

November 8, 2022

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Scrip Code: **543287** Scrip ID:-**LODHA**  
Debt Segment – **974163, 974199**

The Listing Dept.  
National Stock Exchange of India Limited  
Exchange Plaza, C-1, Block G  
Bandra Kurla Complex  
Bandra (E), Mumbai – 400 051  
Trading Symbol : **LODHA**

**Dear Sir,**

**Sub: Q2 FY23 - Earnings Call Transcript**

We are enclosing herewith a copy of the transcript of the Company's Q2 FY23 earnings conference call held on November 2, 2022. The transcript is also being uploaded on the Company's website i.e. [www.lodhagroup.in](http://www.lodhagroup.in) under the Investors section.

This is for the information of your members and all concerned.

Thanking you,

Yours truly,

**For Macrotech Developers Limited**

**Sanjyot Rangnekar**  
**Company Secretary & Compliance Officer**  
**Membership No F4154**

**Encl: As above**



“Macrotech Developers Limited  
Q2 FY2023 Earnings Conference Call”

**November 02, 2022**



**ANALYST: MR. BIPLAB DEBBARMA - ANTIQUE STOCK BROKING LIMITED**

**MANAGEMENT: MR. ABHISHEK LODHA – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER - MACROTECH DEVELOPERS LIMITED**

**MR. SHAISHAV DHARIA – CHIEF EXECUTIVE OFFICER, TOWNSHIPS & RENTAL ASSETS - MACROTECH DEVELOPERS LIMITED**

**MR. SUSHIL KUMAR MODI – CHIEF FINANCIAL OFFICER - MACROTECH DEVELOPERS LIMITED**

**MR. ANAND KUMAR - HEAD INVESTOR RELATIONS - MACROTECH DEVELOPERS LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Q2 FY2023 Earnings Conference Call of Macrotech Developers hosted by Antique Stock Broking. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘\*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Biplab Debbarma from Antique Stock Limited. Thank you and over to you Sir!

**Biplab Debbarma:** Thank you Steven. Good afternoon everyone and welcome to the Q2 FY2023 earnings call of Macrotech Developers hosted by Antique Stock Broking. Today we have with us the management of Macrotech Developers represented by Mr. Abhishek Lodha - Managing Director & CEO; Mr. Shaishav Dharia – CEO, Townships & Rental Assets; Mr. Sushil Kumar Modi - CFO; and Mr. Anand Kumar - Head IR. Without further ado let me hand over the call to Mr. Lodha. Over to you Sir!

**Abhishek Lodha:** Good afternoon everybody. Thank you for joining us for our earnings call. Best wishes of the Indian New Year to you and your family.

I will begin by highlighting three key updates. Number one: Our UK investment cycle is now visibly reaching conclusion. We have repatriated back approximately Rs.100 Crores during this quarter and we will receive an additional Rs.1000 Crores in the course of calendar year 2023. We have also paid off the US dollar bond of \$225 million from the UK investment in two tranches in March and September 2022 and there is no further liability or risk to the Indian balance sheet from the UK investments.

Deterioration in the sterling and the deterioration of the local economy as well as certain other project related expenses likely to be remitted to India from the UK operations is going to be a total of Rs.1100 Crores, Rs.100 Crores already received and about Rs.1000 Crores to be received next year against our earlier estimate of Rs.1500 Crores. It is to be noted that the onetime noncash provision of Rs.1177 Crores that we have taken in this quarter in our P&L is to reflect the difference between value of the debt instrument we had used to finance the UK investment and the value of the actual receipts. Now that the repatriation has started back, it was appropriate for us to take into the view of what the final repatriation would be and therefore take this noncash provision for the differential amount. Please note that the remittance amount of Rs.1100 Crores, Rs.100 Crores already received and Rs.1000 Crores to be received is completely independent of this and that money will be received as I mentioned in the course of calendar 2023. Of course the provisions taken will also lead to a tax benefit of about Rs.350 Crores to us in due course. So therefore effectively from the UK we will receive back about Rs.1100 Crores and we will get a tax benefit because of this provisions/write-offs of about Rs.350 Crores totaling to a total cash benefit of Rs.1450 odd Crores to Macrotech Developers Limited and this will bring an end to our UK investment cycle and allow us to completely focus on only doing investments in India.

Point number two: As we had promised earlier from this quarter onwards we will report the Embedded EBITDA from the presales done this quarter. The Embedded EBITDA is calculated using the sales price of the sales done in the current quarter and the estimated lifecycle cost of the relevant building or plant in which the sales are done. This will give you the clear visibility into the profitability and free cash flow generated from our quarterly sales. Since we have very little depreciation and amortization cost in our business the EBITDA can be converted into profit before tax PBT by deducting the interest cost, so we update you on a quarterly basis on Embedded EBITDA and as well as our total debt as well as cost of borrowing. For this quarter we added Embedded EBITDA margin of approximately 33% on presales of Rs.3148 Crores implying Embedded EBITDA of approximately Rs.1050 Crores. For the H1 as a whole the Embedded EBITDA amount is approximately Rs.2040 Crores.

Third update: We have the strongest H1 in our history with Rs.6000 Crores of sales and our strongest ever Q2 which is seasonally the weakest quarter, but that also had almost Rs.3150 Crores. The start to the current quarter has been equally strong in Q3. Two factors are supporting this momentum. One is the consolidation to quality on the supply side and the second is the strong demand driven by the acceptability of mortgages and the moderate price growth in the marketplace. The underlying momentum in the housing market is in spite of the inflationary pressures on the consumer and almost 150 BPS increase in mortgage rates from about 6.75% to just under 8.5% during H1. We believe that this is the evidence that the long-term upcycle in Indian housing is now well underway.

The boarder economic context now: It was yet another quarter of volatility and uncertainty in the global economy and markets. Higher inflation readings for the US has got Fed to continue raising rates. How much the higher interest rate have an impact or how deep or longer US recession is going to be we will all have to wait and watch. Alongside with the worst turmoil in other economies as well the UK most noticeably and China continuing to have its own sets of challenges. The idea is not to share global expertise but highlight one which have the impact on the currency. The INR has seen depreciation of significant quantum in this quarter but it is not out of sync with what is happening with most other currencies. The RBI has used both its forex reserves to shore up the rupee and we think that the RBI is now approaching an end to its interest raising cycle and we expect probably another 50 basis points or so of further increase by the RBI. Mortgage rates as I mentioned earlier increased from just under 7% to almost 8.5% now and we have not yet seen any significant impact on the housing sector. As I mentioned we do expect mortgage rates to go up by approximately another 50 basis points and as we remain comfortable with the demand in the housing sector which has not been impacted even with this further moderate increase in mortgage rates. We have also as we have informed in earlier call sheltered home buyers by capping their mortgage rate at 6.99% until June 2024. This scheme has had good take up with almost 56% of our sales by volume and 40% of our sales by value taking advantage of this scheme. The total cost to us for this quarter for this scheme might be about just under 0.3% of the cost of goods sold. So the overall cost of this scheme is quite moderate but it is giving the consumer a reassurance that they can buy the home that they have been dreaming of without getting impacted by the sudden volatility in mortgage rates. Of course inflation does impact the wallet of the consumer and the sentiment of a potential home buyer and we have

continued to exercise caution on that front, but for now it does feel like the strength of the market is quite strong, sentiment in our core areas of operations i.e. Mumbai and Pune continues to remain buoyant as can be felt on the ground in this festive season in terms of enquiries and sales.

On the other hand as financing environment tightens it will provide us with further opportunities in terms of land owners coming to us more for JDAs. Overall looking really out of the play book to report for this quarter, as I have mentioned in the past we continue to remain convinced on the multiyear housing cycle. The presales of over Rs.3000 Crores was our second best ever quarterly performance and our best ever Q2 as I mentioned and while collections were a bit slow it is only about the shift from one quarter to the next. Similarly revenue recognition and profitability as reported was impacted due to revenue recognition phenomenon and we can of course provide further details if so required. However we believe that looking at our presales and the EBITDA of the presales which we are both reporting will give you a much clearer look into our business and cash flow as well as underlying profitability. The business development opportunities continue to remain quite available and we have signed four further projects in this quarter providing additional development value of approximately Rs.3100 Crores with every quarter and every opportunity that we have signed we are laying the foundation for growth in the following years with nothing to suggest that our targets for this year will not be achieved both in terms of presales and collections.

Commodity pressures have already subsided and cost for us continue to go down. Just to let you know our absolute interest cost per quarter has fallen from over Rs.550 Crores in Sep 2021 to just over Rs.250 Crores in the quarter ending September 2022. The momentum remains strong and we are on track for FY2023 and working closely to achieve our guidance of our net debt to approximately Rs.6000 Crores and even if we fall short modestly that will only be for about a quarter or so.

In terms of our business progress beyond Mumbai and Pune, in Bengaluru we are on track for a launch in the first half of 2023 and all the ground work has been done and the trees are being planted. This is a test for us in a new market with minimal capital deployment returns on the same through the same asset light model. We intend to use the next 12 to 24 months to become local in Bengaluru, do a limited number of projects and really learn how the market operate and then scale up using the learnings and project deliveries so that in due course Bengaluru can become another opportunity to scale up in the significant manner Pune is now playing out. In terms of the Pune market we feel very strong about how we are placed in that market and we believe that sometime in the next 24 months our sales will become amongst the largest in that market or if not the largest definitely amongst the top two.

Coming to the operating as well as financial highlights of the quarter, despite this being the seasonally weakest quarter we clocked our best ever Q2 sales Rs.3148 Crores growing by 57% year-on-year. The Q2 of course is weak due to the monsoon plus the inauspicious period of Shradh or pitru paksha. The cherry on the cake is that it is a second instance when we have achieved Rs.3000 Crore number in quarterly presales in the same calendar year the earlier instance being Q4 of fiscal 2022. With this strong performance we have achieved presales of

Rs.6004 Crores in H1 of FY2023 our best ever first half in terms of presales and this is 52% of our guidance of Rs.11500 Crores and positioned us very well to definitely deliver on our guidance and to the extent possible surpass it. As mentioned earlier we will continue to provide you with the Embedded EBITDA margin on the presales done for this quarter, this will help all the stakeholders in financial community to get a sense on the profitability of our presales. As mentioned earlier for this quarter the Embedded EBITDA margin is at 33% and for the first half of the year it is at 34%. This information will bring much needed transparency for stakeholders and provide understanding around not just the presales but also around the quality of the presales in terms of profitability and cash flow. This also helps take away focus on the revenue recognition in our P&L which is informed by the Indian standard and allows revenue to be recognized only upon the physical completion of the building which is evident by the occupation certificate and therefore can lag sales by almost three years.

Moving on, collection continue to track the presales growth and the same came in at Rs.2375 Crores for the quarter showing a growth of 24% year-on-year. We expect collections to keep growing in line with our overall collection target for the full year being approximately at Rs.11000 Crores of which we have collected just about Rs.5000 Crores in the first half. As mentioned earlier we have added four new JDA projects with a GDV of Rs.3100 Crores across MMR in Pune. With these Rs.9300 Crores of projects have been added in the first half which is 62% of our guidance for the full year. As we keep launching new JDA projects in each quarter it further enhances our brands and capabilities with brand owners looking to partner with a player like us who can maximize the NPV of their land. We have a strong pipeline of business development opportunities which makes us confident of achieving the business development guidance. Our average cost of debt has further come down to approximately 9.9% as on September 30, 2022 showing a decline of 60 basis points in the first half of the fiscal even as there was an increase of 190 basis points in the policy rates recognizing the improved business fundamentals as well as the strength of our balance sheet. ICRA has assigned a credit rating to the company of A+ in the month of October which is one point above rating which was A with a positive outlook. This should further enable us to improve our cost to our funds in the times to come.

Moving further and updating you on the digital infrastructure business. During the quarter we have monetized our first joint venture by selling our stake in the ESR Park for approximately Rs.158 Crores. This is consistent with our strategy of monetization after developing an asset either at the asset level or the platform level. Our platform with Bain Capital and Ivanhoe Cambridge has commenced activity on developing the first land parcel as well as scouting for new land to put in the platform is also progressing well and there should be announcement in terms of the growth of that platform over the course of the next six months. Just to recap in terms of this platform. The platform has been established with a view to create a pan India presence in the digital infrastructure space that includes logistics and industrial parks as well as in-city fulfillment centers. The platform will entail \$600 million of equity contribution divided equally between the three partners. The platform can lever modestly and jointly invest over \$1 billion and create approximately 30 million square feet of operating assets to serve India's digital economy. Lodha's share of equity contribution will largely be in the form of asset that we will inject into

the platform. In addition to the signing of the \$1 million plus square feet box with Skechers in Q1 we have now signed up Schlumberger in our park in Palava. Advanced negotiations with various end users in a diverse set of industries like FMCG, EV ecosystem, 3PL logistics, Cold Chain, etc., is currently ongoing. A number of closures are likely to take place over the next six to 12 months, this is likely to generate a large number of jobs thus boosting the economic activities in and around Palava and kick starting a virtuous cycle and augmenting our residential business as well.

Let me now update a topic which is close to our ethos of do good do well that is sustainability. On this front we have continued to make significant progress. This can be seen through the rating given to us by GRESB which is one of the most globally renowned real estate focus sustainability benchmark provider. In the residential category we received the score of 95 out of 100 in our very first attempt in 2022 which gave us a five star rating. This score is also amongst the top three in Asia. We have also established the Lodha Net Zero Urban Accelerator in collaboration with the Rocky Mountain Institute of USA. The accelerator has already identified five focus areas, where they have started work, on being passive design, efficient equipment, embodied carbon, clean energy and green mobility. Palava will serve as a city scale living laboratory to solve these challenges and pioneer innovations on the path to Net Zero. After finding solutions this would be rolled out for multiple projects not only transforming the way construction is done but also improving the lives of so many people who would be staying in such development. The information and knowledge generated in the accelerator will be freely shared with the entire India so that the transition in India towards Net Zero in the building space can be expedited. We have also become a part of the Build Ahead Coalition launched by Xynteo, an initiative consisting of forward leaning businesses such as JSW, Godrej Construction, Shell India, etc., committed to scale decarbonization effort across the Indian construction value chain. With this partnership we aim to accelerate the use of low carbon building materials in the construction process.

On the governance front the company has strengthened its Board by inducting Ms. Harita as an Independent Director. Ms. Harita Gupta has over three decades of global experience in digital and IT services. She has had leadership positions at globally renowned companies like Microsoft and NIIT amongst others. She is presently leading APAC and enterprise business at Sutherland Global Services. Being a digital innovation focus organization we will benefit immensely from her guidance and experience as we stepped into our next phase of growth. As discussed earlier to further enhance our disclosures we are committing to provide the Embedded EBITDA margins for the presales of each quarter this is one more step to enable stakeholders to better understand our business and the quality of presales. We have from time-to-time made an effort to introduce the depth of our management team to you and showcase the details of the different parts of our business. Today we are going to have with us Shaishav Dharia, who is the CEO of our Townships business as well as represents the company on the Board of the Digital Infrastructure that we have with Bain Capital and Ivanhoe Cambridge. The model of townships that we have built is in our opinion unique in India. We are proud of the fact that we are able to bring the highest standards of living to the lower middleclass families of India's large metros and not only we enable them to live in great environment but we also create comprehensive work, play, live

and learn environment including healthcare, education, work spaces, sports and so on, which provides people with a quality of life which is extremely rare in our country. As part of further using our scale and our township for positive impact for society we are now working with a variety of corporate partners on an initiative to increase the female workforce participation rate which is much lower than in several other economies. We are trying to create a model wherein women can get the jobs within a short walk or short drive from their home which enables them to not only take care of their family responsibilities but also work in a manner which is physically and mentally reasonable for them.

Before I handover to Sushil the one last point I would like to make is that accounting for our sector has made it difficult to understand the profitability and therefore for the first time in the sector we are providing the visibility on the Embedded EBITDA margin of the sales. We hope that with this initiative our other peers in the industry will also follow soon and that will allow this industry to be better understood by all those who are stakeholders of this industry. I now hand over the call to Shaishav and Sushil before we get to questions.

**Sushil Kumar Modi:** Hi Shaishav you may like to kind of give a bit of details around our township business in particular that what kind of activity on the ground that you are seeing please.

**Shaishav Dharia:** Sure, thank you Sushil and Abhishek. Good afternoon everyone. Our township business today basically we achieved about Rs.1940 Crores of presales in FY2022 and expecting about a 30% growth this year we have already reached about Rs.1130 Crores in the first half of this year, so well on track to achieve our targets. We expect this business to continue to see high teen growth for the next few years and can get even stronger as some of the infrastructure that has been developed across MMR they start getting completed. We are very fortunate that Palava which is a largest township and more of a city has become a blueprint of how we see to develop new townships and replicate the similar success. The way I see it building or what Abhishek said we have basically mastered I think four areas and that has allowed us to create a mote that cannot be replicated by other developers or other projects in creating successful townships. So the first one that I feel is I believe to deliver high quality homes along with world-class amenities at an affordable price point. We have been doing this over the last 10 years and for each of our townships high quality education is very important. For example in Palava today we have five schools now think it is amongst the best education districts in the country now. We have fantastic sport facilities, infrastructure within the townships which is fully reliable around water, power sustainability, healthcare in the form of clinics and now multiple hospitals with a tie-up through AIMS as well as Jupiter Hospital world-class parks and amenities, so this is all of which is within walking distance. All of this put together ensures that what we have created as a product for our customers is truly world class and we are able to deliver at an affordable price point. The second over the last 10 years the ability to master how to deliver homes continuously and consistently at scale. Today we have demonstrated and are easily capable of delivering 7000 to 10000 homes every year just within our township business to do this at scale and consistently is something which is very few have ever shown the capability. The third important point is sometimes it is easier to develop and build physical assets it is more difficult to govern and build communities this is the softer side of what we have been able to achieve for all our customers. For majority of



them this is a new way of living. Our governance model along with a very strong focus on building communities across the entire segment is what really differentiates our townships and today that is why we have over a 150000 people already living in Palava and 15000 people living in our Upper Thane Township which is a more recent township. Fourth is the ability to innovate and bring in different products so we had the CASA homes then we brought in the Crown affordable homes but equally our focus is now on growing the aspirational home business which are ranging from Rs.1 to 2 Crores plotted homes and villas that we have done very successfully at Upper Thane and now bringing to Palava, small offices and retail through our Signet brand, what this does is that we are able to capture the market and the ecosystem that our townships provide through all of these five product categories and build a more consistent business model. These four elements are basically what we have developed and mastered over the last 10 years but now we are seeing finally a very important lever which is an external one to us the upgradation of road and rail infrastructure from our townships to business hubs, what is a very high quality I think in a Mumbai context is a 30-minute driving distance or a 10, 15-minute ride to a train station because of the infrastructure upgrades that are started a few years back which are now coming to a completion we will see significant benefit I will just take a few of them as an example.

For Palava city the infrastructure upgrade which will complete in the next six months is the elevated road to the business hubs of Ghansoli and Airoli, placing them in less than 30 minutes driving distance. These are predictable times and that will become a big game changer to a very large segment which wants access to high quality homes but now well connected. For an Upper Thane township the bridge to Dombivali station will be opened by March 2023 which will reduce travel time to less than 10 minutes. In the future we will also get metro within Palava with three stops. This suddenly will create a disproportionate jump in our business because we will now in addition to having everything internally will also provide great connectivity. Equally important is our own job creation as Abhishek referenced within our township business one example being the green digital infrastructure and the large development we are doing at Palava logistics and industrial park. A lot of the work is already under development and over the next two years this will all become operational creating 5000 plus jobs and growing continuously along with the emphasis we have put on economic empowerment and job creation for women close to our townships which allows them to manage both their home life as well as have an economic as well as have a work career. I think this growing strength around infrastructure as well as job creation close to our townships is going to create further disproportionate jump in our business.

So in a summary the township business has been in a virtuous cycle of world class product, community, infrastructure and now great connectivity, external connectivity and with this we can continue to grow the business with a moderate price increase year-over-year, large volumes and almost become like an FMCG business. Let me stop there and hand it over to Sushil.

**Sushil Kumar Modi:**

Thanks Shaishav for this update and ground reality checks for the stakeholders at large. Biplab would you like to take it up in terms of queries that various speakers would have.

- Moderator:** Yes Sir we will open it up for the Q&A session. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Kunal from Bank of America. Please go ahead.
- Kunal:** Thanks. Hi! Abhishek I was hoping to get some more color on the footfalls and conversions you would have seen during the festive season and if there was anything there that would have given an unchanged presales guidance for rest of the year?
- Abhishek Lodha:** So what we have seen is that like in previous years the strength of the sales interest continued even through the second quarter and the same trend has held up also in October so we are continuing to see similar conversion rates in the 8% to 10% range, we are seeing very good quality footfalls and I think the strength of the market can be only assessed from the fact that even in months like August and September which are traditionally very slow month we ended up on an average doing Rs.1000 Crores of sales which is how we got to Rs.3150 Crores for the quarter which is just showing that yes the demand is strong but not only it is strong it is also consistent and the throughput is coming through in a much more predictable manner now.
- Kunal:** The next one was on the monetization of the ESR JV. I just wanted to check what is the broad realized rate per acre of land parcel that you would have fetched here and is that a good representative of how we could value the remaining land bank?
- Abhishek Lodha:** We have monetized the ESR land at about Rs.4 Crores an acre I may have mentioned to a similar query in the past the range at which we sell and will vary to an extent based on the users because data centers for example can sell for even Rs.20 Crores, Rs.25 Crores an acre and it will also depend on the extent of the land holding. So warehousing land of large scale this was a 90-acre JV with ESR is probably the lowest value per acre this has gone at about Rs.4 Crores per acre and average the north of that.
- Kunal:** Last one from me for Sushil. Sushil if we just look at your CFO target for H2 as debt reduction target it seems to leave about Rs.800 Crores that can be incurred towards interest expense and investments so broadly does it mean that you are looking at less outflow on the investment side in H2?
- Sushil Kumar Modi:** Yes, potentially you are right but nonetheless keep that in mind that our operating cash flow trajectory for the second half generally is far stronger than the first half and henceforth some of these debt reduction targets is going to be more and more visible from the quarters that we will speak up from Q3 and Q4, but nonetheless I think we reasonably kind of see the visibility of getting us anywhere in the band of 6000 net debt and some number around that by the end of this.
- Kunal:** Got that alright thank you so much.
- Moderator:** Thank you. The next question is from the line of Pritesh Sheth from Motilal Oswal. Please go ahead.

**Pritesh Sheth:** Hi thanks for taking my question. First is on your micro market sales that you have reported. So I can see a drop in sales in your affordable markets like Extended Eastern Suburbs and Thane affordable mid income so anything to read into in terms of interest rate that ways impacting the trajectory of these micro markets because they have gone down by at least like 30%, 40% if I compare quarter-on-quarter and on an average what the rate has been for last three to four quarters so your comments on that?

**Abhishek Lodha:** The Extended Eastern Suburbs is especially tend to be the one which is most affected by the monsoons because these are the individuals who tend to rely on public transportation as well as the auto rickshaw or taxi services most for their communities, so typically if you look at it while you are comparing the Q1 versus the Q2 numbers of course Q1 also has certain launches in the Extended Eastern Suburbs but even adjusted for launches Q2 will typically be weak on account of seasonality most affecting that segment, but we do not really read anything into it on the contrary as Shaishav mentioned we are well on track to deliver sort of mid teens in the townships business for this fiscal compared to the numbers for last fiscal of a fairly significant base.

**Pritesh Sheth:** In terms of collections as well it is broadly your comment on that so are you seeing any trend in terms of people delaying or customers delaying payments because they are adjusting to their budgets or any specific trend you are catching up there or collections are pretty much in tandem with what it is supposed to be?

**Abhishek Lodha:** No, we have not seen any increase in delayed payments. We measure delayed payments is greater than 30 days delayed and we have actually seeing a fall in that absolute value on the larger base of units from which of course collections are coming through as each quarter we sell more units, so at this stage we do not see the Indian consumer in any manner at least our consumer in any manner affected by trying to delay or trying to delay their payments. It is just the normal throughput of our sales, registrations and then cash flow coming in any quarter. Sometimes the pitru paksha period is in Q2 sometimes it is in Q3 so that 15 days people do not like for example registering their documents they do not want to make major payment these are all sort of factors but we believe that the collections machine is pretty strongly in place first half we have collected just under Rs.5000 Crores and we have an internal target of about Rs.11000 Crores of overall the collections for the full year.

**Pritesh Sheth:** Lastly on your debt your target remains the same for below Rs.6000 Crores so you will have to literally reduce that by Rs.3000 Crores in second half. Is it all going to be coming from operating cash flows or are you also building in that UK repatriation helping it reducing the debt initially I do not think that was built into our expectation but now the target is it including the repatriation?

**Abhishek Lodha:** We are targeting to be around Rs.6000 Crores by the end of the fiscal. If it is few hundred Crores here and there, it will be for a maximum of a quarter but it will be somewhere around the Rs.6000 Crores handle. We have some asset sales, we are disposing mall in Palava that is definitely a part of the number that we are looking at. We also have a few other sort of leased spaces which are part of our normal divestment which will also happen in the second half of the year and I do not have a detailed breakup on when the money will come back from the UK

quarterly though we know that the Rs.1000 Crores will come back in the calendar year next year so yes we have assumed at about Rs.250 Crores out of those Rs.1000 Crores will come back in the first quarter of calendar 2023.

**Pritesh Sheth:** Got it thanks that is it from my side all the best.

**Moderator:** Thank you. The next question is from the line of Sameer Baisiwala from Morgan Stanley. Please go ahead.

**Sameer Baisiwala:** Thanks and good afternoon everyone. Shaishav great commentary on townships so thanks for that. Just if you look out mid to long-term are there any risks that you see to Palava development something like airport coming and taking development away from you or any other thoughts if you can share with us?

**Shaishav Dharia:** Actually the airport development will be a positive because the new airport will be about 30 minutes from Palava city so in terms of connectivity it becomes even better for companies that are operating there as well as folks who are living in Palava so that is actually a positive. I think we have been able to over the last 10 years as I mentioned developed this mote which is now very difficult to replicate by somebody else and more importantly to have this kind of scale is very difficult again probably in the history of MMR. So I would say that natural black swan event that can impact any business always exist but we have reached a stage where I do not see any normal course of event causing major disruptions.

**Sameer Baisiwala:** If I have to just put some number around you talked about sustainable volume and price increase in about 2 to 3 million square feet per annum 5% to 7% price increase per annum for extended period of time and do these numbers look achievable or higher or lower your thoughts?

**Shaishav Dharia:** Let me take the price growth. I think the 5% to 7% which is just below inflation is a healthy price increase and sustainable because affordability will always remain good with that particular aspect so that I think is yes very much possible and within our target. Second I would think as a business of township much more than 2 to 3 million is what we should achieve especially given the growth the developments on the external infrastructure side that will connect us better to the business hubs both with road and rail so I would think we have the potential to do more than that.

**Sameer Baisiwala:** Just to be sure 2 to 3 million is excluding DI it is just the residential part?

**Shaishav Dharia:** Correct.

**Sameer Baisiwala:** So you can do better than that, but it would get the benefit of the commercial in the DI development over there that is the point you are making, right?

**Shaishav Dharia:** Correct.

**Sameer Baisiwala:** Second question I have is on one Lodha phase Abhishek now that it is coming to completion what percentage is leased out and how do you plan to realize the capital value here?

**Abhishek Lodha:** As we started the leasing process for the building the lower one third of the building was under the spot sale model and that is almost 58% sold. We intend to lease the building out over the next 18 months and then post stabilization we in all likelihood will dispose off our interest in the building, the recurring rent from the building will be in excess of Rs.200 Crores per annum and therefore you can see a significant one time income will accrue to the company when we divest this asset most likely some time in calendar 2025.

**Sameer Baisiwala:** Great initiative on Embedded EBITDA so that will definitely help us a lot. If I understood you correct you are saying that this is calculated using the launch price but the cost is over the cycle of the project so there is certain inflation over there?

**Abhishek Lodha:** Yes, the cost side has taken for the lifecycle of that building and the price is the actual price realization for the quarter so it is not necessarily the launch price in case it is launched in that quarter it will be the launch price but whatever is the actual realization in a given quarter and the estimated life cycle cost including the inflation that one would expect in the life cycle of the building.

**Sameer Baisiwala:** Thank you so much.

**Moderator:** Thank you. The next question is from the line of Parvez Qazi from Edelweiss Securities. Please go ahead.

**Parvez Qazi:** Good afternoon Sir, and thanks for taking my question. My first question is about the pricing. Given the increase in mortgage rate what kind of pricing increase can we take from our customers keeping affordability in mind?

**Abhishek Lodha:** Very important question and the one which we think about long and deep. Believe generally that the total cost growth which is a function of the price growth plus any increase or change in the cost of mortgages should be below wage growth so that affordability keeps getting better. We had guided at the start of the year that price growth should be in the range of 5% to 6% given that wage growth would be in the range of 9% this year. Given our initiative around interest costs are being kept at 7% till mid 2024 our consumers are not having any significant impact on account of the increase in mortgage rates and as I mentioned earlier the cost to us so far has been averaging about 0.25% of the value done in any given quarter therefore we continue to guide to the same number of 5% to 6% price growth for the full year for fiscal 2023.

**Parvez Qazi:** With regards to our South & Central Mumbai projects how do we see sales velocity there and in general what has been the sales momentum seen in that micro market?

**Abhishek Lodha:** As you would have looked at in terms of the sales done during the quarter South & Central Mumbai was a very strong contributor bringing in about Rs.1100 Crores of sales in this fiscal and just under Rs.2000 Crores of sales for the half year. So South & Central Mumbai continues to see a good strength and we are seeing growth over comparable period last year with strong growth over comparable period last year. I think our variety of products in South Mumbai across

different price points starting from as low as Rs.2.5 Crores and all the way to the top end of the market but with a great concentration between Rs.2.5 Crores to Rs.7, 8 Crores and we are having different points of the lifecycle we have ready product, we have advanced under construction product, we have just launched for example Lodha Bellevue opposite Vivarea at Jacob Circle or Saat Rasta it is colloquially called gives us ability to serve that market quite well and we are seeing good traction.

- Parvez Qazi:** Thanks and that is it from my side. All the best for the future.
- Moderator:** Thank you. The next question is from the line of Abhinav Sinha from Jefferies. Please go ahead.
- Abhinav Sinha:** Just a follow-up on the Embedded EBITDA part so just to be clear this is gross share or this is the project total Embedded EBITDA that we are looking at here?
- Abhishek Lodha:** This is the total for us of course numbers are the same because for us our EBITDA is the same as the project's EBITDA because any payments made to the land owner is treated as land cost in our accounting so there is no share of EBITDA which goes to the land owner in most of our joint developments so the actual EBITDA which would accrue to us.
- Sushil Kumar Modi:** On the sales that we announced so if the sales is 100 that means be it coming from the joint development or be it coming from our own land the EBITDA margin is the blended that we have indicated applies on 100.
- Abhinav Sinha:** In case of our own land how are we treating the land cost here because you have some very legacy sort of projects also?
- Sushil Kumar Modi:** Obviously those will carry the historical cost of acquisition along with to the extent that if any interest has been incurred during the construction period and has got capitalized that interest will also be getting capitalized but we are giving you EBITDA number so thereby meaning any finance cost incurred would not be there but in any case as we move away from capitalization of finance cost effectively we will completely get kind of out of picture when it comes to anything that is including in the cost of project because our debt itself is going to getting down to the Rs.6000 Crores handle or below whereby you can have the finance cost separately taken below the line from the EBITDA downwards.
- Abhinav Sinha:** Just for my clarification also and maybe we are talking about FY2024 now it seems in another three odd quarters you should be done with reducing the net debt so what is the utilization of cash there will you say abandoned the JV model and go back to buying land or there is something that comes in your mind?
- Sushil Kumar Modi:** Firstly we would like to say that the target of Rs.6000 Crores of debt is one milestone we are seeking to achieve. We will of course review the macroeconomic situation and even lower level of debt we will definitely even use our cash flows towards that we have not made any decision because we are of course watching the externally evolving situation closely. Having said that whatever is the growth capital available will be significant and we will continue to use the

growth capital in a prudent in order to generate the ROEs that we are targeting of approximately 20%. In order to generate those ROEs we will have a blend of joint development and ownership in our sales mix, we expect that for the next 12-18 months, it will continue to remain focus towards JDAs and in the medium term it will settle down incrementally 40% of sales value coming from joint development and 60% coming from outright own land and such that, that mix allows us to generate the 20% that we are targeting.

- Abhinav Sinha:** Thanks for that. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Saurabh from JP Morgan. Please go ahead.
- Saurabh:** I just had two questions. So one is this 33% margin you have given this is margin at the project level or is it your share?
- Abhishek Lodha:** This is the net margin to us this is our margin after all expenses including overhead cost as well as whatever goes to the land owner this is margin to us.
- Saurabh:** So 33% is the EBITDA and this is the gross margin right or the EBITDA?
- Abhishek Lodha:** Whatever very miniscule depreciation and amortization we may have and then only the interest cost and taxes.
- Saurabh:** I am just asking you because normally we have seen the JDA margins are much lower with the industry they are in the 20%, 25% handle that case so what could explain that you are getting these kind of margins on incremental basis?
- Sushil Kumar Modi:** No, you are right to the extent the composition of JDA will always have the lower margin but from an EBITDA standpoint as if you recall what it will be indicated on any JDA that we target anywhere between 15% to 20% handle of a PBT. But as in this quarter the contribution of the JDA is not that significant and in essence what you are seeing is more coming out of our own project as time goes and thereby the JDA some position improves you have potentially this margin as I think potentially will have a downward trajectory.
- Abhishek Lodha:** If I may just come in, in addition to what Sushil has just said we estimate obviously it will vary project-to-project but the own lands have the margins in the mid to high 20s and the JDAs have PBT margins in the high teens so there is definitely a delta between the two and therefore the blend of course depending on how much JDAs are contributing to sales in any given quarter.
- Saurabh:** The second is I just want to understand this impairment you have done in UK better so your cash flow receipt has not changed so what has changed for this Rs.1100 Crores impairment to happen can you just throw a better light on this?
- Abhishek Lodha:** Of course Sushil will be able to explain better but I will take a little bit of an attempt and then Sushil can add. We had made the investments in the UK by means of a debt instrument and the debt was accruing interest at high interest rate of 12% to 14% so that is what the balance sheet

was carrying in terms of what would be returned from the UK. Now this quarter the net received from the UK have started coming back and we know with a fair degree of certainty what the final amount that is going to come back is that rate of return is not going to be in that 12% to 14% handle but that rate of return on our investment is going to be more in the single digit handle and therefore the delta between the two is that impairment that we are taking which is really just an impairment in terms of the return. The principle of course is all being returned and it is being returned with a return but the return is not high as the debt instrument was assuming.

**Sushil Kumar Modi:** While from a cash flow standpoint we always kind of guided you on a conservative basis that we would be targeting repatriation of around Rs.1500 odd Crores handle number but internally we were still optimistic looking at how things perform and potentially there was a scenario whereby we can have a repatriation even higher, but knowing where how things has evolved and how what UK is seeing in terms of economy and obviously equally the kind of deflation in our own inventory having received expedited sales thereby to concentrate more and more on India side so that is some of those optimism which we had internally but that is no more relevant but in any case to all the stakeholders we always guided conservatively to be in the handle of Rs.1500 and if you really see on the whole while the form of this 1500 now changes whereby the Rs.1100 Crores, Rs.100 Crores already received in this quarter and Rs.1000 Crores expected in next calendar year but on this provision we will have the tax break and the tax benefit which will also be in the handle of around Rs.350-400 Crores so net-net effective result from a cash flow standpoint rather decide for the business for the company would continue to be in the handle of Rs.1500 Crores in line with what we have guided.

**Saurabh:** Okay I think I will take this offline Sir and just one last question Abhishek what is your end March debt guidance and March 2024 gross is expectation of net debt zero where do you think this by March 2024?

**Abhishek Lodha:** At this stage we do not have a March 2024 guidance to provide we will of course do it when we share the entire guidance for the fiscal year 2024 and that is what I mentioned in response to an earlier question this is the first milestone of getting to approximately Rs.6000 Crores of debt by March 2023 we are working aggressively towards getting there even if we miss it by a little bit it will be maximum for a quarter but we will get there quite soon and then of course whether to continue to further reduce debt will depend on the external environment we are quite open minded about making sure that the company at no time has any risk when it comes to leverage so while Rs.6000 Crores given the scale of our business is not significant leverage but if we believe that it is better to be lower we will go lower.

**Saurabh:** Just one final question, can you just provide what percentage of your borrowers would be taking a mortgage this is my final question thanks, what percentage of customers will be taking a mortgage maybe after booking a flat?

**Abhishek Lodha:** I do not sort of right now have an exact number but what I remember from memory is that it is in the mid 60s the numbers as a percentage of the total buyers who take mortgages.



- Sushil Kumar Modi:** To be precise it is around 68% at this point of time.
- Saurabh:** Okay understood thank you.
- Moderator:** Thank you. The next question is from the line of Kunal Lakhan from CLSA. Please go ahead.
- Kunal Lakhan:** Thanks for taking my questions. Firstly on the spend on new projects that we spent close to about Rs.1300 crores plus in the first half, how should we look at this in the second half considering like we have already achieved GDV worth Rs.9300 Crores versus Rs.15000 Crores guided so how should we look at the spend in the second half?
- Abhishek Lodha:** That number will moderate because obviously we have already done 60% plus of our target in the first half then the second half that number will be lower.
- Kunal Lakhan:** My second question was to Abhishek. You mentioned that you expect demand to remain healthy even after another 50 bps increase in mortgage rates according to you at what mortgage rates you think the demand or affordability will get impacted?
- Abhishek Lodha:** I think it is a question which we can only guesstimate we had earlier said that up to 9% demand remains unaffected and therefore another 50 basis points from wherever we are right now 8.25 within that thing but to provide another way of thinking about this I do not think it is too much about mortgage rates. Of course it is if mortgage rates are at 12% it will matter but it is not so much about mortgage rate as it is job security and job creation. As long as there is job security and job creation even if mortgage rates were modestly higher than 9%, it does not meaningfully impact on demand. It really is about that job security and job creation question.
- Kunal Lakhan:** Sure thanks a lot and all the best.
- Moderator:** Thank you. The next question is from the line of Kushagra from Old Bridge Capital. Please go ahead.
- Kushagra:** Thanks for the opportunity. Few questions, one, can you give us cash outflows which we are expecting on construction, SG&A and those land in JDA investments over next two years not probably the second half but FY2024-2025?
- Abhishek Lodha:** Good question but not something we have prepared for I do not want to answer something of that nature of the cuff so let us sort of revert to you on that offline.
- Kushagra:** Sure no worries and second question is on your JDAs basically so till now whatever JDAs you have signed what would be the cash outflow towards the land owner share in the project which probably you would have given if it would have been your own project you would have given as your land purchase acquisition cost so what that amount would be out of Rs.17000, 18000 Crores of JDAs which you have signed till now?

**Abhishek Lodha:** We were answering what percentage would we expected as outflows to the land owners it would be in the range in our expectation around the 20% to 25% of those revenues so if the revenues are about 25% it will range between Rs.5000 and Rs.7000 Crores of outflows.

**Kushagra:** Got it and just one last question on this wage inflation so at one point you sort of mentioned that wage inflation will continue to sort of pickup resulting in better affordability but at the same time wages which is almost one third of your cost there seems to be lower than inflationary numbers than the other components so just taking your thoughts on how you are thinking about this dichotomy between the wage inflation at the lower end of the pyramid wage inflation which is somewhat in the broader affordability factor like in this percolate in your wage cost as well and are you building anything over there in your price hike strategy?

**Abhishek Lodha:** I say it is a very thoughtful question. Obviously wages are determined by the tradeoff of supply and demand and as we know India is abundantly supplied with the semi-skilled labor at the bottom of the pyramid if you look back at the data series over many, many years the wage growth for those at the bottom of the pyramid tends to be disconnected from the wage growth at the middle and the top of the pyramid purely based on level of skill and the supply demand level so I do not really see this as a dichotomy this is historical fact. We do build in construction cost inflation into our models which is a blend of the material as well as the labor cost inflation and we have found that the way we model it is quite reasonable and accurate. So far we have not been surprised negatively but the inflations of the middle and the upper end of the pyramid of more skilled people who ultimately end up being home buyers to be a home buyer with annual income at the minimum has to be between 6 to 10 lakhs that is a very different situation from a construction worker whose monthly wages would range between Rs.15000 to Rs.25000 a month and therefore a very different parts of the pyramid.

**Kushagra:** Sure got it that is helpful thanks a lot and all the best.

**Moderator:** Thank you. Ladies and gentlemen due to time constraint we take that as the last question. I now hand the conference over to the management for their closing comments. Over to you Sir!

**Anand Kumar:** Thank you everyone. Feel free to reach out to me or Sushil. As we have highlighted we are in a very exciting time period where the sector continues to perform very well so if you have any further questions please feel free to reach out to me. Thank you.

**Moderator:** Thank you. Ladies and gentlemen on behalf of Antique Stock Broking that concludes this conference. Thank you all for joining us. You may now disconnect your lines.