



Kolte-Patil Developers Limited

Q3 FY22 Earnings Conference Call
February 9, 2022

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY22 Earnings Conference Call of Kolte-Patil Developers. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Shiv Muttoo of CDR India. Thank you and over to you.

Shiv Muttoo: Thank you. Good afternoon, everyone and thank you for joining us on the Q3 FY22 results conference call of Kolte-Patil Developers Limited. We have with us today, Yash Patil, Joint Managing Director; Rahul Talele, Group CEO; Vikram Rajput, Head Investor Relations and Corporate Finance, and Pawan Lohiya, Head, Finance.

Before we begin, I would like to state that some of the statements in today's discussion may be forward-looking in nature and may involve certain risks and uncertainties. A detailed statement in this regard is available on the Q3 FY22 Results Presentation, that has been sent out to you earlier. I would now like to invite Mr. Yash Patil to begin the proceedings of this call. Thanks.

Yash Patil: Good afternoon, everyone. A very warm welcome to everyone present on this call and thank you for joining us today to discuss the operating and financial performance of Kolte-Patil Developers Limited for the third quarter and nine-month period ended 31st December 2021. We hope all of you, your families and colleagues are keeping safe and healthy.

I would like to begin by discussing our view on the overall demand environment for the real estate sector and the broad strategic outlook. Then Rahul will share some insights into the quarter's operating performance. Then Vikram will take you through the key financial highlights for the quarter and finally we will take your questions and suggestions.

As our country and the entire world emerges from the exceptional disruption caused by the Covid-19 pandemic, we see key economic indicators now reaching or even exceeding previous, pre-pandemic benchmarks. With the sharp bounce back expected



in GDP growth in the near term and improving longer term outlook, the real estate sector is poised to benefit with expanding drivers across both residential and commercial segments.

Based on our assessment, we expect demand led factors to create higher residential volumes in key markets with firmness returning to values after several years of time correction. With improving affordability parameters, buyers are now in a position to look for bigger and better residential spaces. They are also looking for developers with strong credentials, compliance adherence and execution capabilities, which is already resulting in market consolidation. These trends could only be expected to accelerate as the trajectory of economic growth, improving living standards and rising urbanization continues to progress after a brief pause due to the recent exceptional situation.

Within this macro space, certain markets that are driven by sharp improvements in the longer-term outlook could be expected to outperform. At Kolte-Patil, we believe we are well-positioned to benefit from both broad, emerging consumption themes in the sector as well as our specific exposure to markets that draw visibility from the re-emergence of growth in specific economic sectors.

Let me also highlight our views on Business Development here. We are not into signing aggressive Business Development deals just to move the needle on market perception. See if the deal goes wrong the money never comes into the P&L. There are lot of things to consider – sales velocity can decline, costs increases, launch delays due to approval issues, lack of appreciation in realizations etc. We are one of the few real estate developers where the bookings, collections, delivery and revenue cycle matches in three to four year time frame. Consistent P&L performance, OCF generations and double digit returns have come in. To summarize, yes we will scale up faster than we have in the past but will continue to maintain financial discipline. Over the next 12-18 months we are targeting Business Development of 10 msf which includes 8 msf in Pune and the rest in Mumbai and Bengaluru. This translates to a topline addition of Rs. 6000-7000 crore.

With that I would now like to hand over the proceedings to Rahul to discuss the operating highlights and business outlook.

Rahul Talele:

Thank you, Yash. Good afternoon to everyone attending this call.

Each successive quarter in FY22 our operations and performance has strengthened. We have hit significant sales milestones in Q3 FY22, which has been our best-ever quarter in the last seven years both in terms of sales volume and value. Sales value in the quarter at Rs. 561 crore improved 77% YoY and 31% QoQ; while sales volumes in Q3 FY22, at 0.86 msf, improved 56% YoY and 28% QoQ.

We have now achieved sales value of Rs. 1,238 crore in the first nine months of FY22, which is more than the full year sales value of Rs. 1,201 crore for FY21. Overall, our business has the momentum to end FY22 on a strong note.

Sales traction has been strong across the markets of Pune, Mumbai and Bengaluru as well as across product categories. Life Republic continues to be a landmark and has been the top selling project in the entire Pune market during CY2021. During the quarter, we successfully launched R16M and R1C sectors at Life Republic that has once again seen positive customer interest. Overall, during Q3, we have sold 470 units at Life Republic and 264 units at Universe, which is a sector within Life Republic. Further, Equa at Wagholi launched during the end of December has witnessed a healthy response, despite the onset of the third wave.

Our robust sales machinery and brand equity is getting increasing recognition not only in Pune but in Mumbai and Bengaluru as well. Our diversification story continues to play out well, with Mumbai portfolio contributing up to 25% of total sales value. Mumbai region reported sales value of Rs. 143 crore in Q3 FY22, as against Rs. 57 crore in Q3 FY21, on the back of an uptick in Verve and sustained momentum in Vaayu. Mumbai contributed Rs. 321 crore to Sales Value in 9M FY22, significantly higher than full year Mumbai Sales Value of Rs. 180 crore in FY21. Bengaluru also recorded sales value Rs. 30 crore in Q3 FY22, taking the contribution from projects outside Pune to ~31% during the quarter.

The increased focus on Mumbai enables an optimal blend of volume and value. We entered the large Mumbai market through a niche – society redevelopment, which perpetual opportunities. In the redevelopment segment, rarely is the highest bid the winning bid. We strengthened our value proposition, credibility and trust through focused initiatives: transparently engaging with society members, judicious carpet area offerings; minimal upfront costs, moderating working capital outlay and flexible portfolio mix. This has earned us attractive visibility and brand presence in Mumbai.

We have good brand recall in Mumbai due to the geographical interdependence between Mumbai and Pune. Also a meaningful part of Pune sales comes from Mumbai, the financial and banking community knows us. We have built good channel partner and construction relationships in the last few years. We have a strong team in place, especially in liaison, we do it internally. Our ecosystem is built now. The proof of this was Evara which was our first Mumbai launch in last four years getting sold within 6 months. As well as us driving top quartile realisations at Vaayu and Verve. In addition to redevelopment, we are looking to grow our Mumbai portfolio and execute new outright/structured and JVs/JDAs deals. In terms of project acquisition our project sizes will be Rs. 300-800 cr topline and ticket sizes will be Rs. 1.5-3.5 cr.

Despite the third wave, Omicron, construction continued at a healthy pace. There was no work stoppage and we have managed to avoid labor migration and retain our entire workforce. This reflects in our collections performance. An improved momentum in sales, registrations, construction, and CRM drove Q3 FY22 collections up 10% YoY and 13% QoQ to Rs. 421 crore.

Going forward, KDPL is geared up to scale its operations while maintaining a strong balance sheet. We have a robust pipeline of launches for the next few quarters across our three core markets with aggregate saleable area of ~5.38 million sq.ft. and

aggregate topline potential of ~Rs. 4,600 crore. From a sales perspective, January 2022 has been healthy, with only the first week, seeing a slight drop in walk ins. And from thereon sales picked up. We expect to end this year as the best ever from a sales value perspective given there aren't any prolonged and severe lockdowns. Most importantly, we are evaluating several business development opportunities in line with our aggressive growth objectives. The propensity of land owners to associate with Kolte-Patil has been increasing in Mumbai as well and we hope to conclude some value accretive deals in the coming quarters. As a Company, the focus remains on creating many more performance records and enhance value for all our stakeholders.

With that I now hand over the proceedings of this call to Vikram to provide a financial overview.

Vikram Rajput:

Thank you, Rahul. Good afternoon, everyone. I hope that all of you and your families are keeping safe and well. I will now briefly take you through our financial performance for the quarter ended 31st December, 2021.

Based on CCM-based accounting, in Q3 we reported revenues of Rs. 240 crore, up 26.3% and in nine months we reported revenues of Rs. 741 crore, up 87.4% on a year-on-year basis.

EBITDA for Q3 stood at Rs. 31 crore compared to EBITDA of Rs. 46 crore in Q3 FY21. EBITDA was at Rs. 146 crore in the first nine months vs. Rs. 24 crore in 9M FY21.

Our net profit after tax post minority interest came in at Rs. 5.4 crore compared to Rs. 23 crore in Q3 FY21. Net profit was Rs. 53 crore in 9M FY22 as compared to a loss of Rs. 26 crore in 9M FY21.

Here, we would like to remind you that recognition of revenue and profits are dependent on the timing of project completion based on statutory accounting guidelines. Our focus remains on maintaining sales performance, timely execution, and cash flows, which will continue to drive P&L performance over time.

The liquidity in our business operations remains strong, resulting in further reduction of Rs. 42 crore in net debt in Q3. We have reduced our net debt by Rs. 138 crore during nine months of FY22. Our net debt to equity stands at 0.19 as on December 31, 2021. Further, the Operating Cash Flow for the quarter stood at Rs. 116 crore and at Rs. 342 crore for nine months of FY22.

We now expect to report to an improved performance across operational and financial parameters to end the year on a strong note and look forward to building on these achievements going into FY23.

On that note, I conclude my opening remarks and would now like to ask the moderator to open the line for Q&A.

Moderator:

Thank you very much, sir. We will now begin the Q&A session.

The first question is from the line of Pritesh Sheth from Motilal Oswal. Please go ahead.

Pritesh Sheth: The first question is on realizations at Universe R10 which have reached a very impressive level of close to Rs. 6,000/sq. ft.. On the new sectors that you have launched this quarter, that were outside of Universe, what were the realizations for those sectors?

Yash Patil: The realizations for sector R10 were high as we are running a scheme of 20:80. Hence, they are on the higher side i.e., of Rs. 5,800 and above. In terms of the rest of the sectors, we are on Rs. 5,300.

Pritesh Sheth: Any material increase that you have taken versus whatever we have launched earlier?

Yash Patil: In the last quarter, we had increased our prices in the township segment from Rs. 5,000 to 5,300.

Pritesh Sheth: In terms of the launch pipeline, you have highlighted ~5.3 mn sq. ft. How close to launch are the projects? Would it be a few projects in this quarter or in the next couple of quarters? Are the approvals coming in on time or are there any delays? What would the Mumbai launches, specifically be and when are they coming into the stream?

Rahul Talele: On the Mumbai launches – Golden Pebbles and Sukh Niwas are in the process of approvals. Both, with a combined top-line of over Rs. 400 crore and will get launched in the last week of March or earlier on in Q1 FY23. Apart from that there are four projects lined up for launches in the next three months. One is in the western part of Pune – Baner, with a top-line potential of ~Rs. 1,200-1,400 crore. One project at Tathawade, which is again in the western part of Pune and a couple of sectors in Life Republic, that will get launched in early Q1. At the same time, Giga would be getting launched in the next 10-15 days; we have applied for RERA.

Yash Patil: To add to that, in Bangalore, we have closed the plan at Raaga 3 and it is under approval. We are expecting the EC in Q1 FY23, i.e., in three months' time.

Pritesh Sheth: So most of them would be launching in this quarter and the next quarter?

Rahul Talele: All of these projects are in the under approval stage and we are expecting to get the approvals in the next 45-90 days. Post that we will complete the RERA formality and will aim for the market launch.

Pritesh Sheth: On business development – it has been your focus since many quarters now. Obviously, you are evaluating deals but at what stage are you in terms of getting the deal on stream for the future project pipeline? I mean, we don't want you to rush on that, if you could provide an update on the status of the progress here and if there is anywhere where you are getting stuck at, if at all?

Rahul Talele: During our last call, I had mentioned that the BD activity is not an event and is a process. We follow that very diligently and that is one of the reasons why we have not defaulted in a single project taken up in the past.

We want to continue with that kind of an approach with the profitability at the project level. At the same time, we are very serious about the aggressive BD closures. We are currently evaluating more than 30 mn sq. ft. of BD proposals, which are in a mid or advanced stage.

However, you cannot take this as a guideline because, there is an in-depth kind of a checklist that we follow, i.e., from technical and legal due diligence. Once that is over, we will be in a better position to communicate on the positive outcome with the market. Trust us, we are taking that very seriously and in next few months, there will be an interesting announcement in the market.

Moderator: Thank you. The next question is from the line of Prithvi Raj from Unifi Capital. Please go ahead.

Prithvi Raj: Regarding the sales area – over the last few years, you did close to 2-2.5 mn sq. ft. per annum. Now, given that your new team is in place and the industry tailwinds seem to be good, would you be looking at the extra sales ramp up in the next couple of years?

Rahul Talele: We will end this financial year, as I mentioned in the opening remarks as our best ever sales value. If you add 15-25% on that, it will be a Rs. 2,000 crore plus number for the next financial year. We are confident of achieving those kind of numbers given our portfolio in the three geographies.

Prithvi Raj: In terms of volumes, could we expect a run rate of ~3.5-4 mn sq. ft. over the next couple of years?

Rahul Talele: The 'per sq. ft.' realization is increasing every quarter. So, considering that it will be more than 3 mn sq. ft. for the next financial year. However, we want to focus more on the value rather than the volume.

Moderator: Thank you. The next question is from the line of Bajrang Bafna from Sunidhi Securities. Please go ahead.

Bajrang Bafna: Congratulations for the very strong set of pre-sales numbers and by far it is a much better performance that you have exhibited.

So, Rahul sir, you have already indicated that the potential pipeline for the Company. The number in the presentation indicated 5.3 mn sq. ft., and ~Rs. 4,600 crore of sales value that is already in the selling stage. If you could highlight some from the 30 mn sq. ft. kind of deals that are there in the pipeline and where you are in terms of that?

Considering all those aspects, in this year I think that the Company is going to surpass the 2.5 mn sq. ft. guidance and hopefully would be close to 2.7 mn sq. ft.; seeing that now, you are guiding for 3 mn sq. ft. for the next year. I think that the pipeline is indicating a very strong demand in the system, which perhaps you are exploring at this point of time.

Thus, if you could highlight more in terms of pre-sales and the margins that you are looking at? For the last three quarters, the Company has been doing very well in terms of the pre-sales numbers, but in terms of P&L, that is something which is equally important to exhibit. You were selling ~Rs. 1,200 crore in run rate for last 3-4 years and this year those numbers are exhibiting in the P&L; however there, the numbers are not a very decent set.

So, how are the numbers going to be visible, maybe next year, even from a P&L perspective?

Rahul Talele:

Thank you for your in-depth question. So, let me answer point by point. Firstly, you mentioned about the 30 mn sq. ft. Those are the quantum of deals that we are currently evaluating, not at a primary stage but at the mid or advanced stage. This does not mean that all of them are in the advanced stages of discussion and that all will materialize.

Secondly, we are confident that we will surpass the 2.5 mn sq. ft. guideline for this year and in the next year, it will certainly be more than 3 mn sq. ft.

Thirdly, regarding the margins – basically, it varies from project to project at the time of BD evaluation. If the projects are Joint Venture/JD projects, the EBITDA margins or the absolute margins will be on a lower side, but there, the IRRs will be on a very high side. This is because we have to infuse, we have to give the landowner the deposits, we need to spend for the marketing and go to market – so this is the kind of cost in the project. Whereas for the outright ones, the absolute margins are on the higher side of 30-35%, but in terms of the IRRs, it will be in the range of 25-40%. So, from the absolute margins perspective, certainly there will be a difference, but from the IRR perspective, it will match our expectation of 25-35% of IRR.

Regarding the P&L, basically all costs and particularly all the corporate level overheads are getting recognized QoQ and so, it is rationalized throughout the year. And at the same time, revenue is getting recognized if we get the OCs, they are not rationalized throughout the year. There can be a spike in few quarters and there can be no OCs in few quarters. So, certainly this is not the best indicator to measure the performance. It was what Yash and Vikram mentioned during the opening remarks which said that our pre-sales numbers are strong, the operating spend is strong and at the same time we are collecting almost equivalent to our pre-sales number. That itself shows our strong exhibition capabilities without compromising on our margins.

If you see the project level margins, we are maintaining them. So, if EBITDA is in the range of 20-25%, PAT will be in the range of 10-13% at the corporate level.

Bajrang Bafna:

Yes. Fully appreciated, sir. I just asked this question for the benefit of all the participants as we have a tendency to also look at the P&L. However, in real estate more important is the cash flow. So, I think you have rightly pointed out that aspect.

What are the sort of OCs that the Company is likely to see in Q4 and maybe in FY23? Would the Finance department be able to give a sense on the P&L visibility for the next year? will be really appreciated.

Rahul Talele: So, in Q4, the revenue recognition will be in the range of Rs. 350-400 crore and in Q1 next year, it will be additional Rs. 400-450 crore.

Bajrang Bafna: Okay. So, probably next year on an overall basis, YoY will be better than what we are in FY22?

Rahul Talele: Certainly.

Bajrang Bafna: Even from the P&L perspective?

Rahul Talele: Many of our projects are in the advanced stages of development. So, the finishing work has started. RERA timelines are approaching for the next financial year. So certainly, next financial year will be one of our highest deliveries in terms of the volumes and that will ultimately reflect in our financials.

Bajrang Bafna: Great. Great. And wish you all the best, sir, for your future performance. Thank you very much.

Rahul Talele: Thank you, Mr. Bajrang.

Moderator: The next question is from the line of Rohit Balakrishnan from ithought PMS. Please go ahead.

Rohit Balakrishnan: There was a note on your financials regarding Sunflower Properties and Planet UK with you having done a deal on 20:80 terms – 20% to the Company and the rest to Planet UK. Could you explain that?

Rahul Talele: Yes. So, let me explain the business rationale. It is a win-win deal for all three parties, especially for the Company, as loan repayment of Rs. 25 crore has happened through that transaction. Also, realizations will benefit. There will be better realizations per sq. ft. with the introduction of Planet as they will come up with smart solutions; at the same time, their community engagement experience is also very good. Certainly, there are some tangible benefits that we have added in this deal in terms of project management fees and the like. Also, since ASK was with us for over five years, they were also fine with this exit. On the accounting side, Pawan, will elaborate.

Pawan Lohiya: From an accounting perspective, this was treated as a subsidiary earlier. However, now the Company holds only 20% of that entity, going by IndAS 110 on Consolidated Financial Statements', this needs to be re-recognized in the financial statement and that is the reason why those fair valuation adjustment entries have been passed in the books.

Rohit Balakrishnan: What was the potential development area in terms of 'sq. ft.' for this land/property?

Yash Patil: I believe that it was ~2 lakh sq. ft., which is ~Rs. 140 crore.

Pawan Lohiya: Yes, that is right.

Rohit Balakrishnan: So, for any investment for development that needs to be done, 80% of that would be done by Planet UK?

Rahul Talele: That is correct.

Rohit Balakrishnan: Understood. You mentioned that the Company would achieve sales beyond 2.5 mn sq. ft. this year and in the next year, beyond 3 mn sq. ft. On the P&L front, in terms of these numbers, would it probably take on a two-year kind of a time lag?

Rahul Talele: This will have a constitution from across verticals; some of them will be G, plus 12-14 storeys. That will come into P&L in a couple of years. Some of them i.e., ~70 meters kind of developments, will come in the P&L in ~2.5-3 years. A few high-rise projects will take 3.5 years.

Rohit Balakrishnan: Would the estimate on average be between 2.5-3 years?

Yash Patil: 3 years will be an average.

Rohit Balakrishnan: Would/would not it be fair that the society redevelopment in Mumbai would have a faster turnaround than the average of 2.5 years; would it be higher than the average?

Rahul Talele: Currently, all projects in Mumbai are high-rise projects i.e., considering that and the new pipeline projects. Thus, 2.5-3 years is a comfortable timeline.

Rohit Balakrishnan: In terms of BD – it was mentioned that you have a long pipeline and a big pipeline. We have been hearing that, in general, prices have been increasing sharply, especially of land, over 1-1.5 years. How do you look at that, internally as the more you delay, the more your economics may get impacted. Is that the right way to think about it?

Rahul Talele: The primary logic behind the appreciation in land prices is the infusion of additional FSI by the State Government on a 'per sq. ft.' basis. On a 'per saleable sq. ft.' basis, the land prices are still intact. Suppose the land area is ~10 acres, 4 lakh sq. ft., but the saleable potential earlier was 8-10 lakhs sq. ft.. Now, it has gone up to 15-16 lakh sq. ft.. In absolute terms, the rate 'per sq. ft.' on land area has gone up but not in terms of the FSI; rather, it has reduced a little bit.

Thus, on a 'per sq. ft.' basis, our numbers are still intact and considering our track record in Pune, we are certainly getting better deals as compared to the others. The deals that we are currently evaluating have very good terms as compared to the market announced deals.

Rohit Balakrishnan: In the past, the Company has done DM deals in Pune. Now obviously, there is a revival offers in the overall real estate space. Given the strong positioning, will there be a

preference for you in not doing DM and doing more of either JV or outright kind of purchases, that are slightly more capital intensive which are much better?

Yash Patil: I believe our focus is going to be on JV/JDs and structured outright deals; DM deals will remain but would constitute a very small percentage of the portfolio with perhaps ~3-4 deal in the overall portfolio. With DMs we need to have the confidence that the landowner would see it through to completion. Only if the landowner matches our due diligence and we are confident on their financials, would we go ahead with the DM deal. Hence, it will remain a very small portion in our overall portfolio.

Moderator: Thank you. The next question is from the line of Manoj Dua from Geometrics. Please go ahead.

Manoj Dua: Congratulations for good sets of numbers. On BD – what are the kind of deals that you are getting, given there is good revival in real estate along with there being many factors helping real estate companies. Would you be coming across better deals as compared to last year? What do you see the future of this trend as, over the next one year?

Regarding BD in Mumbai – What are the new things that the Company is doing? If you could give an idea on the redevelopment/BD specifically here, as it is a very high attractive sector in terms of high return ratios and good opportunities sites?

Rahul Talele: The deals have been there in the market since last few years. The only thing is that now everybody is running after the deals. Certainly, we have strengthened our BD deals portfolio and are spending a lot of time on that evaluation.

That is one of the reasons why that as compared to the last year/few quarters that we have been evaluating a higher quantum of BD deals at this moment of time. The sizes of these are in the range of 1-4 mn sq. ft. particularly for Pune.

In Mumbai, our strategy is very simple – we want to have projects in the range of Rs. 300-800 crore, ~Rs. 1,000 crore of top-line and with the sales value i.e, 'per sq. ft.', in the range of Rs. 12,000-17,000. In terms of the Mumbai strategy and what it is that we are doing differently this year is the same as I said about Pune. We have strengthened our BD team in Mumbai and now, there are there are two verticals. One vertical is taking care of redevelopment/BD deals and the other is taking care of the JV/JD and structured, outright transactions.

Along with that, we have identified a few micro-markets, apart from the western suburbs, wherein we had strong presence earlier. The Company did not have presence in the Central and the New Mumbai markets and there, we are evaluating multiple BD deals; however, only in selected micro-markets.

Manoj Dua: Are there any particular deals that you are looking at in Pune; perhaps a large parcel or township? What is the kind of pipeline there?

Rahul Talele: There are multiple deals. Let me give you a few examples without disclosing further details. A couple of deals, are the 'ready to launch' kinds of deals as the earlier developer is now unable to perform better and we have taken over those deals and are under evaluation.

Another couple of deals are in prime locations, with 'per sq. ft.' realizations being in the range of Rs. 6,000-8,000 per sq. ft. and with a top-line potential of ~Rs. 1,000 crore

A few deals are of a good size providing visibility for the next 6-8 years, with a potential of ~3-5 mn sq. ft.; in the per sq. ft. range of Rs. 4,500-5,500. In that segment, we are only evaluating bigger land parcels, so that we can create the project in 5-6 years, even though the size is very big.

Manoj Dua: Okay. These questions were coming from what we are assuming with the revival of real estate, and the kind of balance sheet we have, it would be very appropriate to have this pipeline for next four years or five years, which we can build with all the compliance in a little bit faster way, because that will help us to have better choices because the real estate revival is leading to the better health of the many financial, many real estate companies.

Rs. 2,000 crore for next year, I know that it will be recognized at different stages; what would be the expected EBITDA margin here?

Rahul Talele: In terms of the EBITDA margin, it varies from 20-25% for the projects in Pune, as well as Mumbai and Bangalore.

Yash Patil: Addressing the first part of your question, we are cognizant of the upcycle that has come and are very bullish, gunning for closing deals. We are hoping to announce something very soon. Hopefully, in the next quarter or two, once the due diligence is done, we will also be able to announce this. We are also equally upbeat because this cycle has come after long, i.e., after eight years and we see that this is here for five years. So, we are also gunning for business development to happen as quickly as possible.

Moderator: Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: Congratulations on the good set of numbers and strong pre-sales momentum. On the development pipeline – in the next 12 months, how much of this can be converted in terms of numbers that can be quantified? What are the BD additions that you are looking at for the next year; also if you can give a breakup between Pune-Bombay and outright, JV/JD and redevelopment?

Rahul Talele: Yash mentioned this in the opening remarks – we are gunning for a 10 mn sq. ft. of business development activities in three geographies. Out of that, ~7-8 mn sq. ft. will be in Pune, with a top-line potential of ~Rs. 4,000 crore and 2-3 mn sq. ft. will be from Mumbai and Bangalore together. This will add another ~Rs. 2,500 odd crore.

- Parikshit Kandpal:** And this will be over what time of the year? Just can you tell me the quantum? If you can break it up into years, like what is the current advance stages, in terms of advance stages where you're looking at the closure in this FY'23? You can quantify at least for, INR6,500 crore, INR7,000 crore break up? If you can give it year-wise, that will be helpful.
- Rahul Talele:** This will come in next 4-18 months. Whatever deal we sign in the first half of FY23, that will materialize and get launched in FY23 itself. The next ones will be for the following financial years. We are confident that we can achieve this sales guideline of crossing Rs. 2,000 crore for FY23.
- Yash Patil:** Like in this quarter, we proved that the contribution of projects outside Pune was 33% and I believe that will continue.
- Parikshit Kandpal:** My question was on BDs and not on sales. I am asking on the Rs. 6,500-7,000 crore of the BD pipeline of 10 mn sq. ft. and if you could provide a year-wise breakup?
- Yash Patil:** It is a simple thing – this year, we have done suppose say ~Rs. 1,500 crore or Rs. 1,600 crore and next year we add say, Rs. 2,000 crore or 2.5-3 mn sq. ft. So, it would be 0.5 mn sq. ft. that we are looking to add; 5 lakh sq. ft. means that if you add two projects that are giving a run rate of 20,000 per month of 2.5 lakh sq. ft., so we will complete our 5 lakh sq. ft. I believe that this is the guidance we can say for now, for next year.
- Rahul Talele:** We cannot give any further guidance on the closure of BD deals. You may see closure in a couple of days or in one quarter and maybe a no deal closures in another quarter. However, we want to give assurance to all the stakeholders that we are constantly focusing on BD activities and this will certainly result into a concrete outcome.
- Parikshit Kandpal:** On the launches – there are three launches, in – Baner, which is for mixed use, Giga, commercial and Boat Club which is also for commercial use. Does 'mixed use' means commercial and retail both and are you going to have any of these assets on your books? Would all the commercial use projects be for sale in the market?
- Rahul Talele:** All these commercial use projects are for sale. This is a strata kind of commercial that we are going to develop and would be for sale in the market. It is a mixed-use kind of project and the retail and commercial component is there.
- Parikshit Kandpal:** In these cases, is there more due to FSI optimization or would it be that the commercial realizations are much higher than the residential realizations in these three places, i.e., Baner and Viman Nagar and Boat Club Road?
- Yash Patil:** Yes, I believe that the location is also strategic and it is facing the highway. Thus, better margins from the commercial and the retail use. At the same time we are using those cash flows for our residential use projects to have financial closure.
- Parikshit Kandpal:** On the two projects which have been lying there for quite some time in the land bank, around Kalyani Nagar of 1 mn sq. ft. What is the update on the status there on -

approvals and launches of these two projects? Is there any encumbrance on these and are the titles clear? Why are these projects not a part of approvals/vendor approvals in the year and still in the land bank?

Rahul Talele: For the Aundh project, we are evaluating on how we can take the benefits of the Unified DCR and for the project at Kalyani Nagar, we have already started on the planning side and it will get added to the launch pipeline maybe in the next six months.

Parikshit Kandpal: So, in the next six months, you plan to launch the Kalyani Nagar project?

Rahul Talele: Yes.

Parikshit Kandpal: Would that be residential or non-residential?

Rahul Talele: It will be a residential development.

Parikshit Kandpal: Great sir. Launch pipeline looks quite robust.

Rahul Talele: At the same time, it is under a TOD zone and we are seeing how we can benefit from that and are waiting for further clarity from the corporation on this. Our planning is ready. Once we get that clarity, we will go for approvals for that project. What I mean by TOD is that there is a unit size restriction of 60 sq. mt. on 50% units and 90 sq. mt. on 50% units.

Parikshit Kandpal: Why is there such a restriction?

Rahul Talele: This is because it is close to a metro station and there are certain FSI benefits for that. However, that locality is more inclined towards premium development and we are evaluating on how we can take advantage of that.

Yash Patil: The Government, in its circular, is thinking of revising the 60 sq. mt. and 90 sq. mt. Once we get that clarity, then we can go ahead with the planning and that is what we are waiting for.

Parikshit Kandpal: You have enough to launch for the next year to achieve Rs. 2,000 crore. I would like a bit more clarity on what the BD pipeline can build up and get converted to. You have highlighted that you will not be in a position to provide a guidance and what could understand is that you are clearly evaluating a lot of opportunities where a few may get fructified over the next six months. However, in the near-term, I do not think you need to worry about projects as you have enough to launch.

The debt has been coming down quite a lot in a cycle which is very strong. How do you look towards that, now that the debt is perhaps at the lowest level and from here on can we see accelerated BD deals or outright land purchases that may increase your debt?

Rahul Talele: To give you an insight, we are currently evaluating and are at a term sheet stage for the debt of ~Rs. 250 odd crore and that will get utilized for the next round of business development.

Moderator: Thank you. The next question is from the line of Himanshu Upadhyay from O3 Capital. Please go ahead.

Himanshu Upadhyay: Good set of numbers. On Life Republic – you are working with the FSI of 1 and to reach 1.7, you have stated that the Company would need to spend Rs. 50-60 crore and a break-even for that has to be realizations of ~Rs. 6,000 per sq. ft.. So would not it be prudent to go for a higher FSI, as it helps increase the area by 5 mn sq. ft.. If you make an incremental EBITDA of Rs. 2,000 per sq. ft.; the overall EBITDA can go up by Rs. 1,000 crore, which is huge and has much lesser execution risk as you know this market. And, some of the criteria what we stated earlier that we need a realization of around INR 6,000. Even if you say Universal is Rs. 5,900 per sq. ft., where you have some sharing but you have already reached Rs. 5,300-5,400 per sq. ft. So, reaching Rs. 6,000 per sq. ft. seems quite possible in next two years.

When you are looking at so many outside deals to grow the business, so, why not get 5 mn sq. ft. more.

Secondly, when we look at other builders, let us say Oberoi or any others, the focus is to get more out of the successful project and to get more FSI over a period of time, because you keep on increasing the realizations and such.

However, your thought process seems to be to sell fast – execute and get over it. The IRRs can be extremely high if you are able to get that 5 mn sq. ft. and the cost is only Rs. 50-60 crore. That you elaborate your thought process here?

Rahul Talele: Thanks, Himanshu. This is an interesting question. Let me give you a broader understanding. This is an integrated township development. What I mean by integrated development, is that – there is a Government guideline, wherein, there is no restriction of FSI in any plot. It is a floating FSI across the township.

There is complete flexibility to use FSI in any sector as much as possible. With that approach, even with a significant FSI currently available, instead of infusing more money, how can we optimize that FSI with the use of minimal lag. Once this FSI gets exhausted, then we will top-up after paying that additional premium of Rs. 100 per sq. ft. to get that additional FSI beyond 1.

At the same time, what I discussed in my earlier call, is that there is a delta loss if I go beyond 70 meters. So, in order to consume that last 10% of FSI, if my rate is Rs. 5,500 per sq. ft., I am getting a delta of say Rs. 1,500 per sq. ft.. If I go beyond 70/90/100 meters, with the same set of topline rates, maybe my construction cost will go up by Rs. 300-400.

Ultimately, in terms of the absolute number, my earnings will be same, but at the same time the project will get delayed because of the high rise and the collections will get delayed as well. Hence, we have done various kind of workings and once we achieve the ~Rs. 6,000 per sq. ft. mark in the township, we will gun for the consumption of that additional FSI. Having said that, we have reserved around 50 acres in our township of most prime land to cater to this additional FSI. That is achievable once we cross that Rs. 6,000 per sq. ft. mark in the township. I hope I could answer your question.

Himanshu Upadhyay: Yes. Let us say that you have ~10 mn sq. ft. currently. If it increases to 1.7, you get an incremental 6-7 mn sq. ft. So, does it mean that you can use that incremental 7 mn sq. ft. on construction of a land parcel of ~50 acres?

Rahul Talele: Currently our plans are not for 1 FSI; we have already planned this township to consume around 1.3-1.5 FSI. I have just talked about that consumption of 0.2 FSI from 1.5 to 1.7.

Himanshu Upadhyay: Okay, So the thought is there that as the life increases my EBITDA, and my IRR for this project can improve very drastically.

Rahul Talele: Yes, certainly. So that is the reason now; our township is at the inflection point at this moment of time. If you study various townships, there is pain in the first few years of laying the infrastructure and having the residents active in the townships. That is already done in this township. Now, it is all about adding the missing elements in the township. Once that is in place, we are confident that we can surpass the first benchmark of crossing Rs. 5,500 per sq. ft.

And in the next round, it is about how we can achieve Rs. 6,000 per sq. ft. But certainly, those 50 acres will be reserved, to cater to that premium development, maybe 3-4 years down the line. So, there will be very minimal loss of FSI, very minimal loss of FSI.

Himanshu Upadhyay: Would the Company be ready to pay that Rs. 50-60 crore or whatever will be the charge?

Rahul Talele: Yes, it is hardly of Rs. 100 per sq. ft.

Himanshu Upadhyay: In case of the Goregaon project, you have sold Rs. 140 crore in the last two quarters, but the collections, if I add, for the last two quarters is ~Rs. 14 crore. In case of Vaayu, where you have done that ~Rs. 44 crore of sales, the collection is around Rs. 8 crore, which is 20%.

Why is the Goregaon collection low and in the Vile Parle project, the sales value is higher and my value comes to be a lower. How should I understand this? So, Rs. 19 crore is the sales in Jai Vijay and Rs. 14 crore is the collection. Could you provide some clarity, especially on Goregaon which is the more premium project?

Rahul Talele: Let me answer the first part of that. The collections are linked to registrations. So, before registration, we can collect only 9.99%. Now, the registration is under process and the collection will be quite visible in this coming quarter. At the same time, it also depends on the construction milestones at the site.

Generally, since it is a Mumbai project, a good amount of time has to be given for the basement and excavation work, considering the old developments in the vicinity. So generally, the speed of construction is slow at the front end of the project, once we come up to the plinth level, then certainly this collection numbers will be very attractive.

Yash Patil: So, there will be only 20-25% due as of now, i.e., once the registration happens in our Goregaon project this quarter.

Moderator: Thank you. The next question is from the line of Nikhil Upadhyay from SIML. Please go ahead.

Nikhil Upadhyay: You are working on a size of 30 mn sq. ft. What is the component for Bangalore? In the previous calls, it was said that the focus would be on this region; however, even in the presentation there is not much on it.

Rahul Talele: Out of the 30 mn sq. ft., Bangalore would be ~2.5-3.5 mn sq. ft. of deal evaluations.

Nikhil Upadhyay: How do you see the scale? Are you finding it difficult to get more deals there or would it remain at this level? Would the focus and energy be more towards Mumbai?

Rahul Talele: Not actually; with Bangalore, our approach is quite simple. Instead of competing with the big players there, we want to be in the segment of ~0.5-1 mn sq. ft.. Thus, rather than having a big, sizable project, we will go in for 3-4 mid-sized projects.

Nikhil Upadhyay: By FY25 you are expecting to reach the 5 mn sq. ft mark. 3-4 Bangalore projects would basically help you bridge the gap here because largely it was Pune and Mumbai; then smaller parts from Bangalore. Then, 3-4 projects should be it.

Rahul Talele: Yes.

Nikhil Upadhyay: On SEBI's Show Cause Notice, what is it regarding and why did it come up?

Vikram Rajput: We believe that when it comes to transparency, it is better to be proactive rather than reactive. As best practice, we intimated to the stock exchanges about the Show Cause Notice, even though it was not at all mandatory. See LODR itself implies technical violation of certain regulations w.r.t. quality of disclosure/filings to Stock Exchanges. We have appointed a well-known firm like Khaitan & Co, who are our legal counsel and the matter is sub judice, so, beyond this, we cannot disclose. However, just to be very clear, this has got nothing to do with insider trading. Insider trading violations come under PIT regulations, which is a completely separate section, and not related to our Show Cause Notice at all.

Moderator: Thank you. The next question is from the line of Faisal Hawa from H.G Hawa & Company. Please go ahead.

Faisal Hawa: How much would the IT sector be really contributing to the growth in sales. How do you feel that prices will behave in the ~2.5-3 years, once inventory is sold off?

Rahul Talele: Certainly, it is quite visible, that the good number of bookings/volumes are coming from IT sector employees. There is a positivity in the IT sector. Based on the information that we have, the pay scales and pay revisions are happening very positively in the IT sector and ultimately, affordability is also at the all-time best. Thus, certainly there will be a good contribution from IT sector for us, particularly in Pune and Bangalore projects and this would be for ticket sizes in the range of say Rs. 40-90 lakh. It is quite visible through our very good sales numbers in LR. That is again, backed by the good traction from the people in the IT sector. That is the highest selling project of Pune market for the CY21.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to the management for their closing comments. Over to you.

Rahul Talele: Thank you once again for your interest and support. We will continue to stay engaged. Please be in touch with our Investor Relations team, for any further details or discussions. Look forward to interacting with you next quarter.

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