

Date: November 25, 2024

To,
BSE Limited,
Listing Department,
P.J. Towers, Dalal Street,
Mumbai - 400001.
Scrip Code: 503101

NSE Limited,
Listing Department,
Exchange Plaza, Plot No. C/1, G Block,
BKC, Bandra (East), Mumbai - 400051.
NSE Code: MARATHON

Sub: Transcript of Q2 FY'25 Earnings Conference Call

Pursuant to Regulation 30 and Regulation 46(2) (oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of Q2 FY'25 Earnings Conference Call held on Thursday, November 21, 2024. The Transcript is also available on the Company's website at <https://www.marathonnextgen.com/>

Kindly take the same on record.

Thanking you,
For **Marathon Nextgen Realty Limited,**
YOGESH
ASHOK
PATOLE
Yogesh Patole

Digitally signed by
YOGESH ASHOK
PATOLE
Date: 2024.11.25
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Company Secretary and Compliance Officer
Membership No.: A48777



“Marathon Nextgen Realty Limited
Q2 FY '25 Earnings Conference Call”

November 21, 2024



MANAGEMENT: **MR. CHETAN SHAH – CHAIRMAN AND MANAGING
DIRECTOR – MARATHON NEXTGEN REALTY LIMITED**
**MR. MAYUR SHAH – VICE-CHAIRMAN – MARATHON
NEXTGEN REALTY LIMITED**
**MR. KAIVALYA SHAH – DIRECTOR – MARATHON
NEXTGEN REALTY LIMITED**
**MR. SAMYAG SHAH – DIRECTOR – MARATHON
NEXTGEN REALTY LIMITED**

MODERATOR: **MR. BINAY SARDA – ERNST AND YOUNG**

Moderator: Ladies and gentlemen, good day and welcome to Marathon Nextgen Realty Limited Q2 FY '25 earnings conference call. As a reminder, all participant line will be in listen-only mode and there will be an opportunity for you to ask question 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. Binay Sarda from EY Investor Relations. Thank you and over to you, sir.

Binay Sarda: Thanks, Sejal. Good afternoon to all the participants on the call and thanks for joining this Q2 FY '25 Earnings Call for Marathon Nextgen Realty Limited. Please note that we have mailed out the press release to everyone, and you can also see the results on our website, as well as it has been uploaded on the stock exchange. In case if you have not received the same, you can write it to us, and we'll be happy to send it over to you.

Before we proceed with the call, let me remind you that the discussion may contain forward-looking statements that may involve known or unknown risks, uncertainties and other factors. It must be viewed in conjunction with our businesses that could cause future result, performance or achievement to differ significantly from what is expressed or implied by such forward-looking statements.

To take us through the results of this quarter and answer our questions, we have with us the management of Marathon Nextgen represented by Mr. Chetan Shah, Chairman and Managing Director; Mr. Mayur Shah, Vice Chairman; Mr. Kaivalya Shah, Director; and Mr. Samyag Shah, Director. We'll be starting the call with a brief overview of the quarter gone past, which will then be followed with a Q&A session.

With that said, I'll now hand over the call to Mr. Chetan Shah. Over to you, sir.

Chetan Shah: Thank you, Binay. Friends, we are pleased to report strong performance in Q2 FY '25, marked by a stellar 43% year-on-year increase in profit after tax to INR49 crores. This performance reflects robust demand and increased offtake across key projects of Marathon like Monte South, Millennium and Futurex. We have also witnessed significant increase in realization rates, driven by strategic pricing and high-quality project offerings.

Construction remains in full swing across all projects, supporting timely delivery and enhancing customer satisfaction. In our finance costs -- in addition, we have dramatically reduced our finance costs and are on track with our debt reduction efforts, maintaining a low net debt-to-equity ratio that reinforces our strong financial position.

Looking ahead, we are optimistic about our upcoming launches in Monte South, NeoPark, Nexzone and NeoValley. Positioned in prime locations and designed with distinctive, appealing features, these projects are expected to sustain strong sales momentum and profitability over the coming years. To support our growth ambitions and strengthen our portfolio, we have raised our fundraising limit to INR1,000 crores.

These funds will be allocated strategically towards new project acquisitions, further debt reduction and working capital requirements, providing a solid foundation for future expansion. With a strong pipeline of projects and focus on quality, we remain committed to delivering exceptional value to our stakeholders.

Now if we look at operational highlights for Q2 FY '25. Area sold, that is carpet area sold, stood at 55,694 square feet. Booking value stood at INR128 crores. Collections for the quarter stood at INR182 crores. Consolidated Q2 FY '25 financial performance, if we look at, total revenue stood at INR166 crores.

The EBITDA amount stood at INR72 crores. Profit before tax stood at INR49 crores, and profit after tax stood at, again, INR49 crores. Net debt, if we look at, we are in line with our progress on reduction of debt. Net debt reduced to INR685 crores as on 30th September compared to INR718 crores as on 30 June, '24. Net debt to equity declined to 0.62 as on 30th September compared to 0.68 as on 30 June, '24.

If we look at the cash flow numbers, as on September 30, '24, balance collections from sold units, which is completed and ongoing in all launched -- already launched projects stood at INR734 crores. Total pending estimated costs to be incurred on these projects stands at INR805 crores. Total estimated revenue from unsold inventory in these projects stood at INR1,348 crores. This results in a net surplus after completion of these projects. The cash flow will stand at INR1,277 crores. Please note that these are based on 40% share of our revenue in Monte South project and also the profit.

Thank you very much, friends. This, in a nutshell, highlights the quarterly results. We are open to questions about the company and the quarterly results.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rohit, who is an Individual Investor.

Rohit: Two or three questions from my end. The first one is that if you are able to scale up the revenues again, is it fair to assume that this level of profitability will be maintained going forward?

Chetan Shah: Yes. Thank you, Rohit. Yes, profitability will be continued to be maintained. Not just maintained, we feel that the profitability will grow looking at the firming up of the prices in Mumbai real estate and the costs, particularly the land costs already incurred at earlier date. So, there is no increase in a major component of cost of construction, other than just the inflationary pressures on cement and steel, material acquisition. But otherwise, the profitability will remain the same or it will improve.

Rohit: Sir, that's quite encouraging. Sir, is it fair to assume that in the second half also, we should have a better Y-o-Y growth in terms of top line and bottom line as well?

Chetan Shah: Yes. We are on track with the numbers. So the progress is happening. We will also be launching some new projects. So exact numbers, it's difficult to say, but we are on track to continue at the same pace.

- Rohit:** Sir, our other income is slightly higher. Can you share what is the reason for that?
- Chetan Shah:** There are two components in the other income. One is the properties that we have converted into investments, those are getting sold. So, they are not coming in direct revenue. They go as other income. And secondly, our stake in Monte South project is at 40%. So, that also doesn't show up in the revenue in the top line.
- Rohit:** Okay. Sir, my last question is, that is related to the average realizations. Can you share that for the residential as well as the commercial?
- Chetan Shah:** Sure. We have -- in commercial, we have Monte South, we have Millennium as a project and another project is Futurex. So, Kaivalya, would you want to share the numbers?
- Kaivalya Shah:** Yes. So, Futurex, if you look at the last quarter, the average sale rate was around INR50,000 on carpet. And in Millennium in commercial, it was around INR24,000. And when it comes to residential, we have projects scattered across Bombay. So, we have Monte South, Nexzone, which is in Panvel, Monte South, which is in Byculla, and we have a few projects in Bhandup.
- So, average is not the perfect number to understand the company. Just to still answer that, the average residential rate was around INR24,000 square feet across projects. It all depends on that quarterly sales of which project was higher. But just to answer specifics, Monte South, we sold at around INR37,000 carpet. And Nexzone, we sold around INR10,000 on carpet. And Bhandup, we sold around INR60,000 to INR70,000 on carpet.
- Rohit:** Okay. Sir, even though the revenue is more or less flattish or muted, sir, is it because of the price hike that we have taken recently? Is that the contributing factor to the higher profitability?
- Kaivalya Shah:** See, thing is -- one important thing that we need to look at is that revenue flat is because of the revenue from Monte South project is not getting included in the actual revenue because the JV has a 40% share. As a matter of fact, that equivalent revenue is much more than the revenue has been declared, one.
- Second thing, as Mr. Chetan Shah has already explained, the capital conversion of an inventory has also turned into a profit. That is also not reflected at the top line. So, these are the two factors which are not -- which are showing a flat revenue. However, there is an effective revenue, which has gone up higher, which is there in our presentation on the Page number 24.
- Moderator:** Thank you. The next question is from the line of Nanad from Sabnis Financial.
- Nanad:** Yes, sir. Sir, please provide details related to upcoming launches in H2 FY '25 and FY '26. Also one more, sir, after this. How was the pace of inquiries and sales during the festive season in October, November? Like, basically, being the festival season, have we witnessed any significant recovery compared to the previous few quarters, sir?
- Chetan Shah:** I'll have Mayur answer that question.

- Mayur Shah:** So about the new launches, like we have already planned from our ongoing projects, approximately INR1,200 crores to INR1,400 crores launches in the next two quarters across our projects. And about the inquiry thing is kind of a constant.
- Like during the festive period, normally, it goes a little bit up. But the monsoon typically in the Mumbai lasted little longer in the last quarter if you look at. So, the visits were a little bit restricted because of the higher monsoon continuity. But however, at the end, during the festive season, the inquiry has picked up. And those conversion will take another next 1 or 2 quarters to get materialized.
- Nanad:** Okay. Basically, I'm a resident of Mulund and I appreciate your legacy, to be honest.
- Moderator:** The next question is from the line of Shreegopal Agarwal from Aagman Advisory LLP.
- Shreegopal Agarwal:** Sir, can you please provide an update on the status of the pending inventory in the commercial projects, Millennium and Futurex?
- Chetan Shah:** Sorry, your question again? I couldn't hear you. Pending inventory?
- Shreegopal Agarwal:** Yes. So, I just need to get an update on the status of the pending inventory in the commercial projects of Millennium and Futurex?
- Chetan Shah:** So pending inventory, we have unsold around 21,000 square feet in Millennium and Futurex has around 83,000 square feet. Yes. Does that answer your question?
- Shreegopal Agarwal:** Yes, sir. And sir, one more thing. Sir, has the management increased the fundraise limit to capture any new project opportunities, excluding our existing land bank? And will a bigger fundraise enable merging the unlisted promoter entity completely with the listed entity? And what will speed up this timeline?
- Chetan Shah:** Well, to answer your first part of your question, we are seeing lot of opportunities in South Mumbai. When we started scouting for one project in Parel city area, we started looking at various projects and looking at the opportunities that are available currently. As such, India is -
- India story is going very strong internationally. And in India, if you see the Maharashtra and Mumbai story is doing really well in real estate.
- So from that perspective, we thought that maybe there is an opportunity to scout for 2 to 3 projects in South Mumbai and also to launch some of the existing land inventory that we have. So from that perspective, we have raised a limit of fundraising to INR1,000 crores. What was your second part of the question?
- Shreegopal Agarwal:** Got it. And sir, the second part was, sir, will a bigger fundraise enable merging the unlisted promoter entity completely to the listed entity? And what will be the -- yes.
- Chetan Shah:** We are looking at it. We are consulting our various consultants, and we are looking at that. So at Board level, once that gets finalized, we'll come back to the shareholders and give you all the details about the same.

- Shreegopal Agarwal:** And sir, any timeline for that you're looking at, outer limit or something?
- Chetan Shah:** There is no timeline as such. But probably in next 2, 3 quarters, we should be able to come up with some news on that.
- Shreegopal Agarwal:** Okay. And sir, one last question on the balance sheet front. Sir, what I've noticed that we have drastically reduced the debt, and we are presently now at almost 0.62x of debt to equity. Sir, are we also planning to utilize some part of the fund to decrease the debt further? And what is our target debt levels, which the management aspires to reach and maintain ongoing?
- Chetan Shah:** We have said that our target debt level, we want to bring it to 0.5. We want to bring -- there is no as such target, but we want to bring most of our debt to the construction debt and that should get automatically repaid when the project gets completed. So that is the strategy, and that strategy will involve probably debt equity ratio to come down to 0.5. So, we will be using some part of fundraise towards debt repayment. If you have seen, not only the debt has reduced, but the cost of debt is also substantially reduced.
- So, debt equity ratio itself as a denominator of equity. Because of our profitability, the equity has been growing. And because of our reduction in debt, the debt has been reducing. So, debt equity has a double reduction value that is coming in. So, 0.62 is what we are absolutely currently also comfortable, but 0.5 is our target.
- Management:** Sorry, one more thing. Just to rectify, Millennium is 70,000 unsold. I had mentioned earlier 21,000, which is an error.
- Moderator:** The next question is from the line of Umang Parekh from Ashika India Select Fund.
- Umang Parekh:** Sir, my first question is related to the current market outlook of the real estate sector. Sir, how long do you think this up cycle will last? And what is the kind of competition is being faced from other unlisted but branded players in the MMR? And lastly, what is the kind of price appreciation we have experienced in this -- since the infrastructure development in this region?
- Chetan Shah:** Yes. We have Samyag Shah, who is looking at all the market scenario. He will be able to answer your question.
- Samyag Shah:** Thank you for your question, Umang. So the way we see the market is we are still seeing consolidation for players who are branded or players who are having a good balance sheet and for the players who are delivering as per expectations or better than expectations, whether it is our projects in Monte South, Futurex, Millennium, Panvel. In most of these micro markets, our general delivery track record, at least over the last few years has been better than peers, and that is something that is giving us a lot of goodwill with prospects and new buyers.
- Another big, big macro sort of factor for Mumbai, especially is the infrastructure development that's taking place. Locations inside, outside, we have metro, you have Trans Harbor Link. All that is really opening up the city in very different ways, which is very good for the city, very good for new geographies that are coming up and for the existing locations where we are already

present in as well. So, we see, for a good player, who is serving the customers better and has a good balance sheet, I think there is a lot of work to be done over the next few years.

- Umang Parekh:** And just on the timelines of the fundraise. So, can you help me with that?
- Chetan Shah:** We have had an enabling resolution of INR500 crores already approved and about INR1,000 crores updating has gone to the circular resolution. So that should be coming -- the circular resolution should be over by mid-December. And after that, we will look at fundraising.
- Moderator:** The next question is from the line of Krishna Shah from Ashika Stock Broking.
- Krishna Shah:** So, my first question is on the operational front. So, quickly wanted to understand, are we experiencing any delay in terms of securing approvals, which would later affect our launch timelines?
- Chetan Shah:** Yes. Mayur will answer that.
- Mayur Shah:** Not really because the projects which we are already going to launch are already at approval stage. We just have to amend certain plans. So it is not that the full layout needs to be approved. So the projects which we are going to launch are already having most of the approvals in place. The only minor amendments to the extent, which are required. And once that amendment is done, we go for a RERA, so not the projects which we are looking at during next 2 to 3 quarters. We have no bottleneck in approvals.
- Krishna Shah:** Okay. How many square feet of area do you plan to launch in the next 2 quarters?
- Chetan Shah:** So, altogether across the project, a GDV of roughly INR1,200 crores is being planned and square feet wise, INR5 lakhs to INR6 lakh square feet.
- Krishna Shah:** Okay. Got it. And if I understand that we secured a sales target of -- sales in H1 of FY '25 around INR286 crores. What is the expectation for H2, including the projects that we are planning to launch?
- Chetan Shah:** So, we are in line with our growth strategy. So, we should be able to meet the similar target in the next half year also.
- Krishna Shah:** Okay. So, INR286 crores again will be positive, right, for H2 also?
- Chetan Shah:** We will not be able to give exact numbers, but yes, we are in line with the...
- Kaivalya Shah:** The team is working hard towards it. Giving specific numbers would be really difficult.
- Krishna Shah:** Got it. And last question. I just quickly wanted to understand the consumer mix here. So, our customers are first-time home buyers or they are mostly second home investors?
- Chetan Shah:** Samyag will answer that.

Samyag Shah: So typically, there are some locations. So, for example, Panvel, where you may find a little bit of demand from people what you call second homes. But what we've also seen is that these are not people who are just speculating and sort of flipping houses. These are very long-term stable investors who may want to buy it and think of buying it for their family or kids.

So it's not something that they bought and they have sold it 2 years later or anything like that. Actually, Marathon across most of our projects, we are seeing very good primarily end user-driven demand. And we do keep some checks and balances at the point of sale in terms of when they can resale, etcetera, to ensure that we only get serious end users in our projects. So for Marathon, I would say very little or probably single percentages is investor demand and most of them are end users.

Moderator: The next question is from the line of Amit Vora from The Homeopathic Clinic.

Amit Vora: So, my question is regarding -- although most of the questions have been answered, my question is regarding last year, we launched NeoValley in Bhandup. So, how is the sales regarding this new project? And we had a presentation also last year at Monte South and NeoValley. So, a lot of information that was given when we started that project. So how is the outcome right now? What do you see? How is the sales or sales figures? Is it the behavior of the customers here?

Chetan Shah: Yes. Thank you, Amit bhai. NeoValley is a very good project, and Kaivalya will answer those questions in detail.

Kaivalya Shah: So Amit bhai, we have launched NeoValley, and we have launched 2 phases in NeoValley. First phase being NeoValley Kaveri and second being NeoValley Narmada. Kaveri and Narmada both have seen phenomenal sales. Right now around of the whole area, almost 60%, 70% is sold out. So, that is in Kaveri. And Narmada, of the 2 towers, we have launched only 1, and in that also more than 50% is sold out. The rates also considering -- I mean, I know you're from around Bhandup somewhere. So the rates in Gadhav Naka are also phenomenal. It's around INR60,000, INR70,000 is the minimum that we are getting. And so the launch of these 2 projects are good. In terms of construction, right now, NeoValley Narmada is where we have almost reached the founding. And Kaveri, we have reached around 8 flats. So, that's the construction update. Right now, that's the update.

Amit Vora: Got it. Chetan bhai, last year, you told that the sales of the NeoValley would be lesser in the first year, second year, but more in the third year. So, we still are in the same zone?

Chetan Shah: Yes, yes. That is correct.

Amit Vora: The first year, second year of the launch would be a little lesser than the -- second and third year will be more better for NeoValley?

Chetan Shah: See, there are two different numbers. One is the booking. So when we say 50%, 60% is area which is booked. And then when you look at the revenue numbers, that is multiplied -- the booking numbers are multiplied with percentage completion. So normally, when construction progresses, initially it is 20%, 30% and then the major portion of the turnover comes in the

second year when the project completion reaches beyond 50%. So, that is how the numbers will get reflected in the revenue numbers.

Amit Vora: Okay. And one last question for Mayur bhai. I remember in the month of July, you had an interview on CNBC where you told that there is a committee, which is appointed to consider the merging of land bank. So is there any outcome from the committee? Or if there is any timeline for understanding that by when can we understand and get the idea of?

Mayur Shah: Yes. Amit sir, the exploration business development committee has been formed, and it is actively looking at it. We have appointed certain consultants also. And it's a little long-drawn process. But the process is on to explore it and how we can really bring Marathon's land bank in an efficient manner in the company, Marathon Nextgen. So that process is on. We will hear some concrete thing maybe in 1 or 2 quarters, 2 or 3 quarters.

Amit Vora: Okay. And also one thing that I see as compared to other realty companies, we are sufficiently - in terms of debt, in terms of profitability, everything is quite very good, in fact, not quite good, but very good. But the market is not responding as the price-to-earning ratio. I know you cannot comment on market prices.

But what can we do to -- if you see most of the realty, other companies are at 30 or 40 price-to-earning, but Marathon is still at 17, whereas the performance of Marathon, the sales, the last few years records and everything is depth to equity, everything is much better, so, what can be done, from your end as point of business development, what else can be done so that can develop or bring shareholder value?

Chetan Shah: We always feel, Amit bhai, that we should be doing business at the best business can be done. And that is how we have been doing. We have been consistently growing in our top line. We have been consistently improving our profit margin and the profit numbers. Now it is -- sooner or later, the market will realize and will give the valuation, which Marathon deserves. So, there is no need to rush into that. It will happen when it has to happen. But we need to continuously focus diligently and sincerely towards the progress of the company.

Moderator: As there are no further questions from the participants, I would now like to hand the conference over to the management for closing comments.

Chetan Shah: Thank you all participants. We are very happy that quarter after quarter, everybody has shown good interest in our projects and in the company and they have been asking the questions, which are very relevant for the progress of the company. Thank you very much, and we will see you soon next quarter.

Moderator: On behalf of Marathon Nextgen Realty Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.