LODHA
BUILDING A BETTER LIFE

April 30, 2024

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National Stock Exchange of India Limited
Trading Symbol: LODHA

Dear Sirs,

Sub: Q4FY24 - Earnings Call Transcript

Ref: Intimation under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ('Listing Regulations')

Pursuant to Regulation 30 of the Listing Regulations, we enclose herewith a copy of the transcript of the Company's Q4FY24 Earnings Conference Call held on April 25, 2024. The transcript is also being uploaded on the Company's website i.e. www.lodhagroup.in under the Investor Relations section.

Kindly take the above information on your record.

Thanking you,

Yours faithfully,

For Macrotech Developers Limited

SANJYOT NILESH RANGNEKAR
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"Macrotech Developers Limited's Q4 FY'24 Earnings Conference Call"

April 25, 2024

MANAGEMENT:	**MR. ABHISHEK LODHA – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER, MACROTECH DEVELOPERS LIMITED** **MR. SUSHIL KUMAR MODI – CHIEF FINANCIAL OFFICER, MACROTECH DEVELOPERS LIMITED** **MR. TIKAM JAIN – CHIEF EXECUTIVE OFFICER, PUNE, MACROTECH DEVELOPERS LIMITED** **MR. ANAND KUMAR – HEAD (INVESTOR RELATIONS), MACROTECH DEVELOPERS LIMITED**
MODERATOR:	**MR. BIPLAB DEBBARMA – ANTIQUE STOCK BROKING**

Moderator: Ladies and gentlemen, good day and welcome to Macrotech Developers Q4 FY'24 Results Earning Conference Call hosted by Antique Stock Broking.

As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask question once 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. Biplab Debbarma from Antique Stock Broking Limited. Thank you and over to you, sir.

Biplab Debbarma: Thank you, Ria. Good afternoon, everyone and welcome to the Q4 FY'24 Earnings Call of Macrotech Developers Limited hosted by Antique Stock Broking.

Today, we have with us the management of the Company represented by Mr. Abhishek Lodha – Managing Director and CEO; Mr. Sushil Kumar – CFO; Mr. Tikam Jain – CEO, Pune; and Mr. Anand Kumar – Head, IR.

Without further ado, let me hand over the call to Mr. Lodha. Over to you, sir.

Abhishek Lodha: Good Afternoon everybody. A warm welcome to the call. I hope all of you are doing well.

As we end Fiscal '24 and enter Fiscal '25, this is now the fourth year of the sustained upcycle in Indian housing. As we have said several times in the past, we think that India is in the midst of a once in a life-time of the country transition from low income to mid-income which is aided by housing demand and in turn significantly enhances housing demand also. We believe that with steady wage growth, ongoing increase in economic activity as well as the plentiful availability of mortgages, combined with India's demographics and urbanization trends, the demand for housing will only continue to scale up in the years to come.

Before I get into details about the Company's performance, a little bit of overview about the industry:

Starting with the macro situation:

The Indian economy continues to perform strongly. As per various experts, wage growth for this year is likely to be between 9% and 10%. We are seeing an acceleration in private investment which is starting to happen on account of the various policies of the government, including the PLI Scheme, as well as the continued attractiveness of India for what are known as GCCs or Global Capability Centers.

While India continues to remain a beacon of economic strength in the world, obviously the global situation has been full of various challenges, including geopolitical tensions. This is a risk which is pervasive and in front of our eyes and from time-to-time it is definitely likely to have impact on the overall sentiment as well as the direction of several macroeconomic indicators. However, in spite of these global risks and challenges, global growth has continued to surprise on the upside. The US continues to go from strength-to-strength and that means that overall sentiment in the globe continues to remain positive and we are seeing the US and India emerging as the two strong drivers of global growth.

Now, diving a little bit further into our Company's Performance for Fiscal '24 and our Outlook for Fiscal '25:

Fiscal '24, our focus has always remained on our 4 core KPIs:

- Pre-sales
- Embedded margins of those Pre-sales
- New business added
- Our Brand and ESG scores

We achieved our best ever quarterly and annual pre-sales performance with Q4 sales growing impressively by 40% to about Rs.4,200-plus crores and we closed the year with pre-sales of Rs.14,500 crores, which is about 20% growth from last year.

In terms of pricing, in line with our guidance, we had an overall average price growth of approximately 5.5% for Fiscal '24. This we believe is strongly supportive of affordability because wage growth definitely has been closer to the 9-10% mark and in turn will mean that more and more Indians can continue to buy a high-quality home from top developers like Lodha.

The embedded EBITDA margin for our business was at about 31% and this 31% has been achieved this quarter in spite of the fact that we had a higher contribution of sales with almost over one-third of our sales coming from JDA projects, which tend to be lower in terms of EBITDA margin. We are now close to the steady state mix that we expect in terms of JDA contribution, and with this, since our margin has come in at about 31%, it shows that the underlying margin has actually grown, and we expect that even with the moderate price growth due to our operational efficiency and scaleup, we will keep seeing a modest but steady growth in margins.

Based on the embedded EBITDA of approximately 30% for the full year and 31% for the last quarter, the implied underlying PAT for our business is at about Rs.2,500 crores, about 18% of the pre-sales done during the year, and that puts us in a good position to achieve our ROE objectives of about 20%.

In terms of our business development, we added about 20,000 crores of GDV through new projects, which was higher than our guidance of 17,500 crores. Both on JDAs as well as on outright, we continue to see a steady and strong pipeline of new projects coming in.

As you are aware, we have raised a meaningful amount of capital towards the end of the last fiscal in March and that capital will become growth fuel for us both for improvement of the bottom line as well as for strengthening our growth prospects as we invest that capital over the next six to 12 months.

As you are aware, our net debt now stands at about Rs.3,000 crores, taking into account the impact of this QIP, which is at less than 0.2 times of equity. If we were to exclude the impact of the QIP, our net debt would be at about Rs.6,000 crores, which would also be about 0.4 or less than 0.4x of equity, once again, well within our limit of 0.5x that we have set for ourselves.

The strong management of the balance sheet and the strong performance of the business have enabled us to get a further rating upgrade; we are now rated as "AA- (Stable)" by ICRA. This is the sixth rating upgrade that we have had in the last three years, probably a record for a corporate of our size.

In terms of our average cost of funds:

We are now at about 9.4%, which is down about 10 basis points during the quarter and this was prior to the impact of the QIP and the rating upgrade, and therefore, we expect to further work with our lending partners to further improve our cost of funds.

In terms of our progress on the ESG side:

We, by March '24, achieved carbon neutrality goal on Scope-1 and Scope-2 emissions, which we are very proud of because we believe that for our business to sustain in the long-term, we have to be a wholesome and responsible participant of the entire ecosystem and the environment, as well as society are two very, very important factors that we take into account in terms of how we measure our progress and our achievement.

During this quarter, we also entered into a MoU with IIT Delhi for piloting the use of Greener LC3 Concrete and another MoU with Third-Derivative, a startup incubation arm of the world's leading global thinktank for sustainable urbanization, RMI, and the partnership will look to foster innovation in the built environment. These partnerships exemplify our commitment to innovation and sustainability.

We also announced this quarter the "Women in Construction Network" under our flagship women's empowerment initiative "Unnati". This platform is to give greater opportunity for women in the real estate industry, which we believe, as we said earlier, is going to be a driver of India's economic growth and if we can enable more women to participate in it, it will be good both for women's empowerment as well as for the industry.

In terms of certain highlights during the quarter:

We did our second successful launch in Bengaluru, both in terms of volume as well as in terms of pricing, the launches were far ahead of our underwriting, and we have now sold about 1,200 crores in just two quarters from two operating projects. This showcases the strength of brand Lodha and how well the brand is received and valued even in a market like Bangalore, where historically we have had very little presence.

Guidance for Fiscal ’25:

We are guiding to pre-sales growth of a little over 20% with 17,500 crores as a pre-sales target for Fiscal ‘25. Within this, we expect pricing to contribute 5% to 6%, volume growth in our existing locations to contribute 4% to 5%, and the balance 10%-odd coming from new locations.

During this year, we have planned launches from sites that we have already identified and have GDV about 12,000 crores. And we of course expect this number to grow in the course of the year, just like it did last year. As you may recollect, last year at the same time, we had guided to new launches of 13,000 crores but actually we ended up achieving 18,000 crores, which showcases that in the course of the year, the launch pipeline typically tends to grow in a robust manner.

With Bengaluru now we have moved into the advanced stages of our pilot phase, we have had two successful launches. Over the next few months, we will further assess and ensure that we have all the strengths in place to scale up our business and we believe that is likely to be the case and therefore we will start scaling up our presence in a planned conservative manner in Bangalore beyond these two projects.

I am happy to again highlight the point that our price growth for the last year was at about 5.5%, because I think it is very, very important to note that this price growth has delivered the sales of 14,500 crores and the underlying EBITDA margin of 30%. It’s very important to note that there is no speculative behavior amongst the buyers in the key markets that we are operating because the price growth has remained modest. Equally, land prices have not done anything odd on account of excessive price growth, because once again the modest price growth also ensures that the growth in land prices remains modest. This, we believe are all hallmarks of a long-term cycle. And by maintaining this discipline by us and our fellow developers, we will maximize the sales over the medium-term and also equity value over the medium-term.

We are often asked questions around whether the level of competition is picking up now that you are into fourth year of a long-term cycle. Yes, certainly there are new players who have entered the Mumbai market and we welcome their presence. Our market share in Mumbai is at around 10% and the market share of the top five developers in Mumbai is still in the mid-20s. So, there is a long, long way of consolidation to go. As more high quality players come in, they will certainly benefit the market by taking over some of the lag or slack from the Tier 3 and Tier 2 developers. However, I strongly believe that the brand Lodha, the quality of our locations, the product that we build, the services that we provide, provide a very, very significant attraction for consumers, and therefore, we believe that our journey of growing our market share in our core markets will continue to be aided by the consolidation in the market and the market having good quality players serving a majority of the demand. So, we very much welcome the presence of better quality players in the marketplace.

In terms of construction and construction spend:

We delivered just around 8,000 units last year. This year for Fiscal '25, we are targeting a five-digit number of 10,000 or more units. Our construction spend last year at just about 3,600 crores, was lower than what we had planned for and therefore we are in a meaningful manner ramping up the construction spend that we are doing this year and going above 5,000 crores. As we speak, we have 20,000 or more workforce working across our different sites and with a variety of different interventions. We are seeing that we are able to keep pace with the growing scale of our sales and ensure that we are continuing to focus on delivering our products on or before time.

I would also like to highlight the fact that our growth is very granular. Now, we have almost 40 different projects contributing to our sales, which gives us a lot of predictability and also does not make us dependable or dependent on any one particular location for our sales or our growth.

As we further deepen the supermarket strategy of being present every two to four kilometers in the main city in the cities that we are present in, we continue to gain share in markets where we have historically not had presence. For example, Pune now has grown to sales of about 1,800-plus crores compared to 1,100 crores in Fiscal '23 and just 400 crores at the end of Fiscal '22. Similarly, in the eastern suburbs of Mumbai, we had sales of about 2,000 crores in Fiscal '24 compared to 1,200 crores in Fiscal '23 and virtually zero in Fiscal '22.

The one large location or very prominent in our long-term plans are Palava and Upper Thane, two very large land holdings, located in the Mumbai metropolitan region. Palava is located right at the doorsteps of Navi Mumbai and similarly Upper Thane is located right adjacent to Thane. With a raft of significant infrastructure activities which have been in the works over the last few years, we are now starting to see that these two locations are transitioning from being affordable housings and mid-income housing locations to also now having attraction for a variety of different asset classes including premium housing, retail, MSME offices and so on. One reflection of this is the land pricing at which land is now transacting for industrial purpose. When we did our IPO three years ago, it was at about Rs.2.5 crores an acre and now we did a transaction in last fiscal at over Rs.6 crores an acre. And at this stage we are in advanced stages of a transaction which will be likely to be at over Rs.10 crores an acre. So, that has been the trajectory of just land pricing and that too for industrial use.

As these infrastructure projects complete, you will start seeing that Palava will be just 20-minutes' drive from Airoli, which is the IT hub of the Mumbai region, and from 45 minutes today, and similarly, Upper Thane will become just 10 minutes from the Dombivli West Railway Station and a 15-minute drive into the heart of Thane Viviana Mall.

Over the next few years, we will see further infrastructure upgrades, including the opening of the Navi Mumbai Airport, which will be only 35 to 40 minutes from Palava and eventually in the later part of this decade, the start of the Bullet Train project, which will make a meaningful difference because after BKC, the first stop will be at Palava getting people door-to-door from Palava to BKC in 15 to 20 minutes which would be just fantastic.

And if you look at the pricing at locations which are so much better connected to the two core job hubs, IT in Airoli and financial services in BKC, you can see how Palava is going to transition from being a location for mid-income housing to being a location for premium as well as mid-income housing as well as other ancillary asset classes, such as office, retail and so on.

I am sure that some of you are aware that Jupiter Hospital, the listed hospital Company, is building its largest hospital facility in the country at Palava on land which we have given or sold to them.

So, this is showing the transition that is happening in Palava and I expect over the next five years that the caterpillar will turn into a beautiful butterfly and we expect significant ramp up in sales in Palava and Upper Thane, moving from about 2,200 crores for the year ending March '24 to going all the way up to about 8,000 crores per annum for the year ending March 31.

And as a cumulative consequence of this continued trajectory, we expect that cumulative sales in Palava and Upper Thane over the next three decades would be in the range of about US$175 billion, and our EBITDA margins will also grow as the mix changes towards having a good presence of premium housing.

All in all, we believe that as a Company, our focus on consistent, predictable and profitable growth is a strategy which is going to deliver long-term results. We are lucky to have very long-term visibility through our land bank in various parts, but particularly in Palava and Upper Thane, which makes us the real estate Company with the largest and most productive land bank in the country.

In addition to that, our ability to generate significant operating cash flow; we generated 57 billion of operating cash for Fiscal '24 and are guiding to about 65 billion for Fiscal '25. This operating cash flow combined with our low leverage gives us the ability to scaleup whenever the opportunities present themselves, and at the same time our development platform allows us to scale up in a profitable manner because we have the brand and the execution capability to take advantage of the market demand and get both the pricing and volume benefit. All of this is being done by taking highest cognizance of maintaining very low leverage. We have learnt our lessons from the past and we will continue to make sure that our leverage remains well below the ceiling of 0.5x of net debt-to-equity that we have set for ourselves.

With this, I will now pause and request Mr. Tikam Jain – our CEO for the Pune business, who has admirably grown the Pune business over the last few years to come in and give an overview of that part of our business.

Thank you.

Tikam Jain: Thank you, Abhishek ji, and good afternoon to all. Let me give you some overview about the Pune development.

So, Pune is a very resilient and permanent residential market which has seen significant growth on the back of IT and manufacturing sectors, generating a lot of employment. It is also an education hub with presence of high quality talent, making it an attractive location for corporate to set up or expand their enterprise in the city. All these factors have led to become it to 50,000 crores residential real estate market, which is further expected to grow at the bare minimum 10% to 12% annually. Historically, it has been deeply fragmented market with hundreds of small players by locality. It is only in last few years that branded players have started emerging and their shares are still small but growing. Lodha achieved pre-sales of nearly 1,800 crores in this financial year of '24 in Pune.

We enter any new city in two phases. First phase being the seed phase in which we do fewer number of projects and focus on building our local team, understand the local market, approval processes, and want to build our brand. Once the brand and team are set, we expand rapidly. We have successfully implemented this strategy in Pune. We entered the city in the middle of last decade with our first project, Lodha Belmondo at the outskirt of the city. The project was received very well. It helped us in establishing our brand in Pune and help Pune residents to understand what Lodha stands for. Subsequently, post-COVID, we hit the expansion stage and from 200 crores sales in financial year '21 from one project, today, we have achieved around 1,800 crores from our seven projects.

We have not only created the record of significant scaleup in the city in a short period of time, but also established ourselves as a most premium brand in the city by selling the most expensive apartment in the city. This is really the true reflection of the strength of our brand. Customers are attracted to Lodha in Pune due to the brand and what we have delivered in Pune and Mumbai. The lifestyle upgrade that our homes provide in addition to reliable delivery promise or other reasons customers have trusted us, we hope to continue to deliver on the trust.

Currently we have a project in East, West, South and Central Pune, where we are developing around 90 lakhs sq.ft. including the planned launches. We are looking to add more projects in other parts of the city and have discussion in various stages. We are already in top five in the city from the pre-sales point of view and it clearly shows that we are on track for becoming the #1 developer in Pune in the next four to five years. We aim to double our pre-sales in about two to three years and eventually have 12% to 15% market share by end of the decade.

Our growth strategy is driven by going deep in the market that is present across the city. Just like MMR, in order to grow on sustainable basis, we have adopted our micro market-based supermarket strategy as Abhishek ji has spoken recently. Just like supermarket, in order to get the demand of location, we need to be present in the location or catchment area, thus in each micro market of Pune, we will open our supermarket store equivalent, that is our project in non-competing manner and get our deserved market share in the city.

Pune organization has grown in size and capability over the past few years. Our Pune team has grown from just 80 to 450 people in few years. We have built local capability across all the functions including customer care, business development, design, construction, etc. At one point in time we were adding one new person a day to team. We have been able to hire, train and retain top talent across the board and have emerged as a go-to-organization to work for Pune as well.

With this, I would stop here and hand it over to Abhishek. Thank you.

Abhishek Lodha: Thank you, Tikam ji for your detailed comments.

I would only like to add and complement the Lodha team in Pune on the fact that for the year-ending March '24 we have achieved market share in Pune of about 5%, which is a major milestone in our journey to getting to about 15% market share by the end of the decade and that shows that as Mr. Jain mentioned that our scaleup is now in the rapid mode and we will expect to significantly grow in Pune in the years to come.

Thank you.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Kunal Lakhan from CLSA. Please go ahead.

Kunal Lakhan: My first question is on your Slide #6, which is the guidance for FY'25. Now, when we look at the FY'25 guidance of 0.5x debt-to-equity cap, I am just trying to understand this when we are targeting for next year considering our current liquidity of about 3,000-odd crores from the fundraise and the OCF generation expectation of about 6,500 crores for the next year. Firstly, two parts to my question. Where do we see the debt levels in absolute terms by March '25? And secondly, how much do we plan to spend on business development in FY'25?

Abhishek Lodha: Kunal, hi. The question that you've raised obviously as you know we have an articulated debt ceiling of 0.5 times equity and that is what we stated as our guidance that we will consistently remain below that. It doesn't mean that we will get up to that, it's a ceiling, it is not a target. In terms of where we expect debt to be at the end of the fiscal, obviously, it will be dependent on growth opportunities. But given the cash on hand that we have, plus the operating cash flow of the business, we suspect it will be close to 5,000 crores of net debt at the end of the fiscal, and we expect to invest in the range of about 4,000-odd crores for new business development, plus continue to support the existing projects in terms of business development spend also.

Kunal Lakhan: So, 4,000 crores will include both new as well as supporting the existing?

Abhishek Lodha: No, 3,500 to 4,000 crores will probably be purely new. Incrementally it will be existing, because if you look at the operating cash flow of about 65 billion, after interest and taxes that number will be close to 50 billion. So, that 50 billion plus the increase in debt of let's say 20 billion is 70 billion. So, we are looking at spending about half of that on new projects and the balance to be available for other uses including supporting existing projects.

Kunal Lakhan: So, close to 70 billion will be the total spend on new business developments?

Abhishek Lodha: New business development about 35 to 40 billion.

Kunal Lakhan: Secondly, you said in your comments that the peak mix of JDAs in the pre-sales is now there, almost one-third of our pre-sales, that's like the peak levels. So, would it be safe to assume that going ahead the new acquisitions that you'll be doing, would be more skewed towards owned land versus JDAs?

Abhishek Lodha: I think Kunal, your question probably has the answer also. As we have said, our target mix is 60% owned land and 40% from JDAs. You know that we own a very large amount of owned land. Therefore for to maintain this 60:40 mix is likely that the incremental GDP addition will be perhaps 50% from JDAs and 50% from owned land.

Kunal Lakhan: My last question is on our guidance for FY'25 for pre-sales of 175 billion. How much would you expect from Pune? And since we don't have any Bangalore project, how should we look at Bangalore in FY'25?

Abhishek Lodha: So, between Bangalore and Pune, we would conservatively be aiming to do about 40 billion and we will see if we can further exceed that.

Moderator: Next question is from the line of Praveen Choudhary from Morgan Stanley. Please go ahead.

Praveen Choudhary: I have one or two questions. The first one is about margin. Would you be able to share the margin in Bangalore from the pre-sales of 12 billion? And the reason I am asking this question is to understand in the early stage maybe the margin is lower than the overall Company level. So, just to understand how much business development cost went in and when would we get back to similar margin as we have like 30%, 31%? The second question I had was, you mentioned that there's no speculative activity in most of the markets. So, Mumbai and Pune sounds about right. But some of the data that we saw suggested that Bangalore property prices have gone up by a meaningful number, that's definitely not 5.5% again based on some data that I saw. So, would love to get your sense of 5.5% versus maybe 15% that we are seeing in Bangalore and how are you seeing that affordability in Bangalore?

Abhishek Lodha: Hi and thank you for those questions. In terms of the margin in Bangalore, we were at about 28% for the sales that we have done so far. So, slightly lower than our overall blend at 30%, 31%, but not significantly lower. And we do our underwriting in order to work towards that blend of margin that we target. And therefore obviously sometimes you will have gaps especially in the early stages of any project because the pricing at the early stage is lower and margin goes up as the project progresses. But generally, we try not to have too much deviation from the overall blend. Obviously, owned land and JDA projects have different margin profiles, but we try to maintain consistency across different cities, 200 basis points here or there, but broadly we try to maintain consistency. In terms of the price growth number of 5.5%, the way we measure price growth is for the project ought to have existed in the last year as well as in this year for us to be able to do a price comparison on what the price growth has been. For any project which is launched in this year, that becomes the starting point of the data from a measurement of price growth perspective. So, in terms of your point that whether price growth in Bangalore has been stronger than 5.5%, I am sure it has been. However, I do believe that Bangalore in general has good supply. Demand has been very solid. And at least in the sales that we have done in the first two projects, we have seen that most of the sales have happened to end users. People are buying for themselves. There's nobody buying bulk units to trade later. So, that's really our sense of what happened in the Bangalore market, but obviously we have only two projects in Bangalore. So, our understanding of the Bangalore market is definitely not as robust as some other people.

Praveen Choudhary: Palava land is clearly very valuable as time progresses and you have spent some time in explaining that. I understand the big picture of long-term potential, but in the near-term, if I were to think about how much land you are planning to sell every year, or even contract sales from Palava, let's say, FY'25 or FY'26, would you have some guidance for us?

Abhishek Lodha: In terms of land sales, we are targeting about $50 million, about 400 crores to 500 crores a year of money from land sales, some years will be stronger and some years will be weaker. But that kind of is sort of the level at which we are sort of transacting land and therefore as land values go up, the quantum of land that we will transact or sell will sort of probably become lesser. In terms of our sales expectation from Palava as well as in Upper Thane, the two large land holdings that we have and we measure that data together, we did about 2,200 crores of pre-sales for Fiscal '24. We definitely expect that to grow much faster than the rest of the Company, because the infrastructure-related upgrades are now largely in place. So, we would be looking for at least 30% growth, if not more in this fiscal. I don't have an outlook for Fiscal '26, but I would not be surprised if the growth in Fiscal '26 was also around that kind of a level.

Moderator: Next question is from the line of Pritesh Sheth from Motilal Oswal. Please go ahead.

Pritesh Sheth: First question is on the capital raise that you have done and the deployment of it and that leading to additional growth to the Company. So, you guided for little over 20% kind of growth. When do you think that this capital raise can transpire into 20%-plus kind of growth, not marginally, but a bigger delta in terms of growth? And do you see any upside risk in this guidance that you have given because of the new project addition that you will do throughout the year and that can lead to additional kind of pre-sales?

Abhishek Lodha: You have been following our Company for a few years and I am sure you know that we tend to be modest or conservative in how we look at the outlook, because things can often go in various directions which are unplanned or unknown, and we must rather focus on like we said earlier predictable growth rather than lumpy or choppy growth. In terms of the deployment of the capital, ultimately, the most important thing for us is to make sure that the capital generates ROE and therefore this capital raise is not ROE-dilutive. We expect that the capital will get fully deployed in the course of this current fiscal year and we expect the ROE levels to be back to our target levels of close to 20% by Fiscal '26. There will be some dilution impact in Fiscal '25 because obviously the capital takes some time to get deployed and start contributing to earnings. I think in the early part of the capital deployment cycle which has started now, you will start seeing benefit to profitability. So, we have guided to 31% embedded EBITDA margin for Fiscal '25 compared to 30% for Fiscal '24, which itself is partly coming from the fact that we are able to use this capital to improve our profitability at the EBITDA level and then further improve our profitability by the reduction in finance costs, overall having a good impact on profitability. As the new projects get acquired, it will take about nine to 12 months after acquisition for those projects to start getting to the launch phase and therefore the impact on growth you will see more likely in Fiscal '26, not in Fiscal '25, but as I mentioned earlier, the way we think about it is to put this capital to productive use, which is making sure that our ROEs come back to where we want them to be close to 20%, and at the same time it is within our paradigm of predictable and profitable growth.

Pritesh Sheth: In terms of the kind of deals that we are getting to evaluate, has the characteristic changed with deals largely coming from outright land rather than in JDAs or our strategy with this kind of capital that we have, will tilt more towards outright because that obviously helps us generate better margins and eventually better ROE. So, what would be our focus that way?

Abhishek Lodha: So, as I mentioned in response to an earlier point, we expect going forward our new GDV additions to be about 50% from JDAs and about equivalent amount from outright lands so that our overall mix of 60% of sales coming from outright and 40% from JDAs can be achieved. I do want to point out that the JDAs tend to have lower absolute profitability but quite high ROE and the outright tend to have higher absolute profitability but lower ROE. So, I just wanted to sort of highlight the fact that there is that inherent trade-off in the two models.

Pritesh Sheth: And the kind of deals that we are getting are a mix of both JDA as well as outright?

Abhishek Lodha: Yes, yes, which is the reason why I am saying it's likely to be close to that half-and-half mark, I think one has to appreciate the fact that JDAs and outright are both models which exist in the marketplace and have existed for a long period of time. It's not only a function of some particular post-COVID or post-IL&FS phenomena. JDAs continue to exist, because ultimately land owners have different financial profiles and also given the fact that most developers would like to be prudent in their balance sheet and maintain moderate levels of debt, the larger land pieces often are better monetized through JDA. So, JDA opportunities will continue to remain available in our view.

Pritesh Sheth: And lastly on Palava, do you see FY'25 as an inflection point with the kind of growth you are expecting in the residential segment there or there is more growth which can be captured once everything in terms of infrastructure that we are talking about, let's say developed or this 25%, 30% kind of growth is the number that we are anyways eyeing for?

Abhishek Lodha: So, as we mentioned, we are looking at, at least and I use the word at least 30% growth this fiscal. We hope that we can in Fiscal '26 also maintain that level. I think the next five years are all going to be additive in terms of the growth I would say enablers or drivers. And I think you really see Palava in full bloom, as I mentioned earlier, moving from a caterpillar to a butterfly over the next five-year period and the Airoli tunnel, the airport, the bullet train, the Metro-12 line, the Vasai-Alibaug multimodal corridor, all of this over the next five years is going to be very, very real. So, I think 30% growth is probably just the start of this process, not the peak of this process.

Moderator: Next question is from the line of Abhinav Sinha from Jefferies India. Please go ahead.

Abhinav Sinha: Just to start with Palava itself. So, you started your comments by hinting at some premium products or at least on the housing side. So, when can we expect this launch and what are the price points we are looking at?

Abhishek Lodha: We started doing premium product in Palava. It's about 8%, 10% of the sales mix in Palava and Upper Thane currently where we are doing standalone bungalows and total value including land and construction cost between 4 to 10 crores per unit already and they have done exceedingly well. The first multi-storied or apartment building which is of the premium category is getting launched this quarter. The price points are likely to be close to Rs.10,000 a square feet. As you know, the average price point in Palava right now for the current product mix is more in the Rs.6,000, 6,500 handle. So, it's almost a 50% premium to that level. It will be between Rs.9,000 to Rs.10,000 a square foot to start off and then go up. So, it will average about Rs.10,000 a square foot on saleable area and that launch we expect this quarter.

Abhinav Sinha: Just secondly on Slide #15, where you put out a pipeline for FY'25, just wanted to check if South-Central also has the Alibaug project this year or it's a FY'26 project?

Abhishek Lodha: Yes, we expect South Central to have the Alibaug project for this fiscal.

Abhinav Sinha: And that will be like a weekend destination sort of a project that you're creating?

Abhishek Lodha: I think it is a very, very unique parcel of land and the fact that the Alibaug is seen as the Hamptons or the new equivalent of Hamptons for the Mumbai region. It's at a very, very high level of demand and it's never really had the quality of development that we intend to do over there. So, yes, Alibaug connectivity is very decent right now. You can get there in about 20-30 minutes from South Mumbai from a combination of taking the speedboat and then taking 5-10 minutes to get to the site, it takes about 5-7 minutes by car from the Alibaug jetty to our site. So, it's very, very accessible. You have a new bridge which is getting completed maybe in two or three years' time, which will also make the road connectivity not through South Mumbai but through other parts of Mumbai, very strong. So, while it is clearly predominantly a second home or weekend destination I know a lot of Mumbaikars who are now starting to think about living in Alibaug for not just two nights a week, but more like four, five nights a week and it really is dependent on whether the rest of the infrastructure is in place, healthcare and so on. And we expect that this development of ours will fill in several of those infra gaps. So, we don't only see it as a second home destination.

Moderator: Next question is from the line of Siddharth Bhattacharya from Authum Investment & Infrastructure Limited. Please go ahead.

S Bhattacharya: For the last six or seven quarters, we are seeing that the value share of ultra-luxury units and luxury units have gone up significantly in the overall mix. How do we see that as a trend and how does it affect, if you could give some perspective?

Abhishek Lodha: Yes, I think you're correct in saying that luxury sales have been quite strong over the last few quarters. I would also add to that that affordable housing has been hit by the increase in interest rates and we hope that the government's announcement in the budget to bring in a scheme to help first-time home buyers will come in after the election and will help the first-time home buyers and affordable home buyers to get on to the housing ladder. Having said that, I think luxury housing is really a reflection of India's aspiration and India's wealth creation. And therefore, as long as India's job cycle and investment cycle continues to scale up, luxury housing will also do well. Luxury is something that people use very loosely, but the real luxury which is doing well is truly, truly absolute grade A+ location, grade A+ product and grade A+ developer bringing in complete grade-A lifestyle. So, I think one has to be careful while reading into what people call luxury, because everybody likes to call a lot of things luxury.

S Bhattacharya: Secondly, with the new airport sort of coming up, do you think that the development in the Konkan side will be much faster compared to other areas of the suburbs?

Abhishek Lodha: See, the Konkan area is not a suburb of Mumbai. It's very, very large and significant sort of part of the state of Maharashtra and has many strengths. It also needs a lot of investment and a lot of infrastructure. I don't see the airport or for that matter, the MTHL immediately changes much, because it takes a lot to make a place attractive to live and you need connectivity, which is starting to come in, you need airports, which is again it will be operational soon, you need social infrastructure, high quality education, high quality healthcare, good retail. In a place like Palava, it's taken a decade to put all of that together. So, we do expect that, yes, there will be development in the area, but it is not going to I would say fundamentally change the dynamics of how the Mumbai region or the larger Mumbai region is operating.

Moderator: Next question is from the line of Mohit Agrawal from IIFL. Please go ahead.

Mohit Agrawal: First question is how are you looking at deployment of capital towards annuity assets, specifically commercial office space? And within that, how are you seeing office demand shaping up at Palava now that you have a large residential base there?

Abhishek Lodha: So, we as a business are not focused on office development. Our focus is largely around housing. We do some strata office development, and our annuity strategy revolves around three pegs; one is our facilities management business along with this digital layer; second is our warehousing and industrial parks business; and the third is very selective office, specifically, we will do it in some places which have other strategic reasons like Palava and our retail portfolio which is one mall and several other high street retail locations. So, Palava, we expect office demand to pick up. We now have HDFC Bank Training Center completing. Soon, we have a pharma Company, Encube setting up its own R&D center. We have one office building which is now going to be ready this year and we are going to start leasing it out. We already have presence of the back offices from various banks including Axis and HDFC bank. So, yes, we have a variety of different mixes on the commercial office side and we do expect that over the next two, three years, and the bullet train connectivity to BKC becomes more real, this could become a preferred location for financial services back office in addition to any other classes which are more driven by the existing talent or the fact that this is a great location for people to live and work close to each other.

Mohit Agrawal: Secondly, how has been the progress on the Green Digital Infra JV? Any news in terms of acquiring land parcels there?

Abhishek Lodha: So, the progress on the warehousing industrial platform with Bain and Ivanhoe Cambridge, we have two assets which are under development currently. One of those assets is actually about to become operational. Construction is almost complete. We are still in the process of acquiring land. The ramp up has been slower than what we would have liked it to be. We expect some land parcels to close this quarter and then we will take it from there. But right now, we are only at two locations in that platform. We of course have a Morgan Stanley Park, which is a separate one.

Mohit Agrawal: Two locations. One would be Palava and the other would be?

Abhishek Lodha: Second is in Kurla.

Moderator: Ladies and gentlemen, that was the last question of the day. I now hand the conference over to Mr. Anand Kumar, Head, Investor Relations of Macrotech Developers for closing comments. Over to you, sir.

Anand Kumar: Thank you, everyone for joining the call. Please feel free to connect in case you have any additional queries.

Moderator: On behalf of Antique stockbroking, that concludes this conference. Thank you for joining us and you may now disconnect your lines.