

SOBHA

Date: July 30, 2025

BSE Limited Department of Corporate Services PJ Towers, Dalal Street Mumbai – 400 001 Scrip Code: 532784	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(s),

Sub: Transcript of Meeting with Analysts/ Institutional Investors

In continuation of our letter dated July 22, 2025 and July 26, 2025 please find enclosed herewith the transcript of the conference call held on Saturday, the 26th day of July 2025 with the Analysts/ Institutional Investors to brief the Operational and Financial performance of the Company for the quarter ended June 30, 2025.

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

Bijan Kumar Dash
Company Secretary & Compliance Officer
Membership No. ACS 17222

SOBHA LIMITED

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“Sobha Limited
Q1 FY ‘26 Earnings Conference Call”
July 26, 2025



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

MODERATOR: **MR. ADHIDEV CHATTOPADHYAY – ICICI SECURITIES
LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Sobha Limited Q1 FY '26 Earnings Conference Call, hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touch-tone telephone. Please note that this conference has been recorded.

I now hand the conference over to Mr. Adhidev Chattopadhyay. 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. From the management, as always, we have with us Mr. Jagadish Nangineni, the Managing Director; and Mr. Yogesh Bansal, the Chief Financial Officer.

I'd now like to hand over the call to the management for their opening remarks. Over to you. Thank you.

Jagadish Nangineni: Thank you, Adhidev. Good evening to all the participants of the call. I and our Sobha team are pleased to connect with you today post declaring our Q1 FY '26 financial results, which we declared yesterday. This is the first time in the last 15 years that we have declared the quarterly results within a month after the end of the quarter, thanks to our improving processes.

In our first quarter of this financial year, we achieved our highest ever real estate sales, crossing a huge milestone of INR2,000 crores for the first time with a total sales value of INR2,078.8 crores. This achievement was driven by a successful launch of Sobha Aurum in Greater Noida, our first project in Greater Noida, a project that has garnered exceptional demand from customers in its launch week towards the end of June. This achievement signifies a major step in deepening our presence in NCR.

Our total sales for the quarter were supported by a sale of 1.44 million square feet across all our operational markets with an average realization of INR14,395 per square feet. During the quarter, we launched 2 projects measuring 1.62 million square feet, one of them is Sobha Aurum and the second one is Marina One, 4 towers, which constituted about 920,000 square feet.

Cumulatively, during past 5 quarters, we launched more than 10 million square feet of area and our inventory at the end of the quarter was about 11.55 million square feet with a potential sales value of about INR17,000 crores. In addition to that, we have a strong residential pipeline of 17.67 million square feet across 17 projects in 9 cities and a commercial pipeline of about 0.7 million square feet across our operational cities. We envisage to launch these forthcoming projects in the next 4 to 6 quarters. Also, we are working on our subsequent project plans for about 23.53 million square feet.

During the quarter, we completed 1.07 million square feet of delivery, which is 594 homes, and we are on track to complete about 4 million to 4.5 million square feet for the balance 9 months. While the operational and cash flow performance has been healthy, one of the key concerns for all of you might be on the margin front.

We expected significant improvement starting this quarter in this year. However, due to delay in obtaining OCs in 5 Bangalore projects, we could not recognize those project revenues and corresponding margins. This has led to much lower margins with all the operational costs baked in. We expect to see good improvement in the subsequent quarters and years as we recognize these completed projects.

With this, I hand over the call to Mr. Yogesh Bansal, our Chief Financial Officer, to provide color on the financial performance, post which we shall open the floor to take questions.

Yogesh Bansal:

Good evening, everyone, and thank you for joining us today. I will update — first update about cash flow, our quarterly performance and future visibility, then I shall briefly touch upon the P&L and open the floor for questions.

During current quarter, our total collections from all businesses was INR1,778 crores, recording a 15% growth from Q1 2025. Real Estate segment recorded highest ever collection of INR1,599 crores, supported by strong sales and construction milestone completions. Contracts and manufacturing businesses contributed INR179 crores in Q1. We generated INR395 crores of net operational cash flow in the quarter. Post finance land and capex-related payment, net cash flow was INR56.8 crores.

Our gross debt was INR1,019 crores and cash balance of INR1,706 crores. Our average interest cost for the quarter was 8.86%, which is lower than Q4 2025. We expect it to reduce further in coming quarter. Looking ahead, we have a clear visibility of future cash flow from our ongoing and forthcoming inventories.

From all our completed and ongoing projects, we expect total of INR24,752 crores of future cash inflow. The cost to complete this project is estimated at INR13,661 crores, thereby generating marginal cash flow potential of INR1,191 crores at project level. We expect to realize this over next 4 to 5 years.

Additionally, we shall generate another INR7,000 crores of marginal cash flow in next 5 to 6 years from forthcoming project of 18.38 million square feet, which will be launched in the next 6 to 8 quarters. Overall, we are on a very strong financial footing with robust future cash flow visibility, giving us the confidence to pursue growth opportunities.

Now coming to P&L. For the quarter, we recorded total income of INR901 crores. Real estate income contributed INR690 crores. Contracts and manufacturing contributed INR162 crores. Our EBITDA was INR73 crores with a margin of 8.1%. We generated PAT of INR13.6 crores with a margin of 1.5%.

As we start to recognize revenue from new project in upcoming quarters, we expect improvement in margins. Our total balance revenue to be recognized from already sold units as on 30th June 2025 was INR17,245 crores.

With this, we can now open the floor for questions. Once again, thank you all for your participation.

- Moderator:** The first question is from the line of Puneet from HSBC.
- Puneet:** Congratulations on a good start for the quarter. My first question is on margins, right? I mean if your margins — if you had included those 5 projects, which did not receive OCs, what would your margins have been?
- Jagadish Nangineni:** Puneet, we have these 5 projects, which we were — which we should have received these OCs. Unfortunately, there have been delays at the authority end due to certain ongoing matter related to the fee that needs to be charged to the projects for the issuance of any approvals. If we had included those, we could recognize additional close — over INR650 crores with regard to these projects. And probably the net that we could have recognized, net in the sense, PBT would be over INR150 crores.
- Puneet:** Okay. So then PBT adjusting for all this, clean PBT would have been INR400 crores?
- Jagadish Nangineni:** Yes.
- Puneet:** Okay. That's interesting. Secondly, are the loss-making contractual business part of the problems resolved now?
- Jagadish Nangineni:** Absolutely. All the contractual projects, which we had undertaken in the — previously, all of the projects are completed. See, in contracts, we do projects related to civil, electrical and plumbing. We are continuing to execute and take up new projects in electrical and plumbing. However, in civil, we have only one project, which is ongoing in Bangalore.
- Other than that, all the rest of the projects are completed and corresponding revenue and costs, most of it is already taken. So any concerns related to margins in those — in that division are so far, it's all accounted for. And hence, we should not see anything more coming, going forward.
- Puneet:** Okay. That's good to hear. And also on your central overheads and advertising expenses, both have been higher this quarter. Any particular reason for that?
- Jagadish Nangineni:** Typically, the Q1 is generally higher and this time particularly because we had to incur expenses related to IT, which is technology expenses, which is license expenses, which come in once — periodically, not necessarily every year, but it comes periodically. So that's one. And second is some insurance-related expenses also have been higher. So both these have contributed to higher expenses.
- And in addition to that, some of the expenses which we were earlier categorizing in projects expenses, which are — which we started treating as overhead expenses and hence, they have also contributed to a slight increase in the overhead expenses. So going forward, I think it would not be as high as what you are seeing in this first quarter, but it will be slightly lower.
- And second is related to the sales and marketing expenses. Of course, with higher sale value, there would be higher expenses going forward. And that will — in fact, that will cause a little bit of pressure on the P&L in this financial year.

- Puneet:** Understood. That's helpful. And lastly, if you can talk about what are the major projects we should look out for in the coming year?
- Jagadish Nangineni:** In terms of launches?
- Puneet:** In terms of launches, yes.
- Jagadish Nangineni:** Well, in terms of launches, like I was saying, there were — there are 3 small-sized projects in Bangalore. There is — there are a couple of projects in Gurgaon, which are — which can be large and one in Greater Noida. There is one project in Pune, which we intend to launch during this year. And Chennai, we have a reasonably large-sized project.
- In addition, in Kerala, we have a couple of projects, one in Trivandrum and one in Calicut. These largely should — cumulatively, if we do all of this, it should be close to about 7 million to 8 million square feet. We have already done about 1.62 million square feet.
- Puneet:** Understood. And if I can just squeeze in the last one here. On the projects which you launched in Noida, how much of it has been sold and what is still to sell, Sobha Aurum?
- Jagadish Nangineni:** Aurum, as on end of the quarter, we sold close to 80% and the remaining, hopefully, we should be completing in this quarter.
- Puneet:** And what was the sale value and volume for this, which you can give for this project?
- Jagadish Nangineni:** The value for Aurum that — which was part of the operational update, it's INR833 crores.
- Moderator:** The next question is from the line of Parikshit Kandpal from HDFC Securities.
- Parikshit Kandpal:** Jagadish, congratulations on crossing the INR2,000 crores mark on presales. So just wanted to understand, is it now the quarterly bottom now for us and things will continue to build around this number and increase from here on in subsequent quarters?
- Jagadish Nangineni:** Thank you, Parikshit. This — a lot of our performance in future is also dependent on our new launches. And even the sustained sales that we are seeing from existing projects seems to be good and stable as of now. So hence, we do aim to beat this number and be consistent.
- However, as you are aware, the external market conditions and the timing of the launches are also very critical. So we are hoping that we will achieve these timelines. And once we do that, I hope that we should be able to do far better than what we did last year and what we have guided for this year.
- Parikshit Kandpal:** Great. Good to hear that. The other question is on — I just want a clarification. You said you have missed around 5 projects OC of INR650 crores revenue and INR450 crores PBT. So is this number correct? Because PBT number...
- Jagadish Nangineni:** Sorry, Parikshit, it's not INR450 crores, it is INR150 crores.

- Parikshit Kandpal:** Okay. . So INR150 crores. Okay. Just lastly, on the business development. So anything in this quarter and especially also on the launches, what are the launches planned for this quarter? So that will be my last question.
- Jagadish Nangineni:** So this quarter, we did plan to launch 2 projects in Bangalore and 1 project in Gurgaon. However, I think there would be — there might be touch and go. So I'm hoping that at least 1 project we will be able to launch.
- Parikshit Kandpal:** And value of that project and also business development done in this quarter?
- Jagadish Nangineni:** Well, you are aware that we do not disclose business development actively. And we — as and when they come into the pipeline, you will be able to see those. As of the value of the new launch, we are hoping at least one project, which is of about INR950 crores.
- Parikshit Kandpal:** Is Bannerghatta one?
- Jagadish Nangineni:** Yes.
- Moderator:** The next question is from the line of Pritesh Sheth from Axis Capital.
- Pritesh Sheth:** Congrats on great numbers. Firstly, just on this response to this Greater Noida project that we got, how do you read this? Was the market, Greater Noida too hot, I mean, too much of demand right now? Or from our side, we strategically did something to get such a kind of response? And how do you expect the response for other launches during the year across the markets that you see, how the other market is behaving versus what you have seen in Greater Noida? That's my first question.
- Jagadish Nangineni:** Yes, Pritesh, the first project response has been really good. We are very happy to see that. The — over the years, there is definitely a good pickup in the demand side from — in Noida and Greater Noida. And considering that we could capitalize on it is a good thing. But as in any market, it's a function of demand and supply.
- And right now, it does seem that the supply is a little bit limited in Noida and Greater Noida. And as it opens up, things might be a little different, but we are happy to be in the current position. And we are hoping to launch our next project also in the next few quarters and hope to see good response there as well.
- Pritesh Sheth:** And your thoughts on other markets like Gurgaon, Bangalore, Kerala, where you had a launch, how are those markets behaving in terms of demand versus your — in general expectations about the current demand situation? Has there been better in line with your expectation or slightly lower, if you can highlight or give any color on each of these markets?
- Jagadish Nangineni:** The demand environment in all these markets, Pritesh, which is Kerala, Bangalore and Gurgaon, seem to be very stable for us. If I look at all our leading parameters, which is with respect to the opportunities that we get, the site visits that people are doing, it seems to be good interest in terms of the elected buying and there's good interest in terms of end user buying. So I believe that the situation of good demand continues to stay.

Now as things progress, now it depends on how much is the supply that's going to come into the market. So that also would play a big role in terms of at least medium to long term, how things will pan out. But overall, from a demand perspective, the basic fundamentals continue to remain the same. And it looks like there is stability over there.

Pritesh Sheth:

Sure. Got it. And just on Greater Noida, we have 2 projects now and one already largely done with. We have another one upcoming. What are the avenues to expand our pipeline in Noida or Greater Noida? Is it that we'll have to continue to wait with the government auctions? How is the intensity there? Or are there some kind of private opportunities which are also available like the one we have already done to increase our pipeline there and continue to be present in that market?

Jagadish Nangineni:

No, that's a good question, Pritesh. We are exploring all opportunities. Particularly Noida, Greater Noida, majority of the lands are with the government and/or someone has taken the land to the government. So that is one avenue of — which do have private lands as well. So we are surely looking at other opportunities also. The — like I said, the pricing and the demand environment has definitely improved, and it provides us a good chance to look at these opportunities now.

Moderator:

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

Biplab Debbarma:

Congratulations on the excellent performance. My first question is on the stated launch pipeline for the remaining of the year. You mentioned around 7 million, 8 million square feet. So just wanted to understand, are we planning to launch the entire 7 million, 8 million square feet or we said launch 7 million, 8 million square feet but open just part of each project. And also in the act, I didn't hear Mumbai project. So is Mumbai project part of the pipeline? This is my first question.

Jagadish Nangineni:

Yes. To clarify on the Mumbai project, yes, it is part of the pipeline project. To the earlier question, there were — I was answering for the major large projects that we can launch. So Mumbai is our first phase is a smaller one. It's about — should be about 150,000 square feet to start with. So hence, I didn't add in the pipeline, but it surely is part of that.

Coming to the other 8 million to 9 million square feet, so the definition of our launch of a project is once we obtain RERA that — and we open the sale to the market, irrespective of the size of the project, we say that — when we say launch, the entire inventory that is available where we have obtained RERA is available for — is declared as launches.

But like you know, we do open the sale on a phase-wise manner. And if demand is good, then we open up all phases. But given the nature of the launches this year, majority of them are not very large sizes, and hence, we should be able to open up the entire inventory for most of it. So if I have to say that about — if it's about 8 million square feet, I think 70% to 80% of it should be available for sale.

Moderator:

Biplab, actually, your voice is not clear.

- Moderator:** Sorry to interrupt Mr. Biplab. Could you please rejoin to the queue? The next question is from the line of Manoj Dua from Geometric.
- Manoj Dua:** What is the guidance for presales this year?
- Jagadish Nangineni:** We had guided for 30% increase over last financial year, Duaji, and with an expectation that we would go towards a INR10,000 crores sale in the subsequent year.
- Manoj Dua:** Okay. Secondly, where I see— since you’ve joined as MD, there are some changes we observed like in Greater Noida, the amount of project you sell to the total size is much higher and the projects are being launched very fast when they are being in the business development. Can you give context to what are the major changes that has happened in 3, 4 years in Sobha in terms of your strategy and according to keeping with the pace of the time?
- Jagadish Nangineni:** Well, it’s — Duaji, it’s not just about just last 3 to 4 years. We have been at it in terms of the overall operations for the past 3 decades. Incidentally, we are completing 30 years this year. We did focus on a few things, which is, like you mentioned, the new project launches and making sure that the timeline of the launches from the time we obtain the land is very critical, and that’s some area where we need to work in an integrated manner internally. So that’s something we have clearly focused upon.
- And there is a separate team which is formed to coordinate this, and that has helped us in accelerating some of our project launches. That’s one. And second, even in terms of business development, we are — we have been lucky in a few locations like in Greater Noida, where we had — in fact, we have paid the total value for the land in November last year, and we could launch the project in June.
- So that’s been a very good turnaround for us. And — so that’s very heartening to see. While this is happening in some other cities, it’s not such a rosy picture, and we still are — mainly due to the external factors. We are continuing to improve in those cities as well.
- Manoj Dua:** Okay. Hoskote will be launched this year?
- Jagadish Nangineni:** Hoskote, it’s a fairly large project, and we are — for Phase 1, we are mostly done with our land consolidation and the initial planning and the drawings. So we should start working towards approvals since — we started working on approvals from this month. Depending on the entire timeline of the whole approvals, we should be able to launch it within the next 1 year is what our expectation is. If it can happen earlier, nothing like it.
- Manoj Dua:** As you told that if the INR650 crores revenue would have recognized this year, we could have got INR150 crores PAT. So can we take going forward, whatever project we have launched in the last 2, 3 years and we’re launching now, 20% PBT is given almost in most of the projects on the project level, 20% PBT?
- Jagadish Nangineni:** Yes, Duaji. This INR150 crores, what I mentioned was PBT, not PAT. The second is for all the new projects that we have been selling in the past, say, 2 years, we have guided last time that we have at the project level, the EBITDA margin is at 33%.

- Manoj Dua:** And congratulations on adding Greater Noida and Mumbai to the micro market.
- Jagadish Nangineni:** Thank you, Duaji.
- Moderator:** The next question is from the line of Parvez Qazi from Nuvama Group.
- Parvez Qazi:** Congrats for a great set of numbers. So a couple of questions from my side. First, when we talk about this potential launches of 8 million to 9 million square feet, does this include the launches that we have already done in Q1? Or does it exclude it?
- Jagadish Nangineni:** So we are hoping that we'll do another 8 million square feet in the next 9 months.
- Parvez Qazi:** Sure. And what will be the total, let's say, sales potential of the 8 million square feet over the 3 quarters?
- Jagadish Nangineni:** Well, the total value of the projects at an average of at least INR12,000 crores should be about close to INR10,000 crores. How much of that is going to translate into sales is dependent on the timeline of, timing of the launch of the project. But overall, we expect that we should be doing roughly about 50% of our sales from new launches in this year and 50% from the earlier inventory that we had.
- Parvez Qazi:** Which is pretty much similar to what we did in Q1, right, about INR1,000-odd crores from new launches and INR1,000 crores from sustained sales?
- Jagadish Nangineni:** Absolutely. You're right.
- Parvez Qazi:** And lastly, in terms of the ticket size of the projects that we are launching. I mean if one looked at Q1 sales, roughly about 60-odd percent was from ticket sizes less than INR3 crores and about 40% above INR3 crores. So for the upcoming 8 million square feet of launches, will the split be largely same? Or will it be slightly different?
- Jagadish Nangineni:** Yes. So last year, around this time, we had a much larger sale value through a much higher ticket size because of the launches of high ticket size projects that have come together. And I have been saying this that the — it was no strategic call that we have taken, just that the timing of all of those projects have come together.
- But otherwise, all our projects, the, our bread and butter business has been largely between 1,800 to 2,000 square feet and which is roughly about a ticket size between INR2 crores to INR3 crores. However, as some of the projects would be, some of the projects and also some of the inventory in each of these projects would be over that ticket sizes as well. So it's going to be a mix of both, but tilted towards less than INR3 crores.
- Moderator:** The next question is from the line of Himanshu Upadhyay from BugleRock Asia.
- Himanshu Upadhyay:** My first question was, can you give your thoughts on business development? And any thoughts on which markets are most attractive markets in terms of difference between sales value and cost

of land currently in the market and which, where you find the least favorable markets in terms of profitability over next 4 to 5 years? Some of your thoughts will be helpful.

Jagadish Nangineni:

Thank you, Himanshu. That's a strategic question, which probably I'll not be elaborating much. But what we can see is for us, the priority markets are where we current, in our current operations is Bangalore, of course, second is NCR. In addition to these 2, we would be, in long term, we would look at Mumbai as well. However, we have just started there. So these 3 are, as you know, are very large markets in India.

In addition to this, of course, our presence in Kerala and Hyderabad, Chennai and Pune also there. So these would continue to be our areas where if we find very opportunistic lands, then we would look at investment. From a high return on investment, if you, that's what if you are alluding to, then still Bangalore is a good market. NCR also is a good market. Mumbai, we are still testing out. So we, our understanding is limited. And hence, as we continue to look at opportunities and invest there, we'll have a much better view.

So from our priority markets, right now, these, both these seem to be good, both in terms of returns and in terms of the demand potential and our own presence. So they make the most strategic sense for us in focusing here. And while we leverage our presence in other locations and see if we get something which is great on return, great on margins, we'll definitely take those up.

Himanshu Upadhyay:

And one question on Mumbai, okay. We have launched a very small project or land acquisition, okay? And what is our thought process? So are we exploring various micro markets through small projects and then we finalize a micro market and then we launch your sort of bigger project or it was just, it happened that we have started with a small project. Is it strategically that we are just doing a small project? Some thoughts on that will be helpful. Or how are you approaching that market?

Jagadish Nangineni:

Yes. We are, we have been evaluating various types and sizes of the projects. And we had been doing it for the past more than a year. It depends on the cycle at which where we had our capital availability also. So at that point of time, which, where we had done this and some of the others that we are evaluating and in advanced stages, there are 2 factors that we would consider. One is the size of the opportunity and the quality of the opportunity.

And second is our own ability to fund it. So both these matter. Now that we have slightly better capital structure in which we can evaluate opportunities, we should be looking at larger ones. But more importantly, for us, the first one is very critical because our own understanding of the market and going through the entire process of acquisition to launch and completion is very critical so that we would have significant learnings from it and take it forward from there.

So we are in the market for a very long term. And hence, and Mumbai is a very large market. And hence, we are on a path on exploratory nature right now. And as and when we find good opportunities, we would be willing to take those up.

- Himanshu Upadhyay:** Just a follow-up on this. See, when we do this 150,000 salable type of project, nearly 150 type of plats, okay, can we show our overall prospects or what we can do in such a small piece of land? And do you think you will be able to create a brand what we have in NCR or Bangalore to these smaller projects? What are your thoughts on this?
- Jagadish Nangineni:** It's a good question, Himanshu. So first thing is in this particular project, this is Phase 1 of the project. So actually, the total size of the project is over 300,000 square feet. So the second part is regarding the scale of the project. Yes, you would definitely, we would like to do projects which are larger in nature.
- However, I think considering the nature of land and kind of opportunities that are present in Mumbai and particularly in the core Mumbai areas. So it is very difficult to start with a much larger development potential. So hence, even if this is a, we think that even this is a good start for us, we will be able to showcase our quality even in a project like this.
- But that entire construction and experience for the customers would take time. However, since the brand is well recognized, we do think that the understanding of our brand and our processes, there are people who do understand that and should be able to be moving towards us and building a brand. So this is it might be a small step, but at the same time, we are continuously evaluating new opportunities.
- Moderator:** The next question is from the line of Yohan Batliwala from Motilal Oswal.
- Yohan Batliwala:** My question is on your earlier comment on the project level EBITDA margin. You said you target 33%. Just a bookkeeping question on that. On PBT basis, what is the margin that you target for the INR172 billion? And also on an overall perspective, what will be the margin, excluding overheads and interest?
- Jagadish Nangineni:** Well, Yohan, that's a slightly tricky question because the timing of the recognition of that revenue plays a significant role in terms of arriving from that project level EBITDA to a PAT level for the company because there are various overheads that come in, which are recognized during the quarters and whereas the timing of these unrecognized revenues, when they come in and how, quantum of that coming in matters a lot. And hence, it's very difficult to just clearly say that how much would that translate into PAT.
- But what we can clearly say is that as we go forward, the core EBITDA margins that we are seeing at the project level, which were in the past, has definitely are being seen, are seeing an increase. And hence, overall, our PAT margins also should significantly see an increase.
- Yohan Batliwala:** Sure, sure. Okay. And my second question is on the OCs. I think in the last quarter's call, you guided a 10% increase for FY '26. Does that still hold true?
- Jagadish Nangineni:** In terms of operating cash flow?
- Yohan Batliwala:** Yes, yes. For the full year?

- Jagadish Nangineni:** For the full year, yes, I mean, we would still be on track for that. Overall, with the increase in our sales value and corresponding milestone achievements in the construction, we should be able to do better, yes.
- Moderator:** The next question is from the line of Puneet from HSBC.
- Puneet:** My question is, again, on the, on your net debt, now you have a significant amount of cash and you're also buying land as I can see in the cash flow statement. What are your thoughts on deployment of this cash? How soon do you think can you spend the bulk of it? And where is it really going? What areas are you targeting?
- Jagadish Nangineni:** Puneet, we — from a debt point of view, yes, we are sitting — we have significant cash sitting on our books. Majority of them are in RERA accounts, which are, which would get available for deployment as and when we progress on the projects.
- Puneet:** How much would be RERA cash, sorry?
- Yogesh Bansal:** INR1,300 crores.
- Jagadish Nangineni:** About INR1,300 crores of that would be RERA cash. But that gives a big confidence for us to actually deploy capital. While that is the case. But today, there are 3 aspects to this. One, the, we are far better off in terms of financial structure, yes. Second, the demand environment is good. But on the other side, the cost of land and the kind of opportunities that we are seeing are fully mature in the sense the margin of error is, margin of safety is much lower than what we could see a couple of years ago.
- So it's very, it's in a calibrated manner, we will need to deploy this cash. And while that is the case, we are in a situation where we have good visibility of inventory from our own projects, which we have done either consolidated land in the past or we have done business development in the past.
- So hence, we would deploy this capital in a calibrated manner and wherever we find good opportunities. And we are not in a super hurry to deploy them, deploy it because the, not necessarily just because we have cash, we need to deploy it.
- Puneet:** Understood. And what's the need to buy land here? You had a significant amount of land here, and you're still spending close to INR280 crores this quarter as well. So where is it...
- Jagadish Nangineni:** Some of the cash outflow that we are seeing is not necessarily in the new land that we are acquiring. But part of it is being, majority of that part is being deployed for the earlier land procurements and to consolidate those lands or whatever deals that we have done in the past. So this quarter, majority of that cash flow has gone towards that.
- Last year, tentatively about we have deployed cash where we have increased our overall value, the sale value we have, or let's say, on a saleable area point of view, we have done over 9 million to 9.5 million square feet. So this year, also, let's see how we will deploy it based on the

opportunities available. However, the, some of the past development that we have done, those have flown into, will flow into this year and some of it we have seen in this quarter also.

Puneet: So in simple terms, is it fair to assume that the INR281 crores is essentially going to the 1,765 acres that you had categorized earlier as under various stages of consolidation? That's where it is getting cleaned up.

Jagadish Nangineni: That's right. And some of them would be in some of the forthcoming projects where there would be some dues either to the landowner or in terms of certain other payments related to the land.

Puneet: Understood. That's very helpful. And lastly, just again on the taxation side, the income tax has been quite low for you in the last few couple of quarters. What has really changed there? Like this quarter was INR387 crores used to be INR67 crores earlier, sorry, 38% and INR67 crores.

Jagadish Nangineni: Okay. I would like Yogesh to take that question.

Yogesh Bansal: Puneet, income taxes in current, if you, we are maintaining income tax book separately, where our profit is very high, and we are paying income tax accordingly. That is recorded as a deferred tax for us, okay?

Puneet: I'm just talking about the cash tax, which you put out in the cash flow statement, the INR38.7 crores versus INR67 crores.

Yogesh Bansal: Cash flow, because that cash flow thing is cash flow, cash flow has, see, income tax has 2 parts. One is TDS deducted by customer, okay, which is already remitted by customer. Here, we are talking about cash flow from our Sobha side. So that will, on an average, we are expecting that INR200 crores will pay income tax, including TDS this year.

Puneet: This year, INR200 crores. So out of INR38.7 crores which is already paid?

Yogesh Bansal: Including TDS, which is not captured in cash flow.

Puneet: Which is also there, right? You include in the presentation income tax, including TDS.

Yogesh Bansal: I said 2 parts, Puneet. One is income tax. Second is TDS deducted for our vendors.

Puneet: Okay. So INR38.7 crores is the vendor part of it?

Yogesh Bansal: Vendor plus income tax advances tax we paid, both...

Puneet: And this number should correlate to INR200 crores for full year?

Yogesh Bansal: This number, yes, you can correlate INR200 crores.

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

Biplab Debbarma: Yes. My question was what is the brokerage structure? Like how much is paid and when is it disbursed? Is it disbursed at the time of booking or 10% received or staggered? And what is the

accounting treatment? Do we fully expense in that year or whenever we pay the money? Like I'm just trying to understand the brokerage and accounting policy of brokerage.

Jagadish Nangineni:

Good question, Biplab. See, the payment of brokerage is typically after at least 20% of the payment by the customer and signing of the agreement with the customer. That's one. Second is the accounting treatment of brokerages if it's an owned land project, then it is the entire brokerage paid, which is, which we can account to specific unit of the, in the project.

Those are accounted as the project cost and recognized as a cost whenever the revenue recognition happens for that project, which is typically at the time of completion and handover. Whereas for the joint development projects, whatever is the share of the brokerage for the landowner, that is expensed as part of the quarterly expenses.

Moderator:

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

Parikshit Kandpal:

So Jagadish, my question was on EBITDA margin. So if you had recognized these 5 projects, your EBITDA broadly works to be around 12.5% or 13% in that range, which is almost a 4...8 quarters high. So directionally now we will keep bettering this every quarter and eventually maybe when do we reach that 33% mark? So how many quarters do you think this journey will take us from here 12% to 13% going up to 30% plus?

Jagadish Nangineni:

Right. Parikshit, yes, you're right. The EBITDA margin should have been far higher this quarter, pending these OCs. Directionally, we are in an upward function. Third is 33% is an EBITDA margin at the project level. And the EBITDA margin that we see in our P&L is post the, all the expenses, which are overheads and other items as well. So EBITDA margin of, post all of that, like I was mentioning earlier, it will again depend upon the timing of the recognition of the revenue.

Parikshit Kandpal:

But directionally now in this coming quarter also, I mean, in other quarters, like we are bettering that 12% to 13% now. So we're moving ahead of that now?

Jagadish Nangineni:

Yes. It should become better. The only treatment in P&L, one of the things that we need to be cognizant of is on a higher sale if I'm spending higher sales and marketing costs, that would, of course, be additional for, coming in as expense versus the revenue that we are recognizing. We are today selling at an average of INR12,000 to INR13,000, right? And versus we are recognizing revenue at about INR7,000, and we are recognizing margin. So corresponding sales and marketing at an increasing function, right, if you look at it, then it will impact the P&L for the current year.

In a typical, as you I'm sure you have seen all the P&Ls of real estate companies, particularly the ones who recognize revenue on completion basis, the, an increase in sale in the presales for the subsequent years are, in fact, detrimental to the P&L. So, but that's how the accounting works. And that does not mean that it is, we are in a worse situation than earlier. But coming back to your earlier point, which is we should be seeing an increasing project level margins, and that should reflect in an overall margin improvement of the company.

- Parikshit Kandpal:** Okay. I think a couple of quarters back, you said that quarterly run rate on revenue will now be about INR1,000 crores. And this quarter, with that OCs, if they had come, you would have touched INR1,500 crores. So year as a whole now quarterly averages like how the revenues will move because you did say that 4 million square feet to 4.5 million is delivery, so which would translate to about INR4,000 crores to INR5,000 crores of revenue. So how do we look at the quarterly revenues now or the yearly revenues?
- Jagadish Nangineni:** Yes. This particular quarter would have been lumpy because this unrecognized revenue of about INR650 crores was pending from a little earlier also and which we surely thought that it would have come in this quarter. While we got it covered from, I mean, actual real estate revenue, it is about close to INR600 crores. And that's if we had added this, then it would have been INR1,260 crores, but this would have been slightly higher than a typical quarter because the OCs were pending for a longer duration.
- Parikshit Kandpal:** But quarterly run rate now, so is it like INR1,000 crores going much higher now from here on?
- Jagadish Nangineni:** Sorry, Parikshit, largely like we have in the initial comments, our CFO, has mentioned that we have an unrecognized revenue of INR17,000 crores, which was about INR16,000 crores in a couple of quarters earlier. So if you have, if we have to recognize in the next 4 years, these revenues, it would be roughly about INR1,000 crores to INR1,100 crores.
- Parikshit Kandpal:** Okay. Just lastly on the Gurgaon. So now...
- Moderator:** Sir, could you please go back to the queue as there are several participants waiting for their turn. The next question is from the line of Pritesh Sheth from Axis Capital.
- Pritesh Sheth:** Yes. Just one question as a follow-up. So INR10,000 crores of pending launches for this year, Q2 would be INR1,000 crores because of some slipovers. The next 2 quarters, should we assume it would be like equally split INR4,500 crores across both the quarters? And particularly, when are we expecting next launches in Gurgaon Sector 63 and Noida, the other project that we have?
- Jagadish Nangineni:** Yes, Pritesh. So we should be seeing these launches in the next 2 quarters after Q3 and Q4, but largely, they are skewed towards end of Q3 or beginning of Q4.
- Pritesh Sheth:** Okay. And Gurgaon and Noida...
- Jagadish Nangineni:** Gurgaon and Noida also similar end of Q3, beginning of Q4.
- Moderator:** Ladies and gentlemen, due to time constraints, that was the last question for the day. I would now like to hand the conference over to the management for closing comments. Over to you, sir.
- Jagadish Nangineni:** Thank you. Thank you, everyone, for participating on the call even on a Saturday. We really appreciate that. We hope that we have answered most of your questions. In case we could not, we can connect with you through our Investor Relations subsequently.

Like I mentioned in the earlier, in the opening comments, we are looking, we are at a good juncture in terms of a stable demand environment, and we have built a good brand around ourselves, and we have exceptional experience in terms of developing projects across India.

And this we think that with the current financial structure and with the kind of brand and experience that we have built, it's an opportune time for us to have a very long-term growth. And we continue to invest in opportunities, people, processes and technology to enable this long-term growth. Thank you, everyone, for participating, and have a good weekend.

Moderator:

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