



Kolte-Patil Developers Limited

Q3 & 9M FY '24 Earnings Conference Call

January 25, 2024

Moderator: Ladies and gentlemen, good day, and welcome to Kolte-Patil Developers Limited Q3 and 9M FY '24 Earnings Conference Call. 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 star, then zero on a touchtone telephone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Smit Shah from Adfactors. Thank you, and over to you, sir.

Smit Shah: Thank you. Good afternoon, everyone, and thank you for joining us on the Q3 and 9M FY '24 Results Conference Call of Kolte-Patil Developer Limited. We have with us today Mr. Rahul Talele, Group CEO; and Ms. Dipti Rajput, Vice President, Investor Relations.

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 in Q3 and 9M FY '24 results presentation that has been shared to you earlier.

I would now like to hand over the call to Mr. Rahul Talele to begin the proceedings. Over to you, sir.

Rahul Talele: Thank you, Smit. Good afternoon and a very warm welcome to everyone present on this call. Thank you for joining us today to discuss the operating and financial performance of Kolte-Patil Developers Ltd. for Q3 & 9M FY24.

I would like to begin by sharing with you our views on the real estate environment, followed by an overview of key developments of the quarter. After my comments, Dipti will take you through the key financial highlights. We then look forward to an interactive session with participants where we will take your questions and suggestions on today's call.

Let me begin by talking about the broader economy and the real estate market, along with our outlook on the key markets that we operate in. Over the past few years, India has undergone a transformative journey, marked by a substantial increase in the value of financial and physical assets. This economic evolution has not only generated wealth but has also positioned India as a stable market for products and services, presenting an attractive destination for businesses seeking long-term growth prospects.

The structural reforms and investments implemented in recent years have played a pivotal role in shaping India's economic narrative. Notably, the real estate sector, a key indicator of economic vitality, has displayed resilience with increased sales volumes across key demand markets and segments. Even in the face of rising mortgage rates, increasing by over 200 basis points from the lows of 2021, the sector has seen expansion in property values, emphasizing the robustness of demand in the housing cycle. Stabilizing interest rates will further improve affordability criteria. This also showcases the intrinsic need for people to own their homes supported by expanding affordability paradigms.

A significant driver of this growth has been government policies and legislation, with schemes that support affordable housing, gaining prominence. While some of these schemes, including interest subsidies, can further boost demand.

In the midst of this economic landscape, we have strategically positioned ourselves to capitalize on the burgeoning opportunities. We have been delivering progressively expanding operating milestones over the last few years, and are continuing the momentum in FY24. Positive visibility emanates from sustained customer traction across projects. During the year to date we have launched 4 million sq. feet and another 2 million sq. ft. is in the pipeline for the remainder of the year. With a diverse, customer-centric portfolio covering mid-income and luxury segments, KPDL has recognized and catered to customer expectations, building trust and confidence in its brand.

For the first nine months of the fiscal year 2024, we registered new area sales of 2.89 million square feet with an aggregate value of Rs. 2,079 crore, reflecting a significant year-on-year increase of 26% and 36% respectively. Collections from customers during the nine months expanded by 13% to Rs. 1,478 crore, providing liquidity for project execution.

I am pleased to announce that we have recently acquired two new projects in the MMR region with an aggregate top-line potential of Rs. 545 crore, further boosting our business development initiatives in Mumbai. With this, during

FY24 to date, we have acquired projects with a top-line potential of about Rs. 4,000 crore, of which our Mumbai business development stands at about Rs. 2,700 crore. This strategically positions KPDL for sustained growth and solidifies its position as one of the key players in metropolitan areas.

Looking ahead, we are confident in meeting our pre-sales guidance of Rs. 2,800 crore for the fiscal year 2024. The company's vision extends beyond immediate targets, aiming to close another record-breaking year that surpasses all previous operating benchmarks in terms of sales, realizations, and collections. We are confident of achieving our business objectives on the back of enhanced contributions from existing projects, a robust pipeline of new launches to the tune of 8 million sq. ft. valued at Rs. 7,000 crore for FY25 which is a part of a strong project portfolio of ~Rs. 25,000 crore.

With regard to deliveries for the year, we are confident of closing the year with revenues of ~Rs. 1,500 crore. Margins for the quarter have been impacted on three counts – Low revenue recognition based on deliveries; Gross margins are lower owing to the revenues realized for certain low margin projects; finance costs include the provisioning for repayment against the funds received from the project specific financial partners.

The broader industry trend of consolidation and formalization further supports KPDL's trajectory. As the real estate sector witnesses a shift towards quality developers, buyers and landowners are increasingly turning to reputed brands. KPDL, with its strong market position and customer relationships, is well-positioned to deliver value across the entire ecosystem of stakeholders.

Thank you. I request Dipti Rajput to share the financial highlights.

Dipti Rajput:

Thank you, Rahul. Good afternoon, everyone. I will now briefly take you through our financial performance for the third quarter and nine months ended 31st December 2023.

Based on CCM-based accounting we clocked revenues of Rs. 845.1 crore for 9 months period and Rs. 75.8 crore for Q3FY24. EBITDA for 9 months stood at Rs. 58 crore, PAT stood at Rs. -42.2 during 9MFY24.

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 net debt stood at Rs. -32 crore as on December 31, 2023 and the operating cash flow for 9MFY24 stood at Rs. 269 crore.

This positions us with ample capability to expand our ambitions for future growth. As we foresee gathering increased momentum across projects and achieving further milestones, we are assured in the value we deliver to customers, and the corresponding advantages expected to reach all our stakeholders.

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. The first question is from the line of Viraj Mehta from Equirus PMS. Please go ahead.

Viraj Mehta: If you can throw a little bit of light on the BD pipeline. You mentioned we have launched 4 million square feet and you are planning to launch 2 more million square feet this year. What does the BD pipeline look for next year?

Rahul Talele: So there are multiple projects which are in our advanced level of BD closures across Pune and Mumbai. So certainly considering that we can consider a strong BD closure in the coming few quarters. So having said that, around INR 6,000 crores to INR 8,000 crores of BD closures we are expecting in the next financial year. And on top of that, see, we have already done INR 3,200 crores of launches in the first 9 months.

In this quarter, we are planning to launch around INR 1,800 crores worth project. And in next financial year on top of that, we are planning to launch INR 7,000 crores worth projects. For that, the business development has already been done. So we are strong in terms of the launch pipeline, at least for the next 4 to 6 quarters.

Viraj Mehta: Right. With such a strong launch pipeline of, let's say, INR 1,800 crores in Q4 and close to INR 7,000 crores you mentioned next year. So close to INR 8,000 crores, INR 9,000 crores that you will launch next year, should we expect significant ramp-up in our presales considering that newer projects are much faster in the early stage?

Rahul Talele: Yes. So we are expecting a 25% CAGR growth in terms of presales number for the next financial year. But it will be too early to comment beyond that and we are confident of achieving that kind of number. And simultaneously, we are confident of launching this kind of inventory also in the next year. So our endeavour, along with the volume, our endeavour is to go for the better price realization, so that the margins for these ongoing projects will be better. So it

will be a conscious call between volume and value and accordingly, we'll push our presales number.

Viraj Mehta:

What will be the realization growth this quarter over last quarter, both in LR & non LR; and LR, obviously, was much lower portion this quarter in your press release that you have written. So what was realization growth in LR and why was LR sales much lower this quarter compared to the first 2 quarters? Obviously, I understand the combined realization was much higher because of the 2 projects that we launched in Pune. But in general, like-to-like basis, what's the realization growth for our company in LR and non-LR?

Rahul Talele:

See, again, our realization is a function of which project is contributing in that specific quarter. So it will be difficult to predict on a quarter-on-quarter basis realization. But on an annualized basis, realization we are expecting for next year around 10% improvement as compared to the ongoing financial year is what we are targeting.

And on top of that, how quickly we can launch our Mumbai project, that would be more than 10% because the Mumbai per square foot realization is pretty high as compared to Pune projects. So if we launch those projects, if we consider those projects, then certainly, we are confident of reaching somewhere around INR 7,500 to INR 8,000 in terms of per square foot realization. To answer in terms of the LR, so it was a journey of INR 4,800 – INR 4,500 square feet 2 years back to now around INR 6,400 square feet.

And recently launched 2 sectors where we are planning to launch at around INR 6,500 in this quarter itself and we are planning to launch one luxury segment sector in LR with the price realization, during the launch, of around INR 7,000. For that presales number will start coming in from Q1 of next financial year. So we are confident of multiple price hikes at LR.

So we have classified our LR inventory into historical inventory and whatever that we have launched i.e. new sectors in the last 2 years. So in whatever that we have launched in the last 2 years, there is a significant betterment of around 15% to 20% price hikes and this has been seen in the last 4 to 6 quarters.

Moderator:

The next question is from the line of Parikshit Kandpal from HDFC Securities.

Parikshit Kandpal:

Congratulations on a decent performance, especially on the presale side. Business development, I missed this number. So for the balance part of the financial year, how much is the business development you're targeting?

Rahul Talele: See, Parikshit around INR 8,000 crores to INR 10,000 crores worth projects are in very advanced stages of discussion. But as we discussed earlier through earnings call, we are very conscious while closing the business development opportunities. Till the time we don't get through our due diligence process. We are not in a hurry to declare those projects till we achieve the legal closure for those specific projects. Having said that, yes, certainly in the next three to four months, around INR 3,000 crores to INR 4,000 crores worth project will get closed.

Parikshit Kandpal: And if you can help give us breakup on Bangalore - we've not been adding projects there. I mean, I think Raaga is one project, which has been a legacy project. So how do you look at Bangalore in terms of growth and business development, because we have been operating there for many years now, but in the size and the scale of the company, it has been lagging a lot.

Rahul Talele: So, see, for the balance of this financial year, the BD closures will happen at Pune. And there are a couple of opportunities which are at advanced stage of discussion at Bangalore as well. And having said that, we are launching one project. So RERA is already applied, and we are expecting a RERA certification in the next 10 to 15 days. That project will get launched at Bangalore. The name of the project is Raaga. It is a large phase of our ongoing projects. And yes, certainly, we are giving attention to Bangalore as a geography. And in next financial year, you can see a couple of closures in Bangalore as well.

Parikshit Kandpal: So out of this INR 10,000 crores of active discussions on the BD, how much would be the split between Pune, Bombay, and Bengaluru?

Rahul Talele: So Pune will be around 70%, around 20% Mumbai and rest 10% Bengaluru. These are very approximate numbers.

Parikshit Kandpal: Got it. In the presentation, we have been seeing these land parcels, I mean, been there for company for more than 10 years now, the Kalyani Nagar and Boat Club Road, which is like value-wise, premium housing and luxury housing can be done. So what's the view here? When do you expect to launch these projects? They've been sitting in our land bank for quite some time now.

Rahul Talele: So out of this land bank projects, if you've seen the Downtown project, we have moved to our priority launches. Likewise, the Ghotawade project, which is around 80 acres of land parcel. So we are waiting for DP of PMRDA to get sanctioned. Once that DP gets sanctioned, so it is a very massive development on lines of Life Republic. We can have a project over there. So that is again in

the west part of Pune. So we are waiting for a DP to get published for this Ghotawade project.

And there are certain compliances that we are addressing. From a launch perspective in terms of the Boat Club, since it is a very prime land parcel, Boat Club and Kalyani Nagar, we are accessing what kind of the product that we can offer over there. And we are evaluating whether to go for a commercial or residential kind of portfolio. So we are taking a conscious call to wait and watch at least for next couple of quarters before we launch Boat Club and Kalyani Nagar where we have a good amount of clarity in terms of the legal and other things.

Parikshit Kandpal: Okay. Thank you, Rahul, and wish you the best.

Moderator: Thank you so much. The next question is from the line of Bharat Sheth from Quest Investment Advisors Private Limited. Please go ahead.

Bharat Sheth: Hi, Rahul. Thanks for the opportunity and congratulations. Taking forward previous participant's question on Kalyani Nagar and Boat Club, whether we will go for residential or commercial, we are evaluating. Can you give if at all we go for commercial, then it will be outright sales or annuity project we would like to develop?

Rahul Talele: So see, we are currently -- as I communicated earlier, we are assessing whether to go for a strata sale or whether to go for some kind of the commercial portfolio. But it is too early to comment on that. So it is just an assessment that we are doing internally. See, there are many or multiple things are happening, even the super prime luxury residential properties are getting good traction. So we are evaluating on those lines.

Bharat Sheth: Okay. And second, I mean, normally, our traction is showing that 50% of minimum, I mean, presales booking at the time of launch only. So, Rahul, just to get safe, when we are talking of around INR 1,800 crores, INR 1,900 crores launch on Q4 end, plus some sales from the unsold inventory. So, why we are still restricting our guidance to INR 2,800 crores? Is it fair to assume that it can shoot up -- go above, I mean, INR 3,000 crores. What are the possibility?

Rahul Talele: See, I would like to share an example of our Baner project, which got launched around INR 8,500 and upper-level inventory at around INR 9,000 per square foot. Now since we are launching the subsequent phases of that project, we have improved our prices significantly and we are commanding our prices beyond INR 10,000 for the upper floors in that specific project. So this kind of

strategy varies from project to project where we are sitting with a limited kind of inventory where we want to achieve a better and better price realization.

And in case of the mass volume project like Life Republic or any midsize project, mid ticket size project, our endeavour is to achieve good volumes so that there is enough new inventory that can be launched very quickly. So it is a judicious call that we are taking. And to answer your question in terms of guidance, as we speak, we are confident of achieving INR 2,800 crores. But yes, certainly, there can be a possibility of positive surprises.

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

Pritesh Sheth: Hi, sir. Thanks for the opportunity. So first question is on the execution side, while we're talking about big numbers on sales and scaling up our business to a lot more. On the execution side, how are you preparing your organization to take up at least 1.5x or 2x of projects versus what you were doing earlier. Probably not just for you but from the industry perspective also, if you can say. And what are the key monitor-able - how easily can an organization scale up to take up more projects? And what would be the key monitor-able in terms of the team size, etcetera, so just your comments on that.

Rahul Talele: Thanks, Pritesh. Interesting question. So see, our sales event, in a real estate we call it as a sale event. It is a one-time process, one-time event, but construction is a process. It is a journey of two to four years, depending on the project size and the height of the project. So from an industry perspective, since everybody is achieving good sales number, so most importantly, there can be a possibility of some kind of the rate element, in terms of the labour and in terms of the supply of the material.

So labour - to address labour, we are moving towards the Aluform. So most of our projects are through formwork technology that reduces our dependency on labour significantly. Second is, in terms of procurement, we go with the long-range contracts with the company. So we have very limited deviations in terms of deliveries of our material and that is what we have seen in last two, three years, though the industry was struggling in terms of procuring the material. But because of our strategy, that was very helpful.

So just in order to give you example, we don't order a lift below, say, 50, 70 count. Our lift ordering value and count will be more than 100 units or 80 units. So that is how we operate at the Company level. And in terms of scaling up the business, we have nurtured the relationship with the contractors. So we are in

the industry since last 30 years, and there are many such contractors who are working with us since last couple of decades. So we give most of the contracts on labour and material basis. So material is centrally procured by us, and that is kind of a free supply to our contractors.

So mostly, we are relying on the labour contractors and these labour contractors, there is a supervision, supervision team is completely in-house. Whereas the sourcing and the labour the coordination is only outsourced. So this is well proven within the company and in terms of scalability, though we were achieving a sale of, say, INR 1,500 crores three years back (3 million square feet) and now we are achieving a sale of, say, 4 million square feet, the value is going up significantly, but not the volume. Per square foot realization has also gone up significantly. So considering that, we are ready to take the challenge of even a 1.5x, 2x of volume and we are completely ready. So if you visit most of our sites, we are achieving a 10 to 12-day cycle across the projects, and that is prominent. And that is one of the good parameters that we are tracking, which is most of the cash flows are linked to that parameter.

And we have not seen any kind of delays in our RERA projects/RERA guidelines. So we are confident on the scalability through our internal teams and through our external stakeholders in the form of contractors.

Pritesh Sheth: Got it. That's very detailed and very helpful. Since we are already halfway through the quarter, how confident are you in terms of making all those INR 1,900 crores of launches in this quarter? Obviously, a few of them are probably already launched, you have highlighted. But for rest of them, any spill over you expect? Or you are pretty much confident of launching all of those in this quarter?

Rahul Talele: So we are confident of launching all these projects in this quarter.

Moderator: Thank you. The next question is from the line of Shreyans Mehta from Equirus. Please go ahead.

Shreyans Mehta: Sir, just wanted to check on the launches during this quarter, which is close to INR1,100-odd crores. Is that the right number?

Rahul Talele: So we are talking about around INR 1,800 crores for this quarter. So around INR 400 crores of Wagholi launch, around INR 1,000 crores at Life Republic and one project at Mumbai and one project at Bengaluru.

Shreyans Mehta: Third quarter launches. How much did we launch during the third quarter?

Rahul Talele: Okay. So third quarter, so around -- see, in first half, we have launched around INR 2,000 crores worth projects. So in the third quarter, the rest of the projects got launched. So, some part of Kiwale, some part of Manor and some part of Altura got launched in Q3. And a couple of, you know, the buildings at Life Republic.

Shreyans Mehta: Sir, secondly, in terms of our margins, if you could help me reconciling those - we were guiding for a closure to INR 1,600 crores in terms of top line and closer to, say, EBITDA margin guidance was closer to 15% to 16%. So if I do a rough math to achieve that, we will be requiring closer to 20%-25% EBITDA margin for the fourth quarter?

Rahul Talele: Yes. So Shreyans, we were assessing that kind of situation. So some of the OC we are expecting in the month of March for that maybe a spillover of the revenue recognition for the first quarter of next financial year. And because of that, INR 1,600 crores or INR 1,700 crores of revenue recognition will be around INR 1,500 crores. If that happens, then we are expecting early teen margin.

But yes, so some of the low-margin projects, the part of that is getting recognized through the leftover inventory of that project. So there can be a dent. So in terms of projects, there are low margin projects like Exente, Stargaze (G Building) and a couple of projects with a lesser value, which will get recognized in the coming quarter.

Shreyans Mehta: Okay. Sure. During the year, we've done closer to INR 4,000-odd crores, and we are guiding for closer to INR 8,000, INR 10,000 crores. So are we still maintaining that number?

Rahul Talele: See, we have done INR 4,000 crores worth business development opportunities. And on top of that, we have done multiple land aggregation around the Life Republic. So if we add that over that the potential of that additional land is close to INR 2,000 crores. Even after considering that, we are confident of closing INR 3,000 crores to INR 4,000 crores worth BD potential. That is what I have answered earlier in this call, in next 3 to 4 months.

Moderator: The next question is from the line of Dhananjay Mishra from Sunidhi Securities.

Dhananjay Mishra: So what was the amount we paid to this minority stakeholder for this 5% stake in LR?

Rahul Talele: So we have paid around INR 60 crores for this minority stakeholder buyout at Life Republic.

Dhananjay Mishra: Okay. And in terms of launches, you said that till H1, we had 2.73 million square feet launches and in Q3, we did about close to 1.3 million square feet and 2 million more square feet we'll be launching in Q4?

Rahul Talele: Yes.

Moderator: The next question is from the line of Biplab Debbarma from Antique Stock Broking. Please go ahead.

Biplab Debbarma: Good afternoon. So my question is you mentioned about some low-margin projects and high-margin projects. So just wanted to know what would be those EBITDA margins in low-margin projects? And what would be the EBITDA margins in high-margin projects around ballpark number?

Rahul Talele: For the low-margin projects, the GPs are in the range of, say, 25, plus or minus. And if you minus the overhead, then the rest will be the EBITDA margins. Because the project-level EBITDA margins are different and the corporate level because of this revenue recognition methodology, the EBITDA overheads are different for that specific quarter. But GP will be around 25% plus or minus.

Biplab Debbarma: For the low margin projects?

Rahul Talele: Yes.

Biplab Debbarma: And for high-margin projects, how much GP can grow?

Rahul Talele: As I discussed in the earlier calls also, whatever that we are selling in last 2 years, we are confident of achieving EBITDA margin, at the project level of around 25% to 27%. So earlier, what I said, 25% of GP margins was for these low-margin projects. And when I'm talking about the EBITDA margins of 27%, 28%, that is for the last 2 years sales that we have achieved.

Biplab Debbarma: Those are high margin projects?

Rahul Talele: Yes. And in the few projects where we are sitting with the historical cost, our EBITDA margins are beyond 35% or so. At row house project at LR, our EBITDA margins are beyond 40%. Project-level EBITDA margin.

Biplab Debbarma: Okay, okay. And my second question is, see, you are doing well. And now I see that you have a huge launch pipeline in this year itself. In this last quarter, in fourth quarter, we will have the INR 1,800 crores of launch pipeline -- and then in next year, FY '25, you will have a INR 7,000 crores of launch pipeline and the kind of offtake that's happening.

I'm not asking for guidance, but if this offtake is same, absorption rate is same as we saw in FY23 or '24 that we are seeing, then the number will be more than 25% growth in sales booking. And I mean, I'm asking you, would it be more than 25%? I don't know why you are giving the growth of 25%. Should be a little higher, much higher, since we are launching so much and absorption rate is quite high.

Rahul Talele: Biplab, in last financial year, we have launched around INR 2,100 crores of worth inventory. And this year, we are launching INR 5,000 crores worth inventory. And next year, there is the pipeline of around INR 7,000 crores. So yes, to answer your question, we are getting a good response across the projects. And there can be numbers possibility beyond 25% of CAGR, it is too early to comment on that. Once the project gets launched and certainly, we'll be in a position to communicate this set of numbers if there is any positive surprise. And we already have an endeavour to beat the market expectations.

Moderator: The next question is from the line of Raunak H from Robocap.

Raunak H: So do we have any guidance for like FY25 and '26 and for the EBITDA margin level?

Rahul Talele: Our EBITDA margins will be improving gradually for the next two financial years, FY25 and '26 from current early teens to late teens and from FY27 first quarter or FY26 last quarter onwards, where the new set of delivery will start, we expect a significant jump in our EBITDA margin beyond 20%.

Raunak H: Okay. And on the revenue front, anything?

Rahul Talele: So revenue around INR 1,600 crores to INR1,700 crores for FY25 and similar numbers for FY26. So having said that -- so currently, we are evaluating a couple of low-rise developments also. If we're able to close those low-rise developments, then certainly the delivery of that can be possible in FY26. So I'm not counting that as we speak.

Raunak H: Okay. Or can you discuss more about the industry scenario like how the real estate sector is going?

Rahul Talele: So let me try to answer this since you have asked. We track walk-in to conversion ratio. So that is still a constant for us. In fact, in the month of January, February, the decision time was getting increased. But very recently, what we have seen, particularly for our premium projects because, you can call it a FOMO effect or what, decision-making is quicker as compared to the past.

On top of that, the inventory hangover is very minimal in the geographies where we operate. And particularly for the industry, the affordability is very good from a customer perspective. If you talk about -- in terms of the EMI to household income, so that is in the range of 35% to 40%, so which is very significant and we are expecting some relief in terms of the interest rate in the H2 of next year.

I mean, if that kind of moves happens, certainly, it will be beneficial for the MIG affordable segment also, which is not contributing, though the industry is achieving a newer and newer benchmark on quarter-on-quarter basis. But still, the affordable and MIG segment is not contributing that much. So once that starts contributing, then certainly, you will see a big jump, quantum jump in the industry side.

Moderator: The next question is from the line of Rohit from itthought PMS.

Rohit: Very Happy New year Rahul to you and the team. So Rahul most of the questions have been answered. Just a couple of clarifications. So you mentioned that to an early participant question that the margins in the projects that you've done in the last couple of years are around 25% at EBITDA level at the project level. So the projects from a corporate level, what is the flow-through typically? Like what kind of costs are there? And how do you envision that cost going forward in the next two, three years as you sort of launch more projects, etcetera?

Rahul Talele: So, Rohit, in the CCM methodology for the better understanding of everyone in CCM methodology revenues are back-ended and overheads are front-ended. And particularly, it is a classic problem for a growing company like us, where overheads are more and at the same time, it is upfront. And against that, the revenue is getting recognized of the past and that too at a lower price realization. So it is the problem of this CCM methodology.

So there can be a distortion in the margin. But having said that, when I was talking about the low-margin project, three, four low margin projects over there, the GPs are in the range of, say, 20% to 25% -- and the project level to corporate level, so post GP, it is all about the overheads. So overheads are -- if we manage our revenue recognition, I mean, if we're able to achieve a revenue recognition of around INR 2,500 crores to INR 3,000 crores with the current setup, then certainly, these overheads will be a single digit overhead for us. Since some of revenue recognition numbers are lower, these overheads look like a 13%, 14% odd-percent for us.

Rohit: So if I were to ask in a different way, sir. So assuming there was no -- I mean there is a revenue recognition issue because of the way the accounting works. But assuming that was not there, today, if you were to, let's say, if you were to lock INR 2,800 crores of sales, what would be your EBITDA margin on a corporate level? And let's ignore the revenue recognition for a minute, just for understanding purposes.

Rahul Talele: Okay. So I just tried to answer that in earlier question.

Rohit: The EBITDA margin at the corporate level would -- at a project level will be 25%, 27%. So around INR 700 crores, INR 750 crores of project level EBITDA would be there. Is that correct?

Rahul Talele: We call it an embedded EBITDA margin. So project level, EBITDA margin multiplied by sale of that project - summation of all such projects. And on top of that, maybe a 2% reduction at a corporate level. So this number is in the range of 25% to 27%.

Moderator: Thank you. The next question is from the line of Chintan Chheda from Quest Investment Advisors Private Limited. Please go ahead.

Chintan Chheda: Thanks for the opportunity. Sir, my question is that given the healthy launch pipeline in Mumbai, which we have shared for FY25. So can you just delve a little bit deeper like how will this be spread across the year?

Rahul Talele: Yes. So we have said that around five projects will get launched in next financial year in Mumbai. So Vishwakarma and Jal Mangal Deep will get launched in the first half of the next financial year. And likewise, Laxmi Ratan, Jal Nidhi and Nanda Dham will get launched in the second half of the financial year.

Chintan Chheda: Okay. Thank you. That's it from my side.

Moderator: Thank you. The next question is from the line of Jainam Shah from Equirus Securities Private Limited. Please go ahead.

Jainam Shah: Yes. So just wanted to ask. In 2017 or '18, we have changed our revenue recognition method as per the IND AS from percentage completion to project completion method. But what I remember is that you've been giving the comparative financial statement as per old method for probably three to four years' time, so is it possible to share on the annual numbers that would clarify more on the margin side?

Rahul Talele: Yes, I do agree with your statement. We can create that kind of number and for certain analysis, we also try to evaluate from that perspective. But since these numbers are unaudited numbers, we restrict ourselves from sharing those numbers in the public domain. But certainly, that can be discussed. So we'll take your suggestion on board.

Jainam Shah: Okay, sir. Thank you so much, sir. That's it from my side.

Moderator: Thank you. The next question is from the line of Shreyans Mehta from Equirus. Please go ahead.

Shreyans Mehta: Thanks for the follow up. My question is particularly for Life Republic. So if you see our third quarter realizations, we are closer to INR 6,500, it is clear to say 25%, 30% premium to what we were doing, say, around two years back. So one, do you feel that this is the peak or we will have more room going forward? Second, would you like to restrict yourself in terms of building more inventory in LR? Would you like to take more price realization at the cost of more volumes? How do we look at it?

Rahul Talele: See, to answer your question, so this price realization is coming from our MIG product and which is a cash cow at LR. So barring the only maybe a INR 200 crores project, that was the only exceptional premium row project. So apart from that, the entire contribution is coming from our mid-segment projects. In the next few months, we are planning to launch luxury project at Life Republic, where the price realization will be beyond INR 7,000 per square foot, so certainly, a blend of both, there will be a betterment in price realization at LR, not on a quarter-on-quarter basis, as I mentioned earlier, so there can be, depending on which specific project is contributing more. But particularly on a yearly basis, certainly, there will be much improvement in the price realization at Life Republic.

And to answer your second part of the question. So for us, one year journey is of getting the additional volumes, the next year is a journey of getting the additional value. So we are continuing with this kind of strategy. So this year, we got the volumes while also improving the value per square foot basis. So next year, our aim will be on volume at Life Republic.

Shreyans Mehta: Okay. Got it.

Rahul Talele: For the next four to five years, we are aiming to achieve more than around 2 million square feet of presales number at LR.

Shreyans Mehta: From LR itself?

Rahul Talele: From LR itself. Yes.

Shreyans Mehta: Got it. Sure. And sir, second question is there were market news that many of the building proposals were put on hold due to water concerns. So are we seeing any issues out there for any of our projects?

Rahul Talele: Not actually. So whatever the projects that are in pipeline, we have already addressed that kind of concern. So there is no constraint for our priority launch portfolio.

Shreyans Mehta: Got it. Thank you, sir. That's it from my side.

Rahul Talele: Thank you.

Moderator: Thank you. The next question is from the line of Rahil Shah from Crown Capital. Please go ahead.

Rahil Shah: I believe to one of the early participants you gave a certain revenue guidance for the next like two years. Can you just please repeat it to clear some confusion? I believe you said INR 1,600 crores in FY'25, is that correct?

Rahul Talele: That's correct.

Rahil Shah: And then moving on FY'26, what expectations?

Rahul Talele: So FY'26, the similar set of numbers, but having said that, there can be deviation, the positive deviations in that guidance depending on if we are launching any low-rise developments.

Rahil Shah: FY'24, you are saying INR 1,500 crores and then you just upping it by INR100 crores, but then your pipeline is so big. So, why just a small jump?

Rahul Talele: See, the projects that we have sold in the last four to six quarters, the realization of that will start in the year FY'27 so or maybe last quarter of FY'26. We have to understand the fact that across Maharashtra, particularly, there is additional FSI available and because of the unified DCR, most of our developments are high-rise developments and high-rise development needs at least three, 3.5 year for the completion and our 24k projects, which are beyond 100 meters will need at least 3.5 years from a revenue recognition perspective.

Rahil Shah: Okay, got it. So FY'27 onwards, we can expect a huge jump from then on.

Rahul Talele: Yes.

Rahil Shah: Yes. Okay. No problem. Thank you and all the best.

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

Rahul Talele: Thank you once again for your interest and support. We will continue to stay engaged. And if you have any further questions, please feel free to reach Dipti Rajput at Kolte-Patil Developers. Look forward to interacting with you next quarter. Best wishes for the Republic Day in advance. Thank you.

Moderator: Thank you. On behalf of Kolte-Patil, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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