Kolte-Patil Developers Limited

Q1 FY22 Conference Call Conference Call
August 12, 2021

Moderator

Ladies and gentlemen, good day and welcome to the Kolte-Patil Developers Q1 FY22 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Shiv Muttoo from CDR India. Thank you and over to you.

Shiv Muttoo:

Thank you Stanford. Good afternoon, everyone and thank you for joining us on the Q1 FY22 Results Conference Call of Kolte-Patil Developers Limited. We have with us today, Mr. Yash Patil - Group CEO, Mr. Vikram Rajput - Head Investor Relations and Corporate Finance and Mr. Pawan Lohiya – Head of Finance.

Before we begin, I would like to state that some statements in today's discussion may be forward looking in nature and may involve certain risks and uncertainties. A detailed statement in this regard is available on the Q1 FY22 results presentation that has been sent to you earlier. I would now like to invite Mr. Yash Patil to begin the proceedings of the call.

Yash Patil:

Good afternoon, everyone. A very warm welcome to everyone present and thank you for joining us today to discuss the operating and financial performance of Kolte-Patil Developers Limited for the first quarter ended 30th June 2021. I look forward to interacting with all of you as we move on the forward path at Kolte-Patil.

I would like to begin by discussing how we are seeing the real estate environment shaping up, the strategy of the Company and broad highlights of the quarter. Vikram will take you through the key financial highlights and we then look forward to taking your questions and suggestions.

As the country and all of mankind continues to face the unprecedented challenge of the COVID-19 pandemic, I hope all of you, along with your family and friends, are doing well and keeping healthy. Our thoughts are with those who have been affected.

At Kolte-Patil, we have prioritized the health and well-being of our employees, along with their families as well as our customers. We have run vaccination drives across our three operating regions of Pune, Mumbai and Bengaluru. We have also ensured that all our office locations and construction sites operate within the safety protocol and look forward to the world returning to normalcy in the near future.

As many of you are aware and there are several reports stating it, the entire real estate ecosystem has changed over the last few years where all stakeholders including developers, channel partners, bankers, suppliers, customers, etc are focused on execution, quality, transparency and governance. The industry is getting consolidated and formalized. First it was due to RERA, then GST, then Demonetization, then NBFC crisis and now due to the pandemic. This is set to benefit branded developers with strong balance sheets who have a history of timely delivery and execution, like Kolte-Patil. This was evident in our strong performance in the second half of last year. And the healthy performance we have reported this quarter.

We have delivered an encouraging performance in the backdrop of challenging business conditions. As you know, the improving operating environment created during the second half of the last financial year was marred during the months of April and May with the sharp escalation of COVID cases as the second wave spread across the country. As the virus spread, stringent lockdowns impacted business operations. The impact on human and commercial activity was felt even more in urban centres, including our core markets of Pune, Mumbai and Bengaluru.

Understandably, there was muted real estate activity in the first two months of Q1. During this period, our focus has remained on business sustenance.

We reported a sales value of Rs. 249 crore during Q1, which was a 51% year-on-year improvement. Our reported sales volume of 0.4 msf was higher by 26% YoY. Our diversification initiatives continue to materialize as sales value contribution of Mumbai and Bengaluru stood at 36%, further driving a 20% YoY appreciation in average realizations. The average realizations have been steadily improving and are at Rs. 6,261 in Q1 FY22. We look to take this momentum forward and will look to consolidate presence in Pune while expanding into Mumbai and Bengaluru markets from the current base. We see progressively encouraging demand dynamics in each of three geographies based on the improvements seen in the month of July and the visibility during the current quarter till date.

During the first quarter, we launched two new re-development projects in Mumbai's western suburbs – Verve in Goregaon West and Vaayu in Dahisar West. The lockdown allowed us for only soft launches of these projects and yet traction in these locations was encouraging with aggregate sales value of over Rs. 30 crore. Both are prominent locations in popular suburban areas and we see continued strong sales visibility at fairly robust APRs. Our confidence is also based on our recent success and strong sales momentum seen since the launch of Evara at Borivali West about six months back. Evara is our first new launch in Mumbai in the last four years, and in this project, we have already sold 96% of the total inventory. Now, as the curbs are eased progressively, and sales and marketing activity increases, we expect a pickup in sales at Verve and Vaayu in the coming quarters.

During Q1, our Mumbai portfolio reported a sales value of over Rs. 64 crore compared to less than Rs. 3 crore in the same quarter last year. In addition to that, Bengaluru sales during Q1 were more than Rs. 24 crore. Altogether, projects outside Pune represented more than 35% of our overall sales in Q1, which is the highest level of non-Pune contribution in any one quarter till date. This also aligns well with our focus on business de-risking that I talked about earlier.

Even within the Pune market, sales contribution is getting to be more broad-based contributions increasing from non Life Republic projects. We see further diversification within the portfolio as planned launches begin to contribute. With these projects on the ground, we expect our market share in Pune to continue to rise in future.

We look forward to greater intensity in business development activity. We are cognizant of the strong cash flow and returns generating business that we have built and remain focused on strong sustainable growth. In July, we also announced the creation of a residential development platform with our partner Planet Smart City, which is a global leader in smart affordable housing. The objective is to develop 15,000 housing units on this platform with the focus primarily being on smart aspirational housing projects in Pune, Mumbai and Bengaluru. The platform will enable us to capture structured outright land purchase transactions on an opportunistic basis while maintaining a healthy balance sheet at Kolte-Patil. We expect to generate substantial earnings in the coming years, with significant contribution to our growth. This development follows the success of Universe, at Sector R10, Life Republic, which was the first co-development between KPDL and Planet Smart City. With this platform, we are also introducing something new to the Indian homebuyer. With a focus on sustainability and technology, we are looking at introducing smart, holistic and socially inclusive community-centric living in India.

As we move into the second quarter, the outlook of the business continues to be positive. We see an increasing recognition among landowners and small developers of the win-win proposition of engaging with large branded developers like Kolte-Patil who can drive stronger sales velocity on the back of a strong brand, customer confidence and execution capabilities, backed by lower cost of capital and superior cash flow generation capabilities. At Kolte-Patil, our focus will be on capital-light, deferred payment, structured transactions including outright purchases, joint ventures, joint development agreements and profit share. We believe that these structures, when combined with growing volumes, will translate into profitable growth, positive cash flows and stronger ROCE's. In combination with the Planet platform, our low debt and strong cash flows provide us enough headroom to pursue our business development plans.

We have recently strengthened our executive team and are gearing up the organization for the scale up in operations. From a strategy, growth and diversification perspective there are no changes in our plans. Our sales ambition of 5 msf remains very much in focus. However, our vision is not just to focus on sales area but grow on all parameters like sales value, collections, EBITDA, PAT, ROE, ROCE. We envision that KPDL will graduate into a leading real estate developer not only in sales and financial parameters, but also from a customer, employee and sustainability perspective in the coming years.

With that I now hand over the proceedings of this call to Vikram to provide a financial overview.

Vikram Rajput: Thank you Yash. Good afternoon everyone. I hope that all of you and your families are keeping safe and well. I will now briefly take you through our financial performance for the quarter ended 30th June 2021.

Based on the CCM reporting, in Q1 we reported revenues of Rs. 197 crore, up 40% on a year-on-year basis. EBITDA for the quarter, stood at Rs. 62.5 crore compared to a loss of Rs. 12.5 crore in Q1 FY21. Our net profit after tax post minority interest expanded to Rs. 29.5 crore compared to a loss of Rs. 27 crore in Q1 FY21.

The workforce impact in second wave was lesser compared to Q1 FY21, and an optimal workforce ensured construction activities continue at a healthy pace. This in combination with new sales translated to Q1 FY22 Collections of Rs. 279 crore, up 167% on a year-on-year basis.

The liquidity in our business operations remains strong, resulting in further reduction of Rs. 29 crore in KPDL's net debt. Our net debt to equity stands at 0.30 as on June 30, 2021. Further, Operating Cash Flow for the quarter stood at Rs. 78 crore.

We expect to report to an improved performance across operational and financial parameters for the remainder of the year and end the year on a strong note.

On that note I conclude my opening remarks and would like to now ask the moderator to open the line for Q&A.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Bajrang Bafna from Sunidhi Securities. Please go ahead.

Bajrang Bafna: Congratulations on a good set of numbers. And congratulations on taking over the role of Group CEO, best wishes on your journey. My first question is pertaining to the new technology that you just talked about, i.e., bringing high tech homes in the affordable category, in India. In that journey, you have partnered with Planet Smart City. What is the differentiation that you are talking about and what is the kind of value proposition that the Company could offer to consumers in the future? When we talk about real estate, frankly we have never heard about the concept of high tech homes and especially in Mumbai it is unheard of.

Yash Patil: Hi, Bajrang, thank you. Talking about our platform that we have created with Planet Smart City, Planet is a global, smart & affordable housing developer. Given the expertise in the prop tech space, we thought of bringing in smart solutions. They have over 150 smart solutions from which we can choose and bring that to the Indian consumer. Thus, we thought of basically bringing a differentiated product to the Indian market, the success of which has been seen at sector R10 in Life Republic, which we call Universe – where, instead of just providing say a clubhouse, we would try to provide an innovation center, wherever there is space for co living, there is a 'Planet' app where one can monitor air quality and there will also be a community manager. This is the kind of differentiation that we want to bring in along with the global know how through this partnership. As KPDL already has the Indian expertise, we hope to bring a product to the Indian consumer, which they have not experienced before.

Bajrang Bafna: Apart from the Planet Smart City, would we be seeing these sort of high-end partnerships going forward for high tech homes because Pune and Bengaluru are anyway known for IT professionals and most of the demand that gets created in these cities is predominantly from these professionals? Can we expect

Yash Patil: Yes, absolutely. As you rightly mentioned, Pune and Bengaluru where we are present, our target groups are mainly IT . Apart from this platform, we are evaluating other partnerships where depending on the project, we would do a technology tie up with them to bring in differentiation in terms of providing smart living solutions in our projects.

Bajrang Bafna: What exactly is changing in real estate, as despite there being lockdowns and the prevailing COVID situation, most of the real estate players are seeing a good amount of traction and are even confident of this going forward? We usually hear that the shift from unorganised to organised is taking place; other than that, what is really changing that is different than what has been seen in the last 10 years?

Yash Patil: What we are seeing on ground is that the consolidation story playing out; the buyer and all the different stakeholders, bankers and such are preferring to tie up with branded developers who have good execution capabilities and can deliver good products on time. Thus, us being one of the branded developers, we have been able to maintain a healthy balance sheet despite the pandemic and at the end of this quarter have reduced our debt by around Rs. 39 crore with the debt position now at ~Rs. 280 crore. The customers, landowners and such are preferring to tie up with branded developers as there have been some developers facing liquidity issues in the sector.

Bajrang Bafna: Since the Company is based out of Pune – the city/hub of IT professionals, the channel checks indicate that salaries of IT professionals over the last 3-4 years, especially those of software engineers or application developers, have gone up tremendously maybe from ~Rs. 30 lakhs to ~Rs. 80 lakhs or Rs. 1 crore for persons with ~3-4 years of experience. Do you see the culmination of demand from these IT professionals, especially in Pune as 3-4 years ago, an affordable house would have been at ~Rs. 30-40 lakhs and now they would be looking at Rs. 80 lakh-Rs. 1 crore kind of house? Are you also seeing the same happening on ground?

Yash Patil: Yes, actually at Life Republic, which is one of our flagship townships, based in Hinjewadi – an IT hub, the walk-ins and inquiries that we are seeing trend towards people preferring bigger homes. We have 600 and 800 square feet i.e., 1 and 2 BHK, respectively; but now at R1 sector where we have 2BHK of 1,000 square feet, we are seeing more traction there. We see that the IT customers have more disposable income and people are preferring to buy bigger homes, which is evident from our project of Life Republic.

Bajrang Bafna: What sort of guidance would like to give us, because, if I remember correctly that Gopal had previously guided for the delivery of more than 5 million square feet by 2024. Are we still sticking with that guidance? What would your guidance be in terms of the forthcoming trajectory over the next 3-4 years?

Yash Patil: Absolutely with the way the industry is growing and with the way the consolidation is playing out. Although, do not want to give any sort of a forward guidance. Our sales ambition of 5 million square feet remains very much in focus. However, like I mentioned before, our vision is not just to focus on the sales area, but is also to grow on all parameters like sales value, collections, EBITDA, PAT and deliveries. We want to be one of the leading real estate players not only in terms of sales and financial parameters, but also from a customer, employee and sustainability perspective in the coming years.

Moderator: Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: Congratulations on the leadership role, Yash. On the business development pipeline – looking at Mumbai, you now have quite a decent presence in ~6-7 projects, some of which are already launched and some in the pipeline. Has the Company done enough in the Mumbai market in terms of redevelopment projects to now be recognised as a formidable player here, where the recommendations from these projects will help to ramp up significantly?

Yash Patil: Thank you, Parikshit. On the redevelopment front, we have been present in the Mumbai market for over seven years now. After delivering two projects successfully and having launched three projects this year, we are looking to build this platform with our redevelopment teams in place. Redevelopment being such a model which is based on trust, societies are also trusting us and in the coming quarters, we would hope to add more projects in the portfolio.

Parikshit Kandpal: Can you highlight the projects that you are looking to take in terms of gross development potential (GDP) values? How much does each society have and is there a target in mind that you want of perhaps Rs. 30/40/50 crore and not below certain numbers you can guide us on that also?

Yash Patil: Of course, there are a lot of inquiries coming our way. The minimum that we have stayed with is a Rs. 50 crore PAT, thus projects with ~Rs. 50 crore of PAT are the ones we would be evaluating going forward.

Parikshit Kandpal: How many of these are you looking to add in this financial year, if you must build a business development pipeline in terms of GDP addition?

Yash Patil: For this year, we have Golden Pebbles of 0.13 million sq. ft., Sukh Niwas of 30,000 sq. ft. and Jeeva Sudha of 0.12 million sq. ft. The other proposals are under discussion and we will make the announcements as and when we sign our deals.

Parikshit Kandpal: No, I was asking for guidance on the number of new projects besides the ones that we already have, in Mumbai on an annual basis. Cumulatively could these projects together be potentially say Rs. 1,000 crore or Rs. 1,500 crore on GDB? How the GDB built up happening now in the Mumbai market?

Vikram Rajput: We already have, two projects which are live, three projects which are going to be launched in the next year. Every year we are looking to have at least two live projects in Mumbai in the next 3-4 years.

Parikshit Kandpal: Every year you will add about two projects which would potentially add about Rs. 100 crore…

Vikram Rajput: This is not necessarily limited to redevelopment, this could also be a JD/JV profit sharing structure. Since we have built good visibility and good brand presence here, we are we are getting inquiries for non-redevelopment deals as well. In the coming quarters, we are hoping to announce some positive news on that.

Parikshit Kandpal: Yash, for a long time, the numbers have been hovering in the range of Rs. 1,200-1,300 crore kind of presales. Have you been replenishing on whatever is the gross with the new market? When could we see the growth momentum coming in? As you said that things are looking up now, so from here on do you see that over the next 2-3 years there could be a sustainable growth coming in from the newer market which could incrementally add to the previous momentum?

Yash Patil: Yes, for this year we are targeting to have our best-ever growth in terms of sales value. You are right, we have been hovering around the Rs. 1,200 crore-mark since the past couple of years, which now as a team, we have taken as a target to beat.

Parikshit Kandpal: On the launches – you have about 7 million sq. ft. of land in this financial year. How much of this can be launched in this year; would the entire 7 million be launched or would there be phase-wise launches over the years?

Yash Patil: Out of the 7.2 million sq. ft. of our launches, Baner which is 1.3 million sq. ft. would come in Q3, Kharadi would also come in Q3 which is around 0.68 million sq. ft., Wagholi Equa is also awaiting EC which we are positive on for Q3 and Life Republic's sector R10 would also come in Q3; the remainder would come in Q4. Apart from this, there are a few projects that will also come in the next year, as they are awaiting certain approvals.

Moderator: Thank you. The next question is from the line of Manoj Dua from Geometric Securities. Please go ahead.

Manoj Dua: Thank you, Yash and thank you, Vikram. Congratulations Yash on joining Kolte-Patil as CEO, though Gopal has also done wonderful work in making the architecture of the Company. It is great to have an owner's mindset to take decisions, which is good for the business in the long-term and can be aggressive when it is needed most. It is very fortunate that a member from the promoter family has joined the management.

On the important aspects like redevelopment and scalability, we have been stuck between 2-3 million sq. ft. since a decade and at this time, your balance sheet is also very good. With what aggression can we see a pipeline with new additions in 1-2 years? There is a vision of 5 million sq. ft. and for that we need ongoing and under approval projects ~24 times that. So, when can we move forward and how many deals can we add in 1-2 years for that?

Yash Patil: Thank you Manoj. In this quarter, from our platform deal with Planet it is evident that we are here to grow and be aggressive on our growth parameters. I do not want to give any forward guidance, but we want to achieve the 5 million sq. ft. mark. There are many deals now that are under evaluation and are under the due diligence stage, so I am hoping that in the coming quarters, we will announce good deals as the team has been strengthened, i.e., our business development team and you would see some good announcements in the coming quarters.

Manoj Dua: You have touched upon changes in organisational structure. Could you please elaborate?

Yash Patil: We now have the top team in place with a CFO and COO and today, our CMO also joins us. So, our top team is in place, the mid level team is already there and now with the new energy and new focus, we are hoping to be one of the leading real estate players in India.

Manoj Dua: Regarding redevelopment – Mumbai has lesser land parcels which can be bought because it is already very crowded. Redevelopment can give the Company a very long runway and you have shown us that it is a high ROCE business and is less capital intensive, but it needs to win that trust of the society. Now with COVID, I believe that everybody wants to live better with better balconies and such. Thus, are you seeing more leads and are you adding more people to the Mumbai redevelopment team? How big can the Company be in this space? Many big players like Oberoi and Lodha are entering the space and we need more formalisation of society redevelopment.

Yash Patil: Having built our expertise in redevelopment, we have shown good deliveries and hence, built a good presence in the redevelopment space. As highlighted before, there are more societies coming towards us with their proposals now as there is more confidence in us within the market. So, we have three live projects going on and will be adding another three projects in the coming quarters. We will always have 2-3 live projects in the redevelopment space and are strengthening our team even more as we are looking out for more like mentioned by Vikram, more projects apart from redevelopment which would also be JV and JD transactions.

Moderator: Thank you. The next question is from the line of Pritesh Sheth from Motilal Oswal. Please go ahead.

Pritesh Sheth: Firstly, congratulations on your appointment as the Group CEO and all the best for your tenure. On the partnership with Planet – how will the structure work out in terms of project development; would we be targeting these partnership in both existing land parcels as well as the new land parcels or would we be purely looking out for new parcels? If they are new land parcels how will you prioritise that as partnership or the non-partnership land parcels?

Yash Patil: The partnership with Planet Smart City is going to be for new developments and new deals outside our portfolio. We are targeting Pune, Mumbai and Bangalore and they would mostly be outright transactions in a structured manner.

Pritesh Sheth: What would be the role of Planet; is it just purely providing technology in terms of development or would they be deploying initial money for the land acquisitions as well?

Yash Patil: So, yes it would be multiple things – they would be deploying the money for the land acquisition and also the technology because as we speak, they already have a team of 3-4 Italians who are currently sitting in Pune, monitoring our project at sector R10. As new deals get added on this platform, they will also expand their team where there would be good knowledge share from our team here and their team from Italy, which has a global knowledge on smart, affordable housing.

Pritesh Sheth: You mentioned that, now the customers are also preferring larger houses versus that in Life Republic, our ticket size in the Planet partnership was largely around Rs. 30-50 lakh, are they adaptable to this flexibility in terms of creating a larger size or they are largely focused on the affordable part as well, like that below Rs. 50 lakh in ticket size?

Yash Patil: No, it is an affordable-aspirational housing platform and they are open. We have launched only three buildings in R10, so they are open for suggestions and to explore bigger homes. So far, we have launched 600-800 sq. ft. homes. They are open to the idea of launching 800-1,000 sq. ft. homes also as that is where the demand is.

Pritesh Sheth: Earlier, the Company had ~10% stake and the rest 90% being theirs, with a ROE hurdle rate. Going forward, how would the partnership terms be and would it be 50:50 or it is on a case-to-case basis?

Vikram Rajput: Hi Pritesh, Vikram here. Sot will be on a deal-to-deal basis, the percentage will differ depending on the size of the deal. Also, we are looking to add around 8-10 projects in this deal. It will depend on the project and on what percentage suits us. But you are right, there will be a hurdle rate and post that hurdle rate it will be 50:50 profit sharing.

Moderator: Thank you. The next question is from the line of Prithvi Raj from Unifi Capital. Please go ahead.

Prithvi Raj: On Planet Smart City, you spoke about eight projects, could you quantify in volumes, what the potential would be from these projects?

Vikram Rajput: Like I said earlier, 8-10 projects; it can be anywhere between 8-12 million sq. ft.

Prithvi Raj: And then if I understand right, so entire land cost will be by the Planet City and Kolte will do only the execution part, is that right?

Vikram Rajput: No. Whatever the percentage of the deal for a project, suppose it is 20:80 or 30:70, that would be the ratio in which both the parties would invest.

Prithvi Raj: On Bengaluru, what exactly is the Company doing there and what is it doing to increase sales in this market?

Yash Patil: In Bengaluru, we now have 4 lakh sq. ft. of unsold inventory. We are looking to add these in the JV/JD structure. We have Raaga 3 there already, on Hennur road, which is planned. So the phase 3 of our Raaga project is of ~0.25 million sq. ft., which we hope to launch in the coming quarters – either in Q3 or Q4, depending on approvals.

Prithvi Raj: Given your focus on Bengaluru and Mumbai, how much can the non-Pune markets be in a couple of years? Is there any number that company is targeting?

Vikram Rajput: It will vary year-on-year but it can be anywhere from 25-35%. This year the number is on the higher side. If we sell more from Pune in the next year, then it can change, but 25-35% is what we see as a trend.

Prithvi Raj: Given the launch pipeline for H2 FY22, what are the sales that the Company is targeting for this year and the next year?

Yash Patil: From the sales value perspective, we are targeting the best-ever sales done in the Company's history.

Prithvi Raj: On the square feet side?

Vikram Rajput: It will be over 2.5 million sq. ft. or much higher also, depending on the launches that come in Q3 and Q4. Our focus is on growing and doing our best. Not only on the sales value but also on collections, revenue and PAT – this will be a very good number**.**

Prithvi Raj: Would it be ~4 million sq. ft. for next year?

Vikram Rajput: As Yash said, we hope to grow every year by at least 20%. I would not like to commit to 4 million sq. ft.or 3.5 or 3 or any other volume mark. However, you will be able to a sequential improvement in our performance and then we would be in a better position to comment on next year in maybe Q3 or Q4. Although, obviously to reach 5 million sq. ft., we would have to start at 3 million sq. ft. which would then improve to 3.5, 4, 4.5 and 5 million sq. ft. Thus, incrementally, every year, the focus is on all parameters and there will be good growth in terms of area and value.

Moderator: Thank you. The next question is from the line of Alpesh Thacker from Antique Stock Broking. Please go ahead.

Alpesh Thacker: How do you look at the pricing environment turning out, as the sales momentum has been strong after both the 'unlocks' that happened?

Yash Patil: On the pricing front – given that there is strong momentum now with the easing of the lockdown and also with cost pressure because of input cost going up, we may consider increasing prices in the upcoming quarters depending on the project. We could increase prices in some projects however in some others, depending on competition, we may choose to maintain/have stable pricing and not increase the price. Although, you would see some increase in prices in the upcoming quarters in some of our projects.

Alpesh Thacker: Just to quantify, what percentage of cost would have increased and what is the kind of price increase that the Company is looking to take?

Yash Patil: So, price increase will be 2-5%.

Pawan Lohiya: On cost basis, around 5% has been the cost escalation because of steel and cement prices going up. So, we propose to pass on 50% of that to the customers.

Alpesh Thacker: On your last slide, we have good aspirations to become top five developers in the country and given the Company's, history of execution and all, it looks so. From the strategy point of view how do we target doing that going forward and what would be our key focus area, will it be focus on affordable side or some other segments?

Yash Patil: Our strategy is very clear – it is to expand within the three micro markets that we are present in and this would be done through JV/JD, profit sharing and some structured outright deals and we would add projects in all segments be it 24K, townships MIG or affordable. We would add all projects in all of these segments and not in any specific segment.

Moderator: Thank you. The next question is from the line of Himanshu Upadhyay from PGIM. Please go ahead.

Himanshu Upadhyay: You mentioned that in Mumbai, you want to look at redevelopment projects, where you can get a Rs. 50 crore PAT, am I right in hearing that?

Vikram Rajput: Yes.

Himanshu Upadhyay: Does this mean that some of the smaller projects that the Company used to do earlier or even has right now, where the sales potential is only 0.03 million sq. ft., would be avoided? Would the Company be doing only those projects where there would be sales of over 1 lakh sq. ft. from here on?

Vikram Rajput: Yes, very much so. Those projects were signed from a visibility perspective, if you see, they are in different regions of Mumbai and are an entry strategy for us, a capital light strategy. Going forward, like Yash mentioned, we are looking at slightly bigger deals compared to those, so at least a minimum PAT of Rs. 50 crore.

Himanshu Upadhyay: How much in terms of value in projects is the Company looking at, can you give the reverse calculation also?

Vikram Rajput: Different areas of Mumbai we will have different rates. For instance, a project in a standalone building with fewer floors could also fetch that amount of money if it is

Khar or Bandra West, whereas for a project in Dahisar, we would need to sell substantially higher to achieve that.

Himanshu Upadhyay: We have completed two projects in Mumbai. There is Jai-Vijay which still has unsold inventory; even if we see three new launches, it seems that the value is good, but the sales area remains small. How is the Company planning to distribute and increase its sales velocity, as higher size and number of projects start coming up. How are you trying to build the brand in Mumbai and what is your sales strategy?

Yash Patil: From the sales strategy point of view – Jai-Vijay is an OC ready project and will see good traction; we are already running a 'freedom' campaign for the project. Evara was launched in January and about 96% of the project is sold out. So, there was good traction there. Verve and Vaayu the sales office is being built and there is construction going on. So, in Q3 with the festivities picking up and positive sentiments in the consumers, a good inventory would be sold.

Himanshu Upadhyay: How would your sales channel or process in Mumbai be, would it be any different than Pune? Are you making special efforts to let us say reach a half a million sq. ft. type of sales in few years in Mumbai?

Yash Patil: No, like I said there are very few players in terms of branded developers who are present in the redevelopment space and that is evident from our launch of Evara where we sold out the project in 3-4 months of launching. The same is what we are seeing now with other projects, the customers are preferring branded developers. So, apart from our sales office, sales experience, AVs, visuals and all that, the customer are preferring branded developers and in Mumbai. Also, the location also sells – these are very good strategic locations i.e., Goregaon and Dahisar West, so they command good demand.

Himanshu Upadhyay: Could you add one point in your presentation and this has been a request since a very long time – what is the value of ongoing and unsold inventory and CAPEX requirement to complete the ongoing and unsold inventory? Some rough estimates to understand the potential cash flows in the future would be helpful.

Also, the Company has done a strategic sale of land, so has it received the cash on the balance sheet?

Pawan Lohiya: Out of Rs. 172 crore of the total deal value, only Rs. 33 crore is pending to be received; the rest has been received.

Himanshu Upadhyay: Has the Company recognised Rs. 81 crore from land monetisation?

Pawan Lohiya: This was phase two. Phase one was already recognised last year. So, out of Rs. 81 crore, only Rs. 33 crore is pending and the balance is received.

Himanshu Upadhyay: In this quarter did we receive any cash?

Pawan Lohiya: Yes, we have received.

Himanshu Upadhyay: Okay, so Rs. 33 crore land monetisation?

Pawan Lohiya: That's right, yes.

Himanshu Upadhyay: On the platform what is it that has been done, would it also be capitalised or is it that the Company will be acquiring land through this platform. What is the model for Mumbai in order to acquire land and grow as there is brand visibility now through redevelopments? If you could also mention the same for Bengaluru?

Yash Patil: Yes, absolutely through the platform, the focus is to acquire outright transactions in a structured manner because, even at Kolte-Patil now with a healthy balance sheet, we can deploy good growth capital. So, now we are searching for business development deals for our aspirational housing platform and it will not necessarily be asset-light, the focus is on structured outright transactions.

Himanshu Upadhyay: Even in Mumbai?

Yash Patil: Yes. Even in Mumbai, in terms of Thane and the outskirts of Thane, Dombivili and Mulund. So there are some strategic locations that we have highlighted even the MMR region, but it would start from Pune, Bangalore and then if there is a good deal in Mumbai, then that also we'll put in the platform.

Himanshu Upadhyay: Can you elaborate on the micro markets that the Company is present in and what is the value; does the land have some price correction or do you think the prices are being maintained there?

Yash Patil: So, the micro markets that we are present in, there is no price correction as such that we are seeing in terms of land value. But of course like I said, there are deals coming at better terms in terms of structuring them or linking them to certain CPs.

Moderator: Thank you. The next question is from the line of Aejas Lakhani from Unifi Capital. Please go ahead.

Aejas Lakhani: On Bengaluru and Mumbai geographies – I would like to understand that when you decide to select a particular project in a specific micro market, the nuances of different micro markets are different. So, how do you approach it? For example, in Mumbai, since you have done projects in Goregaon, Dahisar and Borivali will you then look for more projects around this cluster or are you of the approach that wherever there is a higher profitability per project which you have indicated from a Rs. 50 crore perspective is where you will levitate then?

Yash Patil: Yes, it has to be a project that fits into our financial feasibility where we have good ROCEs between 14-18%, we are evaluating those kinds of projects. The micro markets could be different, but if it is a good deal and if it is pretty much in our financial parameters and our technical and legal due diligence is also a go ahead from those legal and technical teams. We are evaluating these projects more seriously.

Aejas Lakhani: So, the decision to enter a micro market is not based on the demand and supply there, but is driven more by the ROCE that you may have on the project. This is for Bengaluru and Mumbai, right?

Yash Patil: Yes, absolutely, because we believe that Pune and Bengaluru itself is a good market by itself. So, then it just depends on the financials like I mentioned, the financial feasibility and wherever they are matching with our conditions of financial feasibility and the technical and legal due diligence, we are aggressively pursuing those deals to bring them to a closure stage.

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

Yash Patil: Thank you once again for your interest and support. We will continue to stay engaged, please be in touch with our investor relations team for any further details or discussions. Look forward to interacting with you next quarter.

Moderator: Thank you very much sir. Ladies and gentlemen on behalf of Kolte-Patil Developers, that concludes this conference. We thank you all for joining us and you may now disconnect your lines.

- ENDS -

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