Indiabulls Real Estate Limited

"IBREL"

Q4 FY2022 Earnings Conference Call

May 27, 2022

Management: **Mr. Sachin Shah – President**

Mr. Anil Mittal – Chief Financial Officer

Mr. Sachin Shah – President

Thank you, operator. Good evening and thank you all for joining us on the call today to review our Q4 & Fiscal Year Ended 2022 results.

Let me start by introducing myself – My name is Sachin Shah and I recently joined IBREL as the Company President. Prior to joining IBREL, I was serving as the Chief Investment Officer of Embassy REIT. I would also like to welcome Mr. K. G. Krishnamurthy, our recently appointed Non-Executive Chairman of the Board.

A short while back, IBREL released its results for the quarter and fiscal year ended March 31, 2022. We have placed our quarterly financial statements and earnings presentation discussing our performance in the Investors section of our website at www.indiabullsrealestate.com

Joining me today on the call today is Mr. Anil Mittal, who has been the Chief Financial Officer of the Company since 2014. I will start off with the business overview, followed by brief on the financial performance of the company by Anil. We will then open the floor to questions.

Business and operating highlights for Q4 & FY2022 include:

- We ended the quarter with new bookings of 0.5 million square feet with pre-sales of ₹326 Cr, which is a growth of 34% by area and 77% by value quarter-on-quarter. For the full year, our bookings stood at 1.7 million square feet with pre-sales of ₹1,383 Cr. Mumbai continues to be the dominant market for us contributing 60% by area and 84% by value
- We achieved collections of ₹333 Cr in Q4 as against ₹292 Cr in the last quarter, a 14% increase quarter-on-quarter. For the full year, our collections stood at ₹1,281 Cr
- During the quarter, our construction spends stood at ₹134 Cr as against ₹111 Cr in the last quarter, a 22% increase quarter-on-quarter. For the full year, our construction spend is at ₹435 Cr versus ₹322 Cr in FY2021, a 35% increase year-on-year
- Construction spend to collection stands at 40% in Q4 versus 38% in Q3; It is 34% for the full year ended March 31, 2022
- For the full year ended March 31, 2022, we delivered about 1.0 million square feet of area across 3 projects versus 0.4 million square feet in FY2021
- Net surplus from OC / near completed inventory and ongoing projects stood at ₹7,161 Cr, with an estimated inventory value of ₹9,287 Cr & pending costs of ₹4,946 Cr. Overall estimated net surplus (including planned projects) stood at ₹8,708 Cr
- Sold receivables stands at ₹2,820 Cr as of March 31, 2022, of which receivables provides ~2.5x cover for pending cost to be incurred on OC / near completed projects

Moving on, we are pleased to share that we have received OC for one of our key projects – Sky Forest, which shall unlock a net surplus of ₹1,032 Cr with balance cost to complete of ₹234 Cr & unsold inventory of ~0.3 million square feet worth ₹437 Cr. This is an important milestone for the Company as it unlocks near term liquidity.

With respect to an update on the merger with Embassy Group and other business updates.

The most recent development on the scheme of merger is that the NCLT Bengaluru bench has approved the scheme on April 22, 2022, subject to approval by NCLT, Chandigarh bench. You will recollect that IBREL shareholders approved the scheme on February 12, 2022, and the company is awaiting the final hearing before the NCLT Chandigarh bench. Further, following developments have also taken place:

- The Board of Directors are in receipt of a request from the founder & existing promoter Mr. Sameer Gehlaut to reclassify himself as a promoter. Shareholders of the Company approved the reclassification request on February 12, 2022 & accordingly the Company has filed an application with SEBI
- IBREL has currently shifted its offices in Mumbai & Gurgaon to Wework locations as it looks to enhance flexibility & independence from the rest of the Group
- Also, as part of merger process, companies have initiated discussions on integration with respect to projects & operations, Accounting & HR policies, System & IT processes

We expect the merger to be fully complete between July – August this year.

Our focus as we move forward is threefold: (i) complete our OC/near completed assets, which would help release a large amount of near term and visible cash flows, (ii) spend time and attention on the planning and design of our upcoming launches (Blu Annexe, Sector 104, Thane phase II), which has gross development value in excess of a few thousand Cr, and (iii) ensure a smooth integration with the Embassy Group as the merger comes to a completion. Strengthening our balance sheet will remain a top priority as we look to accelerate growth over the next 12 months.

In this context, I would like to inform that the Company has recently concluded a fundraise of ₹8.65 billion (US$114 million) through a Qualified Institutional placement. The placement witnessed nearly ~50% of the demand from new investors and 70%+ of the book was allocated to long only investors. We appreciate the ongoing confidence and support of the investment community, in what has been an unprecedented institutional placement midway through a merger, amid ongoing geo-political headwinds and turbulent markets. This capital will play a significant role in meeting short term cash needs and supporting overall growth by completing projects which provide the most cash flow visibility.

These funds were primarily used towards retirement of certain existing debt, customer refund liabilities, and construction of our ongoing projects.

Lastly, during the quarter, the Company had entered into a term sheet for Disposal of Land Parcel at Sector 106, Gurgaon. Subsequently on April 8, 2022, the Company entered into share purchase agreement relating to the above disposal and has received an amount of Rs. 80 Cr as an advance. The total consideration for above disposal is ₹580 Cr.

The fresh capital raise, cash sales from the above land sale and past project sales, and from the delivery and completion of projects such as Sky Forest, will be sufficient at this time to enable the company to achieve its growth ambitions. We have a clear plan on execution and finishing projects, which these funds will help deliver.

Let me now handover to Anil Mittal, our CFO, to expand on some of the financial highlights for the quarter & full year ended March 31, 2022

Mr. Anil Mittal – Chief Financial Officer

Thank you, Sachin. Good evening, everybody.

Financial highlights for Q4 FY2022 include:

- Consolidated revenue for Q4 FY2022 stood at ₹273 Cr versus ₹356 Cr in Q3 FY2022
- Adjusted EBITDA for Q4 FY2022 stood at ₹58 Cr versus ₹19 Cr in Q3 FY2022, a 202% increase quarter-on-quarter. Margins stood at 21% for Q4 versus 32% same quarter last year
- The interest and finance charges for Q4 FY2022 stood at ₹24 Cr versus ₹34 Cr last year, a 28% decrease year-on-year

Financial highlights for the full year ended March 31, 2022, include:

- Consolidated revenue for FY2022 stood at ₹1,541 Cr versus ₹1,662 Cr in FY2021
- Adjusted EBITDA for FY2022 stood at ₹276 Cr versus ₹476 Cr last year
- The interest and finance charges for FY2022 stood at ₹110 Cr versus ₹228 Cr last year, a 52% decrease year-on-year

Moving to other financial updates:

- Our gross debt is at ₹1,310 Cr and adjusted for the liquidity available, our net debt stands at ₹1,005 Cr
- Overall, our group liquidity remains strong and is in excess of ₹305 Cr
- Our average cost of borrowing is 10.7% with debt-equity ratio of 0.4x

As I conclude my remarks, I would like to re-iterate that our company has a strong balance sheet and sufficient liquidity to meet operation and expansion plans and we continue to be favourably positioned to capitalize on growth opportunities. Thank you.

Over to Sachin for his concluding remarks.

Mr. Sachin Shah – President

Thank you, Anil.

So, to summarize:

We continue to take multiple positive steps – be it with the ongoing merger, reduction in debt, or with the operations of our business. We have a good pipeline of projects and land banks, our key raw material, that we look to churn quicker as we move forward.

It has been a challenging transitionary phase for the Company, with the merger taking longer than expected due to covid and other factors. I would like to reassure our employees that I feel optimistic of our future and that both Gurgaon and Mumbai shall play an important part in the growth of the Company as we move forward to be part of a larger platform. To our stakeholders, I assure you that senior management is focused to ensure a smooth and quick transition, so our attention moves to execution and new launches, as we look to be a leading real estate developer of residential and office assets in India.

I will now hand over back to the moderator for the Q&A session.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Manish Agarwal from JM Financial. Please go ahead.

Manish Agarwal: Sachin, if you could please update us why the merger timelines have been delayed, if you could just explain it. Earlier we were expecting more of a June kind of a timeline.

Sachin Shah: Manish, as you know the merger process is driven as an NCLT process and given what India experienced again in January-February, the Courts have been slightly slower than expected. Having said that as I was saying, Bengaluru has finished the NCLT process, Chandigarh has finished the second hearing and that order is also in hand. We are just waiting now for what is the report from the ROC and the RD and the tax departments before the final hearing does take place. Post that the merger is completed. So, I would definitely say that we are now weeks away from a merger being completed as opposed to months.

Manish Agarwal: Thank you. That is clear. Secondly, if you could just explain how the debt profile would look, what would be the key figures, if you could take about the Sky Forests and Lake Terraces as a whole?

Sachin Shah: So, are you saying how the debt profile would change post-merger or pre-merger?

Manish Agarwal: Post-merger and then one year forth going forward?

Sachin Shah: Sure. Post-merger, we believe the combined company would have roughly Rs. 6,500 odd crores of debt. While the company would have Rs. 6,500 crores of debt, it would also have roughly finished inventory of almost Rs. 5,500 odd crores. So, our OC and near completed projects, both from the Indiabulls and the Embassy side, the value of that is roughly Rs. 5,500 crores in terms of net surplus. So, the idea is that even though day one, you are starting with a debt number that is slightly higher, over probably the next 12 to 24 months we expect that debt to reduce by more than half, just based on kind of the finished inventory that we have. That is 2.4 million square feet from the Indiabulls side and roughly 3 million odd square feet from the Embassy side.

Manish Agarwal: Sure. And in terms of sales velocity, where do we see going forward for next year FY23, both the entities combined?

Sachin Shah: So, I think once the merger is over and we are kind of in a steady state, what we are expecting to look to achieve is roughly Rs. 2,500 to Rs. 3,000 odd crores of sales per year. That is our target. That is what management would like to see. A lot of that is coming from our finished inventory. So again, it is not something that where we have to develop the asset. It will be a finished asset. So, I think that's really kind of the target that we are looking to kind of achieve once it is a combined entity.

Manish Agarwal: And does this Rs. 2,500-3,000 crores sales include launch of Indiabulls BLU and Juhu also?

Sachin Shah: No. What I have kind of spoken about over here is mainly our near completed OC assets. Anything that we launch, and those are projects that the company is looking to launch early in calendar year 2023, that will be in excess of those numbers.

Manish Agarwal: And we have two transactions particularly, one is Gurgaon land parcel where we have received Rs. 80 crores and Rs. 500 crores are due. So, what is the status on that? When should that money come in? And lastly, the erstwhile Indiabulls promoter is also expected to repay the company, so when is that expected?

Sachin Shah: Let me take that first one, the proceeds for 106 are expected possibly in the next kind of two to three months. The definitive agreement has been signed. The company is still in possession of the land as well as no registration has been done. But there were certain CPs that needed to be met. We are completing those CPs, getting the approvals, and there will also be a final kind of a press release ad that will go out in the papers, which is a 30-day process. So, I am expecting probably let us hope in the next 90 days, we can complete the process for 106. As respect to the London receivables, I mean, let me just kind of maybe walk you through that a little bit in detail. The original purchase price was in excess of Rs. 2,000 odd crores. Over the course of the last two years while the COVID was kind of rampant, Sameer has paid down almost two thirds of it. Roughly £60 million odd is remaining that needs to come into the company. Management met with Sameer, and he explained that the delays have been due to COVID. He is expected to finish his project in the next few months and has assured the company that those funds would come in before December 31st 2022. So, there is a binding kind of share purchase agreement with the promoter. It is under UK Law. There are certain rights that IBREL has under that agreement as well. But the key point out here is that while Sameer faced delays of almost 18 months, I think what he is asking for is an extension of up to nine months to pay these funds down. And we expect these funds to be fully repaid before the end of the year.

Manish Agarwal: And would there be any interest which is charged on this extra nine months?

Sachin Shah: As per the agreement, there is a 5% British Pound interest rate that kicks in from April 1st 2022.

Moderator: The next question is from the line of Samar Sarda from Axis Bank. Please go ahead.

Samar Sarda: Sachin, I had a couple of questions. One is with respect to the launch of BLU. So, a) any new launches will happen only post the merger and the name change? Would that assumption be correct?

Sachin Shah: Samar, assumption is correct, not so much because the company's holding back, but I think as you look at any new launch, there is a lot of planning that needs to go behind that. There is MOEF approvals, there are RERA approvals that are required. And so, I think this naturally the timeframe is such that the new launches that we are looking at, be it

Thane phase two, be it Sector 104 in the north or be it BLU Annex, they will naturally happen post kind of the merger being completed.

Samar Sarda: But would you not want to launch it under the Embassy brand which you cannot do right now?

Sachin Shah: Yes, of course, as a combined platform we want to launch it again in the Embassy brand, but I think it will happen naturally. It is not because we are holding back. The timeline is such that the merger is going to get completed weeks from now and the approvals are probably still a few months away. But they will be launched under the Embassy brand then as a merged entity.

Samar Sarda: Okay. And just before I move to the next question, follow up on BLU. The Somani land which was earlier planned to be as a commercial building with Blackstone, I understand that was amalgamated with Bharat & Poddar mills the existing group project. So, would we need the consent of two thirds of the current 336 odd units to be able to launch a residential project there?

Sachin Shah: We actually have approval out here from all flat owners to launch residential out here. So, I do not think we need to go back and ask for any further approvals out here.

Samar Sarda: Okay. And on the NCLT process, I might have missed it, any likely date of next hearing with respect to NCLT Chandigarh? And would that be the last hearing or the last protocol with regard to the entire process at least on the merger?

Sachin Shah: Yes. The next hearing in NCLT Chandigarh will be the last hearing. That will be the final order that gets passed by NCLT Chandigarh. And then post that we will probably need roughly three weeks for the swap to be effective and then what would eventually be one publicly traded larger platform.

Samar Sarda: Okay. And you did allude to the money for Mr. Gehlaut coming in. Like although it is a contract and is there any fallback or security which

Indiabulls Real Estate as a company has because the monies have been delayed for covid & these reasons. Any other security which Indiabulls needs to keep or have right now with respect to Mr. Gehlaut's money coming into the company?

Sachin Shah: As I said, it is a contractual undertaking by Mr. Gehlaut to the company to pay these funds back. Like I said, the share purchase agreement is under UK Law, sorry, Jersey Law, similar to UK Law. Also, it is a situation where he is actually paid for two thirds of the assets. I am sure he wants to just finish this as well. There have been discussions also in the past that have taken place between management and Mr. Gehlaut as well as with respect to *Jitu Virwani and* Mr. Gehlaut where the new incoming management also feels quite comfortable that this will be repaid by the end of the year.

Moderator: The next question is from the line of Jeevan Patwa from Sahasrar Capital. Please go ahead.

Jeevan Patwa: Sachin if you can just give me one again. So, initially the debt was around Rs. 5,500, crores from the Embassy side and Rs. 1,000 crores from the Indiabulls side. So, it was Rs. 6500 crores. Now we have already got Rs. 850 crores from QIP, right?

Sachin Shah: Yes.

Jeevan Patwa: So, that we adjusted, or we have not adjusted yet?

Sachin Shah: We used some of it to pay down the debt. Okay? We are using that money towards construction. There are certain also liabilities such as customer refunds and RERA obligations that are being met through the debt. So, at the end of the day, and there's also always kind of proceeds coming in as we sell more units that is going down to pay down the debt as well. So, what I believe will happen is day one, when the two companies combine, we should have debt somewhere, let us say I mean, it is roughly, I am giving numbers of Rs. 6,500 crores because this is a forward-looking number more so than kind of the past. We will also have cash in the system. We should have money from the land sale as well, 106 that's roughly Rs. 500 crores odd. We should have the London receivables probably come in by the end of the year of roughly Rs. 620 crores. And now that Sky Forest has received its OC over the course of the next kind of, I would say six to nine months, we should receive another Rs. 1,000 crores from Sky Forest as well. So, if you kind of look at it while we have debt of roughly Rs. 6,500 crores we will have proceeds of roughly Rs. 3,000 crores to offset that debt.

Jeevan Patwa: So, by the end of this year, so FY23, it should be around Rs. 3,500 crores. It should come down to that level, correct?

Sachin Shah: By the end of FY23?

Jeevan Patwa: Yes, March 23.

Sachin Shah: Look, it is tough to predict exactly what numbers, but I would say first year, because this merger has taken a little longer and as we can get into the swing of things, my sense is year one will probably be around Rs. 4,000 crores odd. And then post that by year two we should be able to reduce it even further to somewhere between Rs. 2,000-2,500 crores.

Jeevan Patwa: Perfect. So, the inventory, the surplus from the finished project that we are saying, so whatever is given in the presentation, so that has been somewhere around Rs. 8,500 crores, right? And that does not include the new launches. That is where the value is around Rs. 5,800 crores. So that is in addition to…

Sachin Shah: Jeevan, what you are looking as a complete surplus number of Rs. 8,700 crores odd, that includes the planned bucket as well on the Indiabulls side. So, that does include the BLU Annex Tower. But that Rs. 8,500 crores do not include any of Embassy's assets. Today what you are looking at the company presentation, which is the fiscal year ended results in quarter four for FY22 are all consolidated numbers of Indiabulls.

Jeevan Patwa: So, if I have to combine, it is on the combine entity say how much would be the surplus?

Sachin Shah: So, on the combined entity on the, okay, let me take a step back out here, on the residential side, the surplus for Embassy for the near completed and OC assets is roughly Rs. 3,500 crores odd. That is only the 3 million square feet out of the 53 million square feet that Embassy is bringing to the portfolio, to the platform. Then Embassy has besides that another 7 million square feet of residential assets, and it has got 42 million square feet of commercial assets. So, if you look at the residential assets, the planned assets of 7.8 million square feet, the surplus on that is roughly Rs. 2,500 crores. And then the commercial asset, which is the 42 million square feet, that is a tough one to today kind of quantify it because I think…

Jeevan Patwa: I basically wanted to understand near completion and OC kind of projects on the Embassy side. So, that's Rs. 3,500 crores, which is what you are saying.

Sachin Shah: Yes, I did. Yes.

Jeevan Patwa: So that is Rs. 3,500 crores and on the Indiabulls side its Rs. 8,500 crores.

Sachin Shah: Indiabulls Rs. 8,500 crores include your ongoing and your planned. If I look at just the near completed, it is roughly Rs. 2,000 crores.

Jeevan Patwa: Okay. So total Rs. 5,300 crores are combined surplus in the finished or OC kind of state?

Sachin Shah: Exactly.

Jeevan Patwa: Yes. Okay. And that should accrue over say next two to three years?

Sachin Shah: We are looking to try to get that out over the course of the next 24 months.

Jeevan Patwa: Thanks a lot. This is extremely helpful.

Moderator: The next question is from the line of Ritwik Sheth from One-Up Financial Consultants. Please go ahead.

Ritwik Sheth: My question is on the Indiabulls projects which are ongoing, which is on slide 24. We have mentioned that there is a surplus of about Rs. 5,400 crores odd. So, are these five projects under construction or the construction is not happening currently? Firstly, I wanted to know that.

Sachin Shah: While we say these are ongoing projects, as you can see, BLU Estate and Club is the fifth tower at the project BLU. That is in planning and design phase. So, that construction has not started, but we expect to start as I was saying, probably calendar year 2023 first quarter. Indiabulls Park Panvel is under construction. As you can see, it is already sold 3.7 million square feet. Unsold is 1.2. Thane also as you can see, it is already, the first phase is sold. And as I was mentioning, we are looking this year to launch phase two. The Gurgaon project that Sector 104, now what has happened out here is it had initially started selling product but over time that project did not move forward. What we have done is actually anyone who had come into it before we have refunded their money and now, we are looking to launch roughly 6 of the 18 acres, which would be roughly 1.2 million of the 3.8 million square feet, possibly in the next, by the end of the year or again, like I said early next year. So, that is a project that will again get launched and at least 1.2 of that 3.8 will get launched pretty soon. And then your last project is your Gurgaon 109, it is a commercial building. There is little left to be sold out there. The project basically needs completion, but then it has a good amount of sold receivables that needs to come out of that project. So, the focus would be on that.

Ritwik Sheth: Okay. So basically, what I was trying to understand is that because we will have to fund the projects which are near completion and then move on to ongoing projects and with some constraint on the liquidity side, would it be fair to assume that these projects would have to be kickstarted and then the sales will start and then the receivables will come in? Would that be a fair understanding?

Sachin Shah: Our focus, as I said earlier, really is the OC / near completed on both sides, the Embassy side, as well as the Indiabulls side. We want to focus on the 2.1 million square feet that is unsold on the Indiabulls projects, because that itself has a pretty large net surplus to provide roughly Rs. 1,800 crores odd. And those projects are again very late stage. A lot of them have their OCs. So that's kind of the Indiabulls portfolio, that is where we are focusing on in the immediate future. At the same time, on the Embassy side, they have 3 million odd square feet which is now I would say 99% complete and all of them have their OCs. Lake Terrace just got its OC last week as well. So, again the focus out there would be, how do you sell, market, and liquidate almost Rs. 3,500 crores odd of inventory that is finished out there. So, that is what will be the revenue generator and the cashflow driver out here. But at the same time, over the course of the next two years, we cannot stop our ongoing projects. So, we will have to be judicious, we continue to spend on these projects because that will be then the next kind of set of projects that will be kind of on for delivery and completion.

Ritwik Sheth: Right. So, we will look to get the surplus from the OC / near completion and then invest that money into the ongoing projects and then further go ahead with the planned projects.

Sachin Shah: Exactly. So, there will be a CAPEX plan over the next two years that we will have. And at the same time, because we are generating a lot more on liquidity and surplus, what we will do is basically use these funds to also start paying down debt.

Ritwik Sheth: Sure. Okay. And sir my second question is on the fixed cost for the merged entity. What would be the fixed overheads for the merged entity on an annual basis?

Sachin Shah: it is tough, too soon to kind of predict right now on a stabilized basis what that number would be. But I think, I would assume the first year the number would be slightly on the higher side. It will be between my sense Rs. 175 crores or Rs. 200 crores odd and this includes just employee expenses as well as all other overheads out there.

Ritwik Sheth: Sure, okay. Lastly, can you throw some light on the 42 million square feet of commercial assets that Embassy will get in? What would be the game plan there and how do we plan to fund it, say, over the next three years?

Sachin Shah: Look, I think the Embassy 42.5 million square feet, which is a lot of commercial, it is all in Bengaluru and while Bengaluru continues to be the largest absorber of office space and what we are seeing right now too is there is a lot of interest out here to grow. There is several RFPs out there in there in the market which are at late stage for quite a large amount of development. My sense is that we would have to look at these 42.5 million square feet, we will have to examine it. We must see how much of this can actually be built as commercial in the near term and how much of it might need to be actually changed to also residential as well as plotted, just to churn capital quicker out here. That is really the only goal out here. For example, there is a project called Embassy Knowledge Park Summit, which is 216 acres. I think, the plan out there was around 50 acres of residential and 150 acres of commercial, but we might need to see as we launch this project, how much more could be residential initially, because I think one of the key things that we want to look at is not sit on too much raw material over a very long period of time. We want to see how we churn this into faster moving cash flow out here. So, we don't have a game plan yet for the 42.5 million square feet today, but as we move along and we start looking at these land parcels and start looking at planning and design, I think we will have a much better sense and how much is commercial, how much is today and how much gets converted into residential and we move forward on it immediately.

Moderator: The next question is from the line of Ankit Babel from Subhkam Ventures. Please go ahead.

Ankit Babel: My question is again on these commercial projects. In your January presentation, you had mentioned that the planned commercial projects have an annual rental potential of around Rs. 4,291 crores. Just wanted to understand by which year do you feel this potential would actually come, how many years would it take?

Sachin Shah: Look, what I was saying exactly, the same thing, because our commercial portfolio is quite large, it is 42.5 million square feet. There are two things that could happen, one is you look at developing this entire thing as commercial and you get to that kind of Rs. 4,000 odd crores of rental income. The second thing is that you might decide that you want to take some of that commercial and want to churn it quicker and move it into faster moving residential. Having said that maybe I will just walk you through the economics of what a million square feet of commercial development could look like. Let us say you are building 1 million square feet out here at roughly Rs. 5,000 a square foot that costs roughly Rs. 500 odd crores. You probably need 30% equity which would be Rs. 150 odd crores of that Rs. 500 crores. When you build these 1 million square feet what you will have is an asset that initially, let us say, rents at Rs. 65-70, having said that Embassy has three parks that are much higher than this number. Embassy Golf links, I believe is roughly Rs. 140 to Rs. 150 a square-foot, Embassy Manyata is Rs. 100 to Rs. 110 a square foot and you have Embassy TechVillage which is Rs. 90 to Rs. 100 a square foot. Having said that because these are new Greenfield developments, just taking an assumption out here of Rs. 65, that would give you rental income of roughly Rs. 78 crores a year at a 90% NOI level, which would be roughly Rs. 70 crores of NOI. If you assume an 8% cap rate on that, it will work out to roughly Rs. 878 crores of value, less your debt repayment of 350 gives you an equity value of roughly Rs. 530 odd crores for every Rs. 150 crores you are investing to build 1 million square feet of commercial. Our plan is while we want to kickstart commercial, it will take some time to get our master plans done and get all our approvals, but at some stage what we would love to do is to develop at least 1.5 million square feet of commercial per year.

Ankit Babel: Again, what I need to understand is how much time will you take to construct all these 42 million?

Sachin Shah: I think to be clear again, if I am building 1.5 million square feet a year, which is the amount of time 42.5 divided by 1.5 million square feet, but my goal is not to sit for that long, it is to convert some of those 42.5 million square feet into faster moving residential as well.

Ankit Babel: Okay. What will be your debt once you finish this?

Sachin Shah: It is too early to kind of predict what my debt levels would be on building 42 million square feet, but it will be recycling of capital, so I do not think the debt levels would go that high.

Ankit Babel: Okay. And that Rs. 2,500-3,000 crores of sales per year, with the debt of around Rs. 6,500 crores just post-merger even at Rs. 4,000 crores, will it be profitable?

Sachin Shah: Yes, because look I have got Rs. 2,000 crores of cash also on day one, sorry, Rs. 3,000 crores of cash sitting on day one or not day one but when Sky Forest proceeds come in, the land sales, London receivables in the QIP proceeds. So, I will have that level of cash. And I am looking at roughly generating in other kind of Rs. 4,500 or Rs.5,000 crores of net surplus from my, like I said, OC and near completed projects as well.

Moderator: The next question is from the line of Sudarshan Mall from Dhunseri Investments. Please go ahead.

Sudarshan Mall: While most of the questions have been answered, just some colour on this that while we have fairly good visibility on the cash flows from our near completion projects, just wanted to understand what was the need for this QIP to be done at such lower levels? The high level of dilutions we have done at fairly low levels. And from that we have not also aggressively repaid debt. So, just wanted to get some texture on that.

Sachin Shah: I think one of the things about capital raise sometimes is, you might have the best intentions and wanting to do it at what might be the perfect time for you, but it is not necessarily supported by the macro markets. And we were out there considering raising equity and we felt there was a window of opportunity out there to raise the money. As you can see since then tides have done quite drastically. Yes, on one hand while I can understand that people feel that maybe this equity was not, why raise it now and why the dilution at these levels, but I think it's also important to keep in mind that we are shoring up the balance sheet, we are looking at the larger platform soon and we wanted to have a runway out here to be able to execute on our game plan. And if we do that, there is a lot of value out here. So, there might be some short-term pain out here to kind of eventually have the liquidity to be able to execute on our plan.

Moderator: The next question is from the line of Jeevan Patwa from the Sahasrar Capital. Please go ahead.

Jeevan Patwa: Sachin, one thing I want to understand, so we have created a platform with foreign funds as well. So, how are we going to use that platform? Can you elaborate on that?

Sachin Shah: So, we have an AIF and Office Development platform with Ivanhoe Cambridge on the Embassy side. So, that will roll into the merged entity once this is complete. The idea is that it is an 80:20 platform for up to 500 million, yes between the two entities. And so while EDL would invest roughly 100 million into this, a scenario could happen where some of our land parcels get sold to this platform and then if EDL eventually the merged entity EDL would come into it for 20% of the equity and the idea really is, it's using someone else's balance sheet and to grow the business quicker, the return on equity for that 20% also would be actually kind of maybe I would say supercharged because you are earning fees. You are earning promotes, back ended promotes out here. So, it is just really, it is a unique way of growing the business. Very similar to what Godrej has done with its fund as well.

Jeevan Patwa: There's such a low price today, so will Blackstone or Mr. *Virwani* or Embassy will look at putting some more funds in the company?

Sachin Shah: it is tough to comment on Blackstone's behalf on this call, but Blackstone is coming in as 11% shareholder and is committed to being in the business and being an important part of the business. With respect to Mr. *Virwani* putting in more funds I think the one thing knowing Mr. *Virwani* is that he is committed to putting in funds if the business requires it and to grow the business. So, I think that I could definitely speak on his behalf.

Jeevan Patwa: Perfect. Thanks a lot.

Moderator: The next question is from the line of Abhinav Bhandari from Nippon India. Please go ahead.

Abhinav Bhandari: Sachin, just one question, from a next 12 to 15 months perspective, just trying to get a broader idea of our outgo in terms of construction spends, settlement of liabilities, any pending land payments and new business development, all these four buckets put together what could be a broader outgo?

Sachin Shah: Abhinav, what I would request is give me one more quarter to come back on that. It has been tough I mean, I know what IBREAL's numbers are, but it is tough to kind of value the two, but one focus obviously is on, like I said, existing OC and near completed. For those projects, there is truly little spend that needs to be done between the two companies. My sense is it is roughly Rs. 900 odd crores for the next year or so in terms of construction cost. I think one key area where we will also have to look at is, certain loans, principal repayments will happen over the course of the next one year. As you can see in the IBREAL deck itself, in less than a year there's roughly Rs. 964 odd crores of the debt that needs to be repaid. So, that is also something that is on top of our mind with respect to refinancing those loans or paying those down from cash flows from sales. I hope that answers your question at least partly, but I think by the time the merger is over, we will be able to present a much more detailed combined integrated plan with respect to project spends.

Abhinav Bhandari: Sure, I get a broader sense. Just one follow-up is how is the Juhu project shaping up and when can one expect a launch there?

Sachin Shah: As we have obviously discussed this in the past, as you know that is being done by Embassy right now, but that's part of NAM Estates and that will roll into this entity. So, it will be part of what will be a combined EDL as we move forward. But the idea is that, look it is a fantastic site, 2.5 acres on Juhu beach on Juhu Tara Road. The Embassy is looking to launch that by Q4 FY23.

Moderator: The next question is from the line of Dixit Doshi Whitestone Financial Advisors. Please go ahead.

Dixit Doshi: A couple of questions and one clarification. If I see your presentation, you give the average selling price in the last presentation you have given. So, that was around Rs. 30,000 for a BLU. So, am I missing because everything is getting sold above Rs. 50,000?

Sachin Shah: You are looking at this is on saleable square feet, 50,000 is on RERA carpet. That is the difference. They work out to the same number.

Dixit Doshi: Okay. Now my two questions are firstly, on the Embassy side. So, whatever commercial properties Embassy have, currently do they have anything which is receiving the rent completed inventory? And also, whenever we construct in the Embassy, the commercial property, we always look to sell to some REIT, or we also have a thought process where we will continue to own it and earn the rent on it?

Sachin Shah: Look, while again you are asking questions with respect to Embassy and as you know this is an IBREAL's earning call, but just to give you some sense, Embassy or the combined entity at some point would look to develop an asset and will look to monetize it, not by strata selling it, but it would be by selling it to a, if someone like Embassy REIT or it could be any other REIT, it could be a large international or institution investor. So, the idea is to build lease and then sell it to a, like a buyer of these types of assets who are looking for stable income. One thing that is being discussed is at some point with a combined entity, give a ROFO which currently Embassy Property Developments had with Embassy REIT. Personally, that makes a lot of sense for this combined entity because I would love to have a relationship with a buyer of assets. And I think it would make sense for Embassy REIT as well because they have a ready kind of a pipeline of assets coming to them on a kind of a regular basis. But again, the price must be right. There is a lot of related party checks that would go into it. Two independent valuations would need to be done, minority shareholders from both companies would have to vote on it. So, there are a lot of checks and balances, but yes, of course that would make sense to have.

Dixit Doshi: Okay. Secondly, in terms of Indiabulls residential property, when you mentioned these planned projects, all these projects do not include the extra land bank and what we are planning to do with that 3000-acre land bank of Indiabulls?

Sachin Shah: All the numbers that you see on the Indiabulls side do not include the land bank numbers. We are just getting our arms around what the development potential and what we can do with the land bank. As you know 106 was 40 acres which got sold for 580 crores. I would not like you to extrapolate those numbers, but I think there's valuable land out here, West as well as North India. And I think, we need to spend a little bit more time putting our plan together on that. I think, the focus right now was on near term liquidity, near term visibility of cash flows. And with that I think we will produce a plan on which projects to attack at least over the next 12 to 24 months.

Dixit Doshi: Last question from my side, what kind of project, how many projects we are planning to launch in FY23 combined both, let us say Indiabulls and Embassy on the residential side in terms of square feet or even the value is fine?

Sachin Shah: My sense is in the next FY23, what would happen is we would launch Worli, which is BLU Annex, that for Indiabulls is roughly 900,000 odd square feet. If you kind of look at that 30,000 number that you were talking about, that actually gross development value would be at least Rs. 3,000 crores. We would also maybe look at launching 1 million odd square feet in sector 104. If you kind of look at the gross development value out there, it would be close to Rs. 1,000 odd crores. You could also look at launching possibly phase two in Thane. We have got to do a little bit of work out there, but my sense is that itself would be another Rs. 1,000 odd crores. So, there is a lot of value in some of these new projects that we are looking to develop soon.

Dixit Doshi: So, these through may come in this fiscal year and plus whatever Embassy would be launching like, say, Juhu or any other projects.

Sachin Shah: Exactly, exactly. There is a slide in the deck, it is slide 17 which covers this, but out of those five projects, I have taken three of those and I am talking about those because in my mind those three at least are the key ones that we could look to launch in the next 12 months.

Dixit Doshi: And this Rs. 2,500 to Rs. 3,000 crores sale per annum, we are targeting, we are not including this. We are predominantly that targeting that from OC received or near completed inventory.

Sachin Shah: That's true.

Moderator: The next question is from the line of Anirudh Agarwal from AAA Investments. Please go ahead.

Anirudh Agarwal: My first question was actually on the prices for Q4, right? So, is there any conscious call that we have taken in order to reduce the price to increase sell through because BLU prices for Q4 show us 26,000 and so on, it is lower for all the other projects.

Sachin Shah: It is a good question. I think what it is at least reflects of BLU has been some of the last remaining units, right. So, in a project you generally have price that kind of goes up until a certain level when you are left with basically the units that are not wanted, right. So, I think in BLU today, we have some seven units left to sell. It is basically our podium units in Tower D and so the price reflects some of that as well into consideration.

Anirudh Agarwal: But for the new launch you expect the prices to hold at 30,000 and above?

Sachin Shah: Absolutely. In fact, hopefully even more so than that.

Anirudh Agarwal: Right. In terms of cost escalation, how are you seeing that play out. I mean, I know you have a number in mind in terms of the pending construction costs, but do you see an upside risk to that?

Sachin Shah: We actually have accounted for that in some of our numbers because at such late stage of completion we had to look at what is going on with respect to that. A lot of them also contracts are in place, it finishes more so than kind of a steal at this point. And what we have also seen is while there was a spike, it has settled down a little bit since then. So, I am hoping that this spike is temporary, it does not affect us too much and we can come out of it hopefully sooner rather than later. So, overall, it does not affect our profitability too much.

Anirudh Agarwal: Right. On the Embassy sales, I mean, just trying to understand that last year they sold about Rs. 400 crores of inventory and we say we have the Rs. 3,500 crores of inventory that we want to sell say over the next 24 months, so how do we bridge that gap between Embassy is today and where we want to be?

Sachin Shah: Right. What I understood on the Embassy side, and it has also been on the Indiabulls side is that a lot of projects and we both to blame out there, which had taken longer than expected to complete, but now are complete. And so, the key focus area actually for both companies were over the last year and especially, I know Embassy had focused on it, was completing what was 95% complete, but had taken longer than expected to actually get delivery done. And I think that changes really the perception of how someone looks at your project. So, what today you have is roughly 3 million square feet of finished inventory which maybe last year would have been 3 million square feet of inventory that was 95% complete. But even though it is at 95% going to a 100%, it is only 5% more because these projects had been there for some amount of time, the entire perception in the market changes once you get to an OC level. And that is really why we feel that we can hit Rs. 2,500 crores to Rs.3,000 crores, maybe the first year it is slightly less, but as we go to the second year, we can definitely hit that because it is projects that are now completed and with your marketing is kind of finished inventory out here. So, you can really play around with it and move that inventory, which you do not have the luxury of as when a project is 95% complete.

Anirudh Agarwal: And on the liquidity front, there are some near term liquidity constraints that you have also been alluding to and we have a large land bank. I know you have asked for little bit of time, but I mean, given that land bank and what 104 has 106 has gone for, don't you think that is something we need to look at a lot more aggressively to pay down debt and ease the balance sheet condition?

Sachin Shah: Absolutely. We are looking into it for the 3000 odd acres, obviously out of that 3000 odd acres Nasikh is a huge chunk of it, that's 1400 odd acres. It could be an attractive location for industrial purposes. It could be an attractive location for someone coming into set up their manufacturing units out there. So, there is work going on out there and we will hopefully over the next several months produce a plan on what to do out here.

Anirudh Agarwal: Right. But in your estimate, I mean, what would be the value of the 3000 crores, I know it is slightly speculative number, but still in your sense what would that value of that land bank be today?

Sachin Shah: Well, let me not speculate out here because it's land, as you know land can vary quite a bit either direction, I think that there wouldn't be…I think it would be a tough thing to kind of give you guys a number out here on this land value, on stuff that's sitting as raw land. I think, let us work on that and let us work on our plan and then maybe I think we will come back to investors with a plan for certain land parcels.

Anirudh Agarwal: Maybe let me try asking this another way. I mean, land parcels that are sort of equivalent to 106, how much of that land is part of the 3000 acres?

Sachin Shah: Look, I think the way to look at is probably slide 22, you can see the land parcels, how many acres each one is, and you can see what the cost of land paid is. A lot of this was done at least more than 10 plus years ago. So, I think using those numbers, at least you have a sense that the book basis today is Rs. 562 crores. And the other thing I just wanted to correct you out here that 106 was not part of the 3,328 acres, it was part of the planned projects. So, that what you see is a surplus coming out of the planned projects on the IBREAL side, but that is coming in as land sale numbers, I just wanted to correct you on that.

Moderator: The next question is from the line of V.P. Rajesh from Banyan Capital. Please go ahead.

V.P. Rajesh: Just a clarification on the £60 million loan. Should we expect some part payments during the year, or it should we expect one bullet payment during the year as you said earlier?

Sachin Shah: Look, we have not had discussions on part payments. So, what we are expecting is the full payment to come in on or before December 31st this year.

V.P. Rajesh: Understood. Okay. And then in terms of your ongoing projects, are there any projects that are likely to miss their RERA deadlines or are currently default of RERA deadlines?

Sachin Shah: We do have certain past projects which have missed the RERA deadlines, such as Enigma and Centrum. And what we are doing is we have cleaned it up quite a bit in the last several months and we are looking to get those settlements done as we actively look to hand these projects over to the RWAs. So, in my mind, these are two very late-stage projects that we are looking to hand over and we are looking to solve the problems and get out of these assets. In fact, RWAs are now in contact with Embassy services directly and are looking to basically use them for facilities management.

V.P. Rajesh: I see. And then on this Lucina project, what kind of sales velocity are you observing there?

Sachin Shah: Sorry, which one are you talking about?

V.P. Rajesh: Lucina, which is I think Panvel.

Sachin Shah: Yes, Panvel. So, what is the question on that?

V.P. Rajesh: What kind of sales velocity are you seeing in that project?

Sachin Shah: Look again on that project, we need to, the sales velocity has dropped, even though it had, it sold quite well, if you look at Panvel. I think we have sold 0.08 million average base selling prices of roughly, one second sorry, Rs. 4,500 per square foot out there. In terms of, let me just give in terms of number of units left to be sold. Can I come back to you on this? A very pointed question you have asked me, can I come back on this exactly?

V.P. Rajesh: Sure. My last question is on the NCLT process, do you foresee any circumstances under which this deadline could be pushed beyond September 30th?

Sachin Shah: I do not expect it. The way it has moved now, it is almost at the final stages. So, I do not expect it. Just on Panvel there were 3 phases one is completely sold out, phase two there were 3,500 units and roughly 2,750 units have been sold, so roughly 750 units left to be sold. We got to sit and work out a plan out here, so how we can move this inventory quicker. Again, that would be one of the focus areas for FY23.

Moderator: The next question is from the line of Neeraj from NJ investments. Please go ahead.

Neeraj: My question is related to the near completed project that you have listed on slide 23. If I am not wrong both those projects the one at Savroli and Vizag are long overdue, right?

Sachin Shah: Yes. Savroli has distinct phases to it, but Vizag roughly has as you can see, pending cost of Rs. 48 crores. So that is definitely a project that we want to finish this year and hand it over.

Moderator: Thank you. We lost his line sir. Ladies and gentlemen due to time constraints that was the last question for today. I now hand the conference over to the Management for closing comments.

Sachin Shah: Thank you everyone for joining and listening to this call. It has been the first earnings call that Indiabulls has done to date. We expect to continue these as time goes by. As we are reaching a conclusion out here with respect to the merger, we hopefully in a larger platform want to bring about a lot of different changes. Some of these you can see already today in the company with respect to K. G. Krishnamurthy being on the Board or in terms of the reporting that has come out this quarter. But again, the goal is we want to move towards a plan where the combined entity meets all standards of corporate governance that you would expect out of it. So, with that, I will sign off as well, but thank you everyone for taking the time to listen to us today.

Moderator: Thank you. On behalf of Indiabulls Real Estate Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

++