

August 03, 2021

To,
Singapore Exchange Securities Trading Limited
2, Shenton Way
Suite 19-00
SGX Centre 1
Singapore 068804

Dear Sir/Madam,

Sub: Q1 FY22 - Earnings Call Transcript

Ref: 14% Secured Senior Notes (due 2023) issued by Lodha Developers International Limited
Stock Code: TQYB

We, Macrotech Developers Limited, Parent Guarantor of Lodha Developers International Limited, enclosed herewith a copy of the transcript of the Company's Q1 FY22 earnings conference call dated August 02, 2021, which we have submitted with Indian Stock Exchanges.

Kindly take the same on record.

Thanking you,

Yours faithfully,
For Macrotech Developers Limited



Sanjyot Rangnekar
Company Secretary & Compliance Officer
Membership No. F4154

Encl:- A/a

August 03, 2021

The Listing Dept.,
BSE Limited
Corporate Relationship Department
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai- 400001
Scrip Code: **543287** Scrip ID: **LODHA**

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**
Debt Segment - **DB - LDPL23 & DB-LODL23**

Dear Sir,

Sub: Q1 FY22 - Earnings Call Transcript

Dear Sir/Madam,

We are enclosing herewith a copy of the transcript of the Company's Q1 FY22 earnings conference call dated August 02, 2021. The transcript is also available on the Company's website i.e. 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

Transcript

Conference Call of Macrotech Developers Limited

Event Date / Time : 2nd August 2021, 1:00 PM

Event Duration : 1 hour 07 mins 42 secs

Presentation Session

Moderator: Good afternoon ladies and gentlemen. I am Bharathi, moderator for the conference call. Welcome to Macrotech Developers Limited Q1FY22 earnings call. As a reminder, all participants 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 * and then 0 on your touchstone telephones. Please note that this conference is recorded. I would now like to handover the floor to Mr. Samar Sarda of Axis Capital Limited. Thank you and over to you sir.

Samar Sarda: Thank you Bharathi and good afternoon everyone. From the management of Macrotech Developers, we have Mr. Abhishek Lodha, Mr. Sushil Kumar Modi, CFO and Mr. Anand Kumar Head of Investor Relations. Can I now invite Mr. Lodha for his initial comments please?

Abhishek Lodha: Thank you Samar and thank you everybody for taking the time to join the call today. I hope you and your family and your loved ones are all well and doing safe. I will start off by sharing an overview of how the quarter went by and then get into further details on both housing and as well as digital infrastructure. As all of us know, India was quite severely affected by the second wave of COVID, which was quite widespread and had a significant impact on both health as well as economic activity in April and May. During this period, the primary focus of our company was to ensure the health and safety of everybody associated with us, whether our employees, our third party workmen, including construction workers as well as those who are living and working in our developments and our wider vendor base. We set up eight vaccination centers across our developments and so far vaccinated successfully 25,000 people. We have been recognized by various authorities as one of the largest contributor on corporate side in the vaccination campaign in the city of Mumbai. We also operated a COVID recovery center in South Mumbai with over 100 beds and this was very timely and well-received given the shortage of hospital beds in India in the second half of April and all of May. We also made arrangements around providing oxygen concentrators and various other activities which made sure that as a Company we were responsible and focused in doing what was most important for our society at that point of time.

I am pleased to note that India's vaccination campaign had continued to have solid on-ground results. India is now approaching or crossed 400 million vaccination doses and while it is a smallish percentage of our population, it is one of the largest vaccination campaign rollouts in the world. While we do not know what future waves of COVID will be like, what is clear is that especially in urban areas, vaccination now being in high

numbers. The second dose of vaccination is also taking off for a large number of people and therefore India hopefully will be much more resilient to any future waves of COVID.

As the impact of the harsh second wave started moderating the economic activity picked up starting from early June, even though there was a continued presence of restrictions in Mumbai and those restrictions have even continued through July so there is now talk of further moderation in those restrictions. The rebound in demand in June was quite strong and therefore for the overall quarter, while we had 957 crores of sales, the month of June itself saw over 650 crores of sales which is in line with the run rate that we had in the January, February, March quarter which was by most accounts a very successful and strong quarter. To further, add to that, even what we are seeing on the ground in July is indicating a similar run rate, upwards of 600 crores per month. That showcases not only the resilience of the housing demand in the regions that we operate in but also the timeliness of the demand pick up as soon as the wave receded shows that the strength of demand for housing is fairly deep rooted.

In terms of where we as a company are, we find that the housing demand across price points is quite strong. The affordable and mid income segment have been quite resilient even when the sector was in slowdown between 2018 and 2020. We also start seeing the premium housing demand are quite strong and we believe that with supply rapidly coming down, especially ready supply in the premium segment this segment will continue to see good strength of demand. In general, as we have noted in the past, India is in the midst of what we believe is a Goldilocks Housing Scenario where affordability is very strong which is supported and under pinned by housing loan rates. Mortgage rates being at an all-time low, still between 6-1/2% and 7%, which is higher by global standards but quite attractive from an Indian perspective. Housing prices did not grow at all between 2014 and 2020 and those six years of income growth have made housing even more affordable. Therefore, average home prices continue to be around 3-1/2 times of annual household income, which is quite attractive from a global benchmark perspective. COVID and the resultant impact of having worked from home and in India even study from home has brought "home" to people. The need to have a high quality home where there is extra space inside the house for either working or studying or just having some general extra space and space outside the house whether balcony or a garden, both of these have become important. People have understood that home ownership is extremely important from a family stability and security perspective and people have recognized the fact that well built buildings and well-maintained housing locations or well-maintained societies are again a key to quality of life. Given our brand strength, in operating across price-points, delivering high quality products, and ensuring that the product is well-maintained after delivery, we have seen disproportionate benefits from these situations.

Building on the fact that demand is strong, it is quite complemented by the fact that since 2019, supply has become much more moderated. A large number of tier II developers have found it difficult to sell their product while being under-construction and their supply has essentially have gone out of the consideration set of most home buyers. We are now witnessing that a large number of lenders and developers approaching us. As Lodha given our track record of operational excellence, timely building out and selling of projects and our ability to deal with these tier II developers in an appropriate and respectful manner, we have seen a strong pipeline of JDA – joint development opportunities coming to us in a capital light manner. This, even as we continue to focus on our overall role of debt reduction. We are seeing that growth in the residential

segment is being available to us through the joint development route. We have completed already four joint development over the last three to four months and we see a steady pipeline of two transactions a quarter going forward. A tally of anywhere between eight to ten transactions per annum and at an average GDV of Rs. 800 - 1000 cores topline, this would add anywhere between Rs 7000 - 10000 crores of topline potential to our business each year. And again as I mentioned earlier, this is in a very capital light manner with deposit levels around 3% to 5% of the overall GDV (the sales value). This is where we see the Goldilocks situation of great affordability, increasing desire for quality home ownership and the ability to grow without investing huge amounts of capital in the land. That as a company gives us confidence that not only can we grow but we can grow in a profitable manner delivering not only strong margins but also strong return on investment and equity.

In terms of our performance for the quarter, the 957 crores of sales was 88% up year on year. Of course year-on-year growth is not something that we are measuring particularly for this first quarter, given that April to June of 2020 was a complete washout of a quarter due to the first wave of COVID. As I mentioned earlier, the numbers in June as well as whatever we have seen in July, give us confidence that unless there is any further COVID-related disruptions, we are on track to meet our pre-sale guidance of 9000 crores for the full fiscal.

In terms of collections we had healthy collections of over Rs.1,700 crores, for the quarter in spite of the fact that we had impact in April and May. However, because the banking system was still working, albeit with reduced capacity and the registration offices in the state of Maharashtra were working, again at reduced capacity, the cash flow and collection cycle kept going. This of course was on account of the healthy sales that we saw from October to March which built up the pipeline for these collections. While we kept construction going throughout the quarter, we do feel that the fact that April and May were loss from a sales perspective will have some impact of collection in the first quarter which I mentioned was over Rs.1,700 crores, it could otherwise have been higher. We will also have some impact in the second quarter but things should normalize from the third quarter of the fiscal.

In terms of other updates, the promoters repaid the entire amount owed by them approximately 1600 crores to the Company within the quarter, thus fulfilling their commitment well in advance. On the back of our IPO as well as repayment of promoter loans, our net reduced by about 3600 crores during the quarter. Our credit rating was enhanced by two notches by India Ratings to BBB+. This enhancement was done prior to the promoter loan repayment but after the IPO. We expect that as the business further continues to show its performance as well as taking into account events such as the promoter loan repayment we expect that our credit rating will further enhance going forward.

In terms of the average cost of debt, that reduced by about 70 basis points from 12.3% as of March 21 to 11.6% as of June 21. I am sure you will all agree that these are elevated levels on the back of our leverage which was historically high and therefore there is significant room for further improvement on this. We continue to intend to focus on reducing not just our overall debt, but also our cost of debt and aim to be at single digits in terms of our cost of debt over the next three to four quarters.

In terms of further details about our for-sale residential and related business, we launched about 0.9 million square feet of new area. We also completed in spite of the restrictions about 400,000 square feet of completions in south and central Mumbai. We saw growth in our premium segment sales on the back of a new launch under the 'Signet' brand which is small offices and small retail launch in south Mumbai. We saw that the percentage of contribution of sale from the premium segment went up in this quarter and the contribution from affordable and mid income was at 53% compared to about 58% in the previous quarter. On a full year basis we do expect that affordable and mid income segment would contribute more than 60% to our presales and we continue to remain focused on ensuring that more than 65% of our pre-sale come from affordable and mid income segment over the next two to three years.

In terms of digital infrastructure which we are seeing a huge opportunity and growth. This is logistics, warehousing, light industrial as well as data center infrastructure. We started on this about 2-1/2 years ago with the first joint venture in a 90-acre park with ESR, our partner which is listed on the Hong Kong stock exchange and is one of Asia's largest logistics and industrial space players. Since the 90-acre joint venture, we have now monetized over 275 acres of land in Palava through the digital infrastructure focus. We are now starting to see increased demand on the back of the area now being recognized as a hub for digital infrastructure and also due to the increasing digitization of the Indian economy, particularly in the fields of e-commerce as well as data nationalization are driving demand for the physical infrastructure.

Recently, though not in the last quarter but in the month of July we concluded another sale transaction of about 22 acres to Flyjack Logistics which is a subsidiary of Hitachi Transport Systems group a Japanese 3PL player. This comes on the back of transactions in the previous quarter which were to a French 3PL player as well as a US pharma company. We are also in fairly advanced discussions with a marquee e-commerce player to build a large warehouse facility for them spread over 40 acres which would be one of the largest in the country. This would give a further impetus to development in Palava. On the back of the success in Palava, we continue to focus on monetization and cash flow realization from Palava. We are also being approached by a number of long-term investors such as sovereigns, pension funds as well as marquee private equity names for a strategic partnership to expand the roll out of the digital infrastructure platform into other locations beyond Palava. We are evaluating this and hope to make progress over the next three to four months.

In addition to these two, we also received about 135 crores from the acquisition of land by the government for its infrastructure projects. This again is in line with our strategy that we need to collect from the government about Rs1000 crores over the next four to eight quarters for the land acquired from us.

Coming to the P&L now. The same should be seen in the context of the fact that two out of the three months were disrupted due to COVID in this quarter and that had a significant negative impact on operating leverage and therefore it is not strictly comparable on a quarter on quarter sequential basis. Our revenue for the quarter came in at Rs.1605 crores and our adjusted EBITDA was Rs.576 crores with an adjusted EBITDA margin of 36%. As I noted earlier, our PAT was at Rs.161 crores which was depressed due to negative operating leverage. We also continued to spend on construction throughout the quarter in line with our guidance of overall construction spend for the year being about Rs.2700 crores or thereabouts. That also was something

which helped the progress of the projects but had an impact on cash flows because collections were impacted in April and May on account of the COVID related circumstances.

As a company, going forward our focus continues to remain on capital efficient growth on the residential side. We see good opportunity in JDAs for the next few quarters. Our net-debt reduction targets for the year, bringing it at around Rs.10,000 crores continues to be something which we believe is well within reach. We are already at about just under Rs.12,500 crores and expect that while the moderation in debt will be modest in Q2, Q3 and Q4 will get us to the target of being under Rs.10,000 crores. On a longer time basis, our company sees opportunity to continue to grow in the residential space while continuing to focus on achieving what we call a bullet proof balance sheet where we have significant cash on hand, we have very low levels of debt and we have the ability to scale up our business in a capital efficient moderate risk manner.

On the digital infrastructure side, similarly even as we explore the potential partnerships to roll out into other locations which will help create over a medium term an annuity income stream for the business. This will be done, I think in partnership with one or more capital partners so that the company's own capital investment is moderate. Furthermore because the company will be contributing land into this partnership, that will further reduce the capital intensity of this roll out from the company's perspective. Looking ahead, we remain optimistic that we are just at the start of a long term bull cycle, bull run, in-housing, strong affordability, strong demand and consolidation in the industry are all pointing in the direction that we will have modest price cycle. Real estate housing is one of those sectors where as prices rise modestly, actually demand goes up. The full potential of this will be seen over the next 12 to 24 months as Mr. Uday Kotak noted in his remarks last week, India is at the early stages of an investment cycle like it was in 2003. If you see the impact of the investment cycle on the housing market between 2004 and 2010, you can see how my confidence that the next five years are going to be a very strong period for real estate and housing that outlook seems to be supported by other factors.

In terms of our launch pipeline over the next 12 months, we estimate a total launch of about 4-1/2 million square feet for the full fiscal year including the 9000 square feet that we have already done last quarter. We continue to remain confident that we will deliver on our stated PCLs of target of 9000 crores and our leverage target of bringing debt at or below 10,000 crores for fiscal '22. With this I would like to conclude my remarks. I thank all of you for taking the time to join us today and we will be happy to take any questions or suggestions and ideas that you may have. Thank you.

Question and Answer Session

Moderator: Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing * and 1 again.

Ladies and gentlemen if you have a question, please press * and 1 on your telephone keypad.

The first question comes from Adhidev Chattopadhyay from ICICI Securities. Please go ahead.

Adhidev Chattopadhyay: The first question is on the slide number 19 for the Investor presentation that is Palava, I am assuming the average price realization seems to have come down to 5300 for this quarter. Is there any one-time rebate or adjustment which is bringing your numbers down over there?

Management: Not really. That function is a bit of a mix. In the last quarter we had some of the villa sales as well as the retail and commercial sales because of which the average price was higher. If we see on a like to like basis, there is a price growth of around 4%.

Adhidev Chattopadhyay: No sir, going forward, we should see this heading back to around 6000 rupees on a normal term average at least for the rest of the year?

Abhishek Lodha: As Sushil mentioned, on a like to like basis, when you look at Palava the residential component within Palava, there was price growth in the last quarter of about 4%. Overall as the mix normalizes which is the villas, the retail and the commercial sale which are all a part of the number. As they start coming back, into the mix in a normal quarter, we will be hopefully at or above what we had in Q4 of FY21.

Adhidev Chattopadhyay: Okay sure. Sir and the follow up generally on the prices now, considering the rise in input cost. So have you taken a price hike in our existing projects? And then new projects which we are planning to launch in the second half of the year, how are we doing the budgeting in terms of the pricing we are looking to look at in the context in terms of the margins you want to achieve?

Abhishek Lodha: As a company we have definitely felt the impact of the rise in commodity prices. If you look at the commodity prices they have started moderating to some extent. But when we did our analysis at the end of May, we found that the like-to-like construction cost for a building starting May, June of 2021, compared to a building starting in April of 2019, over a two-year period, the construction cost would have gone up by 10% which is an average inflation of say circa 4-1/2% to 5%. In terms of its impact on margins, because construction cost tends to be 25% for the premium segment and 40% for the affordable segment of sales price, the impact of this on margin of this 10% increase will be in the range of about 4%. Having said that, when we look at pricing in affordability as well as price growth, we do think that this entire increase in cost has been and is being passed on to the consumer. We of course are hedged quite well given the fact we have over 7000 crores of ready inventory and we have another 10 plus 1000 crores of fairly advanced under construction inventory and therefore that will not have the full impact of this rise in commodity prices. Having said that we do intend to protect our margins but at the same time we have a stated objective especially in the affordable segment for the 'entry home' as we call them, to keep it affordable. These are starter homes which tends to be the studio apartment, the one-bedroom apartment. We want to be very mindful of affordability and we will ensure that affordability remains as strong as it was at the start of this fiscal. Throughout the fiscal, people have been hurt by COVID, especially in that segment and we do want to make sure that their dream of home ownership remains achievable by making sure the price is quite competitive especially for starter homes and on an overall blended basis, we intend to make sure that our margin is protected. In terms of the margins that we are seeking, on the overall

basis, as Sushil noted, our registered EBITDA is at about 36%. However, that takes into account contribution from some land related disposals and we are at an adjusted EBITDA in the low 30s on the for sale part of our business. We expect the adjusted EBITDA to moderately pick up during the year by about 100 odd basis points on the back of certain mix changes as well as some rest improvement in realization. In terms of our JDA targets we are targeting a range of 18% to 22% on PBT for the JDA projects. That's really given the low level of investment something which we feel is the right balance on the JDA projects.

Adhidev Chattopadhyay: Sure. The last question is on the cash flow side in slide 26. Our interest even seems to be on the higher side, 564 crores for the quarter, I think we guided for 1200 to 1400 for the full year, last year around. Do we maintain that guidance? That is one. Secondly, could you just give us a breakup of BDs and their approval spend of 400 crores for the quarter; can you give us just a breakup how much is BD and how much are the approvals for the existing quarters? Thank you.

Sushil: On interest cost, we continue to believe that our interest cost this year should be more in the range of Rs1400 to 1500 crores in line with what we said earlier and it is kind of getting demonstrated through the interest rate reduction and the debt itself going down. So that continues irrespective. As Abhishek mentioned that our belief is that by the end of the year we should be getting into the single digits in terms of our interest cost going forward. Coming to land and approval cost, it has a component of obviously the JDA investment in the circa of around ballpark 100 odd crores. We have land related payments of around 130 odd crores and then the approvals related payment.

Adhidev Chattopadhyay: This JDA as Abhishek mentioned you will be doing two transactions per quarter at least. So for the year at least 400 to 500 crores will be the JDA investment- is that a fair assumption to make?

Sushil: No, the overall number that we expect, as you know in the IPO proceeds also we had kept Rs 375 odd crores towards the growth capital. This potentially we will be able to utilize it during the financial year keeping in mind the strong pipeline of various number of JDAs that we have in our hand currently.

Adhidev Chattopadhyay: Okay sir, that was very helpful. All the best. I will come back on the queue if I have more questions. Thank you.

Moderator: Thank you sir. Next question comes from Saurabh Kumar from JP Morgan. Please go ahead.

Saurabh Kumar: Hi Abhishek, hi Sushil. Sir three questions. One is on the pre-sales target. I am guessing those target assumes a lot of scalability of affordable housing business which is your Dombivili and the Upper Thane township. Could you give a comment on how that project is performing currently? That is one. Secondly, Sushil could you guide on what this Lodha Prime Build is? We have seen a lot of registrations happen in the name of Lodha Prime Build so just could you just clarify what that is? I will take the last question in the end, thanks

Abhishek Lodha: Let me just take this Prime Build piece that you mentioned Saurabh. This Prime Build developer is 100% subsidiary of Macrotech. So this is

effectively not a sale transaction from all practical standpoint and henceforth we all need to look at Macrotech as a consolidated entity. Prime Build is basically 100% subsidiary. So it gets nullified once we look at the consolidated balance sheet.

Saurabh Kumar: Okay.

Abhishek Lodha: That was an inventory financing transaction in the previous quarter. So that was that. In terms of your question Saurabh on the Rs.9000 crores of pre-sales which is Rs.8000 crores of residential and the balance are from industrial land and as well as commercial sale. We have a very healthy mix between premium, mid income as well as affordable contributing to that number. In terms of the performance on the ground, in terms of Palava and upper Thane, we are starting to see very good traction in Palava. Palava is now picking up not only in what I would call the affordable segment, but also for mid income. The mid-income segment within Palava is starting to pick up and that has added to sale. We also have a big new launch in Palava in this coming quarter. Whatever business in our opinion Palava has done in recent past, it has not benefitted from launches over the last two to three years in a big manner and that will be as it is a positive. The infrastructure development in that area continues to remain very positive especially on the road transportation side. So with all of those put together out of the 8000 odd crores of sales for the 'for-sale' business, Palava and the extended eastern suburbs is bringing in about 1900 odd crores. That is just under 25% of our overall sales target. Similarly, we will have about a little over 3000 crores coming from south and central Mumbai just under 2000 crores from Thane and then another 500 crores from other geography. It is a fairly well spread out mix of sales and the reliance on any one location or any one project is not disproportionate.

Saurabh Kumar: Okay understood fine Abhishek. One last question, on this (inaudible).

Moderator: Sorry to interrupt you, there is a voice break from your line and there is background disturbance as well. Can you rejoin the queue for the next question sir; we will check your line.

Saurabh Kumar: Yeah.

Moderator: Thank you. Ladies and gentlemen if you have a question please press * and 1 on your telephone keypad. The next question comes from Biplab Debbarma from Antique Stock Broking Ltd. Please go ahead.

Biplab Debbarma: Good afternoon sir. One of my question is on the UK investment. I have been reading that there is a lot of traction in London especially in the premium segment. I think you have done 22 million kind of sales this quarter, which is very commendable. Could you give some color, how is the enquiry, interest level and can you at this point of time give us some time line, by what time- looking at this kind of market heating up there- when can we divest the entire inventory of UK?

Abhishek Lodha: Right. The UK business as we had guided at the start of the year comprises of two projects, Lincoln Square and Grosvenor Square. Lincoln Square is 90% sold now and is on track to have a full sell out in this fiscal year. The sales of 22 million that happened in this quarter came after the reopening in the UK which only

realistically started towards the middle of May. In spite of those restrictions UK was essentially under lockdown from early December all the way till the end of April for more than five months. In spite of those challenges, Lincoln Square had sales of about 22 million and collections of about 26 million in the last quarter. Grosvenor Square which is much more international market had started seeing pick up in inquiries and walk-in. However, the fact is that on account of restrictions on international travel in the UK which has only opened up today. From today they are allowing people who are fully vaccinated from US and the European Union to now enter the UK without quarantine and that will in our opinion lead to the full market being able to view the asset, lead to the right level of sales. As we have guided, Lincoln Square we expect to complete in this fiscal year and Grosvenor Square we expect to sell over a three-year period, 22, 23 and 24 approximately 150 to 200 million sterling each year. Having said that, our goal this year is to see how we work towards using these sales to prepay part of the USD bond in the next six to nine months. We are making various efforts towards that but that's the general overview of the UK.

Biplab Debbarma: Okay thank you. Sir my second question is on the business development. In the next three quarters, is there any kind of target that how much business development ...let's say 2 million, 3 million in Western suburb and Pune, you might have some target like you want to add some 3 million square feet in FY22, FY23. Is there any target in adding in the western suburb and Pune market?

Abhishek Lodha: Our focus on the JDA is to serve all the parts of the Mumbai region and Pune where we are not present. In Mumbai, our strength, our presence is in south central Mumbai, Thane and the extended Eastern suburbs and therefore we are looking to grow in the western suburbs, the Eastern suburbs and Navi Mumbai. Similarly, in Pune we only have one development Lodha Belmondo and the rest of the city we don't have enough presence so we are looking to grow in almost all parts of Pune. In terms of pipelines, as we mentioned earlier the average project is between Rs 800 to 1000 crores of top line. So let's just say Rs1000 crores for a minute and that in turn translates into anywhere between...depending on the price point, anywhere between 0.7 to 1.5 million square feet of saleable area. We expect to do about two transactions a quarter and if you take an average of let's say one million square feet, then that would translate to 2 million square feet a quarter if you want to look at it in that term. We don't really have in that sense a fixed target of square footage. What we look to do is to have quality locations where we don't have presence of supply and we can have a good partner which allows us to deliver on a great project as well as the margins that we are seeking. Within that framework we are seeing a fairly robust pipeline and that is what we are pursuing.

Biplab Debbarma: Just related question on this JDA. Typically what kind of JDAs,...are these JDAs with land owners or developer who is....you know you have developers who don't have the wherewithal to launch so they are keeping a tie up with a (not clear) developer. What kind of JDA? With whom you are doing it? Or you are doing with a housing society? Just trying to understand....with whom...landowners or developers...who are your partners in these projects?

Abhishek Lodha: These are fairly large scale developments and therefore it is not really housing society JDAs. These are JDAs on land which have large scale development potential and they tend to be either the landowner or developers who don't have the wherewithal to build out on their projects. We always have a green field

component to the project. We don't want to take on anything which is half built and only complete that, but largely we are looking at both landowners as well as developers for this.

Biplab Debbarma: Is there no difference between the landowner and developer. Sometimes, developers we have....experienced partners who is a developer. Have you differentiated between a developer as a partner or landowner as a partner.

Abhishek Lodha: No, we believe we do the due diligence on who we partner with and what kind of business practices those companies follow. There will always be some surprises positive as well as negative but generally we do not see any circumstance where any partner of ours would act negatively. The incentives are quite aligned and therefore we don't see our partners being any great hindrance to our developments.

Biplab Debbarma: Okay, thank you sir, I will join the queue.

Moderator: Thank you sir. Ladies and gentlemen if you have a question please press * and 1 on your telephone keypad. Participants are kindly requested to restrict with two questions in the initial round and may join the queue for further questions. The next question comes from Saurabh Kumar from JP Morgan. Please go ahead.

Saurabh Kumar: Hi thanks for this follow up. My question was one is have you noticed any price increaseslike to like in any of the projects coming through and generally what's your view on price increase in the market per se? That's the first one. Second one is, on the Pre-sales target of 9000 crores, the JDAs were not taken into account when you had given this guidance right? So does that means JDA should represent an upside.

Abhishek Lodha: Saurabh, so in terms of price growth, as we mentioned we are starting to see price growth come through. As Sushil alluded, Palava on a like to like basis there was a 4% price growth in the residential and last quarter...inspite of whatever was happening the last quarter. We do expect that in the full year there will be a price growth in the 5% range which will still keep affordability strong because salary growth in the country is running at about 7% or thereabouts. We do have a specific focus around starter homes and keeping them....as I said affordable slightly given the context of COVID and how it has impacted those who are looking to buy their first home. So there we will be much more calibrated in making sure that affordability remains strong and we can support that kind of home buying. But broadly on the overall portfolio basis, about 4% to 5% will come through this fiscal year. In terms of pricing....sorry go ahead.

Saurabh Kumar: I just wanted to know....specific question was on South Bombay....your luxury projects are they seeing any price increase?

Abhishek Lodha: I think Saurabh on the luxury projects it is too early to tell because we had a very strong January, February, March and that sales momentum is continuing to be good now even June and July have been quite strong. The growth numbers right now did not reflect in any significant growth in June but we do expect in the second half of the year that the price growth will be showcasing itself in the numbers

on account of the fact that we are seeing a rapid depletion of ready and close to ready inventory. I do want to note that in central Mumbai we did see a reasonable average increase but that's more driven by a mixed change as compared to a like-to-like increase.

Saurabh Kumar: Got it and on the pre-sale part of the issue, I mean the JDA part is that an upcycle target or....?

Abhishek Lodha: I think at this point of time Saurabh we will stick to our guidance, which is 9000 crores of pre-sale. I think there is a fair number of things which will keep evolving during the year and therefore we would like to stick to the guidance rather than trying to say that if anything on top of that cycle.

Saurabh Kumar: Okay understood thanks.

Moderator: Thank you sir. The next question comes from Parvez Qazi from Edelweiss Securities. Please go ahead.

Parvez Qazi: Hi good afternoon sir, thanks for taking my questions. Sir quick questions from my side. You mentioned that housing side demand remains pretty strong. What is your view on the office side specially concerned in that we have almost about 1100 crores of ready inventory on the office and retail side. So any thoughts there and what are our plans of monetization of these assets? And second, also are there any targets or any guidance that you would like to share as far as land monetization is concerned? Thank you.

Abhishek Lodha: Thank you Parvez for your questions. In terms of our offices and retail portfolio, that is ready and that is largely leased out and I think to your question on demand side, the question would probably more accurately reflected as demand for new leasing. Most of our office portfolio is leased out. We do have moderate vacancy but largely leased out and while it was quite tepid till about June, in July we have clearly seen a pickup in enquires though not yet transactions for whatever little on lease space that we have on the office side. In terms of our overall guidance, out of 9000 crores, about a 1000 crores is coming from the non for-sale business, which will include divestment of some leased assets, it will include the land sales, most through the industrial path as well as through the payments from the government for land acquisition. So we are looking at about 1000 crores from that.

Parvez Qazi: Okay sir, thank you.

Moderator: Thank you sir. The next question comes from Abhinav Sinha from Jefferies. Please go ahead.

Abhinav Sinha: Hi, thanks for taking my question. A couple of things, one on your debt reduction target, so we are at 124 billion now. For the remainder of the year you were expecting this to be entirely organic or we could expect some on off to help us take us below the 100 billion target? That's one. Secondly on the new sales target again, can you tell us how much do the new launches contribute to the current quarter and what are we building in from new launches to come in general as a category this year? Thank you.

Abhishek Lodha: Thanks Abhinav for your questions. Our goal of being below 10,000 crores will be through our organic cash flows here onwards and that is what we expect will get us to that additional deleveraging of approximately 2400 crores for the remainder of the year. In terms of mix of sales for the year- obviously that tends to be driven by a number of factors but in general, we do expect that our existing projects will contribute about 6000 plus crores to these sales for the year and about 2000 crores will come from the newly launched parcels, new locations or even within our existing locations. That is 8000 on the for sale and then we have another 1000 obviously which is come in from other asset classes which I elaborated in the answer to the previous question.

Abhinav Sinha: Okay. If you can also quickly comment on the industrial cycle, how that wheel has moved and how it will go going forward?

Abhishek Lodha: It is a very important question. It is a small part of our business, but one where we are seeing a lot of traction. We've monetized so far to 275 acres of which 165 acres was in Q4 of FY21 itself. Our transactions a joint venture with Morgan Stanley is expected to complete this quarter. This month we completed a 22-acre sale to Flyjack Logistics which I mentioned earlier. It is a subsidiary of Hitachi. We are in advanced discussions with a large e-commerce player for one of their largest distribution centers in the country, spread across 40 acres. And in general we are seeing traction from a diverse set of industries which is very robust like the building materials life sciences, light manufacturing of other types and of course 3PLS logistic players. We do believe that India the digitization of economy has gone very rapidly and also data nationalization laws are in place. But the physical infrastructure to support this growth has not yet been built up. You of course know about the huge amount of capital which is chasing this sector across the world. The world's largest REITs now are either data center or logistics REITs. That gives you a sense of the size of the opportunity in this space. We of course as a company are very focused on making sure that we grow in a prudent capital efficient manner and therefore we are exploring with several long-term investors about how we can grow in this space along with co-investments from them. One of the big benefits of course of the industrial and digital infrastructure play is the benefit to the housing and other categories in these locations because as jobs are created, people start living in that area, they want to buy or lease in our development; they want to send the children to school there, they spend money in the retail and food and other outlet etc. So generally the benefit is not just at the digital infrastructure value level, but also in the value to the overall eco structure we have created especially in places in Palava and upper Thane. We do expect a run-rate of monetization bringing in about 700 crores a year from the land monetization here in the digital infrastructure space. All in all, the 3500 acres that we have earmarked in Palava in upper Thane, even at the current run rate, will likely get monetized in 12 to 15 years. This makes it a very visible, sustainable, source of cash flow rather than what would otherwise be seen as a long-term land bank. This is of course beyond any land that we need for our residential and other asset classes which we've earmarked about 1100 acres which will get developed over the next 15 odd years.

Abhinav Sinha: Thank you.

Moderator: Thank you sir. The next question comes from Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati: Good afternoon, thanks for the opportunity. My first question is can you comment a bit on what kind of pricing you are seeing on the JDA side, is there a substantial improvement in the land prices and the economic terms pre and post COVID second wave?

Abhishek Lodha: Hi Puneet, in terms of the impact of the COVID, second wave on JDA terms, we are not seeing anything meaningful which is different. We think that the COVID first wave has already shaken out the market and the terms had become a lot more appropriate.....the risk reward has become a lot more appropriate then itself and therefore we could conclude four transactions in the last quarter which were obviously under negotiations prior to the second wave of COVID. We continue to progress along that path of 18% to 22% plus PBT margin goal on these JDAs where we put in about 3% to 5% of the top line as deposit and that's really kind of where we think the market is at, we haven't seen anything significantly change in that.

Puneet Gulati: Okay very simple. Secondly, on your digital strategy it seems you are talking more on land monetization. Is there any thought to build an infrastructure using that land and add more value to it or the idea is just to do land monetization primarily?

Abhishek Lodha: I probably may have not properly expressed myself. Our digital infrastructure play is a full infrastructure play. It isn't a land monetization only strategy. Obviously, MDL as the land owner divests this land to third parties or to our joint ventures with various infrastructure players. But in those joint ventures for example in the ESR Joint Venture we have a 49% stake. In the Morgan Stanley Joint Venture MDL has a 25% stake. In the proposed build out fund, MDL could have again a very significant stake. So in all these areas, MDL monetizes its land and probably brings it in as a part of its equity contribution but the idea is to generate value alongside our partners, build out the full infrastructure, create the eco system and generate long-term annuity income stream while doing it with prudent capital allocation given our over-arching goal on leverage.

Puneet Gulati: So you have the land and basically you are looking out for the partners to fund construction or are they adding any more value to it?

Abhishek Lodha: No there is significant more value for example ESR is one of Asia's largest logistics player and they came in with not only funding of construction....I think funding of construction is quite readily available in this sector and once you of course lease it out you also get the LRDs. So that's not the issue. You bring in strategic value. Now, when you look at the name ESR, I think it had a USD 10 billion market cap and I think it is one of Asia's largest logistics players has great relationships with international players. Morgan Stanley Fund is again very hands-on partner and brings in a lot of value addition not only in the leasing relationship but also in other aspects of the business. We go in for partners who bring in value beyond just the financial investment and that's what we continue to intend to do.

Puneet Gulati: Okay, that's very useful, thank you so much.

Moderator: Thank you sir. The next question comes from Manish Agarwal from JM Financial. Please go ahead.

Manish Agarwal: Hi good afternoon. My first question is pertaining to the south Bombay and the selling price. It has gone up substantially QOQ basis, so you mentioned that it was largely due to product mix. So what exactly is happening? Which product did you sell more this quarter?

Abhishek Lodha: So Manish, great observation. The mix was changed on account of two factors that within south central Mumbai we had a higher proportion of sales coming from central Mumbai, compared to the harbor side... the New Cuffe Parade side. We had more sales coming in central Mumbai. Even within central Mumbai, we had the launch of our Signet project, which is small offices which has a higher per square foot realization and it is a combination of both those changes which have lead to the average price per square foot going on, but please see that as a one-off aberration driven by the launch of Signet.

Manish Agarwal: Okay that is helpful. On the Signet what is the pricing at Signet because on the PPT it shows 0.2 million square feet, total is 575 crores.

Abhishek Lodha: Just a second. So the Signet price is just under Rs. 30,000 a square foot around that level and of course there are variations in the first floor and view and all of those aspects but the range is just under Rs.30,000.

Manish Agarwal: And the average selling price is higher than the Signet price, so we would have sold other products also would it be more of world towers or premium built units in parts something like that which has happened?

Abhishek Lodha: Yes that's correct. There are two factors driving that number. One is the higher contribution from the overall mix from the projects in central Bombay as compared to the harbor part of south and central Mumbai. If you take an average for the kind of extent of that.

Manish Agarwal: Thank you and lastly on the digital infrastructure side, you mentioned that you are looking at profit from other locations as well apart from Palava and upper Thane, is it true?

Abhishek Lodha: Yes, that's correct. That's what we have been approached by some very long-term and very respected investors to partner with them to roll this out across other locations given our capability in aggregating land, for gaining approvals, constructing these assets quickly at an appropriate cost and also the capability and the team that we have built for leasing and the relationship that we have built in leasing in our initial over the last two years. The idea is to leverage those capabilities into other locations.

Manish Agarwal: And this would be land which is currently not in our list which will later add supplier or aggregator?

Abhishek Lodha: This will include new land, it will also include some land which is already on our books that the joint venture might acquire from Macrotech.

Manish Agarwal: Sure. That's all from my side, understood.

Moderator: Thank you sir. The next question comes from Sri Karthik from Investec India. Please go ahead.

Sriarthik: Hi, thanks for the opportunity. I would like to get a better understanding on the economics of our land transaction. What is the book value or the cost for us currently and at what rate are we selling on an incremental basis?

Sushil: So carrying value of this land is in the circa of around two crores an acre but obviously the transaction which happens, one needs to see the exact....that particular land at what price it is being carried because it is not an average principle that works. Similarly, on the realization side, obviously the realization is could be as high as in the circa of around five to seven crores per acre.

Sriarthik: And the total carrying cost of land in the balance sheet currently sir?

Sushil: Yeah the total value currently is in the circa of around 7500 odd crores for the land value.

Sriarthik: Got it thank you. This is the last question. While we are deleveraging on an absolute basis, at what debt to equity leverage would you feel comfortable to keep it at a normalized level because the business requires some amount of leverage to make it attractive to equity holders?

Sushil: Our goal is to ensure that at no situation we go beyond one time of our operating cash flow, that's the goal. This is the kind of an upper cash at any given point in time for us in terms of capitalized structure that we would like to carry.

Sriarthik: Thanks that's it.

Moderator: Thank you sir. The next question comes from Pritesh Sheth from Edelweiss. Please go ahead.

Pritesh Sheth: Thanks for the opportunity. Firstly, Abhishekji, I commend you for the level of disclosure you have provided in the presentation. My question is on the cash flow on this JVA, JDA investment. Does this include also the working capital investment that we will be doing in the JDA? Hello am I audible?

Abhishek Lodha: Yeah. Hi Pritesh, thank you and thank you for joining the call and your comments and questions. The numbers that we have shown for the JDAs are the actual expense towards the JDA transaction which includes deposits and also includes stamp duty paid etc. I think the standard working capital which will be required for the project is not part of this JV JDA investment fees. But if you look at the fact that the approval fees etc. it will be part of the approval fees to the extent that there is expense towards approvals and so on.

Pritesh Sheth: Okay got it. I think to the earlier participant you highlighted for this full year you have spent for JVA JDA might be around 200 crores considering the amount we raised in the IPO. But from hereon how should we look at? Should we be maintaining similar kind of trend given we are targeting to add eight to ten deals annually, so that should become extended?

Abhishek Lodha: Yes, I think it can be estimated that the average investment in a JDA contract is 5% of the JDV as in terms of deposit and there is some stamp duty in addition to that. So that would be the kind of investment quantum. I think this year we do see a very healthy pipeline and we do think that approximately 375-400 crores which was raised in the IPO will get deployed towards the JDA as was originally envisaged. How the outlook on the JDA evolves in the next year, I guess time will tell. But yes, I think on an average of two transactions per quarter and therefore an average investment of about 400 crores a year or thereabout towards the JDA seems to be directionally correct.

Pritesh Sheth: Right. One lastly on I think the previous participant had the same question on pricing. Specifically Flyjack transaction was done at similar 3-1/2-4 crore an acre kind of a number or we saw some price increase even in that transaction?

Abhishek Lodha: The transaction value is covered by certain disclosure requirements but it is within the ballpark that you mentioned.

Pritesh Sheth: Okay and how should we look at the pricing moving from here on for our industrial land parcels considering the Taloja land parcel is selling at around 7-8 crores per acre....so what should be the kind of trajectory we should look at to approach that value for our land parcel?

Abhishek Lodha: I think it is a combination of volume and value of course which go hand in hand. Right now as I said, our goal is to monetize about 700 crores an acre. I would expect our numbers would average for the next 12 months around 4 to 4-1/2, upto 5 crores an acre. I don't think at this stage we are targeting that 7 crore mark and so for the next 12 months it is between 4 to 5 crores an acre kind of average.

Pritesh Sheth: Sure, sir thank you . That's it from my side and all the best.

Moderator: Thank you sir. Ladies and gentlemen that would be the last question for the day. Now I hand over the floor to the management for closing comments.

Sushil: Thanks to all of you for your participation and the open Q&A session. We look forward to continue to receiving your queries, whatever you may have beyond the call that you can connect with Anand or me at any point of time. Look forward to a better understanding from all of you. Thank you.

Abhishek Lodha: Thank you .

Moderator: Thank you sir. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a pleasant day.

Note:

1. This document has been edited to improve readability.
2. Blanks in this transcript represent inaudible or incomprehensible words.