

SOBHA

Date: October 22, 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 October 14, 2025, please find enclosed herewith the transcript of the conference call held on Saturday, the 18th day of October 2025 with the Analysts/ Institutional Investors to brief the Operational and Financial performance of the Company for the quarter ended September 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
Q2 FY '26 Earnings Conference Call”
October 18, 2025



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

MODERATOR: **MR. SAISHWAR RAVEKAR – ICICI SECURITIES
LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Sobha Limited Q2 FY '26 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touch-tone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Saishwar Ravekar. Thank you, and over to you, Mr. Ravekar.

Saishwar Ravekar: Good morning, everyone. On behalf of ICICI Securities, I would like to extend a warm welcome to all the participants joining the Sobha Limited Quarter 2 FY '26 Results Conference Call today. We are pleased to have with us Mr. Jagadish Nangineni, the Managing Director; Mr. Yogesh Bansal, the Chief Financial Officer, representing the management of Sobha Limited.

Before we commence with the proceedings, I would like to take this opportunity to wish everyone a very Happy Diwali. With that, I would now like to hand over the call to the management for their opening remarks, following which we will move on to the Q&A. Thank you, and over to you, sir.

Jagadish Nangineni: Good morning, everyone. This is Jagadish from Sobha Limited. Thank you, Saishwar. We are pleased to connect with you today post declaring our Q2 and H1 '26 financial results. We had already shared the details of the operational performance during the – in the first week of October.

In continuation of our pursuit to improve our timing of declaring quarterly results, this quarter as well, we have done well, thanks to our improved processes across functions enabling this outcome.

We delivered a strong and stable performance in Q2 this year, building on momentum already created in the previous quarter in terms of real estate sales with highly integrated sales and marketing efforts. It also reflects the steady demand on the luxury real estate in a growth economy with improving macroeconomic parameters and timely government interventions.

During the first half of this year, we achieved a real estate sales value of INR3,981 crores, which is higher by 30% compared to the last year in the same period. Bangalore has contributed 48%; NCR 38%; and 10% from Kerala region of the overall sales.

Our total sales for the year were supported by the sale of 1,576 homes, 2.84 million square feet across all operational markets with an average price realization of INR14,028 per square feet. In Q2 alone, we have achieved sales of INR1,902 crores, consisting of 770 homes with Bangalore contributing 70% of the sales despite any new significant project launch.

Coming to new project launches. Cumulatively, in the past 6 quarters, we launched over 10 million square feet in 12 projects. However, the slower first half launches were impacted due to several external and internal issues, and we are making our best efforts to catch up in the second half and launch at least 8 million to 9 million square feet for the entire financial year across 7 to

8 projects. We are happy to inform that during current week, we will be launching Sobha Magnus in South Bangalore.

Overall, we have a strong residential pipeline of 15.96 million square feet across 13 projects in 9 cities and commercial pipeline of about 0.74 million square feet across all our operation cities. We envisage to launch these forthcoming projects in the next 4 to 6 quarters.

Also, we are working on our subsequent project plans rapidly for about 24 million square feet. And in addition to these launches, our existing inventory at the end of the quarter was about 10 million square feet with a potential sales value of INR13,000 crores.

Our project delivery teams have also increased the pace of project completions with completions of 2.25 million square feet in the first half of the year. During the quarter, we completed 1.18 million, which is 591 homes. We aim to complete overall at least 5.5 million square feet in this financial year.

Improved profitability would reflect as we increase the volume of project completions. In addition to this, our contractual and manufacturing operations are steady with about – contributing to about INR700 crores in terms of revenue in this financial year.

With this, I hand over the call to Yogesh, our Chief Financial Officer, to provide details on the financials.

Yogesh Bansal:

Good morning, everyone, and thank you for joining us today. Wishing everyone warm greetings of the Diwali. I am pleased to share our financial performance for quarter 2 and H1 for the year '25-'26. I will begin with cash flow, covering the quarterly and half yearly performance and future visibility, and then briefly touch upon the P&L before opening the floor for the questions.

During the quarter from all businesses, we collected a total of INR2,046 crores. We crossed the INR2,000 crores quarterly collection milestone for the first time, thereby recording a highest historic high. For H1, we collected INR3,824 crores, recording a healthy 30.9% growth over H1 '25. Real estate business contributed 90.2% to overall collection, that is INR1,846 crores in Q2 and INR3,445 crores during H1 period.

Contracts and manufacturing businesses contributed INR200 crores in Q2 and INR380 crores in H1. We generated INR513 crores of net operational cash flow in the quarter for the half year, and it was INR909 crores, registering a significant growth of 79.1%, allowing us more room for investing in future growth.

We spent INR632 crores on land-related activity, almost 2x the amount we allocated in H1 '25, in line with our commitment to further strengthen future pipeline for growth. Post financial outflow, capex and dividend payout, we generated net cash flow of INR63.5 crores during Q2 and INR120 crores in H1 '26. Company closed the quarter – closed the quarter with net cash position of INR751 crores, underscoring a very healthy and strong financial footing. Weighted average interest rate has come down during the quarter by 60 basis points.

Looking ahead, we have clear visibility of future cash flow expected from our ongoing and forthcoming inventory. From all completed and ongoing projects, we expect total INR22,867 crores of future inflow. The cost to complete this project is estimated INR13,000 crores, thereby generating marginal cash flow potential of close to INR9,800 crores at project level post sales and marketing spend. We should be able to realize this over next 4 to 5 years.

Additionally, we expect to generate INR7,100 crores of marginal cash flow from forthcoming projects of 16.69 million square feet, which shall be launched over the next 6 quarters and the cash flow realized over 5- to 6-year timeframe. Overall, we have strong financial footing with robust future cash flow visibility. We are achieving better operational efficiency every quarter, giving us the confidence to pursue further growth opportunity.

Now coming to P&L. For the quarter, we recorded total income of INR1,469 crores and INR2,371 crores for H1 FY '26. Real estate income contributed INR1,200 crores during Q2 and INR1,889 crores for H1 FY '26. Contract, manufacturing and retail business contributed INR209 crores in Q2 and INR371 crores in H1. We generated EBITDA of INR157 crores in Q2 with margin of 10.7%.

For H1, EBITDA was INR231 crores with margin of 9.7%. PAT recorded for Q2 INR72.5 crores with a margin of 4.9%. In H1, we recorded INR86 crores with a margin of 3.6%. Our total balance revenue to be recognized from already sold unit as on 30th September was close to INR18,000 crores. This is Sobha share only.

During the quarter, we have received demand for ground rent from Bangalore authority for OC granted in earlier years. So as an accounting principle, we have made provision of INR27 crores in the quarter itself. So once again, thank you all for your participation. With this, we can now open the call for questions.

Moderator: The first question comes from the line of Sucrit D. Patil with Eyesight Fintrade Private Limited.

Sucrit D. Patil: I have 2 questions, one for Mr. Jagadish, and one for Mr. Yogesh. So, to Mr. Jagadish, my question is, as you scale in a market that's becoming more price sensitive and competitive, what are the biggest execution challenges you foresee, especially in balancing design quality and delivery timelines and customer experience? How are you preparing the organization to sustain this kind of a differentiation?

Jagadish Nangineni: Thank you, Sucrit. I think you had one more question for Yogesh, which we'll take once I complete this answer. Well, as you are aware, we – Sobha has a unique execution model, which is backward integrated, where the entire design, execution and some parts of the manufacturing are done in-house. This gives us a unique advantage in terms of speed of delivery and also managing the cost of delivery.

While that has not been very helpful during the very high inflationary period like – which we have seen between 2021 to 2024, the – going forward, if the inflationary pressures continue to be stable like we have seen in the past year or so, then we should have a unique advantage in terms of managing the cost and delivering within time.

And as you know, the reliability and the quality of the delivery will clearly put us ahead of the competition in one when it comes to customer satisfaction and that we are continuously focused on. And we are building our teams across functions and mainly the execution teams to make sure that we enable the organization to deliver for the scale that we are preparing for.

Sucrit D. Patil:

Okay. And my second question to Mr. Yogesh is, with the rising input cost and compliance burdens, how are you planning to protect the margins going forward, especially in terms of procurement, pricing and project phasing, what financial levers are you emphasizing to maintain profitability without compromising quality?

Yogesh Bansal:

Thank you, Sucrit. So, as you are aware, we are backward integrated company, wherein most of the things we are doing in-house. With this, we have a hand on all the cost and procurement. We real time monitor all the cost that if we have to take price escalation because of increase in raw material, we take immediately so that we can protect our margins. That's why we keep track estimation, our cost regular basis so that financially, we should be able to keep our margin intact.

Moderator:

Mr. Patil, please rejoin the queue for more questions. Next question comes from the line of Pritesh Sheth with Axis Capital.

Pritesh Sheth:

First, on the sales performance of this quarter, we saw a good surge in sustenance demand. Just wanted to know what actually worked, especially, I guess, in the projects like Townpark, what went right for us this quarter to have a healthy contribution? And then how do you see the Gurgaon projects, which were launched last year? Any sort of action you think you need to take there to have a good velocity on those projects? Yes, that's my first question.

Jagadish Nangineni:

Thank you, Pritesh. The Q2 sales, like you have observed, the majority of the contribution has been from Townpark for 70%, right? And all of them are sustained sales. This shows good on-ground demand for the end user-based products. And particularly within the ticket sizes of INR2 crores to INR3 crores. And Townpark, one of the projects, which is – which has that kind of inventory has done really well. So, ticket size definitely helps in terms of the sales.

And of course, our sustained sales and marketing efforts also has helped. And specifically, when it comes to projects like Townpark, where the scale of the project is large, the customers are far more gravitating towards larger projects where the communities are larger. And hence, this is a distinct advantage in certain projects like Townpark and that has created that positive or virtuous cycle of good sales. That's on Bangalore sustained sales.

And coming to your question related to Gurgaon sales, the Gurgaon sales, we have – like I mentioned earlier, we have made certain changes, and we are seeing reasonable end user demand for our products now, and we have made changes in our organization as well in terms of how – in terms of people and in terms of how we approach the channels that do provide impetus to the sales. And both these are seem to be working positively, and we hope to see good results in the second half.

Pritesh Sheth:

Sure. Got it. Just on Townpark, we launched this project, I think, in March or February this year. And after 6 months, we are seeing this good set of demand. That's usually kind of timelines that

people are taking now to decide on purchasing a home. Just trying to understand because at launch, we didn't see such good response that we are seeing now. So just trying to understand that this is more of a decision-making time that these – the customers are taking right now or something else which has worked.

Jagadish Nangineni:

Well, I would not say that at the launch, the response was lower. We did really well even in March when we launched the project. In first half of – sorry, in the first quarter of this year, financial year, that's where we saw a little bit of hesitation in terms of customer purchase decision-making.

But since we have multiple ticket size products and there is timing of ability to time their cash flows in terms of purchase in these large projects, those have really helped them help us push the – and accelerate the sales in this specific project.

But otherwise, the project was started – did start out really well, and it's a very large project. And as we continue to progress during the last 6 months, we continue to release new towers, which has been very, very helpful in making – customers making – taking choices from multiple products that are available.

And one other aspect which we have seen is also in Townpark itself, we had earlier a few years ago, we had launched Manhattan and Brooklyn, which are parked in the same location. And we have started delivery of our first tower in Manhattan. So, delivery confidence also has – is seen by the customers and the kind of infrastructure that's getting developed around the whole location also gives a lot of confidence to customers.

Moderator:

Mr. Sheth, please rejoin the queue for more questions. Next question comes from the line of Biplab Debbarma with Antique Stock Broking.

Biplab Debbarma:

Wish you all a very Happy Diwali. So, my first question is, I mean, you had a very good strong quarter. Congratulations on that, although you didn't have any major launches. And in the second half, I understand that you have a significant number of large launches lined up. So, if all these launches materialize as planned, looking at the strong absorption in Bangalore and Noida, you have a few launches in Noida. Is it possible we cross INR10,000 crores of presales this year?

Jagadish Nangineni:

Thank you for the wishes, Biplab. The launches in the second half seems to be on track. And if the overall momentum continues and some parts of it, if we are able to achieve similar momentum in all the project launches because these project launches are spread across some of the other cities where launch is not necessarily the – gives the biggest impetus to sales. There are steady launches in locations like Kerala, in Chennai. So given that, I mean, we would stick to still our earlier guidance of about INR8,500 crores of what we are doing. If we can do – I mean, we aim to do much better than that. If we are able to do it, definitely, it will be a positive surprise for all of us.

Biplab Debbarma:

Okay, sir. I think – yes, that's good. Sir, second question is your one project got delayed, I mean launches. Good to hear the project Magnus is getting launched in third quarter, but it was supposed to get launched in second quarter, but delayed due to approval-related issues. So, all

these approvals things are progressing? Do you see any risk of delays that could push some of these launches in this financial – current financial – to the next financial year? I mean, how is this – how do you see the approval things? Is there any risk uncertainty regarding that?

Jagadish Nangineni: Good question, Biplab. Related to specifically the Magnus launch and around some of the aspects of OC that we have faced in the past quarter. The main reason for this was the restructuring of the BBMP, which is now Greater Bangalore Authority. And that restructuring had taken a little bit of time for the actual – coming into effect and which has thankfully has come into effect.

And now once all the systems are in place for all the 5 corporations to be in operation, then we don't foresee any major reasons for delay. Other than that, we have the rest of the approvals in Bangalore and in rest of the country, they seem to be on track as such, there should be no issues.

Moderator: Mr. Debbarma, please rejoin the queue for more questions. Next question comes from the line of Girish Choudhary with Avendus Spark.

Girish Choudhary: Good performance despite no launches and also, I mean, encouraging to see the cash flow – overall cash flows. A couple of questions. Firstly, on the reported margins, again, we are seeing these to remain low. So how do you think about these numbers and especially the current project level margins? If you can just give some view on the margins first.

Jagadish Nangineni: Right. Thank you, Girish. On the reported margins, unfortunately, the – this quarter specifically, although we could recognize good revenue, there were – like Yogesh has mentioned in his initial comments, we had to take provision for certain charges, which are related to BBMP ground rent, which were not earlier recorded because of – we had a favorable outcome in the previous – whenever we completed projects.

However, since because of new demands that have come in from the authority, we had taken that provision. Otherwise, it could have been slightly better than what we have done. And there are a couple of other small transactions, which we have done, which have led to slightly lower costs – sorry, higher costs and which are reflective in the numbers.

But otherwise, if you look at the overall big picture in terms of how we are going forward, which is where we have about INR18,000 crores of revenue to be recognized from sold units, those margins are extremely protected. And we are – like I have been mentioning in my previous calls, the EBITDA margins in those projects are between 30% to 35% or – I mean, we estimate it to be closer to 33% to 34%. And those will start getting reflected in the – as we complete those projects.

That said, in the near term, in the next quarter, also, we have several projects – project completions, like we are increasing the scale of completions. And as those completions come through and some of those good margin projects come through, we should be able to do decent margins in this financial year. From next financial year, as we complete some of the own projects, like Neopolis, wherein we have good margins embedded in those projects. So, our margins should significantly improve starting from next financial year.

- Girish Choudhary:** Got it. Got it. Very clear. Secondly, if you can give us some update on the Hoskote launch? I mean, where are we in terms of the overall approvals? And any thoughts on the Phase 1 JDV? So, if you can just throw some light on this project.
- Jagadish Nangineni:** Yes. There has been a very good progress on the first phase of Hoskote, which we are aiming to do more than 5 million square feet, which we have included in the forthcoming projects this time in our quarterly presentation. And we are making good progress towards the approvals, the design is completed, and we have applied for the initial plans. So, in the next, we – our current aim is to launch the project in the first quarter of the next financial year.
- Moderator:** Mr. Choudhary, please rejoin the queue for more questions. Next question comes from the line of Dhruvesh Sanghvi, an individual investor.
- Dhruvesh Sanghvi:** At the industry level, across major parts of India, we see that the almost all large real estate developers are in very good shape in terms of balance sheet. And all are now competing for the larger-sized complexes because that's the clear trend. In this context, when we look at new business development that we probably at Sobha have engaged, how would you rate Sobha's BD in the last 1 year?
- And why I'm asking this more specifically is to understand from a competitive landscape perspective that is the cost of acquisition increasing in a market where the sale prices are probably at hitting the roof now? And if you can give some sort of an understanding so that today land acquisitions will lead to margins 3 or 4 years later, how profitable and – how profitable will the growth be in the future? Because growth is coming, but I'm just worried about the three years' hence profits because that will be coming from today's decision-making.
- Jagadish Nangineni:** Right, Dhruvesh. No, good question, which is essentially surrounding BD for these projects. In fact, if the margins or results of those new projects that we are going to do business development today would actually result in some kind of P&L impact probably after 5 years because you would do BD today and then probably launch the projects in a year or so, and those projects would start getting completed 3 to 4 years hence. So, I mean, the impact for that from a P&L point of view would come much later.
- But that said, the basic question from your side is whether the – since BD has become competitive, would we be able to maintain margins? If that's one of the questions, then it's no doubt that the competition has increased for land. And it would – it is – it has significantly made both challenges and also in terms of cost for new land acquisition, which is – in which we think that we are uniquely positioned. Because one, we have a clear pipeline of already done BD in the last few years. And hence, you can see in our pipeline itself, it's close to about 25 million plus 15 million, close to 40 million square feet, which is clearly out there.
- And hence, the ability to do BD now is more of actually 2 to 3 things. First is on our ability to be patient and actually do deals, which are – which fall in alignment with what we set out to in terms of financial objectives. That's number one. Number two is our own capital structure has become better and hence, some of the land parcels that we can really pursue have – would reduce the – I mean, we would do it in a reduced competitive environment, second.

Third is, we are being a little bit strategic in terms of the locations as well as you have seen in the last 1, 1.5 years when you were asking if – how do we reflect on the – on our BD. So certain locations, we have chosen where there has been a demand-supply gap. And though like Greater Noida, what we have seen, where we could quickly turn around, although invested there is an outright and direct investment, we could convert it into a project and launch it and actually enable the monetization of the asset in the quickest possible manner.

So similarly, we are doing some of the other transactions wherein speed is very helpful. If not, we are getting much higher margins. So it's a combination of many – and second, sorry, one, in addition to what we are doing – pursuing in new geographies, in existing geographies like Bangalore, what we have been doing is, again, we are pursuing opportunities of much more in consolidation and in locations where we are already comfortable with and where we get opportunities based on our track record, our presence and our relationships. And that has really helped us in procuring new opportunities in existing geographies.

Dhruvesh Sanghvi: And just one more part on pricing. How do you see pricing overall in Bangalore, particularly? And second, what about the entry in Mumbai? I mean, is the Mumbai launch a part of the second half that you are talking?

Jagadish Nangineni: Yes, absolutely. The Mumbai launch is indeed in the plans for second half. We have – there also, we have made significant progress in terms of approvals. So, we are hoping to do the first phase of the launch very soon. And secondly, when it comes to the pricing, specifically in Bangalore, I think we have seen good price increases in Bangalore for the last couple of years – 3 years there has been a continuous rise, mainly due to the demand-supply again and end user demand is really has pushed up the prices, whereas the supply has been reasonably stable. So, we are entering into a phase of steady demand and supply in Bangalore. And probably in some aspects, the supply might increase. And if that does, then from a pricing point of view, we should see a stable or an inflationary increase in the pricing than the kind of price rises we have seen in the last 4 years.

Moderator: Mr. Sanghvi, please rejoin the queue for more questions. Next question comes from the line of Abhinav Sinha with Jefferies.

Abhinav Sinha: Jagadish, good to see the uptick in numbers. Just 2 questions. So firstly, on the pipeline for the next 6 months, is there any NCR project that you are launching? Or this is skewed in favor of Bangalore?

Jagadish Nangineni: There are 3 projects that we envisage to launch in NCR, one small service apartment kind of project in Gurgaon and one phase of a residential project in Gurgaon. And third is there is a project that we plan to launch in Greater Noida. These 3 projects are also part of this. All these 3 put together, it would be about 3.5 – roughly about 3.5 million square feet.

Abhinav Sinha: Okay. And this is all coming in the second half of the year, right?

Jagadish Nangineni: Yes.

- Abhinav Sinha:** Okay. Great. Jagadish, second question is a little more on the industry and what I see in the last 4 years in your own numbers as well. So basically, we hear a lot of data from the industry that volumes are now flat for a couple of years. And I think in Sobha also, we have been selling the same 5.5 million, 6 million square feet range, and this should be the fourth year of that. So do you think – I mean, both the industry and your own volumes have picked out. So it might be that value sales are higher, but volumes is as good as it gets?
- Jagadish Nangineni:** Well, it's directly a function of new launches, Abhinav. And as we increase those and increase the diversity or geographical diversity of those, then it should – the number should become much better. That said, the majority value increase has come even for us specifically through price increase because of the change in the mix of the new launches and sales of new projects, where the pricing is better than the earlier ones, right? So, it's done. So, for the next leg of the growth for us, it will be more led to more by having new project launches and probably lesser by the further increase in pricing.
- Moderator:** Mr. Sinha, please rejoin the queue for more questions. Next question comes from the line of Gaurav Khandelwal with JPMorgan.
- Gaurav Khandelwal:** Happy Diwali. I have a question which is more generic on the industry norms rather than Sobha's operations in itself. Because you are pioneers of the business that you do, which are some of the micro markets that you operate in where you're seeing concerns around growth? And is that growth concern a function of purely price increases in the housing sector? Or is it something else which is driving that concerns around growth? So, any color on this would be really appreciated.
- Jagadish Nangineni:** Thank you, Gaurav. Well, as you know, we are operating in 14 cities and as of now and our prime growth driver markets, specifically in the past 2 to 3 years, have been our mothership, which is Bangalore. And Bangalore itself has several micro markets. And even in the micro markets that we are operating in, we have predominant presence in Southeast and East that continues to do well.
- While these are doing well in Bangalore, the North Bangalore is also picking up really well because of the capacity constraints that we are seeing in the rest of the micro markets. So hence, there is a – from a micro market perspective in Bangalore itself, these are – I mean, broadly, this is how we look at it, and we are looking at opportunities, and we look to launch – look forward to launching projects in all of these to capture the sustained demand in Bangalore.
- And in addition to Bangalore, we have a good presence in NCR. NCR, while there is Gurgaon, which is good infrastructure or at least from an accessibility point of view in the last few years and there, we have diversified our own presence in terms of micro markets. Earlier, we were present only in Dwarka Expressway.
- Now we are present in several other sectors in Gurgaon. So that has helped us sort of derisk our scale there. And third, in addition to that, we have also moved to Greater Noida, which is also a very good growth market. Specifically in the last 2 years, we have seen good demand from –

good demand due to the fundamental drivers there. And hence, – that is also a geography that we would like to continue to focus upon.

While these are 2 big growth drivers, we have been very steady in Kerala, and we have in Kerala, 4 cities are doing well. And they are largely NRI demand, which is quite steady even in the last few years. And hence, the – however, there are challenges in Kerala in terms of both execution and the cost related to it. And hence, we would like to keep it as a steady market rather than a huge growth market. While these are the main 3 geographies that concentrated geographies we are – we have operated in, There are a couple of other – one geography which we would like to – which we have just started, which is what I have mentioned previously is Mumbai. We are hopefully going to start our first launch – do first launch in this next half. And we – and that’s a very large geography. And we – for a luxury housing demand perspective, it has one of the biggest shares in India. And by being present there, and it’s a long-term focus for us, which is – we are currently taking small steps.

And as we progress there based on how the demand is panning out, we would definitely continue to invest in that region also. And we have other cities like Chennai, Hyderabad, Pune and GIFT City. These are smaller markets, and these are – this is where we would do get opportunities, and we would invest in opportunistic manner and not necessarily with any strategic focus.

Moderator: Next question comes from the line of Himanshu with Steadfort LLP.

Himanshu: My question was on the margins itself. If you look at the first half, the revenues on the real estate have increased by more than 50%, okay. And if I remove the other income from EBITDA, we are very nearly flattish.

So, what happened in that ’22, ’23 phase, the projects what we sold that the margins went so low because that was one of the periods where everybody was increasing their prices on the projects what they were selling.

And what gives us the confidence that those problems will not reoccur, or things will not go that wrong in the future, just from the learning perspective in the organization? Slightly, some thoughts of yours will be helpful.

Jagadish Nangineni: Sure, Himanshu. No, good relevant question because margins is indeed a concern even for us. And it’s been our focus right from the beginning. And we, this was, like I was mentioning before, this was a one-off period where we were operating in very high inflationary environment. That said, that is one.

Second is while, and majority of these revenues that we are recognizing now, while the prices were rising in ’21, ’22, the cost also significantly increased, and that’s reflective of what we are seeing in terms of margins. And I don’t think that issue would recur if we are able to increase our scale of our construction and timely delivery. While there was, since unlike several of the other real estate players, as you know, we are backward integrated.

And during that time, one of the biggest challenges is not only of cost increases, but also supply chain disruptions. And due to that, there have been certain delays in the project. And because of that, there is, our fixed costs also have come into our overall project cost. And hence, that's really dampened our margins.

And going forward, if we do not encounter any such black swan kind of events, then there should be no reason for us to continue to deliver the kind of margins that we are – we have envisaged because timely delivery and ability to manage the cost in terms of – if these 2 are done well, then we are fairly confident of delivering the projects. So most important for us is to focus on the timely completions of the projects, and that's where our current extreme focus is.

Himanshu:

Okay. And one small thing. On the commercial side, we have 3-4 projects. One is ongoing and rest are forthcoming, but the forthcoming has been there for quite some time, okay? And for nearly 2 years, they have been in the forthcoming list. So, what is the thought process? Are we back to the drawing board rethinking of those projects we want to do or not, or there is some, let's say, approvals which are pending, what is the – because now we have cash, if you are really interested, we can do with those projects, the forthcoming on the commercial side remains forthcoming for quite some time now.

Jagadish Nangineni:

Right. One of the biggest forthcoming project is a commercial in Gurgaon. The reason for us to sort of take time for us to launch the project has been change in – I mean, our approach because earlier – I mean, this is a land which we own entirely. And we wanted to take advantage – although initially, we plan to launch it with the current FAR that's available.

Considering the cost of the land price increases in Gurgaon, we have changed our approach and tried – now we are – we have loaded TDR onto the same land. And hence, we had to do both purchase of TDR, redesign. And hence, now we are nearly complete in terms of both those activities. And hence, we can launch. But otherwise, apart from this, I have not seen any major delay in the commercial projects.

Moderator:

Mr. Himanshu, please rejoin the queue for more questions. Next question comes from the line of Parvez Qazi with Nuvama Group.

Parvez Qazi:

Two questions from my side. First, I mean, over the last 4, 5 years, the industry clearly has seen the benefits of premiumization. Our own – I mean, sales in terms of ticket size, the data that we see has clearly seen a move towards higher ticket items till FY '25. Now in the first half of FY '26 and especially in Q2, we again saw very good contribution from the up – to INR2 crores or INR2 crores to INR3 crores ticket sizes.

Now I know one should not really focus too much on 1 quarter or half. But do you think now probably we have reached a point where the mid-income segment will probably claw back some of the share that it has lost? Or do you think the premiumization trend is inevitable largely because the prices have increased so much over the last couple of years? That's the first question. And second, it would be great to hear your thoughts on demand in some of the major markets that we operate, especially with regards to the upcoming festive season.

Jagadish Nangineni:

Thank you for the wishes, Parvez. Coming to premiumization and the impact, actually, we have to look at probably 2 different aspects. One is the pricing premiumization and second is the actual ticket size, right? Indeed, there was a big demand for larger homes as we saw it in COVID and immediately after COVID. And the affordability for – at that particular time for the pricing and for the – for that ticket size was very good. So, it's not only that it was – there was a requirement for a larger home, but the ability to afford that larger home given that at that point of time, pricing was – both were in line. And hence, we could see a good surge in the demand towards that.

But as the pricing has continued to increase, then certainly the budget and the ticket size will – the aspect of these 2 will start kicking in. And that's very clear that now, again, the ticket size constraint is a big factor in how we mix our projects and also, that's one in terms of when it comes to certain geographies or certain micro markets. And it is entirely dependent also on the micro markets, where we launch the projects, right? So – but from a large volume point of view, you are right that it is largely – again, we are going back to drawing board and rethinking about some of the aspects, which is with focus on ticket sizes. And affordability clearly matters.

But that doesn't mean that premiumization is going to vanish because customers are preferring higher quality products and not necessarily going for a – I mean, not – I would not term it as affordable housing yet. And our own ability and the cost, irrespective whether it is a luxury project or an affordable project, largely remain the same because the cost of land is roughly similar and our cost of delivery is – there is very little difference between a high-end luxury project versus an affordable housing, given our quality emphasis on every product that we deliver. So hence, we would continue to focus on luxury products probably, but maintaining within the ticket size that's where the demand funnel is the largest. That's one.

Second is with respect to the overall pricing and the trend that we are seeing. See, again, the pricing is – if I compare like-to-like in terms of the same project, what we have seen in the 6 months or 6 to 12 months, the pricing, we have taken small price increases. However, that seems to be – the increase in the pricing is not at the same pace as what we have seen in the past. That's very clear in the market, not just with us, but across several players. So hence, my view is that given the demand and supply, again, depending on the extreme micro market dynamics is largely – there is steadiness on both sides. And hence, there should be again – from a pricing point of view, the increases in the pricing would be far more inflationary rather than because of demand-supply mismatches.

Moderator:

Next question comes from the line of Parikshit Kandpal with HDFC.

Parikshit Kandpal:

Jagadish, Congratulations on a decent quarter. So, I have 2 questions. One is that the total business development done across the city. So, you are going to a launch heavy season. So just wanted to understand how are you replenishing land in NCR, Gurgaon, Noida, Bombay, so – and Bangalore?

And second question is when you spoke about margins, and you said that next year could be seeing a substantial jump in margins. So in light of that, I think which quarter – I'm not asking you which margins will improve from which quarter, but decisively in this year, I mean, is it

third or fourth quarter where you will see the new launches contribution into revenues substantially increasing and older projects getting phased out? And in light of that, also, if you can quantify what was the ground rent, which was taken – you have taken hit in this quarter?

Jagadish Nangineni:

Yes. Thank you, Parikshit. The, from a business development point of view, we are active in growth markets, both in Mumbai and in NCR. And in Bangalore, we are continuing to do our – under the radar consolidation and also any specific opportunities that we get due to our existing whether relationships or presence within certain micro markets.

So, replenishing the current inventory that we have is a continuous process. In Bangalore, we are quite confident of – since there is enough pipeline of new launches, which is spread for the next few quarters, we are quite – and there is enough visibility in terms of future through the land banks.

So, we are quite confident of maintaining that inventory levels in Bangalore. However, in the NCR market, it's a very – it's a very dynamic market, and we are very active trying to look for new opportunities. And we are – we have been successful in the past 6 to 9 months. And I think going forward also, we – our engine is quite active.

And coming to Mumbai, we are actively looking at various opportunities. It's a continuous process. So, from a business development point of view also, we are quite active overall. And as we make progress and our cash flow becomes even better and our own success in some of the markets become more clear, we would be far more active in some of these locations.

Parikshit Kandpal:

Jagadish, I was looking more for a number – more for a number like in this financial year-to-date, how much business development you would have done because you don't disclose those numbers separately like other companies. So just wanted to get a sense on those numbers, how much GDV addition has happened and across the markets, if you can give us split?

Jagadish Nangineni:

Yes. We do not – as you know, as a choice, we have not been disclosing the new business development numbers. Once we get comfortable to disclose those, we would do that subsequently, Parikshit. And coming to the ground rent matter, which we have, we have taken a provision of INR27 crores in this quarter.

Moderator:

Mr. Kandpal, please rejoin the queue for more questions. Next question comes from the line of Vipulkumar Anopchand Shah with Sumangal Investments.

Vipulkumar Shah:

My question relates to margin. So, one of your Bombay-based peers just released their numbers and their operating margin is 60%. And so, when I compare your margin, so your margins are very low. And since we are backward integrated, I fail to understand why there is – why our margins are so low.

Jagadish Nangineni:

Thank you, Mr. Vipul. Like we have been mentioning in our earlier calls and even this call, the majority of the revenue that we are recognizing in this quarter and probably future, past quarters have been largely joint development projects where the cost increases have impacted in both

ways, both for our construction cost and also land cost because land cost is part of the joint development cost. And, that's one.

Second is also our method of accounting is a little different from some of the Bombay-based developers' accounting. Ours is on completion, whereas some of the other years that we see in geographies like Bombay, it is more to do with percentage completion. So, there is an accounting difference also. Both these would, I think, would reflect the difference in the numbers.

Vipulkumar Shah: So, sir, you mean to say you recognize when the project is fully completed?

Jagadish Nangineni: Absolutely. We recognize revenue once the project is completed and once we hand over the units to the customers. And hence, this is reflective of the sales and embedded margins that we have done in probably in 2020, 2021 and 2022 and not of the sales that we have done and the embedded margins that we are reflecting today.

Moderator: Mr. Shah, please rejoin the queue for more questions. Next question comes from the line of Pritesh Sheth with Axis Capital.

Pritesh Sheth: Again, a continuation on business development. So, I think we have already spent INR1,700 crores worth of capital raised through rights issue, yet we have a positive cash balance sheet – net cash balance sheet, I would say. Does it make sense for us to be a little more aggressive on business development versus what we have been doing since last 3-4 quarters?

And what would be our target markets specifically? I mean, Bangalore, we do have pipeline. Does it make more sense to then focus on NCR, Mumbai, which is our new markets where we are looking to strategically scale up our business? Yes, that's my question.

Jagadish Nangineni: Absolutely, Pritesh, that's one of the reasons for us to raise capital, and that gives us enough leverage for us to do increased business development in future. But that said, as you already also know that the new business development is coming at a much higher cost, and we would like to look at margin of safety as well. And given that we need to balance both, we are building a healthy pipeline of new BD.

And from a geographic standpoint, it is both in NCR, Mumbai, Bangalore, all these 3 and a little bit of Hyderabad. All these 4 geographic markets are – we are continuing to build up a pipeline, and we are making significant progress in all these, so which you would – one would start seeing it in the coming future.

Pritesh Sheth: Sure. And just a second, last one, on the forthcoming pipeline, I see some changes in Gurgaon pipeline, we had earlier 3 projects, now it shows only one. I think some of them have slipped over to subsequent launches. Is it just a rethinking of the product, and we'll probably launch in 2 years from now? Or how, like why these changes have come?

Jagadish Nangineni: The main reason is we have looked at the product mix, and we wanted to make some changes in the product mix. And that's why some of them we have moved to subsequent projects. And as we again put back with the complete design and we start the approval process, we will put them back in the forthcoming.

- Moderator:** Mr. Sheth, please rejoin the queue for more questions. Next question comes from the line of Pankaj Bobade with Affluent Assets.
- Pankaj Bobade:** Happy Diwali to all. Sir, I have, well, I would like to ask, I have a couple of questions. First is you have, in your 4 October press release, you have mentioned that our quarterly sales value was INR19.03 billion, that is INR1,903 crores, out of which Sobha share was INR1,537 crores. Whereas in this quarter, when we reported, the number is INR1,407 crores. So just wanted to understand what is the discrepancy? What is the reason for this difference?
- Secondly, in your quarter 1 con call, you had mentioned that you would be growing at around 30% this year, that is in FY '26 and over FY '25, that is around INR4,000-odd crores of top line. And in FY '27, you will be reaching around sales in the region of INR10,000-odd crores. But in answer to your previous participant, you mentioned that you will be reaching around INR8,000-plus crores in this year itself. So, I wanted to understand what is the, which of this should we consider? And yes, it will be better if you answer these questions first.
- Jagadish Nangineni:** Thank you, Pankaj. First, I'll take the second question first, which is the – I mean, last year, we did about a little over INR6,000 crores and INR8,000 crores is roughly about 33% over that. And that's what we are aiming at. So largely, it's consistent with what we have been doing earlier, which is essentially growth over the last year and the previous year, which is roughly about INR6,400 crores.
- So hence, largely, we are – the numbers that we are talking about is in terms of percentage growth are similar. And second, coming to your specific question related to the Sobha shares, not very clear on the, your question related to the Sobha share. But if our Investor Relations can reach out to you and clear that number, that would be better.
- Pankaj Bobade:** Sure. And sir, my final question is, is the worst behind us as far as legacy project is concerned, given the margins which have been tapering, which have cropped out now? And do we see going forward, our margins reaching our previous highs?
- Jagadish Nangineni:** Yes, absolutely. We are very confident of that. And that – and as you know, it's a reflection of – because in real estate, we already know what's the revenue that's going to be recognized. And we do have INR18,000 crores of unrecognized revenue from the sales that we have already done. And we know what the costs associated with those are. And we are reasonably confident of delivering within those costs. And once those cost parameters are met and once we start delivering these projects, we should start hitting much higher margins subsequently.
- See, the timing of the project level margins are dependent on the project completions. And as we gather pace in terms of project completions this year and specifically from next year, some of the higher margin projects completions come in, the mix would definitely move towards the higher project margins. And hence, that will be reflected in the overall P&L.
- Pankaj Bobade:** So, what can be the tentative margin for FY '26 and '27 on operating level, EBITDA margins?
- Jagadish Nangineni:** I mean I would not like to get into exact number at this stage...

Pankaj Bobade: It would be fine if you give a range, 20s, 30s?

Jagadish Nangineni: I mean our project level currently, we are at about over 20% on the gross margins and that we should be able to increase or move towards 30% subsequently, which is probably next year, we should start – I mean, move towards that. We have not yet estimated what exactly would be that. We can do that, and we'll be able to clearly state it out or have a view of that towards the end of this year.

Moderator: On behalf of Sobha Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.