SURAJ

November 21, 2024

To
National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1, G Block
Bandra-Kurla Complex, Bandra (East)
Mumbai – 400 051

NSE Symbol: SURAJEST

To
BSE Limited
Phiroze Jeejeebhoy Towers
21st Floor, Dalal Street
Mumbai – 400 001

BSE Scrip Code: 544054

Dear Sir/Madam,

Sub: Transcript of Analyst/Investors conference call held on November 18, 2024

Ref: Pursuant to Regulation 30(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

With reference to our letter dated November 12, 2024 intimating you about the conference call with Analyst/Investors which was held on November 18, 2024, please find attached the transcript of the aforesaid conference call.

The above information will also be available on the website of the Company i.e.www.surajestate.com

We request you to kindly take the above information on record.

Thanking you,

Yours faithfully,

For Suraj Estate Developers Limited

Shivil Kapoor

Digitally signed by Shivil Kapoor
Date: 2024.11.21 19:31:47 +05'30'

Shivil Kapoor
Company Secretary & Compliance officer
ICSI Membership No.: F11865

“Suraj Estate Developers Limited Q2 & H1 FY '25 Earnings Conference Call”

November 18, 2024

MANAGEMENT: **MR. RAHUL RAJAN JESU THOMAS – WHOLE TIME DIRECTOR**
MR. SHREEPAL SHAH – CHIEF FINANCIAL OFFICER
MR. ASHISH SAMAL – INTERNAL IR
SGA – INVESTOR RELATIONS

Disclaimer: E&OE- This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the website of the Company on November 18, 2024 will prevail.

Moderator: Ladies and gentlemen, good day and welcome to Suraj Estate Developers Limited Q2 and H1 FY '25 Earnings Conference Call.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participants lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*", then "0" on your touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rahul Thomas, Whole Time Director. Thank you and over to you, sir.

Rahul Thomas: Good morning. I welcome everyone to our Q2 and H1 FY '25 Earnings Conference Call. Along with me we have our CFO – Mr. Shreepal Shah; Mr. Ashish Samal – our Internal IR; and SGA, our Investor Relations advisors.

I hope all of you have gone through our "Investor Presentation" uploaded on the Exchange and our Company Website.

India's residential real estate sector has demonstrated robust growth in the recent years and we anticipate that positive market dynamics will persist in the coming years. The substantial business development we have accomplished under favorable terms positions us to expand our bookings and margins, paving the way for strong earnings growth in the years ahead.

The MMR region continues to dominate the residential real estate landscape, accounting for significant 38% market share among India's Top 7 cities. Affordable and mid-end segments continue to be the most sought-after segments by developers and builders, contributing to 35% and 29% of the city's new launches, respectively. Within the MMR, the distribution of available inventory across the three sub regions, Mumbai, Navi Mumbai and Thane remained relatively steady compared to the previous quarter. Mumbai continued to lead with a 75% share followed by Navi Mumbai at 14% and Thane at 11%.

Within Mumbai, the peripheral central suburbs emerged as a dominant zone for available inventory, accounting for 30% of the Mumbai's available units. Nearly 32% of Mumbai's available inventory fell within the affordable segment. Compared to the previous quarter, the inventory overhang in the MMR remained steady at 14 months by the end of Q3 2024.

We are extremely pleased with the operational performance this quarter, particularly given that it traditionally represents a seasonally slower period. Despite this, we achieved a commendable 14% growth in sales volume alongside a 10% improvement in realizations, showcasing a resilience and the growing demand for our offerings.

The year-over-year decline in finance costs is another positive development, largely attributable to the utilization of IPO proceeds for debt repayment, which enabled us to reduce debt significant. On a quarterly basis, the decrease in interest expense is further supported by the absence of the redemption premium during this period and in the subsequent quarters henceforth. These favorable financial conditions have contributed to strengthening our bottom line and overall financial stability.

We have raised Rs. 343 crores via preferential allotment of equity shares amounting to Rs. 243 crores and an additional Rs. 100 crores via issue of convertible share warrants. In October 24, we received a total of Rs. 269 crores, which includes fund raised through preferential allotment and subscription money of approximately Rs. 25 crores in October '24. The balance amount is expected within 18 months from the date of allotments of warrants. These funds will be utilized for land acquisitions, working capital, general corporate purposes, and issuance-related expenses.

A group of high-net-worth individuals, asset management funds and family offices participated in the successful fundraising round. We are delighted by the robust investor support for the substantial capital raise. This timely infusion will provide the growth capital needed to expand our operations and diversify our product portfolio. We plan to strategically deploy these funds to reinforce our position in the residential and the commercial real estate sectors, seize new opportunities, and deliver lasting value to our stakeholders.

Looking ahead, we aim for pre-sales of Rs. 850 crores for the current financial year with plans to launch seven new projects totaling to a GDV of Rs. 1,150 crores. Our strategic entry into the Bandra submarket backed by the initial phase of approvals and focused approach on redevelopment under the DCR 33(7) and society redevelopment under 33(7)B positions us strongly for the future growth. We are particularly optimistic about Mumbai's redevelopment potential where over 19,000 properties are more than 50 years old, with 16,000 urgently requiring redevelopment. Our expertise in tenant settlement remains a key driver of value in these projects.

In our ongoing projects, we have sold 5.39 lakh square feet out of a total of 6.09 lakh square feet, generating approximately Rs. 1,370 crores with a receivable of approximately Rs. 767 crores. The unsold inventory totaling 2.71 lakh square feet has an estimated GDV of Rs. 395 crores. The combined receivables of Rs. 1,162 crores from sold and unsold portion of our current ongoing portfolio are expected to materialize between FY '25 and FY '29.

Looking at our future pipeline, we are awaiting upcoming projects with an estimated carpet area of over 9 lakh square feet for sale, approximately 67% of this is in the value luxury projects, 14%

is in the luxury, and 7% is the mix of value-luxury and luxury. And the balance 12% is in commercial properties for sale. The 18 projects are projected to generate a GDV exceeding Rs. 5,000 crores.

The Mumbai Metropolitan Region, the MMR region's residential real estate market --

Moderator: Ladies and gentlemen, we have lost the management line connection. Please stay connected while we reconnect them. Thank you. Ladies and gentlemen, thank you for patiently holding. We have the management line back on the call.

Rahul Thomas: Hi. We just reconnected. To continue, the MMR region's residential real estate market is poised for a robust performance for FY '24. The sustained momentum witnessed in previous quarters fueled by favorable economic conditions and a growing preference for home ownership is expected to continue. With several infrastructure projects nearing completion, and the continued focus on urban renewal, the MMR residential market is well positioned to conclude 2024 on a high note, potentially setting a new benchmark in both sales volume and value. Our optimism regarding the potential with MMR region remains steadfast. We look forward to capitalizing on its growth prospects in alignment with our vision for a robust and diverse wide portfolio.

With this, I would like to hand over the call to our CFO, Mr. Shreepal, who will run you through the financial highlights. Over to Shreepal.

Shreepal Shah: Thank you, Rahul. A very good morning to everybody. I will now run you through the financial highlights for the quarter and half year ended September 2024.

Starting with the performance for H1 FY '25, the total income grew 18.3% year-on-year Rs. 244 crores versus Rs. 207 crores in H1 FY '24. EBITDA grew 16% year-on-year to Rs. 128 crores in H1 FY '25 versus Rs. 111 crores in H1 FY '24. PAT grew 97% to Rs. 62 crores from Rs. 32 crores in H1 FY '24. On a quarterly basis, the total income grew 6% to Rs. 110 crores in Q2 FY '25 from Rs. 104 crores in quarter two FY '24. EBITDA grew as a percentage to Rs. 64 crores in Q2 FY '25 versus Rs. 63 crores in Q2 FY '24. PAT grew 88% to Rs. 32 crores versus Rs. 17 crores.

Coming to the operational performance. Pre-sales grew growth rate of 26% year-on-year in Q2 FY '25 and 13% in H1 FY '25 despite a seasonally weak quarter and the occurrence of some inauspicious period during the quarter. Relations grew 10% year-on-year in Q2 FY '25 and 12% year-on-year in H1 FY '25 on account of price hikes and increased sales of luxury portfolio of projects. Collections grew 90% year-on-year in quarter two FY '25 and 46% year-on-year in H1 FY '25 on account of new project launches and higher sales volume. 40.9% of revenue came from sales of luxury units and 59% of revenue from sales of value luxury units.

With this, I would like to 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 Sagar from Nirmal Bang Institutional Equities. Please go ahead.

Sagar: My first question is on our upcoming 18 projects which have 9 lakh square feet of development area. If I remove the 1 lakh square feet of commercial projects, we have around 8 lakh square feet of residential. And out of that, almost 50%, which is 4 lakh square feet, is coming from two projects which is Marinagar and Girgaonkarwadi. So, if you can throw some light on these two projects, what are the timelines and what we can expect from these?

Rahul Thomas: Hi. Thanks, Sagar. So, in terms of, like you correctly said that most of the upcoming projects carpet area is coming from these two projects. In terms of Marinagar we have already got the first phase of approvals where we already have live IoD in two upcoming buildings there. There would be slight minor amendments in the plan in terms of adding five more buildings in the redevelopment phase. We have already done the necessary paperwork as part of our announcements that the five buildings in the same project also will be added, so there will be an added potential coming up from what we have already discussed. And design is underway as we speak and we are targeting mostly a big launch by next year.

Sagar: And the Girgaonkarwadi project?

Rahul Thomas: Girgaonkarwadi will not commence next year, it will come in the following year.

Sagar: And one more question is, our average realization, and I have seen the presentation on the ongoing projects is shown as some 39,000 per square feet, and our estimated average realization on the unsold inventory we have taken at around 55,500 per square feet. So, if you can just throw some light on what are the last things deals are happening and how confident are we of achieving this number of 55,000?

Rahul Thomas: So, if you see our average realization quarter-on-quarter, Q4 average realization was about 53,650, Q1 was 51,116 to be precise, and this quarter was about 48,366. So, we are seeing the average realization has gone up in the last three quarters, so we have taken a base of the same of the last three quarters.

Sagar: And my last question is, all our largely our upcoming projects are in the Mahim side and not many on the Prabhadevi Worli side, and we are seeing a lot of traction in the market in the Prabhadevi Worli side. So, is it that we have consciously tried to be away from the Prabhadevi Worli side because land cost is high and more towards the Mahim side, what is your strategy, if you can share your thoughts on that?

Rahul Thomas: Actually, lands have already been acquired and since these are already lands which have been acquired and these are larger in size, we need to give returns to the shareholders. So, we are planning to launch the larger developments first and they happen to be in Mahim. And we are seeing good traction even in Mahim in terms of we have a couple of projects in the Mahim belt as of now and we are seeing good realizations coming from them. So, I think we are very confident in that market as well.

Moderator: Thank you. The next question is from the line of Rohit from RM Securities Limited. Please go ahead.

Rohit: I have one question, which segment do we see traction in the industry? Are we seeing oversupply or is it easy for us to sell?

Rahul Thomas: Yes, Rohit, so the traction we are seeing right now, which has always been steady has been the value luxury concept where it is between Rs. 1 crores and Rs. 3 cores. So, that is a constant segment in which there has been steady growth, in terms of not only realization but also in velocity. Even the larger ticket is doing well, but of course we see that prices won't go higher than this. This is our estimate that, we see that the prices will be kind of steady at the current market price. And we are seeing, again, a big demand for commercials. So, just to give you an industry overview, we see commercials, which has good potential. The luxury segment will be obviously doing well, people have a demand for it, but we see the price is not going up from now onwards. And of course what is really doing well is the value luxury concept.

Moderator: Thank you. The next question is from the line of Krishna Shah from Ashika Stockbroking. Please go ahead.

Krishna Shah: So, I have a question on the cost of construction. So, quickly wanted to understand, what is the margin that we are expecting? Are you expecting any increase in the cost of construction going forward?

Rahul Thomas: In terms of construction cost, we are seeing that labor prices have been going up steadily, which obviously will impact our construction cost. But we do not see a very substantial hike in the construction cost, it's normally steady. But of course, there is a labor shortfall we see overall in the entire construction industry and I think that may impact the construction cost, though very marginally.

Krishna Shah: Secondly on the approval side, are we getting any delay on the front of approvals from RERA or any other government body which is impacting the project launches that are planned in the second half of FY '25?

Rahul Thomas: Normally RERA approvals take some time. The number of compliances from RERA standpoint also has increased in the recent circular. So, normally it does take time to get that approval compared to earlier. But I think compliances have just gone up so I think that's why the timeline has been extended.

Krishna Shah: And my third question is on the revenue target for FY '25. So, what is the revenue number that we are expecting to close this year? And at what margin, like the EBITDA margin?

Rahul Thomas: I cannot give you an exact estimate on the future revenue, but I can just tell you that our target of pre-sales would be Rs. 850 crores, and we are quite confident on achieving those numbers. The pro rata, of course depending on the project and the regular recognition method, it will definitely be higher than last year, but I cannot give you an exact estimate right now.

Krishna Shah: And one last question was, what is your target spend on business development that we have planned for FY '25? And how much of it has been done in the first half of FY '25?

Rahul Thomas: We have raised some money under preferential, so I think the end-use was for business development, so that will be kind of extended before March.

Moderator: Thank you. The next question is from the line of Rohit Mehra from SK Securities Limited. Please go ahead.

Rohit Mehra: My question is related to the same fund raise. Where do you plan to use the funds we recently raised? And how much GDV we would it translate to?

Rahul Thomas: So, mainly the objects of the fundraise is also for business development, so a good portion of that would be, roughly around 40% would be for new BD and land acquisition. So, that will be expended before March. And I cannot give you the exact dynamics of the plot because it's a bit too early, but definitely we will inform the exchange and everyone on the GDV once we acquire that land.

Rohit Mehra: And also, can you highlight the breakup of finance cost?

Shreepal Shah: What break up do you require?

Rohit Mehra: Overall finance cost, what it comprises of?

Rohit Mehra: Majorly it's from ongoing portfolio of projects, 19 is there which is there. We can take that question offline.

Moderator: Thank you. The next question is from the line of Sagar from Nirmal Bang Institutional Equities. Please go ahead.

Sagar: Sir, on the Suraj Vibe, our commercial project, if you can throw some light, how has been the response and what we plan to build there, some details if you can share whatever.

Rahul Thomas: So, on Tulsi Pipe Road we have approximately 1 lakh of square feet. The RERA is underway, which is also part of our launch pipeline for this year. So, we are seeing good interest coming up from clients who are looking for commercial space, and I think we are quite confident on closing some deals over there.

Rohit Mehra: And lastly on the Bandra project, anything that you can share with us right now?

Rahul Thomas: So, things are moving positively in the Bandra planning. I think like we informed earlier, we already have the first phase of approvals. We are looking at the larger piece, so design and a lot of technical details are getting worked out as we speak. So, we are preparing for the next year lunch.

Rohit Mehra: In which quarter we plan to launch the Phase 1, the Bandra project?

Rahul Thomas: It again depends on certain approvals, but I think between Q2 and Q3 is something which we are targeting.

Moderator: Thank you. The next question is from the line of Arjun Mittal from Mittal Securities. Please go ahead.

Arjun Mittal: I have a couple of questions. My first question is, what gives us the confidence of achieving our guidance considering we did not launch any new project this quarter?

Rahul Thomas: So, basically we have already got approvals in our commercial project, which I think Mr. Sagar from Nirmal asked the same question. We have the approvals IoD and the CC for that particular project. It's just that the RERA approvals are pending which is taking some time. So, as soon as that RERA approval comes in we are seeing a GDV of approximately Rs. 450 crores of launch only in that one project. So, since these all approval projects which we already got all the approvals, it's just RERA is pending, we are quite confident that these launches will come across very soon.

Arjun Mittal: And my second question is that what would be the GDV we would expect from these new launched products?

Rahul Thomas: Like we said earlier, Rs. 1,150 crores worth of projects will be launched before March.

Moderator: Thank you. The next follow-up question is from the line of Rohit Mehra from SK Securities Limited. Please go ahead.

Rohit Mehra: My just one question, as our debt has gone up despite raising funds, can you give some clarity for the same? And also, can you help us with the what is the cost of debt now?

Rahul Thomas: To answer your question, the cost of debt remains at the same level, 13% weighted average cost of capital. And regarding the dates, I did not get regarding the fund raise your question.

Rohit Mehra: So, my question is, as we have raised the funds, but at the same time our debts have gone up.

Rahul Thomas: Fundraise has happened after September. The debt position which we are talking of is in September. The increasing debt is on account of the upcoming launches where we have spent approval related cost. So, two of our projects, one at Tulsi Pipe Road and residential project known as Parkview 1.

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

Rahul Thomas: I take this opportunity to thank everyone for joining on the call. I hope we have been able to address all your queries. For any further information, kindly get in touch with us or SGA, Strategic Global Advisors, our Investor Relations advisors. Thank you very much.

Moderator: Thank you. On behalf of Suraj Estate Developers Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines. Thank you.