LODHA
BUILDING A BETTER LIFE

February 01, 2024

BSE Limited
Scrip Code: 543287
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National Stock Exchange of India Limited
Trading Symbol: LODHA

Dear Sirs,

Sub: Q3FY24 - Earnings Call Transcript

Ref: Intimation under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations')

Pursuant to Regulation 30 of the Listing Regulations, we enclose herewith a copy of the transcript of the Company's Q3FY24 earnings conference call held on January 29, 2024. The transcript is also being uploaded on the Company's website i.e. www.lodhagroup.in under the Investor Relations section.

Kindly take the above information on your records.

Thanking you,

Yours faithfully,

For Macrotech Developers Limited

SANJYOT NILESH RANGNEKAR

Digitally signed by SANJYOT NILESH RANGNEKAR
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Company Secretary & Compliance Officer
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Encl: As above

"Macrotech Developers Limited

Q3 FY '24 Earnings Conference Call"

January 29, 2024

MANAGEMENT:	**MR. ABHISHEK LODHA – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – MACROTECH DEVELOPERS LIMITED** **MR. SUSHIL KUMAR MODI – CHIEF FINANCIAL OFFICER – MACROTECH DEVELOPERS LIMITED** **MR. RAJENDRA JOSHI - CHIEF EXECUTIVE OFFICER, BENGALURU – MACROTECH DEVELOPERS LIMITED** **MR. ANAND KUMAR – HEAD INVESTOR RELATIONS – MACROTECH DEVELOPERS LIMITED**
MODERATOR:	**MR. BIPLAB DEBBARMA – ANTIQUE STOCK BROKING**

Moderator: Ladies and gentlemen, good day, and welcome to Q3 FY '24 Earnings Conference Call of Macrotech Developers Limited, hosted by an Antique Stock Broking. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Biplab Debbarma from Antique Stock Broking. Thank you, and over to you sir.

Biplab Debbarma: Thank you, Muskan. Good morning, everyone, and welcome to the Q3 FY '24 Earnings Call of Macrotech Developers Limited, hosted by Antique Stock Broking. Today, we have with us the management of the company represented by Mr. Abhishek Lodha, Managing Director and CEO; Mr. Sushil Kumar Modi, CFO; Mr. Rajendra Joshi:, CEO, Bengaluru 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 Biplab and good morning everyone. Thank you for joining us for our earnings call. Hope the new year has started well for all of you and you've been well.

Today on the call, we also have Mr. Rajendra Joshi:, who heads our Bangalore business to share his thoughts on our recent start and successful launch in Bangalore, as well as the strategy and plan going forward. Let me first begin with sharing our perspective on the overall macroeconomic and industry situation. Global growth seems to have come out rather reasonably from the various crises of the last year, including the geopolitical issues in the Middle East and Ukraine-Russia, as well as the global inflationary scare.

With the US Fed indicating the peaking of interest rates and subsequent rate cuts during the course of the coming year, we believe that we are past the hump of interest rates for now. Containment of geopolitical skirmishes is another silver lining in an otherwise unfortunate scenario in the Middle East. Stable energy and commodity prices, despite these conflicts, have insulated global economies to a significant extent.

Global growth, while steady, remains slower than pre-COVID levels, largely led by slowing China and Europe. Within this slowing world, India remains the beacon of hope and is punching about its historic weight. The IMF estimates that India will contribute about 16% of global growth this year, which is only going to go up in the years to come.

The recent advanced GDP estimates by NSO of approximately 7.3% for FY24 are very encouraging. We have seen most agencies, including the RBI, upgrade GDP growth forecasts for the country. Slowly but steadily, India is emerging as a key spoke in the global supply chain and thus likely to attract stronger investment flows.

The revival of manufacturing in the country, in the fields of defence, electronics, manufacturing of semiconductors, etc., we believe, will create a much deeper formal job market and lead to further formalization of the economy. The equity raising by Indian corporates in the last couple of years also suggests the general optimism of domestic companies in the economy. Another positive development has been the inclusion of India in the JP Morgan EM Bond Index.

And it is likely that India will also get included in some of the other prestigious bond indexes, e.g. the Bloomberg EM Index. Such inclusions will boost foreign capital flows and bring down cost of capital for Indian borrowers as well as enhance currency stability. Coupled with reduction in rates by global central banks, we hope to start seeing policy rates being brought down by RBI in the next 12 months.

This will help bring down mortgage rates and boost housing demand, especially in the entry-level segments. In addition, we hope that the government will support first-time home buyers and provide a further fillip for demand in the mid-income housing segments. We believe that the industry in India is in the right place at the right time, where the political and economic environment are moving in the right direction.

As we have mentioned several times in the past, we are in years 3 or 4 of a long cycle, perhaps 15 years long, for the housing industry in India as India transitions from a low income to a mid-income country. And as we have seen in many instances where such transitions happen, the housing cycle tends to be much longer than the normal cyclicality that we see otherwise in development. As long as developers play it well, which means keeping price rises moderate and ensuring that home prices remain affordable for genuine home buyers and annual rises do not exceed salary rises, something that we have been saying for quite some time and are definitely practicing the same and are making every possible effort to avoid investor and speculated demand in our market.

As long as the job creation cycle, combined with reasonable price growth holds, we believe that our industry is set for a sustained period of growth. Within this, Mumbai infrastructure upgrades are now coming to fruition as several of the transformational infrastructure projects are starting to get commissioned.

We saw the commissioning of the Mumbai Trans Harbour Link also known as Atal Setu earlier this month. Similarly, we are likely to see the coastal road being started to be operationalized over the next few months. Of course, several metro lines, the Navi Mumbai Airport and other road connectivity projects such as the Airoli-Katai Freeway, the Thane-Dombivli Link Road are also starting to get delivered this year and will see substantially all delivered over the next 24 months.

Some of the game-changing projects such as the Ahmedabad Mumbai bullet train are progressing at rapid pace and is expected to be operational before the end of this decade. This will greatly enhance the capacity of the city, continue to keep Mumbai the most sought after city in the country and a household formation thus enhancing housing demand.

As the country heads towards general elections, and outcome towards policy continuity is likely to keep India on the growth path that it has embarked upon.

Coming to the highlights of our performance for the quarter. We have continued to deliver on our KPIs, i.e., presales, embedded EBITDA with new business addition and our reputation and

ESG scores. We achieved our best-ever third quarter presales performance with INR3,410 crores of sales, which is a 12% year-on-year growth. This was achieved in a quarter which had an adverse seasonality with the auspicious Shradhh period falling in October versus September in the last fiscal.

Our 9-month FY '24 presales stand at approximately INR10,300 crores, which is a growth of about 14% year-on-year, keeping us on track to deliver our presales guidance of INR14,500 crores for fiscal '24.

In terms of pricing, we have seen an overall price growth of about 4% year-to-date for the first 9 months of the fiscal. This is in line with our strategy to have price growth for the full year at about 200 basis points below the salary growth and thus target a price growth level of between 5% to 7% year-on-year and therefore, keep affordability strong and demand buoyant.

The embedded EBITDA margin for this quarter and nine months stands at about 30% for our presales. This level of embedded EBITDA was achieved with nearly 43% of presales coming from JDA projects in the 9 months of the fiscal. On a steady-state basis, we expect JDAs to contribute about 40% of our presales and therefore, expect that our embedded EBITDA margins will remain at 30% and hopefully increase in the coming years.

Based on the embedded EBITDA of 30% on the presales for Q3 FY '24, our pro forma PAT for the quarter is well over INR600 crores implying a PAT margin of 17% for the presales done during the quarter. We remain confident that an embedded EBITDA of approximately INR4,300 crores and a pro forma PAT of approximately INR2,600 crores will be delivered with our presales of INR14,500 crores for this fiscal, this is a true reflection of our business and its profitability in our view and is tracking well with our objective of achieving approximately 20% ROEs.

On the business development, we continue to track higher than our guidance. During the quarter, we added 3 projects having approximately 2 million square feet of saleable area with a GDV of about INR6,000 crores. With this, we have added new projects of approximately INR20,000-plus crores thus surpassing our full year guidance within the first 9 months itself. As a reminder, our full year guidance was about INR17,500 crores of new project additions.

The substantial pace of new business development showcases the attractiveness of our company to landowners leading to a burgeoning pipeline of attractive opportunities, which will enable us to ensure profitability being maintained and grown even as we scale up our business.

Our net debt for the quarter was largely stable at about INR6,750 crores in line with the fact that we have front-loaded the business development for the first 9 months. We also paid our first dividend to shareholders during the quarter. We remain on path to achieve our full year guidance of reduction of net debt to the lower of 0.5x of equity and 1x of operating cash flow.

Our average cost of funds during the quarter further came down and now stands at approximately 9.5%, which is a 10 bps reduction from the previous quarter. We added another feather in our cap by getting included in the prestigious Dow Jones Sustainability Index or DJSI by achieving an exceptional score in corporate sustainability assessment. We were placed third globally amongst all real estate developers.

Recently, we have become the first real estate company in the country to have our overall net zero targets validated by the SBTi, this underscores our unwavering commitment to setting new sustainability benchmarks within the space of real estate development, not just in India, but across the world.

For the quarter, our revenue from operations stood at about INR2,931 crores in line with the operational completion seen during the quarter. These are the P&L numbers, taking into account the fact that we have moved to the percentage completion method of revenue recognition for new sales done from April '23 onwards, whereas the sales done up to 31st March 2023 continue to be considered for revenue recognition under the project completion methodology.

Our adjusted EBITDA for the quarter was approximately INR1,075 crores. Our adjusted EBITDA margin was approximately 37%, and our adjusted PAT was INR568 crores. Our reported PAT continues to ramp up going forward as revenue recognition starts matching operating performance.

I am also pleased to note that we have fully completed our exit from our U.K. investments in this quarter, in line with our earlier guidance. And the entire amount that we had said that would be recovered from the U.K. we have provided this information in September of 2022. And this amount of INR1,100 crores has now been fully recovered from the U.K., including approximately INR550 crores in the last quarter.

With this, our company has fully focused back on our growth and scaling up in India. And as we have mentioned before, we will have no investments outside India whatsoever.

I would like to take this opportunity to highlight the rapid advancement of the ecosystem in Palava. To mention the fact that in Palava and Upper Thane, the 2 large townships on the outskirts of Navi Mumbai and Thane, respectively, your company owns approximately 600 million square feet of development potential, by far, the largest and most valuable land holding of any real estate developer in the country.

In line with some of the infrastructure projects that I mentioned earlier, we are already seeing that the corporate land market is moving up quite rapidly. In the last quarter, we saw 2 transactions, which have set benchmarks in terms of land values. We saw NewCold, which is a cold storage company and Panama Petrochem, which is a petrochemical company buying land from us to set up their facilities.

The transaction with the NewCold happened at about INR5.5 crores an acre and the transaction with Panama Petrochem happened at about INR6.5 crores an acre, thus we can see that the trajectory from 3 years ago when land was transacting below INR3 crores an acre, we are now at already at INR6.5 crores an acre and we expect that over the next 12 to 24 months, we are now going to start seeing the magic number of INR10 crores of an acre being exceeded. And this is only for the land, which is being used for industrial and warehousing purposes.

As the infrastructure projects start getting completed, particularly the Airoli-Katai Naka Freeway, which should be operational in the 2024 and then ending on the other side of the infrastructure upgrades with the bullet train which will have its first station after BKC, almost adjacent to Palava, which will become operational in 2028.

We see that Palava will be transformationally changed and upgraded in terms of its desirability as well as its connectivity in 2024, you will see Airoli being just 20 minutes away from Palava, and by 2028, '29, you will see BKC being only 20 minutes away from Palava.

The overall development potential of this 600 million square feet of land is of an immense value, probably between USD 75 billion to USD 100 billion, just taking into account the present rates, and obviously, this will grow over time. And therefore, we can see long-term sustainability of significant growth coming from our township projects in Palava and Upper Thane over the next few years.

I would like to move forward in stating that in addition to, of course, the existing significant land that we own, the way the environment has shaped and the sector has consolidated, the number of opportunities coming to the strongest brands like Lodha are only continuing to grow. It is a complete market at the discretion of the graded developers on the land side where we have the choice to tie up or buy the best available opportunities that provide the right return for our stakeholders.

What I can tell you is that so many of these opportunities have come across our table over the last few months. Especially in the last 6 months, we have seen various opportunities, which may have required larger investment from our side. But as we have always mentioned in the past, our focus on continued lowering of debt is the higher priority and in no manner will we breach the guidelines of 0.5x of equity and 1x of operating cash that we have set for ourselves because we believe that low leverage is essential for sustainable value creation in our industry.

Almost 3 years after listing, I am pleased to tell you that the stability and the strength of the balance sheet are not only something which are numerical terms, but provide great internal strength to the organization and allow us to focus on value creation in a sustainable and long-term manner.

We expect that the current cash flow generation from the business and the strength of the balance sheet are sufficient to allow us to grow at approximately 20% per annum for the foreseeable future. And we hope to keep achieving this while keeping the balance sheet in a very robust position.

Having said that, when we come across inorganic or organic opportunities, which are likely to lead to a long-term improvement in the sustainability and predictability of our presales growth, we always want to look at those opportunities very carefully. In fact, given the discipline we want to maintain on the balance sheet, it may be prudent to raise an appropriate amount of capital only when required for such very, very attractive opportunities.

In view of that and in discussion with the Board, we have sought an enabling resolution from our shareholders to raise a modest amount of equity if and as required for some highly attractive opportunities. I would like to reemphasize that this is only an enabling resolution, and we will raise capital only if and when the right opportunities are presented before us.

Overall, I would summarize that it has been a satisfying quarter, and we are on track to achieve our full year guidance and continue to play a meaningful role in scaling up the housing industry and making it a significant contributor and engine of India's growth.

With that, I'll now pause and hand over to Mr. Rajendra Joshi, our CEO from Bangalore to talk about how the Bangalore market is evolving for our company. Thank you.

Rajendra Joshi: Good morning, everyone. This is Rajendra Joshi, CEO for the Bangalore Operations. Before I talk about what we have done in the Bangalore market, I want to give you a preview of the size of the market and how it has grown in the last few years.

Currently it is estimated that the residential market in Bangalore is about INR60,000 crores to INR65,000 crores, growing at about 18% over the last 4 years. The market size has doubled in the last 4 to 5 years. Of the 18% growth, volume growth has been about 10% and the price growth has been about 8%. The prices have also increased substantially in the last few years, increasing by about 40% over the last 5-year period compared to about 10% in the previous 5 years.

The inventory is at its lowest at about 9 months, which is the lowest in the last 15 years. This demand has been driven largely by the IT, ITES industries and also the startup ecosystem, which is extremely strong in the Bangalore market.

This increased purchasing power from these sectors and other business sectors has led the preference for premium housing with better amenities in the Bangalore market. The share of units, which are priced over INR1.5 crores is today at about 25% compared to about 10% a few years back.

With this background, I would now talk about how we have entered the market and beginning to grow in this market. For us, Lodha, any entry into the new market is a 2-step journey. In the initial few years, we would like to have fewer projects focused on building an empowered local team, build the brand through superior product and the customer experience delivery, build a strong ecosystem of channel partners, suppliers, contractors, et cetera, so that we grow the market, we understand the market. We understand the ecosystem here, a couple of differences, et cetera.

In Phase 2, which is after about 3 to 4 years, we intend to accelerate in this market, the way we have done in Pune. We currently have 2 projects in Bangalore, 1 in North Bangalore, next to Manyata Tech Park, a well-known tech park built by embassy and another 1 in South Bangalore of the Thanisandra Road. Between these 2 projects, we expect GDV of over INR3,000 crores.

We launched our first project next to Manyata Tech Park in North Bangalore in November of last year and saw a very, very successful launch. In the first week end itself, we were able to sell about INR600 crores in presales, almost about over 80% of the inventory. This success, we believe, is due to the trend that Lodha has built over the last few years.

The superior product and customer experience we delivered at our Club House that we have built. The strong channel partner network, the distribution network that we have built over the year helped us in delivering this kind of launch, which is probably the first of its kind for a brand entering the Bangalore market.

In the short term, we intend to focus on the premium and the luxury segment where Lodha, we believe, has a significant strength. We believe that in the Bangalore market, we intend to build a strong organization with local capabilities in the areas of sales, construction, marketing, customer service, etcetera, so that we can build up this business in Bangalore to about INR3,000 crores run rate in the next 3 to 4 years.

This, we believe, is possible because at Lodha, we have built a specialist organization with deep capabilities in every part of the business, starting with land procurement, design, construction, sales and marketing and customer experience. We will leverage the strength to build a thriving organization, an organization which is known for its customer experience and superior product delivery, which today we believe the Bangalore market is ready for. Thank you very much.

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

Kunal: Great. My first question is on the enabling clause of raising capital. Abhishek, is it fair to characterize it as this capital could be needed in case you saw growth opportunities to exceed your 20% benchmark? And that's a fit to sustain or achieve part of that?

Abhishek Lodha: As I mentioned earlier, our internal cash flows and strength of the balance sheet are sufficient to support our planned growth of approximately 20% for several years. The enabling clause is just that, an enabling resolution in case we were to see organic or inorganic opportunities, which allow us to either raise our growth rate beyond that number or give us longer visibility and sustainability of growth, i.e., a project which may be longer in its gestation, but has the right ROEs. So that would be the core reasons if we were to raise the capital at all.

Kunal: Understood. The next question is on the Palava Upper Thane land bank, given the slew of infrastructure upgrades you cited, I was just wondering if that sort of changes the monetization plan for it a little bit. Would you think that you might want to go for faster monetization of the land bank that you have there in terms of more projects or maybe even change it in favor of residential versus logistics, industrial parks?

Abhishek Lodha: Kunal, clearly, I think logistics and industrial parks is only a small part of our larger strategy in Palava and Upper Thane. It is largely a strategy which is focused around residential and development like retail and office. We do believe that with these infrastructure upgrades now making locations much closer than they used to be in terms of traveling time, we will see a larger number of projects and different kinds of segments that we will be developing in these locations.

So for example, Palava and Upper Thane have historically been mid-income housing whereas we think now that some elements of premium housing will start getting launched in these locations because the locations are now ready for that given their proximity that I said. 20

minutes to Airoli from Palava in 2024, less than 20 minutes to Thane from Upper Thane in 2025 once the Nashik Highway is complete.

And I would say really, really amazing that 20 minutes to BKC by 2028, 2029. You can really see how fundamentally the geography of these locations is changing. And within that, the high quality of development, the high quality of maintenance and upkeep and the strength of our brand will allow us to have a much broader set of segments, consumer segments wanting to buy and live at Palava and consequently scale up the pace of our development.

You may have sort of read an interview in The Economic Times a few days ago, where we expect that over the next few years, the annual run rate for sales from Palava and Upper Thane could be reaching $1 billion of annual sales from approximately $300-ish million that we will be doing now. So it's clearly something that we expect a significant amount of growth to come --a significant amount through volume and some amount through price.

Kunal: Right. And then the final one, I know you don't necessarily give this number, but any color or way to think about what might be the investment component of demand in your current sales? And what that number would have been in Mumbai, let's say, 7, 8 years back?

Abhishek Lodha: Kunal, as I mentioned in my opening remarks, our focus is on having sustainable. And when we say sustainable price growth, we mean price growth, which is below wage growth. I think we've said that for the last 3 years, and you've seen in the numbers that we've worked hard to make sure that, that's what happens. We actively do not like having investor or speculative interest in our developments.

And as a consequence, we focus largely on end users. Our sense now is that the end user percentage is in the high 80s to 90% of the units that we are selling, and therefore, people buying for either long-term investment or renting is low around a 10% mark.

Moderator: The next question is from the line of Saurabh Kumar from JPMorgan.

Saurabh Kumar: Sir, 2 questions. One is on your operating cash flow, do you think the guidance for fiscal '24 will be met 1x net debt to operating cash flow? So that's the first one and what will underline that?

The second is essentially on this price growth at Palava, so effectively, if the infrastructure comes in and you see Palava get better connected, let's say, to the City Centre. And then if we look at comparable locations, like Thane, Goregaon or even Airoli. The price differential to Palava will be like very high. So you think that infrastructure, we should be now better price growth coming through in Palava or you would still want to grow price at like 3%, 4%. So that's the second one. And one small one is essentially on construction cost. Can you just highlight what would your incremental construction cost let's say in Palava and, let's say, high-end development and in South Bombay? Thank you.

Abhishek Lodha: So Saurabh, on debt as being less than equal to 1x of operating cash flow, we do believe that we will meet that guidance by the end of the current fiscal. We expect our net debt number to be just around or slightly below the INR6,000 crores mark and that will be at or below our operating cash flow for the year. We're happy to take you through the details if you'd like to do that.

In terms of price growth at Palava, it's a nuanced answer, but I'm sure you will bear with me for a couple of minutes. We look at price growth for the like product remaining below wage growth. I think that is, I would say, almost fundamental to us. However, the overall price growth at Palava and Upper Thane will be higher because new product categories are coming in.

So if you take say a mid-income housing, we will want to keep price growth at below wage growth, so that is at this 5% 7%, 8% number. However, when you get in the upper end of the mid income, then you start getting in premium, et cetera, obviously, the prices of those products are higher. And consequently, the overall price growth for locations like Palava and Upper Thane will be higher.

So I would say like-to-like below wage growth, but overall higher in a significant manner, alluding to some of the locations like Thane, Navi Mumbai, Airoli, Goregaon, et cetera, that you mentioned, and the pricing differential between those and Palava.

And therefore, you can see why even if we were to take price growth, which is higher than wage growth, but still, we will be very, very attractive compared to these locations from a pricing perspective, and that's the reason why we think that volume growth will be a meaningful contribution to our overall growth plans over the next few years at these 2 township locations.

In terms of construction cost and those -- I'm not quite sure what metric you'd like me to mention. But yes, I think, typically, our mid-income housing construction costs are on a per square feet of saleable area, tend to be between INR3,000 to INR3,500 a square foot. You tend to be in premium housing about 20% to 25% higher than that. And of course, luxury housing is double of that.

Saurabh Kumar: Okay. Got it. And broadly in Palava, we should see price appreciation more than construction costs, so your gross margin should keep increasing.

Abhishek Lodha: Significantly, right. I think Saurabh, I think the margin widening as both the pricing as well as the volumes pick up in Palava, and the consequent value creation of, like I said, a land bank, which is by far the most valuable of any developer in the country, you definitely start seeing that happen. I'm not saying that this will happen or play out fully in just FY '25, but if you take a 3- to 5-year view, absolutely.

Saurabh Kumar: Okay. And what's the FSI, you can do in Palava max, I mean, what you permitted FAR?

Abhishek Lodha: The permitted FAR at Palava is we're taking, I would say, the conservative viewpoint is at 1.7.

Saurabh Kumar: 1.7. Okay.

Moderator: The next question is from the line of Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati: Congrats on good numbers. Just continuing with Palava. How soon do you expect the momentum there to pick up? Should it be next year? Or do you still expect to wait for a couple of years before you reach a new higher run rate?

Abhishek Lodha: Puneet, it's an important question. I wish we could forecast that with the accuracy that you'd want us to. But yes, we will start launching the upper end of the mid-income segment as well as the premium segment in fiscal '25 itself.

I think the journey is not a 1-year journey. I think it's a 3- to 5-year journey before all of the engines fire, some fire as soon as they are launched, some take a little bit longer for people to see the proof of the pudding.

But if I say we use this term inside the company tunnel to tunnel. So the first tunnel, which is going to get completed is the Airoli-Katai tunnel. And the other tunnel, which is going to get completed is the BKC bullet train tunnel. And from tunnel to tunnel, which is from 2024 to 2028, you will see a complete, I would say, reset of this location.

Puneet Gulati: Okay. Understood. And just on your presales number of INR34.1 billion, would it be possible to break down between how much of it is attributable to the projects which were launched and the sustenance sales?

Abhishek Lodha: Puneet, let me just come back to that. I think we should be able to either give it to you in this call or come back to you offline and give it to you, but we definitely can give you that number.

Puneet Gulati: Great. And lastly, on Bangalore, thanks much for the color that you gave. If you can add incremental color on the kind of pricing premium that you've been able to command in the location that you launched compared to the peers, that will be very helpful.

Abhishek Lodha: Sure. I'll request Mr. Joshi since he was closest to the ground to give answer to that question in terms of what premium, we were able to do at the first launch of Lodha Mirabelle compared to the existing projects in the vicinity.

Puneet Gulati: Great.

Abhishek Lodha: Mr. Joshi, would you like to comment, please?

Rajendra Joshi: Yes. So we launched Lodha Mirabelle at an average all inclusive price of about close to INR11,000. As some of you might know, this is a brownfield project where the previous developer had completed about 6 towers. The last selling price in about 2 years back, for close to about INR6,500. The neighbouring market is in the range of about INR8,000 to INR9,000.

So that's the kind of price premium we were able to get because of the location, the strength of brand Lodha and the experience that we delivered at the Club House, which we modified and we're delivering a great experience to the customers within the project and our prospective customers. All put together, I think we were able to get the kind of price premium about 20%, 25%.

Puneet Gulati: Understood. And is that something that you expect for the next Bangalore project as well?

Rajendra Joshi: We do think that we would be able to command premium over the neighboring project in our next 2 projects because we intend to focus, as I had mentioned earlier, on the premium end of the market, which is where we see a great opportunity in the Bangalore market.

Moderator: The next question is from the line of Abhinav Sinha from Jefferies. Please go ahead.

Abhinav Sinha: This is Abhinav here. A few questions. So on the enabling resolution a bit again, can you give us some granularity on the sort of opportunities we have? Are they largely for buyouts in Mumbai or there is something else in the mixture there?

Abhishek Lodha: Hi, Abhinav. The opportunity is obviously are confidential, but I can start giving you some flavor of those. There are opportunities which are mostly, I would say, capital light in Mumbai, except for, of course, very specific locations like you're aware of the Juhu Centaur transaction, in which we are the preferred bidder and the process has advanced quite a bit.

There are other opportunities for outright acquisition in Pune where the market is now something that we are quite comfortable and believe that there is much more scaling up to do that. And as Mr. Joshi mentioned, while we have about INR3,000 crores of GDV in Bangalore, probably this year itself, we would be able to get to close to INR1,000 crores of sales in Bangalore. And then our target over 3 to 4 years is to have an annual run rate of INR3,000 crores of annual sales from Bangalore. So there would be a mix of JDA as well as own in Bangalore.

Across all the 3 cities that we are operating in. And as we have said in the past, we want to keep that healthy mix of JDA versus outright balancing the total profitability as well as the ROEs.

Abhinav Sinha: That's helpful. Sir, on pricing, now even for some of your projects like in South Bombay, and at the higher end, we are generally seeing pricing in Mumbai to be rising much faster than the average that we are seeing. So any thoughts on that? Or is that what is also you are also observing right now?

Abhishek Lodha: I think Abhinav, the price growth anecdotes versus the numbers, the story, I would say, is in the numbers. I think anecdotally, yes. Sometimes we also witnessed that the way we calculate obviously, price growth is for the like project, so which was operating and selling in the previous fiscal, and what is the actual price growth in that project for the current fiscal on a YTD basis. Therefore, for 9 months, we have 4%. Annualized rate that is closer to about 6%. So that is really all our projects which were operating in the last fiscal and what the price growth in those has been for this fiscal.

Abhinav Sinha: Okay. And lastly, on the fourth quarter now to meet our guidance, we're looking at a INR4,200 crores plus sort of a number. So what are the key launches? And how are you looking to -- how confident are you for achieving this high number?

Abhishek Lodha: Abhinav, the fact is that we've done consistently about INR3,300 crores, INR3,500 crores over the last 3 quarters, and therefore, see no significant challenge in achieving our full year guidance of INR14,500 crores. We do have launches. We do have some land sale transactions. So it's going to be a mix of all of those. In terms of new launches, we have in almost 6 different markets, a total of about 11 launches. So of course, that helps.

But I think our sustenance business, and I'll go back to the point that Puneet had raised earlier. Last quarter, our total sales, about 25% were from new launches and 75% were from sustenance. So last quarter, of course, we had a few launches, but not as many as those we have this quarter.

So just the upside from some of the new launches as well as the land sales, et cetera, should be healthy enough for us to meet our guidance.

Moderator: Thank you. The next question is from the line of Praveen Choudhary from Morgan Stanley. Please go ahead.

Praveen Choudhary: This is Praveen Choudhary. I have two simple questions. The first one is you've been very successful in Pune and now in Bangalore. I'm wondering, could you talk about next city that you want to go in or it's too early? And then the second question I have is about pricing where you got a few more questions.

But when I look at the JLL data for last quarter, that's December quarter, they were saying that Bangalore pricing was up 13%, year-over-year. I know you mentioned that ASP rising above wage is an issue. I'm just wondering are you concerned about that in Bangalore? You're also hearing similar stories in Gurgaon. Or you don't think that matters because you mentioned about your specific projects you raised very slowly.

Abhishek Lodha: In terms of the 3 cities, our approach to most of our business, including geographical expansion is a step-by-step conservative approach. We are pleased that Bangalore has started off well. In the next 3 months, we hope to have our second launch.

And as that happens, we'll start reviewing whether we start taking baby steps into a fourth city of operations. So probably something that we will think about and evaluate over the next 3 to 6 months, but don't have a definitive answer at this stage.

In terms of pricing growth, I would reiterate that for the long-term sustainability of the cycle, and this is not a cycle which should be seen through the lens of what happens in a quarter or even what happens in a fiscal year. The opportunity for us is to have this cycle run for 15-plus years. And in that context, it is absolutely imperative that price growth remains below wage growth.

I think how some of the data on price growth is calculated, of course, you all are best place to look at. But we say that if you take away mix changes, when you look at like-to-like product, segmentally like-to-like products, so mid-income to mid-income, premium to premium, luxury to luxury. It's absolutely imperative for the long-term sustainability of the business of the industry that price growth remains at the most and in our preference below wage growth because that's what India's opportunity is. It's a volume opportunity, and it only comes through when affordability remains intact.

Praveen Choudhary: Hello?

Abhishek Lodha: Can you hear me?

Praveen Choudhary: Hello?

Moderator: Yes, sir. You're connected.

Abhishek Lodha: Yes. So Praveen just to close out my comment, I would say that in any market where there is excessive price growth after adjusting for this aspect of like-to-like versus mix change, it would be a matter of concern because like I mentioned, the opportunity of scale up is a very long-term 15-year cycle they're only in year 4 and price growth remaining at or below wage growth is an essential condition for the sustainability of the cycle.

Praveen Choudhary: Very clear, Abhishek, and we have been very consistent on this point. And I don't have the data excluding the mix change, but I just wanted to get a feeling on the ground, maybe Rajendra can talk about it that at this point in time, at least, we are not concerned about pricing in Bangalore.

Rajendra Joshi: Hello?

Abhishek Lodha: Yes, please go ahead.

Rajendra Joshi: Yes. So I think what has happened in Bangalore, I'd like to reiterate, and I did mention that. The price growth in the market was extremely muted about 2 to 3 years back. In fact, for the year, before 2020, the prices used to be almost flat.

So the growth in price in Bangalore has to be seen in that context. According to me and many experts in the market, it is a reset that is happening in the Bangalore market, which is where we are seeing the kind of price growth that we are seeing in Bangalore. I hope that answers the question.

Praveen Choudhary: Yes. And again congratulations for having a very clear target, hitting them and being consistent in your messaging. Congratulations.

Moderator: The next question is from the line of Mohit Agrawal from IIFL.

Mohit Agrawal: Most of my questions are answered. Just 1 question on your annuity and the office and the retail portfolio, so what is the vision here? Say, by FY '30, what is the kind of rental income that you are targeting from office and retail? And what kind of investments do you plan to make from here on?

Abhishek Lodha: Thank you, Mohit, for that important question. As we've articulated in previous discussions as well as engagement with our investors, our strategy on rental income is to grow it, but do it in a manner which is not ROE dilutive. And therefore, we look at a mix of 3 strategies, which is our facilities management business along with its digital app, which is very low investment and therefore, high ROE.

Our warehousing business, warehousing and industrial park business, which is moderate ROE in the mid-teens. And then selectively, some office and retail, which we hold for duration, till we believe that the market is paying full price. That's our sort of way of looking at the streams from these businesses.

We expect that by the end of the decade, that is by March 31, we expect rental income to be close to INR15 billion on an annualized basis from these 3 asset classes. And like I mentioned to you, we overall expect a blended ROE sort of in the mid- to high teens from these assets, and therefore, you can sort of do an assessment of the level of investment, which will go in over the next few years to build out this base.

Mohit Agrawal: Okay. Abhishek, is it possible to give a breakdown of this INR15 billion into warehousing, office retail and the facility management numbers?

Abhishek Lodha: Of course, something which is 7-odd years out, very difficult to be precise with it. But if I can give you a broader sense of it, we expect about 25% from facilities management. We expect about 30% from the warehousing and industrial and the balance from office and retail.

Mohit Agrawal: Okay. Understood. And just 1 last clarification in your sales mix this quarter. There's been a dip in the South and Central sales. So is it just a quarter 3? Or do you think there is good momentum going forward?

Abhishek Lodha: See, I think, Mohit, it's important to know that different segments will react very differently to seasonality. So this year South Central had 2 aberrations, 1 Shradhh came in this quarter. And those 15 days South Central has absolutely virtually no transactions.

And then the second half of December is also for South Central, the poorest part of the quarter-- it is quite poor because almost everybody travels. So if you almost take out 1 month out of the transacting potential time frame for South Central, you recognize that there's just seasonality, nothing beyond that.

Mohit Agrawal: So fourth quarter, this should be back, right?

Abhishek Lodha: Yes. I mean, I think overall, you look at any YTD -- I would request you to look at assessment and we'll give this data every quarter, of course. So look at the trailing 12 months when you're looking at the strength or status of any market because that takes most of the seasonality out of the picture.

Mohit Agrawal: Sure. That helps.

Moderator: The next question is from the line of Kunal Lakhan from CLSA.

Kunal Lakhan: So on your pro forma P&L, if you can share the -- I just wanted to understand the 30% is the embedded EBITDA margin. What would be the breakup of the margin for JDA and own projects?

Abhishek Lodha: We're just looking at the data. Give us a minute please. While we dig that out in case you have any other questions, please let us know.

Kunal Lakhan: Yes. So my second question was on our collections run rate. If you look at -- if you exclude the U.K. repatriation, our collections to the sales run rate is somewhere around 67% for the 9 months. And if you look at the same run rate in FY '23, it was around 81%. So anything to read there? Or is it on account of higher sales from JDAs?

Abhishek Lodha: I don't think the JDA sales have anything to do with that ratio. The cash will flow through our P&L and our accounting. I think the run rate is partly a question of buildup of sales having happened over the last 12, 18 months. And therefore, it takes a little bit of time for the cash flows to come through, but nothing really to read into it. Historically, if you look at the last 8 years, our collections to sales ratio is at approximately 99% to 100%. And we pay very, very close attention to that ratio.

Kunal Lakhan: So there will be a mean reversal kind of.

Abhishek Lodha: Yes, of course. Absolutely. Absolutely.

Kunal Lakhan: Sure. And my last question was on -- you said that your value unlocking or rather appreciation at Palava would happen between, say, 2026 to 2028. Would that make you slow down on land sales until then? Or would you continue to monetize land?

Abhishek Lodha: I think given the quantum of land that we have, we expect a modest amount of land sales, both for industrial warehousing as well as for the government infrastructure projects given that the government is building infrastructure in that area to continue to happen.

So we don't expect the total realization. The quantum of land may start getting moderated as we keep more and more land towards our higher value-added uses. But given the appreciation in land's underlying value and pricing, we expect the realization from that to continue.

Kunal Lakhan: Okay. So in terms of value, it will remain like steady, but in terms of area it may come off?

Abhishek Lodha: Yes.

Kunal Lakhan: Sure. Those were my questions, if you can...

Abhishek Lodha: Yes. So coming back to the margin point, the embedded EBITDA of our JDAs is at around 20%, and the JDAs are contributing just over 40% of our presales.

Kunal Lakhan: Got it. Okay. Great.

Moderator: That was the last question, I would like to hand the conference over to Mr. Anand Kumar: from Macrotech Developers for closing comments.

Anand Kumar: Thank you, everyone, for joining the call. All insightful questions. In case you have any more queries, do reach out to me. I'm always available for you. Thank you.

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