

# Rustomjee®

Date: May 27, 2023

The Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai - 400 001  <b>Script Code: 543669</b>	National Stock Exchange of India Limited 5 <sup>th</sup> Floor, Exchange Plaza, Bandra Kurla Complex Bandra (East) Mumbai-400051  <b>Script Code: RUSTOMJEE</b>
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**Sub: Q4 FY23 - Earnings call Transcript**

Dear Sir/ Madam,

We are enclosing herewith a copy of the transcript of the Company's earnings conference call for audited Financial Results for quarter and year ended March 31, 2023, held on May 22, 2023. The transcript is also being uploaded on the Company's website i.e. [www.rustomjee.com](http://www.rustomjee.com) under the Investors section.

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

Thanking You.

Yours faithfully,

**For Keystone Realtors Limited**

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

**KEYSTONE REALTORS LIMITED**



“Keystone Realtors Limited Q4 FY23 Earnings  
Conference Call”

May 22, 2023



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

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

**Moderator:** Ladies and gentlemen, good day and welcome to Keystone Realtors Limited also known as Rustomjee Q4 FY23 Earnings Conference Call hosted by Axis Capital Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing '\*' and 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 Limited. Thank you and over to you.

**Samar Sarda:** Thanks again and good evening everyone. We are pleased to host Keystone Realtors Limited FY23 Results Conference Call.

The call will be led by the senior Management starting with Mr. Boman Irani – Chairman and Managing Director, Mr. Chandresh Mehta and Mr. Percy Chowdhry– Executive Directors and Mr. Sajal Gupta – the CFO.

I congratulate them for a good OCF generated for FY23 and with this I hand over the call to Mr. Irani for his initial comments.

**Boman Irani:** Good afternoon everybody. I am Boman Irani – CMD of Keystone Realtors Limited. I am joined by Chandresh Mehta and Mr. Percy Chowdhry my partners and fellow directors as well as Sajal Gupta, who is our CFO, along with some of my team members. We are pleased to share our financial results for the Q4 Financial Year '23 and the full year 23 with you today.

First, let us begin with the Indian economy a short brief:

India is possibly today at the peak of the world and has emerged as a land of promising opportunities. The Indian economy is on a steady growth trajectory and is projected to grow at a CAGR of 6.5% per annum. This is outpacing the world economic growth which is on an average of 2.4% per annum. We are confident that India's economy growth will continue to be driven by our private consumption and the investment on the back of government policies to improve infrastructure, logistics as well as the business ecosystem.

Further, as a result of the trends like urbanization, increase in income of the middle-income households, investment by international companies in creating larger job markets and a large aspiring young population of first-time home buyers will further boost demand for homes across the country. Overall, we are thrilled about the opportunities that the Indian economy offers and are confident in our ability to thrive in this dynamic growing market.

Moving on to the real estate sector:

We are happy to report that it is on a strong footing with a sustained upcycle of growth. Further, the government of Maharashtra has an ambitious plan to implement planned substantial investments of over Rs. 3,00,000 crores on public infrastructure in the MMR. Projects like the Mumbai Metro, the Mumbai Trans Harbor Link, the Mumbai coastal road, the Navi Mumbai International Airport will have a transformative impact on MMR's future (Mumbai Metropolitan Region 's future). While the city today seems to be under construction, the effects of the enhanced infra will further boost the real estate and residential growth in the MMR. Just to give you an idea on infrastructure spend, the Mumbai Metro 3 23,000 crores are being spent whereas on the Virar-Alibaug Multimodal Corridor close to around 40,000 crores are being spent by the government. As per the PropEquity data, in terms of million square feet new launches in MMR in Financial Year '23 have gone up by 18% compared to Financial Year '22, absorption from the new launches have gone up to 47% and the overall absorption has gone up to 35%. As a result, inventory levels have gone down from 27 months to 18 months. This is an indicator of a huge headroom for growth.

Now, about Rustomjee Keystone Realtors Limited:

I am pleased to share the key highlights for Year 23. Financial year 23 was a milestone year in our 27-year journey. We successfully completed an IPO; we launched the fund business. During the year we focused on further strengthening our balance sheet by reducing the debt, giving an exit to a partner, enhancing our collection efficiency, generating healthy operating cash flows. We also ensured that we have a robust launch pipeline in place to capitalize on the ongoing uptrend in the real estate industry. We are in a healthy liquidity position and have the potential for tie-ups to accelerate our expansion with more than Rs. 1,000 crores for capital deployment in new projects.

In the Financial Year '23, we were chosen as a preferred redevelopment partner in 5 projects. 4 of these projects are redevelopments and one is at joint development. All these acquisitions are in line with our asset light strategy. Our redevelopment prowess, wherein the past we have rehoused 1,400 existing families into new homes is what got us the above redevelopments and we will be rehousing 600 families in these projects. These projects have added a saleable area of 1.3 million square feet and a GDV of INR 3,425 crores. This year we have tapped into interesting micro markets such as Mahim, Chembur, Kalyan Dombivli belt. We will continue to look for opportunities in micro markets where infrastructure push is being seen. Our business development pipeline is robust, enabling us to achieve healthy year-on-year growth of new project additions and as mentioned earlier, we have adequate liquidity to support this.

On the operational front:

In Q4 Financial Year '23 our presales was INR 473 crores and for the full year Financial Year '23 it was INR 1,604 crores. The notable point out here is the contribution from mid mass and aspirational segment is up at 63% of the total FY23 presales as compared to 57% in the previous year. Those of you that heard me earlier, we had said that we would be improving our base in

the mid mass and aspirational segments as these are the largest and fastest growing segments in the MMR according to all research data. Given our healthy launch pipeline, we are working towards achieving presales growth of 25% year-on-year over the next few years. I am happy to state that due to the efficiency of our sales and collection team we have clocked our best ever quarterly collection in Q4 FY23 of Rs. 700 crore collection is up at 53% compared to the corresponding quarter last year and INR 1,862 crores for the full year. We have seen a growth of 36% in collection in FY23 compared to FY22 ignoring the effect of a one-off institutional collections of 665 crores.

During the year four projects were launched with the saleable area of 0.6 million square feet and estimated GDV of INR 839 crores. We continuously improve the timelines from the signing of DA (Development Agreement) to project launch. Just two examples, Asiana which we did in eight months' time from the signing to the project launch and Sagar Darshan which we reduced to only three months. In financial year 24, we are working towards launching a project every quarter. To start the year, we have already launched two projects namely Gandhi Nagar at Bandra East and La vie cluster at Thane, township with an estimated GDV of INR 900 crores. In Quarter 4 of Financial Year '23, we have received the full OC of Rustomjee seasons at Bandra East. This completion is achieved 33 months ahead of the RERA completion date.

Moving to Key Financial Numbers for Q4 FY23:

Net revenues are enhanced to rupees INR 344 crores as against INR 234 crores in Q4 FY22. The EBITDA is up at INR 110 crores as against INR 72 crores in Q4 Financial Year '22. PAT has grown to INR 76 crores as against INR 42 crores in Q4 F22. The net revenues in FY23 was at INR 686 crores as compared to INR 1,269 crores in FY22. The FY23 EBITDA was at INR 143 crores as compared to INR 213 crores in FY22. PAT for Financial Year '23 was at INR 82 crores as compared to INR 140 crores in FY22. The EBITDA margin improved from 16.3% in Financial Year '22 to 19.7% in financial year. PAT % has also improved and this is in spite of lower revenue recognized during the year, However, I would like to mention that the revenue in financial 23 may not be comparable to a FY22 since under the IndAS accounting standards, the revenue is recognized based on the project completion method.

However, due to good collections, the operating cash flows of Quarter 4 of Financial Year '23 has grown by 120% to INR 178 crores as compared to INR 81 crores in Quarter 4 of Financial Year '22. For the full year Financial Year '23, our operating cash flows have grown by 150% to INR 459 as compared to INR 183 crores in FY22. The strong OCF has helped the Company to further reduce its debt level and to increase its ability to invest in new projects.

In FY23, our investment in new projects has more than doubled to INR 173 crores compared to 68 crores in Financial Year '22. Again, this is ignoring the one-off land purchase of 263 crores at Bandstand in the year FY22. In the next financial year, we plan to more than double the investment.

In FY23 our construction spends have also more than doubled to INR 800 crores compared to INR 375 crores in Financial Year '22. This indicates our ability to take on a greater amount of construction activity at our sites which will improve our collections and by improving the completion timelines of our buildings, thereby allowing us to recognize revenue at an operational level.

As on the end of Financial Year '23 our secured gross debt is at INR 452 crores and net debt is lowest ever at INR 19 crores. Our gross debt equity ratio is 0.27:1 and net debt equity ratio is a negligible 0.01:1. As stated in our previous interactions, our endeavor continues to stay low on debt and with a maximum debt-to-equity ratio of 1:1. Strong OCF coupled with reduced debt is reflected in the improved credit rating of A- assigned by ICRA.

Further Rustomjee as a group has forayed into the fund management business last year under the brand Mt. K. Capital. Mt. K. Capital has received its approval from SEBI for the launch of Category-II AIF for its \$100 million made in fund. The fund is an ESG impact fund focused on redevelopment projects in MMR and will have Rustomjee as the development partner for all its investment. The fund has achieved a first close with marquee investors like State Bank of India and FamyCare investing in the fund. The fund will further strengthen the group ability to add more projects to the Rustomjee brand. I am happy to inform you that of the US \$40 million raised, two commitments to projects have already been made.

We have made considerable progress in our ESG practices. They say what we measure is what we can improve. Therefore, we started measuring our carbon footprint, tracked our water usage, the recycling efforts and the hazardous waste management that takes place on our site. Socially, we have improved labor welfare compliance, enhance human rights awareness and achieved zero fatalities or any high consequence incidents at our site. Our governance initiatives include implementing crucial policies and cascading environmental health and safety and sustainability guidelines to all our employees. Our aim is to prioritize material ESG topics and set improvement targets for future progress.

With that I want to thank you for attending this call and I open the floor to questions.

**Moderator:** Thank you. We will now begin the question-and-answer session. Our first question comes from Pranav an investor. Please go ahead.

**Pranav:** The biggest worry of retail investor is the share price of the Company. If I look at what has happened for Rustomjee it has gone down 10% versus the listing price whereas in its reality at the same time has increased by 5%, so my question is how do you plan to bring back the confidence in the shareholders or the retail investors, when you seem so confident so positive so enthusiastic how come your investors do not think about the same when I look at the stock price. That is one question and second is your finance cost seems to have gone up quite a lot in Q4 at the same time when I see your debt is going down, so what is causing the finance cost to go up in this time period?.

**Boman Irani:**

First, I would like to quote Warren Buffett who says that “*when you buy a stock you buy and hold on to it and real estate for sure is one of those*” that I would say fits that bill entirely. Second, as far as we are concerned I believe we are on the anvil of like I mentioned launching a project every quarter and we have launched two projects already in the first quarter of this year. So, we have started with a fire. It is only a matter of time that I see that the ability of our stock to increase. The interest of the investor will continually grow and towards that. As we go through the year, we are looking forward to many wins especially in the redevelopment as well as joint development which is the low cost or asset light model which will allow us to grow our returns this year and this is what will drive stock, this is what we believe will find greater interest in our investors to invest in the business and if they do, that is where the stock prices will start seeing an upswing. But first of all it is a long term long gestation business. You will need to be a little more patient than just the four months since we have listed. For question number 2, I would request Sajal to kindly take the question.

**Sajal Gupta:**

So, interest cost in our business is depicted at two places. One is in the cost of goods sold and second is in the finance cost in the P&L because a large amount of our interest gets inventorized and it is added to the inventory and it gets flushed out when the sales takes place on completion. Now, if you look at the interest which was embedded into the cost of goods sold last year was 17% and I am talking from the consolidated financial results standpoint which in this year has gone down to 11%. So, that is the kind of reduction in the interest which is embedded into the cost of goods sold and on the other interest it has gone up from 2% to 5%. So, if I look at the combined both the numbers put together it has come down from 19% to about 15%, 16% and going forward as we have spoken last year, we have now raised the IPO in November '22. We have retired last large amount of debt. We have given exit to all our private equity. So, the interest component year-on-year is going to show the reducing trend and that is one of the biggest reason of the margin arbitrage going forward.

**Moderator:**

Thank you. Our next question comes from Pritesh Sheth with Motilal Oswal Financial Services. Please go ahead.

**Pritesh Sheth:**

First question is on the margin improvement that we are seeing on CNN, so that is purely because of the mix of the projects getting completed and recognize there is revenue or something we can see that as a trend in terms of EBITDA margin?

**Sajal Gupta:**

So, margins as we told that in our legacy project have got impacted for one or the other reasons. Our gross margins if you look at have expanded from 22% to 36% on the consolidated financial basis. Our EBITDA margins have improved from 16.3% to 19.7%. As we basically complete most of our legacy projects, one or two projects are still there which may have lower margins. You will see more and more margins which are going towards the EBITDA margins that we have achieved in this particular year and even better than that. As far as the completion is concerned, this year the revenue has primarily come from two projects. One is in the aspirational category which is our seasons project at Bandra East and second is the affordable project which is from the Virar.

- Pritesh Sheth:** And this quarter was particularly from Seasons hence we are seeing a 28-29....
- Sajal Gupta:** This quarter is from the Seasons yes. The completion of the Seasons was achieved in Quarter 4 of the current financial year and bulk of the revenue and the margins are coming from the Seasons.
- Pritesh Sheth:** Another question is on your project addition, so this year we had a sales of around 1 million square feet odd and we have added 1.3 million square feet of projects which increase the ratio of like 130% and in past we have guided or I mean indicated of 1.5 to 2 times of sales churn, how do we how should we see business development going forward considering that this 1 million square feet this year would obviously grow. So, would we be looking to add like 2 and a half million square feet kind of a projects just considering that you have been indicating of this multiple or churn ratio?
- Boman Irani:** So, yes you are right we have indicated that is why we would add 1.5 times in terms of BD, our BD is extremely strong. We are in the process of tying up a few more projects that will get announced as the year goes by. As we mentioned between tying up a project and launching it we are continuously working towards squeezing the timelines and that is what is going to be our effort going forward, but yes our business development is definitely geared up to make the investments like I have mentioned we have got firepower of the ability to tie up projects with more than 1,000 crores this year. So, they will be further bolstering their capacity and adding more power to themselves to be able to go and close projects.
- Pritesh Sheth:** So, couple of projects that you have already signed up from that fund that you gave is the ones that are already announced or it is in the process of due diligence?
- Boman Irani:** So, the ones that we have closed in the fund are still to be announced. As I mentioned these projects are redevelopment projects and they come from a particular geography. So, in a redevelopment there are a few steps that need to be taken and those are undergoing at this moment in time and will be announced shortly.
- Pritesh Sheth:** Any pipeline in terms of GDV or millions square feet in terms of project that you are right now evaluating and obviously we will take that with the pinch of salt that some of them might get converted, some of them might not get converted, so any pipeline you want to indicate in terms of how much value of projects you are right now evaluating or at evaluation stage?
- Boman Irani:** Ritesh it is very interesting. So, I think I will just let you in on the strategy which I had expressed the last time as well. When we start bidding we are looking at where the infrastructure growth is going to take place. We at Rustomjee believe where infrastructure goes residential real estate grows. Further, at all points of time we continue to hold on to our position of dominance in the markets we are in while putting our foot out into markets which we consider as interesting micro markets like I mentioned to you Mahim being one of them, Chembur being another Kalyan Dombivli being third. Even when we are into the bidding process we know that there will be a



lot of projects that do not come to us, but it is important that these projects do not finally go at prices which will make it a huge competition for the projects that we have in those areas. So, we stay participative in that and if those projects come to us at our decided margins then we move ahead with those otherwise we are happy to let them go and sometimes I am happier to say I am not going to take this project then I am to say that I will take this project because I know that this is a business in which one has to be conservative, one has to be careful with his cash and one has to know what exactly is the bottom line rather than just trying to boost the top line of the business.

**Pritesh Sheth:** One last question for Sajal on again on the debt movement I had this confusion last call as well so our cash flow surplus we have generated around 277 crores while our net debt reduction is more than that so from 500 crores it is now down to 17, 18 odd crores, so can you help me reconcile that?

**Sajal Gupta:** The total debt repayment if you look at in the last year is close to about Rs. 573 crores if you look at a cash flow which is primarily divided into secured debt of Rs. 340 crores and unsecured of Rs. 233 crores. Now if you look at the debt chart which you are referring to Rs. 772 crores has come down to 451 crores which is the 320 crores on the secured side I just told you, and the cash balance have gone up from Rs. 251 crores to Rs. 432 crores which is the increase of Rs. 181 crores. Now the difference between this Rs. 181 crores and Rs. 277 crores is a portion of that cash has moved into the mutual fund investment and that is reflected into an investment which is about Rs. 76 odd crores. So, if I have to look at gross of that Rs. 76 crores then both basically numbers are closer to the OCF that we are reflecting in the OCF chart.

**Pritesh Sheth:** So, you do not include mutual fund as part of cash and cash equivalent?

**Sajal Gupta:** We do not include here for the reason that is there we are strictly going by the financials and in the financials that is shown under the investment and not under the cash and bank balances. So, to just align it with the financial number and the balance sheet number we have depicted the cash and cash equivalent as per the balance sheet. If I add that Rs. 76 crores then it will tie up to the operating cash flow which has been generated for the year.

**Moderator:** Thank you. Our next question comes from Ritwik Sheth with One up Financial. Please go ahead.

**Ritwik Sheth:** My first question is on the launches and business development you mentioned that in the first quarter already rather in the first two months already we have launched two projects which have approximately 900 crores of GDV, so what would be the approximate launches that we are targeting for the remainder of the year for FY24 in all?

**Sajal Gupta:** So, if I may attempt to answer we are looking at launching at least one project every quarter like if you look at the last quarter means the current quarter in the current financial year FY24 we have already launched two projects. One is in Bandra East and the other is at Thane Township cluster. So, both put together there are two projects already launched in the current year with the

approximate GDV of 900 crores. As I said that every quarter we will be launching one project like this quarter we have done two, but one to two projects we will be launching every year and the total value of the projects that we expect to launch during the year, the GDV value of all the projects that we plan to launch in the year should be around 4,000 crores.

**Ritwik Sheth:** This is significantly higher number than FY 23?

**Sajal Gupta:** This will be significantly higher number than FY23 for the reason that there is a focus in launching the pipeline of the forthcoming project and we are feverishly working towards it.

**Ritwik Sheth:** And what kind of business development that we can expect in FY24?

**Boman Irani:** Like I mentioned earlier the business development team is working not only to maintain the dominant position in the markets we are in, but also putting itself out into markets where the upcoming infrastructure growth is taking place, very difficult for me to put a number because we do participate in most tenders of redevelopment as well as we are reaching out for joint developments largely. As mentioned earlier we are asset light model and I am personally very concerned and the entire team would has a very strong push to worry more about bottom lines than to just add to the top line. So, while we would continue to be a dominant in the business development area for the area that we are already in namely Bandra East, namely Andheri, but for new areas like Mahim as well as to Chembur as well as to Kalyan Dombivali, we would be looking a lot more than we would be closing.

**Ritwik Sheth:** Just one more question on slide 17 we have our forthcoming projects and we have given a snapshot of the total estimated GDV, so can you help us understand this Rs. 35,000 crores are these like we have received all the regulatory approvals and the projects are in our hand or these are just MoU and there needs to be more work done for these projects to be launched?

**Sajal Gupta:** The value of Rs. 35,000 crores includes all the forthcoming projects that we have already got just like we have either got the LOI or we have got the development agreement signed or we have a conveyance of the land signed in our favor. So, all these are the tied-up projects. It includes two type of projects if I may bifurcate one is a Township projects which are primarily comprising of Thane, Virar and Dombivali. Now these projects especially the Thane project which is the longest lead time project where we have closed about 65-70 lakh square feet to develop will take about another 8 years 9 years or so basically for it to be launched fully and for completing it for the reason that this is the one which we keep on doing it in the phases. So, is the case with the Virar about 40 lakh square feet, Dombivali we will be doing it over the next five to six years. So, this is our timeline for these projects apart from that all other projects, we will be launching progressively in the next three years this year and the another two years most of these projects that we will be launching and approvals that is your second part of the question on the approvals, approvals on these projects are at the various stages and that is how we have phased out the program of a launch in all these three years progressively.

**Ritwik Sheth:** So, just to get a sense out of this Rs. 35,000 crore I believe approximately Rs. 20,000 crores would be the Township project ballpark and the rest would be standalone projects in various micro markets which we are looking to launch in the next three to four years and Township project over seven to nine years as you mentioned?

**Boman Irani:** Again, just to answer you we are constantly adding smaller projects, projects which we can turn around faster that is to say standalone buildings. We are also working on projects like Basant Park, which is fairly large it is a 3-acre development in Chembur with more than 250 members there in. These projects have a slightly longer gestation period and approvals take much more time. So, we keep a fair and a healthy mix of the project that we can turn around, build, sell and complete faster at the same point of time we have to work on slightly longer gestation projects so that we can improve our margins as we build and move along because what we do in phase one actually gets us a higher price in Phase-2 thereby adding to our bottom-line overtime. So, it is always business development that has been given two or three different parameters to work on. One of them is to work on projects in the affordable mid mass aspirational super premium categories at the same point of time various sizes in that to tell you to give you an idea that a project anywhere between 1000 and 2000 square meters of land could be turned around in less than a year to start and then within three years after that to complete so end to end cycle would not be more than four years whereas projects that are larger than that are a lot more beneficial in the longer run, but they take a little longer to complete and the general cycle of those projects would be if they were like a Basant Park would be up to about five to six years.

**Ritwik Sheth:** And sir one final question one bookkeeping question in the presentation we have mentioned that our gross debt is about Rs. 450 crores, but if I look at the balance sheet figure if I add up the short term and long-term debt it is coming to about Rs. 1,000 crores, so what is the difference between the two figures?

**Sajal Gupta:** The difference between the two figures is that the balance sheet include both the secured debt and the unsecured debt wherein this chart is only of the secured debt that is the difference. It is worthwhile to mention that bulk of our unsecured debt basically unsecured debt of about Rs. 500 crores, Rs. 311 crores is the debt from one of the group Company which is in the process of getting merged into the Keystone Realtors. NCLT has already passed the order for that and we expect that we get the certified true copy of the order in this quarter. So, around Rs. 311 crores will be knocked out of that and the balance unsecured debt is also save and except a small debt basically of about Rs. 13, 14, 15 crores most of our debt is the sort of the partner's stake into the various projects which is either structured as a unsecured debt or it is yet to be converted into equity shares.

**Ritwik Sheth:** So, in the next couple of quarters this is an actual gross debt Rs. 450 crores?

**Sajal Gupta:** Yes 450 crores is actual secured gross debt. In addition, as I told you that there is a small amount of unsecured debt also which will get added to this if I have to give you a sort of a ballpark number both put together should be about Rs. 500 crores or so.

**Moderator:** Thank you. Our next question comes from Darsh Doshi with ICICI Prudential Life Insurance. Please go ahead.

**Darsh Doshi:** So, sir you guided for the presales growth of 25%, so just wanted to understand how would it translate to our collection and OCF growth for the next one or two years?

**Sajal Gupta:** So, collection efficiency will continue to be good. This year it was extraordinarily good for the reason that there is a lot of sale of finished goods. Even going forward the collection efficiency is in line with what the collections that we ordinarily achieve of about 80% - 85% of the presales that we do, which is the combination of the finished goods, the project which are in progress and the new project that will launch. So, on an average of the presales roughly about 80% to 85% is what we expected to collect. OCF, we are working towards making an improvement on already very healthy OCF that we have generated in the current year, but we have to take into account one factor that we just told you that there are a lot of new projects that we are going to launch during the year and those basically may not be in a position to generate the OCF at the rate basically, the projects near completion have been able to generate. Our endeavor is to make an improvement on the OCF from what we have done this year, but another couple of years and thereafter we should basically be able to generate the healthy OCF about 20% - 22% of the inflows into the Company.

**Darsh Doshi:** So, another question is what would be the steady state of land related outcomes that we will be incurring every year if there is any ballpark number?

**Boman Irani:** So, this depends on deal-to-deal just to give you an idea I had mentioned to you that in Thane it's less than 20% in Kalyan Dombivali it is about 21% of collections. So, these depend on the collections from these projects every year. In the redevelopments we deploy a lot more initially I had explained in in one of the earlier calls that up to about 10% of the GDV of the project is invested before the project is go to market. After that, we usually do about 35% sales on launch and then the same amount during the life of the project and we try to hold about 25% to 30% to close or when the project is nearing closed or when it is closed so that we can take into consideration all inflationary pressures and deal with it accordingly. So, this should give you a fair idea of what the outflows are, further the outflows are also towards approval costs especially in redevelopment or joint development projects which we incur more towards the initial parts of the project and we realize those as we go along with the completion of the project.

**Darsh Doshi:** So, is there any payment which needs to be paid for any of the existing projects that are there any payment to any landowner and if at all it is there then what is the time period that we will be paying it off in?

**Boman Irani:** So, there is no outstanding payment as such payment is linked to collections in all the JVs that we do. There are no out of pockets or carry-on money that we are giving to any of the joint development partners that we have and like I mentioned in the redevelopment it depends on every development there is a payout of close to around 10% before the project is go to market

and this again is more towards stamp duty registration, BMC premiums, rent and a small amount of the corpus that we give initially towards these redevelopment projects.

**Darsh Doshi:** Just one last question so what is the assets and the development right now and how are you utilizing that at FY25 or 26 maybe and like what all steps would we be taking to ensure that we are able to properly handle the entire area under development the operations?

**Boman Irani:** You asked about Urbania?

**Darsh Doshi:** I am saying what is the area under development right now and how are we looking at it in FY25 and are we at the right stage where we can handle the entire increase in the area under development or we have to take certain steps for that?

**Boman Irani:** I think already we have demonstrated by increasing more than doubling our construction spend in the last year, we have shown that we are in a position to be able to build more build fast so that we are able to realize better over the longer term. We have close to around 9 million square feet ongoing as of today and 28 million square feet that is in various stages of the pipeline that we will be launching overtime to come. On the bench strength of our personal yes we are expanding our team to take care of locations that are slightly far-flung. At the same point of time adding technology and the people to be able to run the projects on the redevelopment front. As I had mentioned in one of the earlier calls and I would like to state out here. We have a project CEO kind of structure wherein individual projects are run by various people who have grown within the system, understand that particular area. So, we are present in MHADA, we are present in other redevelopments, we are present in JV/JDs that are under BMC, some that come under SRA. We are in Thane, we are in Virar and now we will be in Kalyan Dombivli. So, we need people with expertise to run these of course we are all hands on as far as these projects are concerned and internally we have these project heads report into us and we have an entire team out here that takes care of things like finance, procurement, liaisoning, etc. from the HO. So, we bolster on ground teams, we add new professionals, we brought in some new heads over the last year and I think I had mentioned the names of those also earlier and all these people will add to our strength to be able to continue growing our ability to output the projects as we get them into our fold.

**Moderator:** Thank you. Our next question comes from Murtuza Arsiwalla with Kotak Securities. Please go ahead.

**Murtuza Arsiwalla:** I have a question on the cash flow statement which is on slide 23. There are two parts where I say so there is a land and approval payments which is showing as part of the cash flow from operating and then there is investment in new projects, how does one classify between the two I would have just assumed that all investment is primary land and that is how other real estate players also tend to report it. So, just want to understand the differentiation between the two and on the forthcoming projects pipeline while you have sort of stated the GDV and the cost to

complete the net cash flow, could you also give us a sense of the Company's economic interest in that net cash flow?

**Sajal Gupta:** So, the difference between first the cash flow statement is the investment in the new projects and then the land and approval payment. So, all the investments that we make till the project is saleable or till the project basically we do the RERA registration of the project that is the money that we have classified below as an investment in the new projects. Thereafter, the sales can kick in after the RERA registration and all the land payments thereafter is classified in the operating cash flow. So, that is the differentiation before launch investment is down below and post launch investments or the expenditure is basically part of the operating cash flow.

**Murtuza Arsiwalla:** But in your balance sheet both would appear under inventory?

**Sajal Gupta:** Yes, in our balance sheet both will appear under inventory.

**Murtuza Arsiwalla:** So, it is just that you are having this so any payments which happened which means even payment in case to any landowner etc happened after the launch of the project it will appear above the line as part of operating cash flow?

**Sajal Gupta:** Absolutely that is the way basically the money is classified unlike some other developers who may have a larger share of the portfolio in terms of a land that we are having a large portion into the redevelopment project or in the JDA project. Therefore, our land cost continue to be even after the project is launched and that is what comes in the line above.

**Murtuza Arsiwalla:** And when you are putting in net collections that is after if there is any share to be given to JDA owners etc the landowners?

**Sajal Gupta:** Yes if it is a JV project which we are only consolidating in our balance sheet as a share of the profit then it is not forming part of this statement to the extent the money we actually received from the from the JV project is what we classify here in the operating cash flow.

**Murtuza Arsiwalla:** And just one last bit on that when you are talking net collections it is net of any share of revenue that you have to pay out or am I reading the nomenclature right?

**Sajal Gupta:** Yes, net collections is net of the sales and marketing and the stamp duty. The last year the government has introduced the scheme wherein you have to include the stamp duty wherever we have taken a concessional benefit of a premium. So, now the stamp duty is not charged separately in these projects and they form part of the agreement value. So, the net of the two is what basically is shown in through net collection.

**Murtuza Arsiwalla:** And the second piece on the attributable cash from forthcoming projects your economic interest?

**Sajal Gupta:** So, our economic interest if you look at the slide number let us say the slide number 10 and 9. On these two slides we have mentioned where our economic interest is not 100%. For example,

Urbana, our economic interest is 51%, Charkop is a JV project where our interest is 73%, Jyotirling again is the JV project where our interest is one-third and the Jariwala is a DM project where we have a DM fee of 17% plus we have an incentive fee. So, these are the projects although it is forming part of the total project forth line wherever our interest is not 100% it is what we have specified in these charts.

**Moderator:** Thank you. Our next question comes from Niraj Mansingka with White Pine Investment Management. Please go ahead.

**Niraj Mansingka:** I just want some clarification on the Slide #17 you talk about specific Rs. 35,000 crores of GDV and cost to completion of Rs. 21,600 crores, can you give me a cash flow that will accrue to Rustomjee net of all the expenses of all these projects that we are talking of?

**Sajal Gupta:** Yes, we can do that means like maybe offline we can have a chat that on these four projects that what could be the impact and how that will plan out and those four projects where we do not have 100% economic interest we can tell you basically that what will be the net surplus which will come out of those projects as our economic share.

**Niraj Mansingka:** No, I am not talking of four projects I am talking of the entire forthcoming project that you have talked about in slide number 17, how much cash flow would come to you because it seems from this that Rs. 35,000 crores minus Rs. 21,000 crores is the cash flow that will come to you, but there are the cost also plus there is a joint venture partners share also plus there will be tenants whom you will be redeveloping, putting them back and so I mean just to know what is the total cash that will approve in a very broad range in hundreds of Rs. 500 crores range also would be okay?

**Sajal Gupta:** So, what we have specified here is the hard cost in the last column of Rs. 216 billion is the hard cost. If you look at the foot notes we have given that we have a soft cost which is roughly about 10% of the total GDV then we have also given these number net over interest basically there could be certain interest component on this which will be outside this. So, net-net basically the number that we expect on the net margin basis will be ranging from 20% to 22%.

**Niraj Mansingka:** 22% of the GDV?

**Sajal Gupta:** Of the GDV wherever we have an economic share which is less than 100% on those projects of that 22%, our economic share will come to us.

**Niraj Mansingka:** And this projects accrue the timeline would be the max that talked about I think Boman talked about is 9 years, 10 years when the entire parcel of 60 - 70 acres would be completed, is it 65 lakh square feet would be completed, is that right?

**Sajal Gupta:** Yes.

**Moderator:** Thank you. Our next question comes from Prem Khurana with Anand Rathi shares. Please go ahead.

**Prem Khurana:** So, I had two questions so first one Mt. K. Capital the fund that we have raised so I think what I want to understand was I mean essentially within this fund I mean you would look at redevelopment opportunities and there was some media articles suggesting they were looking at some two or three projects in Bandra and Andheri which essentially I mean when I look at the profile is somewhat similar to the way it tends to be with our own projects, so I mean how would we decide which project will go into this, this, this fund and which would be retained in the main entity?

**Boman Irani:** So, very clearly there is a geography and a type of project that we have earmarked for those that we will get into Mt. K. Capital and before I go there I should tell you the Mt. K. Capital structure allows us to actually with an investment that is near nothing make a return that is fairly large on these projects. So, the projects that we are taking are all in less than 3 lakh square feet so that we can go ahead and complete these projects in a 4-4.5 years' timeline. The idea of creating the Mt. K. Capital was to bolster and add to our fire power of being able to acquire projects. The projects that we have taken or closed so far are both premium projects in this and the way to define what we do in the Company other than what is done in Mt. K are those projects which are not in this geography as of right now.

**Prem Khurana:** Second question I mean when I look at our business development that was done during the year Jariwala seems to be Chawl redevelopment which is I am assuming it will be cessed building and historically we have been much more active on society redevelopment site, so is it fair versus I mean open to look at Chawl redevelopment and as and when the opportunities arise and we find it lucrative and also I mean it could help us understand the size that you would look at and when you are approaching let us say building because most of these buildings are the number that you generally get to have the market I mean 19,000 odd buildings that are already classified as only 5,000 have been taken. Most of these lack size would you be open enough when I go a little low in terms of the threshold that you would have for any society, redevelopment when it comes to let us say building?

**Boman Irani:** Again, I should tell you that Jariwala happens to be under 33(5) that is a MHADA and MHADA is where we have a great amount of development already done under our belt. So, that actually fits us very, very well. Second is yes that is a sizable development and allows us top line of about 1,150 crores. Projects like these are available in the city and that is why we are looking at the city for these size projects. We are also as part of our strategy where we do not get one large project we try and take 5 or 6 projects of a smaller size, but in the same geography I mean when I say same geography means a street away etc. This allows us to control the development in that area with let us say the same set of resources whether it is on the engineering side as well as the same office for sales on the sales and marketing side at the same point of time allows us to grab a larger share in that particular micro market. I can give you an example, case in point is Khernagar where we did not get the size that we got at Gandhinagar, but even so we have kind



of bid for quite a few projects in that one geography allowing us to create multiple projects in one location thereby having a good grip on the development there and also being able to benefit from the price increase or the appreciation that we get after the first project is completed to the second to the third etc.

**Prem Khurana:**

And also I mean if you could help us understand I mean Jariwala is a DM arrangement if it is a system in redevelopment wherein the upfront capital investment would not be that high, what made us go for DM is it that I mean the partner you have the right in which is like you had no option but to kind of go as a joint partner or I mean is it is I mean you want to explore this opportunity and also want to be on the safer side which is that we went with DM?

**Boman Irani:**

So, sometimes you have to take projects because those are the only ones that are available. If you ask me whether I did it to mitigate risk, no not at all. I would happily take that project up for development ourselves, but given the fact that an earlier developer had put in tremendous efforts to kind of bring the project up to the level where it was and going forward is exactly the set of skills that we would have plus the brand or the image of the Company wherein we have rehoused more than 1,400 plus families really helped us kind of strike the right chord with the tenants residing out there and the society or the members residing out there. So, it was like a win-win situation where we thought it is definitely something that is doable. Our bottom line is extremely healthy on that project and it is in a geography which I particularly like when I say I is Rustomjee wanted to be in because the data points towards the huge infrastructure out there at the same point of time a very opportunistic location if you see where Jariwala it is one road away from the metro station and two roads away from Mahim station. At the same point of time you drive away from BKC the Sea link and if you decide to go towards town you can reach almost anywhere in the city in less than 30 minute. So, all of this made Jariwala as a location or Mahim as a location very lucrative and Jariwala was a project that was available. It was a good size and scale allowed us to exhibit our prowess at the same point of time add to our bottom line with it.

**Moderator:**

Thank you. Our next question comes from Amit Bhatt with MIT engineers. Please go ahead.

**Amit Bhatt:**

Sir, it is great to hear from you the quote of Warren Buffet in your opening remarks. So, good management started taking stock performance seriously, Sir of late you are interacting with many institutional investor what is your assessment why there is no incremental demand of our stock in spite of the great brand and the redevelopment theme you are not basically a normal developer you are basically you have started a new thing which is a redevelopment, so how this institutional investors are taking this redevelopment theme and why we are not interested in our stock even at a lower price, is it low free float or something else, can you please throw some light?

**Boman Irani:**

Thank you for all those good words. Yes, we are a Company that has institutionalized redevelopment and it is not that institutional investors do not have an interest in the stock, as a matter of fact I could read out a list of our already existing institutional investors who are

increasing their stake in our Company. Further, I would like to state that I am constantly bringing to light the fact or the strengths of a redevelopment and while it seems to be something a little more difficult to eschew as long as you do not know about it. Once you understand or once I am able to communicate the advantages of what we are doing to the institutional investors and it will take some time I mean we are constantly talking to them. It will take some time, but when it is done I think the overall redevelopment as a whole will benefit at the same point of time our stock will become that much more interesting to them. So, thanks for that our endeavors are on. I feel people are interested. It is only that they wish to know enough before they make a call and as it happens with all large institutions they take a lot of time it is like 9 months of planning for 3 months of execution and I appreciate the way they work at the same point of time it is our endeavor to constantly give them more and more data because once they are aware of the facts I think they will beeline for us.

**Moderator:** As there are no further questions, I would now like to have the conference over to the management for closing comments.

**Boman Irani:** So, thank you very much. On behalf of the entire Rustomjee management I thank each and every one of you for joining us today. In case there are any further queries please feel free to get in touch with us, we wish to be a Company that shares as much as we can with each and every one of you. Thank you once again.

**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.