



Date: August 18, 2021

To The Deputy Manager Department of Corporate Services, BSE Limited Floor 25, P.J Towers, Dalal Street, Mumbai – 400 001 Scrip Code: 532784	To The Manager National Stock Exchange of India Limited Exchange Plaza, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra East, Mumbai – 400 051 Scrip Code: SOBHA
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Dear Sir / Madam,

Sub: Conference Call Update

Please find enclosed Transcript of the conference call held on August 16, 2021 at 02.30 PM (IST) with the Investors/Analysts in respect of the Financial Results for the quarter ended June 30, 2021.

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 AND COMPLIANCE OFFICER**



SOBHA LIMITED

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**“Sobha Limited
Q1 FY2022 Earnings Conference Call”**

August 16, 2021



ANALYST: MR. ADHIDEV CHATTOPADHYAY - ICICI SECURITIES

**MANAGEMENT: MR. J C SHARMA - VICE CHAIRMAN & MANAGING
DIRECTOR - SOBHA LIMITED
MR. SUBHASH BHATT - CHIEF FINANCIAL OFFICER –
SOBHA LIMITED
MR. RAMESH BABU – VICE PRESIDENT, FINANCE –
SOBHA LIMITED
MR. VIGNESHWAR BHAT - COMPANY SECRETARY &
COMPLIANCE OFFICER - SOBHA LIMITED
MR. TEJAS SINGH - HEAD OF INVESTOR RELATIONS &
FINANCE - SOBHA LIMITED**



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Moderator: Ladies and gentlemen, good day and welcome to the Sobha Limited Q1 FY2022 results conference call hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' 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 C: Good afternoon everyone. On behalf of ICICI Securities, I would like to welcome everyone today on the Sobha Limited Q1 FY2022 Results Conference Call. From the management of Sobha Limited we have with us Mr. J C Sharma, The Vice Chairman & Managing Director, Mr. Subhash Bhatt, The Chief Financial Officer, Mr. Tejas Singh, The Head of Investor Relations & Finance, Mr. Ramesh Babu, VP, Finance, and Mr. Vighneshwar Bhat, Company Secretary & Compliance Officer. I now like to hand over the call to the management for their opening remarks. Over to you! Thank you.

J C Sharma: Good afternoon friends and Happy Independence Day. We are pleased to connect with you today post declaration of our unaudited financial results for the first quarter June 30, 2021, through this concall hosted by ICICI Securities. Thank you Adhidev for the same. We have already shared the operational updates of the company in the first week of July 2021. The investor presentation based on the financial results adopted by the board can be downloaded from the website of our company as well.

As far as the outlook of our real estate sector is concerned, you are all aware that the sector has suffered a setback both during the first and the second COVID wave both demand and supply remained adversely impacted during the first two months of the April, June quarter of 2021 a period when most of the states remained under lockdown to contain the second wave of the Coronavirus spread.

However home sales and new launch numbers started to pickup in June when states began the gradual opening of process. The average value of the properties in India 8th prime residential markets have shown a marginal increase during the April, June period of 2021 as per the data available with PropTiger.com.

India's real estate market is estimated to touch \$1 trillion by 2030 driven by the rising demand and various reforms of the past seven years. The important role played by the real estate industry towards the country's economic prosperity well known to all of us. However



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this structural shift in housing demand has been somewhat accelerated by this COVID pandemic. All requirements for housing homes are well aligned improving working population, rapid optimization, digital sales and marketing capabilities, work from home concept, shift to nuclear families, lowest interest rates, etc., etc.

To sum up the pandemic has clearly driven home the point of having one's own home. According to RBI, the recent financial stability report, unsold inventory levels have dropped steadily in the last four quarters to around 7 lakhs at two-year low as on March 31, 2021, from around 8.5 lakhs in the first quarter of financial year 2021.

Launches of new units have progressively gone up in the last four quarters to over 6 lakh units in quarter four of financial year 2021. Unsold inventories, a direct reflection of the health of the market, the RBI report said that all India house priced index also increased year-on-year by 2.7% in the fourth quarter vis-à-vis 3.9% growth a year ago.

We at Sobha have reinforced our typical processes and a huge technology to strengthen our systems and the way we have engaged with our customers. The company was able to withstand the adverse impact of two successive pandemic waves and has shown its resilience. We are better prepared and had already adapted to the requisite digital tools.

It is in this backdrop that our operational performance needs to be seen. Like past many quarters, in this quarter also Sobha has performed well on all the parameters because of itself reliance business model, strong brand equity and established track record for delivery on time with transparency.

We believe that despite uncertain times, we are going to emerge stronger along with the market share gains in the coming quarters.

I will now hand over Subhash Bhatt to share with you the financial and operational performance of the company for the quarter. Over to you Subhash.

Subhash Bhatt:

Thank you Sharma Ji. Good afternoon to everyone. We are happy to announce that during first quarter of FY2022 we have performed considerably well in spite of the pandemic situations. This time the lockdown are very stringent in Bengaluru along with the other operating cities that we operate from but we were still able to achieve good sales performance across all the regions and we achieved a total sales volume of 0.9 million square feet with a sales value of Rs.6.83 billion this resulted in a total average price realization of 7626 per square feet.



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Bengaluru continue to be one of the major markets for us and this time it contributed 74% of the volume in terms of the sales volume, but we have also seen continuous growth in other cities such as Gurgaon, Cochin, Thrissur, Pune, and GIFT City. Of the planned residential launches of 12.56 million square feet across various cities we are on track for launching the same over next few quarters. These launches are expected to boost our sales in the coming quarters. We would also like to inform you that these launches are from our existing land bank and then balance land payments will be made through internal accrual and not through fresh debt.

As of June 2021 we have unsold inventory of 15.16 million square feet in ongoing projects which we consider adequate in the current market scenario. As of June 30, 2021, we have unsold completed inventory of 0.47 million square feet valued at Rs.4.03 billion which is probably one of the lowest by industry standard and it shows a capability to sell inventory much before the project gets completed.

Overall, we have delivered 113.88 million square feet of developable area which is one of the highest in our sectors. We have achieved 59% sales on the area which is released for our sales team to sell in the ongoing projects. The committed receivable from sold units they stands at Rs.42.8 billion which is providing 89% coverage for the balance cost to be spent on the 10 projects which are offered for sales.

On the financial performance real estate revenues were lower due to Ind AS 115 revenue recognition methodology followed by us which requires revenue to be recognized at a unit handover level after 100% project completion. It is worth noting that out of the cumulative sales done in the residential business as on June 30, 2021, whereas balance revenue of Rs.68.87 billion still to be recognized in our books as revenue which gives visibility of revenue recognition in the coming quarters.

Contracts and manufacturing revenues were lower due to the second COVID-19 wave; however, we believe that the same will improve with the healthy order book which stands today at 20.54 billion as of end of June 2021. Margins have remained healthy due to various cost cutting measures that have been adopted across projects by the company along with the sales and marketing functions which are being digitally optimized.

The contracts vertical as of June 30, 2021, we have completed projects to the tune of 53.74 million square feet since our inspection the current ongoing contractual project aggregates to 5.24 million square feet and is under various stages of construction. Our order book as



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mentioned earlier as of June 30, 2021, stands at 20.54 billion which gives us good visibility into the operational capabilities and the thrust that has been shown by our customers.

With this backdrop let me summarize the performance for Q1 June 30, 2021. First cash flow performance. We achieved our total cash inflow of Rs.7.18 billion during Q1 of 2022 which is 31% higher as compared to Q1 2021. We achieved our real estate cash inflow of Rs.5.48 billion which was up by 63% as compared to Q1 of last year. We have generated net operating cash flow of Rs.1.34 billion during Q1 and this is 44% higher as compared to Q1 of last year. The net debt got reduced by Rs.0.36 billion during the quarter and our borrowing cost has come down to 8.98 as of June 30, 2021.

Now coming to the sales buybacks we achieved total sales volume of 895539 square feet of super built-up area valued at Rs.6.83 billion. The total sales value Sobha's share of sales value and the total average price realization are up by 38%, 40%, 45% and 2% respectively as compared to Q1 of last year.

The Bengaluru sales volume has grown by 37% as compared to Q1 of last year despite the stringent impact of the COVID second wave restrictions that have been put in place by the government. During the quarter Bangalore, Gurgaon, Cochin, Thrissur, Pune, and Gift City have done very well as compared to Q1 of last year in spite of the COVID second wave impact.

Coming to the financial and the P&L highlights total income for Q1 stood at Rs.5.17 billion which was 45% higher as compared to Q1 of last year with the real estate revenue at 3.77 billion which was 69% higher as compared to the quarter one of last year. The contracts and manufacturing verticals revenues stood at Rs.1.36 billion which was 7% higher than the Q1 of last year. EBITDA for Q1 was at 20% with the absolute value staying at Rs.1.06 billion, PBT for Q1 came in at 0.13 billion which was 133% higher as compared to Q1 of last year. The PAT was reported at 0.11 billion which was up by 73% as compared to Q1 of last year.

With this I will request the floor to be opened up for questions. Thank you.

Moderator:

Thank you very much Sir. Ladies and gentlemen we will now begin the question-and-answer session. The first question is from the line of Abhinav Sinha from Jefferies. Please go ahead.

Abhinav Sinha:

Good to see the performance in the quarter. Sharma Sir, is it possible to give a guidance for the current year in the light of where we are today and if not that can you also tell us update how June and July months have tenured on sales?



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J C Sharma:

See what we feel that the last one and a half months that is July and August what we are tracking now is much better than what we have done in the same period last year and the second quarter should also be better than the second quarter what we have achieved in the last quarter as well as the first quarter performance. Overall, also because of the uncertain times somewhere, we will be able to figure out is why, what has happened and not happened but if the things continue the way we see today on the ground kind of a thing definitely we will be doing better than what we have done in the last financial year, overall also and the growth will be not less than double digit growth. That is what we are seeing and Bangalore will continue to reach and other markets also have shown a good amount of resilience and growth. Big picture what we are seeing now is that irrespective of how the Indian economy is going to pan out, the residential sales from the large developers will continue to be better than what it was last year. On the pricing front also, do you not ask the question, it seems that prices have stabilized and dependency of the prices can only be going up small, small corrections we have been able to do discounts are almost stopped and we are succeeding still getting the numbers. On the cash flow front also we feel that we should be doing better than what we have done in the last financial year. On the input cost front, yes there have been certain increases but we believe that with the stoppage of discount and others the basic margins would remain protected. This is what we envisage when we are in the middle of the second quarter.

Abhinav Sinha:

Thanks for that Sir. That is quite a comprehensive guidance. On the launch bit you had I think last quarter mentioned that we are looking for some close to 10 million square feet of launches in 2021 calendar and you were crossed 3 million so what is the status there and are we on track to see 10 million this year?

J C Sharma:

See again thanks to the COVID because the municipal authorities everywhere are the authorities in which we spend maximum time in controlling or managing this COVID situation but for that we are on track with the projects in Bengaluru, the projects in Chennai, the projects in Gujarat three more projects we hope that we should be able to launch in this quarter or maybe immediately after the end of this quarter kind of a thing, and other projects are also in the pipeline at various stages of the progress so let us see. But this is not going to add such increase or hamper the sales part the reasonable amount of inventory is yet to be released and we believe that all the markets are at this point of time in a good position to see that the sales momentum is not getting impacted even if something on that front delays the whole process by few months here and there.

Abhinav Sinha:

I have a few more I will just get back in the queue. Thanks Sir.



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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:** Sir firstly on the pricing you have highlighted that the prices have stabilized and the direction is only upwards so have we already seen on a like to like basis maybe in first quarter or after the end of first quarter some price hikes in our projects?
- J C Sharma:** Yes, we have seen one of our the largest projects in Bengaluru in Dream Acres from this month onwards we have been able to successfully increase the prices by about 2% to 3% and it has not impacted that individual sales front.
- Pritesh Sheth:** If I understand it correctly our Dream Acres project is largely 95% completed so this is does the opportunistic price hikes that we are seeing and it was because of the cost pressures?
- J C Sharma:** No. There are 70 plus towers there and we are releasing it of roughly 1 lakh square feet and we have inventory there.
- Subhash Bhatt:** So 95% is what we have released for sale there is further area for release which will come.
- Pritesh Sheth:** Should I say this price hikes are to cover up on the cost pressures that we are seeing or these are on the back of the strong demand that we are seeing in the market?
- J C Sharma:** See it is a combination of both see the price rise of the input cost we are quite helpless. We have literally speaking hardly any negotiation power vis-à-vis the guy who supplies steel or cement or the cables or other connected items and the fuel cost has increased, transportation cost has increased so we have to accept that, but at the same time had the demand offset been not positive we would be not doing it because it is still remain profitable so with the price rise prompts us to keep making efforts and that too in a very, very selected manner like I said that the discounting part and then this small increase part here and there continues and basic idea is to protect that EBITDA margin what we have been consistently trying to register.
- Pritesh Sheth:** My second question is on the long-term story in terms of real estate market that you have highlighted that it may touch \$1 trillion by 2030 so and since you are catering to both the top seven amongst the top seven cities as well as tier II, tier III towns so how do you see the stress in demand from the top 7 cities I mean do you also see this tier II, tier III towns emerging as the next growth areas over the next decade?



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J C Sharma:

See it is a good question. Thank you. We have tried to communicate vis-à-vis this experience what we have seen see this is our 26th year of operations and we have seen more number of down cycles than the up cycle but at the same time this pandemic impact what we find has been largely positive, where the interest rates and the focus of the banking system whatever maybe the external reasons with the kind of focus today the India's best banks best housing financial institutions, they are giving to this home loan in my view is unprecedented and that to at a rate, which is the lowest ever and that to in an environment where the jobs who have been able to protect they have got reasonably higher savings and that too in an environment wherein last six to seven years, the sector has been facing one difficulties after another difficulty. You can say post demonetization till now not a single year has gone by where industry has not faced a headwind. So in such a situation suddenly you find the residential space being liked by the people of course their jobs or their businesses should continue to be there at this point of time and that remains that yes this is the time that they should exercise and that is what you are seeing on the one side from the demand perspective. When you look at from the supply side kind of a thing come and say that then just come and tell us nowadays that they are hardly two dozen developers whose projects they are funding, I am talking about the new projects at home loans, which used to be in hundreds of developers when you take a city like Bengaluru hundreds of developers projects were getting approved, were getting funded so you clearly see somewhere the stress and the strength on the supply side and when we try to put all these things together we find that there is a favorable situation where in a cyclical industry which such things do take place this what we have understood it has structural shift which sustains for at least a good number of players that is the basic on which we are working and we believe that this time it should be there for all of us to see.

Pritesh Sheth:

On the market, that will emerge over the next decade I mean do you also see tier II, tier III towns emerging where we have seen more supplies coming in those markets.

J C Sharma:

You have a point but that is where when we talk about a city like Thrissur, or a city like Gift City kind of such thing where on a 1000 acre development nobody is living sort of a thing and we are the first guys to have gone and started the tallest tower so we thought that something good will happen but as we look at now we are ready to launch our second project almost all the approvals are in place and have applied to the RERA so this is the story and you talk about Thrissur kind of a small city in Kerala also it continues to keep surprising us. So the zone is not restricted to according to me Mumbai or Delhi or Bangalore or Pune or Hyderabad, I think this is all and again the work from home somewhere will allow this tier II and tier III cities as well to go it is my view.



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Pritesh Sheth:

Thank you for patiently answering my questions. Thank you. All the best.

Moderator:

Thank you. The next question is from the line of Kunal Lakhan from CLSA. Please go ahead.

Kunal Lakhan:

Good afternoon Sir. Sharma Ji just a general question actually in your industry outlook we keep saying that the extended work-from-home is likely to stay and people will continue to buy spacious homes just wanted to understand so one year out we are today getting most corporates have started calling that people to offices once people start spending more time in offices versus what they did during pandemic at home how do you see the demand panning out because that this essentially like the whole demand in the last 9, 12 months, 15 months have been driven by people locked up at homes but once they start going back to offices now just I am now just talking about like demand for spacious homes I am just talking about demand in general per se now how do you see that panning out?

J C Sharma:

Kunal, see look there are certain similes or the empirical evidence in it because we have got good public transport system does not mean in Delhi or Mumbai the personal cars are not being sold, you have good taxies Olas and Ubers of the world like they are continue to gain the market share but at the same time the private car ownership continues to remain on a higher scale. You have to understand that the home ownership vis-à-vis the economic growth in last 10, 12 years it has not kept pace. So while on the one hand the services sector growth, the urban population growth, the double income and all these things have been happening somehow rather in our view the home loan has not kept pace which will be well-done we go to smaller cities like Dubai or Singapore or when we go to a country like China we are nowhere whereas the demographic composition of the country and the dominance of the services sector should have ideally led to a much bigger home growth but then these things will become relatively then medium to long-term kind of a story we should not just start jumping to any kind of a immediate conclusion. I am just trying to give the big structure vis-à-vis that what we have seen is nothing even now what you see the overall home sales, I do not think that it has crossed the first pre-COVID pandemic levels. It is primarily that the big players are becoming relatively bigger, their balance sheets, their cash flows and other things seem to be better. At the same time what you find is that with the quality of inquiries less adjacencies, and we are offering discount to being able to get certain better price range on the same project sort of the thing gives us the direction part. Yes things seem to be better and then we look at from the pure numbers. The opportunity what we are creating today with the site visits what is happening now is at the record level we have not seen before and we do not find any reasons that it will stop. What we have made a point rather we will accelerate at more and more people they start coming back to



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the city where the offices get reopened, some of them who are not right now exercising their discussion or their desire to own a home once they start living in the cities, they will do the same thing so we believe that what is happening in and around on the residential space definitely is a positive development. On the site side also what you talk this we have seen a better offtake of three bedroom apartment apple to apple, 1500 square feet versus 1800 square feet, people prefer 1800 square feet and this goes on to prove that is the affordability had remained intact and that work from home kind of a concept is playing in their mind so and if you look at the offtake of the so-called low cost homes if the input cost increase it is not that great as it was in this stage. It does not mean demand is not there but may be there the job losses globally as greater so we have to look at India a way anything we can prove glass half full of glass half empty we look at but limited to from our perspective the segment to which we cater to the cities in which we operate and primarily on residential space front we find that yes there is a space where we can pay relevant in coming quarter.

Kunal Lakhan:

My second question was on the cash flow side firstly two questions there the JDA partner payments in this quarter were little lower versus earlier quarters. Is this the kind of run rate that will continue going ahead or this can increase with the increased collections increase?

J C Sharma:

The run rate will be in line with that 20% to 25% as payout because that is the average JD payout that is happening up and down will happen depending on which project gives us better collection. This time we have a good collections coming in from Sobha Windsor which is our own land.

Kunal Lakhan:

Basically on an ongoing basis 25% of sales or collection should be towards JDA partner payments?

J C Sharma:

Continue to be towards the JDA payment.

Kunal Lakhan:

My second question again on the cash flows was on the land payment side so last year we did not spend much but how much do we envisage spending in this particular year and secondly like all land payments would be towards our existing land bank or do we also envisage or factor in some payments towards some land that we may buy for contiguity or for any opportunistic payment purchase?

Subhash Bhatt:

Kunal, as I had mentioned during the last call also our clear strategy is to look at our own existing land bank, look at how we can develop that and if there is a opportunity which is coming from the market for a new project or a new land we would rather look at DM model for them in which model that Sobha has developed which is commercially DM but legally



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and contractually a JD with the residual share to the landowner so with that in mind we do not envisage too much of land payments happening from Sobha but that has given the current situation. If we really get some good opportunity as a very, very good land piece coming to us at a price which is very, very nice we would certainly not hesitate to look at that and consider from the financial perspective and going forward we should have this year 75 Crores to 80 Crores payment basically for existing land bank biggest chunk of that will be the Gift City payment.

J C Sharma:

Kunal, to add to what Subhash was telling, see while we remain comfortable with our current cash flows has had been demonstrated with the ability to keep bringing down both the debt levels in absolute numbers and the interest cost as well with the focus to bring down the debt further also will continue, so call it DM model, call it using the existing land bank to a lesser advantage as we move forward should help us on two counts one this incremental cost we will be much lesser then what we will be seeing within the fraternity in our sector (a) and (b) the ability to keep bringing down both the interest cost as well as the overall debt also you will be see in the coming quarter so it is a well thought of such we believe which will not impact our sales momentum and at the same time this is the period where we believe that we should be able to bring down our debt as well because of the superior cash flows we hope to see in coming quarters.

Kunal Lakhan:

That is very helpful Sharma Ji. Thanks Sharma Ji and Subhash. Thank you.

Moderator:

Thank you. The next question is from the line of Parvez Akhtar Qazi from Edelweiss Securities. Please go ahead.

Parvez Akhtar Qazi:

Sir I think last quarter we had showed a project in Delhi as part of a one pipeline which is not there so just want to check what has happened to that project is it no longer in our plant?

Subhash Bhatt:

Parvez last time when we had mentioned about the Delhi project, I had also shared with you that there are some commitments with the landowner has to fulfill before we can undertake this project, which would mean cash outflow for the landowner. Currently we do not envisage to a landowner being in a position to undertake that cash outflow project side and that is the reason why we are not looking at launching it over next five to six quarters.

Parvez Akhtar Qazi:

Sir the second question is you have already a highlighted that our land payment will be in the 75 Crores to 80 odd Crores maybe in the near future but let us say over the next two to three years as demand continues to pickup what can be in its trajectory or you envisage



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even then it will be in this trajectory because we will be able to probably monetize some of our old lands?

J C Sharma:

The basic trajectory what we are seeing for Sobha is that our ability to see to it is that the debt in absolute number also and as a debt to equity as it keeps coming down and for that we need to go still a long way but we will keep demonstrating that capability almost in every quarter from now onwards. Right now we do not have any such commitment as Subhash was telling that is which we have to pay at the same time things may change for the better, two to three years from now as you are mentioning, we do not know but the discipline what we are going to demonstrate this time will be of a superior quality then what this company had gone through in last 10 to 12 years.

Parvez Akhtar Qazi:

Sir last question so what would be is it fair to assume that or debt even in the worst-case scenario will probably remain here only I mean in terms of net debt to equity level?

J C Sharma:

I think it has to come down even in the worst scenario also we have to bring it down further. They are determined this time kind of a thing. Volumes are there. Inventory is there. Margins are there. Interest cost has come down kind of the thing. So we will achieve reduction in our overall data also. We are still targeting the 1:1.1 debt equity rate which we have shared with the market out here it has to be further coming down, and please also understand another good thing the company is sharing more than 4000 Crores of customers advances as things stand today and while we pay income tax on a percentage completion basis the income is getting recognized only on the basis of full completion of the project at the same time as Subhash was telling about 6800 Crores of revenue is yet to be recognized on the sold projects so structurally with the balance sheet has become much stronger. We had the finished stock inventory with the overall receivables, control over creditors and the overall cash flow management or the working capital cycle management, is now in a much better shape than what we have seen in the last many years.

Parvez Akhtar Qazi:

That is great to hear Sir. Thanks a lot. All the best for future.

Moderator:

Thank you. The next question is from the line of Sameer Baisiwala from Morgan Stanley. Please go ahead.

Sameer Baisiwala:

Thank you very much. Good afternoon everyone. Sir, I am looking at your slide number nine, which has projected cash flows, are there any some important changes that you have done sequentially in terms of I think the area has changed, it has come down to 1.5 million



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to 2 million square feet and your balance construction cost to be spent has gone up by 400 Crores from 4400 to 4800. This is for the area released.

J.C. Sharma: Yes, Sameer, we have looked at the sales value also so that has also gone up. So, the price increase that we took in October to take care of the inflation, and the cost is now fully baked into this project cash flow both on in terms of the revenue as well as on the cost.

Sameer Baisiwala: If I see the space value of unsold stock that has gone from 6300 to 5480? It has come down.

J.C. Sharma: Yes, but if you look at the balance receivables from the third also because something would have moved into completed also from here. So, you have to look at the total column and not only look at the area offered for sale.

Sameer Baisiwala: I get your point. So, it is more to do that your price resetting both for the construction cost and savings?

J.C. Sharma: Yes that is right.

Sameer Baisiwala: But are there any big project moving out in some big, moving in also?

J.C. Sharma: No, not substantially big projects. This quarter we completed two projects basically, about 4 lakh square feet developable area and about 3 lakh square feet of salable area got moved out from ongoing to completed.

Sameer Baisiwala: But the volume change that I have seen is about 1.5 million to 2 million square feet which is from 21.9 million to 19.8 million and the Sobha's share has moved down from 20.49 to 18.97. So, 1.5 million square feet has been the volume reduction? This is on sequential basis?

J.C. Sharma: Sameer what has happened is we have got Sobha Gardena which is now completely finished and it has moved out of the completed inventory, because there is nothing unsold left here. That is about 3 lakh square feet. Athena Block IV which has about 380000 square feet again has completely been sold and moved out and Silicon Oasis is about 280000 square feet had completely moved out. So that is 1.24 million square feet, which is one unit in international city is also moving out. So, overall about 1.24 million square feet has left this table. Offline we can share the numbers with you. We are now reflecting only that where we have got unsold inventory in the completed projects.



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- Sameer Baisiwala:** This is very helpful. This slide is very helpful, so maybe for these entries and exits, if you can just make a footnote that would help. Just one more question from my side is any thoughts, any update on the large projects we always check once in a while, Hoskote one?
- J.C. Sharma:** Yes Sameer, there is on the ground progress it is happening that there is indeed reasonably good progress is happening but still we believe that much before that we have to unlock more than 50 to 60 acres of land parcels in and around my main acres current existing ongoing projects which we will be releasing first and strategically it helps because I can have about Rs.1000 per square feet extra realization with similar costs and Acres plant also can be leveraged upon. So, there is indeed a lot of progress happening not only the Hoskote part but even on Sriperumbudur or on the Hosur front also, we will see a good amount of progress as an unlocking exercise from our existing land bank. I believe that when we talk about Hoskote, two to three years from now with the release of these land parcels only will be one of the key positive differentiating factor, Sobha will be having in our view.
- Sameer Baisiwala:** So that is the timeframe after which you will monetize Hoskote two to three years?
- J.C. Sharma:** Yes.
- Sameer Baisiwala:** You have fresh 50, 60 acres unused land around Dream Acres that would come to market before that.
- J.C. Sharma:** Even more than 100 acres of land is there actually stating, but as a planning stage, like in our forthcoming, there is one project, which will come first maybe in three to four months from now and thereafter a large land parcel of about 27 to 28 acres then followed by 30 acres, 13 acres, there are a good number of parcels, we have in and around the south part of Bengaluru which has been our mainstay. So, basic idea is the current realization in that area is the highest today in the suburban market of Bengaluru. The kind of land bank what we have it is appropriate to start releasing and at the same time to see the investments, what we have made on the plant and machinery is also captured properly. So, basic idea is this and thereafter the Hoskote comes.
- Sameer Baisiwala:** This is very helpful. One final, I can see Hosur on your forthcoming launches, 1.4 million. So, what is the thought over there. Are you trying to clock or what is the idea there?
- J.C. Sharma:** Clocks only. They are just academically, India's largest electricals, the two-wheeler company Ola, it is away from our land parcel on the same Hosur road, sort of a thing, so this land also will get monetized and on top of this other things also we are doing on our



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land parcel. Hopefully, we will be sharing in a couple of quarters about that as well so, to strengthen our backward integration model further.

Sameer Baisiwala: Thank you very much Sir.

Moderator: Thank you. The next question is from the line of Swagato Ghosh from Franklin Templeton. Please go ahead.

Swagato Ghosh: Thank you for taking my question. Sir, I had three quick questions; the large cancellations we had in 4Q FY2020 1.90 million square feet how much of that has been sold since then and has any of that has been sold to the existing buyers? Can you just confirm this?

J.C. Sharma: What is your question Swagato? Can you repeat?

Swagato Ghosh: Sir 1.90 million square feet we cancelled in 4Q FY2020.

J.C. Sharma: The majority of those cancelled units they have been restored. Since a few of them definitely they have opted to continue but I think significantly large amount of the inventory will go on to the new buyer. In a way it helped us in unlocking our tied-up inventory and at the same time, we could read out those buyers who were not comfortable going or not they are willing to take as per the agreed terms and condition. Please understand they have not gone for the cancellation. It was an active step we have taken to see that we unlock the inventory lines with these buyers, they payments were not forthcoming the way we had asked for.

Swagato Ghosh: Sir, what will be the ballpark percentage sales to new buyers, 50%, 60% or even more than that?

J.C. Sharma: More than that, more than two-third of that inventory has gone.

Swagato Ghosh: More than two-third has been sold to new buyers?

J.C. Sharma: New buyers.

Swagato Ghosh: One other clarification I was seeking the area that you generally gradually release for outgoing service, is there an elevated marketing expense and like some kind of high build up around those new areas which are released like similar to some other developers who actually term the new phases as new launches, you do not do that hence I was trying to



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understand whether new area release in any particular quarter is like as good as a new phased launch or a new project launch?

J.C. Sharma:

Swagato prima facie we have cut down on our print media and external marketing costs quite a bit. The whole marketing now is centralized and it operates out of Bengaluru. The cost off late has come down significantly. At the same time, the quality of sales and the control over the valuable data is today absolute. What we do at the time of new launch your question is valid, is that nowadays in any new location, we spend quite a bit in doing up the lockup as well as demonstrating our backward integration business model to the new buyers to how do we control with the quality aspect and how we are different visibly from the other developers on certain key requirements when a house gets constructed by the developer. So there is that one time cost of this mockup depending upon the size of the projects, where good amount of money is spent, otherwise by bringing the marketing activities in-house, possibly the only company in my view had been able to significantly reduce not only the cost, as well as the brokerage cost and plus leveraging on the data what we have is significantly higher now what otherwise what it used to be in the past. See the ownership of the data now is remaining in-house which was not the case earlier when we use to depend more on the channel partners.

Swagato Ghosh:

So Sir now currently we do have sales to channel partner's right?

Subhash Bhatt:

Channel partners still are there as a significant volume but it is over last three years probably it has halved.

J.C. Sharma:

See we do not discourage. When I said this thing right this, your question was clear that on the sales, marketing, promotional activities whether the direction is upwards or downwards kind of a thing. What we are saying this while we are succeeding more in bringing more customers at site than ever before the cost of it has doing this activity is significantly less.

Swagato Ghosh:

Sir the third and related question is can you just help me understand for a project like Dream Acres how do we keep on selling after selling say about 5.5 million square feet in the same project there is generally a strategy generally comes after you sell certain amount of volumes in the same project same location but we are selling building after building at a very good rate so what is the secret of that project success?

J.C. Sharma:

See Swagato that the story which in India it should be playing with the government support what you need to do is that this is how Singapore got built, I understand kind of a thing that high rise, low cost, less footprint enough of other opportunities which comes free along



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with the ownership of the apartment and a community leasing, which just an unimaginable sort of a thing. You will be surprised that one-bedroom apartment in that place is being offered at Rs.22000 rental in Dream Acres, sort of a thing and the two-bedroom had exceeded 30000 beyond our expectation also and this is primarily because the birds flock together, I am not being able to recall this thing but probably you have understood so the experience of community building is beyond comprehension and if you see with world-class amenity worth the experience nobody wants to leave thereafter so that is the secret I feel India is ready of course we need to have our own balance sheet strength, we need to have our own elite comfort but the context remains but India is ready today to see to it that the large neighborhood gets created in the suburban will work towards kind of a concept to remain relevant and at the same time people enjoy living together.

Swagato Ghosh: Got it. Thank you Sir. I congratulate the company on the last six quarters of very good performance and wish you all the best for the future. Thank you.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to the management for closing comments.

J C Sharma: Thank you friends for your participation and listening to us so patiently. We believe that the uncertainties continue at the same time we believe that Sobha will stay resilient and even stay relevant in the coming quarters. Thank you very much.

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