SOBHA

PASSION AT WORK

Date: June 13, 2022

To The Deputy Manager Department of Corporate Services, BSE Limited Floor 25, P.J Towers, Dalal Street, Mumbai – 400 001 **Scrip Code: 532784**	To The Manager National Stock Exchange of India Limited Exchange Plaza, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra East, Mumbai – 400 051 **Scrip Code: SOBHA**

Dear Sir / Madam,

Sub: Transcript of Meeting with Analysts/ Institutional Investors held on June 9, 2022.

In continuation of our letter dated June 7, 2022 and pursuant to Regulation 30 (6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Transcript of the Meeting with Analysts/ Institutional Investors, held on Thursday, the 9th day of June, 2022 is attached.

Kindly take the aforesaid information on record in compliance of SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015.

Yours sincerely,

FOR SOBHA LIMITED

SOBHA LIMITED BANGALORE

VIGHNESHWAR G BHAT
COMPANY SECRETARY AND COMPLIANCE OFFICER

DEEPA: Hi. Good afternoon.

MALE 1: Hi.

DEEPA: This is Deepa from Open Exchange. We are still waiting for the presenter to join, so I'll be moving you back to the waiting room. Is that okay?

MALE 1: Sure.

DEEPA: Thank you. Hi, Tisha. Good afternoon. Can you hear me?

TISHA: Hi, Deepa. Good afternoon. Yes, I can.

DEEPA: So, I have just given you cohost. We are still waiting for the presenter. I'll be moving you to the meeting room. So once the company is in, I'll just get them also to the meeting room and once everything is ready, I'll just get all the investors to the meeting room. Is that okay?

TISHA: Perfect. Yeah.

DEEPA: So, you can just use Ask for help option if you need any help. Meanwhile, I'll be in the lobby looking for the presenter and the investors.

TISHA: Yeah, perfect. Okay.

DEEPA: Thank you.

TISHA: Thank you so much.

[00:05:00]

DEEPA: Hi, Monica. Hi, Monica, can you hear me?

[00:10:00]

DEEPA: Hi. Good afternoon, everyone. We just take two to three minutes more till the management joins in.

SAMITI: Hello. Hi, Alicia. Can you see [INDISCERNIBLE 00:12:31] in the lobby?

TRISHA: Hi, Samiti [PH]. One second. Operator, can you please let them into the meeting room?

FEMALE 2: Everyone are in the meeting room. I don't see anyone.

MALE 2: Yes-yes --

TRISHA: Hi, Nand. Hi Jagadish, good afternoon. I think we have most of the investors and should we start the meeting now?

SAMITI: Yes, Tricia.

TRISHA: Okay. Thank you. Good afternoon, everybody, and welcome to India Morgan Stanley Conference 2022. I am Trisha. I'm part of the property team at Morgan Stanley. And today we have with us the management team of Shobha Limited. We have Mr. Jagadish, who is the managing director and Samiti the head of investor relations. Welcome to you, sir.

SAMITI: Thank you Trisha.

TRISHA: So for today's discussion, why don't we begin with some opening remarks and then we can open up the flow for Q&A. Over to you sir.

JAGADISH: Sure. Thank you. Thank you, Trisha, for arranging this virtual meet. As all of you know, that Shobha has been known for world class quality developments and products. Whether it's residential homes, contractual projects, manufactured and retail products, interiors, metal works, concrete products, recently furniture and furnishings. Our current plan is to continue on the path to deliver the same focus and passion. We intend to pursue growth in a disciplined manner which is a discipline growth strategy striking a good balance between growth, profitability and financial gaining. As you would have seen last year, we have done from a sales perspective, about 4.9 million square feet which is roughly about 22.5% growth over previous FY.

[00:14:50]

And we think that we will continue on elevated sales level with new launches with pursuing new launches and selling from the existing project inventory. In the contractual and the manufacturing side also, I think that the next couple of years seem to be on a growth path given the pipeline that we have in terms of projects and the order book that we have. The third with respect to the cash flow that we have been focused on in the last couple of years, we had been very rigorous in terms of debt reduction, which you can see the result, which we have reduced the overall debt by about Rs.685 Crore in the last two years. And I think we are reasonably better in terms of financial gearing, which is we are at now debt week at 0.93. And we will plan to reduce that even more as we continue our operations. The focus now will be more calibrated in terms of balance between both debt reduction and the growth investment that we will need to do to pursue a higher volume going forward both in residence and in other businesses. So overall, the market looks very good in terms of the demand. Our leading indicators seem to be continued to be promising. There has been a concern in terms of the costs as well, which proactively we have addressed it through price hikes in the last eight to nine months, which we think that the market has taken it well and the customers seem to be continuing to express interest and we continue to do sales in a stable manner. The overall demand environment seems to be reasonably good as of now.

TRISHA: Thank you, Jagadish. We see Yogesh Bansal [PH] of the chief financial office, has joined us. Hi, Yogesh. Good afternoon. I think Yogesh is in mute.

YOGESH BANSAL: Hello, Trisha.

TRISHA: Hi.

YOGESH BANSAL: Good afternoon, Trisha. Sorry.

TRISHA: No worries. So that was like a good opening remark. The floor is now open for Q&A. If anybody wishes to ask a question, they can raise their hand and go ahead. Hi, Pratik [PH 00:17:50]. Yeah, please go ahead.

PRATIK: Hi. Thanks for taking my question. My first question is that you're seeing that the demand trend is sustaining at this point in time. So, will you say that the [INDISCERNIBLE 00:18:05] is it like a similar only that you see, or is it better than that?

YOGESH BANSAL: Pratik that seems to be consistent, from the way we looked at it. Emphasis in this financial year is going to be more on the absorption of the calibrated price increases that we have done or if required, we will do across all projects in future. The effect of the same -- we thought that it will be clear in a quarter or two. And also, there are other factors also playing an increase in interest rates as well. Right now, the prioritization for us between significant volume growth versus margin protection would choose the later, considering that we are operating on a higher basis. The goal is to have a good balance of growth and profitability. Having said that, if I look at the -- even the last couple of months and the overall leading indicators are still very stable. So, I think we are good for the time being, but we need to be very watchful on how these new developments are going to affect in the future. So, which I think will become clear in a quarter or two.

PRATIK: Okay. And what's the quantum of price increase that you've taken?

YOGESH BANSAL: Last year, on an average, we have done a price increase of about 6% and this calendar year also, we have done certain price acts and I think this year also we would do a price increase of about roughly similar, which would largely cover our costs of construction for the future sales.

00:20:07

PRATIK: Okay. Coming to your new launches, you have a very good pipeline this year. So, if you can just help us understand the timeline of these launches, will it be a bit of back ended in H2 or do you have some launches planned in H1O2 [PH 00:20:28]?

YOGESH BANSAL: In our investor presentation we have clearly mentioned that we have about new launches of about 13 million square feet. So, that I think largely in the next 12 to 15 months close to eight to nine million square feet we will be able to launch. And it is not back ended. We have a continuous pipeline for that.

PRATIK: Okay.

YOGESH BANSAL: So, this quarter we have launched certain projects. We will launch new projects in the subsequent next quarter. So, we have a pipeline for that. So, quarter on quarter we have. I'm not sure it's exactly even, but we will keep seeing new launches every quarter.

PRATIK: In the earnings -- correct me if I'm wrong. You said that the sales that you did last year, that was one of the highest sales that Shobha achieved. This year on that day being a very high base, growing on that base seems a bit difficult. Correct me if I'm wrong there. How are you thinking about that and what kind of growth that you are targeting this year on a full year basis?

YOGESH BANSAL: So, like I just mentioned in this year, if I have to pick between significant volume growth versus absorption of price and margin protection would choose the later because we are operating on a high basis. Our cash flows are very steady. Our ability to reduce our debt or incrementally invest is good. So, I would not chase very high volume just for the sake of it. I'm still cagey little bit about the inflation till the time there is some kind of stability there. I would choose that rather than this. So, the demand seems to be like I mentioned, it's very stable. So, I think that if I can achieve far higher nothing like it, but my priority is this as well. So given that we have a balance, I would like to have a balance of both growth and profitability this financial year. This is what I would like to do. But at the same time that's very short term, but our goal, if you look at how we have been performing, we have been consistent at a yearly sales run rate of about four million square feet. And then we jump to about 4.9 and over the next three to four years we would like to reach a consistent volume of about seven to eight million square feet. For that to achieve there would be certain kind of rigorous execution of bringing from a land stage to the project stage, and also some incremental investments going forward and that we are not depending on any kind of external capital. So hence our focus on cash flow is also very -- both cash flow and margins is also very high.

PRATIK: And as you said, that your target for next three to four years is to take this number to 7 to 8 million square feet.

YOGESH BANSAL: That's it.

PRATIK: So, I believe that that can happen on your own land bank. You don't need to acquire additional land bank for that. Is my understanding correct?

YOGESH BANSAL: So Pratik, we have existing land bank and certain deals that we have already done earlier. So that aside, we will keep doing new business development. We will keep acquiring. It's an ongoing business for us. So, it's not necessarily that everything will come from only from the existing land bank. See the existing land bank, we have started monetizing it and in order to monetize we will have to do a bunch of things which is including incremental investment, some consolidation, some activities to make sure that they come to the best use.

[00:25:09]

So that's an ongoing process. So it's not necessary that it's only from the existing land bank but it will be a combination of both going forward like we are doing even today.

PRADEEP: Okay. So, your existing land bank what is the near monetizable, something that we're looking at? Any additional land that you can highlight on which monetization can happen?

YOGESH BANSAL: Yes, Pradeep. In one of the launch pipeline that we have we are coming up with a project of about 3.4 million square feet in Panathur that's from an existing land bank. Hoskote, we are consolidating and hence in a couple of years, two to three years we will be able to start launching projects there as well. And in small bits and pieces, we are just about to launch another small project which is again in the Southeast Bangalore from existing land bank. So, there are bunch of activities which are wherever we are able to do launches on projects so we are actively taking those up. And wherever they require some kind of incremental investment and for consolidation that also we have initiated which I believe that given that we had these land parcels for quite some time and there are some sticky issues which we have started resolving those in another two to three years we should be able to start doing that as well. So which I think we are fairly comfortable in terms of how to address both the existing land bank and how to monetize it through project through best use of the land and second is also through new launches. So, definitely on the radar you will start seeing some action in couple of two to three years in the form of project. But meanwhile we have enough inventory both in existing and as future launches. If you look at our overall inventory both from existing inventory in the current projects, unreleased inventory plus new launches. All put together it's in the amount of close to 20 million plus square feet. So hence I think we are at a run rate of even 5 million, 6 million square feet. We are there for another inventory level is reasonably there. It's a matter of how we continue to monetize our existing land bank and also new business development such that we can have that in a disciplined manner.

PRADEEP: Okay. And coming to the incremental investment that you've just spoken about, what could be the kind of outlay that you have in your mind that you'll be able to spend maybe on an annual basis or maybe over the next two years? Given the balance sheet that we have on the debt and equity ratios that we are currently trading at? So how are you thinking about that? How much implement investment can you make out of it on another basis?

YOGESH BANSAL: So for the existing land bank specifically if you could ask then we would need about 30 to 50 a year in the next couple two to three years.

PRADEEP: Thirty to fifty.

YOGESH BANSAL: Yeah.

PRADEEP: Thank you. That's it for myself.

YOGESH BANSAL: Thank you, Pradeep.

TRISHA: Thank you, Pradeep. If anybody has any questions, they can unmute themselves and go ahead. Meanwhile, the questions are being formed. Maybe you could answer something on cost inflation that is another hot topic right now. So on cost inflation, could you further elaborate on what are the pressure points right now? Is it more towards material or otherwise? And the follow-up would be -- you said you would be taking some price increases. Do you think it's going to hurt volumes on the forward? What are your views on that?

[00:30:03]

YOGESH BANSAL Yeah, so the cost increases we had seen in the last 12 months, if I look at it on a typical project, if I have to launch a project one year before and today there has been an increase of clear increase of 15% to 16% for us. That's largely from the material high, the commodity prices that we have seen, which has seeped through various other materials that we purchased, not just the poor material but also the downstream materials, also downstream material or equipment that we use so that is one. Second is also, it's looking like a lot of that costs can be very sticky in terms of pricing. When I say that then the commodity prices have cooled off a little bit like steel has come down a little bit, the cement prices are largely stable or slightly lower, but these contributed for a little bit reduction. But the majority of the other price increases that have occurred, I think those are going to be largely speaking, that's number one. Number two is we are also not yet factored in a lot of wage inflation which we started already seeing. So, hence we have already budgeted for a higher wage or let's say both in all types of works and activities that we do. So, since we are a backward integrated firm, our visibility to cost are pretty much in real time so hence our ability to understand and probably address those cost increases can be a little bit more proactive. For example, we have done these price increases much before and probably most of the players in the market and we have done it because it became very clear as we real time estimate all our costs that there has been a significant increase and hence we increase those. Second, we also are trying to in parallel trying to address the cost increases by two to three ways, which is one is we are looking at alternate materials. We're looking at a far more efficient design. Most of our design is in house. We still are going for peer reviews and seeing if there can be more economies that we can achieve. In some cases, we have done it. So those cost efficiency measures will really help us. So, we are actually focused on cost right now because that's a much bigger factor for us going forward rather than just the demand, which we think is fairly stable.

TRISHA: Thank you that was very helpful. Let me just go back to the audience and see if anybody has any questions at this point.

VIHANGI: Hello. Yeah, hi this is Vihangi from Zapa. Just one question from my side, most of my questions have actually been answered. I mean, I recall that a while back you had mentioned that 65%-70% of your clientele is mostly like IT professionals in Bangla, right? So, I mean, there was a whole demand from the IT side was actually very buoyant over the last couple of years which we sort of see it to be softening a bit. So, from your side, do you see that as well that IT demand which is really buoyant a couple of years back is kind of softening now ordo you still see it to be the same?

YOGESH BANSAL: Good question, Vihangi. It's very clear that a lot of factors have contributed to the good demand increase, particularly very high job market. So hence consumer confidence was extremely high combined with, of course, high savings that people have done during COVID, probably the lowest ever interest rates and very little supply in the market has contributed significant growth for us. Now, when I still look at the lease indicators like a number of people visiting our sites, number of inquiries.

[00:35:03]

So last year we were running at a run rate of about last quarter we ran at a run rate of about 4,000 plus site visits to all our sites. And even in the last few months we have seen that's not papered off yet until I don't see that kind of the leading indicators drop off. I think it's fair to say that right now that doesn't seem to effort as much but having said that, the lowering of the hiring or let's say the frenzy that we had seen in hiring is tapering off. That's all anecdotal we do not have real data on it, but it's definitely there. If you look at Bangalore as a market from employment perspective, it consists of IT services then there is a bunch of KPOs, BPOs and also consumer tech recent ones and also a lot of MNCs that operate out of here. So, I do not see the same level of what you read in the newspapers, which is related to particularly with startup tech. I don't think that is seen in the actual high-volume jobs which is in services and in the MNC Space. Majority of our demand comes from there as well. So, considering that, I think we are okay but you never know will have to watch that carefully. As of now it doesn't look to be too different from last quarter.

VIHANGI: Got it. That's it from my side. Thank you so much.

YOGESH BANSAL: Thank you, Vihangi.

TRISHA: Thank you. I just may extend the previous question a bit and then if you could give a deeper color on the demand outlook from different geographies, your key markets Bangladesh you already spoke about, but how are you looking? How are the demand trends working in Gurugram and other market Scotch, et cetera, any color on that?

YOGESH BANSAL: So in NCR, which has contributed, which has seen a significant rise in the last FY22, it seems to be that our projects, they have continued to see similar demand and largely it's coming. Yes, you're right. It's not a similar customer profile, but this action of good job creation and strong consumer confidence is there even in non-IT or other services sector also. Hence that seems to be driving even for us in Gurugram, the kind of projects that we have on worker expressway, that's majority of the customers are actually end users again and the two from Delhi. Delhi has a very huge population base which is of 16.17 million people. So, the incremental demand there is all flowing to peripheral locations like Gurugram and this being closer to Gurugram so hence we are seeing demand from both from Gurugram itself and also from the Delhi side as well. So, it's a good mix so hence the overall base of customer base is much larger than if you are deep inside in Gurugram. So, that's been very helpful to us previously and we have seen a heightened activity there. Now coming to other cities, which is like we have project in Pune. Pune also has done similarly very well considering that there has been an increased economic activity in Pune similar factors like it's in Bangalore. When we look at other geographies like Chennai. Chennai, although it seems that there is a good pickup in the job market there as well, but it's not translating to the kind of demand that we have expected. So it's been largely stable or we did not see any significant spike there. Kerala again, there is no big trigger like we have seen Bangalore, Pune or NCR. So there also it seems to be stable.

[00:40:00]

And these are the markets that we have seen and of course, we have also seen in [INDISCERNIBLE 00:40:13] City, we have a small project there, that also has seen good uptick in the volumes.

TRISHA: Got it. Yeah. Just getting back to the audience and checking if anybody has any questions at this point. If not, maybe I can ask one final from my end. I would just want to go back to my concentration question, and would want to understand your views or thoughts regarding the mortgage rate movements, and do you think that is going to impact the man per se, any risk from customer perspective?

YOGESH BANSAL: The interest rate increase has occurred recently. After the 0.5% increase, we have not seen significant change in the way customer has been thinking. And second, even with the recent 0.5% increase, I think that's -- a percentage increase probably is the other side of the demand growth and confidence that we are looking at. Probably it might not dent or miss sway customers as much, but that's something that we have to wait and watch. I don't have enough data to see how it's going to -- how and how much, how it's very clear probably to have a negative effect, but how much. I don't think it should have so much impact considering that the outflow will typically on a per code basis, it will not increase more than 36,000 a month and the salary increases and the kind of savings that people had and to put in as down payment. So, I think that's not going to impact as much. But what is -- I would like to actually wait and watch more on not on the impact of the interest rate increases, but it is through the increase in the pricing that we have done.

TRISHA: Just a reminder that we have last 15 minutes for the session left and if anybody has any questions can go ahead.

YOGESH BANSAL: Are you sure we have no further questions, we can wrap it up?

TRISHA: Sure. So, with interest of time, any closing remarks you would want to make before we close the session?

YOGESH BANSAL: Yes, Trisha. So, like I mentioned in the initial remarks, our emphasis will be on [INDISCERNIBLE 00:43:30] wherein we are very clear that we would like to have a very strong cashflow management system which has helped us in the last two to three years and will continue to pursue that while we are also pursuing now from year on, a growth plan as well. So, the launch pipelines that we have are reasonable -- if they have reasonable visibility to that and I think we will be able to clearly achieve those some kind of -- on similar kind of numbers and which would result again in good cashflows. And from business perspective, it seems to be a very robust market with respect to demand and the way we are able to even sell, collect and also the way we are able to, even execute now, because largely operational challenges that we had encountered in the last couple of years also have reduced. So, hence, our ability to spend more and get corresponding milestone payments and also complete our obligations in terms of deliveries for the customers, all of them seem to be going very strong on all trends. So, that's on the real estate trend. In addition to this, of course, we are doing far more activity in terms of new business development and also consolidation that we have in the land bank.

[00:45:07]

Coupled with this, in both our manufacturing and contractual businesses, we have good pipeline in both order book and the demand that we are seeing. So, that also seems to be going well. So, with that, I think we are reasonably stable and we have good visibility for the near to medium term.

TRISHA: Thank you, that was very helpful. So, thank you very much [INDISCERNIBLE 00:45:39], and thank you everybody else for joining. Have a wonderful day.

YOGESH BANSAL: Thank you.

PRATIK: Thank you.

TRISHA: Thank you.

[00:46:11]