

Rustomjee®

Date: August 09, 2024

The Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai - 400 001 Script Code: 543669	National Stock Exchange of India Limited 5 th Floor, Exchange Plaza, Bandra Kurla Complex Bandra (East) Mumbai-400051 Script Code: RUSTOMJEE
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Sub: Q1 FY25 - Earnings call Transcript

Dear Sir/ Madam,

We are enclosing herewith a copy of the transcript of the Company's earnings conference call which was held on August 05, 2024 with respect to un-audited Financial Results with limited review for quarter ended June 30, 2024. The transcript is also being uploaded on the Company's website i.e. 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

Bimal K Nanda
Company Secretary and Compliance Officer
Membership No. ACS - 11578

Encl.: As above

KEYSTONE REALTORS LIMITED

Rustomjee®

“Keystone Realtors Limited
Q1 FY’25 Earnings Conference Call”
August 05, 2024

Rustomjee®



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

MODERATOR: **MR. ABHAY KHAITAN – AXIS CAPITAL LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Keystone Realtors Limited Q1 FY'25 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 the conference call, please signal an operator by pressing the star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Abhay Khaitan from Axis Capital Limited. Thank you, and over to you, sir.

Abhay Khaitan: Hello. Thank you, Steve. Welcome again to everybody. Like always, we have with us the senior management from Keystone Realtors, who are also known as Rustomjee Group. The management team is headed by Chairman and Managing Director, Mr. Boman Irani. We also have Mr. Chandresh Mehta; and Mr. Percy Chowdhry, who are Promoter Directors. And we have Mr. Sajal Gupta, the Group CFO.

Let me now hand over the call to Mr. Boman for his initial comments. Over to you, sir.

Boman Irani: Good evening. Welcome everyone to our Q1 FY'25 Earnings Conference Call. I am Boman Irani, Chairman and Managing Director of Keystone Realtors Limited. I extend my heartfelt gratitude to all of you for joining us today. It is with great pride that I present the achievements of our company for the first quarter of FY'25. This is a promising beginning for Rustomjee.

Before we dwell into the specifics of our performance, I am pleased to announce that we have successfully closed and raised INR800 crores of equity via the QIP. The funds raised through this QIP is primary in nature and infused into the company entirely.

These funds are pivotal in driving our growth strategy through new acquisitions and new launches thus accelerating growth in pre-sales. I am happy to announce that we received an overwhelming response with a demand of approximately 2.5x of the issue size and allotted to long-only funds. Thank you for your trust and confidence reposed in the company. We are confident that this capital infusion will significantly bolster our growth strategy.

In Q1 FY'25, Rustomjee Group recorded pre-sales of INR611 crores, reflecting a robust 22% year-on-year growth compared to INR502 crores in Q1 FY'24. The area sold in this quarter reduced by 16% year-on-year as the premium, super premium category contributed to higher sales as compared to Q1 FY'24.

Hence, average realisation rate has gone up from INR17,367 per square foot in Q1 FY'24 to INR25,164 per square foot in Q1 FY'25. This impressive performance is a testament to our strategic vision and the unwavering trust of our customers. Our collections remain steady at INR485 crores, demonstrating our ability to generate strong cash flows.

We launched two new projects in this quarter. The saleable size of these two projects was 0.63 million square feet and the estimated GDP of these projects is about INR2,000 crores. This is in line with our guidance of launching two projects per quarter this year. I am happy to announce that these projects received an excellent response from eager buyers and approximately 20% of

the inventory was sold within the first few weeks of the launch. The contribution of these two new launches in the Q1 pre-sales is 42%.

This success underscores the strength of our brand and the appeal of our product offerings. Separately, we are excited to announce our foray into the plotted developments with our first acquisition in Kasara in July of 2024. This first phase of 88-acre land parcel, nestled amidst the scenic beauty of the mountains, is a strategic addition to our portfolio, catering to the growing demand for second homes that are away from the metropolitan hustle.

This project comprises around 500 plots, ranging from 2,000 to 7,000 square feet each, totalling approximately 1.5 million square feet. This, as I mentioned earlier, is the Phase 1 of this project. Our venture aligns perfectly with Rustomjee's business model as plotted developments offer quicker cash flow cycles, enhanced profitability and return ratios.

The initial project in Kasara exemplifies the company's commitment to tap into high-demand segments, ensuring a steady and robust growth trajectory. We plan to expand and grow this segment going forward. As on date, we have received the RERA registration of the same and have launched the project in the current quarter, that is Q2 FY'25.

In addition to Kasara, we have also received RERA registration for two towers in Urbania, Thane, which we will be launching in August '23, and these have a GDV of approximately INR1,700 crores. In terms of business development, we have added one redevelopment project with a saleable area of 0.35 million square feet and an estimated GDV of about INR984 crores in this quarter. The addition reinforces our leadership in the redevelopment space, a segment where we have consistently excelled.

Given strong collections, the company has generated an OCF Operating Cash Flow of INR108 crores in Q1 FY '25. Investment in new projects in Q1 FY '25 is INR158 crores, showing a 20% quarter-on-quarter and approximately 4x year-on-year basis. With the increased spends on investment into new projects, we are quite hopeful to build a robust pipeline for the projects ready to launch.

Moving to the consolidated key financial numbers, the revenue of Q1 FY '25 stands at INR422 crores of 55% year-on-year basis. The EBITDA and PAT for this period stand at INR58 crores and INR26 crores respectively. With respect to our liquidity position, the gross debt stands at INR458 crores and the gross debt-to-equity ratio is 0.18:1 at the end of Q1 FY '25, which is very well within our guidance. The net debt for this same period is nil. In this connection, I am happy to inform that our credit rating agency of the company has further improved and upgraded our rating to A with a positive outlook. This was done by ICRA, the rating agency.

Separately, as we navigate through the Q1 of FY '25, I am pleased to share our significant strides in furthering our commitment towards the ESG, the Environmental, Social and Governance principles. We have diligently engaged our internal stakeholders through a comprehensive employee survey, reinforcing our dedication towards sustainable development. The integration of our human rights policy into our employee handbook marks a pivotal step forward, fostering a fair and inclusive workplace.

Moreover, our transition towards green tariffs in most of our Mumbai suburban projects underscores our proactive approach towards renewable energy adoption during construction phases. Looking ahead, we are focused on rigorous data verification and validation. Across all projects, this is to emphasize health, safety and the sustainability benchmarks we have set.

Our efforts include pioneering initiatives such as exploring the net zero projects at Rustomjee in collaboration with all external consultants and cementing our commitment to a sustainable future. As we continue to build on the significant momentum from FY '24, I am confident that we are poised for a very strong year ahead. Our sustained and robust performance in Q1 FY '25 positions our company, as mentioned earlier, at an inflection point, marking an era of significant growth.

We remain committed to delivering substantial value to you, all our stakeholders and we are positioning ourselves as the most sought-after real estate developer in this industry. Once again, I express my gratitude for your steadfast support and trust in Keystone Realtors. With this, we can now open the floor for questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Aayush Saboo from Choice Equity Broking Private Limited. Please go ahead.

Aayush Saboo: Yes, hi. Congratulations on a very nice performance. I just want to know what would be the economic share in all our projects in our forthcoming ongoing part-time since we have entered into JD and JV agreements also. So overall, what would be the economic share like in terms of percentage, if we could get an insight into that, please?

Boman Irani: Thank you very much for your question, Aayush. I'll let our CFO, Sajal, take that.

Sajal Gupta: So, on a slide 10, we have given a footnote on the projects where our economic share is less than 100%. Other than those projects, we have a 100% economic share. Urbania, our economic share is 51% on the residential side.

Keppel is a partner at Urbania and in this joint venture, the Keppel holds 49% interest. We have a new Kamal Kunj, which is again basically a project that we have signed with a fellow developer where we are 50-50. We have one at the Goregaon where we have 50-50 or 51-49 for that reason, for that matter, sorry.

And then Jariwala is where we have the DM arrangement wherein we are getting 17% of the top line as a development management fee plus we have the upside coming to us as an incentive fee. So, these are the projects fundamentally where we have a different economic share than the regular economic share of 100%. All other projects, we have 100%.

We have one or two small projects I'm not mentioning for the sake of brevity, like Charcot, we have 73%, Jyotirlinga, we have 23%, Manori, we have 73%. But the larger projects where we have a different profit sharing or economic share, I have mentioned basically in detail.

Aayush Saboo: Thank you.

- Moderator:** Thank you. The next question is from the line of Neel Mehta from Investec Capital, please go ahead.
- Neel Mehta:** Yes. Hi, sir. Thanks for the opportunity. So, I just wanted to check what were the sales in our crown project this quarter, if you could quantify the number of units that we sold there and what the value would be?
- Boman Irani:** So, Mayor, Neel we are at about two units this quarter as of right now in the project. And as we mentioned, we have completed A and B wings. So, we are trying to improve our realization per square foot on these. And our C wing is under construction, which will be completed by December of 2025. So, that is where we are as far as crown is concerned. And we have already started the process of handing over of apartments to our purchasers out there.
- Neel Mehta:** Understood. Thanks, Boman. Also, if you could quantify what are the balance cash flows to be incurred on this project in terms of cost? Because I understand at the time of acquisition, we have met most of the cash outflows that were due to us. But is there any incremental cash outflow that you would also incur on this project?
- Boman Irani:** I'll allow Sajal to take that question if that's okay with you. Go ahead.
- Sajal Gupta:** So, Neel, on the crown, we have about INR700 to INR800 crores of the balance course to complete. Largely, it is related to the C tower because, as you know, the bulk of the A and B towers we have completed. And we have to spend on the infra, which is basically completion of all the amenities related to the project. So, that's the balance spent on the project. We have a good amount of receivables to come from the sold stock. And we have, of course, basically some unsold stock that we will be selling it over this year and the next year.
- Neel Mehta:** Understood, sir. And for the last question. So, on the mid-march and aspiration segment, I think we noticed a slowdown in sales in this quarter. Would you attribute it to a seasonally low sale momentum in general in Q1? Or are we sort of seeing moderating demand in this segment since it contributes almost 65% of our ongoing portfolio?
- Boman Irani:** So, Neel, thanks for that question. Because we continue to be extremely strong and bullish on the mid-march, which is INR1 to INR3 crores, and aspiration, which is up to INR7 crores from there. The largest part of our acquisitions also continue to take place in this segment. We believe this segment will be the strongest growth driver of business across the city. Definitely, Q1 is cyclically always a little slower quarter compared to the other quarters of the year. We are entering this quarter with great hope.
- And obviously, the last quarter of the year also serves phenomenally well towards sales itself. So, there is no slowdown in this segment. Rather, there's no slowdown in any segment. It's just that Q1 is historically been always lower numbers than all the other quarters. But having said that, we are up 22% with our sales over the same quarter last year, where we had INR611 crores of pre-sales in this quarter.
- Sajal Gupta:** If I can take a minute just to add one more line to what Boman has said, even the mid-march and aspirational segment, which we tried to look at together, our sales in the last year, Q1, was

INR258 crores. And this year, it is INR361 crores. So, we have a significant movement. Maybe a particular category, mid-and-march, if you look at, there might be a little lower sales because Thane launches are coming up in this quarter. And as we launch the two towers over Thane in this quarter, we will expect basically a bump up to the sales in this segment.

Neel Mehta: Understood, sir. Those are my questions. Thanks a lot.

Moderator: Thank you. The next question is from the line of Pritesh Sheth from Motilal Oswal. Please go ahead.

Pritesh Sheth: Yes, thanks for the opportunity. So, first question is on the launch performance for this quarter. We had a couple of launches with total GDV of INR2,000 odd crores. It contributed roughly INR250 crores to the quarter, which is 10%, 12% of the total sales. So, just that these launches happened at the end of the quarter and hence, the contribution was very low, or one of the projects was in the high-ticket size and hence, it generally starts slow. So, how would you attribute this performance in terms of launches that happened this quarter?

Boman Irani: So, hi, Pritesh. That question is pretty interesting because, actually, 42% of the sales of this quarter have come from these two new launches and like you mentioned there are INR2,000 crores of GDV and the locations Matunga is the location that we've kind of entered in right now and we are very bullish about that location because of the connectivity it has with the rest of the city itself and Versova is absolutely brilliant because of its sea views and the market that is being created out there is the premium and uber premium.

But yes both these projects were launched after mid-June so obviously we could have done a lot better if they were launched at the very start of the quarter, but having said that we are very happy with the steady inquiry and sales that are taking place out there and we are very confident both these projects will excel, far excel our estimate. I can tell you that put together these projects have roughly sold off 20% of their inventory which is excellent if you consider a 45-day period, but thank you.

Pritesh Sheth: Sure. And if you can highlight while you mentioned that you would be launching two projects every quarter, but if you can highlight like few key projects which one needs to follow in terms of launches? You already mentioned about two towers getting RERA in Urbania and you probably also mentioned about some timeline on the product development side, but any other projects that one should follow closely in terms of launches in the next couple of quarters, two, three quarters and is Bandra Bandstand also included in terms of launches this year or you will see that happening next year?

Boman Irani: Sorry I missed your last part which one did you say, will we see it launching this year or next year?

Pritesh Sheth: Bandra, Bandstand.

Boman Irani: Yes. Okay so Pritesh very quickly this quarter we will see us launching the two towers in Urbania and we are also launching Kasara. All this put together is about a INR2,000 crores GDV. I am

looking forward to launching Basant Park basically projects in and around Bandra, BKC area and Bandra West in this year.

Sorry about that laugh I had because I find it the most interesting that most people everywhere I go checks with me about the Bandstand launch and I am happy to state that work has already started on that project. I am just deliberating the launch details and as soon as I have something on the cards without saying much, I will be making an announcement.

Pritesh Sheth:

Sure that's very helpful. Just checking on the plotted development strategies since you have had your first project there and you also told that you said in your comments that this is one serious segment that you would be eyeing for. Would we restrict ourselves in MMR or we are happy to look at beyond MMR markets where I think demand comparatively for plotted development is much better than what we see generally in MMR. So your thoughts on that overall strategy for this segment?

Boman Irani:

Pritesh, I can tell you this that Mumbai and MMR have not been given the right supply side for plotted developments. Everywhere else in the country and you are right you have seen better sales take place in Pune, etc also because the supply side was very well taken care of. We have seen extremely strong inquiries on our Kasara project after we got the RERA approvals, the pre-sales or rather the pipeline that is visiting us over the weekends in spite of the heavy rains has been extremely heartening.

We as Rustomjee believe that our market MMR is also expanding in a way. And when we say MMR it is loosely MMR. It is not exactly by the metes and bounds. So tomorrow if I found something halfway between Mumbai and Pune which is a good plotted development location we at Rustomjee would happily consider that because that would also be something that I could serve the MMR market with.

So all those places that can serve our customers in MMR are the ones that we will strongly consider to take up for plotted developments. And having said that, I should also tell you very encouragingly landowners are on the what do you call, negotiating table with us because we enjoy a great reputation, a great rapport and there is a strong sense of trust that we have built amongst landowners which allows them to discuss with us future plotted developments that we will be taking up.

So I hope I have summed up what I wanted to say, but you are right markets are on the plotted development extremely good and we are hopeful that Rustomjee as a brand will bring in a lot more I would say trust into this business and we will continue to grow this arm of ours, yes.

Pritesh Sheth:

Sure, that's very helpful. Thank you. That's it from my side and all the best.

Moderator:

Thank you. The next question is from the line of Sumit Kumar from JM Financial Institutional Securities. Please go ahead.

Sumit Kumar:

Hi, good evening, sir, and congratulations on a very good set of numbers. My first question is on the land payments. So, this quarter you have done around INR158 crores. How should we see that moving forward? What should be the run rate in FY '25 the rest of FY '25 and FY '26?

That's one. And what explains the variation in employee and admin expenses that has been quite sort of irregular over the last three quarters?

Boman Irani: Okay, I will let Sajal take the first part of it. You mentioned about INR158 crores being invested towards land and what do I see going forward? But we didn't understand the employee question as such. So, would you mind expressing yourself so we can understand?

Sumit Kumar: So, the employee cost was INR68 crores for this quarter. It was INR85 crores roughly for last quarter. And for Q1 it was INR35 crores. So, is it just the recognition part or something else which explains this variation?

Boman Irani: Yes. Thank you, Sumit. Let Sajal respond to those queries.

Sajal Gupta: So, Sumit, I think the first part of your question in terms of how the investment or the land payments are going to go going forward. I think we are going to pretty much maintain the run rate of about INR150 crores every quarter, which means that about INR600 crores for the whole year. That is the point number one. And that is what exactly we said based on the projects that we have acquired and the projects that we are working on in terms of a new acquisition. The amount of about INR550 to INR600 crores is that what we envisage to spend and we are very much on course on that.

You will appreciate that this number has significantly gone up from the previous quarter by 20%. And the Q1 of the last year it is almost 5x. That is the sort of guidance or the estimation that we have on the new projects. About the second part of the question the Crest is our maintenance arm. The Crest, where we take care of the after-sales service. That we started consolidating and about INR36 crores of the Crest manpower there was a one-time bump-up. This was otherwise basically the quarter which you are seeing now is the reflection of the steady-state employee cost number.

Sumit Kumar: Sure, sir. That is helpful. One follow-up on that land payment any pending land payments you have for the project that we have added in the last 15 months?

Sajal Gupta: Yes, we do. We have a land payment like Dahisar project that we have taken. The payout of that land payment is on a staggered payment term basis, wherein almost about INR12 crores to INR15 crores we are paying every quarter. So that will go on for next a little over a year basically. And the second project, that is the Kasara plotted development that we have taken again in the interest of a cash flow.

We have been able to negotiate the payment terms, which are again going to be paid on a staggered payment basis. This again is going to be paid over the five quarters starting from the quarter ending March 2025. So both these projects and the Kasara project, as Baman has said that we have already got the RERA registration the sales have started there is an encouraging response. And we expect bulk of the land payments to be paid out of the cash flows that we generate out of the sales from the project. So these are the two projects.

Otherwise, by and large the land payments indicate or land payment by and large reflect the approval payouts that we pay for the society redevelopment project that we take. And also that

reflect the pre-RERA expenditure in terms of some corpus that we have to pay or the rent that we have to pay or the stamp duty that we have to pay at the time of registration of the DA. But as far as the outright land purchases are concerned these are the two land purchases wherein we have been able to negotiate the staggered payment terms, which we will be paying it over a period of time.

Sumit Kumar: Sure, sir. Thank you. One last question, if I may. What was the contribution of Thane project in the pre-sales and what is the expectation going forward for the full year?

Sajal Gupta: Yes. So Thane contribution in the pre-sales is close to about INR100 crores. But I will give you an exact number.

Sumit Kumar: Sure, sir. A broad number is also fine.

Sajal Gupta: As I speak, I also got the precise number. It is INR97 crores, which is what I said that is close to about INR100 crores. Thane, we expect basically this number to go up substantially going forward. As I said that there are two new towers which are getting launched in this quarter. We have already got the RERA registration. And all the last year, we did close to about INR800 crores. And this year, we only expect the number to go up further.

Sumit Kumar: Sure, sir. Thank you. That's all from my side. I will get in the queue if I have any more questions. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Sanjay Khanna from Surya Real Estate. Please go ahead.

Sanjay Khanna: Yes. I was just listening. As Mr. Boman told, there are a lot of projects which are going to be launched. And he named one of the projects was Basant Park. Can I know when it is going to launch? As I feel it is one of your strongest projects in terms of cash flow.

Boman Irani: So, first of all, thank you for complimenting it, Sanjay. I must say that Basant Park is going to be our foray into the eastern suburbs. And given the prime location and what we are looking at creating out there, it will definitely add a lot of value to both the existing members as well as those that will be interested in coming and living among the flora and fauna that that provides. Our work is definitely on. And if I am to make a studied guess, I think it would be in the fourth quarter of this year is when we would be launching that project for sales.

Sanjay Khanna: And I feel it is one of the prestigious projects in the eastern suburbs which you are coming with.

Boman Irani: I am confident that the location will add a lot of value but also the creativity that Rustomji will bring to that location will kind of enhance that market also. And we are very happy to be in Chembur thanks to its connectivity to the rest of the city at the same point of time given our location, the greenery that that location does offer.

Sanjay Khanna: Thank you and wishing you all the best for the project.

Boman Irani: Thank you, Sanjay.

Moderator: Thank you. The next question is from the line of T.T. Patel, an Individual Investor. Please go ahead.

T.T. Patel: I just wanted to inquire about the Bandra project that you are doing with Ajmera. Have you formed up a launch date for that? When will the construction activity start?

Boman Irani: So, thank you, Mr. Patel, for asking that question. Look that is a partnership with the Ajmeras where it's a redevelopment that we've taken or rather we've entered after Ajmeras were voted as the developer out there. And more interestingly, it's a project that had been started in the earlier regime and has come through and gotten stuck as of right now.

We've made some required changes as per DCPR as well as per the market requirements. We're hoping that we'll be in a position to initiate work on that project in terms of the sales work on that project also maybe end of this year or maybe in the first quarter of the next year itself.

T.T. Patel: Thank you very much.

Moderator: Thank you. The next question is from the line of Prachi Tisal from Bussiness Standard. Please go ahead.

Prachi Tisal: Yes. So, I'm Prachi from Business Standard. I heard, if I'm not wrong, area sold was reduced. Is it seasonal or how do you justify it?

Boman Irani: Hi, Prachi. Thanks for that question. Repeat what I mentioned in my earlier talk about the quarter. Our average realization rates have gone up this year. That means we have taken on projects with a higher sale value and we all appreciate that when projects have a higher sale value, the velocity of the number of apartments of the square footage always goes down. But I'm happy to state that our value of sales overall has risen by 22%.

So, our pre-sales are INR611 crores this quarter, which is 22% higher than the quarter last year. And as far as we are concerned, the overall price achievements have increased from 17,367 to 25,164 per square foot, which is extremely a welcome step for us.

Prachi Tisal: Sure, sir. Another question, last one. All the projects are situated in Mumbai, Thane. Do you have any future plans coming to expand further? I'm afraid someone else has asked this question, but I would like to ask it again.

Boman Irani: Sure, Prachi. I mean, there's no problem. Basically, Mumbai is an extremely wide and deep market, so is MMR. And if I were to quote numbers that were given through one of the analysts, almost 40% or 42% of the sales by value takes place in the MMR region, which is probably the highest in the country. Rustomjee has followed the path of actually providing all kinds of services to our consumers in this market.

We had earlier announced that we have a MOU with Keppel Data Centres, where we are exploring the data centre business. Our present foray into plotted development shows that we wish to serve those who wish to acquire land as a development category. And the very expanse

of the MMR, which earlier used to end in and around Virar, has now expanded to even Palghar and Boisar.

And having said that, we are not restricted by the MMR in terms of the location or boundary, but we'd like to serve the Mumbai and MMR customer. And that means we will continue to be in this market. No, we have not forayed out, and I don't think we'll foray out to maybe even a Delhi or a Bangalore in the near future. So we will continue to serve this market in all the various categories as such. Thank you.

Prachi Tisal:

Sure. Thanks. All the best.

Moderator:

Thank you. As there are no further questions from the participants, I would now like to hand the conference over to the management for closing comments.

Boman Irani:

On behalf of the management at Keystone Realtors, I thank you all for joining us today. We are always available for any queries that you may have. Kindly reach out to us, and we thank you for your continued trust and participation in our growth. Once again, a big thank you. Have a great evening.

Moderator:

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