LODHA

BUILDING A BETTER LIFE

January 30, 2025

BSE Limited
Scrip Code: 543287
Debt Segment – 974511, 974986, 975115, 975192, 975560, 976262

National Stock Exchange of India Limited
Trading Symbol: LODHA

Dear Sirs,

Sub: Q3FY25 - Earnings Call Transcript

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

Pursuant to Regulation 30 of the Listing Regulations, we enclose herewith a copy of the transcript of the Company's Q3FY25 Earnings Conference Call held on January 27, 2025. The transcript is also being uploaded on the Company's website i.e. www.lodhagroup.com under the Investor Relations section.

Kindly take the above information on your record.

Thanking you,

Yours faithfully,

For Macrotech Developers Limited

SANJYOT NILESH RANGNEKAR

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"Macrotech Developers Limited

Q3 FY '25 Earnings Conference Call"

January 27, 2025

MANAGEMENT: MR. ABHISHEK LODHA – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – MACROTECH DEVELOPERS LIMITED
MR. SUSHIL KUMAR MODI –EXECUTIVE DIRECTOR, FINANCE – MACROTECH DEVELOPERS LIMITED
MS. RAUNIKA MALHOTRA – WHOLE-TIME DIRECTOR AND PRESIDENT, BRAND AND MARKETING – MACROTECH DEVELOPERS LIMITED
MR. SANJAY CHAUHAN - CHIEF FINANCIAL OFFICER – MACROTECH DEVELOPERS LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 FY '25 Earnings Conference Call of Macrotech Developers 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 star then zero on your touchtone phones. Please note that this conference is being recorded.

I now hand the conference over to Mr. Anand Kumar, Head of Investor Relations. Thank you, and over to you, sir.

Anand Kumar: Welcome to Macrotech Developers Q3 FY '25 Results Conference Call. We have with us Mr. Abhishek Lodha, MD and CEO; Mr. Sushil Kumar Modi, Whole-Time Director and ED Finance; Ms. Raunika Malhotra, Whole-time Director and President, Brand and Marketing; and Mr. Sanjay Chauhan, CFO.

I would now like to invite Abhishek to make his opening remarks. Over to you, Abhishek.

Abhishek Lodha: Thank you, Anand, and welcome everybody to our earnings call. I hope all of you are well. Let me start with an update on the management side. Sushil Modi, who has been our CFO for just under 5 years, has now been elevated to a Whole-Time Director of the company and will assume a new and larger role. Mr. Sanjay Chauhan, who was Deputy CFO, has now been elevated as a part of a planned transition to the CFO of the company. We wish both of them the very best as they take on these important roles to take the company forward.

In terms of a broad macro backdrop of our economy as well as the industry, the global geopolitics and the impact of the global geopolitics on various factors is well known to everyone. On the domestic side, while this year has seen some moderation in growth, we believe that the good news is that it continues to remain in healthy territory.

Given that the early diagnosis that this may have been caused by tighter monetary and fiscal conditions as well as the strong macro base for India, we remain hopeful that there will be policy measures, which will lead to a quick turnaround and pickup in growth. We continue to keenly observe some of the high-frequency data, which, in our view, should start to see improvement.

Moderator: Ladies and gentlemen, the management is back on the line. Over to you, sir.

Abhishek Lodha: Apologies for that. Continuing on my commentary around the macro situation. We believe that FY '25 GDP growth will be around the 6.5% mark. While this is lower than earlier estimates, this continues to keep India as a beacon of growth in the globe. At the same time, given this slowdown as well as other factors, we believe that monetary easing will be quite likely in fiscal '26.

This will also provide the middle class with much needed respite. We also believe that the union budget, which is coming up at the end of this week, will also attempt to kickstart the consumption engine once again, thereby boosting growth, especially in the mid-income segments.

We are also enthused by the green shoots visible as far as hiring in IT companies is concerned. And we believe that both the Indian majors as well as the GCCs will continue to create significant jobs, which is reflected in the fact that net office leasing in the top 7 cities in 2024 is expected to be significantly higher than it was in the previous year.

All this makes us confident of good growth being delivered at the economy level, which will in turn translate into job creation and continue to fuel demand for housing, which we believe is in the midst of a long-term 15-year cycle, and the short-term cyclical factors are unlikely in any manner to derail the long-term story.

In terms of our company's performance, we continue to deliver well on our core KPIs of pre-sales, embedded margins, business development as well as our ESG and brand scores. We are -- in terms of sharing some highlights now, we achieved our best ever quarterly pre-sales of about INR4,507 crores, which was up about 32% Y-o-Y.

On an aggregate basis, at the end of third quarters, we've delivered sales of about INR12,800 crores, showing a 25% Y-o-Y growth, and this puts us in a strong position to deliver on our full year guidance of INR17,500 crores, for which we have to do approximately INR4,700 crores of sales in the last quarter, very much in line with what we did in the third quarter.

The predictability and consistency of our business model is showcased by the fact that this was our fourth consecutive quarter of achieving more than INR4,000 crores of pre-sales. The embedded EBITDA for this quarter came in at about 35%. And for the 9-month period, it is at about 34%.

This level of EBITDA is despite the fact that JDAs have contributed about 35% of the pre-sales for the first 9 months. In terms of pricing, we have so far seen a YTD price growth of about 4%, very much in line with our full year guidance of between 5% to 7% growth, which is going to keep price growth at 200 to 300 basis points below wage growth and therefore keep affordability better.

Our pro forma PAT for the quarter, basis the embedded EBITDA margin of 35%, is well over INR1,000 crores, implying a PAT margin of about 23%, basis the pre-sales done for the quarter. This, just to highlight, is not the reported PAT number, but the underlying pro forma PAT number. While the pre-sales growth for the quarter has been about 32%, our pro forma PAT has grown by almost 70% due to both operating as well as financial leverage. This is a true reflection of the business and its profitability in my view and is tracking well to achieve our objective of 20% ROE on a sustainable basis.

As far as new business development is concerned, we added another project in Bangalore, our fifth, and this had a GDV of about INR28 billion. With this, and as we have already informed that we have now concluded our pilot phase in Bangalore and are now in the growth phase, we expect that Bangalore will start contributing to our pre-sales growth in a meaningful manner from next fiscal onwards.

So far, we've added about 8 new projects in this financial year, in the first 9 months, with a GDV of about INR195 billion, which is more than 90% of our full year guidance. We also added about

33 acres of land for our digital infrastructure business in NCR this quarter. We also entered into agreement with our JV partners to further increase our stake in the digital infrastructure platform, which is in line with our calibrated strategy of growing our annuity income and making sure that our development business and its balance sheet is as low risk as can be.

In spite of the significant investment in the first 9 months in business development, both for sale business as well as for digital infrastructure, our net debt in this quarter came down by almost INR600 crores, about 15% reduction in net debt, and our net debt stands at about INR4,300 crores at the end of Q3, which is about 0.22x net debt to equity, well below our ceiling of 0.5x.

Our average cost of funds continues to trend downwards and ended at an exit rate of about 8.8%, down about 10 bps for the quarter. On the back of the strong operating and financial performance, ICRA revised our credit rating outlook to positive, establishing our rating at AA- with a positive outlook.

In terms of our continued focus on ESG, we retained our prestigious position in the Dow Jones Sustainability Index, ranking amongst the only 3 real estate companies from the emerging markets to be included. The World Benchmarking Alliance recognized Lodha's transformative role by ranking the company third globally and first in India amongst the 300 most influential companies shaping urban environments across multiple sectors, such as construction, energy, transport, waste and water management.

Sustainalytics has assessed Lodha to be in the low-risk category as far as ESG risks are concerned. Elaborating further, we had collections of just under INR4,300 crores for this quarter, which was up 65% YoY. We, in the first 9 months, have now crossed INR10,000 crores of collections, which is up 30% YoY. We had a few new launches in the first 9 months, including in various locations in the Western Suburbs, Eastern Suburbs, Palava and Pune.

You will continue to see more new launches in the rest of the year and in the fiscal '26, which is in line with our approach of having granular diversified base of sales, both across segments as well as across locations, which gives us much more visibility and predictability in relation to our businesses, performance and forward guidance.

Our new micro markets continue to contribute positively to growth, and we are now starting to see the Western Suburbs of Mumbai contributing in the same standard that earlier the Eastern Suburbs of Mumbai and Pune had contributed starting from small bases.

In highlighting the performance of the Western Suburbs, I'd like to note that we've already achieved about INR2,200 crores of pre-sales in the first 9 months from the Western Suburbs compared to full year pre-sales of about INR1,050 crores in fiscal '24. The attraction of the brand Lodha is visible from the performance of some of our newly launched projects in the Western Suburbs, example in Juhu, where we've recently launched and sold more than INR1,000 crores as well as in Borivali, where we recently launched and sold just under INR500 crores.

With this, I would like to interpret from the perspective of our micro market-led supermarket strategy, where we want to be present every 3 to 5 kilometers within the cities that we are operating and make sure that the consumer always has the choice of buying into a Lodha product and upgrading their lifestyle.

Moving forward and doing a little bit of a deep dive into our townships, which are Palava and Upper Thane, where we have significant land holdings and we are poised for significant value unlock in the years to come. As you do well know, Palava is moving from being a peripheral suburb to become a very well-connected core suburb.

And before the end of this decade, we will see Palava being connected in a manner that few could imagine a few years ago. With the completion of the Navi Mumbai Airport, the Airoli-Katai Freeway, which should be opening in the next 3 months. The tunnel part of it is now complete after a long delay, the operationalization of the bullet train, which will make Palava the immediate next station after BKC.

And in addition to that, we are seeing various other road projects plus the Metro 12 and Metro 14 works now progressing, which will all have stations within Palava. Similarly, we have seen the completion of the Thane-Dombivli link road for Upper Thane, and we are now hoping that in the next few months, we will have the completion of the Mumbai-Nagpur Highway that stretch from Nashik to Mumbai, which has been pending and which will provide significant improvement in connectivity for Upper Thane.

All of this infrastructure growth, of course, is leading to significant value creation for your company. I am pleased to note that in this quarter, we have concluded a transaction with a global hyperscale data center operator for about INR21 crores per acre. This is significantly higher than the first data center transaction that we did earlier in this fiscal year, which was at approximately INR12 crores to INR13 crores an acre.

You can just take a slightly longer-term view that land prices in Palava have moved up 8x in the last 4 years from about INR2.5 crores an acre to now INR21 crores an acre. And if you were to just apply this multiple to our overall undeveloped land holdings of over 4,000 acres, you can see the extent of value, which is lying before us and obviously, with the artificial intelligence and data revolutions just being in their initial phases, there is a long, long leg of value creation further ahead of us.

In addition to this, as the infrastructure has been improving, we have been widening the mix of product in Palava in addition to the entry-level mid-income residential, we now have upper-end residential with a new launch of an aspirational project late in this quarter. We've also launched a luxury project as well as a premium project all of these at price points, which are significantly above the earlier price points in Palava of between INR40 lakhs to INR1 crores, and we now actually have a range which is spanning from INR50 lakhs to INR8 crores, which can, over time, lead to significant upward sales trajectory in Palava as all these segments start contributing to sales rather than being focused only on the lower mid-income segment.

Obviously, with the land already paid for as we generate higher prices from our product, the EBITDA margins from Palava are expected to continue to grow. Overall, today, the price gap between Palava and the main suburbs of Mumbai is anywhere from 2 to 4 times and this will narrow in the years to come. And we expect that by the end of this decade, our townships will be contributing more than INR8,000 crores of annual pre-sales with EBITDA margins approaching 50% or even perhaps better.

Now an update on our digital infrastructure vertical, where we bought out the stake from Ivanhoé Cambridge earlier in the fiscal year and have also agreed terms to buy out the stake of Bain Capital. We have, in this quarter, further leased about 300,000 square feet, taking the overall leased area to about 2 million square feet. The list of impressive clients in our parks include Skechers, DP World, DHL, Mitsui and Schlumberger and many other such marquee names, showcasing not just the fact that we are growing our digital infrastructure business, but we're also establishing meaningful relationships with large corporates.

This, in turn, is also helping us create jobs in the areas that these parks are being set up, which is in line with our focus on do good, do well. And we hope that this will lead to a positive cycle of people working in a more committed manner in these parks and, in turn, attracting better companies to set up over here and which in turn leads to higher wages for the people working there.

In terms of our P&L, I would like to highlight that from April 2023 onwards, we have moved to the percentage completion method of revenue recognition. However, sales done prior to April 2023 continue to follow the project completion methodology of revenue recognition. This dual mode of revenue recognition will probably continue for the next 18 to 24 months. And then by the end of the fiscal year '27, we expect to be fully migrated to the percentage completion method of revenue recognition, which then will allow the P&L to reflect the operating performance of the company, perhaps with a lag of no more than 1 quarter.

In terms of the performance for this year, our revenue from operations came in at about INR4,084 crores, which is 39% year-on-year growth. Our adjusted EBITDA for the quarter was INR1,587 crores with 48% year-on-year growth. Our adjusted EBITDA margins in this case were just under 39%. And this is an important point to note, as indicated earlier, that our EBITDA margins are gradually increasing, both on a pro forma as well as on a reported basis.

Our quarterly PAT was about INR946 crores, growing about 66% as financial leverage plays out. It would not be out of the way to point out that, obviously, since some of the projects are still on the project completion methodology of revenue recognition, the P&L is a less accurate reflection of our performance, and we continue to ask all of you to look at our presales and the embedded EBITDA of those presales as you track our performance.

Before I hand over to our Head of Brand and Marketing, Raunika Malhotra, I would like to share an important announcement from the Lodha Philanthropic Foundation, LPF, which is a significant shareholder of our company. As I had mentioned on the last call, the foundation uses all its income solely towards social and national upliftment causes and is focused on helping India become a developed nation by 2047.

We are pleased now that, in line with the original plan, there is a very, very high-quality Board of Advisers, who is now guiding the Lodha Philanthropy Foundation, comprising of some of

India's most esteemed professionals and intellectual, and this has set the foundation up to significantly scale its activities over the next 18 months.

The foundation has chosen 3 key focus areas: 1. Education and innovation excellence for India's most capable minds; 2. Environment; and 3. Indian culture. We hope that the foundation with its significant efforts will make a positive and meaningful contribution to a holistic and sustainable development of our country not just focus on GDP per capita, but also ensuring that our environment thrives just as the economy thrives and our people feel happy as may be measured through metrics like the World Happiness Index.

I lastly would like to update in terms of the recent news reports around our trademark infringement and passing off dispute that has been filed by our company against The House of Abhinandan Lodha. First and foremost, this is a very painful matter for me personally because Abhinandan Lodha is my younger brother. I have always wished him very well. And I hope that even going forward, he continues to be successful in all fields that he operates in, including real estate.

Our focus as a company right now is to ensure that our consumers are not confused in any manner with respect to the fact that they are dealing with which company. And Lodha, the company, which has over 40 years, built a strong brand on the back off track record of delivery and performance and integrity, should not be confused with any other brand, whether belonging to Abhinandan Lodha or any other third party.

This is the basic fundamental of the dispute. It is a matter which is before the Bombay High Court and it can take a few months or even longer to get resolved. In any event, it has no ongoing impact on our operational performance because we, as a company, continue to focus on delivering value for our consumers and having the highest standards of governance, which will ensure that value creation is fully delivered.

At the same time, this trademark dispute was important to protect the rights of our shareholders, which include some of the world's most well-reputed investors as well as one of India's largest charities. And in that effect, we believe that the company should protect this brand, and we will do all that it takes to protect our trademark and our brand in this instance or in any other instance.

Thank you. I now hand over to our Head of Brand and Marketing, Raunika Malhotra.

Raunika Malhotra: Good afternoon, everyone. At Lodha, our purpose is clear and profound, to do good and do well. This purpose drives every aspect of our business from creating exceptional developments that make our customers' lives beautiful, to making a positive impact on the communities and society we serve. Our brand represents more than just premium and luxury real estate. It is a powerful force that aligns directly with our purpose and our values. We believe a strong brand is a critical business driver for growth. It creates trust fuel, desirability and stands for what it believes in.

So how do we create a strong brand? We do this by not only harnessing the power of our product, which is great design, superior quality and exceptional service, but also creating environments that are aspirational thoughtful and reflective of a life well lived. As you're all aware, India is witnessing a generational shift in consumer aspirations. The modern Indian homebuyer sees their home not just as a necessity for stability and security, but as a reflection of their ambitions, identity, success and future, which creates growing desire for better living standards and luxurious experiences in their homes.

We are focused on building a brand that resonates to this consumer across different segments. A person that celebrates progress wants growth, works to fulfill their aspirations and seeks upliftment for a luxurious and meaningful life. Some of our examples from our projects to help you understand our key differentiators are: Our developments are designed with intention and care from landscape built around 150-year-old banyan trees to towers being precisely oriented for maximum light and breeze.

We do our own predictive analysis beyond the 100-year flood line to ensure that the impact of climatic changes is taken in our planning and our projects last for generations to come with lower risks. Our city Palava is master planned to ensure that everything you need daily is 5-minute walk, weekly is a 10-minute walk, and fortnightly is a 15-minute walk away. We make sure we use the best construction methodologies, material and processes to ensure our homes are durable as they are beautiful.

Whether it is opting for highest and most premium grade corrosion-resistant stainless steel or ensuring that the towers of World Tower have been constructed with a slight tilt to help them withstand the wind pressure. We do this time and again across our developments. We go beyond offering homes and amenities. Our in-house luxury hospitality team ensures every resident experiences care and warmth. Whether it is surprising pet parents with curated gifts for their pets or surprising residents on their special occasions, we try and enrich their lives through attention to the smallest detail.

Our measure of success is simple, happy residents. But we all need metrics. So we track top of mind scores for top funnel awareness, consideration scores and NPS for consumer lifetime value. In the recent Kantar Brand 2024 study, our brand is India's top 100 most valuable brands, where they have valued our brand at USD1.8 billion. Our focus remains on amplifying and strengthening the brand by driving increased brand desirability to enhance our brand pool and standardizing and elevating our Lodha experiences. We are confident that with these measures, we will continue to lead the industry we define luxury living and create extraordinary value for our customers and stakeholders. Thank you.

Abhishek Lodha: We can now open the Q&A session.

Moderator: Thank you. The first question is from the line of Pritesh Sheth from Axis Capital. Please go ahead.

Pritesh Sheth: Congrats on great results. First is on the demand itself since Abhishek, you highlighted about some slowness in terms of macro. I mean, how are you seeing the trends in the residential market, while obviously, I think this quarter number was good. But if you break it down on a monthly trend, anything to note there? And particularly now July -- sorry, now with January also almost at the end, are you seeing some signs of any slowness in terms of inquiries, conversions, etcetera, if you can highlight?

Abhishek Lodha: Pritesh, thank you. It's a very important question. The way we, of course, read all the data around demand slowdown in the broader urban economy. I'm not talking about real estate with a lot of interest. We note the commentary from some of the consumer goods companies in this regard. We also have noted the GDP data, etcetera, which is clearly this year lesser than it was last year.

Having said all of that, we have not seen any slowdown in residential demand. Not just in the last quarter, but also in the first 4 weeks of January, demand has been quite robust. We believe that this is attributable to 2 facts: One, the fact that the consumer base for real estate, obviously, is not the entire urban middle class, but a subset of it. And that subset, which are probably people who may have annual household income of maybe INR10 lakhs and higher, they still, I believe, continue to do well, and that is really what is keeping the real estate demand robust.

The second part of the equation, which is important to know that consumers have become increasingly more focused on buying high-quality homes, which comes from a select group of well-reputed and branded developers. And whatever growth rate that you might want to positively ascribe to the small group of 5, 7 maximum 10 developers, there is no way that the large-scale developers get anywhere close to meeting the demand that is there for their product.

And therefore, even if there is a market slowdown in real estate, which happens going forward, I do believe that the branded players will remain in fairly good position, not that they don't get affected, but they remain in very good position. It's also important to note in the first 9 months of this fiscal year, Maharashtra has had 2 election cycles.

We've also had a situation where the environmental clearance processes have been changed due to an order of the NGT. And in spite of this, which obviously has had an impact on launches, our sales performance is what it is, as you've seen, 25% up year-on-year, which partly shows that the business model matters.

The fact that we are not a launch-driven company, the fact that we have a large and diversified base of projects, which delivers and contribute to our sales, allows us even when we have these kinds of situations, which can happen from time to time to have more predictability in our business. Thank you.

Pritesh Sheth: Interesting. Second question is on the land transactions that we have been doing since last couple of quarters, both going to data centers operators. In general, through your conversation, have you come across what kind of capacity that they are looking to build in whatever like 40, 45 acres or 20, 25 acres, they are undertaking from us? And from the scope perspective, how big this data center AI opportunity can be for us so as to get a good value of our land parcel that we own in Palava, Upper Thane?

Abhishek Lodha: Pritesh, the way the data center operators look at their capacities that they measure it in terms of their power consumption, which is approximately about 5 megawatts per acre. So, their power consumption is coming in at about 5 megawatts per acre. And so, on a 40, 45-acre piece, they will need about 200 megawatts of power. In terms of the sizing of the opportunity, I think we have a situation right now, where we are -- if we wanted to do all the transactions, which people want us to do or are seeking to do with us right now, we would be booked out for the next 3 years.

So just like you have a situation where AI chips are in short supply, you also have a significant situation where the land for data centers is not very easily available. In terms of the scale of this opportunity, given the infrastructure and the land and various other things, we do think that this is a sustainable opportunity to monetize maybe 60 to 80 acres a year for several years into the future.

Pritesh Sheth: Got it. Very helpful again. And just lastly, just trying to get a sense on the mix of business development that we have done this year. So almost INR19,000, INR20,000 crores of GDV that we have added, what would be our share of revenue in that? I mean, just to get a sense of mix, I know, I mean, from a margin perspective, how we should look at, but just getting a sense in terms of mix.

Abhishek Lodha: Pritesh, as you well know, 100% of the revenue comes to us. Whatever has been paid out to the landowner is paid out as a cost of project or cost of land. And therefore, that's really -- there is no sort of cannibalization or multiple to be applied to this INR19,500 crores of number in terms of what will be the revenue flowing through our books in the years to come from these lands.

In terms of the margins, as you know, with our current mix, which is at about 35% JDA, the EBITDA margin is for the first 9 months at about 34%. And as you know, our long-term mix target is about 40% from JDA. So that will also tell you that we are very much around the number that we expect to be from JDA over the medium term and our EBITDA margins are at the number that they are in the mid-30s now.

Moderator: The next question is from the line of Kunal from Bank of America.

Kunal: Abhishek, my question is also around the Palava land transaction. So second time this year, you've closed a deal. Are we now at a stage where we can start thinking of this as an ongoing contributor to your bookings profile versus being opportunistic? And then just in addition to that, I know with Pritesh, you were mentioning 60 to 80 acres a year. Is that all around data centers? Or are there different kind of deals, opportunities in the pipe as well?

Abhishek Lodha: Kunal, thanks for your questions. Yes, we do think that the land monetization in Palava has now moved to being a regular contributor of sales. There may -- because of the chunky size of the transaction, it may not be a quarterly phenomenon, but it is definitely now can be seen as an annual phenomenon.

And therefore, I sort of alluded to Pritesh's question that we can estimate it to be in this range of 60 to 80 acres per annum. In terms of the 60 to 80 acres per annum, which is largely data center but I will not say that it is 100% data center, but it is, I would say, you could take that at least 3/4 of that number is towards data centers.

Moderator: The next question is from the line of Murtuza Arsiwalla from Kotak Securities.

Murtuza Arsiwalla: Abhishek, sorry, but one more question on Palava. I know the previous 2 participants have also asked on Palava. But Palava is a large 4,000 acre sort of land development. And we've done well so far in terms of how things are shaping up. But do you have a larger -- can you outline a larger sort of vision in terms of a master layout plan, a timing in terms of how soon this 4,000 acres or it's still stage-wise as you sort of progress you can see what to do with the residual land? Or is there -- are you at a stage where you can see how much of this is fully developed and a time line that you could potentially put to it? Or it's still going to happen in phase-wise manner?

Abhishek Lodha: Murtuza, planning and design are outcomes of business strategy. We're generally taking into account how the market evolves, how consumer need is evolving and so on. We'll typically plan out anywhere between 5 to 8 years, and that's what we do at all points in time. Having said that, we have very clear assessment of what the medium-term potential of Palava is and we put two markers in the ground, INR8,000 crores of sales from the Palava and Upper Thane township by the end of this decade. And total sales over by -- in the next 30 years, which would approach at current price upward of USD150 billion.

Both of these are things, which have been done taking into account the land that we have, the extent of the demand that is available and a steady growth rate of approximately 20% per annum in terms of our sales and a higher growth rate, of course, in terms of the profitability because as land prices increase -- sorry, as product prices increase, the margin will only grow up. We, of course, we're very happy to take you through both the master planning, which is at a zoning level for the long term, and a detailed master planning is available for the sort of short and medium term, if that was to be of interest.

Murtuza Arsiwalla: And just in terms of more near term, the infrastructure development of Palava, which is again important for the sort of evolution of Palava, any color you can give -- the Airoli-Katai Naka I think is the first of the infrastructure projects. So in the near term, which are the key sort of infrastructure developments and what stage they are at so that we get better sort of visibility?

Abhishek Lodha: Yes. Murtuza, I had alluded to in my remarks, but I'll repeat now that the Airoli tunnel should be open in the next 3 to 4 months -- the connector should be open in the next 3 to 4 months because the tunnel, which was the bottleneck, has now been completed. That is physically completed, we have verified that. So next 3 to 4 months for that, which will itself be a big step up for Palava. Then we have the Navi Mumbai International Airport, which is about 30-ish minutes drive from Palava, becoming operation for commercial flights, I think, in the next 12-ish months. Thereafter, we will have Metro Line number 12 and Metro Line number 14 becoming operational in 2028 or thereabouts and then the bullet train in 2029.

There are various other road projects, which include the widening of the road, which goes from our Palava Phase 2 up to Taloja MIDC, which has been converted from 2 lane to 6 lane. Work is already underway. There is a new connector road connecting this MIDC road all the way back to Navi Mumbai, which is also -- work has commenced.

This all should be completed over the next 2 to 3 years. We have the Mumbai Multimodal Corridor connecting Virar to Alibaug, which also goes through Palava. It is one of the projects, which the Honorable Chief Minister has put in terms of his 100-day action plan. So we should soon hear about what time line that is going to happen.

I mean I can only tell you is that the quantum of our infrastructure development, which is happening around Palava and Upper Thane is unimaginable. And I can tell you with a fair degree of confidence, you can -- I can always be wrong by 6 to 12 months. But just broadly, the locations are just transforming in a manner, which almost nobody can imagine and are moving from being peripheral suburbs to becoming core suburbs.

Moderator: The next question is from the line of Parvez Qazi from Nuvama Group.

Parvez Qazi: Congratulations for the great set of numbers. So my question is regarding the shift in our strategy towards slightly higher in the segment. I think in the previous quarter con call you had alluded that may be going ahead, we will progressively move towards having 50% of our sales coming from the slightly higher end segment.

Now I mean, in economy or in real estate, we do talk about the K-shaped curve, which is happening in India. Now real estate, considering it's a long gestation business, how confident we are that this kind of strategy will work over the next 4 to 5 years, particularly when we are taking into account the business development that we are doing?

Abhishek Lodha: Parvez, thank you for your question. Perhaps 2 different parts, or maybe I would like to sort of respond to your question in 2 parts. One that in terms of what we're doing in our townships, yes, historically, we've primarily been focused on the entry-level mid-income housing, which are homes between INR40 lakhs to perhaps just over a INR1 crores and that is now becoming much, much wider. That segment between INR40 lakhs to a INR1.5 crores will continue to be served, but we will have a lot more between INR1.5 crores up to INR8 crores in Palava and Upper Thane.

This does not in any manner, reduce what we are doing in the entry-level mid-income, but it only means that with the infrastructure upgrades and the quality of life upgrades that we are putting into Palava and Upper Thane, we are getting demand now from people who are at much higher price points and perhaps 3 to 5 years ago would not have considered spending a good part of their life in Palava.

So that's really additive rather than being supplanting the lower mid-income demand. As a company at a broader level, we continue to be focused on having a broad mix of sales across segments. We don't like segmental concentration. We don't like geographic concentration. And around 60% of our sales will continue to come from mid-income housing. So that doesn't really -- there is no change in that strategy.

Moderator: The next question is from the line of Abhinav Sinha from Jefferies India.

Abhinav Sinha: Just wanted to check on Palava. It seems that if we take out the data center transaction, we still have seen a good jump in sales on a Q-o-Q basis. Now how much of this is driven by the premium launches?

Abhishek Lodha: Abhinav, the mix of sales of -- we had about INR500 crores of sales in the townships other than the land transaction. And out of that, about INR100 crores of sales was from our premium and luxury portfolio, and the balance of INR400 came from, I would say, lower mid-income and upper mid-income, what we call our CASA and ASPI segments, respectively.

Abhinav Sinha: And what is the pricing at the upper end here versus the standard product?

Abhishek Lodha: So for the very top of the segment, we are approaching just under INR20,000 a square foot on carpet area, which is just under double of that for the entry-level CASA product.

Abhinav Sinha: Okay. Secondly, on the cash flow front, so we had a good quarter in 3Q, and I'm assuming roughly similar, we should see in 4Q. But broadly, on the gearing side, where do you see the net gearing?

Moderator: Mr. Abhinav Sinha, please unmute your line in case if you muted it because you're not audible.

Abhishek Lodha: No, we can hear.

Abhinav Sinha: Sorry. I will just complete my question then. So in context of the good cash flow that we are seeing, where do you see the gearing level settling by, say, March '25 and even if you can provide some heads-up for March '26?

Abhishek Lodha: We'll, of course, provide a detailed guidance for the coming fiscal year at the time of our annual results in April. But for now, I think you can very safely assume that our debt on a broader level is at a stable to downward trajectory. There will be quarterly shifts based on opportunities and so on. But really, the company generating more than sufficient cash flow to finance its growth.

Abhinav Sinha: Okay. And sir, finally, referring to the launch slide, which is Slide #9. Can you provide some clarity to the launches that we are expecting in maybe the Southern and Central micro market and the Eastern one?

Abhishek Lodha: So the launches that are planned for the rest of this fiscal year. We have a launch in Alibaug. We have a launch, which is part of the South Central bucket. We have launch in Vikhroli, which is part of the Eastern Suburbs. We have a launch in -- which is a new phase of an existing project, then we have large aspirational launch in Palava, which is under the extended Eastern Suburbs Head. So those are sort of the 4 launches. We all have a new launch in Pune. We also hope to have a new launch in Bangalore.

Moderator: The next question is from the line of Kalpit from EFG Asset Management.

Kalpit: Congratulations on a great quarter. So I have 2 questions. The first one is on the pricing growth, which is about 3%, 4% for this year, right? And generally, we have guided towards like 5% to 10% kind of pricing growth. So -- and it looks like the prices that are lower than what it's been in the Mumbai market, generally high single digit to double-digit growth. So what are the reasons for that? That's my first question. And secondly, could you share some color on what is the end user versus investor, speculator mix?

Anand Kumar: Sorry, your voice is not clear.

Abhishek Lodha: Kalpit, could you repeat the second question please.

Kalpit: Yes. Is it better? So my second question is basically on -- could you share some color on the mix of end users versus investors that speculate the kind of demand, particularly within Mumbai? And what this mix was, say, now versus a year back? Has that changed?

Abhishek Lodha: Yes. Kalpit, in terms of our price growth, this is calculated on a YTD basis from the start of the fiscal year. So the number that you see at the end of 3 quarters obviously has one more quarter of growth into it when you look at it against our full year guidance of between 5% to 7%. And therefore, it is in line with our guidance of 5% to 7%.

If you trail back to our quarterly presentations at the end of the first quarter and the second quarter, you'd see that at the end of the first quarter, it was under 2%, at the end of the second quarter, it was more around 3%, and now it's at 4%. So it's an additive number through the course of the year. So we are on track for the 5% to 6% number, which we had estimated at the start of the year. And we haven't really seen any change or softness in the pricing trajectory.

In terms of your question about investor versus end-user demand in MMR, at least for us, the demand in MMR is almost entirely end user. As you know, Lodha does not allow any flipping or resale of units, which is very different from many other developers in other parts of the country. None of our units can be sold before completion and that itself incentivizes people to buy for their own use, not to flip. And we have occupancy generally being upwards of 80% by the end of 1.5 years after we hand over possession, which also is another indicator of the fact that most people are buying only for their end use.

And the third metric we target is the percentage of resale. So once we exclude the first 18 months after the handover of the project, at which time, you do have some resales, the resale rate comes down to between 2% to 3%, which again shows that people are buying for the long term and you only have the normal trading, which happened as people change homes once every 15 to 20 years.

Kalpit: And just one follow-up. So what -- the pricing growth is lower than the pricing growth for the market, right? And are you -- like why is that? And does that kind of concern you?

Abhishek Lodha: No, we are concerned with pricing growth. If we can deliver margin growth with lower pricing growth, fantastic for us and great for the consumer. I think pricing growth for the market as a whole, that's a metric which we find difficult to have very good data on, but we feel quite good that the pricing in Mumbai is largely set by us being by far the largest developer. And we are well within a short range of whatever the market eventually ends up doing. But it's more us leading and the market following than the other way around.

Moderator: The next question is from the line of Akash. Please go ahead.

Akash: Sir, congrats on the great results. My question was on the embedded EBITDA margin. So I think we reported very strong margins at 35%. My first question was that how much upside do we have on these embedded EBITDA margins, considering that land prices have been fairly high? And with the revenue intensity, how much further upside do we have on these margins?

Abhishek Lodha: Akash, it's a question which only time will answer. We do think that over course of the next few years, we can move our margins from the early 30s to where now it's moving more towards the mid-30s. But by the end of the decade, we should be close to the high 30s is what we expect to be, and that's not really based on the fact that we have some very significant pricing growth. We take very conservative price growth assumptions. This has got to do with operating and financial leverage kicking in and the brand strengthening, which gives us more pricing power.

Akash: And sir, how are we looking at land prices right now? How are you looking at it?

Abhishek Lodha: The land prices are always a function of the sales price growth and the construction cost growth because ultimately, it is a net value, which is left over, taking into account the sales price and the construction cost. So in markets like Mumbai, Pune, where sales price growth has been moderate, land price growth has also been moderate, and we are able to make sure that our underwriting, which is fairly conservative is delivering on our internal targets, which we've shared in our other investor presentations of the ROE levels as well as the PBT levels that we see from both outright as well as JDA developments.

And we will happily walk away from a transaction if it is not in line with those metrics because overall, ultimately, whatever mix of projects we do, we are aiming to make sure that we deliver that 20% ROE. However, in some other markets in the country where pricing growth has been quite significant, for example, NCR, obviously, land prices have increased significantly because construction costs have not grown at the pace at which the sales price has grown. So obviously, it means that the net land value goes up and that's why land prices have gone up.

Akash: Understood. And sir, one final question from my side is that have you made any changes to our payment plans for the customers in order to incentivize sales?

Abhishek Lodha: No. When we launch, we typically have some payment plan, which is more time based and thereafter we generally move to a construction-based payment schedule. And I would say that, that's the case across more than 90% of our projects that we are on that mix at launch time based and then construction based.

Moderator: Last question is from the line of Puneet Gulati from HSBC.

Puneet Gulati: Congrats on great numbers. My first question is we've seen a nice healthy pickup in the collections without the increase in construction cost. Can you give some sense on whether the collection would continue? Or is there some large amount which got recorded in this quarter?

Abhishek Lodha: Yes. I think we typically believe that collections lag sales by about 12 to 18 months because as construction sort of matches up. We do believe that we are going to ramp up construction spend in the course of this quarter and the next few quarters because that in turn fuels further collections. So that will happen.

Having said that, this run rate of about INR4,000 crores of quarterly collections is what on a sales number of about INR17,000 crores is probably something likely to be on average true over the next 5 quarters, you will see some ups and downs because it's not a specific quarterly thing. But yes, on average, over the next 5 quarters, you will see numbers in this range.

Puneet Gulati: Right. And in terms of newer markets, so you've got Pune and Bangalore both out of the experiment stage. And are you evaluating any other market beyond these?

Abhishek Lodha: Yes, we are. We, of course, have a lot of growth opportunity in Pune and Bangalore in addition to our continued scaling up in Mumbai. So there's already a lot that we can do there and are focused on doing that because the whole point of the pilot is to move to scale up the hard work of a pilot should lead to a rapid scale up, which is what we have seen in Pune, our sales have gone from INR300 crores at end of fiscal '21 to almost touching now INR2,500 crores by the end of this fiscal is what we expect.

And we expect that Bangalore will also do similar kind of growth, 5-7x over the next 3 to 4 years from the base that we will end up at the end of fiscal '25. Having said that, yes, we have informed earlier that we are exploring some new markets. And we do hope that we will conclude the market in which we want to start our next pilot in the next 3 to 4 months.

Puneet Gulati: Can you talk about which are these markets?

Abhishek Lodha: At this stage, that's confidential, but obviously, you are very well informed. There are only so many big markets in India that we are not part of. So you all will, of course, have a good guess.

Puneet Gulati: Okay. Great. And lastly, if you can give a number for gross cash and how much of this cash is locked in their RERA account?

Abhishek Lodha: Our cash is around INR3,300-odd crores. So, the gross debt becomes more like INR7,500 crores.

Puneet Gulati: And how much of it is RERA cash?

Abhishek Lodha: RERA cash would not be anything significant, really.

Moderator: Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Anand Kumar for the closing comments.

Anand Kumar Thank you, everyone, for joining the call. I hope we have been able to answer all your questions. If you have any further questions or would like any information, we'll be happy to be of assistance. Please feel free to contact the IR team on behalf of management. And once again, thank you all for joining the call today. Thank you.

Moderator: Thank you, ladies and gentlemen. On behalf of Macrotech Developers Limited, that concludes this conference. You may now disconnect your lines.