SOBHA

PASSION AT WORK

Date: November 10, 2023

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

Dear Sir / Madam,

Sub: Transcript of Meeting with Analysts/ Institutional Investors

In continuation of our letter dated November 02, 2023, please find enclosed herewith the transcript of the conference call held on Tuesday, the 07th day of November, 2023 with the Analysts/ Institutional Investors to brief the Operational and Financial performance of the Company for the quarter and half year ended September 30, 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

Yogesh Bansal

YOGESH BANSAL
CHIEF FINANCIAL OFFICER

"Sobha Limited Q2 FY24 Earnings Conference Call"

November 07, 2023

MANAGEMENT: MR. JAGADISH NANGINENI – MANAGING DIRECTOR, SOBHA LIMITED
MR. YOGESH BANSAL, THE CHIEF FINANCIAL OFFICER, SOBHA LIMITED

MODERATOR: MR. ADHIDEV CHATTOPADHYAY – ICICI SECURITIES LIMITED

Moderator: Ladies and Gentlemen, Good Evening and welcome to Sobha Limited Q2 FY24 Earnings 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 the operator by pressing '*' then '0' on your touchtone phone. Please note that the conference is being recorded.

I now hand the conference over to Mr. Adhidev Chattopadhyay from ICICI Securities Limited. Thank you and over to you, sir.

Adhidev Chattopadhyay: Good evening, everyone. On behalf of ICICI Securities, I'd like to welcome everyone on the call today.

Today from Sobha Limited Management we have with us Mr. Jagadish Nangineni – Managing Director and Mr. Yogesh Bansal, the Chief Financial Officer. I would now like to hand over the call to the management for their opening remarks. Over to you. Thank you.

Jagadish Nangineni: Thank you Adhidev. Thank you for the kind introduction and organizing this call. Sobha team and I are happy to interact post financial results of Q2 FY23-24. As you all know, the investor presentation can be accessed from our website Sobha.com. In this call, we'd like to briefly touch upon our last quarter and the half yearly performance and provide a brief outlook for the remaining 6 months of this financial year.

The first half of the year was the best-ever for us with real estate sale value achievement of about 3,188 crores and 3.08 million square feet. In this quarter, we achieved the highest ever quarterly sale value of 1,724 crores and 1.69 million square feet. This is the ninth straight quarter where the presales have been better than the previous quarter.

Achievement in this first half is more remarkable, considering that no new project launches have taken place. Bangalore touched quarterly sale of 1.01 million square feet, crossing the 1 million square feet mark again this quarter and a value of 932 crores. Kerala also has done remarkably well, achieving a higher sale in the first half of this year than what we did in the entire last financial year.

This was aided by two new tower releases in Marina one and Sobha Metropolis in Thrissur. In GIFT City as well, the demand scenario has been very positive with increased visibility and action on the ground. We have crossed the 100,000 square feet mark in a quarter for the first time with the sale value of about 89.5 crores.

NCR continued to witness excellent demand contributing to about 20.6% to the sales in this quarter. We have a robust pipeline of about 15 million square feet to be launched in the next two years. From this pipeline, we have already launched Sobha Neopolis, one of our largest projects in Bangalore with 1,875 units and 3.44 million square feet in the first week of October.

We expect to launch anywhere between 6 million to 7 million square feet in this financial year, including this Neopolis launch. Aided by the excellent sales and milestone achievements in the projects our operational cash inflow has also been steadily growing. Our focus on cash flow management has been steady and the results of the same are for us to see.

For the 12th straight quarter, we generated positive cash flow and reduced our debt. We expect the demand in the residential sector to be robust in the steady economic environment and an interest rate cycle which is close to its peak.

With this I request our CFO – Mr. Yogesh Bansal, to take you through the financials and open the floor for the questions.

Yogesh Bansal: Good evening, everyone, and thank you for joining us today.

I will quickly take you through some of the quarterly highlights.

With the highest quarterly sale along with faster achievement of construction linked milestone, has resulted in historic achievements in terms of cash inflows reaching to Rs. 1,450 crores for the quarter, payoff which, substantial portion of Rs.1,260 crores has been contributed by real estate business.

In the first half of the fiscal year, our performance remained strong with total cash inflow of Rs. 2,805 crores out of which real estate collection contribution is Rs. 2,388 crores. We maintained a strong commitment to real estate construction, deploying 1,068 crores in H1 24 and Rs. 536 crores in Q2 FY'24 which represents a remarkable increase compared to the previous year.

We generated net cash flow of Rs. 129 crores in Q2 FY'24 leading to a continued reduction in our net debt. Our debt-to-equity ratio is 0.58. Operationally, it is evident that we had a remarkable strong quarter. On the P&L side, total income for the quarter reached 774 crores with a cumulative figure of 1,713 crores for the first half of FY24.

We have handed over 0.67 million square feet in Q2 and 1.71 million square feet in H1. In the quarter, our EBITDA amounted to Rs. 108 crores with a margin of 13.9% for the first half of the year, EBITDA stood at 204 crores with a margin of 11.9%. Our quarterly PAT recorded a figure of 13 crores.

As of 30th September, there is an outstanding balance of approximately 11,186 crores in revenue yet to be recognized from all sold units.

We thank you all once again for your participation and now we can open the floor for question-and-answer session.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati: Thanks you so much and congratulations on strong cashflow and reduced debt. My first question is on the pipeline you eluded to the 3.44 million square feet Neopolis launch. Can you talk a bit about what kind of response you have received and when you talk about 6 to 7 million square feet potential launch pipeline, is it over and above 3.4 or is it inclusive of 3.4?

Jagadish Nangineni: Like I mentioned the launch is about 6 million to 7 million square feet, we launched in the first week of October. We released 825 units as part of the launch, and it's been a very positive launch that we did, and we think that we are achieving about 11,500 plus as the realization. In the 825 units that we released; we have already sold about close to about 40% of those.

And coming to the remaining launches, like I said, it's 6 to 7 million square feet which includes this. So, we have at least 2.5 to 3.5 million square feet to be launched, which would have part of it which would happen in this quarter and remaining in the last quarter.

Puneet Gulati: And in that context if I think about your collections to sales ratio, which is roughly about 81% and I don't think you have much to sell from your existing area. So, when you launch Neo, would it be fair to assume that the collection ratio to sales can go down substantially or it should not be that material a fall?

Jagadish Nangineni: Puneet sorry can you repeat the question, the last part of the question please?

Puneet Gulati: Yes. So, when you launch, you know, you obviously will be collecting only at best 30% given that only 6 months are remaining from the sales that you you're likely to do, will the collection and your existing inventory unsold inventory is very little, so would it be fair to assume that even if you were to maintain the same sales run rate, the collection could actually be lower than what you experienced in the first half?

Jagadish Nangineni: I think there are collections that come from two parts which is one from the old sales and the corresponding milestone that we are achieving in the projects. And second is from the new sales. So, in the new sales that we have just started we have been pretty aggressive in terms of our execution as well.

And in this particular instance, we already started our construction for the phase that we already launched. So, we expect to hit new milestones, as well, as quickly as possible. Having said that, the collections from the remaining sold and under construction properties also is going to be robust. So, overall, I think in the second half our collection should be similar as what we are doing in fact can be better.

Puneet Gulati: Secondly, in your presentation there is also a mention of commercial portfolio, so is there a change in thought process where you want to own commercial portfolio or is it just temporarily parking in the balance sheet?

Jagadish Nangineni: Our focus has always been residential Puneet and currently given the residential demand environment, we think that our focus should continue to remain in residential. The dimension of the commercial portfolio is because we have these in our projects as incidental and hence those projects we will execute as per the overall master plans of those projects.

Puneet Gulati: No, for example Sobha City Mall in Thrissur and one Sobha Bangalore would stay in your balance sheet or would it be sold out eventually?

Jagadish Nangineni: We do not have any plans of selling out those commercials which we have already developed.

Puneet Gulati: And similarly, the Sobha City Athena which is ongoing would also stay with the small one?

Jagadish Nangineni: Yes.

Puneet Gulati: And lastly on some of the pending cases while notes to accounts don't reveal anything new, there was also a new update on one of the auditors which came in wherein NFRA has penalized the auditors for lack of disclosers and some land deals, can you elaborate on what really is the problem there and what is the response to that?

Jagadish Nangineni: This was the matter related where the previous auditor was fined for about a nominal amount of 5,00,000 which I think the representation based on the representation given by the previous auditor NFRA has taken such a call post that we do not have any further information on that.

Puneet Gulati: And any update on when should one expect you to start disclosing your land bank once again used to disclose it every quarter, but last few quarters it's been missing?

Jagadish Nangineni: What we would like to do Puneet is not just the land bank, but also the productivity of that land bank which we are in the midst of improving the overall productivity of that and once that is done, we will surely start disclosing not just this pipeline, but also the future pipeline as well.

Puneet Gulati: And since the last disclosure has that pipeline materially changed or is it largely similar given that you're doing quite a bit of claiming up as well?

Jagadish Nangineni: So, our cash flow that we have dedicated for the new business development has largely been for adding new lands into the existing land bank where we have large parcels and also some of the old payments that are due for making these projects go to a project stage.

So, the overall pipeline roughly remains the same, but as we continue to evaluate new projects and we are signing up new projects too, but it is not materially very different from what we earlier have in terms of the large land bank that we have.

Moderator: Thank you. Next question is from the line of Parikshit Kandpal from HDFC Securities. Please proceed.

Parikshit Kandpal: So, my first question is on Neopolis so in Neopolis 40% of the unit is sold, so my understanding was that about 1,600 units in this project ballpark. So, we have launched something around 500 to 600, so have we release some more inventory here and this 40% which was sold does it include the channel partners because my understanding was that largely it was initially being done by you directly and then maybe channel partners will be introduced. So, how do you look at accelerating this project sales?

Jagadish Nangineni: Parikshit just to recap so we therefore the Neopolis project has a 1,875 units. The sales that we launched has 825 units of which I was saying that 40% have been sold and you're right that we have given for the first time in our history of sales that we have given the opportunity for existing customers and who have directly have been reaching out to us to book their units for the first and hence for a brief period we have sold these without any channel partners and we have once we achieved our goal of our internal sales goals, we have opened up the sales for the channel partners as well.

Parikshit Kandpal: But how do you intend to release more inventory do you think what point of time do you think you will release some more inventory in this project by the financial year end?

Jagadish Nangineni: Based on the pay we have the entire year and subsequently to keep opening the inventory. So, we have as the sales continue, we will open up the new towers.

Parikshit Kandpal: The other question is in the balance launches. So, what are the other key launches till FY24 end? So, what do you look at launching in Bengaluru and then Gurgaon or Kochi can give some sense on where in terms of RERA or other environmental approvals, where are we this and how confident are we launching this balance 3 million, 4 million square feet beyond the Neopolis?

Jagadish Nangineni: Yes, like I said, we have another about 2.5 to 3.5 million square feet that we can potentially launch of which about a million to million and a half can come from Bangalore and they're in advanced stages of approvals. In addition to that we have a launch in GIFT City, which is possible in Q4 and another launch in Gurgaon which is a commercial development so that also is possible in Q4.

Parikshit Kandpal: Any Resi launch in Gurgaon because this will not add up to, I don't think that will add up to 3 to 4 million balance for the year because 1.5 in Bengaluru and maybe the GIFT City won't be a big launch because commercial also not really launched. So, is there anything which you were building out of these 15 million square feet almost half this year, is something which is pushing into FY25?

Jagadish Nangineni: So, the remaining will come in FY25 Parikshit, but this is a little bit conservative because as the approvals are always tentative, if you can. We are aiming to do our best in terms of doing at least half of what like I said of 15 million at least, even if you can do 7 million, that remaining can come in the next financial year and those also in the next financial year we have those launches seem to be lined up for spread evenly across quarters.

Moderator: Thank you. Next question is from the line of Dhruvesh Sanghvi from Prospero Tree. Please proceed.

Dhruvesh Sanghvi: Just I was reading some of the articles about the promoters which have come and some of the global magazines where a broader comment was mentioned about India having a peak capacity for Sobha of approximately 1 billion to $1.5 billion. Now how should we read this when we have already 5 Indian real estate players crossing more than 20,000 crores or 25 crores or 30,000 crores leagues, I mean, I feel that we are aiming too low and why is India only a billion dollar in our in the promoters' mind? I mean what is the assumption going while saying something like this, if you can just highlight?

Jagadish Nangineni: See, this is the market sizing is an ever-changing number as things grow then definitely and as we start achieving our increased goals last year, we were at about 4,000 crores. I mean sorry, last-to-last year we were about 4,000 crores, last year we were about 5,200. This year in the first half we already achieved 61% of what we did last year, and I think we can do, we'll definitely do far better than what we did.

So, as we are increasing our pace of sales, we continue to see the demand that's growing. The understanding of the whole market and our ability to capture that market size will surely be improving. So, it's not to be taken as that's a fixed number, but that's something that continues to evolve.

Dhruvesh Sanghvi: And just one thing which I keep asking about margins. So, just to keep the track of things, can we say now have we hit the worst phase of the margin reported margin is over now because I think last two quarters, three quarters I've been asking and you have been indicating that yes it should we are in the near end of the worst phase of the margin profile, so is this correct and supporting question to that is that yes we understand that we hit the lowest point right now, but when do we reach to a 10% to 15% net profit margin after all cost, all taxes, is it now visible in the next four quarters or no that upper cap is still much beyond the four quarter time zone?

Jagadish Nangineni: The revenue like in the CFO note we have seen and in the investor presentation we have seen we have about 11,000 crores of revenue to be recognized of which almost 80% of that is from the sale that we have done from FY22. So, the margins of those are decisively better than what we had done previously and like I said, it is purely because of pre COVID sales and post COVID cost.

So, that I think as we start recognizing those projects, it should definitely improve and in the beginning of the financial year itself we had indicated that in the first three quarters it would be roughly similar and from last quarter we should start seeing improvement.

Moderator: Thank you. Next question is from the line of Himanshu Upadhyay from O3 PMS. Please go ahead.

Himanshu Upadhyay: My first question is relating to the margins only we are backward integrated company. We do our construction on our own and even manufacturing of some of the things and still our margins are pretty low, should not our margins be much higher over a period of time and is there any scope to improve the efficiency and cost and what are you doing to improve your costs or efficiency at the overall level I am not talking about just last four, five quarters, just a longer term thought how do you look at your margins and what can you do to improve it internally?

Jagadish Nangineni: It's a valid question because like you said we are a backward integrated firm and our premium in the market is also good. Considering that it is natural for anyone to expect our margins to be better. However, COVID period and probably a little bit post that which is particularly 1.5 years where the efficiency of our own staff in a backward integrated model which has high fixed costs has definitely taken part of the -- because of that we have seen some kind of erosion in the margin, and we should start seeing better margins in future.

And second is from a long-term perspective we on a project basis we typically aim to achieve anywhere between about 35% and that I think we have been able to do it in the last two years to three years and those will start showing up in the P&L as well.

Sorry last part Himanshu is the cost management and improving our efficiency as the scale of the organization increases our ability for our core management which is in the construction and the other backward integrated divisions that we have is certainly improving and we can see that quarter-on-quarter not showing up in the P&L, but that should come up as the scale increases and our pace of delivery certainly increases.

So, currently, it doesn't seem like that because our revenue recognition has been a little low, but the completions have not been in line with what we are doing in terms of sales. As you see this quarter, we have completed about 700,000 square feet whereas our sale is about 1.7 million square feet. So, as in a mature model, we will have to do, we have to catch up for the delivery with the sale and as we do that, these margins will also definitely start showing it.

Himanshu Upadhyay: Secondly, Ahmadabad has become an important market for us. We are seeing 4% to 5% of sales from that market and the realizations are better than what we are doing in Tamil Nadu means the average what we see on the 10% higher end. Again, 10% lower than Bangalore, is it a sustainable market and we would like to grow in a new market like that or do you think it is only a one off and once with 7,77,000 million or 1,000 square feet gets sold it is no longer a market for us?

Jagadish Nangineni: Absolutely we were one of the first to. In fact, we are the first residential project in GIFT City and the investment that we have done has really paid off, especially in the last two years plus with the visibility of GIFT City and the traction that has developed in the core GIFT City operations.

So, we think that with the kind of focus that the government has on the GIFT City, there is a incredible interest in participating in the GIFT City story and in fact we are looking to add more area to what we already have there and hopefully we should be able to do it and we should launch a new project this quarter.

Moderator: Thank you. Next question is from the line of Parvez Qazi from Nuvama Group. Please go ahead.

Parvez Qazi: So, two questions from my side. First, I think existing inventory is fairly 3.5 million square feet, whereas our trailing 12 months itself are about 6 million square feet. So, clearly, we do need to launch more projects. Now you have said that the H2 will probably see 6 million, 7 million square feet of launches, but on a sustainable basis like 10 FY25-26, can we go closer to the 8 million, 10 million square feet launch which is needed if we want to sustain our sales growth that's the first question and second, we have seen some bit of improvement in a land related CAPEX. So, how do we see that number going ahead and also our thoughts on the debt reduction quantum going ahead?

Jagadish Nangineni: On the part of new launches like I said first our focus is on to do the remaining 15 million which we have clear visibility on those and that I think we have even if you do about for the remaining 1.5 years to 2 years, we do about 7 million to 8 million square feet. I think within value of that about 10,000 plus that we are achieving and probably a little bit more.

I think we have a good pipeline right now and in addition to it like you observed that we are doing certain CAPEX in the sense in land investments to increase that pipeline and from next quarter onwards you can start seeing that the visibility of the pipeline which has been steady at about 15 million for the last three quarters. We should start adding to those and the pipeline will definitely grow.

Parvez Qazi: Lastly on the debt reduction part?

Jagadish Nangineni: On the debt reduction in terms of the cash flow management like we have seen, we continue to maintain a balance between both debt reduction and also the investment in new lands. Now that we have started launching these new projects, I think we will have a robust cash flow going forward and we are fairly confident that we will able to achieve both goals simultaneously, both reduce debt and also increase the investment in land.

However, given the current debt level which is very comfortable for us. Based on the kind of opportunities that we have our preference will start moving towards more towards increasing our allocation towards new business development.

Moderator: Thank you. Next question is from the line of Pritesh Sheth from Motilal Oswal. Please proceed.

Pritesh Sheth: First question is again on growth if I look at certain I mean if I look at the contribution from certain markets like NCR where we are now doing 1,500 crores of annual presales Bangalore is also consistently now ramped up, probably next two years you have indicated a pipeline, but beyond that if you want to maintain let's say 15%, 20% kind of a growth which markets are going to contribute that growth considering the pipeline that we have right now and whether that will come from the existing markets and we'll gain certain market share or newer markets will also start contributing and if you can highlight any specific new markets that we know particularly you're positive of ramping up in next couple of years?

Jagadish Nangineni: The growth will definitely come from both from our existing markets and any new locations that we are going to be in, but the existing markets where we currently which is contributing the most to us which is Bangalore NCR and Kerala the growth there one in Bangalore is definitely going to be better because we have a lot of new land banks which are coming into the project level that should see a good growth.

NCR, we have in the last few years. We have built a good pipeline of projects and those which unfortunately could not be launched for several regulatory reasons, but now we are getting them also on online. So, in NCR also we have a good pipeline of projects. So, both these will drive part of the growth and the next part of the growth is going to come from cities where we have been present for some time like Pune and in Hyderabad, we are actively looking for new opportunities there. And as and when things fructifies, we will add those into our pipeline, and they should also contribute to our growth.

Pritesh Sheth: So, with this 15%, 20% kind of growth can be targeted over the next in the three to five years?

Jagadish Nangineni: We would like to be consistent in how we would like to grow, and I think we have a decent pipeline for achieving that. So, we should be able to target that number.

Pritesh Sheth: And just one last on margins that's on contractual business did see an improvement in margins this quarter I think if I see the EBIT margins were around 14%, 15% odd this is the way how we should look at this business now and then for the scale up in terms of margins will come from residential and just one more there residential I'm not sure if I heard it correctly, but did you mention that we can clock 30% 35% kind of EBITDA margin in residential business?

Jagadish Nangineni: Your observation is right Pritesh that our contractual and manufacturing margins have clearly improved because all the previous projects, majority of the previous projects which we had been undertaking and where the costs have been higher. We completed those and these the new margins that we are seeing is from the new projects that we have undertaken and in the last couple of particularly in the last quarter we managed to do a better job in terms of margins.

We should be fairly steady from here on and in the real estate, this is what I was mentioning was for any typical residential projects, whether today or in the previous time it was all we always aim for at least 30% margins and we are seeing a slightly better than that 35% margins in some of the new projects that we have launched and we'll continue to aim for that and those will get reflected in the future is what I mentioned.

Moderator: Thank you. Next question is from the line of Mohit Agrawal from IIFL Securities. Please proceed.

Mohit Agrawal: So, staying with the pipeline beyond FY25, could you give a color on what could be the contribution from new project additions that you plan to do next quarter and onwards and from your own land bank, so some sort of color as to will be 50-50 from your existing land bank and new project?

Jagadish Nangineni: The pipeline that we have for beyond this 15 million is largely it's from our existing land bank because as a focus on in terms of capital allocation, it's makes sense for us to make the current land bank more productive and that would largely drive the new launches that will happen and the pipeline that we will create and the new business development that we have just started doing in the last year or so, that will slowly come up, but the majority contribution will be from the existing land bank.

Mohit Agrawal: So, the CAPEX that you've been reporting quarterly is that because you had earlier mentioned that you'll also be investing to consolidate your existing land parcels and investing in new project. So, the CAPEX that you have been doing so far, has it been towards consolidating land bank or towards new project?

Jagadish Nangineni: Majority is for consolidating land bank and any of the previous queues that we have for the existing land bank and a small part of it is for the new deals that we have done.

Mohit Agrawal: My second question is if you could elaborate a bit on the pricing behavior in the Bangalore market, I was looking at Dream Acres project has been completed. It's a good example this will double door price since 2015.

So, that's a high single digit kind of price increase, on a like-to-like basis what has been that the realization number doesn't reflect because there's also a mix change over the last few years. So, what is the like-to-like increase in prices that you have been able to take let us say in case of new launches and you're in subsequent phases?

Jagadish Nangineni: If I may ask, so compared to what in what time period you are mentioning Mohit?

Mohit Agrawal: So, let us say, within a year let's say if you are launching a subsequent phase of an existing project versus the last phase, what kind of price increase have you been able to take for a like-to-like product let's say it could be a year or I just wanted to understand the CAGR in pricing that we are seeing in Bangalore markets and your projects?

Jagadish Nangineni: The project pricing in the last one year has largely been nominal for an existing project because there is a historical comparison of the project and hence when we increase the prices, that's relative to the old pricing, but for a new project we are doing it much better pricing. So, from a like-to-like basis in a year probably even if you had taken couple of hikes then it would be in the inflation plus maybe about 2% or 3%.

Mohit Agrawal: And just one clarification, if I may the 7 million square feet launch pipeline that you have for this year, could you share the GDV for that, the gross development value?

Jagadish Nangineni: That would be at about we can say that at an average of about Rs. 11,000 to Rs. 12,000.

Mohit Agrawal: And similar for FY25?

Jagadish Nangineni: That should be the case, yes.

Moderator: Thank you. Next question is from the line of Abhinav Sinha from Jefferies India. Please go ahead.

Abhinav Sinha: My question is on A how much ready inventory is left in Gurgaon now?

Jagadish Nangineni: The ready inventory in Gurgaon is in the existing pipeline actually we have just completed the project which is Sobha City sales that also has been completed in the last month. So, we will have to do in terms of inventory, it's all going to be new projects that are going to be launched. So that if I see a visibility of that pipeline, there is a visibility of at least 4 million square feet.

Abhinav Sinha: No, and the international city are we like completely sold out now or something is left?

Jagadish Nangineni: The international cities are Villa project and wherein we completed phase one and phase two. Phase three and four is a separate phase where we are looking to change the mix from the existing villas, and we are trying to see if we can change the mix. Once if we can do that then probably, we can achieve higher than what we had earlier envisaged and once the clarity comes that we will add it in the pipeline, but the Sobha City which is the apartment project which was about 3.3 million square feet that's the one which is completely sold out now.

Abhinav Sinha: So, this may not contribute I mean till like say FY25 when the next phase of in Gurgaon starts, right? So, this will slow down now in second half of the year?

Jagadish Nangineni: Gurgaon you are right, we are expecting to launch a commercial project in which we plan to do a sale model for part of the area. If we are able to launch the project in the next quarter, then we will again see some pickup in there.

Abhinav Sinha: Same sector 106?

Jagadish Nangineni: Yes.

Abhinav Sinha: And so, in that context are we on track or ahead of track of the 20% odd growth guidance that we were looking for?

Jagadish Nangineni: Like I said without any launches in the first half we did about 60% of what we did last year, and with the new launches typically the interest and the bookings should definitely be better. So, we have not changed at least in terms of any kind of forecast here, but I think we are in a strong set here in terms of achieving a much better number than last year.

Abhinav Sinha: So, fair to assume that 20% NCR will be made-up by Bangalore and others broadly?

Jagadish Nangineni: We hope to do so, yes.

Abhinav Sinha: Second question which I had was basically I mean I think one of the previous calls you had mentioned that promoters may look to do a rights issue or include some money in the company now with the pledging done away with basically, are we like closer to that in the next maybe 6 months or something?

Jagadish Nangineni: The promoter and we are evaluating our capital requirements and also our ability to generate cash for our future growth potential as well. So, it's an ongoing discussion and as things become clear, probably that's at an appropriate time we will be able to convey that.

` But from a promoter interest point of view in India, it still continues to be very high and it's an active consideration for their capital allocation.

Moderator: Thank you. Next question is from the line of Kunal Lakhan from CLSA. Please proceed.

Kunal Lakhan: My first question is on our approach so if you look at one of our Bangalore peers had launched a very large project and launched all of the projects at once and also sold substantial in it. When I look at our Neopolis launch you said that 1,875 total units, but we launched about 825 units and of which 40% sold. So, is it a conscious approach to like launch in a phased manner or like is it the like the demand is quite slow.

Just wanted to understand how if you were to launch this entire project together, what kind of demand you could get and also like we should expect the same kind of a calibrated approach in the upcoming launches that you would do?

Jagadish Nangineni: Kunal we have been following the approach of phased wise launch in projects right from the inception and that's how we have been seeing how our projects also have done well while we are capturing some kind of increase in the pricing as well.

So, there are two points here. One is that we are slightly more premium in terms of the pricing and hence the kind of volume that we can generate at a single launch is a little different from several other peers.

Second, this approach has really helped us both from a project execution and also ability to capture slightly or ability to realize slightly better pricing is in both cases, it's been very helpful to us, and we continue to follow that approach.

Second, while we are doing this, we are not averse to launching new phases as the demand picks up. In large projects nowadays all the phases of the project are RERA approved. So, as sales pick up, we are ready to launch the new towers as well. So, it's entirely dependent on the pace of sale that we can generate.

Kunal Lakhan: And also like in terms of like when you said that 2.5 million, 3.5 million square feet to be launched in H2, which also includes some commercial development. I mean again like a follow up on earlier questions only that are we being a little too conservative in terms of bringing in more supply to the market when the demand momentum seems to be pretty strong and where are our peers are capitalizing on it. I understand like your focus is slightly tilted towards value, but volumes are also equally important to…

Jagadish Nangineni: We are really conscious of demand scenario and our success would entirely depend on our ability to get the launches done as quickly as possible. We acknowledge that and we are absolutely focused on doing it.

Kunal Lakhan: Secondly, on our cash flow, right, we did highlight that we'll incrementally focus towards growth and that that is now manageable. So, if you look at your cash flows like after servicing debt, you're generating about 200 crores plus on a quarterly basis. So, 800 crores, 900 crores annually and how much of this would you earmark towards your buying land on an annual basis?

Jagadish Nangineni: These are largely allocating those towards debt reduction earlier. Now slowly as we got comfortable, we have started doing it too for the new opportunities as well. So, going forward it is entirely on two things. One is the quality of the opportunities that we get in terms of business development, both for consolidation and the new opportunities so that we can allocate there.

And second is if that's entirely not possible, then it will obviously go for the reduction of debt. But I think our ability to generate positive cash flow will keep getting better as we start launching these projects which are specifically there, we invested in a long while ago.

Kunal Lakhan: And my last question is on what's the status of occupation certificate on the Sobha City project?

Jagadish Nangineni: So, the status that has not changed yet because we have contested what the JVNP has done, and we are yet to see any change in the Legal forum that we have approached has stayed the whole cancellation and that continues to be the case now.

Moderator: Thank you. Next question is from the line of Dhwanil Desai from Turtle Capital. Please proceed.

Dhwanil Desai: So, my first question is that for the cities where we do not have land bank like NCR, Pune, Hyderabad considering where we are in cycle, do you think that if you acquire land at current prices our threshold of 35% gross margin can be achieved or will that become a hindrance in terms of acquiring land bank?

Jagadish Nangineni: The NCR market we do have a pipeline and a land bank there. It's not that we do not have, but we given the demand environment and also outlook that we have there is definitely scope for adding more to the current portfolio and if we are very actively looking at new opportunities.

Dhwanil Desai: Will it meet your 35% gross margin threshold that you are kind of working with?

Jagadish Nangineni: We are seeing opportunities where we can do that, yes.

Dhwanil Desai: And second so just to understand the project economics for wherever you launch a project on your own land without JV JD, is it safe to assume that most of the land which is coming from your earlier land bank at historical cost. In the P&L, that cost will be less than Rs. 1,000 and your cost of construction would be around Rs. 4,500, is that the right number to work with?

Jagadish Nangineni: Yes, that's a fair assumption.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, we will take this as a last question for the day, I now hand the conference over to the management for the closing comments.

Management: Thank you, Adhidev. I express my sincere gratitude to all the participants in the call today. I hope we have answered some of your questions satisfactorily. In case of any further questions, please do reach out to us. We look forward to a good operational and financial performance in the next half of the financial 24 and particularly within optimistic outlook towards the economy and the residential sector.

We believe Sobha is very well positioned to grow with the disciplined operational and financial model that we have built in the last several years and we will continue to pursue your goals with fashion. Wish you and your families advance Diwali wishes and thank you.

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