

“Sobha Limited Q2 FY2022 Earnings Conference Call”

November 09, 2021



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Moderator: Ladies and gentlemen, good day and welcome to the Sobha Limited Q2 FY2022 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 for an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Adhidev Chattopadhyay from ICICI Securities Limited. Thank you and over to you, Sir!

Adhidev C: Good evening everyone. On behalf of ICICI Securities, I like to welcome everyone on the call today. Today from the management of Sobha Limited, we have with us Mr. J.C. Sharma, the Vice Chairman and Managing Director, Mr. Subhash Bhat, Chief Financial Officer, Mr. Tejas, Head of Treasury and IR, Mr. Ramesh Babu, Senior VP Finance, Mr. Vigneshwar Bhat, the Company Secretary and Compliance Officer and Mr. Yogesh Bansal from Finance. I would now like to hand over the call to the management for their opening remarks. Over to you, thank you.

J.C. Sharma: Good evening friends and belated Happy Deepavali. We are pleased to connect with you today post declaration of our unaudited financial results for the second quarter as well as for the half-year ended September 30, 2021 through this conference call hosted by ICICI Securities. Thank you, Adhidev and your team for organizing this call.

We have already shared the operational update of the company in the first week of October 2021. The investor presentation based on the financial results adopted by the board can be downloaded from the website of our company. As far as the outlook of the sector and Sobha’s performance is concerned, we believe that the Indian real estate market is showing clear signs of steady recovery, the residential segment recording a robust performance in the last quarter gone by.

The structural changes in the real estate sector have created new opportunity for the established financially strong and multilocational base developers; however, spike in prices of key inputs is definitely putting some pressure on the margin. Real estate activity gained momentum during the quarter as the country began to cautiously return to the normalcy and the economic tempo supported by aggressive vaccination drive helped people to start resuming their normal responsibilities and activities.



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The low home loan interest rates increase affordability work from home, significant pickup in the prospects of sector and increase in the salaries had helped Indian property market to move upwards after a lull in April-June quarter marked by the pandemic resurgence and restrictions imposed by the various state governments.

The market seems to be affected in the very low likelihood of a complete lockdown that was seen last year due to ample availability of the COVID vaccine now. We at Sobha have reinforced our critical processes and have used technology to strengthen our systems and processes and the way we engage with our customers. The company was able to withstand the adverse impact of two successive pandemic waves and showed its resilience. We are better prepared now than ever and had already adapted to the requisite digital tools.

Like past many quarters, in this quarter also Sobha had performed well on all the parameters during this quarter. During this quarter, the Sobha has achieved its best ever sales volume it was primarily driven by good number achieved in Bengaluru, Gurgaon, Pune and Gift City Ahmedabad.

Due to our consistent focus on cash loans and efficient cost management, we were able to reduce our net debt and equity better during this quarter. We launched two projects Sobha Manhattan in bang, and Sobha Arbor in Chennai with super built up area of 0.88 million square feet and 0.29 million square feet respectively in the last quarter,

As of September 2021 we have unsold inventory of 14.92 square feet in our ongoing project which we consider adequate in the given market scenario. As on September 30, 2021 we have an unsold completed inventory of 0.44 million feet valued at 3.35 billion, which is one of the lowest by industry standard, it also shows our capabilities to sell the inventory before project completion. So far we have achieved 65% sales on the area which is released for sales in our ongoing project. Commission receivables from the sold unit stands at Rs.51.10 billion as of September 30, 2021 which provides coverage of 97% of the balance cost to be incurred on the ongoing projects offered for sale. Going forward we believe that the steps taken and the improved performance will further improve our cash flows which will help us in deleveraging our debt further.

We believe that the second half of this year should be better from the cash flow point of view and from the debt reduction point of view. We also believe that overall this year will be the best ever year in our history both from sales as well as from the cash flow generation point of view.



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Some of the important thing we have noticed now is that the dependent on the Bengaluru is increasingly becoming less and less. Bengaluru itself showing a clear improvement in its volumes, the Gurgaon market, the Pune market, the Gift City, they have shown much better performance.

In the coming quarters, we believe that the Kerala market and the Chennai market also should start doing better and this gives us a better comfort from the resilience perspective somewhere here and there the way the economy moves, it should be in a position to consistently show better performance and keep gaining market share in the other market than the Bengaluru one. We also believe that our business model will allow us to keep the costs under control and the margins reasonably consistent with what we have been delivering so far.

I believe that the further details our operational and financial performance, our CFO, Subhash Bhat should be giving to you. Over to Subhash!

Subhash Bhat:

Thanks, Mr. Sharma. First of all before I start the discussion I would like to introduce to the investor community Yogesh Bansal who is currently our Finance Head for the northern region and he will be taking over as of CFO from me in the next one week. I would request to finance community and the investor community to give him the same kind of support, which was provided to me and Tejas so that he also continues to live up to the expectation that Sobha has created in this market.

With that background, I would summarize our performance for second quarter as well as the half year ended September 30, 2021. First, let me cover the sales highlight. We have achieved the best ever quarterly volume of 1.35 million sale of super built up area valued at Rs.10.3 billion during this quarter. The best ever Sobha share in the sales value was also achieved during this quarter, which was 8.54 million. Coming to the specific numbers, our sale volume, sales value and Sobha's share of sales value were up by 51%, 49% and 61% respectively if you compare them with Q2 of the last year, in the sales volume, sales value and the Sobha's share of sale value as compared to Q1 of the current year we were up by 51% and 50% respectively.

During this quarter, Bengaluru has performed considerably better which is one of our key markets followed by good performance coming in from Gurgaon, Pune and Gift City. During the quarter other regions contributed 41% of the total sales volume as compared to 26% during the Q1 of the current year, which reflects our potential and also it reflects on the



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focus that we have put in grow in other operating market apart from the Bengaluru markets where we are the definite player. We have planned new launches of 10.49 million across various cities and this has been mentioned clearly in the investor presentation.

Coming to the cash flow, Sobha with the continuous focus on track to generation as well as efficient cost management has reported consistent and good cash flow performance during Q2 of the current quarter current year.

We achieved a total cash inflow of 9.14 billion during Q2, which is 33% higher as compared to Q2 of last year. Our real estate division got a cash inflow of Rs.7.45 billion during Q2, which was 44% higher as compared to Q2 of last year. In all we have generated our operating cash flow of Rs.1.77 billion during this quarter, which is 37% higher as compared to against the corresponding quarter last year. During this quarter, our net debt has shrunk by Rs.0.39 billion and this is despite the dividend payment that has happened during August. Our borrowing costs have been reduced during this current quarter and now it stands at 8.85% as of September 30, 2021.

The real estate division projected cash flow on the projects, which have been currently launched, ongoing and are still to be launched is totaling to Rs.72.13 billion, the details are in the investor presentation which you guys can have a look at.

Coming to the financial highlands, the total income for Q2 of the current year stands at Rs.8.23 billion, which is 59% higher as compared to the sequential Q1 of the current year. The real estate revenue stood at Rs.6.54 billion which is a 74% higher as compared to Q1 of the current year. The contract and the manufacturing vertical delivered Rs.1.64 billion as revenue for the current quarter.

EBITDA for Q2 stood at Rs.1.6 billion with the reporting margin at 19%. The PBT stood at Rs.6.5 billion with the margin at 8% and the PAT was reported at 0.45 billion with the margin at 6%. The debt equity as Mr. Sharma mentioned we have reduced it to 1.13 as on September 30, 2021, as compared to 1.15 as on June 30, 2021.

The contract in the manufacturing order book today stands at 22.8 billion as on September 30, 2021. Of the community sales done in the residential business till September 30, 2021 there is still balance revenue to be recognized in the books at Rs.72.32 billion. On the basis of the current market scenario, Sobha has given increments to all its employees during the current quarter that is Q2 and this has resulted in increase in the employee benefit expenses.



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The operating activities are picking up and Mr. Sharma has mentioned in his discussion we are expecting to perform better going forward on this stage. During H1 of the current year the company achieved the best for ever first half total sales volume and sales value of 2.24 million square feet and Rs.17.13 billion, which are up by 46% and 45% respectively as compared to the first half of the last year. The sale value of Sobha's share in H1 of the current year is also up 54% on a year-on-year basis and that was reported at Rs.14.25 billion. We have achieved a total cash inflow of Rs.16.32 billion during the current half year, which was 32% higher as compared to the last year corresponding half year.

The real estate cash inflow was reported at Rs.12.72 billion during the H1 of the current year which is up by 52% as compared to again H1 of the last year. We have reported the net operating cash flow of Rs.3.12 billion during the current half years, which is 40% higher as compared to the corresponding half year last year. On the financial front, the total income for half year stood at Rs.13.4 billion with the real estate revenue at 10.31 billion, which was up by 48% and 85% respectively as compared to the H1 of the last year. The contractual and manufacturing vertical revenue stood at Rs.3 billion, EBITDA, the PBT and the PAT for the half year stood at Rs.2.65 billion, 0.78 billion and 0.57 billion with the respective margin coming at 20%, 6% and 4%.

That is all from our side and I would now request the conference holder to open the floor for question and answer. Thank you.

Moderator:

Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal:

Mr. Sharma, congratulations on a very good set of numbers. My first question is on the driving environment, so we all know that macro factors are favoring affordable things all time high besides that there has been some micro factors, rate inflation has gone up at a record phase even in the southern markets, do we see a possibility or substantial price in the Bengaluru market over the next two to three years?

J.C. Sharma:

Thank you, Parikshit and good evening. We do not believe that the price rise per se is inevitable. It does not mean it is going to happen overnight, but as the old inventory starts getting replaced with the new inventory, you will be seeing on the new inventory higher price realization than what it used to be. We are clearly seeing the opportunistic cost of



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acquiring the land as well as the input costs as well as the wage or salary cost being increased. We are also seeing nonavailability in the sense now the demand for products and the sales velocity seems to be greater than the new supply coming in the market and coupled with the increase in the salaries especially in the IT sector and the low interest rates vis-à-vis the cost can input pressure, it looks quite likely that going forward the price rise will be there and in two to three years time definitely about 25% to 30% increase in my view can be expected from the current level as far as the sales prices are concerned in my view.

Parikshit Kandpal: My second question is, you highlighted that all south regions have started contributing at a higher pace, the contribution from the region is going up, just wanted your plans in larger market and other markets outside of the southern region, if can give some sense on the strategy on the business development in larger markets going ahead given the growth we are seeing?

J.C. Sharma: We will be going bit slow in other markets than what we have communicated, rather what we intend to do which we have started giving him is that from our existing land banks we would start leveraging and especially in Bengaluru, Hosur, Chennai you will see that the leverage on the existing land banks will get accelerated, at the same time the new launches whatever we have planned we are putting more focus on them to fructify and in the pipeline also a good number of projects are being planned at the design which in due course we will be sharing with you people, so there is a clear visibility of the newer opportunity in the existing market and the focus is to move ahead and provide from the supply side the inventory as early as possible.

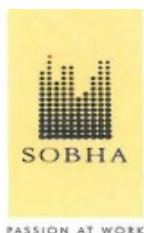
Parikshit Kandpal: Last question is on the land bank, which you have, so the entire period you have accelerated the development of the land parcels and you being a very large holder of land banks, so from the launch perspective, over the next two, three years out of the current land bank which we are holding, how much of that can be brought in and added to the launch pipeline, if you can quantify that number?

J.C. Sharma: Quantification right now, I will not be able to share, but as I was telling that most of these land banks what I have been talking about since last couple of calls, yes, we have started working on that and maybe from this coming quarter onwards you will see greater visibility on release of its inventory as we move forward.



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- Subhash Bhat:** Parikshit, Subhash here. The reported 49 million square feet plus the commercial staff portfolio in addition to that 3 lakhs square feet together with consumer 200 acres from the land.
- Parikshit Kandpal:** My point is more from that how much we need to incur on the capex because the kind of ramp up in the things which we have seen in the last three to four quarters especially the run rate we are currently on, that will envisage a larger quantum of launches to be fed into sustaining that growth, so will that growth largely be coming in from the existing land or we have look at capex on buying a new land parcels that was the question that I wanted to get your answer, so what will be the kind of capex we will have to do over the next two to three years to sustain the run rate on this?
- J.C. Sharma:** Timeline we are also talking about that we will continue to focus on cash flows. We continue to deleverage our balance sheet and at the current rate also we have got good quantum of unsold approved inventory with 10 million square feet plus likely to come in next few quarters and good quantum of new inventory is also in the pipeline and all with more or less the land is saved for, from the newer opportunity point of view, somewhere you are right, we may be looking at those opportunities, but the primary focus is to leverage on the existing land bank, primary focus is to keep growing and keep deleveraging and at the same time may be at some point of time look for the opportunities we have been talking about, but then right now very difficult to predict because there is no commitment as such on any of the land parcels as we talk
- Subhash Bhat:** As shared with the market earlier our current payable on the land bank continues to in the range of 140 Crores to 150 Crores, which is payable over next two to two-and-a-half years.
- Parikshit Kandpal:** Thank you so much and wish you all the best for the next quarters.
- Moderator:** Thank you. The next question is from the line of Pritesh Sheth from Motilal Oswal. Please go ahead.
- Pritesh Sheth:** Thanks for the opportunity and firstly seasonal greetings to you and your team. My question is on the launches, so post the end of the quarter have we had any fresh launches and how was the response and how does the pipeline look at this for next couple of quarters, if you can guide us on that?



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- J.C. Sharma:** Last month we have launched one project in Gujarat, one more project in Bengaluru we have applied for the RERA registration, once that happens that also should get launched either this month or early next month kind of thing, couple of more projects are in the pipeline in Trichur as well as in Hosur which may happen this quarter or maybe the next quarter from a launch perspective.
- Subhash Bhat:** Overall we should be launching at least 2 million in this quarter and the next quarter out of that 10.8 million that we have shown in the investor presentation.
- Pritesh Sheth:** Two million each?
- Subhash Bhat:** As far as probably some can slip into January, two million by January or February.
- Pritesh Sheth:** Got it and I think one residential launch in Trichur, which was planned earlier has been taken out from the launch pipeline so any update on that?
- Subhash Bhat:** We have moved to ongoing projects because it has a phase two of the existing projects Metropolitan phase two because it has moved from the pipeline into areas launched, it is not offer for sale because there is inventory available in the phase one.
- Pritesh Sheth:** Got it, but it is on course nothing has changed, got it and in terms of business development so you have been highlighting that we would not be taking up any land acquisition, but how is our focus on JV/JDA in which part of our existing regions we are seeking this opportunities in terms of expanding our business through JV/JDA?
- J.C. Sharma:** We will not roll out even acquiring certain opportunity headwinds, what I am trying to communicate is as things change today what is at the design stage or phase which has not been disclosed in our new launches, mostly those lands we own them and we are working on that, in addition to this couple of land partners in the southern market we are looking at somewhere JV/JDA perspective, going forward as and when those things get crystalized we will be sharing with the markets, but rest assured the pipeline is being spent on this with the new project launches, as when things mature we will keep sharing with you.
- Pritesh Sheth:** Sure, why was asking this in terms of competition because most of the players are right now targeting JV/JDA, so are we facing any stress competition in terms of projects through JV/JDA or there is still scope for everyone to present in this market with these kind of dues?



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J.C. Sharma: There is not much of a competition as things concluded, there are very few players in almost all the markets who are competing for the opportunities vis-à-vis what we used to face rather what we are seeing is that there has been increase in both the opportunistic cost of buying the land or doing JV/JDA as well as on a DM basis whatever opportunities earlier we used to talk and this is primarily on an account of the pressure we are witnessing or the better sentiment we are seeing across. My point is that our current focus I repeat is on our on land bank and somewhere as and when certain transactions do happen on JV/JDA, DMA or outright purchase kind of thing definitely we will be sharing but we are more than adequately covered with the new launches to sustain our business momentum.

Pritesh Sheth: Sure, got it. That is it from my side and all the best Subash Sir for your future endeavors.

Moderator: Thank you. The next question is from the line of Monica Sharma from Morgan Stanley. Please go ahead.

Sameer: Good evening. Thanks, this is Sameer here, Sir. So, on price increases, have you taken any price increase over the last six months across your portfolio and second is the distinction between launching new projects at a higher price is that easier versus increasing prices for the ongoing projects?

J.C. Sharma: To answer your last question first, Sameer, it is relatively easier on a new location, new projects to have a better price incorporating the increase in the construction cost or the opportunistic cost of the land than on an existing project, but what we have been doing primarily if you look at the last one year or so with the discounts what we have been offering they have been reduced to a great extent then we have almost moved to be fixed pricing formula then giving some time to get the cash flows as well as not to give the customer certain discount, which had been completely stopped, wherever the new projects has been launched in the existing projects the realization has been better than what it was in the other towers sort of sustain, and there has been an increase of between 1% and 2% on the tower wise sales, the best example remains our Dream Acres where I believe this year we may have taken an increase of about 6% to 7% in the last six to seven months, similarly on the new launch in Sobha Windsor also we have succeeded from the March launch, the price increase of about 6% to 7% as we talk.

Sameer: That is great, Sir. Second question is on the use of technology. I think you have also spoke about it in your press release, so can you elaborate on that, is it on the customer engagement, is it only NRIs or local sales and how is it helping the company?



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J.C. Sharma:

It is a very good point. We will talk about this on two fronts, one on the technology front right, we have reasonably now understood say for example that the technology and on top of this now the toilet partner we are constructing it outside the tower and trying to fix it, the ports we called it sort of a thing, so there has been lot further savings in time and cost in doing this project from where we started six to seven years back to now we believe with this technology we have been reasonably successful in doing. Similarly on the stage part of the same technology that aluminium shuttering works now from one slab to other slab we have been lifting between 8 and 12 days, sometimes between 8 and 9 days we will go to the next slab. Earlier it used to take 15 to 16 days time, so there has been a significant improvement in the building cycle and in the overheads, likewise small, small mechanization you talk about the technology introduction you talk about has been an ongoing process which is helping us in executing the project. On the sales and marketing sides, what we have done in last one-and-a-half years, we have earlier the sales guy used to head the marketing, now the marketing is demarcated from the sales people and then it got centralized in Bengaluru, so that was the move which helped us in understanding the marketing as a definitive function and not linked to the selling part and the person from the outside was roped in and more the highest number of people have been recruited in last 18 months in the marketing front, almost 200 people they work today in the marketing department, which includes a full-fledged backhanded office, which includes the content writers, which includes the people who design the advertisements as well and with the use of technology to see that seamlessly from the moment the customer makes an inquiry to be able to reach out to the customer within two to three minutes by the marketing guys and thereafter the rate is being handed over to the sales and thereafter we are pushing the same set of customer to go for the sites digits it all ended with a superior results than what we earlier we used to achieve. We are having now 7 lakhs plus unique data of the customers, we also have highest ever the opportunity getting generated on a monthly basis, highest ever size which taking place and the cost being incurred through this thing at a significantly lower cost than what the otherwise used to pay and when you say that the 18% stamp duty plus the margin part, the business model further supports us in keeping this marketing costs under control but making it far more competitive than sometimes you must be knowing that the outside agencies they charge 5% to 6%, they keep the data and we are not sure about whatever enquiries which got generated were addressed by the third party in a 100% full proof manner, so we believe have given us an extra hedge now that what we where maybe before the COVID.

Sameer:

Excellent, Sir, very nice. With your permission one last question, so it is after long time that both capital market and physical market are booming, very healthy, is it a good option to



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raise equity capital and then to power the development pipeline further with the help of that, is that a good idea? Are thinking on those lines?

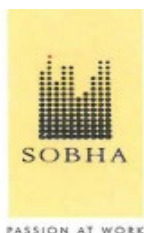
J.C. Sharma: Looking at the size of the market and the opportunities, all the ideas definitely do have some merit, but prima facie like I have indicated that we have learnt the lesson in a very, very hard manner. We believe that somewhere the cost of debt we had not understood as much as with the new so this was the first half after many years we do not remember where we could generate operating free cash flows and bring down our debt. Going forward I believe that we will get accelerated due to the better focus on the sales management, agreement management, collection management kind of a thing and hopefully we should be able to power the growth or the opportunity that comes to us with our own cash flows is our first effort, at the same time the things right now we are not discussing, but maybe once the board understand the opportunity and sustainability part, I cannot say, it is for them to look for.

Sameer: Great, thank you very much and Subhash, Sir all the very best to you, it was very, very nice interacting with you all these years.

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

Kunal Lakhan: Good evening. Mr. Sharma, few years back you had mentioned about and highlighted a target of doing 7 to 10 million square feet of sales in three to five years, I understand in the last year also has been a bit of a challenge, but now that we have achieved like a record sales, would you revisit that target and if yes, then if you can give us some timeline by which you will do that 10 million square feet of sales?

J.C. Sharma: Let us first take the landmark of the 10 million square feet to begin with, hopefully with the new launches and hopefully right that the way the market is behaving sooner than later, we should be hitting this target and since our focus has been primarily on the residential space as well as using the incremental capabilities of our manufacturing units, our design units and other units for the contracting job, we do believe that we can achieve this 10 million square feet of annual delivery with little bit of changes here and there and we hope that what we talk about with the Indian economy getting into a new growth cycle and the real estate playing its role at this stage of the development of our Indian economy, the 10 cities already under our control with the outside Bengaluru doing relatively better than what we have ever achieved since more cities getting added, we do believe that we have talked about



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of achieving 7 to 10 million square feet we should be able to achieve faster than what we had asked before the COVID period.

Kunal Lakhan:

Sure, that is helpful. Let me just ask this slightly differently since Bengaluru against our core market, we say about market share of about anywhere between 8% and 10% there, looking at the consolidation that is playing out right now, where do think what kind of market share can be achieved over the next three to five years?

J.C. Sharma:

The market to begin with will not be like this. As people start seeing the momentum and they start seeing prices rising, I do not envisage this is my view that there has been newer players, there may be from the other markets as well as a certain corporates they may get into this segment because it does not require the entry parked funds is not that difficult sort of a thing, it is like the CEO, Company Secretary example, anybody can apply for, they think how successfully this is helping, not like our NEET or UPSE Exam, so the big picture that we do foresee new players coming in. At the same time I do believe that our market share right now maybe about 12% to 15% not 8% to 10% sort of the thing and we did the new launches and with the kind of projects what we invested in the coming quarters these are in good locations that outreach region which is our forte, hopefully we will keep chipping in with this market share bit by bit, but the most important thing what I would like to communicate is on sustaining the volumes and selling the projects before the project gets completed, now these are the things which we have been following in a very scientific and systematic manner. Going forward also we keep pushing on that count to ensure that somewhere there is headwind on the cost increase or there is an advantage during the project cycle of higher realization if the market permits.

Kunal Lakhan:

Sure, jut again followup on that, it is like you mentioned the newer developers, some established developers from other geographies can enter in the Indian market share, how are we thinking about hedging that risk by entering into newer markets especially markets like Mumbai or acquiring another project in the big market like NCR, how we are looking at these opportunities?

J.C. Sharma:

You are right, that is only three quarters have passed by and we used to talk about 50:50, 50 from Bengaluru and 50 from outside Bengaluru, there had been some delays in entering the other markets like, Hyderabad or Hosur, but with the new launches I do believe that our presence in the other markets will be significantly better and higher and then in the same market, we have started looking for newer opportunities, as and when they materialize we will be sharing and that is way we also will be gaining market share in Chennai or in



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Gurugram or in Pune or in Gift City as well in the new cities where we enter, it is an ongoing process, if the market size is too large our business model allows to compete with anybody on quality as well as on the credit front and going forward we added two additional what you call hit or distant what we have will get demonstrated at the market becomes more centralized and more competitive.

Kunal Lakhan:

That is very helpful and my last question is on the cash flows. Subhash we have seen cash flow collections from real estate ramp up significantly in second quarter, but we have not seen a similar ramp up in the project outlays, would you think would the increase kind of operations these outlays will catch up and the overall cash flow surplus that we have been waiting will generated in Q2 that may not sustain or maybe that will be still cash flow positive, but may not be at the same level as we have seen in Q2?

Subhash Bhat:

First of all what you are seeing this real estate project expense is not going up at the same level as the collections going up. Few of the launches that have happened, have happened with the land being our own land, so naturally there will be no spent happening there and the JDA payment would go down on those places and since the land is at a good price that we would have had achieved earlier so the percentage of the construction costs to the collection would be far more significantly lower as compared to the earlier land parcels which would have come in at either area size of which is quite high or a newer land parcels that would have like Silicon or a Foreign Marina. We expect this to continue. The differential between the real estate projects and the collections would continue probably 5% to 6% here or there can be the movement during the quarter, but not much.

J.C. Sharma:

Kunal, to answer your other question, our calculations says that in the second half there will be an accelerated cash flow, which means that there is a greater possibility of reducing the debt at an accelerated rate than what we have seen in the first half.

Kunal Lakhan:

Sure, that is good to know. Thank you so much. Thank you, Mr. Sharma and thanks Subhash, Subhash all the very best to you.

Moderator:

Thank you. The next question is from the line of Abhinav Sinha from Jefferies. Please go ahead.

Abhinav Sinha:

Sir, congratulations on a strong result. Can you just talk a bit for the same kind is continuing in October as well?



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- J.C. Sharma:** Abhinav, good evening. We believe normally the second half has been always better as far as we are concerned than the first half and the momentum what we are seeing in the last quarter continues. There are sometimes rains, or those festive days, which normally do not get converted into sales because people start traveling and traveling has increased manifold in the last quarter than what otherwise we have received, but the level of interest, the inquiries, the size, digits, etc., continue to be well and Gurgaon has done exceptionally well in the last month, Bengaluru also continues to do better, Pune also had done well, Gift City also has done well in the last month.
- Abhinav Sinha:** Broadly I mean 1000 Crores quarter should become more the norm right from here?
- J.C. Sharma:** Should become the norm, yes Abhinav.
- Abhinav Sinha:** Second question is on the contractual, now the revenue have been lagging even thus far and contractual plus manufacturing and I notice that there was some improvement in the order book so by when that order book translates to higher revenue?
- J.C. Sharma:** As far as the constructing and manufacturing part is concerned we have started seeing increased activities now. Lots of work has been stalled, the orders what we have had. Of late it is not only the order book, but the activities part has started showing improvement, the second half should be better than the first half and by that time we enter into the next year there should be a significant improvement in the revenues in our construction and manufacturing region as well. Per se you are clearly seeing the company which had gone very slow has started giving the jobs from now onwards, but initially when we start, the field work does not give you much of the billing, so maybe three to four months from now the billing also will improve and the next year will be significantly better on the front as well.
- Abhinav Sinha:** Fourth quarter and first quarter is the guidance?
- J.C. Sharma:** Yes.
- Abhinav Sinha:** Subhash Sir, last question on the balance sheet, I mean you have done fairly well on the net debt front coming down, any sort of guidance on gearing you would like to give us like a by next target in another 12 to 15 months?



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J.C. Sharma:

I believe that we have been communicating about 1.10 for the March 2022 and the rest equity. Hopefully we should be doing better than that as we move forward. That is what I look at and looking at the current momentum this is a good thing we can say with confident that looked clearly visible either in the new opportunities or in the debt reduction the surplus cash definitely will get generated significantly higher than what we have been generating till now. The other thing I wanted to put it across that the quality of the sales now what we are seeing is better than what we had witnessed pre-COVID era and the agreements are getting executed faster and the quality of the connections also is improving, another good thing what we have noticed now is that across all categories and across all regions we have seen improvement in the sales, so below 1 Crores continue to be about 22% and more than 50% of our new sales is coming between 1 Crores and 2 Crores and the remaining 22% is also coming above 2 Crores kind of a thing. From the customers profile perspective also today more number of customers are buying home below the age of 30 than the people buying above the age of 31 sort of thing which is a good time, from the MRI perspective also we got back into the double digit numbers which is a good time so what is being witnessed is that all the regions, all the categories of the products and people from every range of the age between 21 to 60 year old guys they have been buying homes, we will be seeing a growth we are witnessing after a long, long time and that gives us the kind of comfort or the conviction that this is a momentum with the sustainable which can absorb a little bit of price hike because of the supply constraints or because of the input increase or because of the lower cost of interest with the customers now face and such things will help us working out both the product as well on the size of the product as we move forward.

Abhinav Sinha:

Thanks a lot for that and all the best for you.

Moderator:

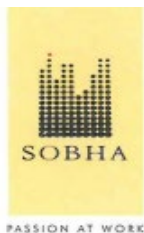
Thank you. Ladies and gentlemen, due to paucity of time, that would be the last question for today. I now hand the conference back to the management for their closing remarks. Thank you and over to you!

Subhash Bhat:

I would request Yogesh of say two words as we were able to starting the position to take off from me. Over to you, Yogesh!

Yogesh Bansal:

Good evening everyone. As you all know that already before that I am working with Sobha last 10 years, so I was earlier handling Delhi NCR and Gujarat regions, so now I am moving to new role as CFO, so I am taking over Subhash Sir. So we will work towards good numbers and I need your support. Thank you.



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J.C. Sharma:

Thank you friends for your patient hearing. We hope that as we move forward we should continue to keep doing better and better in our sales, in our cash flows, in our margins. We believe that the sector definitely has turned and performed better and it should be sustaining at least in the near foreseeable future with the good momentum. Let us hope that we can provide a good home to our customers and a good balance sheet to our investors. Thank you.

Moderator:

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