Sunteck Realty Ltd.

Sunteck

Date: 16th August, 2023

SRL/SE/29/23-24

National Stock Exchange of India Ltd
Exchange Plaza, Plot no. C/1, G Block,
Bandra-Kurla Complex, Bandra (East),
Mumbai- 400 051
Symbol: SUNTECK

BSE Limited
Phiroze Jeejeebhoy Tower,
Dalal Street,
Mumbai – 400 001
Scrip Code: 512179

Sub: Transcript of conference call on Q1 FY24 results and Business Updates

Dear Sir/ Madam,

Pursuant to Regulations 30 and 46 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and in furtherance to our letter dated 10th August, 2023, please find enclosed the transcript of the conference call on Q1 FY24 results and Business Updates. The said transcript is also being uploaded on the website of the Company. This can be accessed at the link below:

https://www.sunteckindia.com/images/investor/financial/1692167184_SRL-Transcript-Q1-FY24.pdf

Kindly take the same on record.

Thanking You.

For Sunteck Realty Limited

RACHANA VIPUL HINGARAJIA

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"Sunteck Realty Q1 FY-24 Earnings Conference Call"

August 10, 2023

MANAGEMENT: **MR. KAMAL KHETAN – CHAIRMAN & MANAGING DIRECTOR, SUNTECK REALTY**
MR. PRASHANT CHAUBEY – CHIEF FINANCIAL OFFICER, SUNTECK REALTY
MR. ABHISHEK SHUKLA – VICE PRESIDENT, STRATEGY & INVESTOR RELATIONS, SUNTECK REALTY

Moderator: Ladies and gentlemen good day and welcome to Sunteck Realty's Earnings Conference Call for Q1 FY24.

We have with us today, Mr. Kamal Khetan, the Chairman and Managing Director of the Company, Mr. Prashant Chaubey, the Chief Financial Officer and Mr. Abhishek Shukla, the Vice President of Strategy and Investor Relations.

Please note this call will be for 30 minutes and for the duration of the conference call, all participant lines will be in the listen only mode. This conference is being recorded and the transcripts for the same may be put up on the website of the Company. After the management's discussion, there will be an opportunity for you to ask questions. There is Q&A session and we request to restrict questions to two per participant.

Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone telephone. Before I hand the conference over to the management, I would like to remind you that certain statements made during the course of this call may not be based on historical information or facts and may be forward-looking statements including those related to business statements, plans and strategies of the Company, its future financial condition and growth prospects. These forward-looking statements are based on the expectations and projections and may involve the number of risks, uncertainties and other factors that could cause actual results, opportunities and growth potential to differ materially from those suggested by such statements.

I would now like to turn the conference over to Mr. Khetan, the Chairman and Managing Director of the Company. Thank you and over to you sir.

Kamal Khetan: Very good afternoon to everyone for joining us today and thank you for taking the time to participate in our Company's earning conference call for the first quarter of the financial year 2024.

We have marched into financial year '24 with strong footing. Our presales grew by 16% year-on-year to Rs. 387 crores and collection to remain strong at Rs. 288 crores. This gives us confidence that we will achieve 20% to 30% growth in annual presale considering the new launches planned for the second half of the financial year '24. Our operating cash flow continue to remain strong as we cross Rs. 1,000 crores mark over the last 3 years. This reaffirms our faith in the robust business model built by us which has yielded operating cash flow surplus yield of 22% on the net worth for the last financial year.

I'm happy to report that due to the strong cash flow, our net debt today stands at less than one quarter of the collection at Rs. 264 crores. Our net debt to equity ratio is among the best, now at 0.09X. After our last launch of Sunteck Sky Park Mira Road, we have now five large projects as growth engines which will continue to deliver strong cash flows and profit margins. In fact, our Mira Road project has achieved fastest monetization from acquisition to launch in just 6 months. Going forward, we are planning to launch two more large projects as growth engines, one at Kalyan with a total potential GDV value of Rs. 9,000 crores and second at Nepean Sea Road with a total potential GDV value of Rs. 2,500 crores. All these seven projects will then have a total gross development value for the Company at Rs. 30,300 crores which will provide strong visibility of cash flow and profit margins in the coming 7 to 8 years.

We are creating annuity income also and expanding our rental portfolio; with two projects at BKC junction, one which is Sunteck BKC 51 is already preleased and we have already got the occupation certificate for the same. Our average annual rental from this project shall be Rs. 36 crores during the tenure of the lease. The second commercial project which is Sunteck Icon, another at the junction of BKC, is near completion and we are expecting this also to be preleased at the same and the similar rentals.

On the business development front; our goal is to have an optimum balance of growth and profitability. Within this framework we have a strong pipeline of deals under consideration and we intend to conclude few deals in coming quarters. Execution in all our ongoing projects is in full swing. Our ability to execute continues to be rooted in our exceptional people and the unique inhouse construction model which allow us to control on quality and cost. We believe all of this is making Sunteck business model generate asymmetric risk reward.

In conclusion now Sunteck Realty today stands at a much stronger footing than ever before with increasing number of large projects as growth engines to give the Company sustainable growth over the next few years. As you know, the Company follows the project completion method of accounting. Going forward we will see incrementally projects getting completed year-on-year and we will start recognizing the revenue from this year onwards and the same will be reflected in the financial statements. So, it is important to understand that due to the project completion method, it is better to evaluate the P&L numbers on annual basis rather than quarterly basis. We remain excited about the future opportunities and we remain committed to capitalizing on these opportunities in value accretive and disciplined manner. I will now hand over the call to Prashant Chaubey, our CFO for more information on the earning performance in Q1 FY24. Over to Prashant.

Prashant Chaubey: Thank you sir and good afternoon, everyone and welcome to the earnings call for the first quarter of financial year 2024. The financial and operational numbers have already been published on the stock exchanges. I believe all of you must have gone through the same.

Let me give you some of the brief highlights of the financial performance. Our pre sales stood at Rs. 387 crores in Quarter 1 of FY24 compared to Rs. 333 crores in Quarter 1 of FY23, a growth of 16% on a year-on-year basis. We achieved strong collections of 288 in Quarter 1 compared to Rs. 285 crores in Quarter 1 of FY23. Additionally, to this I am happy to share our presales and collection CAGR since FY21 has increased in tandem to 25% and 27% respectively. We have also generated an operating cash flow surplus of Rs. 76 crores in Quarter 1 of FY24. On the P&L front, the Company follows project completion method of accounting and have reported a revenue of Rs. 71 crores with a core EBITDA margin of 43%. With this, we can now open the forum for questions from the participants. Thank you very much.

Moderator: Thank you. Ladies and gentlemen. We will now begin the question-and-answer session. We have the first question from the line of Adhidev Chattopadhya from ICICI securities.

Adhidev Chattopadhyay: The first question is on our Kalyan launch and whatever Nepean Sea Road next year. Let us know what is the status of the approvals here and how confident are we of the timelines which we have given in the presentation? It is the first question.

Kamal Khetan: So, Adhidev, we are very confident on Kalyan launch. The approvals at what stage we are, we are expecting that we should be easily launching in next 3 to 4 months.

Adhidev Chattopadhyay: Somewhere post Diwali you are saying or before?

Kamal Khetan: I would say on the outer limit it should be close to 3 to 4 months. We can say safely either in Q2 or Q3.

Adhidev Chattopadhyay: On Nepean Sea Road, if you help us understand what is the status there from the approvals.

Kamal Khetan: Nepean Sea Road, obviously we are going very aggressive now. If we talk about that project, we should consider minimum 9 to 12 months timeline.

Adhidev Chattopadhyay: So, second question is on the accounting. Now we have seen peers shifting to a mix of audit completion and percentage completion in the new project. So, is there any thought in our minds also in talks with our auditors and all that something similar could be done so that the financials reflect the performance more accurately of the Company?

Kamal Khetan: So, Adhidev, in fact, we were on the percentage completion method before the Grant Thronton came as an auditor on the board, we debated with them. They insisted us obviously this is for them as per the new norms. They insisted in fact, we shifted to project completion method. So as of now, I don't think we have anything in mind that we should be shifting back to percentage completion method in near future anything unless and until auditor asks us to change it. So, they are pretty confident and comfortable with this method and they in fact want us to be in this matter.

Adhidev Chattopadhyay: That question is mainly because a lot of our projects are not reflecting right now in the P&L.

Kamal Khetan: I agree. But that's the reason last 2 years I think Adhidev we could not show any good P&L numbers. But that's what now, going forward incrementally most of the projects will get completed and that's why we said that year-on-year you will definitely see now good financial numbers in P&L and it will be reflected in the P&L numbers. And that will start from this year onwards, we expect the way the projects are on the final stage of completion, how we are seeing that.

Moderator: We have the next question from the line of Pritesh Sheth from Motilal Oswal.

Pritesh Sheth: First is on slide #16. You have mentioned certain opportunities that you haven't considered in your growth engine calculation. Borivali West is one where obviously we have communicated to the market. But Sion and Jaipur, what are these projects? Are these projects like under consideration, under discussion and when are we going to execute those?

Kamal Khetan: The idea is we have not taken anything into consideration where we are not seeing a visibility in next 12 months of the launch. These are all projects which are old projects. We are just saying that these projects are there. Obviously with Sunteck, it's in the public domain. You know about it; everybody knows about it. We are not taking them into any intrinsic value approach and that's all it is. We are not saying that it will immediately, we are trying our best to launch as early as possible even those projects. But we don't see that anything can be launched in near future. So that's why we are not taking into, their visibility is not there. That's the reason we are not taking into it. You need to take it that way.

Pritesh Sheth: I was just asking. I'm not particularly aware about Sion and specifically Jaipur project. If you can just share some details.

Kamal Khetan: I think you can discuss with Prashant. I think it is there. Prashant, can you share with…

Prashant Chaubey: Yes, Pritesh. We can discuss these projects which are there with us offline.

Pritesh Sheth: Sure, no worries. And in terms of the rentals that we have signed up from upGrad, when can we expect them to start generating rent for us? Whether the 36 crores also include the CAM income or that would be over and above that and some details on that.

Kamal Khetan: Occupation as I mentioned, that occupation certificate has already come, so we have given them a possession. We should expect the rentals to start obviously from next month onwards and this does not include CAM. This is net-net income, this does not include CAM.

Pritesh Sheth: So, they're done with their fit outs and all and we should start seeing rental income.

Kamal Khetan: Yes, we already gave them a soft possession earlier for doing the fit outs and all and they've almost completed all their fit outs. In fact, since the occupation certificate has come, I think they will be operational, full-fledged operational in next couple of days or couple of weeks. That's all.

Moderator: We have the next question from the line of Vasudev from Nuvama.

Vasudev: The first question is on the pricing front. So how is the pricing scenario looking like and have you taken any price hike in Q1?

Prashant Chaubey: So FY23 was a good year where you saw some amount of price inflation in the projects. In the first quarter, we have not taken any price hikes per se, whatever price inflation had happened, it happened in the last financial year.

Vasudev: And for the new launches, what kind of pricing are we looking at?

Kamal Khetan: New launches, obviously the prices will be as per the market, whatever. What do you mean by new launches? The new launches like Kalyan or the existing projects where the new launches will happen?

Vasudev: In Kalyan, as will be charging the market rate.

Kamal Khetan: So, wherever we have launched, we are….

Vasudev: What kind of price hikes are we seeing there?

Kamal Khetan: Your question is not clear. Hikes means price hikes means Vasudev. Wherever we have launched you have seen, we command a premium as a brand and there also when we launch whatever the market is there, obviously we will have a premium Sunteck premium when we launch there. So, we will take that premium when we launch the project of Kalyan.

Vasudev: And my second question is how much is a current unsold inventory in these ODC, Naigaon and the Vasai projects if you can?

Prashant Chaubey: In terms of ODC from the already launched projects, I'm just talking about, from the already launched projects we have close to around 450 to 500 crores of unsold inventory in ODC, in Naigaon, I'll just give you the number. In Naigaon, the unsold inventory that we have from the already launched projects is close to around 300 crores. And from Vasai, from the already launched projects we have an unsold inventory of close to around 400 crores. This is only what we have launched. Over and above, we have the GDV.

Vasudev: If you can give the same number for Mira Road project, what is still remaining to be sold from the launch.

Prashant Chaubey: In Mira Road, also Vasudev, we have close to around 400 crores unsold inventory from the already launched phase.

Moderator: We have the next question from the line of Murtuza Arsiwalla from Kotak.

Murtuza Arsiwalla: You put out that GDV of about 30,000 odd crores from projects to be launched. What would be the cost around this, number one? As well as you talked about launched projects in the previous question, you talked about the unsold inventory. Can you also give us the amount of receivables from launched project sold and cost to be spent to complete those projects? So, both for the future launches, what is the cost? And for projects launched, what is the recoverable from sales already made as well as the cost to be incurred to complete those projects?

Prashant Chaubey: I'll answer your question in three parts. So, first thing that you asked is what is the receivables that we have from our already launched projects. The receivables that we have from our already launched projects is close to around 2,100 crores. That is a number. Now, apart from that, for this launch projects and ongoing projects, the estimated cost which I have to spend is close to around 1,100 crores. That is the amount that I have to spend against this receivable that I am getting. And over and above this, I have the unsold inventory that we spoke about in the last question. That is the number. And for the upcoming project that were talking about of 30,300 crores of GDV, for that the amount that I have to spend on construction per se is close to around 5500 crores.

Murtuza Arsiwalla: That seems very little. 5,500, but anyway, I'll take it.

Prashant Chaubey: Sorry, Murtuza. 8,500 to 9,000 crores. My bad. I'm extremely sorry.

Moderator: We have the next question from the line of Sarang Gupta from Briarwood Management.

Sarang Gupta: You mentioned on the opening remarks that you plan on doing business development to kind of grow the business and have a few deals under consideration. I'd love to hear a little bit more about just the medium-term outlook of the business development in the next 2-3 years as well as how you're thinking about things maybe differently from the last 1-2 years when you were less active and what's changed in the market to cause you to be more aggressive today than the past? If that's the case.

Kamal Khetan: We have, obviously we are in the pipeline, so it will be difficult for me to name the projects which we are negotiating and are in pipeline. I can say aggressively, as I said in my opening remarks, that we are negotiating at least 4 to 5 deals which we are confident of closing, at least three out of them. Whatever we are looking now are all large projects. Mostly we are looking only large and big sized projects. That's what is a strategy going forward for a Company it is. That's what I can talk about for going forward projects. Regarding annuity income, we have already started building up that. We have leased out one commercial asset at the junction of BKC. Again, I can confidently say the second BKC asset at the junction is at the advanced stage of negotiation for preleasing because the best advantage I think we have today, the vacancy level of the offices in BKC is almost negligible I would say. There is no big, large spaces which are available. We will take full advantage of that while leasing and that's why we are tying up the lease for like 10 years, 15 years or more than that. In fact, the first lease what we signed worked in BKC 51 is 29 years and that's how we want to take it forward and obviously we are looking to monetize again looking at the good market. We will also be looking to start very soon the commercial development at ODC also Goregaon West and there also we'll try to create a big annuity income from there as well.

Sarang Gupta: And then just one last follow up question on the pipeline of new projects, are you looking at only JVs or are you also considering outright land acquisition out of these 4 to 5 deals that you are in great stage now?

Kamal Khetan: So out of the five, very frank I can say that three are the full JDA model. Two, what we are negotiating are the buyout but I can say whatever we are buying, like how we built up a Nepean

Sea Road. On a similar model where we are seeing a good value can be created out of it and good IRR can be maintained. So that's where we are looking to buy out only those projects.

Moderator: We have the next question from the line of Prem Khurana from Anand Rathi Shares.

Prem Khurana: So just to kind of continue on this rental transaction that we've done, if you could help us understand your thought process for this business. Now the idea would be to kind of retain these assets or the idea would be once you have a tenant in place then you could look at monetizing these assets and also for ODC, we used to have this large plan of almost 2.6 odd million square feet of area on commercial side avenue 5 and 6. Would you want to continue with the same thought process? I mean you would want to have 2.6 million square feet combination of commercial or retail or the area has changed over the years now and it has been brought down and the residential component has gone up?

Kamal Khetan: So, what we are looking to develop 5th Avenue as definitely combination of commercial and residential because what we see the value because residential is selling at today Rs. 30,000 a square Feet plus which gives a more value to the Company immediately and it gives the immediate cash flow which gives a better return and better ROE for the Company. Nevertheless, but to monetize as quick as possible, we also want to start simultaneously the commercial asset also which is close to another FSI of 2 million square feet which is their area what we have can construct in 5th Avenue over and above 1 million square feet of residential. So even that we would like to start simultaneously. When you ask the question whether we want to, so what kind of returns, I can just give you an example from what we have leased out recently, the BKC 51 Prashant you'd like to share the number?

Prashant Chaubey: So basically, our invested capital in BKC 51 was close to around 125 crores. So, against that 125 crores we are making an average rental of close to around 36 crores. So that gives us a return on invested capital of 30% and this is what we are targeting in our commercial projects. We want to do commercial projects but with this kind of return metrics.

Prem Khurana: But then the idea if you kind of retain these assets because I understand Avenue 5 because it's a large asset and you can have it in your portfolio and kind of continue to see rental escalation, let the rentals grow and create more value. But when I look at BKC or let's say for that matter Sunteck Icon, these are smaller assets. Not sure. I mean, if you want to have these assets continue with you or you could also look at monetizing once these are leased out because the maximum value that you were supposed to create in terms of Rs. 125 crores that you've invested, that has already multiplied. And now onwards there will be mostly adjustment because of the rental escalations that you get to have. So, idea would be to kind of unlock this capital and look for more growth opportunities or let the asset appreciate over the years.

Kamal Khetan: First of all, when we have tied up the BKC assets also, it's the escalation is there year-on-year. So, the rentals will be increasing year-on-year. It's in the agreement that every year the escalation is 4% to 5%. So that is there in the agreement and that will give us the escalation. When you say monetization, definitely we will see. Today it is not that if we can monetize because of that, if we monetize the growth will be faster or slower. I don't think Sunteck has a very strong balance sheet. We are always disciplined in our balance sheet. So, it's not that we are holding any acquisition because the Sunteck balance sheet is weak or not strong or something like that. But nevertheless, if we feel that we should monetize and create more value and when we see that value creation will be more when the interest rate cycle reverses and only then obviously we would like to see it to monetize not at this state where interest rates are high and what we are seeing looking at the current economic situation and the interest rates how it is behaving, I think we are only heading after few quarters maybe we will start seeing interest rates coming down. And when the interest rate starts coming down only that is the time, we should give a thought that whether we should monetize or we should retain the assets. That's what it is.

Moderator: We have the next question from the line of Pradyumna Choudhary from JM Financial.

Pradyumna Choudhary: Both presales and collection in this particular quarter on a YoY basis was slightly on a slower side. So, any particular reason for that? And on the same path are we confident of achieving 2000 crores of presale in FY24? And could you give maybe some sort of a project wise split where this 2000 crores would come from?

Prashant Chaubey: So, this pattern that you are talking about in terms of growth in presales and collections, that is basically, if you look at the last three, four years of Sunteck, our first quarter is generally the weakest quarter. And that is seasonal in nature as well in Mumbai. And going forward, as the second quarter, third quarter, as the festive season comes into play, you start seeing robust sales and collections, and construction activity also increases at that point in time. So that is the reason why you are seeing it's nothing to do with anything else, it's just that and new launches are also going to come going forward. So, the second question that you asked about 2000 crores of presales so I would just like to tell you that if you look at our growth rate from FY21 till FY23 we have grown at 25% CAGR. So, we are targeting 20% to 30% growth in our presale's year-on-year. So that is what our target is. And we will try to deliver on those targets that we have set for ourselves.

Pradyumna Choudhary: My question was this 2000 crores of presales, some broad split of what projects would contribute to them.

Kamal Khetan: So, obviously now if we launch Kalyan, we will have six growth engines, what we call six projects. So that 2000 crore will easily come from all these six projects, and these are six large projects. I can't give you what will come exactly from where, but you can take an average of 300-400 crores from each project. Which is easily achievable. Just to give you an idea, it is like less than 100 crores, 75 crores per quarter from each project.

Pradyumna Choudhary: And second question, there was a slide mentioning the value 30,300 crores of gross development. But realistically, how much do you think is achievable over the next, say, four years, four or five years? How much of the broad development value can we look at achieving on a realistic basis?

Kamal Khetan: So *Pradyumna*, first of all, I would like to correct it's not 50,000 crores, it is 30,000 crores. And we said this is the GDV value. These are all large projects. And I said in my opening remark that 30,000 crores, all this GDV value which will be achieved over a period of seven to eight years across all these seven projects.

Moderator: We have the next question from the line of Nikhil Chandak from JM Family Office.

Nikhil Chandak: I just had one question. In the slide I see Signature Signia Project at BKC for GDV of 1500 crores. Now, what I understand is that this project is long completed. And I'm just curious if it is ready inventory, why are we not aggressively trying to monetize this and sell this off given that the market is buoyant right now? And why hold up this inventory for such a long period of time?

Kamal Khetan: Yes, Nikil. I think we want to sell it obviously ASAP as early as possible. We are trying our best to exhaust this inventory. We all know that last one or two quarters we have not done good sales. But I can assure you, after Q1, there is a lot of deals on negotiation at a very advanced stage. You will see pleasant surprises in Q2 and Q3.

Nikhil Chandak: Because this is like ready inventory. So, it's just that the timing just makes it so much better if you get the cash inflow right now from an overall Company perspective, that is the logic which I was asking for.

Kamal Khetan: I appreciate Nikhil. Definitely we are onto it, and we are confident we'll try to monetize now earlier than we were anticipating. The way we are now pushing the team to get it done.

Nikhil Chandak: And the project also which is there at BKC on the residential side in these purchases?

Kamal Khetan: Currently, new residential nothing is there in BKC for us.

Nikhil Chandak: My second question was on the overall capital structure. I understand the gearing, the leverage is very low, which is very good. But I'm just thinking if you were to get more aggressive in new project acquisition or contracts, would you look to change this thinking on the debt structure or would you still prefer to keep it at a low level at what it is right now? Or can you increase the borrowing to kind of get more aggressive on new project acquisition to have a longer growth trajectory.

Kamal Khetan: I have said that we will be very aggressive. We didn't ever say that we will not be, but at the same time very disciplined with our cash flows. So, we will always acquire looking at our strong cash flows and looking today, what is our current cash flow, we are almost like negligible debt. So, without building the debt, we will continue to be aggressive and more aggressive. So, if you see during the COVID period when in fact we started doing acquisitions, we did some crazy acquisitions, four or five big acquisitions. And in spite of that, we brought down the debt. So that will be our philosophy. Not that always we'll be able to bring down the debt because debt is already very-very low. But we would like to deploy the cash flows which are coming, strong cash flow which are coming to acquire aggressively more new projects.

Moderator: We have the next question from the line of Sri Karthik Velamakanni from Investec.

Sri Karthik Velamakanni: You launched the uber luxury project at Nepean Sea which would have a pricing close to Rs. 1 lakh or more than Rs. 1 lakh per square feet. In addition, you also carry inventory in BKC. So, what would be our go to market strategy from a reinvigorating the sales channel given that we've not been able to do any presales in the BKC project.

Kamal Khetan: So, Sri Karthik, just to correct the question, we have not launched Nepean Sea Road. We are looking to launch in the next nine to twelve months. We have to understand the micro markets are different. Both the micro markets are totally different. One is at BKC and that is at Nepean Sea Road. And the inventory when we talk about BKC, it is three towers. Each tower is like half a million square feet. And when three towers was like it was more than 1.5 million square feet, and which is a large inventory in BKC. Where we are talking about the Nepean Sea Road, it is just close to 2 lakh square feet. So, there is totally a different micro market and different sizes. And just to tell you where BKC we have already sold more than 80% of the inventory. It is this last 10%-15% of the inventory which is there with us. And that inventory you have to understand and appreciate that when we started BKC, we started at Rs. 15,000 a square feet was the micro market price. In fact, Sunteck created the value in BKC for residential only after the Sunteck project came into that micro market. Otherwise, Bandra East was always considered for low-income group or mid income group. In fact, Sunteck could change the perception of the low-income group location to a high-income group. And today, every developer or anybody or everybody would aspire to create a luxury project in and around BKC. In fact, there is nothing which is available in BKC in and around BKC. So there the inventory was very large and here the inventory is much lower. And that micro market, how much is the absorption is much more in Nepean Sea Road, that micro market has a higher absorption of luxury than the micro market of BKC. That's how it is.

Sri Karthik Velamakanni: I have a question to Prashant on the core EBITDA margin calculations, if you could explain what are the direct attributable costs that you are assuming in arriving at a 45% EBITDA margin. And in this context, when you're selecting your EPC contractor, I know some of the construction you do or most of the construction you do on your balance sheet. But in case if you are selecting a contractor, what would be the margin at which you are signing those contracts?

Prashant Chaubey: So basically, the intention was, Sri, this time is that to bifurcate between attributable costs and non-attributable costs. What we mean by that is that the projects which were getting recognized as revenue in the P&L against those projects only how much cost was getting attributed. So that direct cost included both cost of construction, it included employee benefit expense, and it included other overheads as well. But these were directly attributable to the projects which were getting recognized in the P&L. So, this gives us a better understanding of the margin that is being made by that project which has been completed. So, this is what we wanted to show this time in our presentation because we follow the project completion method of accounting and as per accounting standards, the other indirect costs which is like advertising, brokerage, these were earlier getting deferred. They were treated as deferred revenue expenditure. But now they have to get amortized in the quarter in which you are spending irrespective of whether you are recognizing the revenue from that project in the P&L or not. So that is the reason why we wanted to show this bifurcation and help people like you understand that the projects which are getting recognized, though the amount is small, but the kind of profit that we are making on that is huge. So, we wanted to show that. The objective was to show the margin.

Sri Karthik Velamakanni: And this would also include your head office costs that you would attribute to the specific projects, right?

Prashant Chaubey: Absolutely, Sri.

Sri Karthik Velamakanni: And lastly, let's say in this quarter there's a 40-crore indirect cost number essentially from what I understand, all of this pertains to potentially the sales and the advertisement and stuff that's going on outside the projects where you have recognized revenues. Is there anything else that is part of this indirect cost?

Prashant Chaubey: You are absolutely right on that understanding.

Sri Karthik Velamakanni: And the second question on potential margins at which you are basically signing contracts to any of these EPC contractors.

Kamal Khetan: We don't give any third party. The total construction is in-house. There is nothing which we…there will be small-small maybe contracts, but those like obviously any contractors margin would be like 10% to 15% or highest in any specific small contracts or something would be 15%-20% max-max. But that is the advantage. But all the constructions Sunteck does is in-house, so we can maintain better quality and better margins.

Moderator: Ladies and gentlemen, due to time constraints that was the last question. I would now like to hand the conference back to the Chairman and Managing Director, Mr. Khetan, for closing comments. Please go ahead.

Kamal Khetan: Thank you all for taking out the time for Sunteck earning calls. In case, if any of your queries have been left unanswered, you can get in touch with me or my team. We look forward to your continued support. Thank you everybody.

Moderator: Thank you, members of the management. Ladies and gentlemen, on behalf of Sunteck Realty, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.