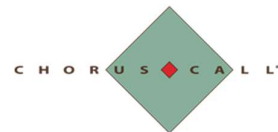




“Prestige Estates Projects Limited
Q3 FY '23 Results Conference Call
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MANAGEMENT: **MR. IRFAN RAZACK – CHAIRMAN AND MANAGING DIRECTOR – PRESTIGE ESTATES PROJECTS LIMITED**
MR. VENKAT. K. NARAYANA– GROUP CHIEF EXECUTIVE OFFICER – PRESTIGE ESTATES PROJECTS LIMITED
MR. AMIT MOR– CHIEF FINANCIAL OFFICER – PRESTIGE ESTATES PROJECTS LIMITED

MODERATOR: **MR. SAMAR SARDA – AXIS CAPITAL LIMITED**

Moderator:

Ladies and gentlemen, good day, and welcome to the Prestige Estates Projects Limited Results Conference Call hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Samar Sarda. Thank you, and over to you, sir.

Samar Sarda:

Thanks, Claudia. Good afternoon everybody, and I welcome you all again. As always, we have the senior most management from Prestige Estates, led by Mr. Razack, CMD; Venkat, the Group CEO; and Amit, the CFO. It's great to see incremental disclosures in the PPT this time and with that positive note, shall I request Mr. Razack to come ahead for his initial comments, please. Sir?

Irfan Razack:

Venkat, please do the opening remarks.

Venkat:

Thank you, sir. Good afternoon to all of you. Welcome to post results conference call of Prestige Group. We're happy to share that we had run the good quarter. If you look at the pre-sales numbers, have been little over INR 2,500 crores and the collections were at INR 2,300 crores. We had a few launches across resi and commercial projects.

Most importantly, we completed 11 million square-foot of projects during the quarter and 9 months as a whole, if you look at we have almost clocked the presale numbers, which are equivalent to what we've done in FY '22 full year, that's happening. Very happy that the products that we've been launching across various geographies have met with a great response, given the kind of deliveries that we have done in the last 5 years.

Nine months as a whole, we have completed 14.5 million square foot launched across various segments, 21 million square foot of store project. And we'll be happy to inform you that the new region that we entered into last year in May 17, is the launch of the Prestige City at Mulund. So, the region of Mumbai has overall given in as of December 31, INR 1,652 crores of new sales.

And during the quarter, other highlight has been opening of the new mall, one of the largest malls in Bangalore, Forum Falcon City Mall. And with only half of the tenants opening, cinemas not yet open, but it had a great amount of footfall in that month, December itself. We had a little over 1 million footfalls and the weekends' business had more than 100,000. And hospitality, also, as you see in our presentation, has clocked better ARR compared to the earlier quarters at INR 12,800 on average.

Calicut is other region where we have launched a project. Again, the momentum has been good. The sales numbers are little over INR 200 crores coming from that region. If you have noticed, we have made a few changes to the presentation, given the kind of questions and the feedback that we were able to take from all of you.

The launches have been split into residential and non-residential, so that we'll be able to track better which is a residential, consumer development portfolio, and non-residential goes into

annuity portfolio. In addition to that, even for the launches of upcoming projects, we have given a large calendar. We have specified the financial year in which we expect to launch those projects given the stage at which they are in currently.

Likewise, given completions, we are still, expect the date of completion of each project we have given so that you would know when particular project revenue will come for recognition and at the same time with respect the capex project when will the uptick in annuity will happen. So completion financial years also has been given.

We also have given you the cash flows from the development business and nondevelopment business in third quarter and 9 months as well. So this is going to be the standard feature going forward. Since all of you keep asking questions about balance to spend on the capex project, now we have included all the balances with respect to ongoing and upcoming projects for better monitoring and analysis by all of you as a slide.

And all of you must have received invitation for our analyst meet on 21st at Mumbai, at Prestige City, Mulund office. We look forward to seeing you there. The primary objective is that we want to meet you in person. It's been long time since we met and also check out and discuss explain to you the plan that we have in mind for the near term 3 years and the long-term 5 to 6 years with respect to each geography and each of the business segments that we are present in.

Irfan Razack:

Just to add here, that January, we have clocked about INR 1,000-plus crores. So we cleared the INR 10,000 crores what we did last year. So in 10 months, we finished what we did in a year. On the balance, February, March will give us that additional which will allow us to cross that guidance of INR 12,000, maybe we'll do much more than that. Till then, it remains to be seen depending on the type of launches we get, that function of the approvals and the RERA approvals coming in and also, like Venkat rightly said, the presentation is that much more clear.

It's easy to understand. And I think it can be much more than what has been given. Even the collections have been actually, we reached the collections what we normally do in a year in 9 months. So the next 3 months is additional collection that will happen, which will boost up the entire collections of the full year.

Venkat:

And some of you have reached out to request about the change of area and upcoming projects. Just to clarify before you ask questions, the land partner that we had at Begur, initially, we wanted to do plotted development. Now we are doing residential township. Therefore, the total development is 8 million square foot. That's a big change in the number.

Irfan Razack:

In fact, that will be another number mover. Of course, the planning process has already commenced, and we are in the final stages of planning when it's all about approval, launch, and that area has been good to us. We, that's the same area where we did a project called Prestige Song of the South, which is fully sold out. And I'm very, very sure that -- we've called this project the Southern Star -- Prestige Southern Star, and I'm sure it will be a star.

Venkat:

Thank you. And with this, we can open the forum for question-and-answer, please.

Moderator: First question comes from Parikshit Kandpal from HDFC Securities. The next question comes from Pritesh Sheth from Motilal Oswal.

Pritesh Sheth: Thank you for the additional disclosures that you have provided, that's pretty helpful. First, on the launches. So quite a few launches lined up for Q4 or FY '23 around development. So if we include the first phases of those projects because some of them are pretty large, what would be the area which we are expecting to launch? Should it, would it be like around 10 million, 12 million square feet is what your pipeline suggest? Or would it be that large? Or any comment on that?

Irfan Razack: Yes. I mean, this is the endeavour. These launches are totally 22.9 million square feet. We've also said which financial year '24, '23. That's also been written there. But for sure, what has happened with The Prestige City, Aston Park, we already have the approval. We're waiting for RERA that will get launched this quarter. Serenity Shores, Lavender Fields, we're trying hard to see it to bring it to this quarter. That depends on the approval and the RERA number. That is these 3, Serenity Shores, Lavender Field and Park Grove. These are all pretty large. It's 9 million plus 3.12, plus 1.5 million 13.5 million.

I believe that if we do get the RERA number, say, by middle of March, we should be able to get some of the revenue in this quarter. If it doesn't happen, then the entire revenue will come and kick in for the next quarter. But then this is in the pipeline because it's already one stage of approval is done. It's only the BBMP approval that needs to come and the RERA.

So government works at its own speed, and we don't have control on that. But whenever that happens, it's definitely going to be a number mover. ELM Park has already been launched, met with a good response, but it's a pretty small project. It's only 0.5 million square feet in Bangalore. So also, Park Ridge is again under approval and Southern Star and all these others are all FY '24.

Mumbai, Chennai, yes, another target again it's FY '24. It won't happen in this quarter for, sure. And we also Noida has been like an evasive approval for us. And we are trying all our efforts to seek that approval comes. The CEC is ready. We are all set to launch it. But again, it depends on when the approval comes. Hopefully, we should be able to do it in the first quarter of next year. And also Hyderabad, we've got some very large ones.

The Clairmont has already been launched met with a fantastic response. And the Prestige City Hyderabad, we should catch this quarter, maybe in March, middle of March and there's a lot of already vibrancy on that, our team is getting ready for it. And Rock Cliff will go through financial year '24. That again is the process of approval. That's where we are.

And Mumbai, yes, whatever is there. Jijamata Nagar in FY '25 with all the things. And then Ocean Tower, the Nautilus, it will again happen and of course, Ocean Tower, we're trying to bring it in March. But Ocean Tower, Nautilus, it doesn't happen March it will go into April. But these 2 also are almost steady. Prestige City Mulund has already been launched. So there's nothing for us to say. It's but there are a lot of components to it.

We, now the Bellanza Towers and Siesta Towers have been launched. Forest Hill will go into FY '25. That is why we put that at 4.37 million square feet, which is to be launched in FY '25. So also, these are another, which is FY '25.

Pritesh Sheth: And in terms of the cash flow disclosures that we have added this quarter, I don't see interest cost line item. Obviously, it's the financing part. Is it included in the construction cost or overheads above? Or that is additional to whatever costs which we have discussed?

Irfan Razack: Now as far as residential business is concerned, whatever actually now with all these launches, we will be cash flow positive fully throughout. Actually, there will be a lot of money that will be coming in. Where the cash flow will be required, again, I said just this morning also, there are a lot of capex projects which we are planning both in hospitality, office as well as in retail. Now this will be a mixture of internal accruals through positive cash flow from regular the residential business, plus also a combination of debt. So we plan to have a 60-40, 60% our own money, 40% debt.

Amit: Just on the real cash flow business, we have just given the major hedges and not the entire cash flow statement, okay? We have given what is the operational cash flow and major hedges of investing cash flow. As regards financing cash flow, that is debt drawn and interest payment that is not included in the P&L.

Pritesh Sheth: Okay. And how much of that would be interest cash flow, if you have it handy?

Amit: It would be close to INR 550 crores.

Pritesh Sheth: INR 550 crores. And that's for 9 months?

Amit: That's for 9 months, yes.

Pritesh Sheth: And just lastly, while you highlighted about Begur area has been increased. Any specific reason for also Hyderabad, the Prestige City. Then also, I can see the increase in area, and why not share economic interest in that project has reduced? So if you can just explain that a bit.

Amit: In Hyderabad, in the earlier presentation, we had included the Prestige entity share, Okay? There was a landowner also, that the 50% of landowner is not included. In the current presentation, we have made that change.

Venkat: And it's going to be holistic development, combining landowner area and our area. Total area growth of fund economic, intent comes up.

Irfan Razack: And then, of course, whatever we do with the landowner, we get paid as a P&C from the landowner. So that's also additional revenue to the company.

Moderator: The next question comes from Yash Gupta from Thinksight Advisory.

Yash Gupta: Total launch in Mulund as of now is around to be 3.7 million square feet and Daffodils we have launched 0.15 million square feet. And total sales for this 9 months around to be like INR 1,662

crores. So can you give the breakup of the INR 1,662 crores from Mulund and Daffodils. And what EBITDA margin we are keeping in mind for the Mumbai projects?

Venkat: So I mean, the EBITDA margins for each of the projects vary. Beverly Hills -- Daffodils definitely high EBITDA margin. Whereas Prestige City Mulund will be a normal EBITDA margin at which we operate in between 30% and 35%. The exact breakup between these 2 projects, we don't -- yes, we don't -- there will -- for the quarter. For Q3, sales, not the entire 9 months, if we have a breakup year, Prestige City Mulund contributed INR 362 crores.

Yash Gupta: INR 362 crores from Mulund. And what about Daffodils?

Venkat: Daffodils, INR 100 crores would be the Daffodils.

Yash Gupta: Sorry, please, amount, sir?

Venkat: INR 100 crores.

Yash Gupta: INR 100-odd crores. Okay. And second question, what are the challenges that you may face in the execution of the construction in Mumbai? Last -- in next 2 to 3 that we're going to construct a lot of construction in Mumbai. So, what are the challenges you may face in the Mumbai market?

Venkat: We build the organization on the backdrop of execution excellence. Last five years, in spite of the issues, challenges that industry has gone through in terms of bringing in new registrations, financial crisis, NBFC-related issues, COVID-related, in spite of all that, last 5.5 years are delivering 781 million square foot.

And we work with reputed contractors. We are very choosy with who we want to work with. We have a set team there. In fact, I don't know whether any of you had a chance to visit Prestige City Mulund or near Byculla. The construction is in full swing and Prestige Jasdan Classic is almost ahead of schedule in terms of construction progress. And you will experience the scale of construction at Mulund when we're done with construction. So as of now, we are not facing any challenges for this.

Both these projects are has been contracted, and then it will be works with us on various projects in Bangalore as well. We have that very strong and deep relationship with them as of same like the way we've been doing it in other cities, including Bangalore.

Moderator: The next question comes from Kunal Lakhan from CLSA.

Kunal Lakhan: On -- firstly, on the segment-wise results, when I look at the residential numbers, especially EBITDA, it's at about 18%, and it was about 18% in FY '22 as well. Is that where we should see this on a steady-state basis going ahead? Or do you think this will improve? And what will be the levers for improvement, if at all?

Venkat: No, I think it's a combination of what has come for revenue recognition. And you should see uptick in residential EBITDA margin. The stabilized margin should be around 25%.

- Kunal Lakhan:** Okay. So it's been a project mix in the 9 months as well as FY '22?
- Venkat:** Correct.
- Kunal Lakhan:** Okay, okay. Sure. My second question was on the rental projections that you have given. Firstly, thanks for sharing the breakup of the balance capex and so on and so forth. But when I look at the rental portfolio scale up, right, in terms of annuity income, is it fair to assume that this rental build-up does not or would not include any of the upcoming projects? Because I'm assuming you'll start to work on the upcoming projects and they are not yet completed at least in the next 4 to 5 years. So is it fair to assume that this does not include upcoming portfolio, both in commercial as well as retail and it's purely ongoing?
- Venkat:** No, it does include. It does include, and most of the upcoming projects that you see in the schedule will get launched maximum of 12 to 18 months' time from now. And it's not that there is too much of a lack from now on to launch those projects. So they are included in that. And incrementally, ongoing projects will get completed and upcoming projects will get launched. That's why we're doing step up. And for you to understand better, we will also in completion dates also -- in upcoming...
- Kunal Lakhan:** Sure, sure. So essentially, what we are seeing is basically we plan to spend about INR 15,000 crores incrementally. And towards that, we'll get about INR 2,500 crores plus about INR 500 crores odd in retail. So about INR 3,000 crores of rental from this kind of a spend once it reaches steady state. Is that the right assumption?
- Venkat:** Between office and retail, yes. So next 5 years that goes up to FY '28.
- Kunal Lakhan:** Sure, sure. That's helpful. And lastly, on the some of the data keeping questions on the project side. If I look at the area in Ocean Towers has gone up from 0.8 million square feet to 1.68 million square feet and also the stake has gone from 30% to 60%. Any reason behind that?
- Venkat:** One is the total development. So what we have given is indicating, one, once development plan got frozen, the exact area we have captured here, total developable area, also because we are providing some public parking there. And the second is the J V Partner as moved up now it's going to be fully ourselves.
- Irfan Razack:** We're going to buy that land.
- Kunal Lakhan:** Okay. So but that stake still shows at 60%. So will it go up farther?
- Venkat:** No.
- Kunal Lakhan:** And lastly, a similar question on Mulund also. Like Mulund, last quarter, we saw the total saleable area between like launched and upcoming was about 11 million square feet. And this quarter, it's lower at about 9 million square feet. So 2 million square feet has reduced in Mulund now. Is that correct?
- Venkat:** We are looking at it give us a moment, Kunal.

- Moderator:** The next question comes from Parikshit Kandpal from HDFC Securities.
- Parikshit Kandpal:** My first question is on the Mumbai sales, MMR sales, so we have a target of about INR 3,000 crores of annual sales. So do you think you'll be able to make it in the fourth quarter?
- Irfan Razack:** Mumbai, see, we've already done up to today, that is -- as of 9 months, it was INR 1,700 crores. I think this quarter, I should be able to do another INR 1,000 crores. So that's where we are as of now.
- Parikshit Kandpal:** Almost reached that.
- Parikshit Kandpal:** And my second question is on the business development pipeline in MMR. So now is quite sizable in terms of contribution to prefigure. So now we have -- beyond Mulund, I think major launches now in Mulund will be only in FY '25 for the rest of development inventory. So how do you how is the business development shaping up in MMR now on the existing projects you have already shooted?
- Venkat:** We have 3, 4 projects that needs to be launched.
- Irfan Razack:** That is Central Mumbai. He's talking about MMR.
- Venkat:** So now while we are evaluating projects in MMR region, we want to focus and go to the next step after launching because we deploy a lot of capital in Ocean Towers and then focus on MMR region. We are evaluating a couple of projects in that region. Maybe Q1 will have more concrete information.
- Parikshit Kandpal:** I mean, Mulund has been our star project where we have seen both volume and velocity, while other projects like Jasdan, we have not seen a similar kind of a success. So you maybe your strategy was to do it more closer to the completion or maybe higher construction. So how will be the strategy going ahead for all these new launches in MMR, which will be high ticket or will be positioned as premium, it's both Nautilus or Ocean or even Jasdan. So for next year, the current pipeline, how do you think could be potentially the presales, given that this year we were close to about INR 2,700 crores?
- Irfan Razack:** Yes. I mean, I'm very, very hopeful that both Marine, that is our Ocean Tower as well as Nautilus they are two different geographies. One is Worli, one is Marine Drive. I think these are very different, very good locations. And they should do extremely well. I think we already have some sort of a vibrancy that we feel there's a traction. And I think moment we get the approvals and get our act together in terms of our selling equipment, we should be able to sell that pretty well. I mean, there is a lot of pent-up demand there.
- Parikshit Kandpal:** Okay. Just the last question on the BKC commercial tower. So it's still showing in the upcoming. So why have these projects do not move into the ongoing projects. So if you can update us on the status of approvals or construction? Has it started? Or any update on that will be helpful. .
- Irfan Razack:** BKC, we've already started filing for the entire there's a BKC X and a Y, both we started filing. Also, we started filing for the rehab tower. The municipal contractor is still getting evaluated in

terms of costing, which should get done in the next couple of months, and we should hit ground on a full scale. All approvals and all premiums that are required to be paid are already stated.

- Parikshit Kandpal:** So in Q4, if you move into ongoing project?
- Venkat:** Sorry?
- Irfan Razack:** It is ongoing.
- Parikshit Kandpal:** It's still not there in the ongoing projects, commercial online...
- Venkat:** We'll move it to online projects this quarter. We just wanted to have contractor appointed and everything had to be processed to be moved.
- Parikshit Kandpal:** Okay. And just thanks for changing and giving more information and transparenting the presentation. It was a very welcome move. Thank you, sir, and all wish you all the best.
- Irfan Razack:** Thank you.
- Venkat:** Thanks for your input. We incorporated whatever the feedback that you have given.
- Moderator:** Thank you. There are no further questions. And now I would like to hand the conference over to management for closing remarks.
- Venkat:** Thank you all for your participation. We look forward to seeing you next week in Mumbai. And we want to sell out the strategy, the vision that we have for the company. Our entire senior management is going to be there. Mr. Razack, our CMD, will also be present. And it's been a while since we met in person. We're really looking forward to that. And in case you need something specific, any concerns, any points to be covered and addressed within that meet, please feel free to write to us. And thank you. We look forward to your continuous support.
- Irfan Razack:** Thanks. Thanks, again, everybody.
- Moderator:** Thank you. On behalf of Axis Capital Limited, that concludes this conference. Thank you very much for joining us. You may now disconnect your lines.