

April 27, 2023

**BSE Limited**

Scrip Code: 543287

Debt Segment – 974163, 974199, 974473, 974511

**National Stock Exchange of India Limited**

Trading Symbol: LODHA

**Dear Sir,**

**Sub: Q4FY23 - Earnings Call Transcript**

We are enclosing herewith a copy of the transcript of the Company's Q4FY23 earnings conference call held on April 24, 2023. The transcript is also being uploaded on the Company's website i.e. [www.lodhagroup.in](http://www.lodhagroup.in) under the Investors section.

This is for the information of your members and all concerned.

Thanking you,

Yours faithfully,

**For Macrotech Developers Limited**

**Sanjyot Rangnekar**  
**Company Secretary & Compliance Officer**  
**Membership No F4154**

**Encl: As above**



“Macrotech Developers Limited  
Q4 FY 2023 Earnings Conference Call”

April 24, 2023



**MANAGEMENT:** **MR. ABHISHEK LODHA – MANAGING DIRECTOR AND  
CHIEF EXECUTIVE OFFICER – MACROTECH  
DEVELOPERS LIMITED**  
**MR. SUSHIL KUMAR MODI – CHIEF FINANCIAL  
OFFICER – MACROTECH DEVELOPERS LIMITED**  
**MR. PRASHANT BINDAL – CHIEF SALES OFFICER –  
MACROTECH DEVELOPERS LIMITED**  
**MR. ANAND KUMAR – HEAD, INVESTOR RELATIONS –  
MACROTECH DEVELOPERS LIMITED**

**MODERATOR:** **MR. BIPLAB DEBBARMA – ANTIQUE STOCK BROKING  
LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to Macrotech Developers Q4 FY23 Earnings Conference Call hosted by Antique Stock Broking. 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 your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Biplab Debbarma from Antique Stock Broking Limited. Thank you and over to you.

**Biplab Debbarma:** Thank you, Ryan. Good afternoon, everyone. Welcome to the Q4 FY23 Earnings Call of Macrotech Developers hosted by Antique Stock Broking. Today we have with us the management of Macrotech Developers represented by Mr. Abhishek Lodha, Managing Director and CEO, Mr. Sushil Kumar Modi, CFO, Mr. Prashant Bindal, Chief Sales Officer, and Mr. Anand Kumar, Head IR. Without further ado, let me hand over the call to Mr. Lodha. Over to you, sir.

**Abhishek Lodha:** Good afternoon, everyone. Thank you for joining us for our Earnings Calls. I hope all of you and your families are well. Exactly two years ago, we got listed with economy in a fragile state amongst the uncertainty of the second wave of COVID. Over the last two years, we have seen the pandemic and hopefully that's now behind us. We have thereafter seen the consistent recovery in the Indian economy. We have also seen interest rates rise. And most importantly, we have seen good momentum in the housing sector in what seems to be a multi-year uptrend. We started a couple of years ago, and the long duration of which I have been highlighting from time to time.

Amidst all this global uncertainty and volatility, there has been the stability of the Indian economy driven by a development-oriented government and a prudent central bank. The Indian economy has exhibited high growth rate, contained inflation. We have an improving current account balance and strong forex reserves. This has enabled the central bank to hit the pause button on interest rates and start supporting job creation.

The balance sheets of Indian corporates as well as banks have improved significantly over the last few years and are perhaps in one of their best ever shapes. While we may not be able to decouple ourselves completely from what is happening in the globe, the overall situation is such that we should not get impacted in any significant manner from global factors. This is seen in the encouraging high frequency data, including the direct tax collection, GST, PMI, as well as IIP growth numbers.

The strong sense of growth in the economy is also translating into optimism on the job front. Let me touch upon a few factors which make me believe that robust job sentiment and wage growth outlook is likely to remain the case for the next several quarters. As per a survey conducted by Aon, a leading HR consultancy firm, India Inc. is likely to deliver salary growth of about 10%. IT hiring at the aggregate level has remained in a positive territory, though of course at a much lower level than in the years right after COVID.

This has been supported by the Global Capability Centers, GCCs, which have ramped up hiring and are continuing to expand their presence in India. Private capex in India has also started

looking positive. And with the rollout of the PLI schemes, we have started seeing the manufacturing, which has long been a laggard in the contribution to the Indian economy, is likely to start picking up. All of the above endorses a very fundamental hypothesis that robust job creation and sustainable wage growth is likely to be the hallmarks of the Indian economy for the next several years. Employees in most sectors remain optimistic on their job prospects, which keeps consumer confidence quite robust.

As a consequence of all of the above, we are about to enter a once in the lifetime of this country's transition, where more than 100 million new households will become home ownership capable over the next seven to 10 years. It goes to say that this level of home creation has never been seen in the free world ever. And this presents an opportunity of a size which most of us cannot even contemplate at this stage. Our performance over the last two years has to be seen in this context. It is a long cycle, likely to last several years.

And as India's largest housing developer, with a focus on attracting and retaining the best talent in the industry and developing strong processes, we believe we are best placed to capitalize on this long structural up cycle which we see ahead of us. Over the last two years, after our tepid listing, we saw good recovery, two capital raises, a primary and a secondary, significant debt repayment, strong cash flow generation, the acceleration of the process of winding down our UK exposure and good momentum and visibility in our progress.

With these achievements behind us and the confidence of a rock solid balance sheet and a strong bright future ahead, we are in a position to reward our shareholders with a one is to one bonus issue, indicative of a strong balance sheet. And we are taking the first step on the path to consistent dividend payout, reflective of good visibility on cash flows. Starting with two rupees per share this year, our aim will be to maintain this amount in absolute terms at worst and over time, we will endeavor to steadily increase the payout as our balance sheet continues to get fortified with strong cash flows.

We would like the company to continue to provide consistent growth over the rest of the decade with strong operating cash flow generation, strengthening the balance sheet every passing year and improving return metrics through our prudent capital allocation. We continue to see strong momentum in potential deals available by the way of JDAs or joint development and demand which is strong enough to keep utilizing our own existing land bank as well. There are three areas in particular that I would like you to take note of. Number one, last year, we had operating cash flow of about INR5,660 crores.

And after interest and taxes, we had capital available for growth investments, as well as for repayment for rewarding our capital providers of INR4,600 crores. Out of that INR4,600 crores, we utilize INR2,400 crores towards growth investments and INR2,200 crores plus towards reducing of debt. This ability to both invest in growth as well as deliver at the same time, we believe is unique to Lodha in the Indian real estate space and that is driven by the significant size of our operations as well as our very strong efficiency in converting land to cash through operational excellence.

The second factor that I'd like to highlight is the fact that in FY23, our INR12,000 crores of pre-sales came from 33 contributing projects, which is set to further increase in fiscal 24. This large number of operating projects means that we are not dependent on any one location or segment for our sales and our growth, which in turn provides granularity and predictability to our business. The third factor which I'd like to highlight is the strength in our township business in which pre-sales rose by about 16% from INR1,900 crores to just under INR2,300 crores in fiscal 23.

With significant infrastructure projects, which have been long under construction now getting completed in fiscal 24 and fiscal 25, we believe that this attractive part of our business with strong underlying cash flows and margins is set for a comprehensive re-rating over the next few years. Adding all of this up, we see clear visibility of 20% growth in pre-sales for fiscal 24 and a nice path to INR21,000 crores of pre-sales by fiscal 26 on the back of significant growth in our core markets of Mumbai and Pune, which will be evidenced through continued business development momentum as well as new launches in these two markets. In addition, as you are aware, we are in our pilot phase in Bangalore and we expect to have two launches in the course of fiscal 24 in Bangalore.

While the operating cash flow growth for fiscal 24 is a tad lower than the pre-sales and collections growth, that is because we also want to build up a strong annuity portfolio in the direction of having sustained cash flow in case of downward cycles. We are working towards net annuity income of INR500 crores per annum by fiscal 26 and INR1,500 crores per annum by the end of the decade through three strategies. Our warehousing and industrial parks platform with Bain and Ivanhoe being number one.

Second, our facilities management business serving our large residential base. And third, creation of a selective, high-quality commercial asset portfolio. And finally, on the much maligned four-letter word called debt. We are now extremely comfortable with the capital structure of the company. We have missed the INR6,000 crores debt target for fiscal 23 by INR1,000 crores, having ended with INR7,000 crores, but that is on the back of much larger business development, i.e. INR20,000 crores actual versus INR15,000 crores of guidance and the decision not to sell certain high-quality commercial assets, both drivers of future growth and balance sheet strengthening.

In the current year, we not only intend to get our net debt below our stated ceiling, which is one times operating cash and 0.5 times equity, but in this year and in future years, we intend to continually aim to reduce debt below this ceiling with an endeavor to have the highest quality balance sheet. The underlying, as an update, on our UK business, we repatriated INR550 crores in the course of the last three quarters, and we intend to expect to repatriate another INR550 crores in the course of fiscal 24. With that, the entire repatriation from the UK will be complete and we will divest our equity ownership in the UK subsidiaries, in the UK companies, and we'll no longer have any international exposure.

As we have stated in the past, Macrotech is solely committed to making all investments in India and growing strongly within this country. As you are aware, on account of the accounting nuances, the P&L that we report is linked to the occupation certificates received in a given

period. However, we are also, as you are aware, reporting the embedded EBITDA of the sales done in each quarter and we have also presented the pro forma P&L for this fiscal, which will give you a true picture of the underlying cash flow generation and profitability of our business.

As I mentioned earlier, on the back of our strong operational excellence and our very efficient land to cash cycle, our ROEs are now touching 16% plus for fiscal 23 and we expect to be close to 20% by fiscal 24. I will leave the details of projects, launches, growth, etcetera, for the Q&A session, but I would like to conclude my part by saying that we are in a strong momentum in residential as well as our annuity businesses. Price growth in the sector is optimal. We have got a further tailwind with peak of interest rates probably behind us. Costs are under control. Consolidation in the sector continues unabated.

Deal flow and opportunities are massive enough for us to be selective. Deal signing and launches will happen with consistency and prudence and in a summation of all of the above, I reiterate that we will have a strong balance sheet, the strongest balance sheet that we've ever had, and a consistent growth in sales and cash flows. Given that there have been questions on sales growth on the back of the increase in mortgage rates of over 200 basis points over the last 12 months, we have our Chief Sales Officer, Prashant Bindal, to give you an update on the current environment as we continue to showcase our management bandwidth. And of course, our CFO, Sushil Modi, is also available to address any questions on the financials.

I now hand over to Prashant for a quick update on sales, and then Sushil, and then we will have Q&A after that.

**Prashant Bindal:**

Thank you. Good afternoon. In terms of the overall numbers, on the pure sales numbers, we were able to deliver a for sale number of INR11,500 crores, INR11,400 crores to be precise. And out of that, INR11,400 crores was purely driven by the fundamentals that we have been working on the ground. The two fundamentals have been what is the number of customers that visit our sites and what is our conversion ratio. So in terms of number of walk-ins, we were able to take the numbers for the first time beyond one lakh mark.

In fact, 115,000 customers visited our site in the year in 33 sites and the conversion, which was almost a 16% increase in the swing over last year, and the conversion improved from 6.8% to 7.5%. 7.5% conversion for the first time we crossed the 7% mark. So eventually, almost a 15% increase in the walk-ins and 11% increase in the conversion and the balance increase coming from the price increase that we were able to take. So that led us to almost a 34% increase in the overall business.

And in terms of consistency, and for the first time, more than 1,000 channel partners did booking for us, which is a landmark for any real estate company that more than 1,000 channel partners were able to do booking for us. In terms of the consistency of the business, we had a consistent flow that almost 33% of our business came from the ready-to-move-in business. Almost 32% of the business came from the under construction business and 32% of the business coming from the new launches. So extremely consistent business, whether from RTMI, non-RTMI, and under construction and new launches.

And I think this gives 33 projects and the business coming from ready-to-move-in, under construction, and new launches almost consistent, gives a lot of consistency and predictability to the business. In terms of new launches, we had some very good success across the segments. The biggest success, of course, was, as you would have read in the luxury segment, in Lodha Malabar, we were able to cross INR1,000 crores mark, and the largest value deal happening in that segment. We also had very good launches in Pune, where Hinjewadi and Kharadi, both the markets, we were able to do business in excess of INR300 crores.

So all the launches and in the affordable segment, we have had a consistent walk-ins and the business. As far as the mortgage rate is concerned, yes, some change in the business movement has happened. Earlier, the absolute entry segment of 1 BHK, that has been one segment that there has been an impact of the mortgage rate, but that has been shown by the shift of movements towards the higher segments in case of 2 BHK and 3 BHK. So this is the overall idea and we hope that in the coming years, we hope to have a similar consistency of business improving in terms of walk-ins.

When we are looking at almost, we have given a guidance of 20% swing this year. We hope to have another 10 to 12% swing in the walk-ins, and another 6 to 7% swing in the conversion, leading to a 20% growth. And also, we hope to maintain the same momentum of 30 to 35% business in ready-to-move-in, 30% business in under construction and 30% business coming from new launches. So this is the basic thing, and any questions are most welcome.

**Sushil Modi:**

Hi, this is Sushil Modi. So I think you all have heard around the business as a whole, how positively we are moving towards – and have moved rather in the last two years, and the trajectory going forward continues to look even more optimistic vis-a-vis whatever we have seen in the last two years and this is what you should be expecting from Lodha moving forward. The question on mortgage rates will always be there in everybody's mind, point taken, but the fact is the reality of life in terms of demand for housing is so robust, some of these perhaps are more or would continue to be on the sidelines.

As far as the right brand with the right commitment and the right quality product, when it comes to all of that, I think these things does not become of any paramount importance and which is what you heard from Prashant. Be it any of the launches that we are doing, most were in particular micro-markets where we were not there, and that is what was the basic hypothesis of our business in terms of growing, and the growth strategy. That has played out pretty well, just take Eastern Suburb where we were completely missing, we have achieved sales of around INR1,200 crores, which effectively becomes 10% of our total sales for the year.

So is Pune where our delivery was more to the tune of around INR250 odd crores, this year we have achieved INR1,200 crores there as well. So it means as we continue penetrating with more and more projects and which is what we call our supermarket strategy to ensure that we bring out product into each and every neighbourhood, to cater to the demand sitting there, because we do consider this demand is pretty much non-mobile to a reasonable extent. Every neighbourhood has a particular set of demand, which needs to be catered only by bringing in the product here.

Just to add on beyond what Abhishek and Prashant said, in terms of margin, as you would have noticed, our EBITDA margin of the sales that we have achieved in the current year, it stood at around 32%. In the next year, as you would have noticed in our presentation for the next year, FY24, we have indicated 30%, which is basically just a function of more-and-more newer projects coming in wherein the modalities of our raw material acquisition has been under the joint development arrangement route, where typically, the margin happens to be a bit lower. But nonetheless, this is our own estimates, we feel confident to deliver 30% handle of margin on an ongoing basis even as the JDA proportion in the overall mix continue to increase.

The dividend that you all have noticed, effectively endorses and suggest the confidence we have in our, not only just the top line, but the cash flows, the strength of the cash flow that we continue to see month-after-month, quarter-after-quarter. And while on the one hand that cash flow enables us to continue reducing our debt, leave aside the threshold that we have set, which in some sense becomes more of a theoretical threshold or a cap, we continue to work towards going and creating far higher cushion vis-à-vis the threshold that we have set.

And as we see that happening on an ongoing basis, we clearly saw a merit in commencing the dividend distribution, and which is what you see this being the first year that we commence this journey.

With this, I would like to perhaps request you to open the Q&A.

**Moderator:**

Thank you. Ladies and gentlemen, we will now begin the question-and-answer-session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we request you to restrict to one question and one follow-up question per participant. Ladies and gentlemen, we will wait for a moment while we poll for questions. Our first question comes from the line of Murtuza Arsiwala from Kotak Securities. Please go ahead. Murtuza Arsiwala, your line is unmuted. You can ask your question.

**Murtuza Arsiwala:**

Yes. Sorry. Just wanted to sense, you talked about the annuity piece of the stream. Any color, Sushil, that you could give us on what the management business looks like in terms of size and margin and how big this could become?

**Management:**

Murtuza, hi. I presume your question relates to the facilities management business.

**Murtuza Arsiwala:**

Yes, the facilities management.

**Abhishek Lodha:**

Yes. The facilities management business, as you're aware, we manage for different periods of time all the developments that we complete. We almost have now 60,000 units which we have completed and handed over to customers. We are now also starting to see a trend that even when we hand over the management of the buildings to the individual societies, people are coming back and asking us to come back and do the, and continue with the management because these are large complex buildings with systems which require particular expertise. And more importantly, our expertise in hospitality and the ability to add value beyond just the standard property management are all being valued by consumers.



This business generates a net margin of about 10%. We expect that this business will scale up to net income of about INR100 crores by fiscal 26. And we believe that along with the digital app that we have just started rolling out, we will scale up to a much larger number by the end of the decade. It could be as large as INR400 crores to INR500 crores of net income by the end of the decade.

**Murtuza Arsiwala:** Thank you. Thank you so much, Abhishek.

**Abhishek Lodha:** Thank you.

**Moderator:** Thank you. Our next question comes from the line of Pritesh Sheth from Motilal Oswal. Please go ahead.

**Pritesh Sheth:** Hi. Thanks for the opportunity and congrats on the FY23 performance. Firstly, just on the inquiries and customer visits plus conversions that you highlighted, how has been the trend on - - I mean, throughout the year, has Q4 on an average also clocked around 30,000 customer visits and conversions being at around 7.5% or is there some difference in terms of that quarterly trend as we moved on to the end of the year?

**Prashant Bindal:** Thanks, Pritesh. Actually, if you see our business, the hallmark has been the consistency. Across the quarter-by-quarter, the number of walk-ins and the conversion has been more or less the same. The average for the year is 7.5%. The shift could be a 0.1% or a 0.2% here or there, but the consistency in the walk-ins and the revenue has been almost similar across the four quarters. In fact, the surprising was the quarter 2 piece because generally the quarter 2 is the weakest link, but there also the walk-ins and the percentage were almost similar across all the quarters.

Not much, any differentiator, and even across categories, whether it was affordable or premium, but the consistency was there almost all across.

**Pritesh Sheth:** Sure. That's helpful. And secondly on the digital infra business, I think apart from the signing of the platform this year, we haven't seen much traction. So is it like building up for a very strong year, this year or if you can highlight something on digital infra where we are?

**Abhishek Lodha:** Pritesh, hi. I'll just add a little bit more color in terms of numbers to what Prashant just answered in terms of walk-ins. Our approximate walk-ins for Q3 were 27,000 and for Q4 it was 31,000. So as you'd see, while it is broadly consistent from quarter-to-quarter, there was a modest pick-up in the number of walk-ins in Q4. That's the data set.

In terms of the questions on digital infrastructure, as you know, this is a platform which has been put together in the middle of last year. It started operating from the middle of the last fiscal 23, which along with Bain Capital and Ivanhoe Cambridge. We expect a significant ramp-up in terms of the two projects which the platform already has, which is 110 acre parcel in Palava as well as in city warehousing site in Kurla. The platform is also now as a team has built-up, we have the new CEO of the business, Mr. D.S. Rawat, who used to be CEO of Bharti Infratel for a long period of time.

So with all of those things coming in, we expect the business to grow at a higher level in the current fiscal. Overall, it's a business which has an investment period of 3.5 years to four years. And then we expect it to be a mature business within six years from the start, i.e. from June '22 to June '28 is the overall period that we're looking at making these investments and scaling up the business sufficiently enough for it to be at a point where it can go to a REIT or a similar kind of an exit.

**Pritesh Sheth:** So my question was apart from the platform, where are we at the sales for the large land parcel that we have on that digital infrastructure itself? I think that velocity in FY22 was much better. We have seen a good chunk of deals. This year it was muted apart from the platform that we had. So any comments on that?

**Abhishek Lodha:** Yes, I think the land monetization piece that you're referring to, and sorry I did not understand your question with clarity earlier. The land monetization piece that you're referring to is something which happens for different activities from time-to-time. We've of course given the details in the quarterly presentation. And we expect to see the same level of monetization of about INR500 crores per annum coming from the land side in the current fiscal 2.

**Pritesh Sheth:** Sure. That's it from my side for now. I have a couple of more questions, but I'll join back the queue.

**Abhishek Lodha:** Thank you.

**Moderator:** Thank you. Our next question comes from the line of Sameer Baisiwala from Morgan Stanley. Please go ahead.

**Sameer Baisiwala:** Hi, good afternoon everyone, and thanks for taking me in, and thanks for a very detailed presentation. My question is regarding the cash flows for fiscal 24. If you can just highlight what would be the construction spend and what would be the money that you need to spend for new project acquisition?

**Abhishek Lodha:** Yes, hi Sameer. So we are contemplating our construction expenditure to be in the order of around INR4,500-odd crores for FY24. And from a growth capex standpoint, the numbers would be somewhere around in totality, both the new projects as well as some of the projects that we have already signed up but will be coming in the current year, all combined potentially INR2,500 crores roundabout.

**Sameer Baisiwala:** Okay, great. And if I then connect this with the OCF guidance of 60 billion for next year, that should leave at least INR2,500 crores for your net debt reduction, is that math correct? And that actually takes you much below your the ceiling targets that you have given.

**Abhishek Lodha:** So Sameer, your math is definitely in the right direction. And yes, that is our endeavor is to consistently reduce debt well below the ceiling and which is the reason why we are using that term of ceiling for the debt of 0.5x of equity and 1x of operating cash flow. And we hope that we will be able to continuously go below that ceiling.

As we saw last year, the growth opportunities are exciting and yet we were able to reduce debt significantly and we will continue to walk down the same trajectory.

**Sameer Baisiwala:** Okay, great. And one final from my side and that is what is the pricing outlook for fiscal 24? So I think, Prashant, what you mentioned, the footfall and the conversion imply that your total 20% growth is going to come from there and almost no price increase. So if you can just clarify on that?

**Prashant Bindal:** No. Actually, as I said that if we are looking at about 20% increase in the value terms, we expect 5% to 6% increase coming from the price and the balance 14%, 15% coming from the value, from the footfalls as well as the conversion.

**Sameer Baisiwala:** Okay, thank you so much.

**Moderator:** Thank you. Our next question comes from the line of Parvez Qazi from Nuvama Group. Please go ahead.

**Parvez Qazi:** Hi, good afternoon and thanks for taking my question. So my question is on the township business pieces, we have seen a nice jump last year. Some part of it obviously has come from the improvement in launches. Apart from that what are some of the steps that you would have taken which would have resulted in this kind of growth and what is the outlook on this segment going ahead? Thank you.

**Prashant Bindal:** Hi Parvez. The township business is a core, I would say, strength of our larger business. This caters largely to the mid-income segment. We have over the last 10 years built a huge moat around this business because of the large investments made, the quality of the infrastructure created as well as the hard and soft factors which compel people to see this as by far the best location to live in when they're looking at mid-income housing in the MMR.

In terms of the drivers of the move up in this last year, I would say that it was driven by the launches as well as by the fact that there is a good sense of demand in the mid-income segment. We also brought in some new categories, for example, for sale offices as well as for sale retail. We also started plotted development in a part of our township business and all of this helped contribute to the sales.

Going forward for fiscal 24, and I would even go on a limb to say fiscal 25 and '26, we see that this segment should outperform. Our township business should outperform on the back of some very important infrastructure projects which are now getting completed. Actually, this morning itself I was at Upper Thane and saw the bridge which is connecting now Upper Thane to the Dombivali railway station which makes Upper Thane just 10 minutes away from Dombivali railway station. I saw the massive works which are progressing on the Mumbai-Nasik highway which will connect to the Nagpur Superhighway which in turn will make Upper Thane very much the entry point into Mumbai for everybody who is using the Nagpur expressway.

Similarly, I understand that the tunnel from Airoli to Palava is now almost ready and should be opening sometime in the second half of this year. And there are the metro, the tender for the metro works which will have multiple stations in and around Palava for Metro Line 12 has also

been released by the government authorities. So there is a very significant amount of infrastructure uplift now and in the coming years which we are going to see. And we expect to see about a 20% year-on-year growth in our township business for the foreseeable future.

**Parvez Qazi:** Thank you so much. That's it from my side.

**Prashant Bindal:** Just to add in terms of the parameters in township, we had 45,000 walk-ins happening in the township business which was almost a 13% swing in the number of walk-ins. And for the first time we touched 10% conversion in the township which is very significant. So I think these two and we had a 5%, 5.7% price increase leading to the overall business. So I think the overall fundamentals of the township business look very significant and we look forward to a 10% conversion was a very significant change because we were trying for many years and we finally touched it this year.

**Parvez Qazi:** Thank you, sir.

**Moderator:** Thank you. Our next question comes from the line of Abhinav Sinha from Jefferies. Please go ahead.

**Abhinav Sinha:** Hi, thanks for taking my question. Firstly on pricing, so we saw a slightly higher 8% increase this year as compared to 5%, 6% which you were posting last quarter. So is there a delta among the various geographies and what has driven this increase?

**Abhishek Lodha:** So, the price growth that we saw for the full year at about 8% was higher than our expectation (and guidance for around 6%). We do feel that it is a healthy price growth because it is still below wage growth. At the same time our target price growth for the coming year as Prashant mentioned will be in that 5% to 7% range so that affordability keeps getting better.

In terms of FY23 where the price growth was strongest, we saw good price growth in the ready segments, in the ready to move in inventory. We also saw good price growth in select projects which are in Pune as well as in the eastern suburbs. So overall it is not a particular segment, it is not a particular project driving that price growth. It is broad based. Yes, you would have a range. Some cases it would be around 5% to 6%, some cases it would be 9% to 10% and the overall blending at about 8% but there is not a wide divergence that we are seeing.

**Abhinav Sinha:** Okay, and secondly on the sales guidance front, last year you had given us some granularity on the various micro markets and geographies. Can you help us a bit, among how much can we see from the suburbs and south central? I also see Bangalore projects in pipeline this time so when are we expecting that to be launched?

**Abhishek Lodha:** Hi, we would prefer to give our guidance at the aggregate level and that is what we had kept last year too. We are working towards two launches in Bangalore. One should happen in the next three-odd months and the second in the second half of the year. Bangalore will contribute a modest amount to growth this year, probably in the range of INR700 crores to INR1,000 crores of sales from Bangalore and the rest of the growth is expected of course to come from Mumbai and Pune.

In terms of Pune market, you can definitely expect to cross INR2,000 crores of sales. So out of our 14.5, if you wanted to break it down at a city level, you would see INR2,000 crores-plus from Pune, about INR700 crores to INR1,000 crores from Bangalore and the rest of it which is over INR11,500 crores coming from Mumbai.

I would like to point out that compared to fiscal 23, Mumbai was already, quite strong running at about INR10,500 crores-plus of sales. So if you look at each of the three buckets, the kind of sales growth that we are projecting and are guiding to is quite prudent and comes off a solid base of fiscal 23.

**Abhinav Sinha:** That's helpful. I may ask a question to Prashant sir also. Throughout last year, particularly later in the year, there was higher pricing as well as impact of higher market rate. Did you see any impact in the product which is being demanded now by the customers?

**Prashant Bindal:** You see, the impact that happened was that in the affordable segment, the shift was anyway moving from 1BHK to 2BHK and in the Aspirational segment from 2BHK to 3BHK. So that shift was very clearly evident because when the, so this shift was either because of the consumer behavior shift or because of the mortgage rates. The number of walk-ins specifically for 1BHK in the affordable segment, that plumbed, that came down to some extent. And we believe that with the mortgage rates actually stabilizing in this year, the tailwinds behind us, this is one segment which we expect to grow this year.

**Abhinav Sinha:** Very, very helpful sir. Thanks a lot.

**Moderator:** Thank you. Our next question comes from the line of Mohit Agrawal from IIFL. Please go ahead.

**Mohit Agrawal:** Yes, thanks for the opportunity. My question is on completion. So in fiscal '23, you had 9.5 million square feet of completions. And as per the presentation, next two years, it's about 6 million to 7.5 million square feet per annum. So how should we look at this, you know, and how should we look at the revenue recognition in the P&L? Could you guide a little bit on that?

**Sushil Kumar Modi:** So, hi, Mohit. Now, from a completion standpoint, yes, the data that you see is basically of the project that is going to get completed. But on the same side, if you see our revenue recognition, even under the current accounting mechanism, which is, on completion method, comes out of a few sources, one from completions as is, but equally is what we already have the ready inventory in incrementally. And then as we keep adding any new assets or the annuity assets that we have, if anything, on that site, the sales that takes place, be it equally coming from land. So, all of those gets added to this revenue number that we recognize. So, it's not just a number fully baked in basis, only the completion. It is a combination of a few variables all taken together that comes in.

But more importantly, perhaps, if I may add, we are equally visiting our accounting mechanics. And trying figuring out is this right and the sole method of doing the accounting. We are in discussion with our auditors too, whether there is any other way to reflect the true fundamental of the business. And whether the completion method alone is the right method or can there be possibilities of doing accounting basis more of the percentage of completion method which used to happen in the past. So, yes, but we don't have any conclusion as yet. We are discussing,

figuring out. But nonetheless, as I said, revenue number basis, the completion method will be a combination of a few variables and a few pillars.

**Mohit Agrawal:** Okay, understood. So you could be so when by when we should have clarity around whether you could be shifting to a percentage completion or not?

**Sushil Kumar Modi:** Nothing at this point. I just said that this is something that we are grappling with and thereby we did not had a chance as yet to discuss in detail. But that is something that we would be perhaps commencing to understand. This is basically I'm saying so because this completion method do create, confusions. And which is where the question like what you just mentioned arise at any given point of time.

**Mohit Agrawal:** Sure, understood. And my second question, a data point. So on the land monetization piece in Palava and the digital infrastructure segment, what is the per acre pricing that you're seeing? And has there been a pickup like we've seen a pickup in the pricing of projects? Has there been a pickup in the pricing in the last one year?

**Sushil Kumar Modi:** In fact, obviously, yes, price is showing an increasing trend on a quarter-on-quarter basis. We saw in this quarter, though the quantum was not big, but the transaction that took place has reached to around six crores per acre plus, though the volume was less. So, Yes, you're right. And it's pretty obvious because as the more and more mass is getting created. Now, this year, we will see a lot many things commencing operation there. One of the land that we had sold to Flyjac Logistics, they are in the advanced stage of completion of their park and thereby their tenant will move in this park. Sketchers, as you recall, has come in there and that is going to become operational in this financial year.

So thereby, numerous activities that are now going to get commenced and start are going to obviously keep boosting this price point. So, and price points for us not only on this side, but equally the demand and the price point for our residential business.

**Mohit Agrawal:** Sure, that's all from my side. Thanks a lot.

**Moderator:** Thank you. Our next question comes from the line of Prem Khurana from Anand Rathi Shares and Stockbroker. Please go ahead.

**Prem Khurana:** Yes. Thank you for taking my question. I have two questions. So one was, when I look at KPIs, I am the guidance that was given for next year, we see good growth in terms of prices. And I think in terms of construction spend, the number that you gave us over the course of the call seems to be pretty increasing. But for some reason, our OCF is that around what we are guiding for next year around 6,000 versus 5,600. I mean, when I look at collections, obviously, it will be a function of two things. So one, what you sell during the year, and you will also be able to have milestone receipts from what you sold in the earlier years, right? And you've been growing.

So, ideally, when our milestone payment should be higher, so why is this disconnect between the growth that we're seeing in sales and ideally, which should translate into some sort of growth in collections and construction? Why this insignificant growth in OCF? Are we missing something there?

**Abhishek Lodha:** So the question of the OCF growth being lower percentage compared to the growth in presales or even in terms of cash flows is called out on slide 25 of our presentation. You can perhaps also take a look at that later. But to summarize what we've stated over there, that's driven by two factors. One is a strategic decision to own and not sell certain high-quality annuity assets which tend to release a significant amount of free cash flow because we are fully ready and 100%, therefore, generating cash flow, and our operating cash flow.

And the second part is that as we go forward, while the quantum of a ready to move in sales will possibly remain the same or slightly go up in percentage terms the quantum of ready-to-move in the ready product sales will go down because a lot more sales are coming from new launches and under construction. And therefore, as a percentage, the ready-to-move-in units tend to release a much higher OCF. So a combination of those two factors is leading to this onetime I would say, readjustment of the OCF as a proportion of presales. And I think we should be back to a more linear equation for in subsequent years.

**Prem Khurana:** Sure. And second question was on the project addition that was done during the almost INR20,000 odd crores rupees. And we seem to spend almost INR1700 odd crores for these new additions and assuming there are some more payments yet to go. But even if I consider 1700, it works out to be almost 8.5% of what we've been able to add in terms of GDV. So, is this a number that we were working with or it is lower than our expectation or higher than our expectation? What ideally this number should be and given the fact that they're focusing more on GDV arrangement, where in the capital intensity ideally should be on a lower side.

**Abhishek Lodha:** So, the way we think about business development and business development guidance is to add sufficient land in year N minus one, which is equal to the sales that we are targeting for year end. So, by looking at our business development guidance for any year, you can actually extrapolate the sales guidance that we are likely to have in the subsequent year. As you may have noted, last year, we gave business development guidance for about INR15,000 crores. And we are now as you see, our sales guidance for fiscal 24 is at about INR14,500 crores. Logically, the reason for choosing or targeting at least INR17,500, we might do higher than that, but at least INR17,500 crores of business development in fiscal '24, and likely to have sales guidance for fiscal '25, which is, compounding at 20% from what we achieve in fiscal 24. So, that will be in that range of that INR17,000 crores, INR17,500 crores neighborhood. And that's the way in which we think about business development is to add sufficient land in a given year, which is equal to the likely sales in the subsequent year.

**Prem Khurana:** And on the cost side, the number would remain somewhat similar, I mean, 8%, 10% of the GDV that you had or?

**Abhishek Lodha:** Yes, so typically our JDA projects tend to have investments, which is between 5% and 10% of the GDV. And the outright lands tend to have investment, which is closer to 20% of the GDV. So as Sushil mentioned, the total investment that we envisage this year into land is about INR2,500 crores, which includes all the new land plus any partner share for whatever land we've taken on JDA in the past years. So we do expect that the ratios for JDAs will remain in that 5% to 10% range and the ratio for outright will remain in that close to 20% range.

- Prem Khurana:** Thank you. I'm sure I'll come back in the queue. Thank you.
- Moderator:** Thank you. Our next question comes from the line of Kunal Lakhan from CLSA. Please go ahead.
- Kunal Lakhan:** Yes, hi. Good afternoon. Abhishek, in your comments, you mentioned that the guidance for EBITDA margin or outlook on EBITDA margin would be about 30%. And this will be despite the new projects contributing. I just want to understand because we have been saying that the new projects usually have 18% as PBT margin. So, just trying to reconcile that with the declining interest costs, the PBT margin should be closer to the EBITDA margin. So, just trying to add as and when the contributions from JDA projects increase, how comfortable or what will drive this 30% EBITDA margin?
- Abhishek Lodha:** Hi, Kunal. The question is an important one. I think a few things are at play over here. We of course underwrite our JDAs at between 18% to 20% PBT margin. In terms of the transition from EBITDA, from PBT to EBITDA, at the current levels of debt or at least what we were underwriting when we took the project, that's an addition of between 7% to 10%. So, typically the equivalent EBITDA margin will be in the high 20s for a JDA project. And it will be in the sort of high 30s for an outright project. So if you were to take say 25%, 26% for JDAs and 33% to 35% for outright, you will see that with our target mix of 60% from outright plans and 40% from JDAs.
- We feel pretty comfortable of blending it at 30% or thereabouts. Actually our margins for last fiscal are at 32% and the reason for our muted guidance on the underlying EBITDA margin to 30% is exactly on account of the fact that the contribution from JDA projects is likely to be higher this year in fiscal '24 than it was in fiscal '23. And therefore that downward adjustment of approximately 200 basis points on the embedded EBITDA margin side.
- Kunal Lakhan:** Sure, that's helpful. Just to follow up on that, if you can share what is the contribution of JDA projects in FY23 and what are you building that in FY24?
- Abhishek Lodha:** So FY23, the contribution from JDAs as a percentage of sales was about 26%, 27%. And we expect that number to move up to about around 40% for or thereabouts for fiscal '24.
- Kunal Lakhan:** Sure, that's very helpful. Thanks a lot and all the best.
- Moderator:** Thank you. Our next question comes from the line of Sameer Baisiwala from Morgan Stanley. Please go ahead.
- Sameer Baisiwala:** Hi, thanks for the follow-up. Quick question on One Lodha Place. How is the leasing momentum over there?
- Abhishek Lodha:** Hi, Samir. Except for the fact that you all chose to go somewhere else, the momentum is generally good. So, we are seeing some very high quality businesses operate from there. We already have Condé Nast operating from there. We have Gucci, which is starting operations soon. We have St. Laurent, which is operating soon. We have a few law firms as well as financial



services firm operating for that. So, generally that building is seen as amongst the best, if not the very best office building in the city and we are getting a high quality of tenants.

**Sameer Baisiwala:** I think in Q4 the leasing was 0.1 million square feet. If that's right, out of 0.75 million. So, roughly about 12%, 13%. So, how much time do you think this will take to get fully leased up?

**Abhishek Lodha:** We expect to be, I would say, at very high levels of lease out by the end of the current fiscal. Whether that will be at 85% or 90% or 95%, that time will tell, but we'll be at fairly close to our steady state number by the end of this fiscal.

**Sameer Baisiwala:** And second question is on South Central Mumbai. Just, what's the outlook over here? Do you think it's a little oversupplied based on all the announced projects, etc.? Do you think there's enough and more demand there? And second is, how is your Mahalakshmi launch doing, the Solitaire project?

**Abhishek Lodha:** So Sameer, I think while all of us, a lot of people on this call, because we either live in or have offices in South Central Mumbai, we do sort of set in to believe or see significant supply when the announcements are made. The reality is that in South Mumbai, which is sort of the area south of Haji Ali, actually it's very, very under supplied or supply starved, especially of good quality development. So South Mumbai truly has limited, very little supply. And stuff comes up from time-to-time, but it's not huge. Central Mumbai, there is again a few announcements. There are some office announcements, a couple of residential announcements.

And we do still like the fact that our project locations as well as our product quality tends to have a very strong followership in this market. The Solitaire launch has started off well. And we continue to believe that we as the market leaders in central, south and central Mumbai will continue to have, I would say, good demand for our product.

**Sameer Baisiwala:** Okay. I guess Abhishek, I was referring to Haji Ali to Siddhi Vinayak, if that's the right way to demarcate it. I mean, is this area you think still has enough and more demand? And if you see south of Haji Ali, then do you think you have enough BD opportunities over there?

**Abhishek Lodha:** South of Haji Ali, yes. You know, BD opportunities are continuing because it's very clear, right? When the brand is as strong as ours is in this area, both whoever, land, society, whatever the development, they would like to partner with the best. And so I think we do have decent opportunity to continue to serve that market. I think in terms of your question of between Haji Ali to Siddhi Vinayak, I haven't, we've seen a couple from one of the other listed peers. But other than that, it's not, there isn't anything significant. So, I think, and these projects between acquisition to start, especially if they involve redevelopment or do take some time.

So, we feel we continue to remain constructive on this segment. No current concerns in terms of oversupply.

**Sameer Baisiwala:** Okay, great. Thank you so much.

**Abhishek Lodha:** Thank you.

**Moderator:** Thank you. Our next question comes from the line of Pritesh Sheth from Motilal Oswal. Please go ahead.

**Pritesh Sheth:** Yes, thanks for the follow-up opportunity. Just a couple of points. In terms of business development or project additions since last two years, I think Eastern suburbs, Pune, and probably South Central Mumbai as well, we have done well. While in Western suburbs, there were I think two, three project additions. How do you see the traction there? I mean, considering that market is largely a redevelopment market, how is the opportunity there beyond redevelopment that you see? Should we expect some good additions in the future in this market as well?

**Abhishek Lodha:** Yes. The Pritesh the Western suburbs is a market where we see room to penetrate further and deeper. And you can expect some positive movement to new business development in the Western suburbs in the course of this year.

**Pritesh Sheth:** Will we ever be keen to do some society redevelopment in this market to, capture the market share or we don't have to necessarily get into society redevelopment, to gain market share in that?

**Abhishek Lodha:** See, we are agnostic when it comes to the form of how the land is as long as we have vacant land and clear title. So, quite frankly, whether society redevelopment with someone has already brought to a particular point of maturity, we're okay with that. If there is a vacant land, that's fine. If someone has a slum project, which they've cleaned up and there is the free sell portion is free. That's also fine with us. So our focus is on, as I had mentioned earlier in a different context, is on a shortest possible land to cash cycle. And for that, the right raw material, i.e. land which is clean and buildable in a reasonably quick time frame is very important for us.

**Pritesh Sheth:** Sure, sure. That's very helpful. And just last clarification on Bangalore, the two launches that you're pointing out is two phases of same project, right? Or are we also in sight to acquire another project in Bangalore?

**Abhishek Lodha:** So we're guiding to two launches at two different locations. One launch will be, of course, at the land which we've already done a joint development for. And we expect in the course of this year that we will at least do one more project. So, that are the two launches that we are guiding.

**Pritesh Sheth:** Sure. Thank you. That's it from my side. All the best.

**Moderator:** Thank you. Ladies and gentlemen, we have reached the end of the question and answer session. I would now like to hand the conference over to Mr. Anand Kumar, Head of Investor Relations, for closing comments.

**Anand Kumar:** Thank you, everyone, for joining the call. We remain quite positive on the industry and with the strong growth drivers present in the industry, we remain confident of achieving our medium-term guidance of 20% CAGR in sales as well as 20% ROE. Feel free to reach out to me or Sushil or the IR team for any further questions. Thank you.

**Moderator:** Thank you. On behalf of Antique Stock Broking, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.