

Date: November 15, 2023

To
BSE Limited,
Listing Department,
P.J. Towers, Dalal Street,
Mumbai - 400001.

NSE Limited,
Listing Department,
Exchange Plaza, Plot No. C/1, G Block,
BKC, Bandra (East), Mumbai - 400051

Scrip Code: 503101

NSE Code: MARATHON

Sub: Transcript of Q2 FY'24 Earnings Conference Call

Dear Sir/Madam,

Pursuant to Regulation 30 and Regulation 46(2) (oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of Q2 FY'24 earnings conference call held on Thursday, November 9, 2023. The Transcript is also available on the Company's website at <https://www.marathonnextgen.com/>

Kindly take the same on record.

Yours Truly,
Marathon Nextgen Realty Limited



K S Raghavan
Company Secretary and Compliance Officer
Membership No.: A8269



Encl: A/a



“Marathon Nextgen Realty Limited Q2 FY Earnings
Conference Call”

November 09, 2023



**MANAGEMENT: MR. CHETAN SHAH – CHAIRMAN AND MANAGING
DIRECTOR, MARATHON NEXTGEN REALTY LIMITED
MR. MAYUR SHAH – VICE CHAIRMAN, MARATHON
NEXTGEN REALTY LIMITED
MR. KAIVALYA SHAH, PROJECT HEAD, NEO HOMES,
MARATHON NEXTGEN REALTY LIMITED
MR. SAMYAG SHAH, PROJECT HEAD, MARATHON
FUTURE X & NEXTGEN REALTY LIMITED
MR. S. RAMAMURTHY – CHIEF FINANCIAL OFFICER &
WHOLE TIME DIRECTOR, MARATHON NEXTGEN
REALTY LIMITED**

Moderator: Ladies and Gentlemen, Good day and welcome to Q2 FY24 Earnings Conference Call of Marathon Nextgen Realty Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that the conference is being recorded. I now hand the conference over to Mr. Binay Sarda from E&Y. Thank you and over to you.

Binay Sarda:

Thanks Yashashree. Good morning to all the participants on the call and thanks for joining this Q2 FY24 Earnings Call for our Marathon Nextgen Realty Limited. Please note that we have mailed out the press release and presentation to everyone and you can also see the results on our website as well as it has been uploaded on the stock exchanges. In case you have not received the same, you can write to us and we will be happy to send it over to you.

Before we proceed with the call, let me remind you that the discussion may contain forward-looking statements that may involve known or unknown risks, uncertainties and other factors. It must be viewed in conjunction with our businesses that could cause future results, performance or achievement to differ significantly from what is expressed or implied by such forward-looking statements.

To take us through the results of this quarter and answer our questions we have with us the management of Marathon Nextgen Realty Limited represented by Mr. Chetan Shah – Chairman and Managing Director, Mr. Mayur Shah – Vice Chairman, Mr. Kaivalya Shah, Project Head, Neo Homes, Mr. Samyag M. Shah, Project Head, Marathon Future X and Nextgen and Mr. S. Ramamurthy, Chief Financial Officer and Whole Time Director. We'll be starting the call with a brief overview of the quarter gone past, which will then be followed by Q&A session.

With that said, I'll now hand over the call to Mr. Chetan Shah. Over to you, sir.

Chetan Shah:

Thank you, Binay. I'm Chetan Shah, Chairman and Managing Director, Marathon Nextgen Realty Limited. With me is present Mayur Shah, Vice Chairman and Samyag Shah and Kaivalya Shah both project heads. Four people are present here.

Friends, we are delighted to post yet another quarter of strong performance on the back of robust and resilient demand environment. This consolidation along with the reduction in inventory levels has created an optimistic landscape for us and the entire industry. The strong demand for our projects and our ability to efficiently execute our development plans have been key drivers of our success.

Our strong performance during the first half of the fiscal year has boosted our confidence and we are steadfast in our belief that we will continue to set new milestones moving forward. This positive outlook for the future is further supported by our healthy launch pipeline and our access to vast land parcels across the MMR region, which are primed to develop.

We look forward to the future with great optimism and anticipate reaching new heights as we continue to shape the real estate landscape in Mumbai. We've already shared quarterly highlights also. I'll just briefly mention the half yearly highlight. Operational highlights for H1 FY24: Area sold stood at 2,62,900; booking values stood at 384 crores, collections stood at 301 crores, average realizations stood at 18,580 per square feet for commercial and 12,666 per square feet for residential.

Consolidated financial performance for the Half Year FY24: Net revenues stood at 339 crores compared to 268 crores in H1 FY23. EBITDA stood at 146 crores as compared to 99 crores in H1 FY23. Profit before tax stood at 80 crores as compared to 30 crores in previous half year. Profit after tax stood at 78 crores compared to 27 crores in H1 FY23. Net debt stood at 851 crores as on 30th September 23.

On the cash flow front, as on 30th September 23, balance collection from sold units completed and ongoing in all launch projects stood at 642 crores. Total pending estimated project cost to be incurred stands at 858 crores and total estimated revenue from unsold inventory is at 1,727 crores. Friends, I wish to convey Happy Diwali to all of you and wish a very prosperous New Year ahead. And now I open the floor for question answers.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have a first question from the line of Shreegopal Agarwal from Aagman Advisory LLP. Please go ahead.

Shreegopal Agarwal: Just two, three questions from my side, wanted to know the kind of sales momentum that you are witnessing in your project of Monte South, Marathon Future X and Nextgen Millennium?

Mayur Shah: Monte South I would like to say first is that it is going very well because what has happened is like Tower A is already topped out up to 64 level and we have already given part occupancy up to 51st floor that is the reason like we have almost near ready, very good inventory coming out in Tower A and that is the reason we are seeing a great velocity in ready to move in.

Secondly, Tower 2 is also at 38th floor now and there also we are seeing good movement on sales. Similarly, we have been looking at the progress of Tower A and Tower B in sales. We have already done the construction foundation of Tower C and Tower C segment is again 15% to 20% lower than the ticket size of Tower A. So, they are not competing with each other.

So, Tower A is a highest-level segment and then 10% to 12% down is Tower B and Tower C is further 10% down. So, we have a mixed inventory from 2.75 crores to 7 crores type of flats available and we are seeing a very good velocity in this type of segment. On average, we are selling around 15 to 18 units per month in such a high value ticket size. This is a very good velocity in Monte South.

Similarly, on Millennium we have also reached our 20th floor near OC out of the 30 floor building and there also we have been selling very well because the commercial buildings are sold very well after the OC is received. At Future X we have already topped out up to 38 floors

and we are seeing a very good traction. The commercial office market has opened up like anything because in Mumbai almost 100% of the employees have come back to the office unlike other cities of the world and we are seeing like absolutely normal environment in the occupancy and that is the reason.

And what has happened is also that there is an increase in the size per employee from 65 to 80. Thus, there is a larger space requirement for office work. So, overall, all these three projects sales have really picked up very well.

Samyag Shah:

Briefly, I just want to add one more point for FutureX. You may be aware that there was a Lower Parel bridge in that locality which was closed down for many years and as of last quarter that bridge has finally been opened and that's a huge infrastructural sort of benefit that the project has received.

In fact in terms of leasing and sale we've seen a good uptake and we are able to gradually take a maybe higher rate also. So, that's one big positive that we have received recently for that specific project.

Shreegopal Agarwal:

And sir what is the minimum IRR that we look at before taking up any new project?

Management:

IRR depends on many factors. So, what we actually target is a profit after tax of 15% on a project level. Now, if the investment is lower, this can translate into an IRR which is much higher. As you can see in our EBITDA numbers, the EBITDA has been between 30% and 40%; some of the projects it has gone down to 25%. So, IRR are variable, there is no fixed IRR targeting. What we are doing is the project level targeting.

Shreegopal Agarwal:

And sir it would be great if you can throw some light on your upcoming projects in detail?

Management:

So, in the presentation we have a slide. So, in the upcoming project in the next few years we'll be coming up with Bhandup mainly Monte South and Nexzone some area mainly in the next one year we are targeting around in Monte South 3,00,000 square feet is what we're targeting. In Bhandup, we're targeting around 1,80,000 and in Nexzone we're targeting around 2 lakhs to 3 lakhs square feet in the coming year.

Management:

Our Slide 17 in the presentation shows the upcoming project - majorly the top five contributing projects totaling to about 31.5 lakh square feet of saleable area and estimated sale value at 4,660 crores.

Shreegopal Agarwal:

And the last thing sir the recent BMC order on pollution, do you think that this will any way impact on the company as such or this will impact the construction field or spend something?

Management:

Well, temporarily they have given us a certain requirement that the periphery wall should be 20 feet or 25 feet with the cladding so that the dust particles don't escape the construction site. Then there is a requirement of water sprinkling on the dust that is thrown up particularly from RMC

plants and other things. So, these are something which is doable. They will add to a marginal increase in the cost, but there is no great issue here.

The major thing comes when you want to transport the debris outside so that needs to be now planned very well and the transportation contractors have now work with some sort of coverage on the debris or trucks and water sprinkling before entering after entering and all that. So, this will work out. These are not major hindrance at all.

Moderator: Thank you. We have our next question from the line of Ajit Mishra, an Individual Investor. Please go ahead.

Ajit Mishra: So I have two questions. So, revenue during the quarter fell sharply to 129 crores, also the collection fell quarter-on-quarter. So, can you please help us understand the technicality behind it?

Management: Well, like Mayur mentioned in the answer to the previous question the sales velocity has been good. So, that adds to new bookings and ultimately over the next few quarters it reflects in the cash flow that is collection, the progress of the work actually gets reflected in the revenue. So, as and when we are following percentage completion method so as and when we complete additional percentage, we recognize the revenue of the sold units in that percentage.

So, these are ongoing numbers and as you see the growth has been very good. So, the growth in terms of execution is high and that is reflected in the revenue, growth in terms of booking is high that reflects in the pre-sales number and growth momentum is maintained because the cash flow that its collections are high.

So, on all front we have been doing very good and most of our projects are also financially closed projects in the sense that even if there was booking, that gets slowed down. There would be a bank finance available to complete the construction. So, the pace of construction is not directly dependent on the booking. However, we have not had to borrow more, and we have been able to sustain from the collection that we collect from our customers.

Management: Quickly, I just wanted to add one more thing real estate due to its nature of business ideally should not be seen quarter-on-quarter while I think we have done much better than the last Q2, there will be one or two quarters where things may not align because sometimes these deals are long gestation timelines and things like that, but overall on an annual basis, I think we should more than or if not cover up and do much better than last year.

Ajit Mishra: Sir, also if you can talk a bit about any price increase that you have taken in any of your projects in this quarter and your growth plans over the next three to five years down the line?

Management: Yes, that that gets reflected. We share a few numbers. One is the average residential sales values and another is average commercial sale value. So, that is reflective of consistently higher number and in the last quarter if you see the commercial values average commercial rate has moved from 18,400.

Management: So actually in our residential and commercial the prices are going up, but if you look at our average rate commercial you might see some dip because in this quarter we saw a lot of sales from our project Marathon Millennium, which is in Mulund. So, the price in Mulund is slightly lower than Lower Parel.

In residential also it all depends on the project that we sell. For instance, if you sell at Bhandup you'll see slightly price increase and if you look at the Panvel, you'll see a slight average price slight decrease.

Now talking about per project, every project on its own prices have increased at least to 5% to 7% over the last one year itself. So, that's the kind of price increase that we're seeing per project.

Management: The price increase also depends on the percentage completed if it is nearing occupation certificate, the price increase is the highest, and if it is nearing foundation the price increases are lower, but overall, there is an uptick between 5% and 10%.

Moderator: Thank you. We have a next question from the line of Monica Arora from Share Giant. Please go ahead.

Monica Arora: I have two, three questions, so can you please provide an update related to the acquisition of 14 acres of land in Bhandup and have we planned anything in terms of launching something on that in the near future?

My second question would be if you can provide details on the redevelopment projects, which are in pipeline for the company.

We have a decent land bank with us. So, the pipeline what you are holding and from launching more projects, can we double and maybe treble sales and increase momentum, what all is there in that front.

And my last question would be how many square feet overall, you are planning to launch in this year like another half remaining of this year and FY25?

Management: As for the 14-acre acquisition, I'll ask Kaivalya to speak on it. We have already launched on project there and rehab buildings are getting constructed.

Kaivalya Shah: Monica, the 14-acre project as we speak this quarter will be coming into the listed entity and you'll be seeing numbers next quarter. That being said, it is a slum rehabilitation project of the 14 acres acre, 1 acre is what we cleaned up and build the slum building and we have actually brought the slum back into the new building, the new SRA building that we've constructed, and for the sale building we have the ground vacant as we speak, and excavation work is going on.

As for the sales, sales are looking really good in this area. Typically, the ticket size is from 40 lakh to 60 lakh and in this range we're seeing a good sales again the sales numbers you will see in the in the next quarter or whenever the revenue recognition happens.

So, that's 14 acres and this is 1 acre of the 14 acres, but we intend to launch year-on-year at least 1 acre year-on-year project. So, that way you can kind of understand how soon we'll be wrapping up the project and that's how you can calculate your cash flow as well.

Management:

And second thing was regarding redevelopment. We are still looking at projects, there is no redevelopment project that we have actually took on hand. It will take at least another two quarters before any news can be out on redevelopment.

As far as the pipeline of projects we have that upcoming project Slide number 17 in our presentation which is immediate upcoming projects and we have also shared a slide where the group land bank is available for future exploitation.

So, if you want to have a look at that immediate upcoming projects, slide 17 tells you that there is a 31.5 lakh square feet of launch saleable area available, and this will be most likely be launching in 12 to 36 months and further 36 to 48 months for completion at the estimated value of this pipeline itself is 4,660 crores.

On top of that, this Bhandup plant will keep on coming and Mayur will share some more highlight on this.

Mayur Shah:

Your last question that in 2024, what is your approximate plan of launching, approximately total 9 lakh square feet across Monte South Neo Park and Next zone 4 lakh square feet. So, approximately around 1,200 crores of out of these 4,600 crores is we are looking at launching in 2024.

Moderator:

Thank you. We have our next question from the line of Sukhin Naphade an Individual Investor. Please go ahead.

Sukhin Naphade:

So, when do you plan to launch the Phase-3 of Monte South as well as the Phase-3 of Nexzone and Neo Park. Also, what are the other projects in the pipeline which you plan to launch in the future?

Management:

Phase-3 consists of Tower 4 and commercial which is yet away because right now we have just launched Tower 3 at foundation stage. So, that will be another 1.5 years to 2 years away. As for other launches Mayur just shared in an answer to the last question, and he'll repeat that.

Mayur Shah:

So, in 2024 we intend to launch additional area of Monte South 3,00,000 square feet, Neo Park Phase-3, we plan to launch 1,80,000, Neo Park see we would like to launch around 60,000 and Nexzone Phase-3 around 4,00,000 square feet altogether close to million square feet in 2024 amounting to 1,200 crores value.

Sukhin Naphade:

So, the second question is what is the approximate value of the unsold ready to move in inventory of your residential and commercial projects?

Management: Yes. If you see the slide in our presentation, we have shared all those numbers. So, as of Q2 FY24 Monte South has around 47,000 square feet that's amounting to around 100 crores. Nexzone has around 61,000 square feet that's amounting to 38 crores and some area of FutureX is unsold.

So, that's the unsold area in residential and commercial. This is FutureX mainly we received OC I think last quarter and hence you might see slightly larger numbers in commercial which are OC, but unsold and also when you look at commercial typically they're sold after OC fair chunk.

Management: Just to add FutureX, I think close to 1.6 lakh sq.ft. is the current unsold and ready. However, as we speak considering some of the leases that we've already done in Q3, so that may not reflect in Q2 close to 55,000 odd square feet is leased. So, roughly a third of what is unsold in FutureX is actually leased which we have an opportunity to do as a pre-lease sales and the balance is very useful.

Management: So, just that clarification that all unsold inventory is not necessarily something that is available for sale because we have already leased one-third of that till end of previous quarter.

Moderator: Thank you. We have our next question from the line of Kavita Gupta an Individual Investor. Please go ahead.

Kavita Gupta: You have said that you are expecting around 5% to 7% price hike in the existing ongoing project. I just wanted to have a little longer view or medium view in this. So, what do you think about over next three years the price hike look like maybe for you and also for the industries if you can give an overview?

Mayur Shah: Kavita, what Kaivalya has said already is that 5% to 7% on an average we have already realized increase in the prices in the last one year. The momentum across the inventory is we are seeing very good whether it is a Neo Homes which are close to 60,00,000 or affordable housing of 80 lakh to 1 crores and we are also seeing similar quicker movement of sales in the range of 2.5 to 7 crores inventory.

Typically what you see the good quality branded projects are rare to find in Mumbai and that is also giving premium to brand who have delivered a good project with the quality construction and we are seeing that if there is a good project, we can see another 7% to 10% increase in the prices are quite likely to achievable in next three years.

Management: As a policy, we are not holding the inventory to increase the prices. So, we would sell at whatever best rate that we can get and even though we have seen 5% to 7% uptake because we are in the making of constructing of the premises and if we sell faster, we will launch another project faster. So, that would be philosophy at the base of sale price. So, it's not just the higher profit margin that we would be looking at, but higher volumes we would be looking.

Kavita Gupta: So, just one last question on your debt, there is some marginal increase during the quarter, but going forward, how you see the debt repayment program or debt repayment structure should be

and where do you see in probably 2 years the debt should be or you believe that because the volumes are also increasing like you said debt would kind of remain at the same level?

Management:

That's how the policy has been because the cost of debt is much lower than the profits that we are generating. So, in that sense, leveraging is helping us. However, after seeing the pandemic situation where the debt was the one that was impacting badly on everybody's balance sheet, we try to keep it under control by keeping a 1.0 debt-to-equity ratio around 1.0 as our target.

Now this gets reduced from two perspective. One debt actually reduces another is equity actually increasing because it's the ratio and as you have seen, the equity has been increasing at least at the rate of 20 crores, 25 crores per quarter and the debt also gets reduced. Over the next two years the debt is likely to reduce.

However, we have already shared earlier that ideally, we would like to keep the debt equity not below 0.6. So, 0.5 is actually a good ratio and between 0.5 and 1 is what is manageable ratio. If you see our debt service coverage ratio that has gone to 2.2 this quarter, which very clearly says that we are able to not only pay the interest, but also the upcoming repayment schedule of next 12 months.

Moderator:

Thank you. We have a next question from the line of Girish Gulati from Quality Capital. Please go ahead.

Girish Gulati:

So, Chetan sir you are a Structural engineer and Mayur sir is a Civil engineer and henceforth I presume that all the cash flows and the balance sheet would be ready in your mind for the next 5 years the kind of work which you are doing and would also acknowledge the kind of remarkable corporate governance which we have been showing over the last few quarters, probably four quarters now and along with the performance of course.

And the entire management team coming up on the call and showing a lot of enthusiasm over the call, which shows their commitment, dedication not only towards the work, but towards the shareholder as well and showing that yes, shareholders, community, minority community is also important for us.

Sir, I mean, doing something big I always think is a spiritual job. So, I would certainly pray that all the divine forces are aligned with you for this wonderful endeavor which you are into and wishing the entire team and near and dear ones as well a very, very Happy Diwali. That's it from my side, no questions, but thank you sir. Thank you so much for everything.

Management:

Thank you Girish. Thank you so much. Your input is always welcome and we appreciate your comments and like you said we have one more engineer also joining us and the next generation all three are also well educated, US educated and they are put in their systems and processes to help carry Marathon name forward. Thank you very much.

Moderator:

Thank you. We'll take our next question from the line of Doctor Amit Vora from the Homeopathic Clinic. Please go ahead.

Amit Vora: Now my question, sir, does realizations have come down from last quarter 22,500 around to 18,500 in this half year for commercial and the residential it has come down from 16,500 odd figures to 12,500. 16,500 for quarterly Q1 and for half year it has come down to 12,500. So, any reason why do you see this realization coming down?

Management: Any other question.

Amit Vora: This is my first question and the second question is I wanted to know the land bank of Bhandup you presented that about 2,250 crores.

Management: So, the first thing is that you have to understand that this realization per square feet that we are sharing is an average realization of commercial. Now that average consists of majorly in commercial two-part one is Mulund, another is Lower Parel. The Lower Parel prices have also increased and the Mulund prices have also increased, but the component of Mulund in the total collection during the quarter sometimes goes up.

So, the average can come down. However, the commercial prices have formed up like we said in the previous answer to the question that commercial prices have also formed up the residential prices have also formed up between 5% to 10%. If you want, we can give that breakup of commercial.

Management: So, again to answer that in last Q1 we sold around 5,600 square feet of Millennium and 25,000 square feet of FutureX. However, in Q2 we sold 38,000 square feet of Millennium and 17,000 square feet of FutureX. So, if you look at the share of Millennium, Millennium has fairly increased and the approximate price of Millennium is around 12,000 to 13,000. Hence, the average rate of commercial dropped dramatically because of Mulund sales, but overall each and every project itself is saying a price rise.

Amit Vora: Similarly for residential also?

Management: We have a Panvel component, Panvel residential Nexzone contributing in a higher ratio as compared to the previous quarter. So, that is why the sale realization average rate drops. Answering your second question, Bhandup land is all within one kilometer of LBS Marg. It is on the West of LBS Marg that is between LBS Marg and the mountain on the West side. So, there is about 2.5 kilometer strip of land where this projects are located.

Amit Vora: Is that close to Asian Paints?

Management: Close meaning within 2 kilometers of that yes Asian Paints.

Management: The area is also called Gadhav Naka that's where this whole 14 acre land parcel is.

Amit Vora: The new 2,250 projects?

- Management:** All these projects are within 2 kilometers of each other, so they are in proximity of Asian Paints or other industrial units that you see on the LBS Marg.
- Management:** So, if you Google map Shivaji to allow it's like one minute walking from there.
- Management:** I actually stay somewhere close by only that's why I have the idea of this area.
- Management:** Close by Gadhav Naka where the project is.
- Amit Vora:** In fact, I am also a resident of Marathon Building only.
- Management:** Very nice. I am glad.
- Amit Vora:** You say it is close by the Gadgav Naka area, the new project.
- Management:** Yes.
- Amit Vora:** One good thing about the realization I hope this quarter the realization hasn't come down for individual projects. As you said the project wise the sales have changed?
- Management:** Yes, you are right. The proportionate area of a lower value may have increased, but overall sales realization has increased, all the other financial numbers are on uptake.
- Amit Vora:** And last question so this joint development model, are you looking only with Marathon Realty only or you are open to other builders or other parties also since we have a single land bank?
- Management:** We are open to that. We have not closed, but currently most of the projects are in this format, but we are open to looking at projects with other land bank owners also.
- Amit Vora:** And any redevelopment projects around Worli or something which works means you are planning something like that?
- Management:** Yes, we have been looking, but the announcement maybe two quarters away because this due diligence and other things take very long time and currently, we are still scouting for the right project. We are definitely looking at Worli, Walkeshwar, Pedder Road that kind of a redevelopment area and there have been 4 proposals 5 proposals already on the drawing board for which we are discussing.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to management for closing comments. Over to you, sir.
- Management:** Thank you very much for participating in this conference call. We are happy to note the value input that you have given. Some of the questions that you have asked also tells us how investors look at the company and that puts us on the toes that we should also be working towards improving some of the other numbers.

We are very happy that the growth of the company has been beyond what we had already envisaged and all the investors who have participated with the company have also put in their valuable investment with us and together we can grow Happy Diwali and a prosperous New Year to you all.

Moderator:

Thank you, sir. On behalf of Marathon Nextgen Realty Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.