SOBHA

PASSION AT WORK

Date: June 02, 2023

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

Dear Sir / Madam,

Sub: Transcript of Meeting with Analysts/ Institutional Investors

In continuation of our letter dated May 27, 2023, please find enclosed herewith the transcript of the conference call held on Monday, the 29th day of May, 2023 with the Investors/ Analysts to brief the operational and financial performance of the Company for the quarter and year ended March 31, 2023.

We request you to take the aforesaid information on record in terms of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the same is available on the website of the Company.

Yours sincerely,

FOR SOBHA LIMITED

SOBHA LIMITED BANGALORE

VBhat

VIGHNESHWAR G BHAT
COMPANY SECRETARY & COMPLIANCE OFFICER
MEMBERSHIP NO.: 16651

"Sobha Limited

Q4 FY'23 Results Conference Call"

May 29, 2023

MANAGEMENT: **MR. JAGADISH NANGINENI – MANAGING DIRECTOR – SOBHA LIMITED**
MR. YOGESH BANSAL – CHIEF FINANCIAL OFFICER – SOBHA LIMITED
MR. VIGHNESHWAR BHAT – COMPANY SECRETARY AND COMPLIANCE OFFICER – SOBHA LIMITED

MODERATOR: **MR. DARSHIT SHAH – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to Sobha Limited Q4 FY '23 Results Conference Call hosted by ICICI Securities. 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 your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Darshit Shah from ICICI Securities. Thank you, and over to you, sir.

Darshit Shah: Hi, everyone. Good evening. ICICI Securities welcome you to the Q4 FY '23 Results Conference Call of Sobha Limited. We have with us the management team represented by Mr. Jagadish Nangineni, Managing Director; Mr. Yogesh Bansal, Chief Financial Officer; Mr. Vighneshwar Bhat, Company Secretary and Compliance Officer. I would now hand over the call to the management team for their opening remarks, post which we will open the floor to Q&A. Thank you, and over to you, sir.

Jagadish Nangineni: Thank you, Darshit. Good evening, everyone. Sobha team and I are happy to interact with you post our yearly results of this financial year '22-'23. The investor presentation, as you know, based on the audited financial results adopted by the Board can be accessed from sobha.com.

In this call, we would like to touch upon our last year performance and briefly on the outlook for the coming year and beyond. FY 2023 has been an excellent year for us, particularly in two areas - sales, and cash flows. We achieved record sales every quarter from Q1 all the way to Q4, ending with 34% from growth from financial year '22 at ₹5,198 crores.

Our cash flow focus has also resulted in highest ever cash flow in collection and net cash flow generation, helping us reduce our debt by ₹697 crores, highest ever in our history. We started the year, as you would know, cautiously in the backdrop of geopolitical tensions, increasing interest rates, high inflationary environment, and increasing real estate prices. But we are very positively surprised by our customer optimism and that has helped us deliver our stupendous real estate performance.

We have launched nine projects during the year, seven in Bangalore, one in Trivandrum and one in Hyderabad, two new city additions for us. Consistent launches during the year has surely helped us keeping our sales momentum intact throughout the year. During the year, we have seen the highest ever increase in our price realization, too, aided by new launches and also release of new towers in existing projects at higher prices, pricing in the increased cost for us.

Collections from real estate has also been highest this year, aided by the increased sales and improved milestone achievement during the year. This is the first-year post COVID where we could operate without any pandemic-related interruptions, and that has really helped in this improved performance. And surely, this has helped us achieve our highest net debt reduction too.

As you would have seen in the financials, margins is still a matter of concern, which is due to recognition of higher costs in our contractual projects, write-offs in some of our very old receivables in manufacturing divisions. We believe the lower margins in the contractual and manufacturing business is largely taken care of in this financial year and might last for another quarter or so. We anticipate to grow this business next year too with better margins and better working capital management. While we continue to execute our current order book, new projects will also be sought within our financial and operational requirements.

With the overall economic environment being optimistic, particularly in the cities that we operate in, we are very optimistic about our growth in the next year too. The extent of growth, of course, is dependent on two factors: one, ability to launch new projects and the sales velocity, which we can achieve in the new project launches. We plan to launch about 7 million to 8 million square feet in FY '24, starting from Q2 against 4 million that we have done in FY '23. We are gearing to increasing our pipeline of projects in the coming years, too.

With this brief commentary, I would like to hand it over to Yogesh, our Chief Financial Officer, to give his commentary on the financial performance.

Yogesh Bansal: Good evening, everyone. Thank you for joining us. I will just quickly go through some of the financial highlights for the quarter and FY'23. During the quarter, we have handed over 1.36 million square feet with a value of ₹956 crores, and for the year, 3.71 million square feet with value of ₹2,524 crores to our customers. Revenue for the quarter was ₹1,240 crores and for the year ₹3,402 crores. So our total revenue was up by 29% as compared to FY '22.

During the year, we have generated highest ever Net cashflows of ₹697 crores, achieved through our financial discipline. This has helped us reduce net debt number by 30% in FY'23. We have also managed to keep our borrowing cost under control. Our EBITDA for the year was ₹462 crores at 13.6% EBITDA margin. And our PAT for the year was at ₹100 crores.

During this year, we have recognized many projects which were sold mostly pre-COVID. Our major part of the construction cost was incurred in last 2 years. So basically, margin was low because of spike in commodity price. Once we start handing over more recent projects, margins are expected to improve.

With this, I would like to thank you all for participation. And now we can open the floor for question-and-answer session.

Moderator: First question is from the line of Puneet from HSBC.

Puneet: Congratulations on good sales performance and meaningful debt reduction. My first question is with respect to your launches. You talked about 7 million square feet to 8 million square feet of launches for fiscal '24 versus 4 million square feet in '23. Your overall launch pipeline was about 14.5 million square feet if I remember correctly. How should one think of this? I mean, what is the visibility on these 7 million square feet to 8 million square feet launch, and why not more?

Jagadish Nangineni: Good evening, Puneet. The launch pipeline that we currently have, which is in the forthcoming projects, like you have seen, it's about 14 million square feet. These are all at various stages of development. Some are in design stage, some are in approval stage, some are in just initiated stage. So basis the stage of where the projects are, we are confident of at least doing 7 million square feet this year.

And of course, it also depends on some of the approval time lines. But we are reasonably there in terms of ability to launch this. And going beyond also, the remaining pipeline that we have, I think we should be able to do that also in the next subsequent year. So overall, whatever we have in terms of the forthcoming projects, that we should be able to launch it in the next couple of years, starting from next quarter.

Puneet: Is there any risk of approvals or delay in the context of changing political landscape?

Jagadish Nangineni: As such, we don't see any kind of such risk barring few days, weeks, and months here and there, but there is no as such change in any kind of environment. And here, we are talking about launches across multiple cities. So hence, even if there is some kind of delays or uncertainties that can come in, we think it's largely going to be in timeline rather than anything else.

Puneet: So is it possible to give a breakup of these 7 to 8 million square feet, where should we expect, in what all projects?

Jagadish Nangineni: So we should expect at least about 5 million square feet of this in Bangalore and about 1 million in NCR and remaining in other cities.

Puneet: My second question is on cash - debt reduction. You've made a meaningful progress in debt reduction. Congratulations once again. Really good to see that. Do you still intend to reduce debt further? Or are you happy with the current debt and rather use the cash flows for building for growth?

Jagadish Nangineni: You are right. The debt reduction what we have done this financial year is also not something which we planned for. But the strong cash flow that we could manage month-on-month has clearly resulted in this debt reduction. However, we have started using cash flows for building up new pipeline of projects, too, which we can see that there is - in Q1 and Q2 of last year, we have done ₹200-plus crores in the first couple of quarters in debt reduction. And subsequent Q3, Q4, it has been about ₹100-plus crores. So part of that cash flow is being used for new business development.

However, the going forward - first, actually, the debt level that we have currently is far more comfortable to us than what it was about 1 / 1.5 years ago. So that gives a great comfort. And clearly, the optimistic scenario of the current economic environment and what we had, we ourselves are positively surprised with the kind of demand that is out there. So we would like to aim for growth and allocate far more capital towards growth than just debt reduction. That's one.

Second is, with the increased sales, even in the next financial year, we will have to spend a little bit more on the construction outflow. So both put together, I think we might not see similar kind of debt reduction as what we have seen in this financial year. So from a capital allocation, it's partly increased spend in construction costs and partly in the capital allocation for growth.

Puneet: But you're still aiming for some sort of debt reduction in fiscal '24?

Jagadish Nangineni: We will end up reducing debt, the extent of which might not be in the same level, but it will reduce.

Puneet: It will reduce. Okay. That's good. Lastly, any update on the new monetization of land in Hosur, Hoskote etc? Any progress there?

Jagadish Nangineni: Yes. Hosur, like we have been wanting to monetize it through plotted development to start with. And in bits and pieces, we have started selling some of the land parcels wherever we could find the right pricing now that Hosur as a location also has developed. Unfortunately, in the plotted development, we had hit some speed bumps, which I think we should be able to resolve in the coming few months, and we should be ready to reinitiate the approval process and whatever time it takes. We aim to launch the project this financial year unless there is something else that we cannot see right now, but that's one of the things that we have in our pipeline this financial year.

Puneet: So that's included in the 5 million square feet Bangalore launch?

Jagadish Nangineni: No, that we have not taken that yet because that's an additional bonus that comes in.

Moderator: The next question is from the line of Murtuza Arsiwalla from Kotak Securities.

Murtuza Arsiwalla: Just two questions from my side. One, if I look at the cash flow statement, which is on Slide 8, if I look at full year '23, the contracts and manufacturing division, and if I just look at the inflow and the outflow, the outflow exceeds the inflow. Even if I look at FY '22, while the performance was better than '23, not much to cheer about. How should I think of those cash flows from the contracts and manufacturing division going forward? That's point number one.

And the second is, if I look at the balance sheet, which is on Slide 25, I see a large jump in the other noncurrent assets, which is roughly about ₹3.7 billion going to about ₹9.3 billion. Any specifics around that, that we should know of?

Jagadish Nangineni: Good evening, Murtuza. To answer your first question regarding the cash flow on contract. Like I was saying, this year has been a year where from an operations point of view, we have a lot of projects which were coming to completion where we had to spend extra, and corresponding inflow based on old contracts has been a little lower and second is from working capital management in some of our divisions like Glazing. So it's been a little bit of a challenge because of, again, old milestone payment plans and what we had to execute against it. So we think that we can improve upon it in the future. And that's one of the financial frameworks that we had put in place to make sure that the contractual and manufacturing division that we intend to continue to grow, but on a basis where it is financially far more better for us. And hence, that's the outlook for us in the future.

To answer your second question, which is related to the balance sheet item. Yogesh, you would like to take that.

Yogesh Bansal: Yes, can you repeat your question?

Murtuza Arsiwalla: If I just look at the year-on-year comparison on the balance sheet, the other noncurrent assets have jumped from about ₹3.7 billion in March '22 to about ₹9.3 billion. There is an increase in inventories and other current liabilities, which I can understand is normal course of business.

But if you could explain on the other noncurrent assets, if there is anything specific that we should know.

Yogesh Bansal: This other non-current asset has increased because of land advances. During the year, we have reclassified some of the advances from current to non-current advances.

Moderator: The next question is from the line of Pritesh Sheth from Motilal Oswal.

Pritesh Sheth: Congrats on a great year. First is on some interesting changes in the launch pipeline. So obviously, Hosur, you explained that it has been moved out because of some minor blip. But in NCR, we have - I can see a couple of projects added. Those are fresh acquisitions? And can you share some more details about which sector it is?.

Jagadish Nangineni: Good Evening Pritesh. In NCR, we did a new deal in the last quarter, which is reflected in the pipeline for forthcoming projects. In addition, second one is, we had signed up with Karma a few years ago. And that project also would come into pipeline, and we have clear visibility on launching that.

Pritesh Sheth: In which micro market does this new land is located?

Jagadish Nangineni: The new land that we have taken up, it's also on Dwarka Expressway, very near to our existing projects. And I think with the development and completion of the Dwarka Expressway, we believe that it's a very interesting and high demand market. And we believe that it's a profitable transaction. Hence, we have taken up that project.

Pritesh Sheth: Sure. And the old one is, I suppose, Sector 81 in New Gurgaon. Is it correct?

Jagadish Nangineni: That's right, Sector 81.

Pritesh Sheth: And second question is, any timelines on Hoskote specifically, if you want to highlight, is it included in our Bangalore launch or should be FY '25?

Jagadish Nangineni: So on Hoskote land, Pritesh, we have been working on consolidating and also started initiating design for the project. So in this financial year, I think during the second half, we should be able to crystallize on the extent of first phase or a couple of phases of launch. This is a large land parcel. So we would like to take it in phases. And the master planning and the overall planning, we will initiate this year as we get clarity on the clear land parcels that we can develop on. So once that is crystallized probably by end of this year, calendar year or so, we should have a clear visibility on the launching of that project, too.

Pritesh Sheth: Sure. Got it. And one last on your area not offered for sale, we saw a very sharp decline from 7 million square feet last quarter to around 2 million square feet now. I guess it's because of launch of further new phases in Dream Garden, and also a Gurgaon project, Sobha City, or are there any other movements apart from these?

Jagadish Nangineni: Yes. That's a good observation, Pritesh. There are two reasons for that. One, of course, is the launch of the new towers in the existing project. Second, we also clearly have defined what is an ongoing project and what is a forthcoming project. So as a definition, we have said that ongoing project is the one where we have a RERA registration, and whichever is not satisfying to that, that we have moved into forthcoming.

Pritesh Sheth: Sure. Got it. I have a couple of more questions, but I'll jump back into the queue. That's it from my side, all the best.

Moderator: The next question is from the line of Siddhant Dand from Goodwill Warehousing.

Siddhant Dand: Sir, you know, we saw a chain of events. There was a SEBI issue, there was an ED issue, fire compliance issue. More recently, there was an IT raid. And I think promoter has also taken a nonexecutive role. When do we see these issues getting resolved and how many are left to be resolved? And what role will the promoter play going ahead, both PNC Menon and Ravi Menon?

Jagadish Nangineni: Yes. I'll take up the second question first. The promoter, of course, as you know, they have business in UAE, too, and that business also has grown quite a bit in the last couple of years. So there is a lot of comfort in terms of the scale of the business that has been achieved there. And Mr. Menon also becoming older and would like to take a step back, and hence, Mr. Ravi Menon has taken over as a group co-Chairman in Dubai, which requires a certain element of geographical presence there and hence moved into a nonexecutive role.

But at the same time, I would see this very positively because, one, group health always is very helpful for a group company, which is based in India. And second, in the last 2 or 3 years, as we expanded the city presence of our company, our ability to manage business through virtual and monitoring on a continuous basis has been very effective. And that, I think, will continue with the kind of promotor focus and ability to manage it irrespective of the geographical location. So both would contribute; I mean, I don't see it as any kind of negative there. In fact, very positive for us.

Second, on the issues related to the various agencies, apart from the recent IT search that has occurred, the other matters have largely been dealt with or which has been communicated and no further development there, as such. And hence, I think, majority of the issues are past for us.

Siddhant Dand: Okay. So, the IT issue is the only one that's resolved. What about the ED, where the case is still going on, the 2007-2008 one?

Jagadish Nangineni: Yes. That's an ongoing matter. But as we have communicated, in December last year, they had provisionally attached some assets, and we are taking a legal recourse to that. So right now, it's in a judicial platform, so we wait to see how it turns out. But we are very confident that we will come out without any damage.

Siddhant Dand: Okay. So you expect to overturn the assets that they have attached?

Jagadish Nangineni: That's what we've been given, and the timing of that, it's anyone's guess based on how the progress happens in the division.

Siddhant Dand: Okay. Okay. I'll come back in the queue. Thank you.

Moderator: The next question is from the line of Dhruvesh Sanghvi from Prospero Tree.

Dhruvesh Sanghvi: Yes. Congratulations for a good full year on balance sheet management, operational management, and a lot of things. Just to expand on the previous question. Would you like to say that when -- I mean, officially, Ravi Menon is now a Non-Executive Chairman. So is there no executive role, or what kind of decision making will he be involved, if at all. Some more light on it.

I think I understood the rationale that he's gone there for taking a handover on the global businesses as well. But I was under the impression he will participate in the Indian operations to whatever extent he can. So whatever can be said there, it would be great if you can?

Jagadish Nangineni: Thank you, Dhruvesh. Yes, you are right that he has moved from an executive role to a non-executive role. And since last 1 year, I have clearly overlapped with him in terms of some of the operations that he was handling as well. So it's been a year, where we could work together. And going forward also, his involvement would be in a non-executive far more strategic and ability to contribute from his exposure to the other international markets and bringing in that know-how into our Indian operations and guide us in that front.

And of course, periodically also review or go through the operations as and when that is required. So the focus of the promoters in the India business is extremely high given that this is where they have started the entire real estate business. And we have worked really hard to bring it up to this stage. And we have a great platform where I think we can continue to grow from here. So from a growth point of view, from a focus point of view, they're completely on the ball here. And from a time perspective, I think his ability to add value is far more strategic and that will be very helpful too.

Dhruvesh Sanghvi: Right. One more part is, I just wanted to understand on - we have discussed about margins multiple times. But just to understand it from our context of some of the fixed cost or the cost metric perspective, we see employee cost to be in the range of ₹300 crores for the year and the items under the items of other expenses are approximately ₹500 crores.

So ballpark this ₹800 crores for a real estate company, isn't it just dramatically too high for us? Or what can we do? Because what happens here is that let's say, if there's a small builder having 8 or 10 or 15 buildings being managed, a large portion of these overheads are not there. So when will we really see a large margin or a normalized margin coming into play? Because if we are selling 4 million, 5 million square feet a year, one would really expect that a builder of our nature should at least make ₹1,000 of profit out of ₹8,000 sale ticket size. And when do we really see this translating into the P&L?

Jagadish Nangineni: Yes, you are looking at these costs, Dhruvesh, but the employee cost is the total cost -- you know, we are a backward integrated company, so hence the cost of the employees or the whole 3,400 plus employees would be there and part of which gets into the cost of the product. And hence, I don't think that's a major concern given the operating model that we have, right? But the other bit, which is on the other costs, right, which is also -- a lot of it is also related to the project costs…

Dhruvesh Sanghvi: Yes, I mean, I do understand that a partial would be variable from it and partial will be fixed. But my essential question is that when do we see margins coming on the P&L? I mean, is it like another 3 years away where we see dramatic improvements of the visibility of what we saw in the past. Basically, we have been selling 4 million square feet for nearly 4/5 years now. When does the benefit of these 4 million square feet translate to see in the revenue and cost booked leading to at least ₹600, ₹700, ₹800 per square feet profitability for us, forget about even ₹1,000?

Jagadish Nangineni: Sure. Like I mentioned in my opening comments, now the next clear target for us in terms of how we can keep improving our margins. So first, like FY '23, we have worked on our contractual and manufacturing and tried to see what best we can do for improvement in this financial year. So which we will start seeing that in this financial year.

Second is on the real estate side. We would continue to see some kind of margin pressure in the coming next few quarters. But basis our current estimate, we can see clear turnaround coming from Q4 of this financial year, where, Dhruvesh, we think that current margins, I mean, PAT margins of about currently it's about 3%, those should clearly improve, in our estimate, at least double or, in fact, more - 2x to 2.5x at least if we can achieve.

Dhruvesh Sanghvi: Okay. Okay. Yes. That is the direction I was looking at. And last part is, in terms of models, because now we will be starting some sort of business development activities, either in the form of land purchase, JVs. Based on the experience, what is our preference?

Should we probably move towards as much as more complete ownership model, because the troubles that we are facing today are a large part is because of some JV partner or some things which were not correctly managed in the past on that area. Is there a preference or a huge caution in terms of whom are we partnering with for the land tie-ups or whom are we buying the land from, etc.?

Jagadish Nangineni: Well, Dhruvesh, I've not placed any kind of wrong calls that we have taken in the past. I mean, those were taken at that point of time with the right earnest, and it is some sort of a butterfly effect, which is unforeseen even for any of us. So those points -- I mean, if we have to learn on that and try to see if we can do anything different. Yes, of course, our process of business development, part of it is one of the criteria is to minimize this kind of issues that might come up in future, but complete ownership versus a joint development model, that will continue to be a financial decision to basis - in the sense that if you find some opportunity which is excellent and which is an ownership-based only, we will go ahead with it. However, since we have reasonable land bank right now, where we can launch projects which is own land, I think focus first is to do projects on those and while we do business development in the form of a joint development model. So while the cash flows from these own land projects improve, our ability to do business development in ownership model will also be enhanced, which I think in the next year, couple of years, that we will be able to see, and that model will also increase its share in our business development.

Moderator: Mr. Sanghvi, may we request that you return to the question queue for the follow-up questions. We'll take the next question from the line of Parvez Qazi from Nuvama Group.

Parvez Qazi: Congrats for a great set of numbers. So my question is on the demand environment. Obviously, numbers have been pretty good. What kind of pricing uptick have we seen in our projects during the last year? And how do we see the outlook going ahead?

Jagadish Nangineni: You would have seen in the presentation and in the operational numbers we have been coming out with, the last year price realization, we have improved upon by 17%, which is probably one of the highest we have done in a long time. But at the same time, I don't think that's something that similar performance we can continue. We are not really factoring any kind of major price increases going forward.

Of course, it will be, again, dependent on the kind of demand scenario, but cost-led price increases clearly sort of softened out, but the demand-led increases and also new pricing that we will do based on the new cost that we have baked in, those will continue. And I think we should roughly be inflationary or similar pricing is what we can achieve this year.

Parvez Qazi: Sure. And in terms of land acquisition capex, do you have a number in mind with regards to what kind of projects do you want to add every year or any particular geography where you want to increase your focus?

Jagadish Nangineni: So we already have, Parvez, in terms of committed land payments for our existing lands and also the new developments that we would like to take up. So our focus geographical areas for us in the immediate future would be Bangalore, Pune, Hyderabad, and NCR. These are our current operating markets where we think that the potential is high. And we can see a secular growth in these locations.

So we will pursue opportunities in these locations. Of course, Bangalore, we already have a good presence, and hence, our ability to launch projects in our own land or in already existing deals will really help us. But we will continue to pursue new transactions there as well.

Second market for us which is exciting is NCR. NCR was the first non-Bangalore city last year which has done ₹1,000 crores sales. So I think there is a huge potential. We have been there in the market for more than 13 years. And there we have delivered projects. So we think that any incremental investments there would be adding to our growth there. So that's second. Pune and Hyderabad also are very exciting markets. And there also, we would pursue growth opportunities.

Parvez Qazi: And in terms of the overall number, how much we have earmarked for this kind of business development?

Jagadish Nangineni: I think if I have to balance out both between cash flow and also the growth that we have to see, I think we should be comfortable in investing about ₹200 crores, ₹300 crores, which can be funded by our internal accruals.

Moderator: The next question is from the line of Parikshit Kandpal from HDFC Securities.

Parikshit Kandpal: My first question is on demand scenario also. If you can highlight how is the demand right now in the first quarter. Have you seen continuation of the last year trend? Or do you think some softening coming in?

Jagadish Nangineni: Parikshit, on demand front, we are clearly seeing that the demand which we have observed, or we have witnessed in the last year seems to be continuing. It is more what I believe is in some of the markets the inventory is key for us to actually absorb the demand. So higher the inventory, we will be able to have, the better is our ability to capture that demand. And in some markets, it's reasonably stable. But if you talk from a macroeconomic point of view and if there is any impact on the overall demand because of the interest rate hikes or any kind of uncertain economic environment, that we don't see it on the ground yet.

Parikshit Kandpal: Given this backdrop and confirmation of demand, so what kind of growth do we expect in the pre-sales for FY '24, like on the base of ₹5,200 of FY '23?

Jagadish Nangineni: The extent of the growth is clearly dependent on our ability to do launches, Parikshit. So if I'm very optimistic in terms of launches, then easily we should look at growth in the range of about maybe 15% to 20%. But if there are any slip-ups in the launches, then we might see a lower growth.

Parikshit Kandpal: Okay. Sir, just the last question on the promoter non-executive role. So typically, we have seen in real estate companies, a very promotor-driven decision-making on any large capital outlays on land, any large major launches. So just wanted to confirm on like will this non-executive role somehow slow down our growth aspirations, acquisition capital allocation. In a time when we are coming out of the debt issue, and where the market looks to be quite promising, so how do we juxtapose all these 3 together and position for growth?

Jagadish Nangineni: Right, Parikshit. If you had been following the way our company has been functioning, right, from the inception, Mr. Menon, when he has established the company, it was always a management led company and majority of the decision-making in terms of capital allocation and in terms of driving growth has been fully professional.

And, of course, with the guidance from the promoters. Hence, it's not anything new in the way we are functioning today versus what we were functioning about 25 years ago. So that I don't think there is a big change.

But one of the aspects which is more positive right now is that the promoters as a group in the UAE are also very well recognized right now, and they're doing really well there. So that should, in fact, give a further boost in terms of performance here as well in the future.

Parikshit Kandpal: Okay. Just one more thing on the non-real estate business, the manufacturing, the contractual business. So now that has been a pain point for us for the last many quarters now and you still expect it to linger on for a couple of more quarters. So as a future of this business, you probably see this going out into FY next year, 1 or 2 years?

Jagadish Nangineni: Right. So we have a good order book currently. And our current focus is to make sure that the order book that we have is executed with better margins, that's number one. Number two is, for new business development in these businesses. So we have now, based on the learnings that we had in the last couple of years, so we had put in additional processes wherein we will take up projects which will conform to the new framework that we have evolved.

And also our ability to monitor those projects on a regular basis will also be improved. So the combination of these two, I think we should be able to turn around. Basis that, in a year or so, we will review the whole strategy around.

Parikshit Kandpal: Any update on the Chennai market. You did mention about other markets, Hyderabad, Bangalore, Pune. So anything on Chennai.

Jagadish Nangineni: Chennai, as you know, we have completed 6 projects. It's one of good markets for us. However, we have seen not the kind of growth that we have seen in other markets. But at the same time, there are certain asset types or product types like plotting etc., are doing far better there. Whereas end products are not in the similar growth path. So we are looking at opportunities and evaluating them.

So while we are trying to do business development in other places, we think in the overall bigger five, Chennai right now doesn't look to be having such a large share. But in case things change, since our presence is there for a long time. Our ability to identify those changes and quickly act on it will be there.

Moderator: The next question is from the line of Niraj Mansingka from White Pine Investment Management.

Niraj Mansingka: Jagadish, I have two questions. One is, how much is the land bank in Hoskote currently?

Jagadish Nangineni: Good evening, Niraj. So we have a land bank of about over 200 acres there. And we are currently identifying the parcel, where we can clearly launch a project in multiple phases. So that's where we are.

Niraj Mansingka: Okay. And the other question is, if you see the real estate business, in the past, we had an EBIT margin in excess of 30% also. And I know the costs have gone up and so the reporting requirement leads you to a lower reporting number right now. On the current projects which we are selling, what can be an EBIT margin from those projects?

Jagadish Nangineni: Good question, Niraj. The current margins are reflective, of course, of the past sales that we have done 3 years ago. And what clearly happened was that, of course, the pricing was far lower at that time. And in addition to it, we have been hit by a very large cost increase. And that's clearly going to reflect in the revenue and corresponding margin that we'll recognize even in the next few quarters. While that is said, for the future, where we have sold specifically in the last 1.5 years, we can clearly see EBIT margins of over 15%.

Niraj Mansingka: I thought number would be higher. You think, 15%? The last quarter, you reported an EBIT margin of 18%.

Jagadish Nangineni: EBIT margin?

Niraj Mansingka: Yes.

Jagadish Nangineni: Probably not, but we will recheck on that, Niraj, and...

Niraj Mansingka: Okay, sorry. So let me put this the other way. What would be the stable EBIT margin that you will do because you have been doing in the past, numbers have been quite high in term of EBIT margins. And so...

Jagadish Nangineni: So let me put it this way, that our aim is to, of course, increase our margins. And hence, we have already taken these price hikes and new cost into the factor and our new released inventories also. Those, we should see far better margins and our aim is to move towards overall PAT margins for the real estate business to be in double digits.

Niraj Mansingka: Okay. You are talking about PAT margin. Okay. Got it. Thank you.

Moderator: Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for closing comments.

Jagadish Nangineni: Thank you, Darshit. I express my sincere gratitude to all participants in the call today and for your patient hearing. I hope we have answered some of your questions satisfactorily. In case of any further questions, please do reach out to us. Your queries and views have always helped us improve. We look forward to a good performance in FY '24, too, with an optimistic outlook towards the economy and the industry.

We believe Sobha is very well-positioned to grow with a disciplined operational and financial model, which we think is being set up for building and scaling in the long-term. We'll continue to pursue our goals with passion. And I wish you all a very good evening with an exciting IPL final coming up tonight. Truly appreciate your support. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of ICICI Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.