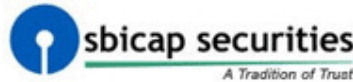
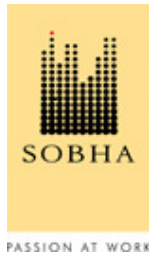




“Sobha Limited  
Q4 FY2019 Earnings Conference Call”

May 20, 2019



**ANALYST:**

**MR. SANDEEP MATHEW – SBI CAP SECURITIES LIMITED**

**MANAGEMENT:**

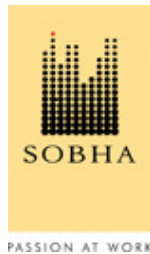
**MR. JAGDISH CHANDRA SHARMA - VICE CHAIRMAN AND MANAGING DIRECTOR – SOBHA DEVELOPERS LIMITED**

**MR. SUBHASH BHATT – CHIEF FINANCIAL OFFICER - SOBHA DEVELOPERS LIMITED**

**MR. VIGNESHWAR BHAT – COMPANY SECRETARY AND COMPLIANCE OFFICER - SOBHA DEVELOPERS LIMITED**

**MR. RAMESH BABU – VICE PRESIDENT, FINANCE – SOBHA DEVELOPERS LIMITED**

**MR. TEJAS SINGH – INVESTOR RELATIONS AND FINANCE – SOBHA DEVELOPERS LIMITED**



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**Moderator:** Ladies and gentlemen, good day and welcome to the Sobha Limited Q4 FY2019 Earnings Conference Call hosted by SBICAP Securities Private 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 this conference is being recorded. I now hand the conference over to Mr. Sandeep Mathew from SBICAP Securities. Thank you and over to you Mr. Mathew!

**Sandeep Mathew:** A very good evening, everyone. We are very happy to have with us today, the management of Sobha Limited, represented by Mr. J.C. Sharma, Vice Chairman and Managing Director; Mr. Subhash Bhat, Chief Financial Officer; Mr. Ramesh Babu, VP Finance; Mr. Vighneshwar Bhat, Company Secretary and Compliance Officer; Mr. Tejas Singh, Investor Relations and Finance.

I now request Mr. J.C. Sharma to give us an overview of the results. Thank you.

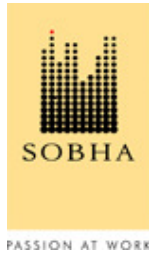
**J.C. Sharma:** Good evening, friends. We are pleased to connect with you today post declaration of our audited financial results for the fourth quarter and financial year 2018-2019 ended March 31, 2019 through this concall hosted by SBICAP Securities. Thank you, Sandeep for hosting the same.

We had already shared the details of our operational updates of the company in the first week of April 2019. We have also uploaded our investor’s presentation on the financial results adopted by the Board, and the same can be downloaded from our website as well.

With the implementation of various structural and regulatory reforms in the last few years in the real estate sector, the sector is expected to do well. And the operational and financial results of various listed players is an indication of the same; however, the liquidity crisis still persists and NBFC/banks are going slow on lending to majority of real estate players and hence the sector is not able to tap its full potential the way it is anticipated. There is a slow, but definite consolidation happening in the real estate sector, and listed players like that of ours and others are definitely expected to benefit from this consolidation.

On the macroeconomic side, the policy initiatives taken by the government, like push for affordable housing, interim budget announcements, GST rate cuts, continuation with PMAY, RBI Repo cut, etc., are pushing the demand in the sector, and we believe that this demand can only keep growing in the coming quarters. We also believe that postelection and new government coming in, the outlook for the real estate sector definitely will become better and better.

Now I hand over to our CFO, Subhash Bhatt to talk about the performance of our company and the outlook in this context.



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**Subhash M. Bhatt:**

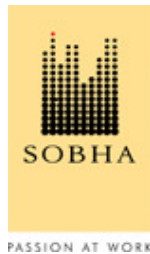
Thanks Sharma Ji. Good evening, friends. For Sobha the financial year 2019 has been its best year, so far. We have achieved the highest ever new sales of Rs.31.25 billion, and with the income coming in at 35.16 billion. The sales volumes of 4.03 million square feet and the total cash flow inflow of Rs.32.36 billion has been the best ever. The contractual and the manufacturing cash flow came in at Rs.10.58 billion, and the EBITDA was clocked at Rs.7.46 billion. The PBT at 4.48 billion and the PAT coming in at 2.96 billion. We also completed this year 5.41 million square feet of sellable area, and we have completed 3,516 units in the residential space, which shows our delivery capability.

As on March 31, 2019, we have delivered overall 103.88 million square feet of developable area, which is one of the highest in the real estate industry. We continue to invest in completing the existing projects on time, launching new projects and also planning for the forthcoming projects. As of March 31, 2019, we have an unsold completed inventory of only 0.27 million square feet, valued at Rs.1.17 billion, which is probably the lowest in the industry, and reflects our strong capability to sell the project before completion. Out of the 0.27 million square feet, 0.12 million square feet is attributed to plotted development projects that we have.

We have achieved sales of 51% on the area, which is released for sale in the ongoing projects. Overall, we have a unsold ongoing inventory in the projects of 17.21 million square feet, which we consider adequate at the current market scenario, and the committed deliverables more visible from the sold units stand at Rs.41.22 billion as of March 31, 2019, which gives good cash inflow visibility over the next 3, 4 years. Additionally, we have cash inflow visibility of Rs.25.88 billion from the contractual and the manufacturing verticals, while the components, while the complements the overall cash visibility for the company.

For FY2019-2020, we expect our operational performance to be better than FY2018-2019. Bengaluru will continue to grow consistently, and will remain our top contributor in the presales value, along with meaningful contributions coming in from other regions. From last 2, 3 years, there has not been much price increase done by the company in ongoing projects, but as we see the supply side being impacted in sectors due to very few launches by good developers and the demand remaining intact, we expect sales, selling prices to start going north in the coming quarters.

Our unique business model of offering quality products to the customer, offers a very strong platform for us to grow faster than the industry. The other significant benefit of this model has been to grow our contracting and the manufacturing business, the performance of this vertical for the year as well as the quarter has been quite satisfactory and in line with our expectation.



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In this backdrop, let me summarize the company's performance for the fourth quarter and the financial year ended March 31, 2019. The financial highlights for Q4 FY2019 are: Total income at Rs.14.22 billion, achieved during the quarter, is the highest ever quarterly income achieved by the company, which is 76% quarter-on-quarter growth. The real estate revenue at Rs.10.17 billion, which is up by 102% quarter-on-quarter, with Sobha City, Sobha Indraprastha, Sobha Dream Acres, and Sobha City Bengaluru with Sobha Heritage and Sobha Silicon Oasis projects being the main revenue contributors. The contracts and the manufacturing revenues came in at Rs.3.81 billion, which is, again, the highest ever in the history of the company, which is 34% quarter-on-quarter growth.

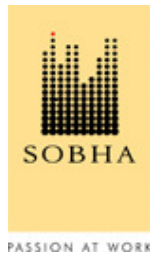
The EBITDA at Rs.2.67 billion is the highest ever in the history of the company, same is also up 49% on a quarter-on-quarter basis and the margins was clocked at 19%. EBITDA margin is slightly down due to the fact that we had to recognize Rs.1 billion as revenue and proportionate cost for reverse discounting of the customer's advances as required by the Ind-AS 115 requirement. We will continue to enjoy same margins on the projects as before.

PBT at Rs.1.76 billion is the highest ever in the history of the company. The same is up 60% quarter-on-quarter basis, and the margin clocked at 12%. The PAT was Rs.1.13 billion, which is, again, the highest ever. And this is 63% quarter-on-quarter growth with the margin coming in at 8%. The debt equity as on March 31, 2019 stood at 1.09 as compared to 1.13 as of end of December 2018. The cost of borrowing today stands at 9.72%.

Coming to the full year highlights, the total income at Rs.35.16 billion is the highest ever yearly income achieved by the company. The real estate revenue came in at Rs.22.65 billion, which is, again, the highest ever, with the contracts and manufacturing revenues coming at Rs.11.77 billion, which is, again, the highest ever. These numbers of 50% year-on-year growth, with the EBITDA coming in at Rs.7.47 billion, which is, again, the highest ever and the margins for the full year stood at 21%. The PBT was clocked at Rs.4.48 billion, again, highest ever, with a margin at 13%, and the PAT at Rs.2.96 million, again, highest ever number for the company with the margin at 8%.

Coming to the cash flow: Cash inflow at Rs.9.23 billion was up 13% quarter-on-quarter for Q4 FY2018-2019, with the real estate contributing Rs.5.77 billion, which was higher by 3% quarter-on-quarter, and the contract and the manufacturing inflow coming at Rs.3.46 billion, which is the highest ever contract and manufacturing verticals cash inflow by this company.

The net operating cash inflow was Rs.244 million, after meeting the financial expenses. This is the 15th consecutive quarter where the company has generated net operating cash flow after meeting financial outflows.



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For the full year highlights on the cash flow. The total cash inflow was at Rs.32.36 billion, which is again the highest ever cash inflow achieved by the company, and saw 8% growth year-on-year, with the real estate contributing Rs.21.78 billion, and again, which was the highest ever real estate cash inflow achieved by the company on a yearly basis. And the growth year-on-year was 4%. The contract and manufacturing vertical also came, clocked the highest ever inflow at 10.58 billion, which was a 16% year-on-year growth. The net operating cash inflow was 1.47 billion, after meeting all the financial expenses.

The operating highlights for FY2018-2019, as communicated in the first week of April 2019, we sold 1.13 million square feet during the fourth quarter, with a total sales value of 9.205 billion, with the Sobha's share in sales value coming in at 7.115 billion. We have achieved average price realization of 8,152 per square feet, and we have witnessed growth of 6% in the total average price realization as compared to the last quarter.

During the quarter, we have entered GIFT City in Gujarat with the launch of Sobha Dream Heritage, an affordable housing project with a saleable area of 0.52 million square feet. And we also launched Sobha Royal Pavilion a super luxury project with a saleable area of 2.23 million square feet in Bengaluru, and Sobha Palacia, a super luxury project in Chennai, with a saleable area of 0.6 million square feet.

In total, during the Q4, we have launched 3.35 million square feet, and the company is planning to launch 4.19 million square feet of new projects in Chennai, Bengaluru, Coimbatore, Thrissur and Pune region during the next 3 to 4 quarters, which would drive our further sales growth in retail.

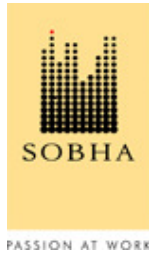
The contracts and the manufacturing segment have delivered a very strong financial performance as well as operating performance and will continue to grow at a steady pace. The contract revenues grew by 84% year-on-year basis and the segment has shown a CAGR of 24% from FY2016. The Sobha Glazing, Sobha Interiors, and Sobha Concrete products have also shown a CAGR of 12%, 16% and 18%, respectively, from the period FY2016. Currently the ongoing contract projects aggregate to 8.59 million square feet, which are under various stages of construction. The order book stood at 25.88 billion, which gives us good visibility in the coming quarters as well.

All these segments are contributing significantly to both the topline and the bottomline.

Thank you, and now we can start the Q&A.

**Moderator:**

Thank you very much. We will now begin the question and answer session. The first question is from the line of Abhishek Bhandari from Macquarie Industries. Please go ahead.



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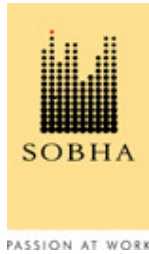
**Abhishek Bhandari:** Sir, I had few questions. Before that, congrats on ending FY2019 on record presales. Sir, my first question is on slide #34, where we have mentioned, we have witnessed a good growth in 1 Crores, 2 Crores product category. Now this seems to be little different from what of the most of your peers are talking about. So if you could help us understand what is driving higher sales in this price bucket between 1 Crores and 2 Crores?

**J.C. Sharma:** Good evening Abhishek and Thank you. See we have always believed and maintained that there is a market for all sorts of projects. If you really look at seven except the Mumbai market, whether it is Gurgaon market, whether it is Bengaluru market, whether it is even Hyderabad market or Chennai market, generally speaking, people do prefer 2 bedroom and above square feet, how do you define, 1000 square feet plus apartments and generally, in our case, it used to be about 1500 to 1600 square feet as an average-sized apartment. Our recent launch, Sobha Royal Pavilion in Sarjapur Road, it helped us in selling under this category, where there seems to be a significant demand, which complemented the other projects the Dream Acres what we have in the same South East axis of Bengaluru.

Going forward also, my belief remains best for Sobha both up to 1 Crores, and up to 2 Crores, both these markets will keep growing at a healthy pace. And the best demand will come from these 2 segments only. You will also see that somewhere in the presentation that 21 to 30-year-old guys, 30 to 40, 40 to 50 and 50 to 60, kind of age profile, so the guys who are in the 21 to 32, generally, they go for 1000 square feet and below sort of an apartment, above that, they will go for a 2-bedroom-plus kind of an apartment. And this kind of a trend is expected to continue. In Gurgaon also, because of the density law, whatever we are selling, it falls under that category that also helps. The new launch in Chennai also will fall under that category. So some of the launches in the last quarter have helped this category to grow little bit faster, but going forward, both these categories are expected to do better, without hurting each other segments.

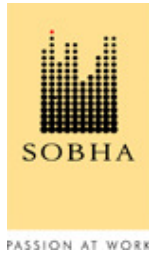
**Abhishek Bhandari:** That is right, Sir. So again, Sir, I was going through your website, I could see some advertisements like in Lake Garden you have 25% payment, each over the next 4 years. In Palm Court, you have 25000 pay now, pay rest when you move in, generally a Banashankari projects. So are these some new schemes that we have launched very recently or these have been there for some time now?

**J.C. Sharma:** Abhishek, these schemes are always been there, okay. And if you see there is always conditions apply below. So in case somebody comes and seeks a discount, we will say, okay, we will give you a better payment term, okay, but not the discount. So these are basically the NAV of these sales comes out at the same level, our discounting policy with the sales team is based on the NAV that we get from the customer for a particular scheme.



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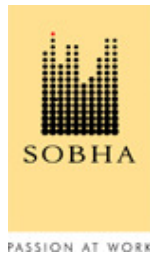
- Abhishek Bhandari:** Right, Sir. And Sir, my last question is on the cash flow generation. So if I look at the cash flows what you are generating from your real estate collections, the growth rate seems to be lagging the presale growth rate even if you look FY2018 or FY2019, the sales growth rate seems to be higher compared to the collection growth rate. So is my reading right or do you think the collections are progressing in the way you have anticipated when you are selling to customers?
- Subhash M. Bhatt:** This is exactly in the way we have anticipated. The reason why this lag is being felt is because, if you see, most of our new launches have happened over last 1.5 year to 2 years, and normally, your collections during the first phase is not as good right now, because you have to wait for these agreements to be signed, you cannot collect more than 10000 from the customer till the agreement is signed, with RERA being in place, this is the natural lag that we had anticipated and budgeted. And it will pick up over next 1.5 years.
- J.C. Sharma:** I will just, complement to that we have delivered or completed highest numbers of units and square footage in the last financial year. Normally we are collecting significant amount of money at the time of structure completion that is what the norms this sector has, so the buildings which got completed and been delivered you spent more but collected less. And where you had launched the projects, the collection will happen the way the RERA coming in at a pace which will be relatively slower.
- Subhash M. Bhatt:** Till the agreement is signed, but once the agreement is signed it is a normal sale. So therefore we are confident this collection pace will improve over next 1.5 years.
- Abhishek Bhandari:** Sir, my last question is on the pending money what we have from Bengaluru Metro, any progress out over there for the land what we have given?
- J.C. Sharma:** No, not yet. That is somewhere got stuck with some legal disputes, not of our land, along with that some 2 to 3 other guys are there, not yet settled, but the adjacent land we are going to develop, some another 5 acres in the Bannerghatta Road as a residential project.
- Abhishek Bhandari:** Thank you Sir and all the best for FY2020.
- Moderator:** Thank you. The next question is from the line of Swagato Ghosh from Franklin Templeton. Please go ahead.
- Swagato Ghosh:** Sir, if I am looking at the launch pipeline slide that you give every quarter, this number, I would expect a company of your size should be like staying at the same level, like if you are launching, some of it goes out, but new projects are added. But that has not happened in the 2, 3 quarters. So is it like conservatism on our part or is there any, like, again, delay in approvals. What is like keeping us from adding more projects to this number, the visible pipeline number?



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- J.C. Sharma:** It is a good point, Swagato. Basically, more than this is there at the drawing stage, but looking at the approval process nowadays, up to the RERA point of view, it takes 3 to 4 quarters to get all the approvals in place. So we have created a pipeline, which is as large or even more than what we have communicated. And going forward, from next quarter onwards, we will be seeing the details of those projects also. Say for example, you are working in Hosur, you are working in Bengaluru, you are working in Chennai, a lot of work is happening, but it is not getting captured.
- Swagato Ghosh:** Fair enough, Sir. And Gurgaon, I just want to understand how you are looking at that market. We do not have, like, in the pipeline 3, 4 quarters any project launches in Gurgaon. But like, I guess, you would be looking at inorganic deals also. So what is your like outlook on that market? If you can think you can like gain large market share, like Godrej has done in the recent past. So I just wanted to know your thoughts on that market?
- J.C. Sharma:** A couple of projects, we have already started working on the design part, 1 in Delhi, 1 in Gurgaon, right? We are talking also on couple of other opportunities, which may take little bit more time. Our belief is that after Bengaluru, the maximum growth has to happen from the NCR market and Gurgaon in particular. Lots of visibility will be there as far as the Gurgaon growth is concerned, because that market has started showing clear improvement, both at the Metro level and from the Dwarka Expressway point of view also. Dwarka Expressway is functional and the linkage to Delhi also is progressing quite satisfactorily. And I get the sense that with the kind of scenario in which most of the other developers are, it is a good opportunity to become aggressive. And we look at Gurgaon, honestly from a big growth driver perspective.
- Swagato Ghosh:** Great, thank you Sir. Thanks a lot, this is very helpful.
- Moderator:** Thank you. The next question is from the line of Abhishek Anand from JM Financial. Please go ahead.
- Abhishek Anand:** Thank you so much and congratulations for a very good quarter. My first question, Sharma Ji will be on the GST status of your projects. Have we shifted to 5% or have you applied for the 12% status?
- J.C. Sharma:** See for all the ongoing projects we are going ahead with 12%, seven except these 2 affordable housing projects where we are opting for 1%. So basically we will move to 1% in GIFT City, because we had only 5 sales happening in March, and this met the requirement of the affordable housing in the earlier regime, so we had an option of moving to 1%, even though the 45 lakh consideration was breached. So we thought this was a good option to pitch with the customers, and customers are saving almost 7% in the GST and they are not losing much. So we took that call and we took the price improvement there and we have moved that project. The other project that we have moved is Green Gardens in Bengaluru, again, based on the same concept, that it is





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all affordable under the old regime, under the GST. And in the new regime, we could move it to 1%. And since we had few customers who had signed the agreements, we could manage that move.

**Abhishek Anand:** Subhash, Sir, do we have clarity on the definition of ongoing projects. Is it, so basically it is 12% applicable for all the phases of Dream Acres or it is only for the phases which have been launched till March 31, 2019?

**J.C. Sharma:** Okay. Let me answer that question. If you look at the FAQ's which came out, there are 2 FAQ's which came out. The project definition ongoing is very, very simple there. You have to launch the project, you have to incur expenditure at the site, even you need to be RERA registered and you have to have at least 1 collection from 1 customer. So in our cases, okay, we are getting that benefit in most of the phases in Dream Acres, Dream Acres that we have launched already, okay. The last few, 4 or 5 phases, 5 lakh square feet or something will go into the 5% regime, but that is later when we launch at 1 and 1.5 years down the line.

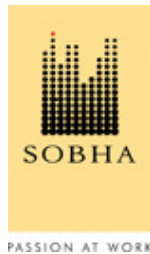
**Abhishek Anand:** Sure, sure, sure. That is helpful. Secondly, just trying to understand the residential margin or the margin of company during the quarter. I guess, it was slightly on the lower side. I think the EBITDA was at 17%, any particular reason for the low-margin during the quarter?

**J.C. Sharma:** Yes, 2 reasons. One is this 100 Crores of reverse interest that we had to compute on the advances taken from the customers and that itself impacted the overall EBITDA for the company margin by 1.4%, had we not taken that 100 Crores, this 100 Crores will be top line as well as the cost. So it does not improve your EBITDA, but it pushes off your top line by 100 Crores. And this came about because AS 115 equivalent of this in the international accounting standard is something which was applicable for most of the companies from January 2019, because here financial starts with January 2019, and that is where the clarification started coming in, and one of the clarifications that came out is for companies, for a industry like ours, which gets money up front over a period of 2.5 years to 3 years, and you deliver at the end of that term and the projects is completed, you are supposed to do reverse discounting and account for the implied interest in this particular collection. So that is how it goes up. And I think in the listed phase, we have taken this position, Godrej has taken this position and Oberoi has taken this position.

**Abhishek Anand:** Okay, Okay. So that was the key, nothing on the margin of...

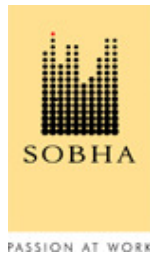
**Subhash M. Bhatt:** It was not on the operating side.

**Abhishek Anand:** Okay, okay, okay. And finally, if you could help us with the status of Hoskote land parcel, at what stage are we at, how close to launch are we for that particular land parcel?



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- J.C. Sharma:** This year, we have nothing to share honestly speaking. This year we will be talking about Hosur, then the Hoskote, and other projects as well, but definitely we are working on that project as well.
- Abhishek Anand:** Sure, sure. And anything on APMC.
- J.C. Sharma:** AMC, the guys were on the election duty. Our APMC directors are attending to the Madhya Pradesh thing much have returned now, we will be taking it up now.
- Abhishek Anand:** Okay, perfect. Thank you so much Sharma ji.
- Moderator:** Thank you. The next question is from the line of Abhinav Sinha from CLSA. Please go ahead.
- Abhinav Sinha:** Hi, Sharma Sir, congratulations on the good sales numbers that we have seen. So just wanted to sort of look at how you are seeing FY2020 growth here. And are you about to hit a 1,000 Crores quarter anytime soon?
- J.C. Sharma:** See we are aiming for that definitely. You understand that the macro headwind still continues, the customer sentiments yet to fully improve as you feel the comfort that, yes, the market had started showing clear improvement from the demand uptick point of few. So these things you have to keep in mind. At the same time, our aggressive stance on new launches, on completions, because we are not carrying the finished stock inventory burden any more, it continues. And we believe that operationally we are okay. And this is the good time where our presence has to be concerned and deepened, keep this background into mind we did 4 million square feet in the last financial year operationally, and for that received one of the most important barometers to understand the financial performance subsequently. We still believe that we should be doing better growth than what we achieved in the last financial year operationally.
- Abhinav Sinha:** Better growth on volume or value first?
- J.C. Sharma:** On volume. Come back to the, what you call, revenue recognition and the profitability parts, at least this year you have got clear visibility that we should be doing, again, better than what we have achieved last year, overall, from a yearly basis point a few. Some quarters due to this Accounting Standard 115, it may not reflect the true picture, but they context it, few projects are getting completed this financial year also, lot of projects which were completed, the hand over is yet to happen, so the revenue growth visibility, the top line, and the bottom line that way is quite clear. On the contracting side also, we have got huge order backlog of 2,500 Crores plus. So on the back of very good performance in the last financial year we should do better. The manufacturing division also continues to do better, the factories are running both shifts, first time, 24/7. So we feel that manufacturing division also should do better. So visibly clear and



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confident that this year also both operationally and financially we are expected to do better than 2019-2020 performance, 2018-2019 performance, sorry.

**Abhinav Sinha:** Okay. So that is good to know. Sir, just follow-ups here, so, one on the sales front, Bengaluru, obviously you are expecting to be a bigger market next year but where else can we look at growth from?

**J.C. Sharma:** From all the markets. If you really look at this year, we are definitely going to do significantly better because of almost negligible base in Pune and GIFT City. We are going to do significantly better in Gurgaon market and Chennai market also. And even the Cochin market, which we have done very well, along with Bengaluru market, close to 10% market share is coming from the Kerala market. Again, we will do better there. So the growth rate of non-Bengaluru market is expected to be better than the Bengaluru market. But at the same time, Bengaluru market we are not ceding our dominant position, which is 2.75, which is 2,100 Crores of new sales. And it is continuing to perform better and better in this market also.

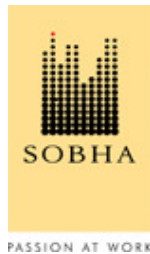
**Abhinav Sinha:** Sir, just on the demand rate, so we have seen some slowdown concerns elsewhere, have you seen any such thing yourselves, April was weaker than previous quarter or anything like that?

**J.C. Sharma:** No, no, no. We believe that this quarter also should be reasonably good quarter. And the strength is, while we do acknowledge and appreciate that the external environment has not improved, that is why this sales price, I keep repeating and telling, but till we do not get to that pricing power this challenge will continue, but at the same time, the new launches are getting diminished, the availability of liquidity still remains a huge challenge to most of the developers. And in that environment, we have got that required pace to capitalize and remain aggressive and positive, both.

**Abhinav Sinha:** Finally, I think Subhash Sir was mentioning earlier, you have seen some instance of price increase, right? So is that there only in Bengaluru or any incidence in any sort of projects that you can tell us?

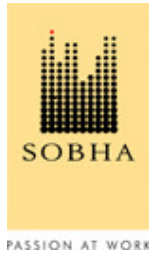
**Subhash M. Bhatt:** So Abhinav, the price increase that I have been mentioning in our discussions with various, in speaking that we hold is basically when we do a new launch. So when we do a new launch, we reprice the price including the new costing on every brand. So in the same project, the phase 1 was launched at X, phase 2 will be launched at X plus Y. So that is the increase that we have been talking about.

**Abhinav Sinha:** And is this something which has come to recently or it was always happening?



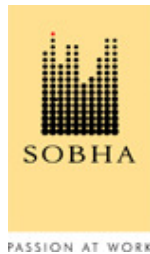
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- Subhash M. Bhatt:** More or less, it has been happening. At the same time somewhere on the discounting front or otherwise also, we have been more accommodative than we used to be before. So net-net, there may be small improvements in the pricing, but still not what you call, that the change had definitely reverse for the better.
- Abhinav Sinha:** Okay Sir, thank you and best of luck.
- Moderator:** Thank you. The next question is from the line of Sameer Baisiwala from Morgan Stanley. Please go ahead.
- Sameer Baisiwala:** Thanks, good evening everyone. Sir, just following from the previous participant on pricing. What is the outlook for fiscal 2020? Do you see the pricing power come back?
- J.C. Sharma:** See Sameer ji, we are already at 8,000-plus, if you look at per square feet. But going forward, I believe that while in the last quarter, 1 Crores to 2 Crores did exceptionally well. In the coming quarters, there will be relatively more consideration even from the affordable segment also. So net-net, we will be around this 8,000 per square feet rate only. I do not foresee significant improvement coming on the pricing front.
- Sameer Baisiwala:** Okay. And how should we think about the balance sheet, especially leverage for fiscal 2020?
- J.C. Sharma:** See, the debt equity, according to the new norms, where we were in the beginning of the financial, we ended almost at the same level.
- Subhash M. Bhatt:** Slightly better.
- J.C. Sharma:** Slightly better, maybe. So in the new norms, what used to be 0.8 for the last 5 years prior to the last year, the same should continue now with and that is new system of about 1.1. We are staging growth also and at the same time, we are keeping the debt and liquidity under control as well. So it has to be that kind of a fine balance where debt may not come down, but debt equity should remain the same.
- Sameer Baisiwala:** So which means absolute debt of 2,400-plus Crores will go up?
- J.C. Sharma:** Yes, Sameer ji. May go up.
- Sameer Baisiwala:** Okay. And when banks evaluate for loans, et cetera, do they look at IGAAP numbers or now they have started looking Ind-As numbers?



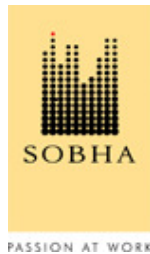
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- Subhash M. Bhatt:** They now look at the Ind-As numbers only. They look at the current Ind AS numbers, but at the same time, the comfort sectors on the banking system is excellent. All the banks currently who are lending almost all of them, they would like to lend us. State Bank of India remains the biggest lender, but name any bank who is currency lending to the developers, they have shown interest in lending to us. And Sameer, most of the time the banks look at the cash flow rather than the accounting part.
- Sameer Baisiwala:** Okay. Which is seen in both the accounting methods?
- Subhash M. Bhatt:** Yes. It does not make any difference.
- J.C. Sharma:** Absolutely right, absolutely right.
- Sameer Baisiwala:** Okay. Sir, just getting on. You talked about Gurgaon being a very important part of the business going forward. So far, you have been sort of localized in Dwarka Expressway belt. So going forward, which are the other micro markets that interest you? Would it be just this location?
- J.C. Sharma:** We are working on a couple of projects. Number one, we have taken from Indian Hume Pipe in Badarpur, Delhi. We are designing this project and approval process in some of them have been put in place. Since we have been new to Delhi and the Delhi approval process is, we have been told quite complicated, taking our own time. Then we have worked into one partnership near Manesar 25 acres of group housing, where we have already paid the advance and moving towards another group housing scheme. That also we hope to see that in next 6 months or so, some kind of clarity to emerge.
- Couple of more land parcels here. We paid some small advances like we are working on them. Hopefully, some visibility will come. So our strength is that looking at, right now with NCR market, there is good scope for Sobha to improve its market share as we move forward.
- Sameer Baisiwala:** And Sir, the Golf Course Extension Road and further down, I mean, those are the areas that, would you be going there?
- J.C. Sharma:** We would be going there. But right now, near Sohna Road, one project we paid some advance. Another one is near the, just before the Manesar. And another one is near the Sector-81. These are the areas we are currently we are looking at as an opportunity.
- Sameer Baisiwala:** Sir, all of these would be JD and JV route?



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- J.C. Sharma:** Somewhere. Yes, yes, yes, but in view of the current GST requirement, the structure what we are operating is bit better than what is normally conventionally getting used to be. Our interest remains forecasted.
- Sameer Baisiwala:** Sir, if you total up all of these partnerships, how many million square feet would it work out to? 3 million, 4 million square feet?
- J.C. Sharma:** Easily, easily.
- Subhash M. Bhatt:** But Sameer, it will take time to launch, therefore, it is not in the future 5 plan. Check the slides now.
- J.C. Sharma:** Next quarter, 1 project at least will be re-projected.
- Subhash M. Bhatt:** Re-projected.
- Sameer Baisiwala:** Okay. Great. And you were thinking of launching new phase 2, phase 3, especially for row house and villas for your...
- J.C. Sharma:** Yes. That also is being finalized at the same place. You are right, you are right. That phase 2 and Phase 3. And for a new phase also, we have tied up, that detail will also come.
- Sameer Baisiwala:** As well as the group housing?
- J.C. Sharma:** As well as the group. You are right. You are right.
- Sameer Baisiwala:** Okay wonderful. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Vinit Manek from Karma Capital. Please go ahead.
- Vinit Manek:** So just continuing with the previous, one of the previous question that we have seen a large increase in the sales between 1 Crores and 2 Crores ticket and as well indicated that we, going forward would see launches in the similar range. So we might not look forward to participate in the dual segments or the affordable kind of segments, which has been growing largely good for the markets?
- J.C. Sharma:** No, no, no. We never said like this. We said that while some of the new projects what we are planning also and what we have recently launched also, they fall under that category. With these



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markets between 1 Crores to 2 Crores still continues to remain positive and robust. And this does not touch the other market that is the point I am trying to highlight.

**Vinit Manek:** Okay. So for us, large part of the sales would be coming out from these categories and...

**J.C. Sharma:** To some degree, it will continue too, without any problem.

**Vinit Manek:** Yes, yes. And one bookkeeping question for us that out of the total 552 Crores of receivables from the ongoing and the completed, can you help me out with the breakup of how much is from the completed sold projects and it is from the ongoing projects, if you can?

**Subhash M. Bhatt:** You are talking from the projected cash flow?

**Vinit Manek:** Yes, yes, yes. On the Slide #23.

**Subhash M. Bhatt:** So your question was, out of the 552 Crores...

**Vinit Manek:** Yes. How much pertains to the totally completed and how much from the ongoing, which we have...

**Subhash M. Bhatt:** That is, the 552 Crores is from the completed projects only.

**Vinit Manek:** Okay, okay. So it is not from the ongoing projects that we are selling right now?

**Subhash M. Bhatt:** Yes. We have completed. And the ongoing is the next column, it is 35.7 Crores.

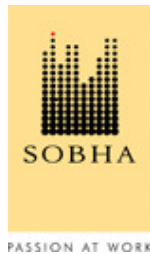
**Vinit Manek:** Okay, okay, okay. So 500 Crores is only from the completed, and how do you foresee these numbers going forward at these levels, or a significant reduction going forward?

**Subhash M. Bhatt:** No, we will have movement from ongoing into completed? Right? So it is a flow. These have been at this level.

**Vinit Manek:** Okay, Sir. Thank you very much.

**Moderator:** Thank you. The next question is from the line of Nimit Gala from Edelweiss. Please go ahead.

**Nimit M. Gala:** Thanks for the opportunity and congratulations on a very good quarter and a year. So in the previous quarter, you already launched around 2.4 million square feet and currently, from the new projects, you have around 4 million square feet of something right now. So the deals you



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mentioned that is only for 2 to 4 quarters, right? Is not it too much or do you expect more clarity on that in the second half?

**J.C. Sharma:** You will see more clarity in the second quarter. These are the ones where we have clear visibility, and we know we will launch it during the next 4 quarters. Rest of it will be in the very stages, where we are not sure that we will get approval before end of March 2020. And we will keep updating that in our quarterly results.

**Nimit M. Gala:** Sure, that is helpful. And do we have any internal sales target for the year, in terms of volume or tariff?

**Subhash M. Bhatt:** If it is internal, it should be in an internal only.

**Nimit M. Gala:** Some ballpark figure would help. So that is it from my end, nothing else. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.

**Prem Khurana:** Good evening Sir. Thanks for taking my question and congratulations on very set of numbers. So on Slide 39, you have given a breakup in terms of buyers profile and if it is sold to IT, people working with IT companies or non-IT. What I observe is that the non-IT number seems to be coming down gradually, I mean, it used to be more than 35% some time back and gradually, it is come down to 27-odd percent. So what would explain them? Essentially is it because, is it a structural change or is it because, I mean, the product that is launched over the 1 or 1.5 years were most we did for IT? And second on the same slide. Are 21 to 30 age group, which used to be more than 20% is down to 14%. So if you could explain these 2, please.

**Subhash M. Bhatt:** So this is an average only for the quarter. Around 50% still IT sector that continues to buy. Last, I think for the last 4, 5 quarters we have seen IT go down slightly. Slightly, not much. But it seems to be back now.

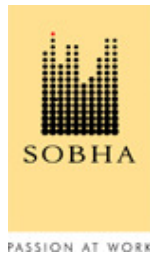
**Prem Khurana:** Okay. No, because non-IT if I were to give you the number, I mean 1Q FY2018 used to be almost 36-odd-percent and that 36% seems to have been...

**Subhash M. Bhatt:** Yes, IT would have been equally lower.

**Prem Khurana:** IT is I think eventually. Yes. But so there has been a shift from non-IT to IT. Is it because we launch projects in areas where I mean it is more IT?

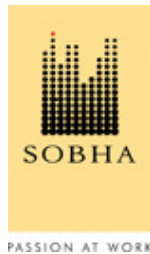
**Subhash M. Bhatt:** Yes, like somewhere.





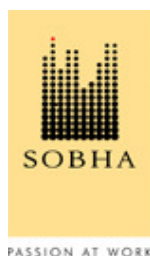
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- Prem Khurana:** Okay. Sure. And of the age group, Sir? Is it a structural change? Because 21 to 30 has come down to 14%, which has been 14%...
- Subhash M. Bhatt:** That is a structural change.
- Prem Khurana:** Okay. So eventually you mean to imply that, I mean, these people are not sure of the growth parameter, which is why they are holding back and 31 to 40 are more established, which is why they are able to buy more from us?
- Subhash M. Bhatt:** No. I think this is more in the affordable segment. That also gets picked up.
- Prem Khurana:** Sure. And one on our Gujarat launch. So I mean, last quarter you could not do much, clearly because it was launched during, towards the end of the quarter or rather at the end of the month. How is it responding subsequent to the quarter? Is it moving as per expectation?
- Subhash M. Bhatt:** Yes. Yes, it is moving as per our expectations. And we are already started working on the next stage. We believe that in the GIFT City, we have got good role to play, as far as residential place is concerned, to complement the kind of growth now GIFT City on the commercial side is experiencing and going through.
- Prem Khurana:** Sure. And Subhash, Sir, just 1 question, the 100-odd Crores that you talked about on the revise discounting that you have done. The idea of adjustment for the full year that you would have taken in this quarter, not for this quarter only?
- Subhash M. Bhatt:** The quarterly impact is only 40 Crores.
- Prem Khurana:** Sure, thank you.
- Moderator:** Thank you. The next question is from the line of Dhaval Somaiya from Phillip Capital. Please go ahead.
- Dhaval Somaiya:** Good evening Sharma Sir and Subhash Sir. A good set of numbers, first. I just wanted to know that the revenue from glazing and material works division has come down in FY2019 from 2018. So any particular reason for that?
- Subhash M. Bhatt:** Yes definitely, it is exactly right. it is a temporary blip. They have got an order book of more than 300 Crores. And this year, among that all the manufacturing units from a top line, frankly, this is one of the fastest growing division. They have got good order book and they are doing well.



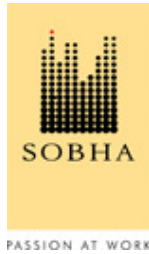
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- Dhaval Somaiya:** Okay. So Subhash Sir, what will be the total order book that we can expect in the next, say, 18 to 20 months?
- Subhash M. Bhatt:** We already have 2,500 Crores plus of the order book as far as the constructing division is concerned. And we would like to maintain and sustain at such levels. We are okay. We did 1,200 Crores. This should grow at a good pace. And small orders from the existing clients keep coming and getting added. The visibility from all the existing clients continues to remain relatively better for their existing projects as well as for the new projects. Sorry you are saying something.
- Dhaval Somaiya:** No Sir that is it from my end. Thank you.
- Moderator:** Thank you. The next question is from the line of Rahul Thakkar from Angel Broking. Please go ahead.
- Rahul Thakkar:** My first question is we do annual sales of close to 4 million square feet. And also, I want to know what proportion of land bank or what proportion of these projects are built on historical land bank and what proportion are built on the newer recently acquired land bank?
- J.C. Sharma:** That, tracking that this quarter will be difficult. But if you want to know how much of the land bank is currently being processed for launch for next...
- Rahul Thakkar:** Can you just give us some highlights?
- Subhash M. Bhatt:** I will give you the visibility going forward, rather than...
- Rahul Thakkar:** Yes, yes, that would be also helpful.
- J.C. Sharma:** Yes. So 49 acres is what is forthcoming launch which will give us a launch of almost 4.2 million square feet. Okay. So that is what is currently being worked on, okay? In addition to that we have worked about, another about 32 acres which is in design stage. Roughly the JD share is coming to about 20%, 30% is come to us, our own banking.
- Rahul Thakkar:** Okay. Okay. And also, if you like to share, how much of our legacy land bank is being used in this project? Because we also have a lot of legacy vintage land bank. Correct?
- J.C. Sharma:** Mostly it is all the legacy land bank only. If you really look at the, in Bengaluru, whatever projects we are launching or we are working on, they are mostly on the legacy land bank.
- Rahul Thakkar:** So these are not the recently acquired land bank. So the churn will be higher going forward because of our legacy land bank will processed? Correct.



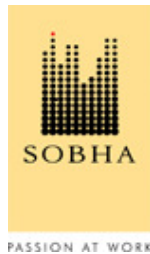
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- J.C. Sharma:** The legacy land banks take their own time to develop, but whereas, the new opportunity then we are going for immediately we start working on the launch. So that is a typical question?
- Rahul Thakkar:** Secondly, I want to know revenue recognition on the joint development projects. So are these recorded on a gross basis inclusive of the share of the joint developer or are these recorded on a net basis?
- Subhash M. Bhatt:** No. No. No. We have submitted on the net basis after AS 115 came into play.
- Rahul Thakkar:** After AS, we are doing it on a net basis?
- Subhash M. Bhatt:** Yes.
- Rahul Thakkar:** Alright, thank you. That is it from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Swagato Ghosh from Franklin Templeton. Please go ahead.
- Swagato Ghosh:** Thanks for taking my follow-up. Sir one very quick clarification. From 3Q to 4Q, the jump in the real estate revenues that was because of which project? Sorry, if I have missed it.
- J.C. Sharma:** No. Primarily, Dream Acres, maximum number of apartments are handed over in case of in Dream Acres followed by Indraprastha, yes. We started delivering Silicon Oasis.
- Subhash M. Bhatt:** Yes. This quarter, we started delivering on Silicon Oasis also.
- Swagato Ghosh:** So that has also contributed. So and Sir, one other question going back to the first question on the call about how the cash flows are lagging the sales. So going by what you said about like we are now heavy on new projects. So can we expect that cash flow rate to catch up in maybe another 1.5, 2 years or will it take longer? Because we will still have...
- Subhash M. Bhatt:** This should catch up. See, earlier projects we had front-ended cash flow collection and then very few launches happening during the last 2.5 years and then you had RERA coming in wherein you cannot connect anything unless you signed the agreement, only up 10% is collect. So that lag should get caught up in the next 1.5 years.
- Swagato Ghosh:** Right. But Sir, what I am asking is, we will still be launching year-on-year projects, where we still will be incurring costs, which will be not supported by cash flows coming in. So on a company level, in 1.5, 2 years, is it a good time to see that on an overall basis the cash flow is kind of coming in ahead of like what you are standing on?



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- Subhash M. Bhatt:** Yes, yes.
- Swagato Ghosh:** Okay.
- J.C. Sharma:** What Subhash is trying to communicate, first of all, that lag effect of these are coming without agreement, not many coming. At the same time, so many projects getting completed, where you have not collected the money. So except maybe just a small 5% or registration money sort of a situation was existing. Now whatever sales are happening and the arguments are being executed, the payment starts happening. And then on structure again, the payment is ahead of the construction cost. So the positive sides will get started. Then where we have to collect the money from the existing customers on completed apartments also, new sales, that money also will start flowing in. So net-net, we will get into that kind of a positive virtual cycle maybe next couple of quarters itself.
- Moderator:** Sure Sir. The next question is from the line of Dhruvesh Sanghvi from Prosperotree. Please go ahead.
- Dhruvesh Sanghvi:** Sir, just a couple of questions. One is on the contracts side, I think last or last, last quarter you have said about some positive surprise coming on the products business as well. Any updates that you like to share on the doors or the mattresses?
- J.C. Sharma:** Thank you for remembering the same. The company recently had registered one brand name called Metercube. We have got 3,000 square feet of retail space, which is out in our corporate office only, just to have a test marketing done among just our employees. We are getting into a 25,000 square feet of commercial space at St. Mark's Road, which will be our first retail flagship store with almost 3,000 items. And we believe that yes, we will start on a very smaller note. But on a confident note, where from B2B to B2C this will be a natural progression. Primarily banking on our design capabilities, primarily banking on our manufacturing capabilities where the interior division and the mattresses division will play a critical role. And hopefully, in the next 5 to 6 years' time, you will see this business also picking up significantly bigger pace in our overall floor.
- Dhruvesh Sanghvi:** Sir, one more question. I think we are at around 1,200 Crores to 1300 Crores of contracts and the order book that you have given of some 2,600 Crores. Are we aggressively trying to get more orders? Or would be very choosy on margins and only then. Because I think margins have increased in this year substantially on that contract solutions business.
- J.C. Sharma:** It is like this, we still do not have a full-fledged marketing department in our contract business. But we will continue to get inquires, and we do respond. My sense is that we should be in a



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position to keep improving this business, at least for the next couple of years that kind of visibility is there.

**Dhruvesh Sanghvi:** Okay, okay. So this should be considered as a base then?

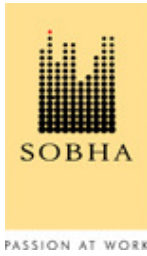
**J.C. Sharma:** Yes. This can be considered as a base easily.

**Dhruvesh Sanghvi:** Sir, in the annual report of last year, we mentioned something like growing 2.5x in 5 years as an ambition. Can you highlight basic assumptions on what are you building these up on? Is it related to market growing or even without?

**J.C. Sharma:** It is a good question, if the market grows, you get the tailwind and it is easier for you to realize your goals, but even if it is not happening as we have been seeing for the last couple of years. We believe still the market size is 2018-2019 or in 2017/2018 what is not as big as it was in 2011/2012, 2012/2013 sort of a scenario. So despite that also, we did the aggressive launches and focusing on the non-Bengaluru market, focusing on this affordable segments, not aggressive on price increase while working on multiple segment plans, all such things that you have talked about, it is working towards achieving best goals and also we believe that looking at the current state of affairs of the real estate developers as well as of the liquidity part and looking at definite bank, the macro environment has definitely become better, with the government policy initiatives, supporting the housing demand. We believe that we are well on course in achieving that objective.

**Dhruvesh Sanghvi:** Sir, last one question. We have around, I mean, 6 years back, we had total 2,600 acres as our land bank. Slowly, slowly it has fallen to 2,400 acres. I understand that we have been more picky and trying to convert a lot of our existing parcels into this. If you can throw some light in terms of how much of this 2,500 Crores debt, which is mostly construction-link today, but the origination of this debt was because of land purchases back 8, 10 years. Is there some kind of a metric that you can share? Okay 1,000 Crores of this amount is actually locked because of our land purchases in the past?

**J.C. Sharma:** See basically speaking, to company had gone public, the primary objective of the company was to buy, to get land parcels as we had articulated or communicated in our prospectus. Primarily, it was funded through equity only. But right now looking at the, where the money is. The money employed is disproportionately higher on the land than what it should be. We are working aggressively on our Chennai parcels, on our Hoskote parcels, on our Hosur parcels, on our Kozhikode parcels to see that some kind of monetization, some kind of development happens. So next few years, definitely, we will be reasonably providing more clarity in unlocking the value of these land parcels. And hopefully, once the headquarter project gets launched, since we look significantly better these are the kind of investments we have made in our land bank.



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**Dhruvesh Sanghvi:** Thank you Sir.

**Moderator:** As there are no further questions, I would now like to hand the conference over to the management for closing comments.

**J.C. Sharma:** So friends, thank you very much for attending this conference. We reiterate and believe that we will continue to keep doing better and better in the years to come. Both our real estate vertical as well as the construction vertical should perform better in this financial year. Operationally, we should sell more, and our cash flows also should become better. And we hope that going forward, the margins should also start reflecting better than what we have achieved so far. Thank you.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of SBICAP Securities that concludes this conference. Thank you for joining us. And you may now disconnect your lines.