SOBHA

PASSION AT WORK

Date: August 11, 2023

To, The Deputy Manager Department of Corporate Services BSE Limited PJ Towers, Dalal Street Mumbai – 400 001 **Scrip Code: 532784**	To, The Manager The National Stock Exchange of India Limited Exchange Plaza, Plot No C/1, G Block Bandra Kurla Complex Mumbai – 400 051 **Scrip Code: SOBHA**

Dear Sir / Madam,

Sub: Transcript of Meeting with Analysts/ Institutional Investors

In continuation of our letter dated August 04, 2023, please find enclosed herewith the transcript of the conference call held on Tuesday, the 08th day of August, 2023 with the Analysts/ Institutional Investors to brief the Operational and Financial performance of the Company for the quarter ended June 30, 2023.

We request you to take the aforesaid information on record in terms of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the same is available on the website of the Company.

Yours sincerely,

FOR SOBHA LIMITED

VIGHNESHWAR GOPALAKRISHNA BHAT
Digitally signed by VIGHNESHWAR GOPALAKRISHNA BHAT
Date: 2023.08.11 17:41:38 +05'30'

SOBHA LIMITED ★ BANGALORE ★

VIGHNESHWAR G BHAT
COMPANY SECRETARY & COMPLIANCE OFFICER
MEMBERSHIP NO.: ACS 16651

Sobha Limited
Q1 FY2024 Earnings Conference Call

August 08, 2023

ANALYST: **MR. ADHIDEV CHATTOPADHYAY - ICICI SECURITIES LIMITED**

MANAGEMENT: **MR. JAGADISH NANGINENI – MANAGING DIRECTOR – SOBHA LIMITED**
MR. YOGESH BANSAL – CHIEF FINANCIAL OFFICER – SOBHA LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Sobha Limited Q1 FY2024 Earnings Conference Call hosted by ICICI Securities 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Adhidev Chattopadhyay from ICICI Securities. Thank you and over to you, sir!

Adhidev Chattopadhyay: Good evening everyone. On behalf of ICICI Securities, I would like to welcome everyone to the Sobha Limited Q1 FY2024 results call. Today from the management, we have with us Mr. Jagadish Nangineni, the Managing Director, and Mr. Yogesh Bansal, Chief Financial Officer of the company. I would now like to hand over the call to the management for their opening remarks. Over to you! Thank you.

Jagadish Nangineni: Good evening everyone. Thank you Adhidev and team for your kind introduction and for organizing this call. Sobha team and I are happy to interact with you post financial results of Q1 this financial year 2024. The investor presentation based on the audited financial results adopted by the board can be accessed from sobha.com. In this call I would like to touch upon our last quarter's performance and briefly on the outlook for the remaining period for this financial year. Q1 of FY24 has been a good quarter for us, both in terms of sales and cash flows. We achieved record sales this quarter again in terms of sales value at 1,464.7 Crores. We sold 907 homes comprising a total area of 1.39 million square feet. We did not have any new launches during the quarter and hence the sales performance is even more remarkable. Due to the shift in the mix of sales and better pricing, the average price realization improved sequentially from previous quarter by 6%. Going forward, the pricing seems to be stable and to a margin increase as we launch new projects and release existing inventory for sale. The geographical diversification has paid off this quarter as well with Kerala contributing about 16% after the release of new towers in Marina one in Kochi and Sobha Metropolis in Thrissur. NCR has been consistent and contributed 22% of the sale value. Bangalore Gift city and other cities continues to be steady. We have a healthy pipeline of about 15 million square feet expected to be launched in the next two years starting from next quarter. This combined with our existing inventory of about 5 million square feet provides us enough opportunity to capitalize the current demand scenario. In addition to this, we are of course working to bring existing own land banks, current arrangements with the land owners and new opportunities to project level. Our cash flow management focus continued this quarter also and has resulted in a net cash flow of about

70 Crores bringing down our debt. In this quarter, our margins as you would have seen has reduced, largely due to higher costs in real estate for projects that are being delivered with pre-COVID pricing and post-COVID costs. This would improve as we start completing the projects that are sold post-COVID, most likely from end of this financial year and beginning of next financial year. By the time we would also complete some of the contractual projects which are of lower margin in nature. With this brief commentary, I would like to hand it over to Yogesh our chief financial officer to give his commentary on the financial performance.

Yogesh Bansal: Good evening everyone. Thank you again for joining us. Mr. Jagadish has already briefed us about our business and operational as a whole. I will quickly go through some of our financial highlights and open the floor for questions. In Q1 FY24, we generated good cash flow, total collection was up by 21% compared to Q1 FY2023 and our cash flow from operation was Rs.192.8 Crores. We have increased the pace of contraction this quarter with outflow of 532 Crores on real estate project being highest ever. This will lead to faster completion and better recognition of our current projects. Debt to equity decreased to 0.63 from 0.66 in March 2023. Net debt was at Rs. 1,569 Crores. Corresponding to our revenue recognition during the quarter, we have handed over 1.04 million square feet. Total income for quarter was 939 Crores. Our EBTIDA for the quarter was 96.7 Crores with margin of 10.3% as indicated low margin on account of the combination of project sold earlier than COVID period and constructed majorly post COVID at inflated cost scenario. I would like to thank you for your participation and now we can open the floor for the question and answer session.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati: Thank you so much and congratulations on your good cash flow collection once again. My first question is actually on the cash flow part itself. First is the JD partner payment seems to have gone up this quarter versus the sequential previous quarter. How should one think about it, are those payments also likely to go up or where will those end?

Jagadish Nangineni: Good evening Puneet. Regarding the JD payments, yes, your observation is right, it is one off this quarter because of certain pending payments which were accrued in the previous financial year but paid during this quarter, so hence there has been an increase, and going forward for this particular quarter, it seems to be little higher because we were paying some of the pending payments otherwise it should be back to normal based on the actual sales mix between own projects and the joint development projects.

Puneet Gulati: Okay, that is helpful. Secondly if you can comment a bit more on what launches and how much launches should we see for this year? You indicated that we should expect launch only now in next quarter. So should I presume Q2 will also not see any launches and then Q3 onwards something will come?

Jagadish Nangineni: The 15 million square feet pipeline, we envisage that it should be launched in the next two financial years and we had expected to launch projects starting from Q2 of this financial year. However, due to the changes in the government in Karnataka and because of the reshuffling of the officers and corresponding changes, there has been a slight delay in the approvals here and hence we think that there can be a little bit of delay. We initially envisaged that we could do launches of about 7 million square feet this financial year and I think with the current scenario I think that might be reduced a bit, but we will still try to achieve as much as possible.

Puneet Gulati: Understood that is helpful and second on the land monetization front if you can give some more colour around what progress have you made and specifically what parcels of land should we see getting monetized or launched next year or this year?

Jagadish Nangineni: Particularly the land that we have in Bangalore and a small part in Hosur, these are the two ones which we are continuously working upon and we are making very good progress on both counts because we have been investing sequentially in terms of improvement, consolidation, and any pending approvals that are required, approvals in terms of land or conversion and so on and so forth. So those should come into the pipeline as and when they satisfy our criteria to be a project and then we start our design and the initial approval process, we will add to that inventory and we should start seeing improvement in that from the next quarter.

Puneet Gulati: Regarding Bangalore if you can give more color. Is it Hoskote that you are talking about eventually that we should see?

Jagadish Nangineni: Yes, there is Hoskote. It is several of our earlier partnerships that we had in land which we are closing out, which are in the due diligence process and certain commitments to be done by the land owners. Once they get completed, those will also be coming into the development stage.

Puneet Gulati: Okay and for those partnerships those are not a part of land bank and have you already paid for that or do you still need to pay for those?

Jagadish Nangineni: Those have been part of the land bank earlier, some of them were part of the land bank, however there were certain commitments to be fulfilled by the land owners and also certain activities to be done at the land level so they can come to a project development stage so those activities are rapidly making progress and we should start getting them which are currently not in the launch pipeline.

Puneet Gulati: Understood and lastly your Sobha Dream Acre is pretty much coming to an end of dream run what projects should we expect should replace the momentum of Sobha Dream Acres?

Jagadish Nangineni: Good question. In fact last month we sold the last unit of Sobha Dream Acres. We sold 6,262 units and which are of one bedroom and two-bedroom. There is a small area that is still left out but those are of larger configuration which we will release subsequently. Despite the reduction in the inventory in the Sobha Dream Acres as you have seen in Q1, we have still done 1,464 Cores, which is slightly higher than the last quarter and still did better. So the projects that are filling up that void are Sobha Town Park which we have and also three other projects that we launched last year which is Sobha Victoria Park, Sobha Sentosa and Sobha Royal Crest and we also have certain inventory in Sobha Dream Gardens so all of those have started picking up very well because as we know that the launches in Bangalore also have been little delayed. The inventory is lower than what the demand seems to be and hence it is helping us push the other projects to a stay, so that is one, that is for the immediate one. For the future, immediate in the vicinity we have new projects coming up. One of the large projects that we are expecting is in Panathur which is of about 3.4 million square feet if that comes in within time in the next quarter then that should take up the increased volume until then.

Puneet Gulati: Oh that's okay. Thank you so much all the best.

Moderator: Thank you. The next question is from the line of Rushabh Shah from O3 Securities. Please go ahead.

Rushabh Shah: Sir, my first question is our operational performance has improved quite materially in the last three years that has reduced both in value term and also on proportion on equity but our credit rating has not improved. Can you elaborate why we are still at A+ only?

Jagadish Nangineni: Good observation Rushabh. The credit rating is a combination of course debt and also margins so given that even though it is the nature of probably real estate being most unique where the margins are showing up little later, so that is not getting reflected in the current P&L, and that is one of the reasons, and I think as we improve on those fronts it will definitely improve.

Rushabh Shah: My second question is if you still look at value of unsold stock which is 4,251 Crores which is nearly equal to the sales period in last nine months of FY2023 and we have seen that new launches are extremely important to grow. So on forthcoming launches of 15 million square feet, how much can we bring in the next six months and the second part of the question is are we thinking of raising prices more significantly as you have so low levels of inventory to sell for the time being and if not then why not so?

Jagadish Nangineni: Like we had just mentioned the forthcoming launches of about 15 million square feet we are trying to do about 6 to 7 million square feet this financial year starting from next quarter. If you specifically ask for the next six months, hopefully we should be able to do about 4 to 5 million square feet depending on, of course all of this is subject to our ability to get the approvals and most of them are in the advanced stage of approval and second question related to the price increase, pricing would definitely improve with the mix of the new launches and the existing inventory. From the current level, I think it is going to be stable or marginally increase from here.

Rushabh Shah: We are a backward integrated company. How great a challenge can it be to take our real estate business to 8 to 9 million square feet in the next two to three years.

Jagadish Nangineni: This is from a delivery point of view right.

Rushabh Shah: Yes Sir.

Jagadish Nangineni: Backward integrated model is actually why we are very much structured to deliver higher volume as well. There are two things that have happened. One of course we continue to invest in our own people and ability to form more structured teams as the delivery volume picks up. Second is as we are focusing far more on real estate, some of our contractual teams have also started contributing to the delivery of the real estate projects. So both put together, I think we are in a good position to take up the delivery to the next level. Having said that, it is not as easy as what we can say, but our continuous effort is to make sure that we deliver in the same model.

Moderator: Thank you. The next question is from the line of Parvez Qazi from Nuvama Group. Please go ahead.

Parvez Qazi: Hi, good evening thanks for taking my question and congratulation on numbers. So two questions from my side, first on the demand bit so clearly the trend which we are observing across the board is pretty good demand for high ticket value items or luxury items, which is evident in your numbers also, just wanted to get your views about demand in other segment especially the mid income segment or how will our product mix change in future with regards to this change in the behaviour?

Jagadish Nangineni: Good evening Parvez. Our sales mix for Q1, if we see the split of the ticket size, more than 3 Crores ticket size sales contributed 37% of the sale, versus the same thing about eight quarters ago, which is about two years ago it was contributing to less than 5%. So that's a big change and that has really helped us in increasing our sale value and it is clearly coming from the demand side as well and which we could quickly capitalize on. The demand for larger houses seems to be the trend and hence our future inventory and the current focus is going to be on that. While one side there is a demand for larger houses, the second side the ability to fund that by the customers also seems to be equally strong even at this interest rates. Hopefully, the increase in interest rates are in past, so hence going forward it should be even better as the income continues to grow.

Parvez Qazi: Secondly in terms of cash flows, obviously the debt has risen significantly over the last 10, 11 quarters and we continue to make positive cash flow at the net level, how do we foresee our cash flow generation and debt reduction going ahead, let us say in FY2024 and FY2025?

Jagadish Nangineni: Consciously we have reduced the debt mainly from operations almost two to three years and that conservatism in terms of cash flow would continue. The reason being that we think that the future launches and the corresponding cash flow that we can accrue we can now clearly balance out between both growth and being fiscally prudent. Of course if the market continues to be strong and we start seeing far more opportunities which we can capitalize far more, then we would definitely start allocating more capital to growth as well. However, the trend for the debt should be down.

Parvez Qazi: Thanks that is it from my side and all the best.

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

Pritesh Sheth: Hi Jagadish Sir thanks for taking my question. First is on launches as you alluded earlier so 6-7 million square feet this year and 15 million square feet cumulatively in next couple of years how do we see the trajectory beyond that because every quarter you have been adding projects into the pipeline, last quarter it was 13 million square feet, now we are looking to launch 15 million square feet so what sort of pipeline you are closely working on which can obviously get added to the launch pipeline in coming quarters and boost up our launches beyond just two years that we have guided for.

Jagadish Nangineni: Good evening Pritesh. So like we have mentioned we are continuing to work on bringing the existing land bank and the current arrangement with land owners towards the project development stage, but as and when we make progress there we will continue to add and that also is going very strong. Unfortunately I will not be able to share the details immediately, but as and when we do that we will see that coming in the pipeline.

Pritesh Sheth: Sure, just broader idea would be to obviously increase this 6-7 million square feet to eventually 9-10 million square feet in next 2-3 years, because that is what we are planning for in terms of our sales growth as well, right?

Jagadish Nangineni: Absolutely, you are right. Last year we did about 5.65 million square feet and we are expecting to do better this year and in the medium term we would like to move towards 7-8 million square feet and in the long term if everything works out well, then definitely we should aim for about 10 million square feet and correspondingly the pipeline should reflect that and we are working towards the same.

Pritesh Sheth: Sure, got it. Secondly on the land investment, so we had a small payment this quarter was it for any new land which was tied up or was it for existing land and what is our target in terms of land investments this year, next year given that debt is much under control now, so your comments on that.

Jagadish Nangineni: This quarter the land payments that we have done are largely for the earlier commitments. Going forward, I think in this financial year, we might end up doing anywhere between 250 to 300 Crores in terms of land investments.

Pritesh Sheth: Got it. That is helpful. That is it from my side. Thank you. All the best.

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

Biplab: Good evening everyone. Congratulations on the excellent result and my first question is on the contractual and manufacturing business. Sir, what would be the trajectory of contractual and manufacturing business? I mean what kind of goals and what kind of EBITDA margins shall we expect in the segment going forward.

Jagadish Nangineni: Good evening Biplab the contractual and manufacturing business, we have been mentioning that the growth what we are seeing there is in terms of the overall contribution to gross margin and EBITDA. Our current focus in this financial year is to complete the projects what we have in the pipeline within the budgets that we already have and make sure that our margins are reasonably protected. We are also looking at new opportunities very conservatively in terms of where the cash flow will be positive, net working capital always will be negative and also margins in double digits so those kind of opportunity as and when we are seeing we are thinking to take up those opportunities, but from a significant growth point of view today that visibility is not as high because the current order book we have is, we would be exhausting that in the next couple of years and we are working towards one or two serious bids in terms of civil contract, if those come through then we would be very steady. From a manufacturing point of view, manufacturing has been very steady and some of the manufacturing divisions are doing exceedingly well. One of that is our glazing and metal works division which has had the highest turnover last year. However, there also we had challenges in terms of increased costs so that we are trying to manage and again there also we are trying to see how we can take up new projects and deliver against the cost that we expect from that. There we have gross margins of over 20% but in the overall manufacturing business, we should continue to see incremental growth.

Biplab: On the land banks that you have, Sir, excluding the forthcoming projects could you give us some colour on the key land parcels. I mean you have given some indications how we are trying to bring a few of those land parcels to developments, but can you give us some colour as what kind of land parcels and what on locations and what are you future plans on the monetization of land parcel?

Jagadish Nangineni: I understand the requirement of the question Biplab, but unfortunately right now we are in the process of consolidating, in the process of making whatever is the existing arrangements work and we would like to be little bit more methodical in terms of disclosure also, as and when they come for project development space that is when we would like to probably disclose and hence given that constraint, I cannot clearly mention what the numbers are but like l had responded to Pritesh our overall goal is to grow from where we are in terms of sales run rate and corresponding to that there is a requirement for us to increase the inventory and we are working towards getting that kind of payment and we think that overall inventory of about 30 million square feet for a run rate of sale of about 10 million square feet every year should be visible for us and currently that is 20 million and probably we will have to increase at the right locations to make sure that we achieve that run rate, so, we have a model and we have certain activities that we have undertaken to get to that level, but given the current stage where we are we will be able to keep adding to the pipeline as and when things progress.

Biplab: All the best.

Moderator: The next question is from the line of Mohit Agarwal from IIFL Securities. Please go ahead.

Mohit Agarwal: Hi thanks and congratulations to the team on eleven straight quarters of net debt reduction. My first question is on the collection so the collection seemed to be between 1,100-1,200 Crores on a quarterly basis, while your gross sales have moved up to the 1,400+ trajectory in the last three quarters so when should we expect the collections also to move up to that level? Should it be like next one or two quarters or it could take longer?

Jagadish Nangineni: Mohit as the construction progress in these new sales that we have that have occurred, those collections also should improve. I think sequentially these cash flows are dependent not just on new sales but also progress on achievement of the milestone but as we are increasing our real estate spend then we should surely aim to achieve those collections as well?

Mohit Agarwal: Is there any timeline on those? One or two quarters you could see this moving up?

Jagadish Nangineni: That is very incremental as we progress, so it is not very clear that in another quarter or couple of quarters it is going to improve. There will always be a little bit lag because most of the new sales that are happening, a majority of the sales collection would come in, I mean the initial collections are not as high and so it is always a mix of new sales versus the old sales construction so given that it is little tough for us to estimate, or directly relating it to the new sales. Overall collections should improve because we have accelerated the pace of the construction but the timing of it will surely improve, maybe even next quarter or next to next quarter but directionally it has to happen.

Mohit Agarwal: Sir on your reported P&L last quarter there was a lot of discussion around why the margins are weak I just wanted to get a sense when could we speed the P&L EBITDA margins improving and in what time can we see we are reaching that level where the desired level which reflects the current margins that would be clocking in.

Jagadish Nangineni: So we would start completing the projects which we sold post COVID not just post COVID, but in FY2022 or so from end of this financial year, starting from next financial year. That is when the mix would start changing towards those sales so hence slowly that mix would tilt more towards the post COVID sales. As and when that happens the margins would improve.

Mohit Agarwal: FY25 onwards right.

Jagadish Nangineni: Ya, FY25 onwards the mix of the projects that we would recognize for revenue would start coming in and hence the improvement should definitely be seen.

Mohit Agarwal: Sure and Sir just one clarification on the previous question on the Sobha Dream Acres bid that you have completed the sale of Sobha Dream Acres, this segment, the Dream Series has been clocking in steady 20-25% sales for you the sub 1 Crores segment. You have mentioned some projects which will replace that but as a Dream series segment do you consider this contribution to continue at 20-25% or will the mix change towards more premium products?

Jagadish Nangineni: Definitely the mix from the sale value, it has changed towards the larger ticket sizes as you have seen in the overall split of the revenue over the quarters. Having said that, the sub 1 Crores or nearer about 1 Crores is a very important segment for us because that has contributed to the sales for the last several years and that is a segment that we would like to continue to cater, but at the same time we are not envisaging a single project to have that, but in each of our current projects that we are designing and we are preparing to launch we have catered to those ticket sizes also in each of these projects so we might not see it as a dream series but from a ticket size and market segment point of view we will address those also. And additionally apart from this Sobha Dream Acres what we have we currently have one more project which is called Sobha Dream Garden in Bangalore that is also continuing to do well that caters to the current market segment in that ticket size.

Mohit Agarwal: Understood Sir. Thanks a lot.

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

Kunal Lakhan: Yes. Thanks for taking my question. Firstly on the volume side, when I look at your volumes, overall volumes have been quite steady over the last 4-5 quarters but if I look at Bangalore in terms of absolute volumes, it kind of dipped steadily in the last 4-5 quarters anything to read over there are we seeing any type of consolidation with slow down in the IT corridor or salary hikes that we have seen in the past two years?

Jagadish Nangineni: Good Evening Kunal. The Bangalore volume, last financial year first quarter was the best in terms of volume where we did 1 million square feet and that is why I think we should go back to atleast, and the main reason for the slight reduction or the sales area that we are doing in Bangalore is directly linked to the launches that we are doing and as the launches improve the volume there should definitely improve.

Kunal Lakhan: So it will normalize back.

Jagadish Nangineni: Yes at least that. We think that market is larger than that but given what we have today that at least we should do and as we progress for new launches and across the various locations in the city it should get even better.

Kunal Lakhan: Sure thanks. My second question was more of clarification on allegation that have been going around. If you look at the social media regarding the land deals. I just wanted to understand what is our official stand on this matter and secondly have we heard anything from the regulators, the government bodies post the income tax search which we saw earlier this year.

Jagadish Nangineni: That particular article, we had contested that article and we have filed a defamation case, post which we got a favorable order from the court and the author of the article and corresponding linking articles have all been taken down. It has got nothing to do with any official regulatory or government body. It is an article published by independent journalist and once we came to know about it, we had taken a strict action against it.

Kunal Lakhan: Sure great, just want to clarify these land parcels which you have bought along with this aggregators we would not have any challenges in bringing this land parcels to the market in terms of new launches correct?

Jagadish Nangineni: These land parcels are largely in Kerala and in Tamil Nadu which were bought in the years between 2006 to 2009. We have been working on these lands to make them developable or find the right usage for it and as and when we do that we should be able to deliver. Right now I do not see any challenge in terms of monetizing those lands from a legal title standpoint.

Kunal Lakhan: Sir just a follow up that same article was saying that land parcels were to the tune of 1,500 acres which seems a little high, but just your comments on that.

Jagadish Nangineni: That seems to be little on the higher for us too, but we have acquired lands in Kerala and Tamil Nadu both of which are very low cost in nature considering the locations where they are present both should in the range of about 800 odd acres. We can come back to you with that exact details.

Kunal Lakhan: Sure thank you so much Jagadish and all the best.

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

Abhinav Sinha: Hey Jagadish. I have few questions so given the changed sort view on of new launches, what is the pre sales guidance we should look for the year. I believe earlier you had said that if we can do 6-7 million square feet then 15-20% is possible so are we still hoping for double digit growth?

Jagadish Nangineni: Good evening Abhinav we continue to aim for it despite a little blip in the launches.

Abhinav Sinha: Okay and secondly the margin trajectory I just wanted to check this quarter and even if we look at last quarter we have started hitting and crossing the 10K per square feet level so what is roughly the margin we should be expecting in this portfolio today, I mean the 1st Quarter performance we saw in P&L was pretty week so what should we hope for?

Jagadish Nangineni: The new sales that we are doing at the current pricing Abhinav we should expect gross margins of 35% plus.

Abhinav Sinha: Okay so 35 versus what we are seeing today is 15 to 20 is that a right number to look at.

Jagadish Nangineni: Yes it is about 20%.

Abhinav Sinha: 20%, and what will be your stake in the pipeline now on average? Is it like 70%, 80% or is it like much lower?

Jagadish Nangineni: The remaining revenue that is going to be recognized.

Abhinav Sinha: On average what is your ownership of these projects?

Jagadish Nangineni: In the new pipeline the 15 million square feet.

Abhinav Sinha: Yes or even what was sold in 1st Quarter, any number.

Jagadish Nangineni: For the forthcoming project it is about 15 million square feet. Our share, I mean on blended basis should be about 80% plus.

Abhinav Sinha: 80% okay and thirdly on the net debt reduction so again it has been a great job to see how it has moved, is there a gearing target that we are hoping to it let us say point 0.5x or something or we are by and large going by as the quarters are?

Jagadish Nangineni: Abhinav we do not have any specific target in mind, but we believe given the nature of the business and what we have already invested since inception and we have these large land banks, right, so I think we should be able to be see our growth from all the pipeline that is going to come in and hence the debts that we are looking do not have any specific numbers but like I said the trend is down and ideally for a real estate mature business it can go to zero too.

Abhinav Sinha: Okay thanks a lot.

Moderator: Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: Hi Jagadish Sir, my first question is on the launch pipeline or 15 million square feet. I just wanted to understand how much of this is our own land, captive land and how much is the third party land.

Jagadish Nangineni: Like I was just saying blended of that would be 80% and 20%.

Parikshit Kandpal: That I understand. Once you have acquired the land so it is your land but I am saying that was a part of your land parcel so out of this 15 you would have bought some land also right which would be right on you name but last two years if any activation is that included in the land or is it just 15 million of 80% of that is entirely a historical land value.

Jagadish Nangineni: It is largely historical and any new lands that we have acquired not yet part of this pipeline.

Parikshit Kandpal: I think I understand last year you did about 300 Crores capex on land and something would have happened year before that also. So what could beyond this 20 million - I mean 15 new and 5 ongoing one, so what could be the potential which would now be residing on the balance sheet but yet to be brought in terms of the launch potential.

Jagadish Nangineni: As I said Parikshit we are still working on it. Once it comes to project development stage, we would add into the pipeline.

Parikshit Kandpal: Because I think these new land parcels outside the group should be having a very short term or within a year kind of time frame for launch, right? So I mean you would be probably having some sense what will potentially the sales area.

Jagadish Nangineni: For a smaller land parcel that is right, I mean we could quickly get in, but for a slightly larger land parcel where it has been jointly aggregated or where there is some sort of requirement we are not yet bringing that into the development stage. Probably in a quarter or two we will be able to start declaring those.

Parikshit Kandpal: That will also be significant, right? I mean if you are saying these are large parcels so that can add significantly to the current portfolio of 20 million, right?

Jagadish Nangineni: Yes and exactly, I reiterate is that if we have to get a run rate from current to about 6 million to 7 to 8, correspondingly the pipeline, the inventory also needs to go up correspondingly.

Parikshit Kandpal: Second question is on if I see the credit rating of the parent company they have last done July 2022 figures of almost 24,000 Crores in rupee term pre sales, and this year I think in five months they have already 14,000 Crores, the annualize itself will cross 30,000 Crores. No one does that kind of sale in India. Given that kind of scale I am seeing the EBITDA margin what they have projected it is an increase of 3,000 Crores of EBITDA so what does it mean for us in India, given that parent is doing superbly or exceedingly well in Dubai, kind of scale they have demonstrated so how can we get touch of that in Indian operations how do we envisage are there any financial sustains or strategy on scaling of the current India business so how do we learn from them.

Jagadish Nangineni: So the good news is that the Dubai business is doing existing exceeding and that gives enough cash flow for the promoter also to have a choice of investing in India as growth capital and that would happen as and when it is necessary and right opportunities come by. It is still the sales happened there also but I think the cash flow etc. is going to take a couple of years so as and when things improve there definitely we should see a positive repercussion in terms of ability to probably contribute from them in case we go for a capital raise in here.

Parikshit Kandpal: Okay so if anything does happen so capital raising it will happen through the listed entity at all. They cannot obviously at the project level so they will do some kind of maybe if it all things work out some kind of capital raise or something like that from the parent it can happen.

Jagadish Nangineni: That is the current thinking as and when things improve or change we will let you know.

Parikshit Kandpal: Okay thank you Jagadish and wish you all the best.

Moderator: Thank you. The next question is from the line of Dhruvesh from Prospero Tree. Please go ahead.

Dhruvesh: So basically 1.5 million is very easy right in terms of per quarter so 6 million can be a minimum guidance that we can take?

Jagadish Nangineni: Dhruvesh like I have been saying it is a largely a function of the new launches and in the first quarter itself we have seen there has been a little bit slip in the launches but we are still aiming to cover up that and from a value point of view we should do better than of course last year and that is what we are aiming to do. From an area point of view we are looking at much better improved guidelines from last year as well so if we can better in the area as well, nothing like it.

Dhruvesh: And Sir you said possibly not targeting but if things work out it can even become a zero debt company? Would you rather not say that we will aggressively then bid up for the land or projects or no that is completely dependent upon what kind of markets we are in and what kind of opportunity comes?

Jagadish Nangineni: Yes Dhruvesh that is a very I mean far off scenario right now. We can deliberate upon it as and when things progress in that scale and the kind of opportunities and the markets that we would be in. As far as debt is concerned right now, our thinking is that we are in much better situation hence our ability to decide based on the requirement is very flexible and hence like I said there is a possibility of zero also and there is a possibility of just continuing to maintain the same debt level so both possibilities exist based on the external environment opportunities, how we execute against our plans, all of those.

Dhruvesh: Thank you and Sir best of luck, pleased to hear the kind of performance update that you have shared is lovely, thank you.

Moderator: Thank you. The next question is from the line of Vivek Kumar from Bestpals Research & Advisory. Please go ahead.

Vivek Kumar: Hi Jagadish you have just mentioned half an hour back in the call that in the medium term we will go to 7-8 million and from there we have to go to 10 million long term so if you can put a timeline, I am not asking exact guidance, but what is long term, what is medium term and related question to this is if we have to go to 10 million or like we have to grow 15% whatever is your internal target 15-20% every year. If I am wrong, please correct me. I am assuming that lot of growth has to come from rest of Bangalore because Bangalore cannot keep being large part of if you really need to grow in the long run so which cities do you think you are more positive on where you are increasing your business development activities if you can throw light on 10 million mix and from there, which cities you think are more aggressive in putting your next set of big investment so these two related questions, if I made myself clear.

Jagadish Nangineni: Thank you Vivek. Bangalore itself we think that the potential is larger than what we are already doing. That said, the other potential markets where we are already present and where we think that the scope for growth is, is NCR, the other two markets where we are present but in a very small manner are Pune and Hyderabad. We will try to see if we can increase our scale there. It is also now becoming increasingly difficult and tough to take calls given that the land costs also have gone up quite a bit. So given that environment, it is from a capital allocation point of view we are choosing to invest where we can get our best returns and given that the mix right now is whatever current mix we have I think that would probably continue, in the sense, in these large locations which are Bangalore and Kerala, Pune, Hyderabad, and NCR. Of course Bangalore being the largest and NCR coming second and third and fourth being Pune and Hyderabad.

Vivek Kumar: And you have said 8 million medium term and long term, so upper limit of the time. I am not asking exact number of years.

Jagadish Nangineni: Well Vivek as we get confident in terms of our inventory and the ability to launch we will definitely share that, but that is our range right now.

Vivek Kumar: Thanks Jagadish. Thanks for the opportunity.

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

Puneet Gulati: Thank you so much once again. You also eluded that one of the results your margin show up poorly is because of the old sales which were done which were getting reported and last year you also evaluated your accounting changes. What are your thoughts on moving to a percentage completion method from project completion method, some of the other developers have done? What stops you from doing it?

Jagadish Nangineni: I would have Yogesh respond to that.

Yogesh Bansal: Largely people have moved POC in Mumbai, right? One or two developers, we heard that moved to POC.

Puneet Gulati: Correct, but they also have projects across.

Yogesh Bansal: So basically they are following POC and they are entering into more considerable agreement and stamp duty payable at the time of agreement itself. We are recognizing revenue based on risk and reward transferred to the customer. In our case risk and reward is getting transferred once we complete our obligation and receive entire money. As of now, we are continuing with our completion methods.

Jagadish Nangineni: There are two parts to it Puneet, actually one is of course technical, which is what Yogesh had mentioned and we have been following a percentage completion method several years ago before the IND-AS regulation has mandated us to change this. For an ongoing real estate business, I think the COVID and the cost inflation which was dramatic is something which, I believe is like a black swan event. Other than that whether you follow the revenue recognition on POC or the revenue recognition at the completion, both on a run rate basis it should not matter too much. Currently what we are doing is we are just laying out whatever is the actual right now. If I follow POC probably, I mean some of those things get again averaged out. So in the long run I do not think it should matter as much.

Puneet Gulati: Okay I understood thank you so much.

Moderator: Thank you very much. That was the last question in queue. I would now like to hand the conference back to the management team for closing comments.

Jagadish Nangineni: Thank you. I express my sincere gratitude to all the participants in the call today and for your patient hearing. I hope we have answered some of your questions satisfactorily and in case of any further questions, please do reach out to us. Your queries and you have always helped us to improve. We look forward for good operation and financial performance in the remaining quarters of FY24 with an optimistic outlook towards the economy and industry and as I have been mentioning, Sobha is very well positioned to grow with disciplined operational and financial model. While we think it is being set up for building and scaling in the long term, we will continue to pursue our goals with passion and thank you everyone. Wish you all a good evening. Truly appreciate your support.

Moderator: Thank you very much. On behalf of ICICI Securities Limited that concludes this conference. Thank you for joining us ladies and gentlemen you may now disconnect your lines.