Creation, not Construction

To, The Assistant Manager, National Stock Exchange of India Limited Listing Department, 'Exchange Plaza', Bandra Kurla Complex, Bandra (East), Mumbai – 400051	To, The General Manager, BSE Limited, Corporate Relationship Department, 1st floor, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001

Date: 31 May 2024

Sub: Transcript of Q4 & FY24 Earnings Conference Call held on 24 May 2024

ISIN: Equity: INE094I01018 and Debt: INE094I07049 and INE094I07064

Ref: NSE Symbol and Series: KOLTEPATIL and EQ
BSE Code and Scrip Code - Equity: 9624 and 532924
BSE Security Code and Security Name – Debt: 1. 974771 and 0KPDL33;
2. 975276 and KPDL221223

Dear Sir/Madam,

Pursuant to Regulation 30 read with Regulation 47(oa) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**,** please find attached herewith transcript of "**Q4 & FY24 Earnings Conference Call**" held on 24 May 2024 at 04.30 PM (IST).

This is for your information and record.

Thanking you,

For Kolte-Patil Developers Limited

VINOD EKNATH PATIL

Digitally signed by VINOD EKNATH PATIL
Date: 2024.05.31 15:32:40 +05'30'

Vinod Patil
Company Secretary and Compliance Officer
Membership No. A13258

Kolte-Patil Developers Limited

Q4 and FY'24 Earnings Conference Call

May 24, 2024

Moderator: Ladies and gentlemen, good day, and welcome to Kolte-Patil Developers Limited Q4 and FY'24 Earnings Conference Call. 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 telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Smit Shah from Adfactors. Thank you, and over to you, sir.

Smit Shah: Good evening, everyone, and thank you for joining us on the Q4 & FY'24 Results Conference Call of Kolte-Patil Developers Limited. We have with us Mr. Rahul Talele, Group CEO, and Ms. Dipti Rajput, Vice President, Investor Relations.

Before we begin, I would like to state that certain statements made in today's discussion may be forward-looking in nature and may involve certain risks and uncertainties. A detailed statement in this regard is available in the Q4 FY'24 results presentation that has been shared to you earlier.

I would now like to invite Mr. Rahul Talele to begin the proceedings of this call. Over to you, sir.

Rahul Talele: Good evening and a very warm welcome to everyone present on this call. Thank you for joining us today to discuss the operating and financial performance of Kolte-Patil Developers Ltd. for Q4 & FY24.

I would like to begin by sharing with you our views on the real estate environment, followed by an overview of key developments of the quarter. After which, Dipti will take you through the key financial highlights. We then look forward to an interactive session with participants where we will take your questions and suggestions on today's call.

India's economic surge has surpassed market expectations, setting a promising path for future growth. Ranking fifth globally in economic performance, India maintains its position as the fastest-growing major economy for three consecutive years.

This robust economic performance has had a profound impact on India's real estate sector. Currently, driven by a stronger economy, rising wealth, and consumers' aspirations for homeownership, the residential real estate market in India is witnessing a significant upturn. Preferences have evolved across all segments, from affordable housing to luxury properties. Homebuyers today are looking for places that suit their lifestyle and cater to their family needs. As India's economy continues to grow and evolve, the real estate sector is expected to play a pivotal role in shaping the country's urban landscape and meeting the diverse needs of its population.

FY24 marked another year of significant demand for the real estate sector and for Kolte Patil. With sales value of INR 2,822 crore, we have achieved highest ever presales and have closed the year in line with our stated guidance. Sales volumes saw a significant uptick of 20% YoY reaching 3.92 msf compared to 3.27 msf in FY23. Realization improved by 6%.

We maintain a deep focus on sales, registrations, construction and CRM, enabling strong performance in collections. During FY24, we recorded highest-ever collections of INR 2,070 crore. This in turn is critical to driving execution efficiencies, timely deliveries, and customer satisfaction, thereby enhancing the strength of our brand.

As we continue to witness a strong uptick in the demand of residential real estate our prudent balance sheet and a strong cash flow position help us to push the pedal on business development. In FY24, we acquired projects with topline potential of approx. INR 6,095 crore. Additionally, during the year we acquired 5% stake in Life Republic Township from minority stakeholders, taking our ownership in the township from 95% to 100%. The total topline potential of the township, including ongoing projects is close to INR 12,000 crore. In the current fiscal, we aim to acquire projects with the top-line potential of INR 8,000 crore across our key operating geographies of Pune, Mumbai and Bengaluru.

Here, I would like to talk about reported revenues and profitability. During the year, we delivered ~2.06 million square feet and recognized revenues of ~INR 1,372 crore. Reported profitability remained muted for the year mainly on account of earlier period projects that had lower margins. For instance - Margins on projects delivered in Life Republic are recognized on lower average realization of INR 5,100. Overall realizations at Life Republic have improved to INR 6,400 in FY24. Going ahead, the township projects will report higher margins. Little Earth project that was acquired by the Company in 2022 had an on-going portion which was sold with lower gross margins by the previous developer. Finance costs include the provisioning of INR 25 crore for repayment against the funds received from Marubeni Corporation. Finance costs also include an impact of INR 39 crore on account of exit given to ICICI from the Life Republic Township. On an annual basis over the next three years finance cost will be on similar lines as FY24. Further, goodwill generated earlier on-account of merger of a subsidiary has been impaired to the extent of INR 23.46 crore.

I would like to take a moment here to draw your attention to the fact that while revenues are recognized for prior period projects, there are certain current period expenses like sales and marketing, HR and administrative costs that are charged to PnL. Operating margins from FY25 onwards should see a meaningful improvement from the current levels. Revenues for the higher margins projects launched over the past two financial years will start to get recognized from FY26 onwards resulting in further improvement in margins.

For FY25, FY26, and FY27 we are targeting a cumulative sales of ~INR 13,500 crore. This is backed by a sizable projects portfolio of ~INR 25,000 crore. Accelerated pace of business development activities will further augment the portfolio size. For FY25, we have a strong visibility of launching

~9 msf with a topline potential of about INR 8,000 crore. Pursuing our objective of diversification, we are confident that towards the end of the year, non-Pune markets will contribute 25-30% to pre-sales. Life Republic Township will continue to maintain the current pace of sales. On the overall, residential sector continues to be poised for significant growth. With the buyers, developers and landowners increasingly seeking reputed brands, KPDL is poised to capitalize on the current opportunity backed by strong financial discipline reflected in the Balance Sheet and firm cash-flows. We look forward to the coming years with excitement and renewed enthusiasm to deliver value across stakeholders groups.

With this I now hand the call over to Dipti Rajput to share the financial highlights.

Dipti Rajput: Thank you, Rahul. Good evening, everyone. I will now briefly take you through our financial performance for the quarter and year ended 31st March, 2024.

Based on CCM-based accounting, in Q4 we reported revenues of INR 526.4 crore and in FY24, we reported revenues of INR 1,371.5 crore. FY24 EBITDA was recorded at INR 51.1 crore in FY24. During the year we reported a loss of INR 69.4 crore this is post minority interest.

Here, we would like to remind you that recognition of revenue and profits are dependent on the timing of project completion based on statutory accounting guidelines.

Our net debt as on 31st March 2024 stands at INR -25 crore compared to INR 112 crore as on 31st March 2023. Our net debt to equity stands at -0.03 as on March 31, 2024. Further, the Operating Cash Flow for the quarter stood at INR 167 crore and at INR 435 crore for FY24.

We are happy to inform that the Board of Directors have recommended a final dividend of INR 4/- per equity share of face value of INR 10/- each.

We have reported robust operational numbers across parameters to end the year on a strong note and look forward to creating bigger milestones in FY25. Our focus will remain on maintaining sales performance, timely execution, and cash flows, as indicated by Rahul earlier, which will continue to drive P&L performance over time.

On that note, I conclude my opening remarks and would now like to ask the moderator to open the line for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Ankit Gupta from Bamboo Capital Partners.

Ankit Gupta: My first question is on the margins. If you look at our margins for FY'24, we have reported margins for full year of around 3.7%. So the first question is – whether there has been some delay in revenue recognition in this quarter? Or the margins which have been reported in this quarter are the actual margins for the projects for which we had done pre-sales in FY'21, FY'22?

Rahul Talele: Thank you, Ankit. So see, revenue will get recognized once we complete that 30-day notice period, once we receive the OC to be given to the end user or the customer. So for all those projects wherein we have received the OC, the part of that has been considered in revenue recognition, while part of that will get recognized in the ongoing quarter of FY'25.

Ankit Gupta: Sure. And when you say there will be the margin improvement compared to last financial year, are we taking 3.7%, which was a margin which was reported in FY'24? Or you're referring to 12.7% EBITDA margins, which was during FY'23?

Rahul Talele: Ankit, see, there are multiple factors when it comes to margins. So on what kind of base that we are referring to. As mentioned by Dipti also, currently, our presales number base is close to INR 2,800 crores. And whereas revenue recognition base is INR1,500 crores. So all fixed overhead are almost double. I mean that is visible in the P&L. So from that perspective, it is a journey from INR1,300 crores, INR1,400 crores towards INR3,000, so that will be visible in the next 2 financial years.

So once we deliver that kind of revenue recognition, so certainly, margins are going to come. Having said that, there were few projects that were launched before FY'23. I mean, to be precise, October, November of '22, before that, which had a low margin. So all projects which we have launched post October, November 2022 have good margins, good GP margins at project level. So certainly, these are going to get reflected into our revenue recognition in last quarter of FY'26 onwards, and you will see a significant betterment in margins overall.

And at the same time, base of revenue recognition will be upwards of INR2,600 crores to INR3,000 crores in FY'26. So considering that and considering the proportionate pro-rata distribution of overheads, margins will be significantly improved in FY'26. And it is a journey from the current levels to the late teens margins.

Ankit Gupta: But Rahul, I fail to understand one thing. You talked about Life Republic realization, which were around INR5,100, those projects getting recognized, but I thought Life Republic, even at INR5,100 realization, our margins should have been much higher than what has been reported in the current financial year. I can understand certain projects being low margin, but Life Republic at INR5,100 realization, reporting such low margins is something which I fail to understand.

Rahul Talele: So see, there were a couple of projects at Life Republic, which we sold. I mean, because of the mismatch of the APR realization and the contracting strategies, the margins were lower. But having said that, for all projects going forward, or rather from November, December '22 onwards, over there, our average price realization is more than INR 6,000 per square foot, and the margins are significant.

I mean, just to explain for a better understanding for everyone, see, since last few quarters, we are calculating the embedded EBITDA at the project level. So if you see the embedded EBITDA, whatever the inventory that we have sold in FY'23, if you see the embedded EBITDA of that, whatever margins that we have considered as business, then multiplied by the sales number achieved in that specific project. So if we do that calculation for FY'23, that number is close to 18%, 19%. And for FY'24, these numbers have improved from 18% / 19% to 26%. And in fact, we are either matching the business plan APR numbers, or we are surpassing those numbers in terms of actual sales. And at the same time, the cost, which is the cost of construction that is within the budgeted number. So certainly, all these projects which are getting sold currently are going to get delivered in the next few years and will get reflected into better revenue recognition numbers. We do understand, because of a lower base also, there is the impact in terms of the margin in the concluded financial year.

Ankit Gupta: My second question was on the launches front. When each and every listed real estate player has been surpassing their guidance on the launches front, we are falling significantly short of our INR 5,000 crores guidance which was there for FY'24 launches, and we have done launches of INR 3,800 crores in FY'24. So what was the reason for that?

And on top of that, we are projecting INR 8,000 crores worth of launches in FY'25, so it's almost double the launches which we have done in FY'24. So how confident are we of achieving those launches? And how much of these launches that we are planning in FY'25 have been launched in the current quarter until May, if you can talk about that?

Rahul Talele: So in regards to the launches guideline and the actual launches, see, it was some strategic call that we purposely postponed a couple of launches. And particularly at Life Republic, if you see, we wanted to launch a premium project at Life Republic, but what we realized that the current ongoing projects till the time we are not achieving a good sales traction in the current ongoing project, it is not advisable to have a premium project at township. So currently, that is under RERA approval. And in next 30 to 45 days, that project with a top line potential of around INR 1,300 crores – 1,400 crores, will get launched, which is R5 sector.

So likewise, there were couple of misses, let me accept that – one in Wagholi, which was supposed to get launched in Q4, and the other was NIBM, which was again supposed to launch in Q4 of concluded financial year. So Wagholi, we are working on the RERA; and NIBM, so last leg of approval we are waiting for that. And certainly, these projects are going to get launched in Q1 and Q2 of this financial year itself.

Now coming to the second part of your question about the industry, we are also positive about achieving good sales numbers. Hence, we are talking about INR 13,500 crores of presales number for the next 3 years. See, you have to understand the fact that we are not just focusing on just achieving the sales numbers. So if you see the project by project, per square foot realization is also going up. So just to tell you, whatever our business plan numbers at Life

Republic alone, I'm repeating, at Life Republic alone, in the entire year, we have earned around INR 55 crores more as compared to our business plan numbers.

So that is going to add directly to my P&L. So internally, we have an APR appraisal policy on a monthly basis. Over and above that, team has achieved INR 55 crores of more realization at Life Republic project. So our focus is equally on better margins or better price realization. So in Q1 and Q2, we are talking about launches to the tune of around INR 3,500 crores, and we are confident of launching this kind of inventory. So all projects which are visible in our priority launches, particularly from Pune, will get launched in Q1 and Q2. And likewise, a couple of projects at Life Republic will get launched. And Mumbai will come in Q3 and Q4 of this financial year. So we are confident of launching INR 8,000 crores worth inventory in this financial year.

Ankit Gupta: How many projects have we launched in April and May?

Rahul Talele: Two projects we have launched.

Moderator: Next question is from the line of Apurva Bandi from White Stone Financial Advisors.

Apurva Bandi: Sir, as per the presentation, we have ongoing and unsold plus under approval plus land bank of INR 25,170 crores, right? So this is the potential revenue which is yet to be sold, but there would be some revenue which is already sold, but not yet recognized in P&L statement, right sir? So how much would that be?

Rahul Talele: See, when we are talking about this project portfolio, this is completely unsold project portfolio.

Apurva Bandi: Okay.

Rahul Talele: Yes. So we have 3 classification under that. One is approved and RERA registered, second is under approval, and third is pure land bank. So combination of these 3 things, it is INR 25,170 crores.

Moderator: Next question is from the line of Shreyans Mehta from Equirus Securities.

Shreyans Mehta: Sir, my first question is pertaining to the BD which we've indicated. So last year, we were talking about closer to INR 8,000 crores, and the number which we've done is INR 6,000 crores, and that also includes a part of LR. So adjusted for the same, we're almost at half. So despite of that, you're just talking about INR 8,000 crores this year. Shouldn't it be on a higher side, because last year any way we were on a lower side?

Rahul Talele: So Shreyans, see, BD is a function of 3 things. One is the right assessment of plot, second is the legal due diligence, and third the marketability of that plot. So we are confident of achieving this kind of INR 8,000 crores of GDV closure in this financial year. Hence, we are committing on that. But having said that, we are evaluating a couple of sizable business development opportunities, but it takes time also, when we are directly dealing with farmers. So to conclude the transaction, it takes multiple quarters when we are dealing with some aggregators. So because of that, we don't want to overpromise, but we are confident of our current funnelling, we are confident of achieving INR 8,000 crores of BD numbers.

Shreyans Mehta: Sure. Sir, second question is, if you refer to our slide where we've given the entire details of the land bank. So LR land bank seems to have increased quarter-on-quarter. So is there an increase in FSI or something which we've incorporated?

Rahul Talele: See, particularly LR, so I'm sure in the current presentation, we must have added that INR 2,000 crores of BD that we have done in the concluded financial year. Otherwise, I have also discussed earlier, so currently, just for a better understanding for everyone, so this township earlier was into STP, which was having a 0.5 FSI. Then 4 years back, we converted this into ITP with 1 FSI without any additional cost and 0.7 FSI with a premium of INR 110 per square feet. So currently, we are with 1.7 FSI. So while calculating numbers, so we are not consuming this 1.7 FSI, and now according to our recent circular, so 2 is the base FSI for township and there is a premium FSI that can be available by paying some additional premium. So we have not factored in this additional benefit. So currently, we are evaluating. As I mentioned earlier, so we are launching a premium or 24K product in township very soon, our high-rise product, which is 130 meters tall as against our current developments of 70 meters.

So this is giving us an opportunity to consume more FSI on the same land parcel. Just for simplicity, 4 years back, in a couple of sectors, we used to consume 1 lakh square feet per acre. Now consistently, we are consuming around 1.8 to 2 lakh square feet per acre. And with this new development, we are going to consume more than 3 lakh square feet per acre. So that is going to open up multiple opportunities for us in terms of the additional FSI consumption within the same township. But it is too early to comment on that. So it depends on the success of the launch that we are proposing.

Shreyans Mehta: Got it. And sir, lastly, on the presales guidance which we are giving, closer to INR13,500-odd crores. So in any case, we were talking about INR 3,500-odd crores for '25 and so on. So if I do a rough math, we are talking about closer to, say, 20%, 25% CAGR growth, whereas sizable companies, which are almost 4x of our numbers, they are talking about 25%, 30% on that base. So why are we very conservative or going very slow on that front? Be it BD, be it the presales numbers, across. Do you think we are being very conservative on that front?

Rahul Talele: See, Shreyans, whatever the projects that we have launched, so we are not conservative in terms of presales number. But whatever the inventory that we have launched, so almost 50% of that was sold out in 3 to 9 months, so that is visible. So INR 3,800 crores we launched throughout the year. Out of that, INR 1,800 crores we sold out in the same year. So had it been the case that we have got this as an opening inventory, certainly this 50% would have been at 70%, 80%. So considering the strong launch pipeline in this current financial year, we are confident about the INR 3,500 crores number. But having said that, it is the right balance between achieving per square foot realization and achieving our desired volumes.

So just for instance, just 1 year back, December '22, we launched 1 sector at township at INR 5,400 as a launch price, but effectively, we have improved price in that same sector to INR 6,000. Now average realization of that sector is INR 6,000. Phase 2 of that, we launched at INR 6,500. So there is a delta of around INR 1,100 in last 14 months. So that is how we are trying to improve on our APR realization across projects. Hence, maybe you think we are conservative, but we are confident of achieving that base of INR 3,500 crores.

Shreyans Mehta: Sure, sure. Sir, just one suggestion. All our competitors in their PPTs give the embedded margins. So right now, it would be better if you put it on the PPT itself.

Rahul Talele: Yes. So we'll take your suggestion. Certainly, we will work on that. See, once we are launching the project, so then we will be in a better position to revise our guidance if required on upward side.

Moderator: Next question is from the line of Viraj Mehta, Individual Investor.

Viraj Mehta: Rahul, if I look at, you talked about overhead costs being higher, which kind of hurts your margin. But if you look at the total overhead cost put together is only INR 100 crores for this quarter. Now even if I assume half of that is basically the cost we did not have to incur in our earlier projects, it still doesn't make you profitable. So is it like the projects were sold like at such a low rate or we just did not estimate correctly what kind of costs that we will incur in the future to build this.

Because this just looks much, much lower than what you have guided us in the past, because we are waiting for 2 years for margin to come and you had said that FY’21 projects should start yielding numbers by calendar '23 and '24, FY'24 onwards, but the commentary that you are giving means that '25 will essentially be a washout and projects even after that a little bit will not yield numbers. So this is kind of really shocking for an investor, to be honest.

Rahul Talele: So Viraj, so see, for FY'24, there are multiple projects, which have the lower GP itself at a project level. So LR GP was around 25%. So barring LR, for all other projects, the gross profits were in the range of 11% to 17%, 18%. So that is one of the reasons. The second is, in last 1 year, we have added some investments in the form of NCDs, so as an accounting practice, the entire interest is getting loaded in this P&L, which was not earlier factored in. So ultimately, the responsibility is at a project level, not at a corporate level, and we are significantly having better margins at project level even after deducting this the NCD interest cost.

On top of that, in the opening remarks what we mentioned about some impairment, so Kiwale project, again, we acquired in last financial year. So that has pushed our margins on a downside, because over there, we have taken over the stalled project wherein the inventory was already being sold at a much lesser rate and the margins were very low, but since we have taken over the entire project, so that is also getting reflected into revenue recognition.

Having said that, we received OCs in the month of February and March. So because of that, since we follow those guidelines very strictly of giving actual possession to the customer and then putting that into revenue recognition, so possessions is an ongoing thing. So had it been the case that this possession would have been completed, certainly, I mean, the GP is just for the sake of discussion. Even a 20% GP would have directly contributed to EBITDA and likewise to the margin numbers. But yes, this is the truth. But going forward, as I told you, and as asked by Shreyans, certainly, we take that as a positive input to share some details on the embedded EBIT number or EBITDA numbers for a better understanding.

Viraj Mehta: I mean, Rahul, we can talk about embedded EBITDA. But to be honest, I mean, if I look at the commentary, and I know that you were not there in certain parts of the projects when they were and in certain parts, you were there, like Kiwale, you were there, but in earlier projects, you were not there. But if the numbers which were told to us then do not reflect in the numbers today 3 years out, then your embedded margins that you will tell today, and investors will find it very difficult to take it on face value, and that's just an honest opinion I'm giving you.

Sir, second question I had was on BD. Sir, we have significantly lagged on the launches is one thing, but even on BD, right? If you have to launch projects worth INR 8,000 crores, and BD, as you yourself mentioned, have significantly taken much more time than your estimate. In terms if you can give us at what stage your larger BD projects are and do we expect any more significant delays and then we still fall short? Or we are pretty much there in almost all of it?

Rahul Talele: So Viraj just to share, so there are 3 projects in Pune, wherein we are in a very advanced stage. And in fact, in these 3 projects, the design has been closed, on the name of the landowners, we have already applied for the various approvals. So considering that, there is a possibility of closing of this BD, as well as in the next few months, the project can be launched. So these 3 projects have a potential of around - 1 project has a potential of around INR 1,500 crores, other has around INR 800 crores, and likewise. So around INR 3,000 crores worth BD projects are in super-advanced stages. And the other projects of around --

we have a project pipeline, the mid-advanced stage pipeline of around INR 5,000 crores.

Viraj Mehta: Sure, sir. And my last question is, sir, regarding raising of capital. There is one note which says that we are thinking of raising INR1,000 odd crores by debt or equity. Do you really think it would be a wise decision to raise equity at such a low valuation for our company, where we can do INR 3,500 crores of sales and we are valued at 1x sales.

Rahul Talele: So Viraj, this is just an enabling resolution. And, since last few years, we are taking this enabling resolution in order to save time if we find the right opportunity.

Viraj Mehta: Right, sir. But my humble request would be, please take care of the valuation. If raising of capital happens at very less valuation, the minority shareholders and even the majority shareholders get hurt the most.

Rahul Talele: I agree with your point of view, Viraj.

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

Pritesh Sheth: Firstly, again on the margins. So this year, gross margins were around, 22% for full year. How much do you expect it in FY'25 considering the projects that are due for completion next year?

Rahul Talele: So FY'25, our EBITDA margins will be early teens. And FY'26, we are expecting our EBITDA margins towards late teens or even around 20.

Pritesh Sheth: Sure. Got it. So roughly, I think gross margin should be.

Rahul Talele: Sorry, Pritesh. This is with the revenue recognition projections of around INR 2,000 crores in the ongoing financial year and around INR 3,000 crores in FY'26.

Pritesh Sheth: Sure, that's helpful. Secondly, on launches, INR 8,000 crores is what we are aiming to launch. All of this would be launched in this year or it includes some of the projects which are large in size and probably we will launch a part of that phase? So will that reduce the size of the launch that we will do this year? Or it will still be INR 8,000 crores, including everything?

Rahul Talele: So whatever the projects or whatever the inventory that we are planning to launch in this financial year is INR 8,000 crores. So if you see from an approval perspective, we will be getting approvals for a higher number. But out of that, we are going to launch around INR 8,000 crores worth inventory.

Moderator: Next question is from the line of Rohit from ithought PMS.

Rohit: Rahul, sorry to belabour on this margin point again, but I am just not able to reconcile couple of things. So I think to a previous participant you mentioned that LR at INR 5,100, those were lower margins. However, I mean, some of us have been attending these calls for more than 3, 4 years now. And I mean, it seems, at least to us, and it was also quite explicit that the economics even at those levels were fairly decent, maybe not very high, but they were not loss making at least, the kind of numbers that you have reported here.

So I mean just to understand, because I think there is a disconnect between what at least I thought and I think some of the others also who have raised this question. So can you just maybe, with respect to Life Republic only, I mean, maybe take me through like what is the economics, and at INR 5,100, why were we at loss? I mean, if you can maybe help me?

Rahul Talele: So Rohit, with INR 5,100 realization, at that time, few projects were with ITC and few projects were without ITC. So considering that, and the gross profit that we have achieved from Life Republic projects in this financial year is close to 29%. It is not something that is on a very lower side. So you can say the costs are around INR 3,400, INR 3,500 per square feet basis and around INR 1,500 is the margin. And currently, we are talking about a much better realization. Hence, that point was mentioned.

That does not mean the margins at INR 5,100 were on a lower side, because see these projects were with ITC. Hence, the cost got limited to INR 3,400, INR 3,500. And now without ITC, costs are going towards INR 4,000. But against that, we have improved our price realization almost by INR 1,200 to INR 1,400 a square feet. So there is a net delta of around INR 800 to INR 1,000.

Rohit: No, sir. Sure. So for example, you said that INR 1,500 is the gross margin, let's say, at the per square feet level. Are the costs low, your gross margins so high that you would have made losses? I mean that is something that I'm not able to sort of understand. Because as far as what our understanding has been, through these calls only, that these costs which are there, some of it as you mentioned are for the kind of presales that we are doing. But still, at even like INR 1,500 crores, INR 1,600 crores kind of top line, we would still be doing maybe not like 18%, 20% kind of margin, but at least 12%, 13% kind of margin, which you've done in the past as well.

So is there something which is like specific that something has happened and you've just taken a call in a specific project. And I mean that's the reason for the question. I mean we understand that P&L is backward looking and it is not something that -- but just to understand the business and to get our clarity better, I mean, is it that like the losses that we have taken in the last 2, 3 quarters, is it because of some specific projects, because again, LR, as you said, 30% gross margins or 29% gross margins, I am not able to understand why should it be a significant contributor to the loss that we have reported in this quarter.

Rahul Talele: See, Rohit, apart from that, the other projects has a gross margin of anywhere between 11% to 17%/18%. And overall gross margin for the concluded year was around 22%. So LR was certainly on a higher side of the average. But we are just trying to compare with the current situation at LR. And likewise, there were a few exceptional items that were recorded in this financial year. So I would ask Dipti to put some light on those exceptional items.

Dipti Rajput: So Rohit, like Rahul has already mentioned, there were certain projects. Now to help you understand cost breakup at LR, INR 5,100 is APR, and then we have our construction cost at maybe about INR 2,500, land and infra at about INR 1,000. Now LR is a significant contributor, close to 50% of the revenues that were recognized. The other projects that have been recognized contribute to the remaining 50% of the revenues that have been recognized, resulting in a gross margin of 22%. That's one.

Second, there were a couple of exceptional items which are related to impairment of investment in one of the projects at KPDL. So that impact is also included in this EBITDA level margins, including the gross and EBITDA level. So that's about INR 16 crores. That's at the EBITDA level. Like we mentioned, there is some goodwill write-off below the EBITDA level, and there is also finance cost incurred on account of Marubeni and ICICI, so this covers your PAT level.

So these are the major items that have impacted the profitability for the current year. Having said that, even in the previous calls, we've mentioned that whatever projects that have been launched in FY'23 and '24, are high margins, upwards of 20% at the EBITDA level. And these will start to get recognized towards the end of FY'26.

We do understand that while the margins may seem muted at the moment, but at the project level, the margins are sacrosanct for us, and we've been maintaining that even at the business acquisition point. If you want further details, what we can do is, maybe after the call we can connect and give you line-wise details.

Rohit: Sure. I mean, fair enough. I'll probably connect with you. I think the larger point, Rahul and Dipti, is, I think, as I said, I've been at least on these calls for a long time, and these lower margins was something which was not expected. I mean, we were not expecting very high margins, but these lower margins -- and again, I'm saying that this understanding of P&L being backward looking is there. So it's not like that I don't understand that. But my request would be, sir, that if you can be clear in your communication to help us to understand your business better, and also your credibility in the market community will be better, because otherwise, I mean, there would be a lot of surprises and then it will not be liked by the market.

Though I completely get that there could be issues of the previous projects and you've taken a call on them, which is fine, but if you could have communicated it better, I think the surprise will not be there.

My second question would be, sir, there has been some delay in some of the launches of the last year, and those have now rolled into the current financial year. But you have not changed your presales number and you're still stuck to that 20% kind of growth which you had earlier guided. So that takes us to INR 3,500 crores for FY'25. So I just wanted to get a sense, are you expecting some slippages again in those INR 8,000 crores kind of launches that you are expecting and hence, you still want to keep INR 3,500 crores? If you can just explain that, because logically, I mean, that number also should be higher. So just wanted your view, sir?

Rahul Talele: So Rohit, we take your feedback. And in terms of the launches, see, we are confident about all launches. I mean, the most important is environment clearance. We have received environment clearance for most of the projects. So considering that, we are confident about these launches. And we are not expecting any slippages. Yes, there can be slippages on quarter-on-quarter basis, but grossly, we are confident of achieving these kind of launches in the FY'25.

At the same time, I tried to answer earlier also that once these projects have actually been launched, then certainly, we'll try to revise our guidance upwards. But it's too early to revise guidance on the upward side at this moment.

Rohit: And just one last question.

Rohit: I just had a clarification. The LR, which rolled over to this year, when are we launching it, sir? I think you mentioned it, but I missed it.

Rahul Talele: Yes, yes. So we are launching projects worth INR 2,500 crores at Life Republic and all projects we have already received environment clearance and all projects are on track for launches.

Rohit: Which quarter are you bringing these launches sir?

Rahul Talele: One project we have already launched, and in the subsequent phase of around 9 lakh square feet. It will be at the end of Q1 or Q2 beginning, we are planning to launch around a project worth INR 1,200 crores.

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

Parikshit Kandpal: So my first question is on what is the contribution of sustenance sales? So next year, guiding for INR 3,500 crores of sales. So how much do you think will be new launches contribution and what will be the contribution from sustenance sales?

Rahul Talele: In last 2 years, if you see, we have achieved around 50% of sales numbers from the launch, considering that our numbers would look on a higher side. But at the same time, we are trying to take a better price realization. So from sustenance sales, it will be around INR 1,000 to INR 1,500. And INR 2,000 to INR 2,500 will be from the launches.

So it's very difficult to segregate at this moment of time. But we are confident of achieving whatever the inventory that we are launching apart from Mumbai, because Mumbai projects will be in second half, so INR 3,500 crores worth of inventory we are trying to launch in the H1 itself. So over there, certainly throughout the year, you can see around 50% of conversions.

Parikshit Kandpal: That means you are looking at a very low conversion to launches from new launches this year. If I take sustenance sales of INR 1,200 crores, INR 1,300 crores, that leaves me with INR 2,100 crores, INR 2,200 crores of new launches on a base of INR 8,000 crores of new launches, which is about 25%, 26%, and we have done almost 63% sales from new launches in FY'24. So you are seeing a significant deceleration and correction in the new launch sales?

Rahul Talele: So see, even the last year, FY'23, the sales from the launched projects were on a higher side. This year, it was a little on the lower side. Considering that -- I mean, on the other side, we have improved the price realization. So Parikshit, as I tried to answer earlier also, it is a combination of pushing the sales rate and pushing the volume.

So just for instance, we launched a row house project at township at INR 7,400 a square feet. That project got sold out in 15 days. Based on the success of that, we launched a Phase 2, complete different project, at INR 8,300 to INR 8,500, so since the prices have improved by 10% or more. So the velocity is completely different as compared to the earlier price point.

So when you're approaching a market, then you have to face the bitter truth. So we have to do multiple probabilities, combination and attrition. So based on that, yes, we are confident the market is positive. There is a strong feedback from the channel partner fraternity about our products that we are planning to launch. So no surprises on the negative side that we can foresee. In fact, whatever will be the surprise, I'm expecting that would be on a positive side. But, maybe for the third time I'm repeating, it's too early to comment. The numbers that I have given are based on today's visibility.

Parikshit Kandpal: Okay. Sir, my second question is on -- Dipti can address it. So Dipti, I just wanted a clarification that you said that the current run rate of finance cost will continue for next 3, 4 years, so which is basically almost close to INR 100 crores. And also wanted to check if goodwill will also continue?

Dipti Rajput: Hi, Parikshit. No. So goodwill has been written off and is all concluded in the current year, that's FY'24.

Parikshit Kandpal: And finance cost?

Dipti Rajput: Finance cost, Marubeni will be there. Other financial partners' cost will be there, which is why we anticipate INR 100 crores run rate for the next 3 years, that's FY'25, '26 and '27.

Moderator: Next question is from the line of Himanshu Upadhyay from BugleRock PMS.

Himanshu Upadhyay: Rahul, my question was on the business development side. And if you look at the sales or the value of projects we already have in terms of inventory, we are around INR 25,000 crores. And we are thinking of business development of INR 8,000 crores. Our sales, even if we assume that INR 4,000 crores is there on an average, we have next 6 years of inventory.

And what we are hearing is the prices and the expectations of landowners have increased quite materially. So can you give your thoughts on how do you ensure that this business development is happening at the right price point? And is it really that good that we need such a large business development work? In the current atmosphere, we have so much of launch and to be launched inventory is already there.

Rahul Talele: So see, what you were referring to about the project portfolio. See, yes, theoretically, this project portfolio can be exhausted in next 6 years, but if you see the classification of this portfolio, around INR12,000 crores is at LR. So considering the current run rate. And as I mentioned, there is a possibility of additional FSI, so certainly it is kind of a perpetual contributor for the company, as we are getting a good opportunity to acquire land surrounding township.

So in terms of Mumbai and in terms of Pune portfolio, yes, there is a visibility of next 4 to 6 years in terms of portfolio. At the same time, what you asked about, our business development opportunity or rationale, see that's the reason, see, now I'm just trying to connect the dots. We are trying to improve our price realization. So we are trying to strengthen our sales mechanism.

Because of that, maybe a costly opportunity are feasible for us as compared to competition. Hence, we are giving our attention to better price realization also. At the same time, if you see, our contribution of 24K projects is an all-time high. See, in last 10 years, we have sold an inventory close to INR 2,000 crores, and in this ongoing financial year itself, we have sold an inventory of around INR 900 crores.

So historically, and we are confident based on our current experience that this 24K projects certainly have a better price realization and better margins also. So what are the opportunities that we are currently evaluating? So it is a combination of upper MIG, MIG, and 24K segment. So considering that the product mix and 1 more point that I would like to highlight, we have a certain market share of Pune as a locality since we are one of the leaders in Pune region. But large part of our presales number have been achieved from a northwest market of Pune. So we are commanding 12% to 13% of that market share.

But if you talk about the rest of Pune, I mean, if you talk about INR 80,000 crores as Pune market, northwest is INR 20,000 to INR 25,000 crores. Over there, we have achieved around 12% of market share, INR 2,600 crores, INR 2,700 crores. And in the rest of Pune, which is a INR 60,000 crores market, our market share is less than 1%. So we have an opportunity, and we can sit on those assets. So we won't be in a hurry to liquidate those assets like sold out 50%, 80%, 90%, since it is a diversification for us. So all such addition of business development opportunities are going to certainly add value to the portfolio. And certainly, without compromising on the margin, since we won't be hungry for velocity for all such projects.

Himanshu Upadhyay: See, my worry is, if I say that, what we see is when the cycle goes bad, the realizations don't go down, but the costs remain high or keep on increasing. And sales velocity falls quite materially. And the IRR become low, for many of such projects. And I know that we have a strong balance sheet, so that we can hold on to a project for longer period of time. But will it be really IRR meaningful if we have to hold on inventory for 2 years, 3 years, and we don't know how the cycle will play out 2 years from here and what velocity will be there?

Rahul Talele: Agree, fair point, and which is why we are treading judiciously on this BD front.

Himanshu Upadhyay: And one thing this INR 8,000 crores inventory, you also stated that there will be some which will be bought from farmers and converted to this thing and some would be outright purchase. Can you give me, out of this INR 8,000 crores, what would be, let's say, outright JV, some ballpark figure, not the correct estimates, but?

Rahul Talele: See, our strategy on the outright transaction, so we try to take the structured payment facility from the landowners. So it will be a combination of outright and joint ventures. So you can say 50%-50%. And whatever the outright purchases that we are planning, so over there, it is with the structured payment facilities.

And for Mumbai, yes, certainly, most of the acquisitions will be on a joint venture. I mean, the society redevelopment, we call that as a joint venture only. And Bengaluru will be completely a joint venture. And see, we have converted our joint ventures into outright transactions also. Baner is one such example when we got the visibility of launch, we have converted our joint venture project into outright. We have given exit to landowners. So we will continue to do from that perspective also.

Moderator: Ladies and gentlemen, we will take that as the last question. I'll now hand the conference over to Mr. Rahul Talele for closing comments.

Rahul Talele: Thank you once again for your interest and support. We will continue to stay engaged. And if you have any further questions, please feel free to reach Dipti Rajput at Kolte-Patil Developers. Look forward to interacting with you next quarter. Thank you.

Moderator: Thank you very much. On behalf of Kolte-Patil Developers Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.