to bring down cost of constructions where it was possible on the construction side, and both these have worked in adding to our bottom line.

**Mohit Agrawal:**

My second question is on the cash flows. You just mentioned that the OCF will be flat on a year-on-year basis. How do you see the net debt numbers? So currently we are having 40% to 50% operating cash flow margins. A lot of it is flowing down to reduce the net cash. How do you see that in second half and where do you think the net debt will be at the end of the year?

**Sajal Gupta:**

So, our guidance has been net debt of 1:1. Of course, we are currently running negative or Nil net debt, gross debt is about 0.2:1. But with the launch pipeline, with the new projects coming up, taking a loan from the construction finance for that, existing projects as a whole we should be staying within what we have stated of 1:1 which means that our debt is not going to be more than 1x of the total equity base.



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**Mohit Agrawal:** And is that a target till end of fiscal '24 or is that like a sustained basis target? How do I read into it? That would mean a huge increase in net debt.

**Sajal Gupta:** For the FY24 hopefully we'll be better than that. Maybe 0.7-0.8-0.9 kind of a thing. We should be better than that. This I'm talking of a little longer period of let us say this year plus next year.

**Moderator:** The next question is on the line of Shreyans Mehta from Equirus.

**Shreyans Mehta:** A lot of developers are entering the redevelopment market in Mumbai. So how do you see the bidding intensity, the competitive intensity? And second is primarily pertinent to we are largely present in MMR. So, any other micro market which you are targeting outside MMR, any other area?

**Boman Irani:** Let me take your second question first. The very fact that there are so many developers from across the country entering our micro market, clearly shows the strength, the depth and the width of this market itself. We think that we should continue maintaining our prime position in this market and increasing our strength out here. So as of right now we're keeping ourselves restricted to the micro market of the MMR. When I say MMR all the areas that are immediately in and around Mumbai and those slightly extended areas and that are being qualified. I think I had mentioned on earlier call, that wherever infrastructure goes, Rustomjee will continue or KRL will continue to have a line of sight and keep looking at development opportunities. And I'm not sure if I had mentioned earlier, but we are in talks with landowners to do JVs and JDs in areas where let's say the bullet train extends or the Bombay Baroda highway extends or the MTHL goes across because we believe these areas that will garner a great amount of future cash flow at the same point of time make ourselves as a first mover advantage in these locations as a branded developer.

With regards to your first question and very interesting; there are a whole slew of developers who are getting into the redevelopment business. I'm happy for that actually. It allows the good developers to come into a space which was earlier occupied by people who thought this business was pretty easy and got in from other businesses and without knowing the entire roadmap just gotten on what they call a belief, that things would be rosy. But at least this time around thanks to RERA thanks to certain brands, understanding the value of having financial closures we will be able to see a lot many more better developments taking place. Again, you can say this in many ways but we firmly believe that where the market grows or where the market goes the market grows. I'm happy for the fact that certain locations are being looked at by good developers. Having said that not all is kosher and I'm sure certain members who are getting into the redevelopment space are offering much more than is primely possible. Either we will learn from them as to what really happened but we are absolutely okay because we are maintaining our growth targets. At the same point of time are being present in a lot of redevelopment bids that



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allows us to constantly monitor what the market is offering at that point of time and then we are able to price our projects or products that are there in the same micro markets accordingly. So, it's a great time to be in the redevelopment space. We will be very happy with more and more right developers coming into this business. And yes, as always there will be some amount of fallout at the end but these, we've seen that the market somehow manages to absorb in the long run. So overall it's going to be a good learning curve for most of the developers getting in at the same point of time we'll also be able to pick up on some of the lessons going forward.

**Moderator:** Thank you. That was the last question. I would now like to hand the conference over to the management for final comments.

**Boman Irani:** So, thank you very much. On behalf of the management at KRL and Rustomjee, I thank you for joining us today. In case there are any further queries, please feel free to reach out to our investor relation team. We're always available to answer all your questions. We request you to continue having faith in the company and continue to grow with us as we do. Thank you very much.

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