



Date: February 15, 2023

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

Sub: Transcript of Meetings with Analysts/ Institutional Investors

In continuation of our letter dated February 06, 2023, please find enclosed herewith the transcript of the conference call held on Wednesday, the 08th day of February, 2023 with the Investors/ Analysts to brief the operational and financial performance of the Company for the quarter ended December 31, 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

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



SOBHA LIMITED

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“Sobha Limited Q3 FY2023 Earnings Conference Call”

February 08, 2023

HOSTED BY: 

**MANAGEMENT: MR. JAGADISH NANGINENI – MANAGING DIRECTOR –
SOBHA LIMITED
MR. YOGESH BANSAL – CHIEF FINANCIAL OFFICER –
SOBHA LIMITED
MR. RAMESH BABU - SENIOR VICE PRESIDENT, FINANCE
– SOBHA LIMITED
MR. VIGHNESHWAR BHAT - COMPANY SECRETARY AND
COMPLIANCE OFFICER – SOBHA LIMITED**



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Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY2023 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 '*' then '0' 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 everyone. On behalf of ICICI Securities, I would like to welcome everyone on the Sobha Limited call today. From the management, we have with us Mr. Jagadish Nangineni, the Managing Director, Mr. Yogesh Bansal, the Chief Financial Officer, Mr. Vighneshwar Bhat, the Company Secretary and Compliance Officer, and Mr. Ramesh Babu, the Senior VP Finance. I would now like to hand over the call to the management for their opening remarks. Over to you! Thank you.

Jagadish Nangineni: Good evening everyone, and welcome to the quarter three FY2023 Earnings Call. Apologies for the delay in the start of the call due to last minute connectivity issues. Thank you, Adhidev and your team for organizing this. My team and I are happy to interact with you all post our third quarter results of this financial year. We have already shared the operational update of the company in early January 2023. The investor presentation based on the audited financial results adopted by the board can be downloaded from sobha.com.

Highlights of the quarter – the momentum continues

In Q3, we built on good momentum we had in the first two quarters of this financial year. All regions and businesses have contributed well towards better result in terms of sales, completion of projects, collections in real estate, contracts, manufacturing and retail. This has led to record numbers in this quarter, highest ever sales, collections and also highest handovers in the recent years post COVID. This I believe is achieved with high level of focus, coordination and alignment across the 3,300 plus team members across India. This also showcases stability in demand through sustained consumer confidence, higher affordability, appeal for brand Sobha and aspiration for higher quality homes and larger ones.



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Sales - aided by geographical diversification

Our geographical diversification with presence in multiple cities in the past decade is slowly coming to cushion, which is witnessed in this quarter. While Bangalore continued to be consistent in contribution to our sales, Gurgaon also has contributed very well in this quarter.

With this quarter, we have achieved a sale value of about 3,700 Crores in the first nine months with other cities contributing about 30% of it. Contracting and manufacturing too is witnessing improved activity for delivery of in-house and external clients. Given the run rate, it looks like we will be able to reach closer to 5,000 Crore sales in this financial year.

Inventory visibility

We did not launch any new projects during the quarter, but released more towers from the ongoing projects, which contributed to the quarter sales. We are making good progress on future launches, which are part of our pipeline across locations with forthcoming projects included we currently have inventory of about 23 million square feet, about 11 million square feet of that in ongoing projects. This gives us good visibility of inventory, and we continue to pursue building new inventories as well.

With this brief commentary, I would like to hand it over to Yogesh, our Chief Financial Officer to give his quick comments on quarterly performance before we take calls from all of you.

Yogesh Bansal:

Thank you. Good evening, everyone.

Sales Performance

I would like to begin with the sales. During this quarter we have seen good traction in sales and achieved 1.48 million square feet pan India with value of 1,425 Crores. Sobha share of sales volume has crossed milestone of 1,000 Crores for first time in history. Key driver has been consistent performance in Bangalore, Kerala and Gift City markets and exceptional good quarter from NCR.

During this quarter, we have launched 4 new tower in Sobha City Gurgaon close to 6 lakh square feet, after redesigning in line with the post COVID trend of preference of larger homes. It was received well by the market resulting in record single day sales in Sobha



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history. NCR contributed 24% in volume and 35% in value terms to overall sales in the quarter. In Sobha City, we have two more tower with SBA of 350,000 square feet which is yet to be launched. For nine months we have sold total 4.17 million square feet with a value of Rs. 3,734 Crores.

Cash Flow Performance

Now we will quickly talk about some cash flow performance. We have seen steady improvement in sales and collection, we have done 3,860 Crores in first nine months. We have generated net cash flow of Rs. 120 Crores in the quarter and 568 Crores in last nine months. We would like to maintain a balance between deleveraging and good growth oriented capital investment going forward. Our gross debt as on 31st December is Rs. 2,007 Crores and net debt is 1,769 Crores. Our net debt equity reduced to 0.72.

P&L Performance

Moving to P&L. Total income generated during Q3 FY2023 was 898 Crores and for nine month 2,162 Crores. Real estate revenue for the quarter was Rs. 674 Crores and nine month 1,568 Crores. Our EBITDA for the quarter was 119 Crores with margin of 13%.

We strive to continuously improve our quality, processes and financial management. Now I would like to thank you all for the participation, and now we can open the floor for the question and answer session.

Moderator:

Thank you very much, sir. We will now begin the question-and-answer session. Anyone who wishes to ask a question press *1 on the attached tone phone, if you wish to remove yourself from the question que you may press *2. Participants are requested to use hand set while asking a question. Ladies and Gentlemen let's just wait for a moment while your question que is assembled. We have the first question from the line of Puneet from HSBC. Please go ahead.

Puneet:

Thank you so much and congratulations on reporting good sales and firmly maintaining net debt reduction as well. My first question is with respect to the margins. The margins again we were seem to be quite lower even compared to the history, and compared to the previous quarter also. Can you comment up on what is really happening there and what will drive it up now.



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- Jagadish Nangineni:** Good Evening Puneet, On the margin front, I think we have mentioned in the earlier calls as well. While the margins of real estate continues to be very stable and on expected lines of what we desired at the time launches of the projects, the current quarter reduction in the margins should largely be attributed to some of the contractual projects, which we are completing during the course of the quarter, and the higher costs that we bore during the COVID period, and which we could not pass on to the customers. So hence the increased expenses towards that is contributed and I think with the closure of the projects in another quarter or so largely this should be done, and we should be back to much high margins going forward.
- Puneet:** So, two more quarters to go for the contractual, because it is visible in cash flows as well your contractual expenses are higher than contractual collections. So you are seeing two more quarters of this pain is what one should expect.
- Jagadish Nangineni:** Maybe just one more quarter. Yogesh, you have any other point.
- Yogesh Bansal:** Cash flow perspective it should be neutral, we will not see any negative in cash flow, but P&L might take some hit probably in March quarter.
- Puneet:** So negative cash flow in this quarter itself and after fourth quarter the P&L impact also goes away.
- Jagadish Nangineni:** Yes, right.
- Puneet:** Secondly on your project expenses also. That seems to have also touched a run rate of almost 500 Crores a quarter, is that the rate one should be looking at.
- Jagadish Nangineni:** That is right, Puneet good observation. Yes, the increased project spends purely is in line with the increased project completions and the sales volume also has picked up. So we have started increased delivery and wherever we have completed sales, we have accelerated our execution progress as well.
- Puneet:** Cash flow also at Rs. 744 million of payment which you received, can you describe what does it relate to.
- Jagadish Nangineni:** So that is related to the land payments, you are referring to.
- Puneet:** Yes.



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- Jagadish Nangineni:** So that is related to the new land investment that we have kick started again this quarter and corresponding to that building new inventory pipeline beyond FY 2025 is where we start investing and also to complete some of the payments, which are pending to bring the current inventory pipeline that we have into the line.
- Puneet:** Understood. So now you have kick started this new land acquisition. So it relates to new more and less of old, is that how one should view.
- Jagadish Nangineni:** Can you please repeat.
- Puneet:** Does it relates more to new acquisitions or more to old payments.
- Jagadish Nangineni:** It is a combination of three things, one is there are certain commitments, which we had for the old land that we had or partnerships that we had in order that is completion for that. Second is for the existing land banks where we are consolidating and third is for new land acquisition. It is a combination of all three.
- Puneet:** Possible to break it between the three.
- Jagadish Nangineni:** Break it, largely it will be about 50% would be for the new acquisitions and remaining 50:50 for the old and consolidation.
- Puneet:** That is very helpful. Thank you so much, and my last one is on if there is any positive development on the ED case and what is the status now, if you can update on that as well.
- Jagadish Nangineni:** During the quarter you have seen that we have informed exchanges regarding the ED matter. There was a provisional attachment done by them and the matter is now sub judice and while that has occurred, the provisional attachment we have noted in our information to the exchange, it has not impacted any of our existing operations.
- Puneet:** Any expectation of when it will get sorted out at the judicial level any time frame that you could potentially guide so.
- Jagadish Nangineni:** That is a matter of judicial process we hope to conclude it as quickly as possible, but that is something that is very uncertain in terms of timeline.
- Puneet:** Got it. That is very useful. Thank you so much, and all the best.



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Moderator: Thank you. The next question is from the line of Pritesh Sheth from Motilal Oswal. Please go ahead.

Pritesh Sheth: Thanks for the opportunity and congrats on record performance this quarter. Firstly is on sales. So we have historically, I mean, in last couple of years you have gradually increased your sales run rate. So should we considered 14 billion as a new floor now and probably you will look to maintain or grow on this number from here on.

Jagadish Nangineni: Thank you Pritesh. We are very happy with this new record sales that we have achieved. Now as we grow more, the expectation for us, also is definitely to do better than what we have already achieved. So while that is an endeavor, but that is the new benchmark that we have set, so will surely work towards probably achieving better than this.

Pritesh Sheth: Obviously to maintain that you will have to have good chunk of launches as well and good amount of steady launches. So what is the pipeline looking like over the next 6 to 12 months while you have highlighted your pipeline in the presentation, but in near-term including the phases that probably you are going to launch, what is the launch that we can see over the next four to five quarters?

Jagadish Nangineni: We have forthcoming inventory of about 12 million square feet as we have indicated in the presentation. So of that about 1 million square feet should come in this quarter Q4 in fact we have already launched about 800,000 of that by this time and remaining about 250,000 should come in the next couple of months. So that is about 1 million square feet and then next Q1 we should be able to do about 3.5 million square feet or so, and towards the end of next financial year we should be able to do another 3 million square feet or so, and the remaining in the subsequent quarters that is roughly the launch schedule that we aim to achieve.

Pritesh Sheth: Sure that is really helpful. Just lastly on, I can see one project, I mean, one commercial project you have added in your pipeline that is in Gurgaon, if you can share some details on it, is it the in sector 106 or I guess it is the second parcel that you have that is the location, but just if you can clarify on that.

Jagadish Nangineni: That is right. This is part of the existing project international city, which in sector 106. During the quarter we have done a restructuring of the arrangement with the existing partners and hence this has come into the pipeline where this entire asset is owned by us now. So that is an additional asset which we have put in the pipeline after that restructuring.



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- Pritesh Sheth:** So that is a commercial project meant for leasing or meant for sale.
- Jagadish Nangineni:** That is something that we are still evaluating and we will take a call in the next month or so during the process of design and new planning for the next financial year.
- Pritesh Sheth:** Got it. I have a couple of more questions, but I will join back the queue and ask later. Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Kunal Lakhhan from CLSA. Please go ahead.
- Kunal Lakhhan:** Good evening, thanks. My first question is on NCR market, I mean, actually the big delta that is on the sales essentially came from the NCR market, and that remains the most luxury product in our portfolio in terms of realization also. So firstly what is happening over there in terms of luxury demand and luxury sales, and second part of the question is when I look at your launch pipeline I think only 1.7 / 1.8 million square feet of pipeline in NCR considering that market is really doing well. Do we have any other projects is that all we have now in NCR left. If you can comment on that.
- Jagadish Nangineni:** I will take your second question first, which is on the remaining inventory that we have in NCR and that 1.75 is the forthcoming launches. Other than that the existing projects both Sobha City and International City, we have both put together close to about another 1.5 million square feet over that and in addition we have added this commercial piece as well. So both put together it is about more than 2 million square feet and plus this we have the forthcoming launch 1.75 million. So all of them put together is about 3.75 million square feet at least and we are working towards building up that pipeline as well. So we think we should be very comfortable given the demand that has seen an uptick, we should be able to cater to that. So now coming to the first question, there is no doubt that there has been a big uptick in terms of demand in NCR and Gurgaon where we operate and to cater to that demand, we have in the existing inventory also redesigned our remaining inventory and launched larger homes, and that is where we could attract the customers and do record sales. So that planning or redesigning and getting to the new demands of the customer has really worked well, combined with it, we have been present there for more than a decade there are projects which we have completed and there are a lot of customers who have experienced our product that has really helped us drive this increased demand for our product.



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Kunal Lakhhan: Just a follow up on the earlier question. The land investment that we have kick started from Q3 which geographies are we looking at in terms of new land purchases.

Jagadish Nangineni: So our overall plan has been to increase our sales run rate sustainably over 6 to 7 million square feet in the medium-term and part of which is about coming to Bangalore about 4 million or so. So the remaining has to come from the other geographies and corresponding to that we have started investing both in Bangalore and in other locations.

Kunal Lakhhan: My second question was on the revoking of the occupation certificate for Sobha can you just provide some insights on what has happened here and what is the recent update now in that.

Jagadish Nangineni: That was a very unfortunate event for us. While we have complied with all the regulations we had to correct one of the compliance that we had obtained earlier which we did and correspondingly during the process the subsequent permission that we had to receive from DBMT we had already applied for it and as part of the process, they had cancelled the existing OC for which we have already obtained a stay order from Karnataka Appellate Tribunal, however we would like to resolve the issue as quickly as possible and we have been working with the authorities who have been very cooperative to close out the matter as quickly as possible.

Kunal Lakhhan: Sorry, I do not understand this right. So you said that you have applied for the relevant NOCs and clearances, but these are the occupation certificate which were received like over 2013 and 2016 and so on and so forth right. So should not we be having these NOCs and clearances.

Jagadish Nangineni: Yes, this is a project which is where the project has been completed about six years ago and over a period of time finally we handed over in 2019. We had obtained occupancy certificate during that time. However, one of the compliances, particularly fire clearances that we have obtained during that time were found to be defective and those defective fire clearances have been rectified and resubmitted to BBMP. Now BBMP taking the rectified documents are in the process of regularizing the old occupancy certificates. So this rectification procedure is going on and we hope to complete that process very soon.

Kunal Lakhhan: Essentially actually that is the role of contention how did these clearances or NOCs were inappropriate in the first place. So I think that was the question.



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- Jagadish Nangineni:** Yes, that is right and that is something that we had to rectify.
- Kunal Lakhhan:** Thanks and all the best.
- Moderator:** Thank you. The next question is from the line of Abhinav Sinha from Jefferies. Please go ahead.
- Abhinav Sinha:** Congratulations for seeing the strong cash flow performance for the past few quarters. So the first question is that the gap between cash flows and P&L whichever way we look at it is very high and refusing to close, for quite some time. So what is the target here, I mean, is it like FY 2024 will still be bring that between the two and FY 2025 is when it merges or what are we looking at here.
- Jagadish Nangineni:** Sorry we could not hear the last part clearly can you please repeat that.
- Abhinav Sinha:** Yes, so by when do you expect the gap between that cash flows and P&L to reduce in terms of profitability and EBITDA and is it like FY 2024 or FY 2025.
- Jagadish Nangineni:** I heard most of your question now. So I do acknowledge your concern. Like we just mentioned earlier in the call, the main reason for the increased cost base for the revenue that we have recognized is largely to do with the higher spending that we have done in some of our contractual projects which we think that mostly it is done as those projects are coming to an end. So hence in a quarter or so in this financial year itself, we should be able to close out most of this increased cost and subsequent to it I think we should be back to much better EBITDA margins.
- Abhinav Sinha:** On EBIT basis what should be the margin from contractual that we should be looking at after the new pipeline that you have created over the last couple of last three, four quarters.
- Jagadish Nangineni:** On a gross margin level or a PBT level we typically aim about 8% and unfortunately, some of those margins got eroded during the COVID period an increased cost so which we could not pass on to the customers. So going forward we will still go by that number while choosing new contracts.
- Abhinav Sinha:** Second question on the balance sheet. The gearing has come down quite significantly and this quarter we saw you are putting 40% of the cash flows into debt. Is that the right way to look at it, earlier you used to talk about some debt reduction and some land banking. Have we reached that stage today?



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Jagadish Nangineni: Yes, this is in continuation to our commentary for past few quarters where we were saying that our debt reduction goes up primary motive, initially, and now we think that we are reasonably comfortable with the gearing and post once we have a little bit of comfort now during the process we were working on building up the new inventory pipeline. So which we have started using that operational cash flow to build on those new opportunities, and like I said though the land payments corresponding to this quarter is in three buckets one is for the consolidation of the land second is in some of the pending payments for bringing the existing inventory into fusion and third is for new pipeline.

Abhinav Sinha: This is also wanted to get some market sense from you on pricing here in NCR I think we are now selling 3 Crores plus apartment priority and this is 15k market I think our Hyderabad launch is about 15k and the pricing in Bangalore is also tending towards 10k so I mean is this like a sort of environment for even higher volumes from hereon.

Jagadish Nangineni: From a pricing point of view I think we have matured quite a bit and if you consider last one and a half years so we have been continuously improving our price realizations and that is not a whole as such but that looks to be fairly mature now and that we are witnessing even in the new tower launches or new launches that we are doing we are pricing in the higher cost and we are pricing in the new demand at the latest pricing levels. So and we are still seeing these good demand at this price levels also. So all the leading indicators look like there the demand seems to be fairly stable.

Abhinav Sinha: 12 months from now you will say sales next year between volume and pricing is even the sales goes or it will still be more pricing led.

Jagadish Nangineni: I would say it depends on two things, one is on the inventory that is available, that I think whenever we have done good launches and also catering to the end customers in terms of the new requirement of probably larger homes it has worked well and with this new pipeline that we have which is in this quarter and the next quarter we are fairly comfortable in terms of the volume to be similar or slightly better than what we are doing but pricing I think we should be also is not something that I am aiming for much better higher mix in terms of pricing. But if the demand continues to drive it then we would look at those price hikes.

Abhinav Sinha: But no letup in demand right because there was some media report that Bangalore has seen some sort of negative reaction to higher prices in one or two cases or some discounting. For you it seems to be good going, but for the rest of the market that is my last question.



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- Jagadish Nangineni:** We cannot discount the reaction to the new price on increased prices second increase in mortgage rates. We cannot discount that however what I was mentioning was it also depends on the kind of inventory that you have at the locations where we are present, So given that we seem to be doing okay right now. So we will have to wait and watch and see how we can continue to do the volumes in such a probably slightly mature market now.
- Moderator:** Thank you, sir. The next question is from the line of Mohit Agarwal from IIFL Securities. Please go ahead.
- Mohit Agarwal:** Thanks. Sir, my first question is on a previous question on launches. So am I correct in understanding that between now and end of FY 2024 you will be launching about 4 to 4.5 million square feet.
- Jagadish Nangineni:** Yes. For this quarter we plan to do about a million square feet like I mentioned we have already done about 800,000 square feet in till now. We have launched our Hyderabad project which is of about 650,000 square feet in January, and one more project in Bangalore which is a row house project. So these two have been done and we have one more project in the pipeline for this quarter. Subsequent to that the next quarter we hope to do about another 3.5 million square feet and post that the later part of the FY 2024 we should be able to do another 2.5 to 3 million square feet.
- Mohit Agarwal:** So sir is that enough to kind of looking at 5,000 Crore this year and then assuming you would want to grow double digit would that be sufficient to have decent double digit growth over 5,000 Crores.
- Jagadish Nangineni:** Well we have not guided for any kind of growth yet, but we would like to do better than what we are doing today always. So given the pipeline of launches I think with the current inventory and these launches I think we are fairly there to capture the demand that we are already witnessing.
- Mohit Agarwal:** And my second question is in the notes to account there is a note that there was a termination notice by one of the contractual client. So could you give some details around that and if you can share any details on that on the name or what happened in this contract.
- Jagadish Nangineni:** Well this is a contract, which we signed about in 2012 wherein there is an arrangement between us and APMC to develop their part of their land and we building commercial assets. So that particular project or agreement that we signed is what the note refers to.



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- Mohit Agarwal:** Okay understood that is all from my side. Thanks.
- Moderator:** Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** Hi, sir, congratulations on the Q3 quarter. My first question is on the contractual business. So given the margins, which we have declared. So is it right as you would have like get losses of about 180 to 190 Crores in this financial year on contractual. Sir, I was asking how much would be the losses attributed to the contractual business in financial year and till date nine months FY2023.
- Jagadish Nangineni:** In this financial year probably the losses or the reduced margin that we have the higher cost that we have taken that should be in the range - for the nine months it should be around 50 to 60 Crores, but this is the number that we can come back to you again if that is okay.
- Parikshit Kandpal:** Second question is on the way forward for the contractual business now because this has been a pain point for us in this financial year. So how do you see the future of this business within Sobha's entire development portfolio.
- Jagadish Nangineni:** So we have two legs there, which is one is the contractual business and second is the manufacturing and retail business. So the contract specifically that we have taken in the last which we are executing in the last couple of years were have been the probably fallen into a zone of lower margins, much lower margins than what we are anticipated. Given that we are of course being very choosy in terms of the new contractor we are signing and that we have started doing it since the beginning of this financial year after we have understood the cost escalations and their impact. So considering that we will continue to see how we can shortlist and go after projects which fit into our requirement of margins and cash flow.
- Parikshit Kandpal:** Just last question, in this Q4 you had launched Hyderabad and then again in Bangalore and now RBI has again increased the rate by 25 basis point now we have convincingly crossed 9% on home loan. So just your initial sense on the demand on these new launches and given that the rates across line so how do you think what is your take on the demand.
- Jagadish Nangineni:** The Hyderabad launch has been fairly good for us till now (a) and corresponding to the increase in rates home loan rates and the higher prices like the like was mentioning previously in the call. The leading indicator still seem to be that demand is fairly stable, but we cannot ignore the fact that the prices are higher now and the cost of acquisition of the



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home also has gone up in terms of mortgages. So we will have to wait and watch, but I do not know how it is going to play out in the near-term, but what we believe is we have very strong brand acceptance and we have a strong good pipeline in terms of products that which are aligned with the customer needs today. So given that we should be able to do fairly well in the overall market however it is. If it is good then definitely we should be doing better if it is stable that we are going to ride on that.

Parikshit Kandpal: Just lastly if I may sir. This financial to date what would be the new gross development value addition, I mean, you have incurred some Capex about 37 Crores this quarter which you said was a new land acquisition. But on a per park base in nine months and the third quarter what would be broadly the GDV new GDV addition outside your land bank.

Jagadish Nangineni: So historically we have not been mentioning any GDV or any such disclosures earlier if that is a requirement or if there is something that we should do it then we will consider it and do it in the future. But the typical land investment that we do, those are ones which contribute towards the land bank and come into the inventory pipeline as and when the right milestones are hit.

Parikshit Kandpal: Thank you and all the best to you.

Moderator: Thank you. The next question is from the line of Deval Shah from RBSA Investment Managers. Please go ahead.

Deval Shah: I think most of my questions have been answered, but I just want a slightly more color on the other note two accounts when one of their customers has cancelled and ask for the compensation of 350 Crores. Just wanted more insight on that.

Jagadish Nangineni: So that is I think we have touched upon that earlier it is a contract that we have signed with APMC in 2012 wherein we had to, they were going to, it is in development agreement wherein we had to build part of their land and we could build some commercial assets for ourselves. That's the land in which there is a disagreement between us and hence the matter currently it is in judicial forums.

Deval Shah: And with regards to a project where our OC was cancelled. So what could be the financial implication of that because as you mentioned earlier in the question that was the earlier project which was closing 2019. So is it possible for us to estimate on the financial



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implications if at all it falls on the company and what is the likelihood. So just wanted to understand on that also.

Jagadish Nangineni: Our current focus is to make sure that the compliance is complete level and we think that the financial implication is something that can be part of the routine expenses so but we are still, we will assess that and it is too soon to come up with the number right now as and when it comes up we will make the right disclosures.

Deval Shah: And nothing more questions on that, but I hope the lapses we had or encounter earlier as now being filled with regards to the operation.

Jagadish Nangineni: Absolutely.

Deval Shah: Thank you, all the best.

Moderator: Thank you. The next question is from the line of Dhruvesh from Prospero Tree. Please go ahead.

Dhruvesh: Congratulations on continuing good set of numbers. I have two questions, so when I see the story Sobha it started with management change, Semi cashes getting settled when there was this ED thing which came across and there is this APMC Judicial thing then there is OC related judicial aspects on the other hand continuous improvements on the operation side is what we keep hearing. The lower margin on the contractual side collectively in the last 18 months a lot of bad news. Can we say that the kind of plumbing issues that we may be facing are 70%-80% done and you as the new manager or the CEO in far better control of things. So that we can probably look at a better jump in terms of growth and the mindset towards growth.

Jagadish Nangineni: Like you mentioned there has been significant improvement and also building on what we have already done earlier or in terms of operations no doubt about it so some of these issues have been legacy issues in terms of it is not that they are entirely new, but unfortunately some of them have new ones also have cropped up but we have been fairly been able to manage those and if we think that this is diverting our attention are not focusing on growth that is not something that is probably the right interpretation. While we are doing this the other part towards the growth it is completely on that if a mature organization with a deep organizational strength. So hence we should be able to manage these issues and also move forward towards growth trajectory.



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- Dhruvesh:** One smaller other question. In terms of consolidation related to the Hoskote land suppose if, I mean, it may take another one or two years for consolidation as I can imagine from the comments but suppose if this gets completed the consolidation could be in the range of some 200-300 Crores of extra land or more it will not be such higher number.
- Jagadish Nangineni:** You mean to say 200-300 acres or...
- Dhruvesh:** No we have to spend 200-300 Crores extra on acquiring the remaining Hoskote land to consolidate everything or is it a much smaller number?
- Jagadish Nangineni:** So on the Hoskote land we do not intend to invest as much going forward the current plan is to start building on whatever we have in terms of development and in case we should be, we can consolidate in future, we will use the cash flow come back to fund the new acquisitions.
- Dhruvesh:** So no major requirement for at least Hoskote in terms of launching whenever the time comes but it is not related to spending on future land related to Hoskote.
- Jagadish Nangineni:** Yes, so it is not going to be a major land payments like you are mentioning the quantum is not as much as what you have mentioned.
- Dhruvesh:** Thank you. Thanks a lot and best of luck.
- Moderator:** Thank you. The next question is from the line of Vasudev from Nuvama Wealth Management. Please go ahead.
- Vasudev:** Thank you for the opportunity, sir. My first question is on the debt front. You mentioned that we are comfortable with this gearing. So should we assume the net debt to equity remain in this range or do we have any target or net debt to equity.
- Jagadish Nangineni:** While we are comfortable with the current debt levels our cash flow management which we have been focusing on for the past more than two and a half years will surely continue and would like to sort of keep that in control or reduce it further, but that is going to be balanced with our growth objectives too while that being said. So the absolute levels of debt probably will roughly remain the same or we will aim to contain it and the net debt to equity would probably reduce as the equity base will increase sure.



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Vasudev: And my second question is that we had about 75 Crores of land payments in this quarter. So how should we see the land Capex trajectory going ahead.

Jagadish Nangineni: This is like I said this is for payments towards some of the old agreements that we already have and some of the new land acquisitions and some for the land consolidation that we have been doing for past several years. So it is a combination of all these three, the 75 number how it might look like in subsequent quarters is a function of the new business development that we would do and the opportunities that we would probably conclude in the next quarters. But largely the way we look at it management of the cash flow is last financial year we have generated a free cash flow of about 515 Crores this financial year in first nine months we have already done close to 568 Crores, which is fairly significant and this cash flow we think that this is good enough or probably good enough to build the future pipeline to aim over growth. So our plan is to fund any of the new acquisitions through the operational cash flow.

Vasudev: Got it, that's it from my side. Thank you.

Moderator: Thank you. Ladies and gentlemen that was the last question for today. I would not like to hand the conference over to the management for closing comments. Over to you, sir.

Jagadish Nangineni: Thank you everyone for the participating the call and your questions and patient hearing. I hope you have answered your questions satisfactorily. We believe that our focus on operational excellence coupled with strong consumer confidence in the brand or are the pillars of our strength. So simultaneously helping achieve the customer satisfaction and business metrics. We think that we are uniquely positioned to our vertically integrated operating model and geographical diversification which has paid dividends even in this quarter to capitalise on the opportunities in the residential real estate space and we continue to witness that the demand seems to be stable, and hence disciplined growth mindset and investment in technology, and people, and process improvements should yield results and in accelerating our growth across our business segments. With an inventory pipeline of about 23 million square feet improved financial structure after nine consecutive quarters of debt reduction through internal accruals and with high visibility of future cash flows. We aim to deliver consistent long-term performance. Wish you all the best of the remaining quarter and truly appreciate your support. Thank you.

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