Shriram Properties

Operator: Thank you. I welcome you all to the third day of the Bharat Connect Conference. On the call today, we have Shriram Properties Ltd. From management, we have Mr. Ravindra Kumar Pandey, the CFO of the company, and Mr. Shrikant from internal investor relations. Before I hand over the call to management, I would like to explain the flow of the event. We will start with a brief introduction and an update on recent developments at the company by management, and then move to the Q&A round. Any participant who would like to ask a question can raise their hand or write their question in the chat box below. Thank you, and over to you, Ravindra sir.

Ravindra Kumar Pandey – CFO: Thank you, ma'am. Good afternoon to everyone. I am Ravindra Pandey, CFO of Shriram Properties Limited. I would like to take you through the journey of the company over the last 25 years. Shriram Properties Limited is primarily a real estate-driven company. We are a 25-year-old company. We are predominantly engaged only in the real estate business, mostly in Bangalore, Chennai, and Kolkata, and recently we have entered a new market, Pune.

Over the last 25 years, we have made tremendous improvements in our company. We started with one project in Bangalore and gradually expanded to Chennai. We have also undertaken a couple of projects in Vizag and Coimbatore. Since these are smaller cities, we moved out of them and are now focusing only on the four cities discussed earlier. In 25 years, we have completed 52 projects. We have delivered a total of 31 million square feet so far. We have delivered more than 32,000 homes so far. We have a credit rating of A- from {? Crystal ?}.

In the initial days of the company, from 2007, when FDI was opened up, we started receiving multiple investments from foreign direct investors. In 2007, the journey began with an investment from Sun Apollo, followed by Walton Street, TPG, and Starwood, and finally Tata Capital invested in 2014. Until the listing in December 2021, the company was effectively an FDI-owned company. Close to 60% of our capital was held by foreign direct investors. In December 2021, we got listed, and gradually all these private equity players that had invested in Shriram Properties at the holding-company level exited. They achieved a very decent exit and generated good returns.

We have also worked with many other private investors, both globally and in India. We had Mitsubishi Corporation, Xander, ICICI, Prudential, and Hypo Bank. All these investors worked with us through project-level investments. Motilal Oswal, ASK, and Amplus Capital have also worked with us as equity partners in our project-level investments.

Currently, we are executing approximately 26 projects, which represent close to 16 million square feet. If I talk about our growth and the company's volumes, prior to COVID, or prior to RERA, we were a 1 million square feet company. Gradually, we scaled up and are now doing approximately 4-4.5 million square feet every year. This has been our volume over the last 3-4 years.

Our sales have been growing continuously. We were doing approximately 1,250 crore in 2022, and last year we closed at around 2,600 crore. We started delivery of approximately 4 million square feet over the last 3 years. Last year, we recorded revenue of around 1,357 crore and achieved PAT of 101 crore. This year, we are targeting sales volume of approximately 5 million square feet. We are planning sales of around 3,300 crores. Collections are targeted at approximately 2,100 crore. In

Report is AI-generated and may contain inaccuracies.

terms of handovers or completions, we are targeting approximately 3,750 units. Seven to eight projects that are nearing completion, representing approximately 4-4.5 million square feet, will be delivered. That is the overall journey of the company. If you would like to know anything more, I will be happy to answer all your questions. Thank you.

Operator: Thank you very much, sir. I would request participants who have questions to raise their hands or write their questions in the chat box. I would also like to ask a few questions. Our net profit fell by approximately 46% year-on-year while sales reached a Q1 high. What explains the gap, and when does profit catch up with bookings? You are referring to the Q1 numbers?

Ravindra Kumar Pandey - CFO: Yes. As we discussed on our investor call as well, this year we did not have many completions because we completed a large number of projects. Almost 7-8 projects were completed by March last year, and the number of completions did not occur during the first quarter of this year. Therefore, the major revenue came mainly from some of our projects that were completed in March, where we could not recognize the revenue at that time. That spillover revenue came during the first quarter.

We also completed a couple of towers in our Kolkata project. The Kolkata project has historically been a very low-margin project. As you know, we hold around 314 acres of land in Kolkata. This was our first project, Grand One, where we wanted to initiate development. It was a very low-priced launch intended to create momentum in the township. We launched the project at very affordable prices, and therefore it did not have a significant margin.

During this year, although we had already completed many towers earlier, we completed a couple of towers this year from which revenue is being recognized, and these are very low-margin projects. Therefore, although we achieved the revenue, we could not generate much profit from it. Apart from that, we conducted 3 launches during this year. One was launched in Kolkata itself and 2 were launched in Chennai. The expenses related to these launches were also charged to the P&L, which is why profit was somewhat dragged. As you know, we can recognize revenue only upon completion of a project; however, all the initial expenses and operating expenses are charged to the P&L. That was one of the major reasons for the margin drag.

However, we are very confident about Q2. By the time we reach the second half of this year, as we have already highlighted, many good projects will be completed in the second half. These projects will have good profit margins and were started only 3-4 years ago. They will contribute to revenue recognition and help us achieve the targets we are aiming for.

Operator: Thank you for that reply. We will take the first question from Mr. Darshil Jhaveri. Sir, please unmute and ask your question.

Darshil Jhaveri: Hello. Hi, Darshil here. How are you, sir? I wanted to get a sense of how the real estate market is looking currently. In case there is a rate hike, will that dampen growth to some extent? The segment we serve may be aspirational for many buyers and a significant portion may be financed. What are your thoughts on that, sir?

Ravindra Kumar Pandey - CFO: Currently, although we have not had any major launches, there are many launches happening across Bangalore. We are not seeing any kind of stress in the market. The

Report is AI-generated and may contain inaccuracies.

market outlook is very positive, and good sales are taking place. It is not only us; almost every developer launching a project is seeing good sales.

There are some concerns because people are hearing that the market has slowed down, or that there has been a slowdown in sales of approximately 5-6% overall. However, that is predominantly on account of supply.

What happens in real estate, especially in the current market over the last 3-4 years, is that when a developer launches a project, they achieve a good amount of sales through the launch. Around 50%, 60%, or 70% is sold, and sometimes they say that everything is sold out. All these things have continued to happen, and that has been driving the volumes.

Now, in Bangalore especially, we are facing many challenges in terms of approvals. In the last 6-7 months, no new approvals have been coming. Therefore, developers who have launched projects either received their approvals 6-7 months ago and are launching them now, or they may be launching the next phase of an existing project. Predominantly, it is the sustenance of existing supply that is driving sales currently. It is mainly a supply-side problem, not a demand-side problem. As a whole, we are very positive about the market and are not seeing any disruption or slowdown.

Darshil Jhaveri: Understood. With regard to higher financing costs, how does that impact our business? For example, when the RBI has increased rates in the past, how would that affect us? I would assume that it could lead to lower purchasing power among aspirational buyers. Could you help us understand this?

Ravindra Kumar Pandey - CFO: Yes, it will have an impact. There are two points I would like to highlight. Housing is a decision that is not based solely on the interest rate. If I have decided to buy a house, I will go and buy the house. It is a very negligible percentage of buyers who would say that if their housing-loan interest rate has increased from, say, 7.2% to 7.3% or 7.4%, they will defer their housing decision and wait for a rate cut. It is very rare for people to take decisions of this kind. Otherwise, housing demand is generally well deliberated. People think about it, plan for a house, and buy it irrespective of the interest rate.

However, when the interest rate increases after people have taken a loan, it impacts their cash flows. The decision to buy a house is not dependent on that. Even a 10-paise increase in the EMI on a Rs.1 crore home may not have an impact of even Rs.10,000. Therefore, it will not significantly impact sales prices.

Lower interest rates help people buy because they are able to obtain a longer tenor, and the margins may be slightly lower. That helps people buy, but it does not determine whether they should buy a house or not.

Darshil Jhaveri: That is helpful, sir. As you said, the second half may be better in terms of profit margins and revenue recognition. In general, I am not asking for a specific number, but will Q2 be in line with a normal Q2, or how would you define it? Will we see a step-by-step improvement? Q1 had exceptionally high launches. Are there any one-offs in Q2, or can we expect it to be a normal quarter?

Report is AI-generated and may contain inaccuracies.

Ravindra Kumar Pandey – CFO: I could not hear you properly. Could you repeat the question? Your voice is very low.

Darshil Jhaveri: I was asking how we should expect Q2 to perform. Are there any one-offs, like in Q1, in terms of costs, or will it be a normal Q2? Will we see the margin trajectory moving upward?

Ravindra Kumar Pandey – CFO: No. As we said earlier, Q1 and Q2 will continue broadly in line with Q1. As we have said, most of our new projects that are expected to be completed and that have high margins will be completed only in Q3 and Q4. Q2 will not have very strong numbers. Kolkata will continue to drive most of the performance, and we have one more smaller project, one phase of which is getting completed. That will have a somewhat better impact on margins. However, most of the deliveries we are discussing are skewed towards Q3 and Q4.

Darshil Jhaveri: That is helpful. What is our, [inaudible]

Darshil Jhaveri: ...full-year PAT or PBT guidance that you would be comfortable sharing, sir?

Management: For?

Darshil Jhaveri: For the full year, sir. Full-year profit guidance.

Management: As we said earlier, we are looking at 20-25% growth. That will apply across all the metrics, including revenue and PAT.

Darshil Jhaveri: Fair enough. That is it from my side. I will get back in the queue. Thank you.

Operator: Thank you very much, Darshil sir. We will take the next question from Mr. Shomil Shah. Sir, please unmute and ask your question.

Shomil Shah: Hi. Am I audible?

Management: Yes, sir. Good afternoon.

Shomil Shah: Good afternoon, sir. How are you?

Management: Good, sir. Thank you.

Shomil Shah: My first question is regarding an interview in which our CEO mentioned that we could launch approximately 8 million square feet and almost 7,000 crores of GDV in the first half itself. Could we know where we stand on that?

Management: Most of the projects we had planned to launch, approximately 7-8 million square feet or 7-7.5 million square feet, could not be launched during the last quarter. In Bangalore, most of our projects are waiting for approvals. We could not receive the approvals because approvals have been completely halted in Bangalore for the last 6-7 months.

Now, some meetings have started taking place in Bangalore, where the government or ministers have to clear the first set, or the first stage, of approvals. Because of the change in government, there were some challenges. Most of those challenges have now been resolved, and approvals have

Report is AI-generated and may contain inaccuracies.

started coming.

We have also received 2 approvals for the initial phase, or first phase, of our project. We are now moving towards the development plan and finally the building plan. That is why approvals have been delayed. Otherwise, we had planned a good number of launches in the first half.

Shomil Shah: If these launches have been delayed, when do we expect them? We can expect them in Q3?

Management: They will all come in Q3 and Q4.

Shomil Shah: Q3 and also Q4?

Management: Q4 as well. If you look at my initial presentation, we had already planned a couple of projects for Q4. A couple of projects that were planned for Q2 are now moving to Q3. However, they will all be launched during this year.

Shomil Shah: What we had targeted was 8 million square feet and 7,000 crores of GDV. Should we be able to launch that during this year?

Management: Yes, sir.

Shomil Shah: Out of this 7,000 crore GDV, what will be our share? What revenues can we add to our business through this?

Operator: Sir, you are not audible. Upendra sir?

Management: Yes, ma'am. I am looking at the data because you are asking about the mix, which I do not have readily available. I want to give you the correct information. Out of the 7.5 million square feet we are discussing, the outright percentage will be approximately 30%. The remaining portion will be through JDAs.

Shomil Shah: Can 30% of the 7,000 crores be added to our business over the next 2-3 years?

Management: Yes, sir.

Shomil Shah: On net debt-to-equity, we are at 0.3. Are you comfortable at this level, or do we expect an increase by year-end?

Management: It will be going up. We recently acquired one of our projects. It was a joint-venture project with ASK. You may have seen the news that we recently provided them with an exit. We borrowed some money from the bank to provide that exit.

They were entitled to receive an IRR of approximately 18%, and they have now exited. We borrowed from the bank at approximately 10-10.5% or thereabouts. Therefore, there has been some increase in debt.

Shomil Shah: What could net debt be by year-end?

Report is AI-generated and may contain inaccuracies.

Management: It is difficult to predict what net debt will be at year-end, but we will be around 600-650 crore.

Shomil Shah: Net debt. As of now, I think it is around 400 crore?

Management: It is around 450 crore or thereabouts. We will be around 600-650 crore.

Shomil Shah: 600-650 crore.

Management: Yes.

Shomil Shah: In Q1, handovers were impacted, I think, because of delays in some projects. How have handovers been in Q2?

Management: Handovers in Q2 are also in line with our plan. There is no delay in handovers. Handovers are on track. The number of handovers has come down only because most of the projects are getting completed in Q3-Q4, as we said.

There is no delay in any project. Everything is proceeding according to the scheduled completion timeline. There is no delay, and there is no issue either. For all projects that are being completed, we are completing the registrations and handing over the units. There is no delay in that.

Shomil Shah: In our presentation, I think you mentioned that the Q2 OC projects had revenue potential of more than 160 crores. In addition, there would be some projects that were completed earlier and whose handovers would take place in Q2.

Management: That is what we are saying. Projects that we completed in Q4 were partly handed over in Q1. Q1 also included a couple of projects, mainly a couple of buildings in Kolkata, that were completed and handed over.

In Q2, we have 2 projects, again mostly in Kolkata, that are receiving their OCs. One project is in Bangalore, where one phase of the project is expected to receive the OC, and we have now received the OC. There is also one project in Kolkata for which we have already received the OC. However, these are continuing projects; they are not new projects that are receiving their OCs. OCs for new projects will come only in Q2, Q3, and Q4.

Shomil Shah: I think Q2 numbers will also be similar to Q1 because there will be some handovers from earlier projects.

Management: Yes, sir.

Shomil Shah: As a follow-up to the previous participant, he was asking about PAT for FY27. Last year, I think we did approximately 100 crores. What could PAT be, and what growth can we expect compared with FY26?

Management: We expect growth of approximately 20-25%.

Shomil Shah: Since Q1 and Q2 will be weaker, I think Q3 and Q4 will account for the bulk of it.

Report is AI-generated and may contain inaccuracies.

Management: Q3 and Q4 will have the bulk of the numbers. Most of the projects will come through in Q3-Q4, and therefore revenue recognition will also be significant in Q3-Q4.

Shomil Shah: We can expect 25% growth in PAT. At least that is what we are expecting.

Management: Yes, approximately 20-25%.

Shomil Shah: That is it from my side. Thank you, and all the best.

Operator: Thank you very much, Shomil sir. We will take the next question from Divakar Rana. Sir, please unmute and ask your question.

Divakar Rana: Divakar sir, we are not able to hear you. Hello?

Operator: Divakar sir?

Divakar Rana: Can you hear me?

Operator: Divakar sir, can you write your question in the chat box? I will take it from there because we are not able to hear you.

Divakar Rana: Can you hear me? Hello?

Operator: Yes, we can hear you.

Divakar Rana: Good afternoon, sir. My question is about your strategy for Kolkata regarding project launches over the next 1-2 years and the monetization of the land.

Management: Kolkata is essentially an evolving market. However, we have done a significant amount of groundwork there. We have now decided that we will not sell the land outright; we will try to develop the land parcels. That is our thought process, and we are changing the mix of those projects.

We already have approval for the Kolkata projects, which was a township approval. We are now revising the township approval so that we can create a better mix of residential development and undertake faster development, mainly through plotted development.

Over the last 5-6 months, we have launched 3 more projects in Kolkata. We launched one villa project, one plotted development, and one small commercial project. The per-acre realization from plotted development as well as villas has been very encouraging. There is also a good amount of demand.

When we launched our plotted development, approximately 70% was sold within 3 months, and now approximately 70-75% has already been sold. We are planning another plotted-development launch, perhaps in Q3 or Q4.

We are also going to revise the entire township approval. Most of the pockets that had been reserved for industrial and IT parks, along with a significant amount of commercial space, will be revised and converted primarily into residential blocks.

Report is AI-generated and may contain inaccuracies.

Our idea is to continue developing the land primarily through plotted development, and perhaps develop a couple of apartment projects as well. We have also secured approval for approximately 2.3 million square feet of apartments. Since we are planning to launch another plotted development, we may launch the apartment project after the plotted development.

Overall, the idea is to develop the land. As of now, we have finalized the plan for approximately 70 acres. We have also finalized one apartment project and a plan to launch another plotted development of approximately 5 lakh square feet. These 2 plans have already been finalized, and I will develop the remaining land going forward. That is the plan. We are not considering selling the land as it is.

Divakar Rana: A few months ago, we had planned to monetize this land. What changed over the last 3-4 months?

Management: If I sell the land as it is, I am not able to obtain the appropriate per-acre realization. If I sell it in the market, depending on the requirement, I may receive 3 crore or 4 crore rupees per acre. Therefore, we have planned to develop it.

If I undertake the plotted development, which is what we have recently sold, the average realization is more than 6 crore rupees per acre. The money we expect may come within a year or, at most, a year and a half. That is the maximum tenure for receiving this money. Therefore, it is a much better proposition than selling the land as it is for 3-4 crore rupees per acre.

Even if we sell the land as it is, it would take at least 6-8 months to monetize it, find a buyer, complete due diligence, and complete all the other processes before the deal is finally concluded. A major portion of the value would go toward those processes. Instead, we can undertake plotted development. That is the thought process.

There is good demand. With the new government coming in, there is also a very positive environment toward land and investments. People are inclined to buy plots. That is the thinking behind our decision to develop the land instead of selling it.

Divakar Rana: If we proceed with development, what combined GDV do you expect? I am not referring to the short term, but over the next 2-3 years, what could be the combined GDV of all the projects we launch, including the township and other projects?

Management: What we have currently planned, including the plotted development and the apartment project we are discussing, along with the current development already under way, is expected to generate approximately 500-600 crore.

We will still have approximately 100-odd acres of land remaining. If we assume a realization of 6-7 crore rupees per acre based on current market value or on an NPV basis, we would still generate approximately 700-750 crore rupees. Therefore, the total surplus we expect from Kolkata will be approximately 1,500 crore.

Divakar Rana: At the consolidated level, in Bangalore and Chennai, what is the potential in terms of million square feet over the next 2-3 years?

Report is AI-generated and may contain inaccuracies.

Management: Are you asking about sales potential?

Divakar Rana: Yes, the potential of the projects and the GDV.

Management: We just discussed that our pipeline is approximately 17 million square feet. If we launch that, we are talking about what we already have. The 17 million square feet of upcoming pipeline has total potential of 11,560 crore rupees.

Our own share is approximately one-third—sorry, more than one-third. It is almost 45% of the total, which is close to 5,000 crore.

Revant: Approximately 5,000 crore is our own share, around 5,000 crore is through JDAs, and the remaining portion is through JVs and DMs as well. Therefore, we are sitting on value of approximately 10,000 crore as of today.

If I am talking about launches over the next 3 years, and if I proceed at the same pace we are discussing, perhaps 5-6 million square feet per year, we may consume this stock over the next 3 years.

Darshil Jhaveri: Following up on the guidance you gave us in the last conference call, there were approximately 2,900 units representing around 1,500 crore of revenue potential for this financial year. Are we in line with that?

Revant: We are in line with that. We are in line with that, and most of the projects we discussed or planned will come up for completion during this year.

Darshil Jhaveri: Is there any possibility that some revenue may be delayed? The future is uncertain, and we have seen in the past that revenue can get delayed to a future quarter. How are we looking at it?

Revant: This is an unpredictable situation. We recognize revenue when we hand over the unit to the customers. If, for example, we receive an OC late, or if some customers do not come forward for registration or do not pay the full amount, there may be some dependency on them, which could result in a slight delay in revenue.

However, those projects will be handed over and completed during this year. There is no uncertainty about that.

Operator: Divakar sir, I would request you to get back in the queue. We will take the next question from Mr. Manish Jain. Sir, please unmute and ask your question. Sir, we are not able to hear you. Manish sir? In the meantime, we will take the follow-up question from Mr. Darshil. Sir, please unmute and ask your question.

Darshil Jhaveri: I wanted to ask about our input costs. Are they in line with what we had predicted? There is currently a lot of inflation in raw materials. Is that affecting us in any way?

Revant: The first thing I want to clarify is that there has not been any serious price escalation. During the war, when it started, there was significant fluctuation in the prices of commodities, and prices increased across the board. However, within a month or two, prices came down and

Report is AI-generated and may contain inaccuracies.

stabilized at normal levels.

There has been no serious increase in the prices of materials, except for a couple of items, mainly paint, CP sanitaryware, and some French windows and similar items where plastics are involved. Prices of these items have increased somewhat. They may have increased by approximately 10-15%, and they are still operating at that level.

In particular, paint prices have increased by approximately 15-20%, and they are still operating at that level. In fact, for some contracts that we had awarded earlier, we also had to revise the prices, and we revised them accordingly.

However, overall, the contribution, or the spending, on these activities represents a very insignificant portion of the expenditure we incur on these items. Therefore, my project cost is not increasing. My project cost remains under control, and there has been no escalation beyond what we had already budgeted or factored into the project cost.

Darshil Jhaveri: That is fair enough. That is it from my side. Thank you.

Operator: Thank you very much. Manish sir, are you able to unmute? We cannot hear you. Could you write your question in the chat box? I will take it from there. Shomil sir, you have a follow-up question.

Shomil Shah: On the plotted development we just discussed, we can generate close to 6 crores per acre. How many acres are currently under development as plotted development in Kolkata?

Revant: We have just launched 17 acres. Another approximately 25 acres is planned for launch in Q3.

Shomil Shah: The 17 acres has already been launched. When was it launched?

Revant: It was launched in the last quarter, in Q1.

Shomil Shah: Normally, does this plotted development generate revenue after 1.5 years?

Revant: It will take a maximum of 1 year. We launched it in June and are planning to deliver it before December. We will start delivering it before December.

Shomil Shah: Before December of the current year?

Revant: December of the current year is our target. The rains may affect it somewhat, perhaps by 1 month here or there, but we expect to meet the target.

Shomil Shah: Is the 17 acres completely sold out?

Revant: It is approximately 70% sold out.

Shomil Shah: Regarding the 6 crore realization per acre, since the land belongs to us, will most of this 6 crore be our profit?

Revant: We are talking about the net margin of 6 crore.

Report is AI-generated and may contain inaccuracies.

Shomil Shah: If the realization is 6 crore per acre, and we deliver 17 acres by December, then our profit in the December quarter would itself be 100 crore. Is my understanding correct, or am I missing something?

Revant: You are right. What we are saying is that 70% has been sold so far, and we will continue to sell it, but everything also has to be handed over.

When we talk about handover, the customers have to come, pay the full amount, and take possession. We will be able to recognize revenue only for the units that we are able to hand over.

Shomil Shah: So instead of December, it may be March or June, but the 6 crore you mentioned is directly our profit?

Revant: Yes, that is close to 100 crore rupees that will come into our books.

Shomil Shah: That is directly profit. What about the 25 acres that we are going to launch in Q3?

Revant: It is not directly profit, sir. There are 2 points here, Shomil. When we talk about 6 crore rupees per acre, that is the amount that comes to us. If I sell the land, I would make 3 crore rupees. Since I am developing it, I will generate 6 crore rupees per acre.

However, there is a cost. The 6 crore does not include the land cost because the land is already owned by us. We are talking about the realization per acre after considering the launching cost, construction cost, sales and marketing cost, and any finance cost. The land cost is not part of this. We are discussing the realization per acre.

Shomil Shah: So you are saying this is realization per acre, not profit per acre.

Revant: This is realization per acre; it is not profit per acre.

Shomil Shah: What would the expenses roughly be? Would they be 20% or 25%? We are saying that we could sell the land outright for 3 crore, whereas through plotted development we can realize 6 crores.

Revant: Yes, sir.

Shomil Shah: What would our PAT margin be on this?

Revant: We need to assess the PAT margin. This is a large land parcel of 315 acres that we have owned since 2007. I do not remember the capitalized cost or the carryover cost that would have been capitalized. We need to review that. It may be 3-4 crore rupees per acre.

Shomil Shah: It has to be more than 3 crore; otherwise, it would be better to sell it outright.

Revant: Yes.

Shomil Shah: Regarding the 25 acres we are planning to launch in Q3, should that come into our books by next year?

Revant: Yes, it should come into our books by next year.

Report is AI-generated and may contain inaccuracies.

Shomil Shah: Should the handover be completed before March?

Revant: Before March of next year. March 27 would be very difficult. We will try. We also want to complete at least some phases, but I am not very sure about the entire project.

Shomil Shah: Normally, how long does plotted development take?

Revant: It takes approximately 9–12 months.

Shomil Shah: 9–12 months. Thank you very much. That is it.

Operator: Thank you very much, Shomil sir. We will take the next question from Sandhya Yadav. Please unmute and ask your question.

Sandhya Yadav: Am I audible, ma'am?

Operator: Yes. Could you please speak a little louder?

Sandhya Yadav: Is it clear now?

Revant: No, ma'am. We are not able to hear you.

Operator: Revant sir, are you able to hear?

Revant: No, ma'am. We are not able to hear.

Operator: Sandhya ma'am? Revant sir, are you able to hear?

Revant: No, ma'am. We are not able to hear.

Sandhya Yadav: Am I audible, ma'am?

Operator: Yes. Could you please speak a little louder?

Sandhya Yadav: Is it clear now?

Revant: No, ma'am. We are not able to hear.

Operator: Sandhya ma'am?

Sandhya Yadav: Yes. Am I clearly audible now?

Operator: Yes, better.

Sandhya Yadav: First of all, thank you for this opportunity. I have only one question. Your FY28 mission requires revenue of 2,500 crore and PBT of 250 crore, with an EBITDA margin target of 22–24%. Can you break down the 250 crore PBT target into contributions from existing projects, new FY27 launches, and Kolkata monetization? Also, can you explain what specifically drives the margin expansion from the FY26 PBT margin of 5.3% toward 10%?

Report is AI-generated and may contain inaccuracies.

Revant: Breaking it down will be difficult because it consists of approximately 20-25 projects put together. Therefore, breaking down the costs will be very difficult. However, to give you a sense of what we are thinking and how it will be achieved, the projects that are scheduled for completion in FY28 mostly started between FY23 and FY24.

I do not know whether you have my Q3 presentation or Q4 presentation. In those presentations, we provided the average realization trend for the projects. If you look at our average realization, it was approximately Rs.4,600 in FY22, and we have been able to increase it to approximately Rs.7,200 per square foot.

As we discussed in the earlier call, construction costs have not increased significantly. There has been only a nominal increase. Land prices have increased, of course, but our overall margin has improved over time.

When we talk about these numbers, that is what we are targeting. We are targeting revenue of approximately 2,500 crore rupees and profit of somewhere between 225 crore and 250 crore rupees, representing the PBT margin we are discussing.

If you look at our current performance and the last couple of quarters, the Kolkata projects have been contributing to revenue recognition, and the PBT margin has declined slightly. However, we have been operating at approximately 8-10% over the last couple of years. That gives us the confidence that we will be able to reach revenue of 2,500 crore rupees and profit of somewhere between 225 crore and 250 crore rupees.

Sandhya Yadav: We are therefore broadly in line with achieving the target.

Revant: Yes, we are in line with achieving the target.

Sandhya Yadav: That is it from my side.

Revant: Thank you.

Operator: Thank you very much, Sandhya ma'am. I will take some questions that I have received in the chat box. Mr. Mohit wants to know whether you can broadly explain the cost structure as a percentage of GDV, including land, approvals, and construction costs as a percentage of GDV.

Revant: It is difficult to explain the costs precisely. The land largely determines the price. Regarding construction costs, it depends on the project mix. If it is a high-rise building, the construction cost may be approximately Rs.4,000. If it is a mid-rise project, the cost may be between Rs.3,200 and Rs.3,500.

Approval costs also depend on the city in which we operate. In Bangalore, Chennai, and Kolkata, approval costs generally range between Rs.200 and Rs.300. However, in Pune, where we operate, the approval cost also includes TDR costs, which can go up to approximately Rs.500-600.

Predominantly, land prices drive the cost. It depends on the area, location, and where we are going to launch the project. Typically, land cost is close to 30% of GDV.

Report is AI-generated and may contain inaccuracies.

Operator: Mr. Rahul wants to know whether we launched the Chennai project, Gateway Sea Zone, this quarter, and also asks for an update on the E-Khata situation in Bangalore.

Revant: No, we could not launch the Sea Zone project in Q2, although it was scheduled for launch. Approvals are still awaited, so we could not launch it.

Regarding the E-Khata situation, it has improved significantly. Challenges remain, but most developers have understood how to manage the situation. We are largely out of this problem.

Operator: When has the Chennai launch been shifted to?

Management: It has been moved to Q3.

Operator: Q3, okay. Mr. Vikram Damani wants to know the market value of our undeveloped Kolkata land bank, whether we have land banks in any other city, and, as we scale up development and launch projects, what our peak estimated debt could be.

Management: I will address the questions one by one. The first question was regarding the Kolkata land bank. Currently, we have {? 100 acres ?} of land in Kolkata where we do not yet have approvals. We have to obtain the approvals and develop it.

The average realization we are currently expecting will be somewhere between {? 600-700 crore rupees ?}. That is expected to give us approximately {? 700-750 crore rupees ?} of land realization from the Kolkata land alone.

The second question was whether we have any other land bank. No, ma'am, we do not have any other land bank. Whatever land we have is available only for immediate development. We are working on the developments where we have tied up land parcels, but we do not own any other land bank.

Operator: As we scale up development and launch projects, what is our peak estimated debt?

Management: It is difficult to say because most of our debt is related to project finance. If I look at our projects, most of them have approximately {? 20 crore, 30 crore, 50 crore rupees ?} of debt in each project. Therefore, depending on how many projects we are able to launch, debt will definitely increase.

However, at the overall level, if I talk about net debt-to-equity, it will generally remain close to {? 0.5 ?} or below {? 0.5 ?}.

Operator: Mr. Pratik wants to know that, with steel and cement prices increasing, what percentage of your order book is fixed price versus subject to revision? If it is fixed price, could our margins compress further?

Management: That question is not exactly relevant to us, but I will try to answer it. For us, cement and steel prices have not moved significantly over the last 2-3 years. Except for the normal annual increase of perhaps {? 4-5% ?}, prices have mostly remained at the same level.

Report is AI-generated and may contain inaccuracies.

There have been temporary spikes. When the war started, prices increased somewhat, but they have now come down to normal levels. Prices are stable and have not moved significantly, so there has been no serious impact.

Therefore, whether we use fixed pricing or variable pricing does not have a material impact. In real estate, prices are generally fixed. If I sell a unit to a customer, the sale agreement we enter into with the customer does not generally include an escalation clause.

The general tendency is that approximately {? 60-70% ?} of the price is achieved initially after the launch, when people purchase at the launch price. After that, developers start increasing prices. Therefore, any increase of a couple of percentage points in costs is generally compensated by an increase in sale prices going forward.

Even if prices do not increase, when we decide to undertake a project, we already build contingencies and escalation into the project pricing, and accordingly determine the sales pricing. So far, we have not seen sales pricing that is not covered in our sales price.

Operator: Are there any further questions? Manish sir, please unmute and ask your question. Manish sir, we are still not able to hear you. Could you type your question in the chat box? I can take it from there. Manish sir, I am sorry, but we are not able to hear you. Manish sir wants to ask whether there is any project in Kolkata or West Bengal apart from Uttarpara.

Management: No, we do not have any.

Operator: Thank you, sir. As we have no further questions and given the time restriction, we would like to end today's call here. I would like to thank management and all participants for taking the time and sharing their insights about the company. If participants have any further questions, they can get in touch with the {? Aditane Capitals ?} team. Thank you.

Management: Thank you very much, ma'am. Thank you, everyone.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

Report is AI-generated and may contain inaccuracies.