SOBHA

PASSION AT WORK

Date: November 19, 2022

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 Meetings with Analysts/ Institutional Investors

In continuation of our letter dated November 11, 2022 and November 14, 2022, please find enclosed herewith the transcript of the conference call held on Tuesday, the 15th day of November, 2022 with the Investors/ Analysts to brief the operational and financial performance of the Company for the quarter and half year ended September 30, 2022.

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
Q2 FY 2023 Earnings Conference Call"
November 15, 2022

MANAGEMENT:	**MR. JAGADISH NANGINENI – MANAGING DIRECTOR, SOBHA LTD.** **MR. YOGESH BANSAL –CHIEF FINANCIAL OFFICER, SOBHA LTD.** **MR. RAMESH BABU –SNR. VP, FINANCE, SOBHA LTD.** **MR. VIGHNESHWAR BHAT –COMPANY SECRETARY AND COMPLIANCE OFFICER, SOBHA LTD.** **MR. SOUMYADEEP SAHA – HEAD - INVESTOR RELATIONS, SOBHA LTD.**
ANALYST:	**MR. ADHIDEV CHATTOPADHYAY – ICICI SECURITIES.**

Moderator: Ladies and gentlemen, good day. And welcome to the Q2 FY '23 Earnings Conference Call of Sobha Limited, 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. Adhidev Chattopadhyay from ICICI Securities. Thank you, and over to you, sir.

Adhidev Chattopadhyay: Good evening. On behalf of ICICI Securities, I'd like to welcome everyone on the call today. Today from the management of Sobha Limited, we have with us Mr. Jagadish Nangineni, the Managing Director; Mr. Yogesh Bansal, the Chief Financial Officer; Mr. Ramesh Babu, the Senior VP, Finance; Mr. Vighneshwar Bhat, the Company Secretary and Compliance Officer; and Mr. Soumyadeep Saha Head IR I'd now like to hand over the call to the management for their opening remarks. Over to you. Thank you.

Jagadish Nangineni: Good evening, everyone. Thank you, Adhidev, for your kind introduction and for organizing this call. My team and I are happy to interact with you post our second quarter results of this financial year. We have already shared the operational update of the company in early October 2022. The investor presentation for this quarter based on the financial results adopted by the Board can be downloaded from sobha.com.

The three months of July to September 2022 quarter was excellent for us on several fronts. I'll quickly give some color on our real estate sales, launches, collections, debt, project completions, manufacturing and contracts. Also, I would also like to briefly touch upon some modifications in accounting policy that we have adopted based on recommendation of our new auditors.

As for sales, we have achieved our higher sales value of INR 1,164 crores and highest price realization of INR 8,709 per square feet. This was done even with new launches only done towards end of the quarter, which shows steady demand in an inflationary and increasing interest rate regime. This quarter, as you have all seen, we saw two more interest hikes by RBI to take the repo rate to 5.9% and hence, the home loans now are north of 8.5%.

Price hikes were done during this quarter in a calibrated manner. And based on that, we have achieved a 3.3% growth over the previous quarter and that seems to have been successfully absorbed by our customers. Bangalore for the second quarter in a row has done more than 1 million square feet of sales and mainly aided by our presence in multiple micro markets of the city. We have to keep in mind that this was achieved with several impairments in the form of infrastructural breakdowns in cities, due to rain and inauspicious periods, which typically slows the sales process.

So this, we believe, showcases increasing depth of demand, wider brand acceptance of Sobha, sustained customer confidence, higher affordability, aspiration for higher quality homes and larger ones. In addition to all this, we believe in certain pockets of few cities, there is demand/supply mismatch in the favor of far higher demand versus lower supply. Hence, we are able to achieve some of the consistent and good numbers in this quarter. Hence, overall, a good quarter for the sales.

Coming to the rest of the country, Trivandrum, Capital City of Kerala has become our 11th city of our real estate operations with the launch of Sobha Meadows, Whispering Hill. Initial sales also have been very encouraging in the city. During the quarter, we have launched two more projects, Sobha Insignia and 3 more towers of Sobha Brooklyn towers at TownPark.

In addition to this, we have made good progress on future launches, which are part of our pipeline in Bangalore, Hyderabad and a new phase launch in Gurgaon, which is part of existing unreleased inventory. With these, we have currently have an inventory of about 23 million square feet, about 12 million of that in ongoing and 11 million in forthcoming projects.

This gives us good visibility of inventory pipeline, while we continue to pursue new business development and bringing existing land bank to inventory stage. Our contracting and manufacturing too is witnessing improved activity for delivery of in-house requirement and external clients. So during the quarter, we received new civil contracts order worth of about INR 140 crores for building a commercial office space in Bangalore.

In real estate, we have partially completed four projects and one quarter development with a total developable area of 1.28 million square feet ready for customer handover. I'm also happy -- very happy to share that we have achieved highest ever operational collections in the history of our company, 13.35 billion, or this is completely due to our relentless focus on operational excellence and hence resulted in a net cash flow generation of INR 221 crores to INR 2.21 billion, bringing down our debt in the eighth consecutive quarter to current INR 18.89 billion.

The cost of debt is also under control at 8.57% at the end of the quarter. And coming to the last point, which is with this quarter, I'd like to mention that we have new auditors after KPMG completed their term. They have suggested some changes in the accounting procedures, which we thought are more appropriate and hence gone ahead with the same.

The main changes are to do with treatment of interest on customer advances, which was earlier reported both in revenue and cost as interest income and expense, reallocation of borrowing costs between projects and lands, recognition of additional revenue increase of joint development projects. All of the above have contributed to minor changes in the financial numbers of prior periods purely from an accounting standpoint. In case of any specific queries in this regard, please do reach out to our Investor Relations team. We'll be happy to address them.

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

Yogesh Bansal: Thank you. Good evening, everyone. I would like to summarize our performance of Q2 FY '23 and half year ended 30th September 2022. Sales highlights for Q2 and H1 FY '23 - This quarter, we sold total of 13,36,828 square feet in Pan India. This takes the half yearly total sales volume to 26,95,548 square feet which is our highest for any half year ended.

Our quarterly sales volume has been holding steady at 1.3 million square feet since Q4 FY '21, except for COVID impacted Q1 FY '22 quarter. Bangalore has achieved 1 million square feet of sales for consecutive quarter aided by new launches and steady demand. For the half year total sale volume was INR 23.10 billion, and Sobha's share of INR 19.13 billion, both highest ever performance for a half year period.

Total sales volume up by 20%, sale value by 35%, Sobha's share of sale value by 34%, , as compared to H1 FY22. Cash flow highlights Q2 FY '23 - We achieved highest ever quarterly collection in Q2 FY '23 of INR 13.35 billion, higher by 19% as compared to Q1 FY '23 and 46% compared to Q2 FY '22 last year.

Out of this real estate collection was INR 10.82 billion, higher by 22% Q-on-Q and 49%, year-on-year basis. Contractual and manufacturing contributed INR 2.53 billion, higher by 10% over Q1 FY '23 and 33% over Q2 FY '22. Net operating cash flow was INR 3.61 billion, higher by 93% compared to Q1 FY '23 and 104% compared to Q2 FY '22.

During the quarter, construction spends is INR 4.53 billion which is highest quarterly allocation till date. Net cash flow for the quarter is INR 2.21 billion, note that during the quarter, we have paid dividend also of INR 28.5 crores. It is an increase of 64% from Q2 FY '22. As on 30th September, net-debt stand at INR 18.88 billion. During the quarter, we have reduced debt by INR 2.21 billion. Net debt-to-equity be reduced 0.77%. Our borrowing cost for the quarter, quarter ended 30th September '22 is 8.57%, which has slightly increased from last quarter. Quarterly financial outflow was INR 534 million.

Cash flow highlights for H1 FY '23 - For the first half year operating cash inflow improved to INR 24.53 billion, higher by 50% compared to H1 FY '22. The increase is supported by 55% higher collection from real estate of INR 19.7 billion, 34% higher collection from contract and manufacturing business compared to H1 FY '22.

During the first half of the year, our construction outflow was INR 8.40 billion, an increase of 66% from H1 FY '22. We have generated net operating cash flow of INR 5.47 billion during H1 '23, that same up by 76% as compared to H1 '22. Free cash flow generated in H1 FY '23 is at INR 4.48 billion, up by 499% compared to H1 FY '22. In the last eight quarters, we have generated total INR 11.61 billion of free cash flow.

Financial highlights, Q2 '23 - Total income for Q2 '23 stand at INR 6.77 billion, up by 19% as compared to Q1 '23. Real estate revenue for Q2 '23 stands at INR 4.44 billion. Contractual and manufacturing vertical revenue for Q2 '23 stands at INR 2.23 billion. EBITDA for Q2 '23 stands at INR 1.02 billion margin at 15%, PBT for Q2 '23 stands at INR 0.34 billion margin at 5% PAT for Q2 '23 stands, INR 0.16 billion, margin at 2%.

Financial highlights for H1 '23 - Total income for H1 '23 stands at INR 12.47 billion. Real estate revenue for H1 '23 stands at INR 9 billion, contractual and manufacturing vertical revenue for H1 '23 stands at INR 3.05 billion. EBITDA for H1 '23 stands at INR 1.80 billion margin at 14%. PBT stands at INR 0.43 billion margin at 3%, PAT that is INR 0.21 billion, margin at 2%. I would like to thank you all the participation for the patient hearing, and now we can open the floor for question-and-answer-session.

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

Pritesh Sheth: So firstly, if I look at your inventory from both ongoing and completed projects, is right now at around nine months, which is pretty much lowest in industry, so is it now we would be aggressively looking in terms of launches? I mean, last two quarters, obviously, we have had project launches, but those were on an average 1 million, 1.5 million square feet. But do we think that we need to accelerate on these launches from here on to have a further growth on the pre-sales numbers?

Jagadish Nangineni: Good evening, Pritesh. If you look at our inventory, that's about total inventory that we have is about 23 million square feet, a little over 23 million square feet. So I think with the current run rate of about five, between 5 million to 6 million square feet, we have overall inventory of about four to five-plus years. Of course, we do not show the entire inventory that is still underdeveloped, under various stages, where we are still, where we are confident that it is going to get into inventory.

So we will continue to add to the new inventory, both from our existing land bank and with new business development that we are going to do. So to answer to your question, first, we do believe that we have reasonable inventory visibility. And that's been one of our biggest strengths. And going forward also, we are making incremental progress and but a steady progress in getting new inventories to, for the pipeline. And yes, you are right that the pace of sales has increased, and that's what we have to cater to going forward.

Pritesh Sheth: Right. So probably in the second half, what is the visible pipeline that we have out of 10 million, 11 million square feet of new projects, what is the visible pipeline we have in terms of launches for second half particularly?

Jagadish Nangineni: Yes. It's a little tentative, but if everything goes right, I think we can bring about 4 million square feet of space in terms of new launches.

Pritesh Sheth: And in terms of margins for last couple of quarters, they are at like 13%, 14% on the EBITDA. Obviously, I can understand contractual business has been impacted. But just in terms, if you can comment on what are the current margins that we have in both residential and contractual? And how do we see over a medium term or near to medium term over the next two, three years, the residential margin should pan out? I understand the complexity of the accounting thing, but just on a steady-state basis, what should be the residential margin that we should look at?

Jagadish Nangineni: Yes, you're right that the margins have come down a bit in the last couple of quarters. I mentioned it in my last, previous quarter call as well. This is largely to do with the contracts, particularly which we have, there were issues in terms of cost escalation and some of the contracts getting terminated during the COVID period, where we started work, but some of the clients could not continue the projects.

So these are the ones which have affected the margins, both in Q1 and this quarter as well. And we believe that it's largely done, and hopefully, things should get back to normal from next quarter. Specific to real estate, I think we are at an EBITDA margin level, we are north of 25% from here on. And at least for the projects which are getting completed in the next couple of quarters. And for contractual, now going ahead, still because of the cost inflation, the contractual environment looks still tough. And hence, we don't expect big changes in the margin, but I think we will be able to manage it better from here on.

Pritesh Sheth: And one last, if I may. So cash flow performance for this quarter and last five quarters, six quarters have been really great. We have brought down debt to around INR 1,900 crores. It looks like we should be at around INR 1,500 crores by year-end if this performance continues. So by when we would start looking at investing into newer land acquisitions or newer land acquisitions or newer JDAs and focus on further growth?

Jagadish Nangineni: Growth is something that naturally we are going to invest in. Hence, I think that the same performance we might not be able to continue in terms of cash flow generation, the pace at which we were generating cash. So extrapolating and making it 1,500 by the end of financial year or two or three quarters, we would also like to do it, but at the same time, we have developed a reasonable business development pipeline. And as things come to fruition, we start investing in those, probably we will not be able to achieve that number so quickly, but our goal is to consistently keep reducing debt.

Moderator: The next question is from the line of Puneet from HSBC.

Puneet J. Gulati: Yes. Good performance on cash flows. And you also mentioned that you will not be able to achieve INR 1,500 crores in a hurry so it seems like you're going ahead seriously on business development. Can you talk a bit about what are your plans for monetizing your existing land as well?

Jagadish Nangineni: When I say business development Puneet, for us, it is about getting what -- whether it's an existing land bank or new deals, getting them on to invent. So it's a combination of both. And existing land bank, we are making steady progress. And I do not have exact timelines for each one but the some of the land parcels which are large and which can get where we can get the projects into an inventory stage such as Hoskote and even in Hosur.

The efforts are consistent and constant to make sure that they will come into an inventory stage. So the timeline of that, I think we still have to give a few more years before which we can launch the project. And meanwhile, while that's happening, I think I believe that we have reasonable existing inventory to catch up with the kind of pace of sales that we are doing.

Puneet J. Gulati: Okay. Sorry, did you say a few more years for Hoskote and Hosur?

Jagadish Nangineni: Sorry, for I should not be combining both, but Hosur is in a very good -- a reasonably advanced stage. We have certain small issues at the local level, which we are sorting out and that should come a little bit faster. And Hoskote, the thing is we can get that into an inventory stage quickly-- that's not the only objective that we have. We are trying to achieve two objectives there. One is not only that we need to bring it, but also do it in a manner which is like a larger township and with all integrated facilities inside it. And hence, it might take a little longer.

So based on how things progress in the next few quarters, on the land acquisition front when we'll have to fill in the cheeszos there. Based on how we make the progress, we'll take a quick call on whether to start doing start designing and putting up for approvals from the existing one or we continue to do, keep progressing on the land acquisition, so that we bring out a project which is much larger in scale at probably a year -- probably sometime in the future. So it's a trade-off between the timeline and also making sure that it's a large and integrated piece versus it's a quicker inventory stage. So that we will be able to take a call in the next quarter or 2.

Puneet J. Gulati: Okay. My next question is on your entry into Trivandrum. This is another city that you've entered. How does that impact management bandwidth and all other organization issues, of entering multiple cities, while Bangalore still remains quite dominant, followed by NCR and everything else is very, very sporadic in some sense.

Jagadish Nangineni: It appears like that surely. However, if you see the way we are structured, I mean, we are thinking Kerala as a single region. It's not necessarily that each city is separate because largely, the bylaws are the same. The management is the same and even the sales teams are largely similar. And the audience, the customer base is also from a geographic standpoint, it's reasonably well understood. So Trivandrum specifically entering has not really taken any of our significant bandwidth. In fact, the bandwidth of the Kerala management team has been much better utilized. That's how I would look at it.

Puneet J. Gulati: Understood. That's helpful. My last one is on the cost of borrowing. Now that cost of borrowing has gone up a bit, if there were to be no more hikes, do you still expect your cost of borrowing to go up? Or should it come down on account of some refinancings, et cetera?

Jagadish Nangineni: We are continuously trying to do refinancing, but refinancing is not necessarily coming at the similar cost, right? So this cost of borrowing is at the end of the quarter. We have already seen some increases by some of the financial institutions because most of the finance cost is linked to the MCLR rate so based on the cycle of that, it naturally gets triggered.

So I don't see it coming down, but since we are generating a positive cash flow, our ability to hold on and try to see if we can get better rates is where we have an edge there. So while we try to get better rates, but I don't think we'll be able to do lower than what we are doing. I mean -- if it happens, it might be one-off, but it's not regular tea. So in case there is no increase in the interest rates going forward. That's great news. We should be able to be in a similar range.

Puneet J. Gulati: Right. So in case there is no interest rate, your borrowing costs will also hold on here. There is no lag effect, which is yet to come in, right? Is that the right understanding?

Jagadish Nangineni: Yes, largely, that would be the case. Yes.

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

Parikshit D. Kandpal: Congratulations on the commendable performance, especially on the debt reduction. So is it right to understand again that this will be the almost the bottom level for the debt?

Jagadish Nangineni: Good evening, Parikshit. From a debt standpoint, like I mentioned, our long-term goal is to keep reducing the debt. And we have started, thankfully in the last few quarters of good cash flow from the existing operations so like I mentioned earlier, we would like ideally like to use much more of the free cash flow that's available to business development as well. So if that comes to cushion, then probably it's not at the same pace as debt reduction. But at the same time, I will not say it's the bottom most level. I don't know what's the time period that you're looking at, but if it's in the next 2 or 3 years, then probably we should be doing better than what we are.

Parikshit D. Kandpal: So my second question is the first to your total of 23 million square feet of upcoming and ongoing unsold areas. It's about, as we said, 4 years of inventory. Roughly about INR 18,000 crores at the current prices in terms of valuation while cross development value. So every year, if you are telling about seeing no growth at INR 4,000 or INR 4,500 crores so how do we intend to replace it more from a 4-year perspective, this 18,000 any gets written down. So we need to incur roughly if I take 1:6 or 1:7 conversion on GDB to land.

So we will need us about INR 2,400 crores, INR 2,500 crores on the land if we buy an outright basis. So just wanted pick your brain on this INR 18,000 crores, INR 19,000 crores every year, we're running down 4,500 assuming. So how much do we intend to make this development in it from own land and how much on the market?

Jagadish Nangineni: Good question, Parikshit. We have thankfully good land bank to start out with. And hence, if I look at next couple of years, then probably we have to replace or add additional inventory to our current ones, I think fairly about 40% to 50% of that can come from our existing land bank. And the remaining, we'll have to do - we'll probably not necessarily do an outright, but it's a combination of several structures that we need to do.

So we'll have to look at from what's our goal in terms of the overall sales, even if currently, we are at between 5 million to 6 million square feet, if we increase it to - we would like to increase it to gradually towards 7 to 8 and move towards 10, that's the our mid-term goal. If we have to move towards that, probably this is the kind of investment that we will have to do.

So that will come from that, that will come from all these investments have to come from naturally from existing cash flow that we are generating. Last year, we generated a cash flow of about INR 515 crores. This year, we have already done about INR 450 crores, although about 150 of that has come through a land sale. So we are also in a similar run rate of about INR 500 crores to INR 600 crores this year as well. So I think to start with, even if we utilize two thirds of it then we should be able to start filling out the requirement for the new pipeline that needs to be created.

Parikshit Kandpal: So basically, you're saying about INR 300 crores, you can invest towards capex on land, and we can give you about 6 to 7x over INR 2,000 or INR 2,500 crores of gross development value l in addition from the external sources?

Jagadish Nangineni: That's right. That's to start out with, we'll see how opportunities and also what's the kind of pipeline that we can build out. So we have to be, we have to balance between a little bit patient and also we have to make sure that we fill in the pipeline too. So we have reasonably good pipeline in terms of land already in place. So slowly, we are working towards it, and we will start seeing them in the next couple of quarters.

Moderator: The next question is from the line of Mohit Agrawal from IIFL.

Mohit Agrawal: My first question, just in fourth quarter call, you had mentioned that for fiscal '23, the sales is likely to be flattish on a year-on-year basis. Now if you look at the first half numbers and assuming that first half numbers are repeated in second half, we easily see a 20% growth in value. So what is the outlook in the second half? And what do you think has changed versus what you had guided in the fourth quarter?

Jagadish Nangineni: Good question, Mohit. I was happily wrong on the assumptions that remain in terms of flattish growth. There were several reasons for which we have - we thought that it might be - there can be potential reason for flattish or similar kind of volume what we have done last year, increasing interest rates and probably new supply that's coming in, etcetera. Most of those have not dampen the demand, and that's very heartening to see. And we continue to see reasonable demand even after this, particularly the interest increases and also the price hikes that we have done. Considering where we are in terms of the first two quarters and what we are witnessing on the ground. I think we should be able to do much better than what we have, what we thought we will do, which is similar to 5 million. I think potential for us to do beyond 5.5 million to close to 6 million is quite there if everything works out for us.

Mohit Agrawal: So a similar run rate in the second half or you could do better than that?

Jagadish Nangineni: I think, if we are optimistic and some of the things work out, both in terms of getting some of the new inventory in in Bangalore. And we are doing a new phase launch in Gurgaon, which is in Sobhacity, about one million square feet. And both of them work out, probably we can do much better than what we think. In the first half, we have done roughly about 2.7 million square feet. We should be able to do more than 3 to 3.5 million square feet.

Mohit Agrawal: And my second question is, when I look at your buyer profile, now more than 50% of your buyers are coming from the IT/ITES segment. Just trying to understand, is it a Bangalore standard or would you have a higher share or lower share of the IT and does that worry you in case for slowdown, we're already seeing something in the global developed market. So what are your thoughts on that?

Jagadish Nangineni: Traditionally, since past more than a decade byer profile largely the Bangalore buyer profile has remained similar. And Bangalore demand seems to be reasonably consistent even today. And if you see the Bangalore, I mean, the tech talent and the opportunities that they have, that's both wide and deep. So I'm really hoping that it does not impact the significant section. You can see that the tech is not just one space. It's got several sub spaces. So small space is getting affected surely yes, and that's grabbing a lot of headlines. But I think a lot of the other demand side, which is in other sections of the tech, I think they are fairly stable. And that's where we are seeing the demand still strong.

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

Murtuza Arsiwala: Sir, I just wanted a clarification on the change in accounting. And if I may draw the attention to the notes to accounts fourth point where you put in much detail most of those numbers. So if I read that right, essentially, what you're saying is, let's say, for the year 31st March 22, your revenues because of the change are revised downwards by about 1.1 billion. Your expenses have been revised down by about 1.7 billion. And consequently, PAT is revised upwards by about 500 million. Am I reading that right?

Jagadish Nangineni: Largely, that's right.

Murtuza Arsiwala: That's how we want to read that entire Table, this is mostly do with the interest that you used to accrue on advances from customers. It's mostly you around those accounting sort of routes?

Jagadish Nangineni: Yes, that's right. Like I mentioned, there are three aspects to the big aspects which contributed to this change. First is the reallocation of the borrowing costs between projects and lands and land advances Second one is how we treat the interest on customer advances, which was earlier we used to have it both in note income, which was reported in revenue and cost and cost as interest income, interest expense, that second.

Third is also a recognition of additional revenue in case of joint development projects. We used to recognize only the revenue, which is our share as the revenue earlier. And now we are part of it with a small accounting change, we are going to recognize part of the obligation that we have to fulfil for the landowner as well. so...

Murtuza Arsiwala: The landowner share would show up as an expense now as opposed to you recognizing net revenues?

Jagadish Nangineni: No. The cost of construction for the landowners, which we provide as a service to him, that will come up as a revenue. And it will come out as a cost as well, on both sides.

Murtuza Arsiwala: Okay. Thank you.

Jagadish Nangineni: So in case you would like to understand it in more detail, and we'll be happy to take it offline.

Murtuza Arsiwala: I think I'll want the third part, just get a bit sense or handle on that growth?

Moderator: Next question is from the line of Parvez Qazi from Edelweiss Securities.

Parvez Qazi Congrats questions for a great set of numbers, especially on the cash flow side. So my question is on the pricing front. I mean, you have said that demand remains strong despite the mortgage rate hikes, What is the outlook on the pricing side one for at a systemic level and second especially for your set of projects going ahead?

Jagadish Nangineni: Now price hikes. I think we are largely there in terms of what we should be able to do opportunistic in terms of there is still demand surge that's happening in specific projects, we'll be able to, we can look at those, but it's going to be a little bit calibrated. And the increments are going to be far smaller in nature.

Sorry, Parvez, just to add to that. Our objective earlier, it's clear that across the industry was to increase the price to cover a sudden increase in the cost. While that has happened, we have also seen that it's helped that the demand continue to be strong in spite of the pricing increases. Now it's very tricky now we have to see how the price increases and the demand stabilization, where do we balance it that we'll have to closely watch on a project-by-project and location-by-location and sort of balance it.

Parvez Qazi: Second question is on geographical diversification. We are present in almost 12, 13 cities will probably enter Hyderabad soon. So do you have a number in mind that maybe two years, three years, five years down the line, you would want who have a certain share outside Bangalore.

Jagadish Nangineni: Yes. I mean if we have to go to a larger number in terms of volume, then we will have to be more, get more of this volume from outside Bangalore. Right now, like we have seen that 1 million square feet in Bangalore is a possible scenario if we have the right inventory and the right conditions are present. So even if you take 4 million to 5 million square feet from Bangalore, the stock rate has to come from the rest of the cities that we operate in. So in the medium term, I think it should, the current … I mean there will be about part of it more than maybe 40% coming from outside Bangalore.

Moderator: The next question is from the line of Siddharth Misra from Fidelity International.

Siddharth Misra: This is just a follow-up to the previous answer, which you gave. So you mentioned that you wanted to increase pre-sales gradually and diversify across geographies, and you wanted to go towards 7 million to 8 million square feet and medium term towards 10 million square feet. So just wanted to understand the 7 million to 8 million square feet, do you have the visibility of reaching there in the next two to three years, or it will be further out, what is the time frame of this pre-sales based on the visibility which you have right now?

Jagadish Nangineni: Siddharth, there, our goal is to have a consistent pre-sales of about 7 million to 8 million square feet. So I mean, consistency might take a little bit longer, maybe over three years. But maybe if there is a certain, because of certain projects, certain scenarios where there is a, we can achieve a faster sale in a few projects. Then I think we can achieve over 6 million also in this year or next year. So I don't know if that answers your question, which is how fast we can. We can achieve, but the objective is not just to achieve at one time but also achieve consistently. So that might, that is more linked to even the business development that we will do, it should go hand-in-hand with the sales that we are doing, so that I think it will take a little longer, maybe about another three years or so.

Moderator: The next question is from the line of Biplab Debbarma from Antique Stock Broking.

Biplab Debbarma: Sir, one question is on the cash flow. So can we expect this kind of steady cash flow going forward? Is it the new normal in terms of cash flow, operating cash flow and how do you intend to use this cash in or some kind of ballpark guidance? How do you intend to, are you going to consistently reduced gross debt or we are going to use some part in business development and all, so does give us some guidance on that, cash flows?

Jagadish Nangineni: Yes. Biplab. The cash flows - we have been focused on cash flow for the last couple of years. And that's the reason why you can see that there has been a steady reduction in the debt, which is generating free cash flow. I think that's the way we would like to ideally operate going forward as well.

Only thing is the values of it, which is it going to be in the similar range or it's going to be a little higher or lower. That's a function of the other operations, which is how much do you spending on the construction, how much is the pace of sales that will happen and our collection and so on and so forth. But largely, we believe that the quality of sales that we are doing and the collections we are able to do, that's it become much better in terms of process and in terms of the daily operations. So our ability to manage the cash flow has become surely superior. And we would hope to continue this performance in future too.

Coming to usage of this free cash flow, like we have been saying earlier, we will have to use it to do new business development without which we cannot develop a pipeline in future and this reduction of the debt has also come through not as high spending in terms of land. For the last year / 1.5 years, we have not spent much on new lands. And that's one of the biggest reasons for the reduction of the debt at this space. So if you do start building up the pipeline for new land, I don't think it's going to be there at the same pace.

Biplab Debbarma: And my second and final question is on your geographical footprint. So sir, are we being opportunistic in terms of geography like you started in Kerala, one city to another city, Thrissur, now only in Thiruvananthapuram, and in terms of instead of focusing on the key big markets, like for example, you have a dominance in significant presence in Bangalore and also great presence in Gurgaon now planning to enter in Hyderabad, so in the top or top six, seven cities, that's where every developer wants to be in.

So my question is how you are approaching your increasing new footprint so that you achieve your target of 7 million to 8 million square feet. Is it like opportunistic where we get, we go there or we have some strategy in mind, like big cities or maybe in cities where there is lack of competition? How we are going approaching this your geographical expansion?

Jagadish Nangineni: Right. So Biplab, the good part for us is we have been present in all these cities, which is 11, now we're going to add Hyderabad also 12 cities in real estate operations is that we have a good understanding of the local markets. And we have been present in most of the cities for a long time. So that gives us an edge in terms of understanding of local dynamics both in demand and supply and our ability to get into a new market and establish a brand and deliver so that gives a healthy, that can potentially give us a healthy mix of both the existing locations that we are operating in.

And also some of the focused cities that that most of the large developers will naturally be focused on, which is a large cities. NCR, MMR, Pune, Hyderabad, Bangalore, Chennai and maybe Ahmedabad. So these are the cities that even we would like to be focused on but there is some, this diversification in terms of geography will help us even sometimes get the right set of deals and that would help us take a little bit more conservative cause on land. Sometimes aggressive land closures can potentially lead to probably lower returns, but that's something that we would like to avoid if possible.

Moderator: Thank you. Ladies and gentlemen, due to time constraint, we take that as the last question. I now hand the conference over to the management for closing remarks.

Jagadish Nangineni: Thank you, Adhidev, and thank you all for participating in the call, your questions and patient hearing. I hope we have answered your questions satisfactorily. Our continued focus on operational excellence, coupled with strong customer confidence in the brand are pillars of our strength, helping us simultaneously achieve customer satisfaction and business metrics. We are uniquely positioned through our vertically integrated operating model and geographical diversification to capitalize on the opportunities in the residential real estate space high urban growth economic environment.

Our disciplined growth mindset, investment in technology and people and process improvements will accelerate growth across all our business segments. With an inventory pipeline of 23 million square feet and our improved financial structure and high visibility of future cash flows we definitely aim to deliver consistent long-term performance. And we believe that we are structured to capture this kind of growth. With this, I would like to thank you for all your participation. Wish you all a very happy week and best of best for the rest of the year. Truly appreciate your support. Thank you.

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