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October 27, 2021

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The Listing Dept.
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Bandra (E), Mumbai – 400 051
Trading Symbol : **LODHA**
Debt Segment - **DB - LDPL23 & DB-LODL23**

Dear Sir,

Sub: Q2 FY22 - Earnings Call Transcript

We are enclosing herewith a copy of the transcript of the Company's Q2 FY22 earnings conference call held on October 22, 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

Macrotech Developers Limited

Sanjyot Rangnekar
Company Secretary & Compliance Officer
Membership No F4154

Encl: As above

"Macrotech Developers Limited
Q2 FY2022 Earnings Conference Call"

October 22, 2021

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

MANAGEMENT: **MR. ABHISHEK LODHA – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER - 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 Macrotech Developers Limited Q2 FY2022 earnings Conference Call hosted by Antique Stock Broking Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Biplab Debbarma from Antique stock Broking. Thank you and over to you, Sir!

Biplab Debbarma: Thank you Neerav. Welcome to Q2 FY2022 investor conference call of Macrotech Developers Limited. Today, we have with us the management of Macrotech Developers represented by Mr. Abhishek Lodha - MD and CEO, Mr. Sushil Kumar Modi – CFO and Mr. Anand Kumar – Head IR.

The format of the discussion would be brief opening remarks by the management and followed by Q&A session. Without further ado, let me handover the call to Mr. Abhishek Lodha. Over to you Sir!

Abhishek Lodha: Good afternoon, everybody. I hope all of you, your families and loved ones are well. Thank you for joining us for earnings call. I will start off by sharing the highlights of the quarter. It is encouraging to note that the impact of COVID appears to be waning with the tireless effort of our government, the health workers and our fellow citizens as well as corporates, the vaccination drive have been immensely successful.

India reached the important milestone of one billion doses given yesterday which is important and proud moment for our country. With the current vaccination trends, it is possible that we will avoid the so called third wave and thereafter COVID remain over to becoming a pandemic but not seriously disruptive ability of our lives.

The demand trends on the ground are quite strong across all segments, and it gives us the confidence that we will achieve our guidance for presales of over 9000 Crores for the full year in spite of the impact of COVID in the first half. The demand on the ground is trending up with every passing month and we see increase in customer enquiries as well as sales traction across all segments.

We were very encouraged during the quarter to see that we had more than 25000 walk-ins at a conversion ratio of nearly 8%. Both of these parameters are expected to rise further as is such to see festive season peaks in from October onwards. Despite being a seasonally weak quarter on account of monsoon as well as the being auspicious period of Shraddh or

Pitru Paksha, we clocked a very strong presales of Rs.2003 Crores which was up 88% year-on-year.

The initial part of the quarter was also impacted on account of the residual COVID related restrictions on mobility. This makes us extremely confident of our performance for H2 as the festive season kicks in. In any event the H2 generally accounts for 60% of our business and we believe that with the trends on the ground things look well set for us to have record performance in H2.

In terms of collections for Q2, we had collections of 1912 Crores which were and collections of certainly impacted due to the lower sales in Q1 in the second wave of COVID and July-August felt that impact. September collection have recovered and we expect to see further strength as we now have a backing of strong quarter of sales as we had into Q3 and H2. During the quarter, all our business segments perform strongly showing robust growth.

From a core sale business, the key highlights were; the presales rebounded across all projects sharply since June and that continued through the quarter. The demand conditions continued to be robust despite this being, as I have noted earlier, a seasonally weak quarter. On the strength of the demand witnessed, we launched about 1.1 million square feet of new area, and we also delivered about 0.9 million square feet of area. We during the quarter, showcased the company agility and speed by launching two JDA projects; one in Pune and one in the Eastern Suburbs which showcases the fact that in a short period of between 1 month to four months we were able to turnaround the JDA projects and therefore get a better value at a much faster pace of sales.

About 61% of the presales came from affordable and mid income segment which was quite heartening. What was most important in our view was the fact that our township business sales crossed more than 450 Crores. This segment, the township business is a key focus of growth for us and with the strong performance in Q2, we feel quite good about the overall guidance of about 2,000 Crores of sales in the township business for the full year.

We have an upcoming large launch at Palava wherein 200 acres which was earlier in planned projects has now moved to ongoing projects and with that new location and launch, we believe that Palava sales we get a further uplift in the coming quarter Q3.

At the World Tower also during Q2, we saw strong bookings and when we see the two spectrums, the two book ends of our business Palava and World Tower and the strength of demand in both of those that is the sales comfort that a true resilient growth in demand is here to stay for some time.

In terms of our digital infrastructure business, we continue to see great interest and huge opportunity. There are number of ongoing discussions to take a space at Palava Parks. During the quarter we concluded a sale transaction of 22 acres to Flyjac Logistics with a subsidiary at a Hitachi Transport Systems Group, a Japanese 3PL company. We also saw traction coming from other industry such as packaging.

Currently we are in very advance discussions with one of the world's largest e-commerce players to set up one of their largest centers in the country over 40 acres of land at Palava. We also concluded that the joint venture transaction with Morgan Stanley Real Estate fund and a partial consideration was received. We are also progressing well in discussions with a couple of international marquee investors to create a digital infrastructure platform where we can grow our learning as well as capabilities in digital infrastructure across a number of locations in the country and slowly in a low capital intensity manner build an annuity stream for our business.

Amongst other highlights we tied up another JDA projects in the Eastern Suburbs of MMR worth about 1000 Crores of GDV which is now since IPO, it is about five months we have tied up projects about 4500 Crores of JDA**.** I am also pleased to let you know pipeline on JDA looks very strong and we are likely to able to achieve between 7000 and 10000 Crores worth of new projects in the second half of the fiscal.

Our UK investments surprised us in a positive manner in this quarter by having the best ever quarterly performance, the growth was development in a single month of September with sales of over 110 million pounds at about 1100 Crores this followed the reopening of travel from US and Europe into UK from August onwards.

Lincoln Square which has been performing consistently also delivered sales of about 35 million pounds or about 350 Crores and therefore continued on the sales trajectory by which Lincoln Square will be fully sold out by the end of this fiscal year. With the positive performance in Grosvenor Square as well as the continued visibility on Lincoln Square we believe that we will be able to prepay the USD bond of about $225 million in this fiscal itself which showcases the underlying resilience of our business and our ability to continue to create positive upsides within the business.

Moving forward now, I am looking towards the second half of the year, on the back of what we are seeing as well as the new micro markets and geographies as we are wanting to enter into in Mumbai and Pune where we have limited presence up till our IPO, we are looking at new launches worth about 6000 Crores of GDV and we are growing into different geographies, micro markets within Mumbai and Pune are spending significant amount of effort to build our capability.

We have added a new CEO for our Eastern Suburbs and Navi Mumbai business and that team is now starting to get well settled and will be a source of good growth over the next 12 months to 24 months. We have also appointed a new CEO for the Pune business by promoting from within our existing organization showcasing the ability of our organization to give room for good talent to take on with the responsibilities.

We have also added capability in a digital structure business as well as that the commercial rental business and at the mid level we continue to focus on augmenting capability of our existing people to training and diversity of different experiences as well as continue to hire from across the board including too global consulting like McKinsey etc., as well as marquee institutes like IIMs, ISB and so on.

On the ESG front, we continue our focus on ensuring that we become a global leader in the real estate space in the field of sustainability and have very high standards when it comes to social impact and governance. Working with the Rocky Mountain Institute our goal, our long term Northstar goal of the carbon neutral by 2035 is very much on track and we believe that we might be able to achieve this goal even sooner than the estimated date of 2035.

As a part of that process, we have registered ourselves with the S&P Global which is an external ESG benchmark and call for assessment and we expect to receive the score during the course of this fiscal year which will enable us to take more improved faster steps in achieving that Northstar goal of being carbon neutral. We have also initiated the process to completely transition to renewable energy on our construction site and our target to 40% carbon emission reduction on a construction site in the next two years.

We have updated our sustainability policy and are initiating green certification for our entire residential portfolio in addition to our office and commercial projects which anyway have various levels of LEED or other green certification.

During the quarter, we also tied up with Tata Power to provide EV charging infrastructure at all of our developments. On the social side this quarter was again one where COVID took the forefront of our attention. We have nearly vaccinated 100% of our employees with one dose and more than 70% with two doses. On the whole, we delivered almost 60,000 vaccinations to our employees, their dependents, residents in our development as well as our third-party workers being one of the largest corporate impacts in the area that we operate in.

As we have informed earlier, we inducted Mr. Lee Anthony Polisano as a Director during the course of this quarter and Mr. Polisano has already started making an important and positive contribution when it comes to sustainability and technology, both of which are important focussed areas for us as well as for our sustainable growth as an organization.

Coming to our P&L, the same should be seen in the context of the disruption on account of COVID in the earlier part of the quarter. Our revenue stood at about 2124 Crores; our adjusted EBITDA was about 778 Crores with adjusted EBITDA margins of approximately 37%. Our PAT excluding forex was at about 287 Crores showing a margin of 13%. All these parameters have shown a significant rebound on a year-on-year basis.

Going forward, our priority continues to be capital efficient growth. We will continue to focus on delevering our balance sheet with a near term goal of approximately 10000 Crores of net debt by the end of this fiscal and we will continue to pursue profitable growth largely through the joint development route.

In this context, I would also like to now inform you that MDL is taking an enabling resolution for a primary capital raise with a view to raising up to Rs.40 billion i.e., 4,000 Crores anytime in the next 12 months. At the outset, I would like to make it very clear that it is an enabling resolution and does not in any way imply that we are in need for new capital urgently or otherwise and the resolution is going to be valid for a full year and we shall do the raising only when all our objectives are aligned.

I would like to clarify three points in this context; we had raised 375 Crores as growth capital during our IPO in April 2021. This was envisaged to be sufficient for our growth for the next 12 months to 18 months; however, with increasing consolidation in the industry, we had already deployed that entire capital by October 2021 itself, adding projects with GDV potential with this entire deployment of more than 7000 Crores which is almost 18 times of the investment.

These projects have a typical investment of 5% to 6% of GDV, PBT margin of 18% to 20% of GDV leading to project level ROEs greater than 50%. From these projects acquired under the JDA since the IPO we have already launched three projects Pune NIBM project, a project in Mulund which is in Mumbai Eastern Suburb and another project in Kandivali which was launched in October which is in Mumbai Western Suburb, showcasing our ability to expand much faster than peers with good realization.

This had in turn attracted a large number of new landowners and lenders to approach MDL for other joint development opportunity. As a company, we see the opportunity to deploy between 400 Crores and 500 Crores per quarter, grow as presence in the micro markets of Mumbai and Pune where we have currently limited presence and therefore, we continue to gain significant market share.

One of the key messages here is that MDL is not deviating from its asset light model and will stick to the financial discipline with respect to the return matrix that we are targeting. This growth capital is not meant for land banking of which we have sufficient and therefore we do not see any transition in the return ratios as I had already explained. This capital raise once done can add up to 40000 Crores of GDV over a 12 to 18 months period and then the GDV would be delivered in five years thereafter which in turn would mean about 8000 Crores of incremental profit before tax delivered over a five year cycle.

Overall, with incremental capital we could generate over 35% ROE improving our overall ROE which will also strengthen our brands and help us emerge as market leader in the target geographies will also help us reduce our overall unit overhead cost.

Second, we are well on track to meet our sales guidance despite the second wave of COVID which impacted sales in Q1 and collections in Q1 and Q2. The company is generating strong internal cash flow and does not need any capital to meet a regular business plan or deleveraging goals. We expect presales from our for sale business to be running at about 830 Crores a month for the second half of the year totaling about 5000 Crores and in addition we are expecting about 1000 Crores of sales from our rental office and land sale which will be more skewed towards Q4.

With the current momentum and all the booking and launches, we do not envisage any new problem in meeting our sales guidance for the year. Importantly, the above numbers do not take into account sales from our UK investments which are highlighted earlier, and which are tracking ahead of schedule especially in the fact of Grosvenor square. We are also confident of reaching our debt targets to reduce our net debt of 12,500 Crores at the end of Q2 to approximately 10,000 Crores at the end of the fiscal year.

We expect to bring in about 5,500 Crores of cash flow in the second half and with the spend a little over 3000 Crores which will also reduce our net debt as per this guidance. In addition, I am also glad we have to mention that our credit rating has been raised to A- and we expect this journey of improving credit rating to continue going forward too.

Our interest cost on debt have been coming down and compared to 12.3% at the end of fiscal 2021, cost for debt as of Q2 2022 is now 11.4% which is reduction of about 90 basis points, and we expect this to continue to come down further targeting to reach in the ballpark of 10% by the end of the fiscal.

Third point, after completing the capital raise which will happen at an appropriate time we do not envisage coming back to the markets in the near future. The fresh capital raise and the cash generation will be sufficient to enable the company to achieve its growth ambition as well as deleveraging goals. We do have to meet the MPS norms, but we have another two and a half years to meet these targets and the timing of any further dilution is taking into account of best interest of our minority shareholders.

Concluding my remarks, I would like to say that we are very, very optimistic at this stage about the housing cycle. We believe that we are at the early stage of a multiyear bull run and housing demand will continue to grow even by a number of factors that we are all well aware of including the impact of COVID and a desire for bigger better home with the low mortgage rates as well as the fact that India as it moves from being a low income to mid income and credit growth recognition of the contribution of housing to both employment creation as well as middle class wealth creation.

We believe that a number that we are seeing right now are just the start and there is a significant amount of growth ahead of us, obviously there might be one of the events of the crisis like what COVID has done but all in one a long-term strength we see that we are very strong. We have a very strong launch pipeline of over 8 million square feet in the next 12 months and we are confident that we will be able to give a strong growth in fiscal 2022 on both operating as well as financial parameters.

With this, I conclude my remark. I would like to thank you all for joining us on this conference and we would now be happy to discuss any further questions that you may have. Thank you once again.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Adhidev Chattopadhyay from ICICI Securities. Please go ahead.

Adhidev C: Good afternoon, everyone. Thank you for the opportunity. My first question is on this GDV addition through new JDAs which you alluded of 7,000 Crores to 10,000 Crores in second half, could you give us any specific geographic breakup how much would be Pune, how much would be Mumbai and within Mumbai as you mentioned you have also appointed a CEO for Navi Mumbai, so just some sense on the micro market wise break up over here, it could help us?

Abhishek Lodha: Thank you. That is an important question. We expect from a GDV addition perspective about 20% to 25% to come from Pune and the majority of the balance to come from the Mumbai region. In Mumbai region, we expect a meaningful growth to be coming from three locations; one is the Eastern Suburbs and as you rightly mentioned we have appointed the new CEO to head up in the Eastern Suburbs and Navi Mumbai which we are together looking at positively. We have seen some significant growth there in terms of new projects, we will also see some new projects in the Western Suburb and we might also see some traction in the urban area where currently our existing projects of Venezia and others are largely sold out, so these would be the three areas where we might see some significant addition, in addition to the 20% to 25% that will come from Pune.

Adhidev C: The second question mainly is on our debt reduction as you have highlighted you are on track with this 10,000 Crores target, just wanted to get some clarification on the interest costs. In spite of us bringing down our gross debt quite meaningfully in the first half, the interest cost seemed to be still bit flattish on a quarter-on-quarter basis, so I think that is a on a 1400 Crores of interest saying for the full year that you are taking up for the year, so any change to those numbers?

Sushil Kumar Modi: I think on interest cost is the broad trajectory and obviously is getting reflected in terms of numbers also but what you see the interest cost on a cash flow standpoint, yes we had the interest costs to meet up in this particular quarter on account of the bonds which was one off and obviously that money is going to come back in Q4 and perhaps potentially the way we are seeing is that from the GSQ cash flow while the entire bond will get fully paid out and would thereby open up the proposition for potentially further diversify our finance pool to have a new bond being international market which will enable us to bring back our equity investment that we have put in UK perhaps on a fast forward vis-à-vis earlier expectations that we will potentially bring it only in financially year 2024 potentially we will be able to see a significant amount coming in, in this financial year itself and that will diversify the pool of capital for India and as well as the finance cost that will further go down as you can appreciate if we have a public market money from the international market.

Adhidev C: Sir just I was alluding just for the India business, what would be the interest cost for the full year now, any guidance, excluding UK or any other?

Sushil Kumar Modi: We will continue to see the handle of around 1500 odd Crores that continues.

Adhidev C: 1500 Crores for the year, India business, okay fine. That is it from my side. I will come back in the queue with more questions. Thank you.

Moderator: Thank you. The next question is from the line of Kunal Tayal from Bank of America. Please go ahead.

Kunal Tayal: Thank you. Couple of questions from my side, firstly Abhishek, given this accelerated opportunity for JDA projects that you now see in H2 and going ahead, do you also anticipate a change in the return profile either better or different from how you were earlier hinting, so that is the first one and second I think your presentation says that there has been a price increase of 2% to 4% across most of the projects, can we sort of expect they are trying to continue, are you expecting prices to go up significantly in the near future? Thanks.

Abhishek Lodha: Kunal, thank you for those questions. In terms of the return profile of the projects obviously each project by self will have some variability but on average, we expect it at a overall level these projects to have an investment between 5% and 6% of the GDV, PBT margins of about 18% and ROE is an excess of 50%, so this would be broadly the nature of the joint development projects some variability within that but on average this would be the kind of number. Could you just repeat your second question?

Kunal Tayal: The second one was on pricing broadly your view as to how that would shape up going ahead?

Abhishek Lodha: I think we have earlier mentioned that we expect price growth this year to be in the range of about on an annualized basis about 3% to 4%, we have already seen the 2% to 4% increase happening across our portfolio most of our projects had that in H1 and we do expect that that pace of what we saw in H1 will continue through into H2. On ground actually what is happening is that a large amount of the oversupply has now gotten I would say absorbed over the last four quarters starting from October 2020 up to now and we are now at a stage where residential development takes anywhere from 3 to 5 years to develop and then continues to remain strong and therefore pricing power I think will be quite decent over the next couple of years, in terms of where we would like it to be, we would still like pricing growth to be below wage growth in the country so that affordability remains strong, so it is looking like wage growth in the country average 7% to 8% or thereabouts over the next couple of years and if price growth could be in that 6% ballpark, I think we will have a fantastic outcome both for the growth in volumes because of improving affordability as well as the growth in margins.

Kunal Tayal: Got that. Thanks a lot.

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

Puneet: Thank you so much for the opportunity. Abhishek while you talked about ROE and PBT margins of 18%, do you also have a project IRR or equity IRR in when you do these joint development projects and what would that numbers be?

Abhishek Lodha: ROE that we mentioned obviously take into account as far as these projects are going to have a very modest level of leverage given the fact that land cost is not been incurred by us, so we expect these projects to only have a very modest level of leverage and therefore we do not expect a significant delta between the project IRR and the ROE.

Puneet: Okay and what kind of IRR should one read, 50%, and 60% is there what I heard?

Abhishek Lodha: Yes, I mean the ROEs that we are mentioning of about 50% are sort of the indicative of the IIRs.

Puneet: My second question is, is it possible to share in your sales number what would have been the gross sales and what is net sales, are there any cancellation for till previous year or is it all three?

Abhishek Lodha: The sales number that we report is our net sales number which is the typical level of cancellation from previous years tends to be about 2% to 3%, I think that is what we see after what we reported. It is broadly whatever comes in. If you would like an exact breakup of how much was the gross versus a net pre-sales we reported, we can take that out and share with you all offline.

Puneet: Broadly that 2% to 3% has not changed, you are not seeing it go up or go down?

Abhishek Lodha: No, we have not seen anything which has out of the norm; yes we have not seen anything out of the norm.

Puneet: Great and lastly in terms of the JDA opportunity are you seeing a lot more opportunities coming in or are you seeing some bit of reluctance on the part of land developers to now actually increased land prices as well?

Abhishek Lodha: We are seeing a tremendous flow; I can only tell you that one-third of my personal time is being spent on evaluating new opportunities and one-third on building the capability so that we can deliver on these opportunities, so the flow is only accelerating at least in our perspective and from what we are seeing. I think the land owner is surely seeing Lodha not only being able to deliver the best the speed of execution and good realization but also they really liked the fact that we are able to bring the project to market in a reasonably quick time frame and therefore start the cycle lot sooner than they would expect others to do, so we are only seeing an accelerating trend so like we said in the first half we delivered about 4,500 Crores of GDV on the JDA and that is completely being something between 7,000 to 10,000 Crores in the second half, so you can say it is almost 2x of what we did in the first half.

Puneet: Right, that is very helpful. Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Kirthi Jain from Canara HSBC. Please go ahead.

Kirthi Jain: Thanks a lot for the opportunity. Sir, my question is with regard to sales trajectory which we are targeting over five years given the large JDAs which you are adding of Rs.40,000

Crores, so can we expect that our business which we are targeting to reach Rs.9000 Crores in five years we will touch Rs.20,000 Crores do you expect that?

Abhishek Lodha: I think the fact is that the JDAs will give us a significant uplift on the overall sales number over the medium-term. If we are able to deliver on this increase in JDAs of almost Rs.40,000 Crores and that amount may then addition to our this pipeline of at least Rs.7000 Crores to Rs.8000 Crores a year and therefore what you are saying about five year projection and therefore would not like to speculate whether that means Rs.20,000 Crores I would believe that somewhere in that range of Rs.20,000 Crores would very much be possible over a five years span and we can detail that out and share with you over next couple of weeks.

Kirthi Jain: Apart from that given the successes which we are achieving in terms of the tie ups with logistic players and e-commerce players with regards to non-residential development any other large land parcel we are targeting through asset light way and then developing the data centre or logistic park, whatever you have in terms of non-residential businesses anything we are trying to build other than in the Palava region?

Abhishek Lodha: Yes, as I mentioned in my remarks we are in I would say advance discussions with two large international investors of very, very high repute to have a platform for investment in digital infrastructure which will be beyond Palava. It will have some part from Palava but will be beyond Palava and the capitalized model will be from our perspective that we will be bringing in some of our existing assets and they will be bringing in capital and then we will work together to deliver this digital infrastructure of logistics, industrial as well as data centres across different geographies in a scale of land parcels between 50 acres and 150 acres across the different parcels.

Kirthi Jain: Sir, my last question is with regards to our foray in south and the northern regions, when we are targeting to enter that region and what are our plans in that market?

Abhishek Lodha: Our immediate focus as we mentioned is on Mumbai and on Pune. We are receiving a lot of approaches from people in Bengaluru as well as from NCR. As we stated earlier our strategy is to go deep into each market, make sure that we are serving every segment within that city rather than just doing a handful of projects and gain significant market share and be amongst the top three players in terms of overall sales and be one of the strongest brands in the city. So, Mumbai and Pune are clearly top of agenda for us, and as people are approaching us evaluate us for example a market like Bengaluru, but we do not have a definitive timeline for it right now.

Kirthi Jain: Thanks a lot.

Moderator: Thank you. The next question is from the line of Saurav from JP Morgan. Please go ahead.

Saurav: I do not know this question was answered earlier but, Abhishek on your debt guidance of Rs.10000 Crores by the year end I just wanted to know that next two quarters should broadly after generate about Rs.1200 Crores odd every quarter, so is that something which is realistic and secondly specifically in this quarter in this Rs.500 Crores of land/approval spend was there any one off out there? So that is the first one. I will come after this.

Abhishek Lodha: Saurav, yes given our big launch pipeline for H2 we did overinvest in the land and approvals in H1. There was a one-off payment of approximately Rs.100 Crores for the clearance of the land, which we are now launching at a new location of the premier land in Dombivli. Similarly, we invested in the JDAs that you already picked up on. So, yes there were a few one offs in H1 and that was in preparation for the launches of H2. In terms of the cash flow just very broadly what we expect to bring in is about Rs.5500 Crores of cash into the company over the next six months and our expenses will total a little over Rs.3000 Crores and that gives us reasonable visibility of being Rs.10000 Crores for the year end. As I noted earlier some of our digital infra as well office rental sales will happen in Q4 and therefore we expect the debt reduction to not the equal in Q3 and Q4, Q3 will have a more modest debt reduction and Q4 will have the larger chunk of the debt reduction.

Saurav: Okay, got it and second Abhishek is there any intervention you have done in this township business that the sales have come back to Rs.450 Crores or is that just market that comes in Dombivli?

Abhishek Lodha: Saurav, as we had guided even earlier in last couple of our discussions that the township business is one where we see big potential. It had reduced its sales levels on account of certain specific issues and what we are now seeing is a return back to the norm. This is what used to be the case in 2017 and 2018. So, we are just seeing a return back to the norm. Obviously, some of the infrastructure around Palava is very helpful because it is helping in terms of connectivity. We are going to see some more infrastructures come up in those areas. We have introduced some additional typologies for example in Palava the aspirational housing which is more between Rs.80 lakhs and Rs.2 Crores that has started contributing quite well. The small offices have contributed a little bit but that is another new asset contributing at Palava. We are going to have this big launch in Palava in the coming quarter and I think that will make the meaningful difference and possibly in Q4 we will have a new typology launch in Upper Thane which will also contribute in a good manner and Upper Thane the new road which is connecting from the Nasik Highway up to Dombivli station has progressed really, really well. It is a beautiful 30-metre wide concrete road and the bridge to Dombivli will probably be ready sometime in the first half of calendar 2022. So, all of this infrastructure combined with the positive sentiment as well as our deliveries on the ground, Upper Thane we got OC, people have started living over there they are all coming together, but it really is about our focus. I think generally township is a place where we have said we have to do better and we showed some results in Q2 and we hope to do even better in the second half of the year.

Saurav: Thanks. Just on this margin, this 37% margin may be Sushil can take it. Sushil what will be the core development margins or is pure excluding any lands sales or anything you must have done?

Sushi Kumar Modi: That has improved marginally, so now this quarter we have crossed around 31%.

Saurav: 31% core development market?

Sushi Kumar Modi: Yes.

Saurav: Thanks Sushil. Thank you.

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

Mohit Agarwal: Thanks for the opportunity. Sir, my question is in the last quarter we have seen that you upped your JDA estimate to Rs.40,000 Crores where are you seeing this incremental supply coming in from, is it more of redevelopment projects or stuck projects or just more lenders bringing in more deals could you give some colour on that?

Abhishek Lodha: Sure, most of the JDA projects that we are looking at right now are focused on projects which are either, I would not call that struck projects, but there are the projects where the developer has run into difficulty and the investing phase is progressed but not complete and the new phase has a lot of potential which they cannot develop. So, in that case is where the lender and/or the developer approach us most of the time that is the nature of the projects. We also have some developers who have not started the project at all they just have the land piece with the minor or all approvals and they have approached us, and we have added, we have also looked at those kinds of projects. In terms of we do not take land clearance risk, we do not want to take on a project where the land is not vacant. So, while we will do redevelopment or not will depend on what is the status of the land? We do not like getting in to land where vacation has not happened as yet.

Mohit Agarwal: Okay, and are we structured for the projects where you show 18% PBT, are we structured as DM structure, profit sharing or revenue sharing?

Abhishek Lodha: These tend to be either profit share or revenue share. We hardly ever do DM. DM is something which we do very, very rarely.

Mohit Agarwal: Just one clarification on the land bank on slide 24 of your presentation. What I see is in this quarter you have moved some two hundred acres of land bank in extended Eastern suburbs from land bank into projects, the launches beyond twelve months have shot up from 30 million square feet to 45 million square feet. So, what is the thought process there are you seeing more demand or are you getting more aggressive on the potential what is the thought process?

Abhishek Lodha: Yes, you rightly picked up the fact that 200 acres of really prime located land which is located on the Kalyan-Shil Road which is the land belonging to earlier to the company called Premier Automobiles was something that we had acquired partly a long time ago and then we got it cleared in the first half and we are progressing to launch that. We are progressing to launch it because that as a location is different from the current location of the second phase of Palava and this new location we believe makes us much closer to the markets at more attractive because markets are going to be in Kalyan where the current location of Palava makes to be more attractive to the market of Navi Mumbai so we believe this will be additive and therefore we have moved it into now launching that.

Mohit Agarwal: That is 15 million square feet?

Abhishek Lodha: That is correct.

Mohit Agarwal: Okay, thanks a lot. That is all from my side.

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

Abhinav Sinha: Just a couple of questions, so one when we are talking about expanding digital infra business in other cities, what is the business model like are you going to acquire land there. That is one and secondly on the cash flow part, the construction cost was a bit lower QOQ because of the seasonality or Rs.500 Crores is the more likely run rate? Thank you.

Abhishek Lodha: Two parts. The digital infrastructure initiative will be a platform with a couple of other investors where MDL will hold a stake somewhere around 30% to 40% stake in that platform and will only the operating company which will run that platform and in that model we do envisage that the joint venture company or whatever the structure will eventually get finalized with partners will acquire assets for the infrastructure in different locations on an outright basis as well as on a joint venture basis. But MDL's own capital contribution to the platform will be modest because we are bringing in a reasonable amount of assets. That was in terms of the digital piece. Could you please repeat your second question?

Abhinav Sinha: Yes, the second one is on construction cost, it was lower quarter-on-quarter in Q2, so is the seasonality or this is the right runrate going forward?

Abhishek Lodha: No, that is definitely seasonality associated with that number. I think a combination of the seasonality as well as payouts happen with the lag of between 45 days to 60 days, so we are also seeing some impact of the facts that the construction pace in Q1 was slower, so on a cash flow basis some of that meant lower payout at the start of Q2. We do expect the rate of construction to go up and we would expect that to be between Rs.700 Crores to Rs.750 Crores per quarter in H2.

Abhinav Sinha: Thanks and all the best.

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

Parvez A Qazi: Thanks for taking my question. Few questions from my side; first just wanted get your thoughts on our sales in the South-Central Mumbai for understanding we do see that quarter-on-quarter I think the ready and unsold inventory has increased probably because of some project completion there and we have seen significant reduction in the unsold inventory in the ongoing projects there. So, just wanted to get your views on the sales trajectory in that market going ahead especially on the three big projects that we have and second also your views about the monetization of some of the annuity assets that we have like the office asset etc.? Thank you.

Abhishek Lodha: Thank you for your question. So, if you look at slide 23 of the presentation you see that the South and Central markets had a very robust sale performance in the H1, delivering Rs.1100 Crores of sales out of the overall Rs 2960 crores. So, the sales trajectory of the South and Central Bombay continues to remain very robust. We did have one of our larger towers completing in this quarter and therefore we saw the shift of the inventories from ongoing unsold to nearly unsold because the tower was completed.

Parvez A Qazi: About the annuity asset monetization?

Abhishek Lodha: In terms of the annuity assets monetization, we do expect close to Rs.1000 Crores of sales happening in the second quarter. One of those is likely to be an office building which will happen most likely in the second half, early Q4 or we do expect a large sale of infrastructure asset happening in the current quarter. So, these two between themselves will be quite significant and then there will be other small assets.

Parvez A Qazi: That is it from my side and all the best. Thank you.

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

Pritesh Sheth: Sir, thanks for the opportunity. But just following upon this South and Central performance largely I assume most of the sales happened from the completed projects or there was some ongoing also that moved?

Abhishek Lodha: I am sure the fact is that a lot of the demand in South and Central Mumbai is focused towards what is ready or close to ready and therefore a disproportionate amount of the sales do happen from what is classified by us as ready unsold.

Pritesh Sheth: Okay, got it and whatever is ongoing and sold are expected to complete within next two year – three years or how is the timeline?

Abhishek Lodha: There is not anything in the ongoing unsold which will not be completed within the next three years some of it may be sooner than that, but definitely all the ongoing unsold South and Central Mumbai will be completed in the next three years.

Pritesh Sheth: Great and lastly on the collections, just wanted to understand was it linear across the months of the previous quarter or we saw by end of the quarter the collections improving because there was obviously the construction progress that had been made and how should we look at then going in the second half because that will determine how much collection can happen in the second half?

Abhishek Lodha: Actually, it is a very fortunate observation. As we noted in our remarks as well as in our release done to the stock exchange earlier in October, the months of July and August the collections were quite impacted by the second wave of COVID because of the fact that in each month sales were slower and therefore there is an impact on collections in Q2 and from September onwards collections is being up, we do expect collections to be headed towards the trajectory which is meaningfully higher than what we saw in Q2 as we saw Q1 to Q2 collections almost doubled and we will see a significant pick up in collections in Q3 and more so in Q4.

Pritesh Sheth: Great, okay, and just lastly on the interest outflow that we saw this quarter how much was that for US bond that we paid for and that is expected to come back in Q4?

Abhishek Lodha: That is Rs.115 Crores.

Pritesh Sheth: Thanks.

Moderator: Thank you. The next question is from the line of Sri Karthik from Investec. Please go ahead.

Sri Karthik: Thank you for the opportunity. My question is more from a sector versus company performance, would you attribute most of our performance during the quarter on back of market share gains versus the sector is recovering and when do you see the sector level growth fully normalize and back to pre-COVID level that is one? The second question is in our prospectus during IPO we indicated that about 500 acres of land is still not fully transferred to the listed entity pending approvals, when do you intend that to close? Thank you.

Abhishek Lodha: In terms of the overall sector on what third party forecaster and industry analyst tell us that the overall volumes of the sector will return back to pre-COVID levels only in FY2023. What we have seen in FY2022 is something which we all aware of is the consolidation in the marketplace. You are seeing the shift of supply share moving from the weaker hands to the stronger hands and that number right now is only because of historically the weaker hand have stabilized still I would say understated how much of the share has moved to stronger hands. If you look at the share of new launches the stronger hands are now bringing in 60% - 70% or even higher percentage of the new launches and therefore you can easily understand that two years to three years down the line that will be their share of sales. So, you will have to track the share of sales as well as the share of launches to get a full perspective of what is happening in terms of consolidation. So, I would say this year our performance is more about gain of share and the industry or overall housing sales recovering back to the pre-COVID levels is more likely next fiscal not this fiscal. In terms of the second question around land transfer that is an ongoing process. We continue to seek pre-approvals and progress it overall from time to time different pieces get cleared up and get transferred to the company. The company is valid control of the title of that land and these are only formalities which have to be completed. I do not have a firm date by which entirely the 500 acres will be transferred to the books of the company, but these are the ongoing process.

Sri Karthik: Thanks. Just as a follow up would there be any cash payments related to these transfers when they happen?

Abhishek Lodha: No, there are no significant cash payments to be done for these lands. It will be the procedures when I talk about no significant you could always have a couple of lakhs an acre that is transfer fee or something of that sort but only there is small amounts.

Sri Karthik: Thank you. All the best to you.

Moderator: Thank you. The next question is from the line of Saurav from JP Morgan Chase. Please go ahead.

Saurav: Thanks. Abhishek just on cost inflation, we are seeing a lot of your important suppliers are commenting about their cost going up, I was wondering are you seeing construction cost go up at your end or do you expect this to go up and why I am asking is basically in the last cycle in about 12 to 15 we saw a lot of margin compression because of this. The comment on how do you think of about your margins spend ahead so that is one and secondly on this London project how many units do you have left both in Lincoln and GSQ?

Abhishek Lodha: In terms of your first question around whether we are seeing construction cost go up, well very certainly we have chances like the rest of the industry overall global peers we are seeing cost go up on the material side. We have not seen any significant increase on the labor cost side. On a like-to-like basis the last comparison that we did which was in Q1, we saw that construction costs were up 10% compared to a 2019 start to a 2021 start. Now, 10% of increase in construction cost on average translates into about a 4% increase in terms of the sales price. So, we have seen that kind of an increase, 3% to 4% increase as a percentage of the sales price. We do see a number of levers to continue to scale up even improve our procurement power which we are doing we are spending a reasonable amount of energy in further value engineering our product without compromising on the quality of what we deliver, at the same time there is also the ability to pass on some of these increases that we indicated in terms of the price rise that we have been able to pass on. So, we watched this space very carefully, we see some positive possibilities that construction cost inflation might moderate if the construction sector in China starts slowing down which it seems to be doing. But all in all, this is an area which we watch carefully we have not yet seen any margin compression happening but something to be very watchful about. In terms of the number of units which were remaining unsold in the two UK projects Saurav if you allow me, we will come back to you on that I do not have the number readily with me.

Saurav: Okay, that is fine. Thanks Abhishek and Happy Diwali.

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

Samir Baisiwala: Thanks, and good afternoon, everyone. Abhishek, just quickly what are your thoughts on de-leveraging beyond fiscal 2022?

Abhishek Lodha: Samir, we have laid out a deleveraging path and we broadly expect to be at about Rs.6000 Crores of net debt by the end of fiscal 2023 and be in a position where we are net cash positive by the end of fiscal 2024. That is the broad trajectory that we are working towards. In general, even after fiscal 2024 we want to be very conservative on a leverage as on a leverage perspective having been burnt quite a lot due to being over levered earlier and would like to maintain our leverage within one year of operating cash flows leverage not to exceed one year of operating cash.

Samir Baisiwala: Okay, great. Thanks. That is it from my side.

Moderator: Thank you. The next question is from the line of Shivam from Shivam Limited. Please go ahead.

Shivam: I want to just ask that like in the real estate sector the consolidation phase is coming out after maximum seven year to eight years, so how do you expect your return on capital to be improving further years, is it due to the rising prices or any other means to it?

Abhishek Lodha: If I understand the question correctly, you are probably asking us what will be drivers of improvements in return on capital on account of consolidation in the industry.

Shivam: Yes, like the real estate has been in the consolidation phase from past seven years to eight years?

Abhishek Lodha: Yes, I guess some of the drivers which will help improve our ROEs as company, are already quite high in the high 20s and we expect that as we delever these will moderate to be in the low 20. We do expect that the increase in price going forward will be additive, i.e., it will be more than the base of cost inflation and therefore that will help in terms of margin growth and therefore ROE grow. We do also expect that for us specifically as a company by adding in the capital like JD model in addition to the significant land ownership that we already have that will help us not only scale up but also improve the return on investment or the return on capital employed because of it being a high ROE part of our business model. So, we do expect price growth to contribute overall to some improvement in industry margins and returns and we do expect at the company level that JDA model to help us improve our ROE.

Shivam: Any plans on furthermore debt reductions from your side in the coming quarters. Can you give a guidance of debt reduction?

Abhishek Lodha: Sorry, I could not understand that, could you please repeat?

Shivam: Can you give the idea of any debt reductions that you may take in the further coming quarters also any guidance from your end?

Abhishek Lodha: Yes, we have guided that we will end the fiscal year at approximately Rs.10000 Crores of net debt and fiscal 2023 at approximately Rs.6000 Crores of net debt and aim to be net cash positive by the end of fiscal 2024.

Shivam: Thank you so much.

Moderator: Thank you very much. Ladies and gentlemen that was the last question for today. I will now hand the conference over to the management for closing comments.

Anand Kumar: Thanks, you everybody for participating in our quarterly earnings conference call. Your questions and queries only indices to further go and detail the number of places what we see potential areas that where we should be focusing upon, by any chances that we have missed out. Thank you for pointing out those out. We look forward to continue working with all of you. Thank you. Thanks a lot.

Moderator: Thank you very much. On behalf of Antique Stock Broking Limited, that concludes this conference. Thank you for joining us you may now disconnect your lines. Thank you.