

April 29, 2022

The Listing Dept.,
BSE Limited
Corporate Relationship Department
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai- 400001
Scrip Code: **543287** Scrip ID: **LODHA**

The Listing Dept.
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G
Bandra Kurla Complex
Bandra (E), Mumbai – 400 051
Trading Symbol : **LODHA**
Debt Segment - **DB - LDPL23**

Dear Sir,

Sub: Q4 FY22 - Earnings Call Transcript

We are enclosing herewith a copy of the transcript of the Company's Q4 FY22 earnings conference call held on April 27, 2022. The transcript is also being uploaded on the Company's website i.e. www.lodhagroup.in under the Investors section.

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

Thanking you,

Yours truly,

For Macrotech Developers Limited



Sanjyot Rangnekar
Company Secretary & Compliance Officer
Membership No F4154



Encl: As above



“Macrotech Developers Limited
Q4 FY2022 Earnings Conference Call”

April 27, 2022



MANAGEMENT: **MR. ABHISHEK LODHA - MANAGING DIRECTOR
& CEO, MACROTECH DEVELOPERS LIMITED
MR. SUSHIL KUMAR MODI - CHIEF FINANCIAL
OFFICER, MACROTECH DEVELOPERS LIMITED
MR. RAJESH AGRAWAL, PRESIDENT-
PROCUREMENT, MACROTECH DEVELOPERS
LIMITED
MR. ANAND KUMAR - HEAD - INVESTOR
RELATIONS, MACROTECH DEVELOPERS
LIMITED**

MODERATOR: **MR. BIPLAB DEBBARMA- ANTIQUE STOCK
BROKING LTD.**

Moderator:

Ladies and gentlemen, good day and welcome to Macrotech Developers Limited Q4 FY '22 Earnings Conference Call hosted by Antique Stock Broking Limited. 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 “*” and then “0” on your touchtone phone. Please note that this conference is being recorded.

I now would like to hand the conference over to Mr. Biplab Debbarma from Antique Stock Broking. Thank you and over to you, Sir!

Biplab Debbarma:

Thank you, Neerav. Hello everyone and welcome to the post-result conference call to discuss 4Q FY '22 earnings of Macrotech Developers Limited 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 and Mr. Anand Kumar, Head IR. Without further ado, let me hand over the call to Mr. Lodha over to you, sir.

Abhishek Lodha:

Thank you. Good afternoon, everybody. Thank you for joining us on this earnings call. I hope all of you, your families and your loved are doing well. I also would like to update that we are also joined on this call by Mr. Rajesh Agarwal, our Head of Procurement, who will be having a discussion around cost inflation in the latter part of this call with you.

To start off, what a year, it has been. It started with the tragic Delta wave, then the gradual reopening and commencement of activity, the strong rebound in the global and the Indian economy, the threat of the Omicron wave and finally Russia's invasion of Ukraine. Along with that was the economic repercussions of all these events. The least desirable of them being the increase in prices across the board, including oil, the surge in inflation and the possibility of rising interest rates.

But within these plethora of events, human, political, and economical, Macrotech completed a defining year in its history, a year which has altered the cost for the company and set the platform for a very strong future to establish ourselves as India's leading real estate company with best practices and unflappable financials. As one of our well wishers loves to say, the stars have aligned and how well they did.

Almost a year back, we launched our IPO right at the start of the Delta wave. The listing was nothing to cheer about, but then what followed for the rest of the financial year is something that I will always be grateful for to all our stakeholders who reposed their faith in us and now give us the confident of a sustained journey on the back of all the lessons that we have learned over the medium and short-term. From a macroeconomic perspective, I don't need to highlight the tailwinds, which have supported us, the reinvention of the real

estate market and hopefully, and I believe confidently, it is only the start of a structural cycle in housing.

Let me come to the specifics about our company. We listed on the exchange with certain commitments to the Board and the financial community. We guided for a presales of INR 9,000 crore for the year, including the digital intra business and we closed the year with a number exceeding that, but this was achieved in spite of losing almost three months in the year to the two different waves of COVID.

Some of our other performance and financial highlights, I would like to take you through. Q4 was our best ever quarter with pre-sales of INR 3,456 crore. If you look at our momentum, Q1 of the same fiscal was INR 957 crore, and we ended Q4 with INR 3,456 crore, almost four times in just the course of four quarters.

Our revenue for the quarters stood at INR 3,445 crore, with year-on-year growth of 36%, for the full year this stood at INR 9,233 crore with year-on-year growth of 69%. PAT margin for the quarters stood at 16.3%, and for the full year, despite the impact of COVID PAT came in at 13.2%. For the full year, PAT went up 3.7 times compared to the previous year to INR 1,262 crore. ROE for the full year came in at 15.5% on account of the expanded equity base post the IPO and the QIP.

We expect our ROEs to reach high teen levels over the medium term. Collections continue to track the presale growth and came in at INR 2,843 crore, showing a growth of 36% in this quarter. Collections for the full year were also equally strong at INR 8,597 crore, showing a year-on-year growth of 70%. We expect collections to broadly track pre-sales with the small lags as pre-sales ramp up on an ongoing basis.

Our adjusted EBITDA for the quarter was INR 1,230 crore showing a growth of 33%, on a year-on-year basis. For the full year adjusted EBITDA more than doubled to INR 3,243 crore. Adjusted EBITDA margins stood at 36% and 35% for the quarter and full year, respectively.

In line with the strategy of monetizing our rental office assets, we have partially monetized the leased portion of our Thane office property. Going forward as well we will look to monetize our leased asset, giving us significant capital release to boost our higher ROE part of our business.

Our resolve to become a leader on ESG has only strengthened during the year. We have made progress to achieve our net zero carbon goal, before the original timeline of 2035. We will be publishing our science based targets later this year. We are setting up an accelerator with the world renowned Rocky Mountain Institute in the Mumbai region to promote research into solutions, to get urban India to net zero faster. Our focus on social impact will be further strengthened this year, with the launch of the Lodha Brain Gain program, which seeks to ensure that gifted children are given all the resources, educational, economic, emotional, and anything else that they may

need to fulfill their promise and we can create a generation of Indians, which is committed to giving back to our country, in addition to maximizing their own potential. We continue to focus on diversifying our Board, as we did with the induction of Mr. Lee Polisano, to continue to show the highest level of governance.

We promised to strengthen the balance sheet and eliminate the fragility from high interest costs, targeting a net debt of below INR 10,000 crore by the end of fiscal '22. We ended the year with about INR 9,300 crore of net debt. We have managed to reduce the cost of debt to 10.5% from a very high level of 12.3% and our new refinancing are happening at below 9%. To put in perspective, we had an interest payment of about INR 1800 crore in fiscal '22 and if things remain on course, we will have an interest payout of INR 800 crore or below in fiscal '23. That saving of INR 1000 crore will be almost as large as the PAT that we have achieved this year.

We had committed to repay the promoter loan within six months from the date of listing, and this was done within three months. The London investment was out of our core focus and we had initially guided for a closure of the investment by fiscal '24. We are ahead of schedule on that, the entire project debt, as well as the bond debt have either been repaid or is covered by the sales that have already been done and as it stands, we will be in a position to repatriate a significant surplus back to the Indian company starting in fiscal '23.

In the meanwhile, we saw tremendous opportunities for growth in the real estate market in India with the dynamics that I have highlighted in previous calls, through a committed capitalized model. And we were fortunate enough to be able to raise INR 4,000 crore of capital through the QIP, of which INR 3000 crore is targeted, purely for growth, which is being deployed as we speak.

The digital infrastructure business continues to support the strengthening of our financials and we are making good progress on deals even this year, which will provide us additional monetization and annuity income as well. We are taking some new initiatives which will increase our strength into realty ecosystem, but will not entail any significant capital deployment and on the contrary, over time start generating long term recurring revenues of annuity like nature.

Overall, our commitment towards a capital light high ROE growth model remains unshakable. Moving on to the guidance that we have for fiscal '23 and going forward, assuming that events like COVID and geopolitics do not rock the world beyond imagination, we look at growing up pre sales by about 25% to INR 11,500 crore from the INR 9,024 crore that we did in fiscal '22. Out of INR 11,500 crore, INR 10,500 crore is expected from our 'for sale' business and the balanced INR 1000 crore is expected from our non core assets monetization, land monetization, and the digital infrastructure business.

We might end up as one of the few companies, which will reduce our borrowing costs this year, even in fiscal '23, in spite of the rising

interest rate environment. Our net debt is expected to come down to below INR 6,000 crore for the year. Our target is to keep our net debt at less than 1 times of operating cash flow and we hope to achieve this in the next four to five quarters itself. We are on track to sign JDAs worth about INR 15,000 crore of GDV in the fiscal '23, in addition to the approximately INR 15,000 crore, which we did in fiscal '22, this is an ongoing process and we continue to see plenty of opportunities, even more so, as some of the uncertainties, have come up in the market as we've seen over the last few months.

I would also like to state that as you look at our company's performance and that of the larger housing and real estate industry, because of the nuances and intricacies of the accounting standards, the best KPIs to track our performance in our view are the following four. Number one, pre-sales number two, EBITDA margin from the current sales, this is a number which we will start reporting from the following quarter. New projects added in terms of GDV and the external ESG rating or score. We believe that these four KPIs will give you a comprehensive overview of the performance of the company, as well as its future trajectory and will help you get a much clearer idea of the current performance of the company, which may sometimes not be clearly understood from the financials because revenue recognition under Ind AS is done only at the time of the receipt of the occupation certificate, which might lead to lags in the clarity on terms of the operating performance.

While we are bullish about the growth prospect for fiscal '23 and beyond, we believe that the sustained growth in the housing market is here to stay for the meaningful period of time and as a company, we can on an ongoing basis, deliver presales growth of 20% or higher, not only in fiscal '23, but even for the next three to five years. Having said that, we are also cognizant of the risk ahead of us, particularly in view of the rising material costs and from a buyer's perspective, rising inflation and increasing mortgage rates. Our assumptions take this into account, the overall impact of cost inflation on our cost of goods sold has been about 2.5% as detailed in slide 16 and 17 of the investor presentation. The year-on-year increase in construction cost is about 13.7%, which was about 5% up to January '22 and thereafter due to the global events, including the Russian invasion of Ukraine, as well as the lockdowns in China, there has been an increase of a very meaningful amount. However, with good wage growth in the country, we expect to be able to pass on the cost increase, and yet ensure that affordability remains strong and volume grow up.

Our assumption and belief is that prices will go up 6% to 8% for the product this year, and that will be below the wage growth of 8% to 10% in the economy and therefore there will be an increase in affordability and linked to that, an increase in volumes. Further talking about increased cost, today we will further demonstrate our management depth having Rajesh Agarwal, the Head of our Procurement on the call and happy to answer any questions that you have on this topical area of construction cost inflation and of course our CFO Sushil Kumar Modi is available to answer any questions on the financials.

With this, I would like to thank the entire financial community once again and all our stakeholders for the landmark year that we have been able to have and we hope that we will continue to deliver on performance in the same manner going forward. Thank you for your time.

Moderator: So shall we open the floor for questions?

Abhishek Lodha: Yes, please.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Kunal Tayal from Bank of America. Please go ahead.

Kunal Tayal: Sure. Thank you and congratulations on a very strong fiscal '22. Abhishek two questions from my side, the billion dollar of investments that you're planning in the warehousing and logistics business, if you could talk a bit more about what are the financing plans for the same and the kind of rental income you would expect from it. And second, generally, what is the customer response to price increases you've seen so far?

Abhishek Lodha: Thank you, Kunal. Let me clarify on our plans in the digital infrastructure space, which includes warehousing and light industrial. We are in the advanced stages and if things remain on track, we should be able to confirm that this quarter of putting together a platform for doing digital infrastructure and warehousing and light industrial across the country with two marquee global investors. The nature of this platform is that Lodha will be largely injecting assets into the platform, including land as well as built warehouses and a built in-city warehousing and logistics locations. And our two partners will be bringing in a significant amount of equity capital into the platform. The platform as a whole, will be raising project level financing from time to time at a very modest leverage level of about 50% or thereabout. So overall from an MDL perspective, this will largely entail the injection of assets, into the platform from time to time and therefore the balance sheet of MDL, will continue its process of deleveraging in spite of participation in this growth opportunity.

To your second question around the customer response to price growth, this is a very interesting question, we believe that too much price growth is harmful and too little price growth is very, very harmful. In the few years prior to COVID when prices were flat and then declining, volumes fell significantly because nobody really wants to buy an asset, which is falling in value or not appreciating in value. On the other end of the spectrum, if price growth is significantly higher than wage growth, then you have affordability issues coming up and volumes can get impacted, especially in the affordable and mid income part of the business. What we are seeing right now is kind of a very, very happy situation, where price growth is happening in a manner which makes the home buyers believe that their asset is appreciating in value, which is great. It also makes potential home buyers, make their purchase decision earlier because

they know that in the future the asset will be more expensive in nominal terms and, overall the increase being below wage growth, so if you have wage growth of 8% to 10% and price increase of 6% to 8%, affordability increases from a financial perspective and therefore more and more people are able to climb onto the housing ladder. So all, and all, we have seen that consumers welcome a modest level of price growth and it encourages home buying, and it also improves significantly the sentiment amongst those who are already home buyers.

- Kunal Tayal:** Got that very logical, Abhishek. Thanks a lot.
- Abhishek Lodha:** Thank you.
- Moderator:** Thank you. The next question is from the line of Kunal from CLSA. Please go ahead.
- Kunal Lakhan:** Yes, Hi. Thanks for taking my question. My question was on your guidance of operating cash flow would be more than INR 6,000 odd crore and, your net debt reduction guidance is about INR 3,300 crore odd. So assuming you are expecting free cash generation of about INR 3,300 crore, I'm just trying to reconcile this INR 6,000 crore of operating cash flow with free cash flow of INR 3,300 crore, considering you gave a guidance of INR 800 crore for interest payout for FY '23. So the balance about, INR 1,900 odd crore, where do you intend to spend?
- Abhishek Lodha:** Hi Kunal. What we had laid out at the time of raising our QIP, that we will continue to invest in the capital light JDA model of growth and therefore investment in land, liaison in our upcoming project is what will be the use of that balance differential amount between the operating cash flow less the interest cost and the net reduction in debt.
- Sushil Modi:** And although Kunal, the point that we are emphasizing is thereby, the trajectory that it is going to go below INR 6,000 crore depending upon what we commit in the form of these investment, whether the number gets into the INR 5,000 crore, early INR 5,000 crore handle, or it remains more closer to the INR 6,000 crore, that's obviously is the function of some of these investment that falls in place, but for sure, the net debt goes below INR 6,000 crore.
- Kunal Lakhan:** Sure. Fair enough. Thanks. Thanks for that. My second question was on your slide 13. So, these 11 JDAs that you have tied up in FY '22, the GDV of that is about INR 14,600 odd crore, what would be the net cash accruable to Lodha from this?
- Sushil Modi:** So I think there in the slide itself, if you really see, which we have indicated, the effective margin that we are talking on these projects are around 20%, right? The PBT margin, so effective cash flow is that, right. But obviously the contours of the projects are such in terms of the commercial understanding that where generally on these JDAs for the first 18 months, we don't kind of share or we keep all the collections and the proceeds for the purpose of the project. So to that extent, from a very cash flow standpoint, while there may be a far higher cash flow accruing to us, but on the whole, as a project

economics standpoint, the 20% handle 18%, 20% handle is what will belong to the, to MDL.

Kunal Lakhan:

Okay. Okay. Thanks. Thanks a lot. Yes.

Moderator:

Thank you. The next question is from one of Puneet from HSBC. Please go ahead.

Puneet:

Yes. Thanks so much for the opportunity and congratulations on great number. My first question is with respect to the launch pipeline. You talked about a launch pipeline of 8.7 million square feet, and then there is another slide, you talk about 3.3 million square feet. What should we think of as the correct launch pipeline?

Abhishek Lodha:

So the launch pipeline for FY '23 is 8.7 million square feet out of land, which has already been tied up either we already own the land or the JDAs have been done. So that is, I would say the clear visibility, obviously as we saw in the last fiscal year, new JDAs will happen during the course of the year and those may get further added to this launch pipeline, but the launch pipeline as is visible right now is 8.7 million square feet. You referred to a pipeline of 3.3 million square feet, let me try to take that. Yes, that is the Delta between the owned and the JDA. So I think the JDA number is 3.3 million square feet, and the own land number is 5.4 million square feet, which is on slide 26 of the investor presentation.

Puneet:

Understood. And in this 8.7, the idea is to launch the entire thing in the current year, or you launch in phases and of the 8.7, inventory available for sale might be lesser, how should one read this?

Abhishek Lodha:

8.5 million square feet is what phases we expect to launch this year. This is not the size of those entire projects. This is what we expect to newly open for sales in fiscal '23.

Puneet:

Okay. So that will be available for sale.

Abhishek Lodha:

Correct.

Puneet:

Understood. And second is if you can talk a bit about the cost of construction as well. Since, you have the head of procurement, how should we read it for the project, which are yet to start construction? What kind of escalation is it? Is it, you talked about number of 13.7%, is it just 13.7%, I thought the understanding was, the cost of project has gone up by a lot more than just 13.7%.

Abhishek Lodha:

So I'll get Rajesh to dive into detail, but I would like to just make a point over here, that 13.7% is we have given a fairly detailed breakup of how 13.7% is put together, which Rajesh will, of course be happy to talk you through, but you'd also need to take into account that cost of good sold does not go up by 13.7%. This is 13.7% into about 35% is the increase in the cost of goods sold for a completely new project. So that is approximately between 4% and 5% in terms of the increase in the cost of goods sold. So I'll now hand over to Rajesh to talk you through a little bit more about why 13.7% and not a number which is higher.

- Sushil Modi:** Before Rajesh steps in, just to perhaps, in any case you would've noted on the page itself, we are not saying the cost increase is just 13.7% and effective thereby 4% to 5%, obviously the cost has gone up sky rocketing as high as 35% that you see on the screen, for the various component which is steel, and so is the other commodity. So it has increased, but what does it entail for the resi project of, be affordable to premium to mid income is what we are trying elaborating or kind of giving you the sense, but Rajesh why don't you take it up?
- Abhishek Lodha:** And slide 16 and 17 would be -- in our investor presentation would be the right ones to look at when are getting into the numbers. They'll be easy for you to follow that.
- Puneet:** Yes. I am on those. Yes.
- Abhishek Lodha:** Yes. Rajesh.
- Rajesh Agarwal:** Yes. So I think the slide number 16, when we talk about the early construction, where this number 13.7% is coming, and the breakup is on the slide number 17 is all about the granualty exercise which has been done across one year. Basically, we have taken the data and the actual cost, what we have done, or the procurement which has taken place from April 2021 to March '22. And broadly, if you see, I mean, if you talk about a percent of a shared cost in double digit, it's only three element steel, I mean the electrical part of it is there and RMC. And one of the major element is labor. So when you talk about the percentage of shared cost and the escalation, the escalation happened in say steel 35.1%, and in labor, it is 3%. It is all about the weighted impact, which has come and the maximum of impact is coming on steel, which is 4.5% percent and the labor component, though the component is more, but it is having 1%. So collectively, if you make it as 13.7%, which is coming together and the impact of that first nine months, if you see it is one third and the last quarter, which is basically with the two third. I mean, I can just talk about maybe the going forward approach per se also, but, I can only say that, spike has already taken place in say last one month or so, whether when you talk about crude oil price or the steel or the aluminum price, but now the spike has gone, but yes, it is on the upper range and the level is being stable. What we are seeing at the moment in the last couple of weeks or so. So that sort of scenario may happen till this element, geopolitical tension will continue part of it and going forward, we'll have to see the timeline, but we expect the prices to be moderated once this part, and as well as the Shanghai and the lockdown part of it is gets normalized. We expect this whole thing to be moderated.
- Puneet:** Understood. And this number is as of March '22, right. Would you think there is a meaningful shift from March '22 to almost nearing May, end of April or the last 27 odd days are not heavily changed this by much.
- Rajesh Agarwal:** As I said, in fact in March, I have seen more of spike happening and in April, these sort of commodity has gone to some sort of a stability,

but yet on the high. So I think I'll still talk about April being same as March.

Puneet: Okay. Understand. And if I were to compare this to 2019 December level, what would that number be approximately?

Abhishek Lodha: We don't really have a detailed number, but the inflation between December '20 and March '21 was not something very significant. So you can assume it probably to be the 5% per annum, which was happening before for a quarter, you can add 1.5% there. So if you want to take December '20 to March '22, probably 15%.

Puneet: Understood very helpful. That sounds so much.

Moderator: Thank you. The next question is from the line of Saurabh Kumar from JP Morgan Chase & Company. Please go ahead.

Saurabh Kumar: Hi. So, three questions. One is, what is the inventory left in the World Tower and Park now?

Abhishek Lodha: Hi. Saurabh we will pull up the numbers, if you want to ask your other questions.

Saurabh Kumar: Okay. The second is on Palava, so there in Extended Eastern suburbs where you've done INR 1,900 crore, I just want to get a sense of Palava. How far are you now from your earlier peak? What was your earlier peak and how far are you from that?

Abhishek Lodha: Okay. You said a third one too.

Saurabh Kumar: Yes. The third is basically, have you done any analysis on, what percentage of houses, both in your in the city and in the suburbs are sold on mortgages and, what percentage of demand is coming from NRIs?

Abhishek Lodha: Sure. So I'll start with the -- or Sushil do we have question number one, if you want to just give total value left in World Towers and total value left in Park.

Sushil Modi: So, yes, Saurabh on World Tower we would have an inventory around INR 2,000 crore and in Park, the inventory will be somewhere around INR 3,000 crore at current prices.

Saurabh Kumar: Perfect. Okay. Palava?

Abhishek Lodha: Second in terms of Palava's performance, Palava delivered, out of our extended Eastern suburbs, almost INR 1,500 crore plus, of sales. And we are sort of, on track for continued momentum given the infrastructure developments, which are happening around there, plus the job creation happening, especially as the industrial park picks up. So, while I'm not sure, accurately of what exactly the peak would be, we are probably within 10% of the peak and should be meeting that peak number if you've already not met it, meeting it within fiscal '23.

Saurabh Kumar: Okay. Okay. So this is, and your historic peak, do you recall, Abhishek, this will be what fiscal '17 fiscal '18, last time you would've been at that level?

Abhishek Lodha: Saurabh we will have a check and come back to you. I don't have it right now. And lastly, in terms of your question around the percentage of homes, which are on mortgages and percentages homes are NRI, I think you get almost 90% plus of homes in the affordable and mid-income segment, which are on mortgages. In the premium segment, that number falls to about 60%, but on an overall blended basis, by volume about almost 75% of the homes people take mortgages, the mortgage percentage varies, but people take mortgages, given the attractive cost of borrowing as well as the tax deductibility. It I think makes sense, even if you can afford it, to take a mortgage. In terms of NRI sales, our NRI sales number this year is approaching almost 13% to 15% of overall sales.

Saurabh Kumar: Okay. Thank you. Abhishek If i can take a follow up on this mortgage thing, I mean, what is your reading, if you get mortgage rates, which increased by about a 100 basis points, how do you think the customer reacts?

Abhishek Lodha: Sure. I'm sure, you picked that up in our presentation already, and we do have -- we are very much cognizant about the fact that mortgage affordability is an important part of the overall affordability. And as you -- we may note at the bottom of slide 17, we've stated that we are cognizant of the risk due to the potential rise in mortgage rates and a mitigation plan is in place. We do believe that probably anywhere from about 50 basis points is a non-event from a consumer perspective, so up to that point in time, we will be very comfortable if mortgages rise beyond that, our sensitivity says that, it's really, again, minor impact, but we do have a clear mitigation plan in place. Our thought is that we will, where it is necessary, especially in the affordable and mid-income segment, absorb any increase more than 50 basis points for a period of two years the impact of that, in terms of sales value is about one to 1% 1.25% and very negligible impact, but it allows the consumer to buy the home he wants without getting affected by the increase in mortgage rates. And two years down the line, you have the benefit of significant wage growth plus rates can go down or up. I don't know, but definitely the wage growth allows them to then pay the higher interest rate if they're still prevailing. So, we are quite comfortable about the fact that we have a plan in place if mortgage rates were to rise disproportionately beyond a normal 50 basis points.

Saurabh Kumar: Okay, great. Thanks, Abhishek

Moderator: Thank you. Next question is from the line of Sameer Baisiwala from Morgan Stanley. Please go ahead.

Sameer Baisiwala: Hi, thank you very much and good afternoon everyone. Quick question is on cash flow from operating activities. So Sushil, can you just help us how do you get to INR 6,000 crore of fiscal '23, inflows and outflows?

Sushil Modi: So broadly we are seeing, basis the sales plan and the guidance that we've given. We see our collections should be somewhere in the handle of around INR 11,000 crore and the construction cost would be in the handle of, let's say ballpark INR 4,000 odd crore, INR 3,800 crore to INR 4,000 crore, coupled with the over head cost, which will be ballpark, let's say INR 1200 crore taking at 10% of the top line that we benchmark ourselves, so that will enable us to effectively get to the INR 6,000 crore odd handle.

Sameer Baisiwala: Okay, great. Yes. Thanks. And the second question is for fiscal '23, new launches. So south central, you have five projects, totaling INR 7,000 crore. So any color you can share on that, the big ones over there.

Abhishek Lodha: Hi Sameer, the total launches that we are talking about are located in various, multiple different locations. Actually, four different locations. You have the INR 4,950 crore plus the INR 2,190 crore, actually. So both of those are in south central Mumbai. So we have a launch in Malabar hill, we have a launch in Tardeo area. We have a launch in central Mumbai and we have a new launch in New Cuffe Parade. So these are the four different locations and catering to price points, which are very different, New Cuffe Parade to Malabar hill, but being located in south central Mumbai.

Sameer Baisiwala: Okay, great. And just final question on Palava. Any thoughts you can share about the competitive intensity around Dombivali area and any impact, if at all any that you may see if the new airport comes up, in a sense that will it take the development away from Dombivali more towards Panvel side, or is it going to be beneficial to you?

Abhishek Lodha: In terms of competitive intensity, what I would like to say is that when you look at market share data for that region, the number one player is Palava sales, which are primary sales and the number two player is Palava secondary sales. So that will give you a sense of what Palava's magnetism is that the second largest player is actually Palava secondary sales, and that is about 15%, 20% of Palava primary sales, and no other player is bigger than that. Obviously, from time to time when a new player launches a land – a new land parcel, that is a short term disruption for about three to six months, but other than that, I think the quantum of investment, which has happened in Palava, the fact that 150,000 people already live there, there are real jobs, and there is real economy. There are five different schools operating, to now hospitals being built, tons of jobs coming up in the industrial park and so on, makes Palava quite frankly, not a suburb of Mumbai. It is a new city and it's a new city of an international standard, which India has hardly ever seen. So it's magnetism, the quality of life that it brings in, we believe will only continue to help its sales growth going forward, because it is not something that other projects in our opinion can compete against.

In terms of your question about the Navi Mumbai airport, definitely the Navi Mumbai airport in our opinion is a net positive for Palava. There will be pluses and there will be minuses, but overall we see it as a clear net positive for palava.

- Sameer Baisiwala:** Okay, great. Thanks. Abhishek very helpful. just on the mortgage rate, I just wanted to understand, is this the top two consideration or top three consideration for a home buyer, or is it a lower down factor and I presume 90% plus would be floating rate. So, do customers think through, 10 year ups and down cycle, or are they very sensitive to the near term lock in rate?
- Abhishek Lodha:** Hi, Sameer, very good question. We do not see, or have not seen it as a top two or three factors for the decision. It is more a factor which enables a person to enter the housing market to think that, okay, given the mortgage attractiveness, I will be able to have a budget of this nature. People ultimately stretch their budgets often, but at least to start off, you need to get some comfort, that it is affordable for me to buy a home. This thinking is more for the affordable segment in the market and the other segments of the market, the mortgage rate thinking is not so important. Typical buyer behavior that we absorb is while it is you right, it is clearly a floating rate, but the near term rate is what the focus is on. It really is not even the rate, it's the EMI. So people look at what their EMI outflow is going to be in the first couple of years and whether they can afford it. And, that's how they think about it. I think the fact that wage growth in India is quite strong, gives them the confidence that even if there is movement in the future, that will be taken care of by wage growth, plus banks are quite sensitive. They do not increase the EMI, they increase the tenure of the loan if rates go up. So that also allows another buffer for people to be able to deal with the fact that if there is an increase in the interest rate. So overall, it's largely in the affordable segment that there is a, more of a focus and it is more on the EMI per lakh as compared to the, or the total EMI for a home as compared to the rate.
- Sameer Baisiwala:** Okay. Very helpful. Thank you so much.
- Abhishek Lodha:** Thank you. Sameer.
- Moderator:** Thank you. The next question is from the line of Mohit Agrawal from India Infoline. Please go ahead.
- Mohit Agrawal:** Yes, thanks for the opportunity. My first question is on your strategy beyond FY '23. So now that in FY '23, you'll achieve INR 6,000 crore of net debt, which will be one times your operating cash flow. How do we see your growth strategy? Like, would you start acquiring land or would you continue doing more of JV JDAs?
- Abhishek Lodha:** Our very, very clear stated strategy is that we want to be a very, very prudent balance sheet, and we want to maintain our debt at very, very modest levels and therefore there is a overall limit of having debt at no more than one year's operating cash flow. Having said that, we do believe that the JDA opportunities are quite attractive, from an ROE perspective, as well as from a risk mitigation perspective, especially in a new market, like Pune, and it allows us to do a lot more rather than investing our capital in a limited number of land. So therefore our focus on JDAs is an ongoing strategy. It's not something which we are doing only till we hit a particular debt number. Having said that a land ownership is equally a part of the business within the

parameters of the overall debt ceiling from time to time, if there are very, very attractive land parcels, either at attractively located or highly attractively priced and help us generate the ROEs that we are targeting, we might consider outright, but that is not something that we see happening in any meaningful manner over the next 12 to 24 months.

Mohit Agrawal:

Okay. And this, in the London business, you've mentioned about INR 1500 crore repatriation to start from FY '23, will that be over and above the INR 6,000 crore target, so theoretically, suppose if all INR 1500 crore were to come, are we looking at a four and a INR 4,500 crore net debt at the end of FY '23?

Sushil Modi:

Yes. Possibilities, exist. Yes. This can be incremental. You're right.

Mohit Agrawal:

Okay. And my last question is, basically, can you give some color on your sales guidance of INR 11,500 crore, between, what are you targeting in terms of the ready unsold inventory of INR 7,500 crore and your ongoing and new launches, if you could give a broad breakup between -- and where would your ready unsold inventory be by the end of your, if you could give some broad color on that.

Sushil Modi:

So, Mohit I think this, one can take it from how the business is performing quarter on quarter. So generally what we have seen, including the Q4 the ready inventory composition in the sales is somewhere around 45% handle and thereby meaning, obviously we feel that basis the completion that we will be doing on the construction side, on numerous projects, more or less, that kind of trajectory will continue. So it'll continue to be hovering anywhere between 40% and 50%. That's how we see.

Mohit Agrawal:

Okay, sure. That's all from my side. Thank you.

Moderator:

Thank you. Next question is from the line of Pritesh Sheth from Motilal Oswal Financial Services Ltd. Please go ahead.

Pritesh Sheth:

Hi, thanks for taking my question. Congrats on the great performance, first question since the procurement head is here, in terms of the cost impact, right, will this be similar across the industry players or since our scale is higher, our cost impact would be lower compared to the other players?

Rajesh Agarwal:

Some extent, economy of scale matters, but beyond a point it should be similar to other people as well, an impact or the adversities will be -- or the price increase to the other developer would be also similar level. Yes, we do get some the economic scale advantage and related benefit.

Sushil Modi:

Only when you talk about the peer group. I think the only piece that you need to bake in potentially is that, which particular segment the peer group is kind of catering to. So if the -- if any of the peer group is more and more catering to the affordable and mid income, then the intensity in terms of the overall increase, as a percentage of the GDV will be far, far higher vis a vis a player like us, which has a kind of presence all across and the product, which effectively is spread over.

- Abhishek Lodha:** So if I could just add to what Sushil said, our average selling price for the last fiscal, what upwards of INR 10,000 a square feet, now construction costs, of course there is a range, but typically between INR 2,500 to INR 3,500 to INR 4,000 a square foot, depending on the nature of the project. So obviously somebody else is at -- selling at INR 15,000 pieces square feet on average, then their impact is different. If they're selling at INR 7,000 a square feet on average, then the impact is very different. So I think, the construction cost has to be seen as a ratio of the sales price to get a good assessment of what impact it will have.
- Pritesh Sheth:** Got it. Fair point. And secondly, do we maintain some level of inventory, to other projects, let's say three months, six months, and so that we are prepared on mitigating whatever additional risks that are coming in the cost inflation over the next, maybe couple of months since this crisis is still there.
- Abhishek Lodha:** So see, currently we have seen very limited except for in the case of elevators, any supply issues. So supply continues to be available. Pricing is what has gotten impacted. We do, of course, maintain for fast moving items a certain level of inventory at our sites, but that is not in the range of three to six months. We ultimately run an efficient organization and an efficient operation where the cost of inventory is kept at a reasonable level, taking into account the consumption patterns. So, as long as we will -- we can, of course increase the level of material inventory if we start sensing that there is any supply risk, but at this point in time, except for the case of elevators, we are not seeing any significant challenge when it comes to supply. And, the elevator is also driven by the factory lockdown in China, because most of the high speed elevator, and this is not the regular elevators, which are manufactured in India, which can serve most of the affordable mid income. There are only select buildings, which are very high speed elevators, where you have manufacturing in China. And in that case, if China is getting delayed, then you source from Europe, which is the other source of manufacturing for high speed elevators.
- Pritesh Sheth:** Thanks. Got it. And my last question is obviously, clear plans on Mumbai and Pune for how we are going. We have a detail slide for Pune, but any thoughts on Bangalore, which we are looking to enter, is it near, or it's still two years, three far fetched story?
- Abhishek Lodha:** So on Bangalore, our evaluation is continuing, we do expect to come to a conclusion in the near term, probably by the end of this quarter. But, so far it is an ongoing evaluation.
- Pritesh Sheth:** Sure. Thanks. That is from my side. Thank you.
- Moderator:** Thank you. The next question is from line of Ritika Agrawal from ValueQuest Investment Advisors. Please go ahead.
- Ritika Agrawal:** Hi, Sir. I just have one question, in terms of how we've booked our sales for the quarter. Do we include only our share of JDAs in the sales booking, or is the partner share of JDA also included in our sales booking number?

- Abhishek Lodha:** Hi Ritika, while Sushil will add to this, please note that we do not have any area sharing arrangements as a part of our JDAs. So the entire revenue flows through our books and therefore all the sales are accounted for as sales buyers, because they are done by us and flow through our books. Whatever revenue share has to be paid to the, or profit share or revenue share has to be paid to the joint development partner is accounted for in the cost of the goods.
- Sushil Modi:** Effectively as a land cost. So that's, what we share to the, basis, the commercial, the landowner, that is nothing but a land cost for us. So effectively when we talk about the JDA, and to that extent, you had to make a distinction between the JV and the JDA. What we are doing is a JDA and joint development agreement we are not doing joint venture, so economic interest of the entire project, including the legal title ownership everything rests with us.
- Ritika Agrawal:** Right. Okay. That's clear now. Thank you. That's it for myself.
- Sushil Modi:** Thank you.
- Moderator:** Thank you. The next question is from the line of Venkat Samala from Tata Asset Management. Please go ahead.
- Venkat Samala:** Hi sir. Thanks for the opportunity. Just a couple of questions from my side. Firstly, I understand that you've given a strong JDA signing guidance for FY 23, but any reason why nothing could come through in Q4?
- Abhishek Lodha:** Hi Venkat, it was a deliberate choice made by the company. We had already met our guidance for fiscal '22, which was the INR 14,500 crore was already exceeding our guidance for fiscal '22. Then you had the combination that January was affected by Omicron, and then from mid February, late February, you had the Russian invasion of Ukraine and we wanted as a prudent company to understand the impact of this Russian invasion, what it would have in terms of cost, it would do in terms of market sentiment, what it would do in terms of consumer demand. So we deliberately held off from any signings in the second half of the quarter. Having said that, we see and all those projects are now, at the verge of conclusion because we have sort of done our impact analysis from the Russia Ukraine situation and are comfortable with going ahead. So this was a deliberate choice, plus the impact of Omicron.
- Venkat Samala:** Understood. Understood. Right. And, how are we thinking about monetization of Palava land parcel, especially in the context of digital infra, because when I look at the digital infras sales for FY '22, that is close to INR 166 crore right? So how should we as investors think about, the annual monetization, if you could quantify by giving some milestones that would be helpful, may not necessarily met every year, but you know, more from a three to five years standpoint.
- Abhishek Lodha:** Yes, see, I think there is an ongoing evaluation about all the things that can be done in Palava and Palava is very significant land holding with clear title is an absolute rarity in India. And therefore we are monetizing it, but we are doing it in a thoughtful manner. There were

a couple of transactions, which were to be completed in March, which have fallen into this quarter for the reasons that everybody started getting a little watchful after Ukraine. So overall, we continue to believe that somewhere land sale, including to third parties government, et cetera, et cetera, will generate in the region of INR 500 crore to INR 700 crore annually, which may vary in any given year. But on average, like you said, for five years that would be the number.

Venkat Samala: Right. And does this also include digital infra monetization this INR 500 crore to INR 700 crore?

Abhishek Lodha: See when you say digital infra monetization, ultimately what MDL monetizes is its land. The digital infrastructure at MDL is going through a couple of joint ventures. One we have at ESR, another we have with Morgan Stanley, and now we've done a few directly and then we are now trying to put this digital platform. So when the assets are ready will be owned by those respective joint ventures, and therefore there is not a direct value attributable to MDL there.

Venkat Samala: Right, right, right. So what I'm trying to understand is, when we think about the INR 500 crore to INR 700 crore sales, should we also expect a similar quantum of cash to be generated every year?

Abhishek Lodha: Yes.

Venkat Samala: Okay. Fair. Thank you. Thanks a lot. That's it from my side. Wish you all the best.

Abhishek Lodha: Thank you

Moderator: Thank you. The next question is from the line of Adhidev Chattopadhyay from ICICI Securities. Please go ahead.

Adhidev Chattopadhyay: Yes. Good afternoon, everyone. Thank you for the opportunity. We just had a few clarifications on our costing numbers. So when the INR 3,800 crore of construction spend, which you have mentioned estimated for the next year, how much of that would be for the approval side we front ended from cost last year to take a advantage of that premium benefit, but could you just share a ballpark number for FY '23?

Abhishek Lodha: Hi Adhidev, the INR 3,800 crore approximate construction spend is all real construction spend. This is not spend to any other head. It is this true spend towards physical construction of real estate, and its related infrastructure. The liaison cost obviously was significantly front loaded last year, and therefore the liaison cost from in terms of there was earlier a question from one of your peers who asked about the difference from operating cash flow to free cash or net reduction. And in that we clarified that about INR 800 crore will be towards interest. And the balance INR 1900 crore approximately will be towards land and liaison largely for new and upcoming projects.

Adhidev Chattopadhyay: Sure. So just wanted to clarify. And second on the taxation now, should you assume that our tax outgo for next to two three years,

could give us some guidance on a cashflow basis? What would be the sort of tax outgo in terms of a percentage of the operation surplus?

Sushil Modi: Yes, so I think we see ourselves to be kind of more into the MAT equation. So to that extent, yes, basis the how that flows in, depending on the completion and stuff, the 20% is what, from a cash standpoint, as a current tax, that potentially we will have as an out go.

Adhidev Chattopadhyay: Sure. To just clarify of the INR 6,000 crore surplus you are saying, that is pretax, right? So post tax, for this year of '23 could you share some number like it be lower 10% or lower on that INR 6,000 crore

Sushil Modi: No tax. We have a significant amount of past deferred or call it past tax adjustments. So with that the INR 6,000 crore number that we have told you is already baking in that.

Adhidev Chattopadhyay: Okay. It could be a minimal tax, I just wanted some clarification on that. Sir and last question, is on the Pune market, obviously you have put a slide. So going forward, in our sales as a percentage of our overall sales, where would Pune figure as a percentage of the overall pre-sales and what is a strategy for adding that?

Abhishek Lodha: Pune is a market where we now have two projects and both of them have done, quite strongly. We expect that sales will climb on an ongoing basis, going forward, and we expect that in the medium term, which is over a three to four year horizon, Pune will contribute between 10% and 20% of our overall sales

Adhidev Chattopadhyay: Okay. Sir any specific markets, you are more bullish on in the Puna region the eastern or western part of the city or any specific.

Abhishek Lodha: So our strategy is, -- when we are operating in a city, we are quite, clear that we want to operate in every part of the city, that is a strategy we are following in MMR, as we have discussed in some previous interactions, where we want to be present in every micromarket of MMR. And similarly, if you look at slide 14 of our presentation, we have shown the six different micro markets, which we segment Pune into. And we would like to be over the next 12 to 24 months present in all those markets from a perspective of having product to sell

Adhidev Chattopadhyay: Okay, fine. That is pretty clear.

Abhishek Lodha: Out of six, we would like to be present in at least five, if not all, six out of six.

Adhidev Chattopadhyay: Okay. Yes, that is pretty clear. Yes. Thank you. And all the best.

Abhishek Lodha: Thank you very much.

Moderator: Thank you. Next question is from line of Parvez Akhtar Qazi from Edelweiss Securities. Please, go ahead.

Parvez Akhtar Qazi: Yes. Hi, good afternoon sir and congratulations for a great set of numbers. So one question from my side, for all the 14,600 JDAs that we have signed this year, what is the kind of approval cost or business

development cost that we would've incurred in FY '22 and what is that number likely to be in FY '23, just a ballpark number would help.

Sushil Modi: So Parvez when you say business development costs, you are referring to what the approval cost.

Parvez Akhtar Qazi: Yes. I mean, any kind of cost related, any kind of cost let's say, except the construction cost that we will bear?

Sushil Modi: Okay. So, in any case, these costs are more linked to the launches. So the last year, on these projects, because we only had four launches, so it was not so significant, but in any case, the approval costs are incurred over a period of a trajectory of three to four years. So as, we said, in any case for the overall itself, we don't see too much of a liaison cost, as a payout because we loaded last year, but that was more on our own land. On JDA front, potentially let's say INR 200 crore to INR 300 crore of the liaison cost that potentially we will be incurring in FY '23.

Abhishek Lodha: Then, if I could just add to what Sushil said. The net investment of MDL into any JDA project will be captured between 6% and 7% of the GDV. So as you model things that you see that as our kind of peak investment level.

Parvez Akhtar Qazi: Perfect. Thanks. All the best for future.

Abhishek Lodha: Thank you.

Moderator: Thank you very much, Ladies and gentlemen, we'll take that as a last question and I'll hand the conference over to the management for closing comments.

Sushil Modi: Thank you. Thanks everybody for making yourself available for this call and listening to us patiently, equally please note that in our conversation and interaction, we also keep and noticing some of the areas of our business that potentially we should be more watchful, going forward. We will look forward to hearing from you all on an ongoing basis, in relation to the results or any other queries that you may have, please feel free and reach out to our investor relation team, headed by Anand any time. And obviously I'm also available at 24 by 7. Thank you.

Moderator: Thank you very much on behalf of Antique Stock Broking Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.