



“Prestige Estates Projects Limited
Q2 FY '24 Investor Conference Call
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MODERATOR: **MR. SAMAR SARDA – AXIS CAPITAL LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Prestige Estate Project Limited Q2 FY24 Investor 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 then zero on a touch-tone phone. Please note that the conference is being recorded.

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

Samar Sarda: Thanks, Akshay. And welcome, everybody. As always, we have the senior management from Prestige Estate Project, Mr. Irfan Razack, the Chairman and Managing director, Mr. Venkat Narayan, the CEO, and Amit Mor, CFO. Before I hand over the call to the management for the initial comments, let me congratulate the entire team of Prestige for a good H1 FY24 and achieving more than INR111 billion of pre-sales. With this good note, over to the management for the initial comments.

Venkat Narayan: Good afternoon, everyone. Thank you for joining the post result conference call of Prestige Estate. Thanks for your time. Quickly, let me take you through the operation highlights for the quarter. We had one of the best quarters, this fiscal, with Q2. The overall sales for the quarter are over INR7,000 crores. Collections are at INR 2,600 crores and we sold 6.84 million square foot of area, up by 50%. Overall, we sold 3,659 units, that's almost 40 units a day. And with the highest average realization per square foot of 10,369 square foot.

With this, H1 sales are at a little over INR11,000 crores -- INR11,077 crores. If you look at overall FY23, we have done INR13,000 crores. So in the first half of the year, we've come closer to what we did in the full year last year. Collections are at INR5,364. We sold close to 10.5 million square foot of area and 5,935 units. Average realization is again over INR10,000 per square foot.

We have launched during this fiscal, mainly almost all, everything that we have launched in the residential project. H1 has 16.1 million square foot of launches overall. Majority of them are being in Q2, which is Park Grove, Prestige Serenity Shores, and two projects in Hyderabad.

In the beginning of this fiscal, we had launched a Prestige Lavender Field. We'd like to place on record that all the projects that we have launched have received exceptional response and therefore helping us to clock the numbers. In terms of completion, first half of this year, we've completed 8.11 million square foot of area. Residential is 7 million and commercial projects are around 1.2 million.

In terms of financial performance, overall for the first half of the year, we have clocked total revenue of INR5,222 crores. As you know, the revenue recognition is on a completed basis. It's directly linked to what projects get completed next quarter and also if there is any completed inventory that gets sold during the quarter. EBITDA for INR2,424 with a PAT of INR1,227.

We did have some exceptional items during this quarter that contributed to the income. By virtue of consolidating our stake in Prestige BKC and Prestige Turf, the project that we're leading, the

Prestige, what we call it, there are some gains in terms of accounting. Therefore, that is treated as an exceptional item for the quarter.

Moving ahead, we have robust pipelines of launches. A couple of projects in Bombay in terms of Prestige Ocean Towers at Marine Line and Prestige North List at Worli. We have Prestige Palawa Gardens at Chennai coming up for launch. We are launching one of the biggest projects in Hyderabad in the form of Prestige City Hyderabad tomorrow. And we also have other developments launched in Hyderabad in the form of Kings County. So we've got robust pipelines for launches for the rest of this year as well.

And we look forward to continued response from the customers. Overall, if you look at it in terms of construction spend in addition to the operational financial highlights that I mentioned, we spent on construction INR1,726 crores this quarter. Overall, first half of the year, we have spent INR3,500 crores of money on construction. In that, INR2,400 crores is for residential, and the remaining is split between commercial, retail, and hospitality projects.

During the quarter, we also had a high amount of spend on land acquisitions, close to INR847 crores overall. In that, major acquisition is the land that was bid and acquired in Hyderabad at Budvel, INR600 crores, and some other payments that were made for the land at Goa and one in Delhi and Prestige Falcon City, next phase of the development.

With this brief, I would like to open the forum for questions and answers.

Moderator: **Thank you very much, will now begin the question and answer session, anyone who wishes to ask a question press star and one on a touch-tone phone. If you wish to remove yourself from the question give you may press star and two. Participants are requested to use handset while asking a question. Ladies and gentleman will wait for a moment while the Question que assembles.** The first question is from the line of Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati: Thank you so much, and congratulations on great resale here. My first question is with respect to the residential debt, which is INR5,000 crores odd. Can you comment upon what does this debt release relate to and how do you see the trajectory of this debt, given that you're recording such startling sales and collections as well? How should one see this moving in a year down the line?

Venkat Narayan: You know, the point that you mentioned is the valid of the debt that has gone up. But, you know, with the kind of opportunities that are available and the traction that we have for our launches, we need to increase our portfolio of upcoming projects as well as securing the land bank. It does take six months to one year to get ready this land and make them into projects and get ready for the launches. Therefore, a substantial amount of investments have been made into the acquisitions.

If you look at our upcoming residential portfolio, it is almost around 63 million square foot spread across 24 projects. The point here to note is the size and scale of each project also has gone up significantly. Across five, six projects, we made a lot of investments, and once we

launch, we'll be able to get back that money and we'll be able to turn that capital in acquiring land for the next phase of launches.

What is important is because we are moving from operating at INR5,000 crores of resale to INR15,000 crores of resale number, the land bank that we need to have has significantly gone up. So this is a transition phase. Therefore, you would see lot of deployment in terms of capital towards land and also a slight increase in the cost of it because most of the borrowing that has been made is made for the acquisitions.

Between Prestige North List in Mumbai, Prestige Ocean Towers in Mumbai, and Prestige City Hyderabad, Prestige recently acquired Budvel and Raintree Boulevard and King County. These six, seven projects would have deployed close to INR4,200-odd crores of capital. And I'm happy to share that except for the Budvel, almost all the projects are in different stages of approval. As and when we launch, you know, we'll be able to get back this capital, either repay debt with that money or use that for recycling and doing more acquisitions.

Puneet Gulati: Okay, understood. That's very clear. So how much of this INR7,000 crores is towards land and how much would be just working capital stuck in various stages of projects?

Venkat Narayan: No, as I told only towards these six projects, INR7,000, INR4,200 would be our gross.

Management: Land or working capital?

Venkat Narayan: Land, land. Only land.

Puneet Gulati: And do you see a trajectory for it to go down or you think since, you know, you're on a massive growth spree, it might go up along with your pre-sales number?

Venkat Narayan: Two aspects to note. One is, we need to constantly have that land bank. Once we launch this project, get back money. If we are able to get the same traction, ideally we should deploy towards further acquisitions so that we can maintain the momentum of sales currently that we have.

Second is we also have got little over INR20,000 crores of unrecognized revenue. As and when these projects get completed, come for revenue recognition, debt equity anyway would fall because these are the projects under construction and not yet come for revenue recognition, whereas debt is an absolute number.

Puneet Gulati: Understood. That's very clear. Just secondly, if you can also share the number of debt which is outside the balance sheet, what should that number be?

Management: So we are close to INR2,200 crores in JV, majorly comprising in Lakeshore Drive close to INR400 crores, Bamboo INR1,350 crores, Tech Park INR4, 250 crores and Thomsun INR300 crores.

Venkat Narayan: Thomsun is a mall in -- Forum Thomsun, which we just inaugurated last quarter and now it's running. That's one of the important milestones for the last quarter. We had a JV partner there, so therefore it's not coming for consolidation.

Likewise, Prestige Tech Park 4 and Prestige Lakeshore Drive, in both the projects we have a Blackstone as a partner. In these two projects put together, there is INR650 odd crores of debt again doesn't come for consolidation. Likewise, AeroCity, the hotel that we are building, which is large, we have a JV partner and whatever the debt that we have, INR1,000 plus crores is not coming for consolidation. Overall, around INR2,000 million crores.

Puneet Gulati: That's your share or the total JV share? Total.

Venkat Narayan: Our share would be half of it, 1,100.

Puneet Gulati: Just lastly, if I may, any progress you can talk about on your potential launch in Noida or any other new markets that you're now exploring?

Venkat Narayan: Primarily, the market that we are looking at now, which were not present in terms of residential projects, where we are doing the hotel and the office, is the NCR region. As you know, we had signed JV in Noida, sector 150, and we have designed the project. We have a marketing office ready for Prestige Bougainville Gardens. And because there are some issues with the allotment process to the Earthwide Developer, the sanctions are getting a little delayed, so it's a 2.2 million square foot of project.

Now that there is a committee that's been set up to look into that and clear the approval, we are hoping that we should be able to launch that in the Q4 of this year. And in addition to that, in Gurgaon, we have seen a couple of land parcels that are in a diligent stage. We have right now confidentiality clauses, so therefore I'm not in a position to give much of details. By the time the next quarter conference call comes, we'll definitely have two or three more projects in the pipeline between Delhi and Gurgaon.

Puneet Gulati: Understood. That's very useful. Thank you so much, and all the best.

Venkat Narayan: Thank you.

Moderator: Thank you. The next question is from the line of Pritesh Seth from Motilal Oswal.

Pritesh Seth: Yes, thanks for the opportunity and congrats on a very strong first half. First is on Bangalore. While probably in first half we would have already clocked INR8,000 crores to INR9,000 crores of pre-sales, what is going to be the strategy in second half? Because most of the launches that you highlighted are in non-Bangalore markets. And considering we have already reached the scale there, would we constrain ourselves in terms of launching any major projects in Bangalore for second half and focus on non-Bangalore markets and probably launch more projects in FY25 or how is the strategy there?

Irfan Razack: Now we have several projects in all the cities that we are operating in, including Bangalore, which are now getting ready for launch. Yes, the observation that Bangalore has given the maximum in the first half, which of course we are Bangalore-centric, so obviously we'll be very strong in Bangalore.

Having said that, now just tomorrow, we have a huge launch in Hyderabad, which is a 10 million square feet project which is called the Prestige City Hyderabad, which again the traction has been good. We just got the RERA. I think we'll be opening that for sale from tomorrow onward. So the results will be seen in this current quarter. Similarly, we've got, like Venkat already mentioned in his opening remarks, we've got the Ocean Tower in Mumbai. That also is an achievement. We're waiting for the RERA number. Hopefully, we should get that in the next week or so.

And also we have got big approvals pending in Chennai. Apart from that, we have Goa, and like you also talked about the NCR. Yes, there's one still one project in NCR where we are hoping the approvals will come. And in Bangalore, of course, there are several projects that are there, including there is a big development, which of course that will happen in the last quarter of the year, which is the Rain Tree Park.

So there's plenty of things happening. And, yes, I can't launch a huge project like how we did in Bangalore. The park grew every quarter. There will be some things, but we have done all our math, and we are very confident to see that we reached that 20K mark which we guided. And that will come from different cities, different sources. And I don't see any anxiety in that. Of course, we will not -- I don't think, I don't know. Let's see. We did INR7,000 crores in this quarter. Whether we equal that or we fall short of it is there. But overall, INR9,000 crores in the next two quarters is what we have planned for, which will happen.

Pritesh Seth: Sure, got it clear. And larger projects like Southern Star, Rain Tree Park, Rain Tree Park you already mentioned, and Falcon City Phase II would be next year launched, right?

Irfan Razack: I mean, that will happen in the last quarter, but the Southern Star and other things will definitely happen the following year. It won't happen this year. Also, the Falcon City Phase II, these are all under planning and approval, which will take its own time. But we are pretty confident that whatever we have in the other cities, the other cities definitely will chip in and give us the necessary numbers.

Pritesh Seth: Got it, got it. And I just wanted to understand your strategy about, Park Grove, considering we launched that whole project altogether, even a very strong demand and pricing environment, why not choose to launch it phase-by-phase and get that pricing traction as well? So what was your thoughts behind that?

Irfan Razack: See, we've got the required pricing. Of course, we have some inventory still in Park Grove. Having said that, I believe when there is momentum and there is interest and there is demand, we should definitely try and see that we cash in on that demand. And now we work for the contract to L&T, that the entire contract is finalized for the civil work, and they're also going to build it in one single phase. It's how -- it's an outlook. It depends. Like we did Prestige City in Sarjapur. We thought that we're building it over 10 years, 12 years, but when things are very good, we said, why not do the whole thing and just this morning I was there. We're going to complete that almost at the same time, about 7,000 flats.

So then that gives the team that much courage. The customer gets the courage that, yes, Prestige launched this, and now we're delivering it in time or maybe before time, and we move on. Because that also frees up the space for us to do more. I mean, again, if you try to phase the entire process, that entire site becomes a construction site all the time, every time. There will be labour movement, logistic. There's a lot of human interaction that goes on, customer dissatisfaction.

This way you can show the whole picture and complete it, and then it's a mindset. I mean, we believe in just taking up things, controlling it, and move on. Like even in Mumbai, we're doing the Prestige City in Mulund. We are doing the entire Bellanza all at one time, and Siesta we did the topping up last week in Mumbai. We had a topping up ceremony. The entire 65 floors have been completed. It's now only finishing.

Now there's one more component in the Prestige City, Mulund, which is the Forest Hills, which will be launched either in the first last quarter or the first quarter next year.

Pritesh Seth: Got it. Very interesting to hear on that.

Irfan Razack: An outlook. There's a holding cost, there's an interest cost, and the market can change. So when things are happening, why not do it?

Pritesh Seth: Absolutely. I agree. Just last question on collections. So the efficiency of collections to sales ratio has dropped down to 50%. Obviously, it's understandable given the sudden scale-up. But the second half, what's your outlook on collections? Is it INR5,500 odd crores Can it go up to INR12,000 crores, INR13,000 crores in second half -- the overall portfolio can it go to INR12,000 crores , 13,000 crores or it would...

Irfan Razack: It easily should go to around INR12,000 crores. And last year we did INR10,000 crores. And this year it should easily go up to INR12,000 crores. It's, again, a function of sales, getting the agreements done. And I'm happy to say that Park Grove we launched, we sold, but they had an agreement mailer. In just three days' time, my people were able to issue a 1,000 agreements. So that's the type of scale-up we have. There's no lack of focus on this. And customers came, very happy, got the agreement signed, handed it over. So we pre-empt all this so that there's a sort of huge fraction on this. Just not the booking. It has to go to the next step and to the next step.

Pritesh Seth: Got it. Perfect. That's it from my side. All the best, and happy Diwali to you and your whole team. Thank you.

Irfan Razack: Happy Diwali to all of you.

Moderator: Thank you. The next question is from the line of Kushagra from Old Bridge Asset Management. Please go ahead.

Kushagra: Yes, hi. Thanks for the opportunity, and congrats on a solid numbers. Just a few questions. One, on your debt side, so if I remember, in an Investor day you sort of mentioned that residential cash flow, will take care of significant part of commercial capex to some extent yes but it looks like that you don't lot of cashes getting deploying back for going higher in the residential.

Because your setting new benchmark every year so to fund that INR3,000 crores every year for commercial capex, you need or you have to rely on external debt. Just trying to get a sense on, like, do you think there will be high debt intake versus what you thought initially because your residential business is growing very well and investments required in that. And do you still sort of stick to that INR11,500 crores of net debt as peak levels, or you will see some upset to that levels over the medium term?

Irfan Razack:

Still maintain that for residential business, we really do not require that. It's only a temporary phase where we'll have to, there's an opportunity to buy some land. We have to buy the land and then turn that into a project. And we've been doing that successfully at top speed. Like Venkat really said that the only project that we have not churned so far, which will take at least six to eight months, is the goodwill land which we bought recently, which is some INR600 crores.

But the rest of it, there is a churn. The money is, there's a huge amount of cash that has gone in, which will come back. The way I need that is only for my capex, which is office, retail, as well as hospitality. And I still say this time and again, that residential business, you have no need or necessity to have debt.

Unless, of course, again, you're using that cash flow for buying something else. But they have to be some hard stop, and I believe that we've actually scaled ourselves quite big. And, of course, there's a lot of money that has gone into Mumbai also, which at some point of time will be turned back.

Kushagra:

Sure. No, what I meant was residential, I totally understand you don't need debt, but there is a INR15,000 crores of investment which you need in commercial?

Irfan Razack:

Are you clearly, sir? It's just very muted.

Kushagra:

Is this better? Is this better?

Moderator:

Yes, please go ahead.

Irfan Razack:

All right.

Kushagra:

Yes, so basically what I was trying to understand is residential does not need debt, that I totally understand. What I meant was because your residential need investments to sort of maintain the benchmarks, the commercial capex, which is to the tune of INR15,000 crores, spread out over four or five years, that may need some amount of debt. So what you initially guided that residential will take care of commercial capex also, but now do you think the debt intake will be much higher versus what you anticipated? That was my question, actually.

Irfan Razack:

No, I think residential surpluses will definitely take care partly for the commercial and the others. We have to fund that. I mean, there has to be a mix of equity and debt even for that. So I don't see any problem there. In fact, we're getting a lot of positive cash flows from all sides, and with the type of launches that are happening and the success that is coming in the launches, we have to be cash positive, not cash negative.

Kushagra: Got it. So that's helpful. The second question is some questions on your project. So if you can give some color, how much of Mulund out of the total launched do you have sold or yet to be sold now, and similar numbers for Jasdan and Daffodil as well?

Irfan Razack: Yes, I mean, see, Mulund is like 75% to 80% sold, what we've launched. And Jasdan is just one single project. Everything we've launched, of course, some floors we still have to get the CC, so some floors wouldn't have. But then out of the total number of units, we've actually sold more than 50%.

Kushagra: **All right,** And last is just on your clarification on your Bangalore project launches. So you said because you had a very heavy first half in Bangalore, the launches may not be as deep in the second half. But just wanted to understand in the presentation you mentioned FY24 against all the upcoming Bangalore projects. I'm just trying to get a sense of what exactly do you mean by that. And the majority of the launches for that 26 million square feet is going to happen when?

Irfan Razack: Yes, now the upcoming, Glenbrook, in fact, I just got the RERA number today. Then we have Countydale, which is almost approved. Then we've got the other one that will come in, FY24, is Raintree Park, Pine Forest, Somerville, and these will definitely come, and Camden. And Kings County and the Sunset Park all will come in FY24. What will not come in FY24 is Southern Star, Park Ridge, Falcon City Phase II, and Greenmore. This will come in FY25.

So that's why they've given a total of projects that are upcoming, but out of this half of them will come in 24, and the other half will come in FY'25. Like if you look at the Southern Star, it's a fairly large project. It's 7.77 million square feet, and it's ready. But they've written 24, but actually it should go to 25.

Kushagra: All right. That's very helpful. And, yes, that's it from my side. Thank you, and all the best for the launch tomorrow. And happy Diwali.

Irfan Razack: Thank you. Happy Diwali.

Moderator: Thank you. The next question is from the line of Kunal Lakdhan from CLSA. Please go ahead.

Kunal Lakdhan: Yes. Hi. Thanks for taking my question. My first question is on, as an organization, how we have scaled up in terms of, like, manpower or technology. Considering, like, a few years back we were clocking probably one-third of what we are clocking today on an analyzed basis in terms of presence. So I just wanted to understand how we have aligned our business and in terms of managing the scale?

Irfan Razack: Well, it's a dynamic thing. It will keep changing 100% as and when there's a need. We keep scaling up on manpower and everything else, and I believe that it's only everything will fall in place. There shouldn't be any problem. We have enough people. We have people who have been here with the company for quite a long time, and we also do get new competencies. So it's a good mix, and the younger and older mix also helps.

Kunal Lakdhan: Sure. A related question on that would be, like, say, if you look at including us, there are at least three other guys who are clocking, like, more than 14,000, 15,000 resales on an annual basis. So

industry as a whole has, also scaled up. So do you see any challenges on the execution side or predominantly on the contractual side, not enough contractual bandwidth to, manage the scale? How do you see that?

Irfan Razack:

No, no, that's an excellent question. Obviously, when we sell something, we also need somebody to produce it, build it for us. Fortunately, we've got some good relationships with some big contractors, contracting companies and they are more than happy to do work for us. So it's like, you know, a lot of things are, it's like a partnership that happens with the contracting companies, and that is helping us to do things more confidently.

We've got two or three, plus we also do have an in-house contracting firm also, which turns around INR500 crores worth of product every year, but then that is not enough. But that's why we've got the external agency, which also helps us.

Kunal Lakdhan:

So no issue there in terms of, you know, bandwidth?

Irfan Razack:

As of today, there's no issue on the bandwidth and if required, we will also look at many others. As of today, we are whatever we've sort of narrowed down on two, three big partnerships where we do this, and then we're just moving from project to project.

Kunal Lakdhan:

Sure, sure. The second question was on slide 12, right? I mean, you covered the segment-wise financials. Your EBITDA margin for Resi is still at about 20%, you know. How should we look at this number going ahead, especially over the next three to five years, considering the sales that we are clocking today?

Irfan Razack:

Yes, I mean, the thing is we are pre-selling and then building later, you see, so that we have to protect the margins and we have to make sure things are done correctly. Venkat also wants to add something. He's trying to tell something.

Venkat Narayan:

It also depends upon what project came for revenue recognition. This time, majority of the revenue recognition has happened from one of our old projects in Cochin called Hillside Gateway, up and came for revenue recognition, which have a lesser margins. Therefore, you'll see lesser margins. Now, there's a healthy mix of Mumbai and good margins in Bangalore. So, I think it'll be reasonable to expect between 25% to 30% of EBITDA margin.

Kunal Lakdhan:

Sure, sure. And lastly, on our BKC project, 101-2, what's the status there in terms of approvals and, you know, start-up construction?

Irfan Razack:

I think the approvals are there. They're paying the premiums and already we finished the excavation. And the L&T the contractor. They've already started pouring concrete. The first pour happened last week. Of course, you know what's happening in Mumbai, NCR. There's been a lot of issues on pollution and everything else. So, we are trying to be very compliant and make sure that everything falls in place. And we don't, be in any problem of non-compliance. We also have to be sensitive towards the environment.

Kunal Lakdhan:

And just wanted to get your thoughts on, like, when would we start leasing these projects, both the BKC projects as well as the Worli projects?

Irfan Razack: Leasing generally happens only when the property gets sort of ready or almost ready. There is interest shown, both BKC as well as Turf from certain occupiers. But if I try to lease something today, obviously, obviously I'll get a much sort of a slightly discounted rent. But once the product is ready, the rent will be that much more higher.

So, we are not in any anxiety. I believe the type of product that we are trying to produce in both Mahalakshmi as well as in BKC, there should be no dearth of occupiers. Yes, it'll give a huge boost to the confidence that in case there's some large occupier that comes in. But I think the team is working even on that. But I don't see any anxiety on that.

Kunal Lakdhan: Sure, sure and thank you much and all the best and happy Diwali to all.

Irfan Razack: happy Diwali.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to management for closing comments.

Irfan Razack: Anyway, thank you for your very, very active participation and insightful questions. It's been a good quarter for us. Hopefully, Inshallah, will do many more better quarters as we go along. And we wish all the participants a very, very happy Diwali and a peaceful festival. And may this festival bring you peace and harmony in all your lives. Thank you so much.

Management: Thank you, everyone. Thanks for your time. I wish all of you a very happy Diwali. God bless all. Thank you.

Moderator: Thank you. On behalf of Axis Capital Limited, let's conclude this conference. Thank you for joining us and you may now disconnect your lines.