"DLF Limited
Q3 FY '24 Earnings Conference Call"
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Moderator: Ladies and gentlemen, good day, and welcome to DLF Limited Q3 FY '24 Earnings Conference Call. We have with us today on the call Mr. Ashok Tyagi, MD, and Whole Time Director, DLF Limited; Mr. Vivek Anand, Group CFO; Mr. Sriram Khattar, Vice Chairman and MD, Rental Business; Mr. Aakash Ohri, Chief Business Officer and [Group Executive Director]. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vivek Anand. Thank you, and over to you, sir.

Vivek Anand: Yes, thank you. Good evening, and welcome to DLF Limited Quarter 3 Financial Year '24 Earnings Webcast. Thank you for joining us today. We are happy to announce that our business continues to deliver a consistent and strong performance across all parameters. I'll start with financial highlights for quarter 3 financial year '24 DLF Limited consolidated results.

Consolidated revenue stood at INR1,644 crores, gross margin at 56%, EBITDA is at INR633 crores, net profit at INR649 crores, reflecting year-on-year growth of 26%. Healthy surplus cash generation from operations at INR1,108 crores. We recorded our highest quarterly sales booking of INR9,047 crores, backed by multiple launches during the quarter. We launched 3 new products of 5 million plus square feet during the quarter of multiple segments.

The launches during the quarter includes DLF Privana South, Gurugram, a luxury high-rise development. Central 67, Gurugram, a shop-cum office plotted development and the Valley Orchard, Panchkula low-rise independent floors. We witnessed healthy demand momentum across all these products. And both projects in Gurugram were completely sold out within a record time.

With this strong performance, the new sales booking for the 9-month period stood at INR13,316 crores and hence, will exceed our full year sales guidance. We would like to highlight that with this performance, we have broadly achieved our guidance on new product launches that we had given 3 years back along with an upside in sales potential due to value enhancement across the products.

The sustained demand momentum across all segments continues to be encouraging. Consequently, we have identified a fresh pipeline of new products of approximately 32 million square feet with a sales potential of approximately INR79,000 crores, which is more than double of what we have delivered during the last 3 to 4 years and is in line with our plans of scaling up the business.

We expect to launch these products over the next 3 to 4 years. The key launch that we are working on for the next 12 to 15 months are products in Gurugram, Chennai, Goa and the first phase of our Mumbai project.

Collections continued to be at record levels resulting in record cash flow generation during the quarter. Consequently, our net cash position at the end of the quarter improved further to INR1,246 crores. Further, the Board in line with our stated strategy to consolidate the rental business has approved transfer of DLF Centre, a marquee asset in Delhi to DCCDL at an aggregate consideration of INR825 crores plus/minus 5%. This transaction will be subject to due diligence, documentation, and requisite approval from the shareholders.

I'll now move to the financial highlights for quarter 3 financial year '24 DLF Cyber City Developers Limited consolidated. Rental income grew at -- to INR1,089 crores, year-on-year growth of 9%. Consolidated revenue of INR1,476 crores reflecting an 8% year-on-year growth. EBITDA at INR1,126 crores, year-on-year growth of 6%, PAT at INR434 crores, reflecting a year-on-year growth of 21%.

The credit rating for DCCDL was upgraded to ICRA AA positive stable during the quarter, indicating the inherent strength and quality of our rental portfolio. Our non-SEZ segment continues to operate at healthy occupancy level of 97%. Our new office development across Gurugram and Chennai continue to garner strong interest from large occupiers, consequently have achieved a pre-leasing of approximately 91%.

The government decision for the amendment in the SEZ regulation allowing floor wise de-notification should lead recovery in the SEZ segment, too. We expect normalcy to return in occupancy levels in this segment over next few quarters.

Our retail business continues to deliver strong growth, and hence, we continue to remain focused on increasing our retail portfolio across multiple geographies. We remain committed to our goals of delivering consistent and profitable growth, which is well supported by the strong performance in our residential business, healthy pipeline of new products, quality asset in the growing rental portfolio, backed by a healthy balance sheet and supportive market dynamics.

With this, I will end, and we can now open the floor for the Q&A session. Thank you.

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

Pritesh Sheth: So first question is on launches, good to see a very strong pipeline now for next couple of years. You have already mentioned about projects in Gurugram, Chennai, Goa, first phase of Mumbai. Can you elaborate or quantify more on the size of these launches that are expected next year? And what are the key additions in terms of projects beyond FY '25 that you have mentioned?

Ashok Tyagi: Okay. So I'll hand over to Aakash really for elaborating. But on an overall basis, the key projects that we are ready for launch now is clearly a, the next phase, and hopefully subsequent phases of our immensely successful launch in Privana. There would be a luxury project coming up on the Golf Course Road in DLF 5 for sure. We have a launch lined up in Chennai of a luxury project and 1 lined up in Goa. We will have the first phase of our Mumbai launch next year, and we'll have a small launch in Panchkula.

Aakash, you want to further talk about this.

Aakash Ohri: So the super luxury project in -- on the Golf Course Road will be about 450-odd apartments that will be some time in -- after the first quarter. Then there is the Privana, as we were just talking about. Privana 2 is another 800-odd apartment, Privana West of 1,100. This Chennai is going to be followed average size of apartments about 2,400 to 2,800 square feet. And then there's going to be Mumbai. The Panchkula is going to be another small development, but that will be size of about, say, INR500-odd crores floors and some commercial. So that's what we have right now.

And in terms of value, we had earlier mentioned also, there is tremendous potential, both from the point of view of luxury and super luxury across the board, across geographies. And in order of launches, we are starting with Gurgaon and taking -- I mean, after these 2 launches here, we will move to Mumbai and Chennai.

Pritesh Sheth: Got it. So full 3 million square feet, which was expected this year in DLF 5 is now happening next year, FY '25, is it?

Aakash Ohri: Yes, yes.

Pritesh Sheth: And Mumbai would be 1 million square feet that we have earlier planned. That would be the first phase?

Aakash Ohri: Yes.

Pritesh Sheth: Okay. Okay. Got it. I'll connect with Kuldeep separately for other details. So thanks for that. In terms of margin expectations now, considering we have a big -- we had a big launch with a very healthy pricing of INR18,000. How should our blended margin should, I mean, track going ahead, considering we have been doing a lot in terms of pricing now. So that's my question on margins.

Ashok Tyagi: So I think, obviously, the margins will be driven by individual launches, an example the DLF 5 launch will obviously have the highest margin amongst everything. But overall, I think we should be ballpark in the pivot of 45% to 50% on the overall margin for new launches.

Pritesh Sheth: Okay. That should be the corporate margins and not the project level margins, right? I mean that should be how blended the margins will look like blended P&L once these projects are recognized?

Ashok Tyagi: Exactly. Exactly. Because you may -- you will unfortunately still see a lag between the time that these are launched and until the time that these are recognized because of the accounting policy issues, most of these projects should translate into that sort of margin, yes.

Pritesh Sheth: Sure. Got it. And just 1 last. I mean these things are really looking very good in terms of size of the sales that is happening INR7,000 crores, INR8,000 crores getting sold out within 3 days odd. Are you at all worried with how things are picking up so fast? And specifically, obviously you would have also known a few of the Arbour units that were sold out that are again coming back to market at a premium kind of pricing. So investors are making good money. But should we -- should one be concerned at all about these things from the demand perspective.

Aakash Ohri: So I'll tell you what's happening with the demand. I've been saying this for -- since the Grove time -- what is happening today is that real estate, the residential real estate has become a priority spend. It is no more -- it is not something that people earlier used to procrastinate. The young generation used to -- would prefer to live on rentals than actually buy. I am seeing a major shift from 30-year onwards of this segment, which is now coming into the actual purchase of residential properties.

Also, post-COVID, people want better homes, better connectivity, larger homes, more spacious homes and closer to nature and so on and so forth. So what I'm seeing right now -- in fact, what you just mentioned about the Arbour, we've got about 1,150-odd units in Arbour. There will always be, in any point in time that you see in projects all over the world, you will see. There will always be about 5% to 10% that will be up for trade every year. That's not an alarming situation at all. In fact, it's a very healthy situation with the kind of premium that the second and third sales are generating. That further shows robustness in the demand and the market.

As far as your point about the -- where the demand is coming from, I've categorized this earlier also during our press briefings. So I am seeing, I wouldn't call it an influx, but I'm seeing a very favourable demand from the NRIs. I credit this to the government's outreach led by the Honourable Prime minister himself with the Indian diaspora all over the world. So there is this nostalgia or a certain piece of the Indian pie that they now want to take. And what happened in the previous decade, I feel that because of unscrupulous elements coming into it, delayed constructions, foreign exchange issues and also the NRIs had burnt their fingers and didn't want to venture into an Indian real estate market.

So everybody else benefited. Today, I am seeing that happening. We worked on the NRI markets over the last 2 years extensively all over the world. We've mined, we've met, we've presented. So what you are seeing is not just a by the way, kind of a thing, yes, definitely any tailwind is very welcome. But we have established our price points and our projects in various geographies. If you see across over the last I'd say, at least 3 years, where definitely the tailwind is helping us. But I think also the brand is very strong. And there's a certain commitment that we make to the customers and the customers appreciate it.

So I think if you look at it from that point of view, there is a good -- a very robust demand that I see today. And these are people who want -- and also one more important point I'd like to raise here. These are not speculators or investors. These are people who are wanting to move into better and bigger homes, and they want this to happen.

So if you see it today, I can safely say I have about 80-20 ratio. 80% is retail and people who are actual owners and 20% may be these investors or otherwise. That's what the market is today. I can speak for DLF. So that's what I'm saying.

Pritesh Sheth: No, got it. That's very helpful. So that's it from my side. I have a few more questions, but I'll jump back in queue. And all the best to Vivek for his new role.

Moderator: Next question is from the line of Saurabh Kumar from JP Morgan. Please go ahead. May I request the management members we move to the next question.

Ashok Tyagi: Yes. We can -- Saurabh can come back later. We can move to the next one.

Moderator: Next question is from the line of Abhinav Sinha from Jefferies.

Abhinav Sinha: Sir, congratulations on strong numbers. A couple of things I wanted to check on slide 12 and 13 basically the development potential versus launch pipeline. So on the luxury side, you seem to have two types of products, right? So in FY '25, ASPs closer to INR50,000 and then it's like INR30,000 in FY '25. So how does this correspond with the DLF 5 land bank or some other products here. So that's question one.

And secondly, also, similarly, New Gurgaon, if you can help us explain, is the inventory now almost all the Privana type in terms of ASP north of INR15,000?

Ashok Tyagi: So on the first one, you are right, the sale in 24-25 is the DLF 5. The sale in the subsequent year, which is closer to an ASP almost of INR30,000 or INR28,000 is actually within DLF City, but not in DLF 5. We have two or three developments, including some on the next round of city floors in DLF phases 1 to 4. And those typically, I think this is the fair price for those.

I mean internally, anything sort of north of mid-20s, we classify as luxury. And hence, I think, that's the price difference you see between 24-25 and the year after. On New Gurgaon, clearly, Privana has set a new benchmark for sure. And I think there are a lot of sectors. A, we have about 116 odd acres in Privana itself. And then there are contiguous sectors ahead which also hopefully should sort of, I mean, gradually dovetail into ecosystem.

There is a new Gurgaon on the opposite side of the highway as well, which possibly could trade at a slightly lower price or may take actually longer to come up to the same levels, but I think clearly, new Gurgaon is now definitely early to mid-teens product even under all circumstances and the Privana ecosystem is clearly debuted at late '18 and hopefully would keep on strengthening from there.

Abhinav Sinha: Excellent, sir. And similarly, I mean, just 1 small doubt on the DLF 5, where we say we have got 24 million square feet. Now after all of these launches are done, I believe, we'll still have like a lot here, right? I mean 20 million more to go given the TOD upside and all. Is that fair?

Ashok Tyagi: Yes. So you are right that the DLF 5 has about 20 or 20-plus millions of existing pipelines and then the TOD pipeline, et cetera, will come in. So I mean, even at its sort of a very aggressive pace of 1 million, 1.5 million per year, I think the DLF 5 has a very deep pipeline, you're right.

Abhinav Sinha: And sir, just lastly, and many more questions, but I will come later maybe. On the acquisition that you have announced just like half an hour back, can you demystify it a bit, which land is this? And when can we actually see the transaction complete, please?

Ashok Tyagi: Sure. So this is land on the Golf Course extension road. There's a developer there who had distressed loans from these 2 lenders, Standard Chartered and Deutsche and we have been working with the 2 lenders and the developer for almost now the last better part of 12 months into trying to structure this transaction.

And what we have done today is that we have signed up the documents to acquire the debt from these 2 lenders. And now hopefully, in an amicable fashion, we will work with the developer to take control of these. I mean, we identified about 29 acres of group housing land here which should translate, including TOD and TDR to about 7.5 million square feet of saleable area, almost bang on Golf Course extension road via Sector 61 and I think it may take us, to be fair, with all the approvals, etcetera.

It may take us the better part of 12 months to have it really for coming to the market. But definitely, this is a geography where after Arbour, we were not present, and I think this will be a very big addition to our entire sort of inventory.

Abhinav Sinha: Great sir, this is the IREO part of the IREO bids, right?

Ashok Tyagi: Yes. That is correct.

Abhinav Sinha: Okay, sir. Excellent. And will join back for more.

Moderator: Our next question is from the line of Amit Goela from Rare Enterprises.

Amit Goela: This question is for Mr. Khattar. Sir, now that you've got that SEZ notification, which has come through, that 84%, when do you expect that to get normalized kind of situation because that will then improve the entire occupancy?

Sriram Khattar: Yes. Amit, thanks for asking a question. I was honestly feeling a little left out between the new launches and the pricing in the -- on the revenue side...

Amit Goela: I will make it a point to ask you a question every time.

Sriram Khattar: So I'm glad the SEZ notification came out in the beginning of December. And we have done our homework after that. And as we speak, we have already applied for all the SEZs for the floors that could be denotified under the new circular. So if we look at an overall portfolio of SEZs of 13-odd million, we have applied for 1.1 million to be denotified.

Now the process is that once we do it, make the application, we have to simultaneously go to a chartered surveyor preferably recognized by the government authorities and work out what is the level of equivalent of duty drawback that we have to pay. And we are in the process of doing that.

We believe that this -- we've also been in touch with the ministry officials who will take some more time for starting to clear all this once they put the whole process in place. We believe that by March and April beginning, we showed April middle, we should be able to get these denotified. And we will be putting them on rent in the market for leasing in the month of March and then take it up from there.

Amit Goela: Okay. Sriram, plus this under construction Downtown in Chennai, which is there, where you are saying that 90% is leased out. When do you see the revenue from this kicking in?

Sriram Khattar: Yes. So Downtown Block 4 Gurgaon should be ready by the end of this year and revenue will flow from Q1 of '25. Downtown Chennai Block 1 and 2 should be -- we should start paying, the OC has come. The tenant fit outs are going on, and we expect the rental to start from Q1 of FY '25. Sorry, Block 4 will be from FY '26 first quarter and Block 1 and 2 in Chennai first quarter of FY '25 and Standard Chartered will be from fourth quarter of FY '25.

Amit Goela: Okay. So most of it will kick in '25, '26?

Sriram Khattar: So Block 4 and Standard Chartered block will kick in, in FY '25, '26. Chennai Block 1 and 2, which is 2 million square feet, will kick in, in '24, '25.

Amit Goela: And one last point on this. See, on the cash flow of DLF, there will be dividend payment from the DCCDL of INR258 crores. So that is what sequential quarterly paid or what exactly is this?

Ashok Tyagi: No. So Amit Ji, what we have agreed now with GIC and Mr. Khattar, and Mr. Khattar agreement was a tougher one to obtain than GICs, I could assure you, is that he will take -- that basically Cyber City should pay a dividend twice a year. You are every 6 months in that sense, because it is a more predictable business instead of accumulating cash through the year and only paying it once.

So twice a year, we should -- ideally they should pay dividend. DLF will still pay dividend to shareholders hopefully only once a year. But from Cyber City, we receive it twice a year.

Amit Goela: Okay. Thank you so much. And finally, like Vivek, all the very best on your new assignment.

Moderator: Our next question is from the line of Saurabh Kumar from JP Morgan.

Saurabh Kumar: Am I audible?

Ashok Tyagi: Yes, sir, you are.

Saurabh Kumar: Okay. Sir, a few questions. One is, I was just looking at your RERA filings for Privana and Arbour. So your construction costs incrementally are in the INR9,000 range. Is there a reason why the construction costs are so high? Is it like just a high-spec apartment which you're doing. So what would explain such high construction costs, which is -- because I mean the question is essentially your gross margin should be going up and they're not?

Ashok Tyagi: So Saurabh, what we are doing now, given the entire material inflation in the last 4 to 5 years, is that we assume a 5% year-on-year material cost escalation, which is baked into this number. And I think there's a 5% contingency for any unforeseen expenses baked in.

So actually, if you were to ask Devendra Singh, who is running that project, what -- 100% of expenses were to be outflowed today, the number may be closer to seven and a half, 7,500-7,700 but the balance 1,200 to 1,500 is actually the provision for the next 4 years inflation and a potential contingency. The contingency provision keeps on reducing as we keep on ordering more and more.

Saurabh Kumar: Okay. So your gross margins in that case should not have a -- I mean, will have an upside only, so hopefully...

Ashok Tyagi: The contingency is under control. They should go. Because frankly, I mean, you are aware that the last 12, 15 years there have been a couple of cycles when inflation has caught us off guard.

Saurabh Kumar: Okay. Got it. The second is, again, on this price sustainability. So you launched Privana, which was awesome. And then your competitors also kind of cashed into the momentum and kind of did some launches maybe slightly lower.

But point is that what do you think about the sustainability of this price increase which you're seeing in Gurgaon which is like completely delinked with what's happening in rest of India. So I understand the inventory is low, but at what point it becomes an affordability challenge?

Aakash Ohri: So what is happening, Saurabh is that affordability also comes with a certain degree of what you are prioritizing in life. So as I say, your residential sales post-COVID earlier, people thought it's an aberration, people thought it's maybe couple of months phenomena, then they said no, it's going to be carrying on for a year, then they said 2 years now.

Now it's accepting that there is a certain set of people who have now decided to come into the fray who historically were not buying real estate, okay? And that's the age group of between 30 to 40. Then the NRIs have started to come back in a good way to invest in the country.

So as far as price sustainability is concerned, if you see the overall infrastructure in and around, Privana, let me just make that as a case in point for you. It is the hub between the Dwarka Expressway, the Mumbai Expressway, the -- this Jaipur National Highway. So basically, if you look at its connectivity wise and it abuts 10,000 acres of a green lung, you can't get it better.

Now with regard to the acceptance as far as price points are concerned, I think, I will still choose to believe that our pricing has been very responsible, because if you see the kind of madness that was going on in Gurgaon earlier, we have kind of -- not only we have kept ourselves away from that greed and that lure and both -- and have demonstrated this very strongly, both in Arbour and in Privana that we could have picked up at least INR2,000 per square foot more, which we didn't. So we kept money on the table for the investors. So that is one.

Second, as far as we are concerned and as far as Privana is concerned, the ecosystem, the entire ecosystem, and the contiguous land parcel that we have. I'm calling it the DLF 6, so all the learnings that we have had in DLF 5 obviously, DLF 5 is super luxury, so we're not comparing it apple-to-apple. But I'm saying all the learnings of infra, social infra, everything else that we had, we will be taking that to Privana.

So you will only see a price increase. And again, I think, what has happened today is that there is a certain set of people. If you see the size of investors has increased over the last 3 years and the acceptability of residential real estate investments as an asset class has now become the top priority. So I think that is what is it.

If you see what was happening to the capital markets over the last 5 years, why aren't people saying that how come investments went from certain billion to certain billion where are you seeing that with the FIIs pull out will individually retail guys. So everybody is trying to grow their market, but in the real estate thing, there is -- I'm seeing a very sustained demand, Saurabh.

And I feel that this 80% because a lot of these investors, in fact, let me make another point clear to you. This time even deduped the Arbour data. So people who got the Arbour were not in the line of reference for Privana. So for people that -- and in fact, I'm extremely wary of these fly by night investors because we don't -- we'd rather have -- and we have enough people wanting to get better homes from DLF.

Ashok Tyagi: Saurabh.

Saurabh Kumar: Yes, you are the guy with the golden touch, sir. So I just want to just add on to one thing on this price thing because the Privana's price is what Magnolias was like 8, 9 years back, I mean that's my limited point that Magnolias stated at 18,000, Privana under construction, you've kind of got to that price. So -- but maybe I'll take it offline.

Aakash Ohri: Happy to tell you what Magnolias is trading today at INR55,000 to INR60,000 a square foot.

Saurabh Kumar: Yes. No, I understand that. Okay. Just one last...

Aakash Ohri: These are second and third phase, Saurabh. So I'm not even -- I mean, yes, I have a very strong retrade team, which is assisting people there. But that's what the price points are in Gurgaon today. And if you're wanting a better life, you want -- I say it's a great melting point. It is not only just price point related, it is also becoming the most preferred destination for living, both from the infrastructure point of view and the social infrastructure point of view.

And of course, the connectivity to the airport and everything else, 95% of the offices, big Fortune 500 companies are there, good schools, great ecosystem, fantastic golf courses, leisure opportunities, cinemas, you don't need anything out of this zone that has been created.

Saurabh Kumar: Okay. So maybe next time in Gurgaon, we can see that New Gurgaon market plan. So just very quickly moving on. Sir, just on the construction spend, your construction spends now go up very substantially from here on because of the sales velocity.

And I mean, are there any changes you've done because now you're giving fully fitted out apartments historically, we've had delays. Are there -- I mean, as you spends go up, are you confident of meeting the timelines you have kind of thought about because your sales have gone up roughly 6x. I mean, the deliveries will have to keep pace. How do you think about that?

Ashok Tyagi: So you're right, Saurabh. So I think the 2 things we have done is obviously significant strengthening of our construction teams on the ground. And also a significant diversification of the contracting ecosystem, frankly. So we are no longer working with just the 2 or 3 Grade A contractors. We have diversified.

We have strengthened our sourcing team. We have strengthened our accounts payable team. The entire value chain of that entire construction process, we have definitely -- because we clearly understand that that could be a weak link if it's not focused on. And I think that's what we are doing.

Saurabh Kumar: Okay. And just one last question. When do we see the P&L acceleration in terms of revenue recognition? Or when should that start to happen? Maybe Vivek can answer that? We'll hold him to account still in the new company.

Vivek Anand: Saurabh, I think this was asked earlier as well. So I think it's a matter of time before these new sales will start converting it into revenue. So I think possibly my estimate that it will take another two years before you see the revenue actually growing almost in line with the new sales booking.

Saurabh Kumar: Okay. Got it. Thank you.

Moderator: Our next question is from the line of Mohit Agarwal from IIFL. Please go ahead.

Mohit Agarwal: So my first question is, I wanted to have a view -- your view on the demand for independent floor segment, especially in Gurgaon. So is the momentum continuing like what we were seeing last year, last two years or -- was it more like a post-COVID trend when -- and now homebuyers are back to buying apartments. So any thoughts on that? And within our launches, how much are we -- what share is independent floors for FY'25 in the launches?

Aakash Ohri: So independent floors, most of it that we had we sold. In fact, we just got the last 30-odd units to go as far as floors are concerned, independent floors. And one thing that -- since you asked that question, I'd like to say, because I -- we keep doing these analysis even within. There's a certain set of customers who only prefers to be in these floors or independent homes. The managing of independent homes is becoming quite a hassle for most of the people. So people are graduating to living in floors and there is a little bit of a community thing also.

Yet, it is tradable and manageable. So also happy to let you all know that the DLF independent floors are being traded at a premium of upward of 15% to 20%, which are happening today. And the set of people, and there are plenty because if you look at upcountry, they've not lived in condominiums. If you look at Delhi, most of Delhi has never lived in condominiums.

So I am getting -- I have a massive, I'd say, interest that comes in and demand that comes in from upcountry as well as Delhi. People who historically lived in independent homes or even floors there are now starting to upgrade because their children go to school here or they work here. So I'm seeing a lot of those people wanting to move here.

They had the choice of condominium living, they chose independent floors. So as a brand, I will continue to say that whatever -- I don't have much to your second question. I don't have much in Q4 or Q1 of independent floors. But if I can answer it this way, should I get an opportunity, I look forward to it.

Mohit Agarwal: Okay. Understood. My second question is in your land bank slide, you mentioned in the comment below that the TOD potential is not being considered. Could you give some color around this? How big could this be? And which areas is where you see the maximum TOD potential? And when does this come into your land bank? Or when does this come into play only once you exhaust the existing pipeline or it could be more opportunistic? So some color on that. Yes.

Ashok Tyagi: So whenever we launch a project, so as an example, when we launched Privana. We look at the TOD/TDR entitlement that Privana had and try to maximize that. So it's not that only once we complete this project when we start engaging on TOD and TDR because TOD and TDR is used on the existing land bank. It's sort of retrofits on the existing land bank. So this is done on a project-to-project basis, they will in all fairness from micro geographies in Gurgaon also where we may not be able to consume the entire TOD and TDR entitlement because of either height restrictions or footprint restrictions on account of buildings already built.

So this is a WIP in all fairness, but I think this will add to this number by a significant margin for sure. But we are not letting TOD/TDR yet. Whenever we are doing a new project, we try to sort of assess the maximization of TOD and TDR, we can do in that project, both on the DevCo side and on the RentCo side.

Mohit Agarwal: Okay. And -- okay, understood. And lastly, any update on the Midtown Tower D launch? And are we planning to launch this in -- of FY'24? Or will it spread into FY'25?

Aakash Ohri: What has happened is that all this hullabaloo that Gurgaon has been -- all the attention that Gurgaon has been getting, we have almost sold-out Tower D. We've got the last 70-odd units left of One Midtown.

Ashok Tyagi: Before we launch.

Aakash Ohri: Even before we planned to do this in Q4, first Q3, Q4, but we are almost cleaned, just 70-odd units there. So I don't think that it merits a launch. And there is just Tower D left now. The four-bedroom we had always planned to do with the club launch, which is sometime in Q1 or Q2. But I don't think really now -- I don't think we're going to be doing a big bang launch or anything. We're almost out of 225 to 235-odd units, we're almost there, just 70 units to go. So that is also, I think, we'll clean this up this quarter. So I don't think there'll be a launch anymore there.

Mohit Agarwal: Okay. That's perfect. Thanks a lot for answering my questions and wish you the best, Vivek.

Vivek Anand: Thanks, Mohit

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

Parikshit Kandpal: Hi, sir. Thanks a lot for the opportunity and congratulations on a great quarter. So after achieving our guidance of INR13,000 crores, so what are the next targets for FY'24 and '25?

Ashok Tyagi: So, depending on how the entire launch pipeline pans out, I mean, clearly, we will be looking at a number which is at least a moderate increase from what we achieved in FY 2024. I mean, traditionally, as you know, we come up with the launch -- with the launch guidance -- the sales guidance for next year, typically in the annual closing analyst call, which will be in early to mid-May, which is when we would update this.

By that time, this entire thing on, when are we launching Privana 2, the final timeline on the DLF 5 launch, all of these uncertainties would also have been frozen by then. So -- but I clearly look at a number which is hopefully a 15, 15 plus number at a very moderate level for next year.

Parikshit Kandpal: And even for FY'24 now being done, INR13,000 crores, if you're looking at that INR15,000 crores plus for the full year as a whole?

Ashok Tyagi: So I think -- as I think Aakash mentioned earlier also on some of the interactions post Privana, we are trying to see if we can advance the launch of 1 major project, which is currently stated for Q1 into Q4. I mean, obviously, the market is there and the customer pipeline is there. I think it's a question of can we get all the approval process done by mid-March for it to launch.

I think there's clearly -- there will be a launch, Parikshit, definitely before the end of April for sure. Whether it happens on 15th March or 15th April is something that I think we are not necessarily losing our sleep about. But I think clearly, we do expect that the next round of Privana should come to the market, hopefully, in the very near term.

Parikshit Kandpal: Great. Just the last question on this new land bank, which we have announced. So you said 7.5 million square feet would be I understand the carpet sale -- carpet area and 12-odd will be sellable. So this INR825 crores would be the total...

Ashok Tyagi: Parikshit, 7.5 million square feet saleable is what we said.

Parikshit Kandpal: Sorry sir, what?

Ashok Tyagi: 7.5 million square feet sellable area.

Parikshit Kandpal: Okay. It's sellable because I think you earlier mentioned 12.5, I think just on that. So this INR825 crores is the total consideration for the sellable area and beyond that you will also need to invest on TOD?

Ashok Tyagi: No, INR825 crores was the outstanding loan that the developer had vis-à-vis these two banks. Actually, the loan was what I think INR1,200 crores. The bankers agreed to take a haircut as a one-time settlement. So INR825 crores is what we have bought the loan at from the bankers. We are in the process of finalizing our agreement with the developer for acquisition of these 29 acres with -- with that requisite FAR. And I think whatever is the delta would then need to be paid out. So INR825 crores is not the consideration for 29 acres. The consideration would be slightly higher than that. But INR825 crores is the price at which we have bought these bonds from the current bondholders. So that now we are the lender and we will now run that process in amicable manner to acquire the targeted land.

Parikshit Kandpal: And what would be the total development potential in terms of value, 7.5 sellable, what kind of sales potential is there?

Ashok Tyagi: I don't want to hazard a guess, but Aakash what will extension road, what will be the sales price. So I think 7.5 would be late teens.

Aakash Ohri: But I'll let Saurabh speculate that. I'm dreading saying anything to you all. No, it's a fantastic parcel. We are very excited about it. And it will be -- hopefully, as soon as we get it, I think it's going to be a good turnaround. Also, you know what the Golf Course Road is trading at today. So at this point in time, I think, let us do -- get into the market a little bit, let us do our surveys, but it will be a good number, again, responsible number.

Parikshit Kandpal: And this is not included in the presentation...

Ashok Tyagi: No, this is not included in the launch guidance because the launch guidance was prepared yesterday evening and this agreement was signed today afternoon.

Parikshit Kandpal: Okay. Thank you, sir. Those are my questions.

Moderator: Thank you. Our next question is from the line of Kunal Lakhan from CLSA. Please go ahead.

Kunal Lakhan: Yes. Hi, good evening. Just wanted to understand like since Mumbai is second in line after Gurgaon in terms of launches, what are the specs that we are looking at? What kind of units, what kind of ticket sizes we'll be launching there?

Aakash Ohri: So right now, it's going to be premium plus, ticket size, again, yet to be fully finalized, but it will be between INR5.5 crores to INR7.5 crores. And as far as the sizes are concerned, we were just about, yes, it's three-bedroom, three-bedroom plus, but we're just about finalizing over that. But it's -- it's going to be a good development again in the lines of what DLF does with infrastructure and all that. And of course, the lifestyle with the club and everything else will come with it.

So as far as the product is concerned, I mean, the first cut has come out pretty well. So yes, please keep a look out for us. And I think that's the price point that at this point in time that we're looking at, but I am now getting -- I'm going to be spending some time in Mumbai starting, say, maybe February, March onwards, and some realization price thing we'll kind of do once we are on ground. But more or less, we've got an idea of what we're going to be launching at. And I think, yes, I mean, we're also pretty excited to come to Mumbai. So yes.

Kunal Lakhan: Sure. And any update on Tulsiwadi? I mean Mumbai also has been doing well, especially the luxury bit, right? And that location is like well sought out for. So any update there? And any timeline that we internally hold that to start looking at monetizing that project?

Ashok Tyagi: No. So I mean Tulsiwadi, obviously, we are currently at the rough end of the legal fight. I mean, as you may have read about four, five months back, one of the three -- three shareholders, frankly, I mean, basically acquired -- the land was sort of auctioned in a very less than transparent manner to an ARC who transferred it to an affiliate of one of the shareholders.

So currently, both us and Shapoorji Pallonji are in extremely intensive litigation with, frankly, both the lenders, PNBHFL and the concerned ARC and we are hoping for a fair and equitable resolution of that. So clearly, it's not coming up for a launch anytime soon because some of these legal issues have to be resolved.

Kunal Lakhan: Sure. And lastly, we are generating these very strong free cash flows both in DLF as well as DCCDL. But in terms of our new business plans or new development plans, I mean, we got into Mumbai, but are we looking at any other market actively besides Mumbai on the West or on the southern side?

Ashok Tyagi: So we are clearly looking at certain opportunities to -- from a growth standpoint. As you recall, Vivek always used to say that free cash flow will be used for shareholder returns and growth capital. So we're still looking at growth capital. But truth be told, most of our opportunities that we are pursuing right now are within the NCR fold in that sense, which is where I think we have a strong presence and hopefully can deliver value.

Sriram Khattar: So we've actually taken Vivek's guidance very seriously.

Kunal Lakhan: Sure. Sure, sure. Khattar ji, one quick question for you. We did highlight that last time that we are seeing discussions or interest coming back from GCCs, although nothing has been put on paper yet, but are we seeing incremental signs of like new leasing coming back, especially from the larger players, larger GICs and MNCs?

Sriram Khattar: Yes, the demand or the interest from GCCs continues to be robust. And I believe that in the next few quarters, it will only grow. When these GCCs come to India, they look for 3, 4 aspects where I daresay at the cost of and I don't want to be immodest, where we are able to sort of satisfy quite well.

One is they look at what levels of sustainability do we have? And what steps do we take in that area and in the area of ESG. Secondly, look at what we can provide for the employees of these GCCs who come in terms of social infrastructure and better-quality amenities, safety, security, et cetera.

Third, they look at scalability. And fourth, they look at the quality of the real estate developer. So I think as we go forward, this definition of so-called Grade A office space at 700 million will slowly get -- start getting segmented where we will have Grade A++ office space and Grade A office space. And Grade A++ office space, I daresay would be between 150 million to 250 million. And that is the segment we would continue to operate and grow.

Kunal Lakhan: Sure, sure. But in case -- in a sense, are you expecting like larger deals to start closing from, say, a couple of quarters?

Sriram Khattar: Yes, we expect larger deals to close from a couple of quarters. I may share with you a deal that was closed recently. To our surprise, one of our tenants wanted to see our pipeline of growth for the next seven years when -- and this was in Gurgaon and when we shared that with him, Downtown Phase 2 for which only we have started doing the roughs and preparatory work on the site. There was a building -- we have 4.5 million square feet of offices coming behind the mall, and that's a total of about 7.5 million developments.

So this very marquee GCC took 160,000 square feet with deposits with an auction, hard auction to take on another 160,000 in a building for which we have not yet started construction. We are having also strong inquiries on our joint venture with Hines, which in terms of timing, we have planned well so, say, downtown 4 gets delivered end of this calendar year.

And the joint venture with Hines, which we call Atrium Place those buildings start getting ready from, say, April, May of '25. Therefore, there are well sort of timed. And by the time they get completed, we will have the Phase 2 of Downtown delivery starting to come in place with a lag of about 6 months to 12 months.

Kunal Lakhan: Sure. Sure.

Moderator: Our next question is from the line of Abhinav Sinha from Jefferies.

Abhinav Sinha: Khattar sir, just a quick follow-up on Kunal's question. So on the rent side, are we seeing some movement or it's still a few quarters away?

Sriram Khattar: No. touchwood, we are seeing the rents getting not only stabilized but moving up. I am pleased to share that the last lease that we did in Downtown 4 was at INR150 a square foot. And the last lease that we did at Downtown in Chennai was at INR100 a square foot. So we are seeing rental slowly inching up. Cyber City, our budget for this year was INR114 and we'll probably be doing slightly better than the budget in the current year.

Abhinav Sinha: Right. And sir, last one on DCCDL transfer that we have seen the DLF centre. So I mean, are we looking to transfer the remaining also from DLF and including the ones -- the malls, I think, which are under construction?

Ashok Tyagi: So one thing we have realized is that it's frankly from a value realization standpoint, it's always best to transfer assets once they are completed and rent yielding versus when they are in the development phase and subject to a lot of assumptions and valuation, et cetera. I mean, if you recall, we had transferred the parent Cyber City assets in September -- December '17, transferred the next rung of assets in September 2019.

In some sense, this is the third tranche of those assets. So we -- I mean the DLF Cyber City -- DLF Centre transfer required the permission from the minority shareholders. So hence, we have taken it ultimately to Board this time and now we'll run the minority shareholder process.

And hopefully, by the time this closes, we may also be looking to transfer one or two other assets which are currently in active rental on the DLF side of the equation on to Cyber City assuming they're able to settle the price and other terms agreement with GIC at Cyber City.

Moderator: Our next question is from the line of Saurabh Kumar from JPMorgan.

Saurabh Kumar: Sir, just a few follow-ups. So one is this Atrium Place, it says sales value. So I mean, the intention is to sell it or it's part of your development that is INR7,000 crores? Or is that just a capital value?

Ashok Tyagi: So this is a capital value. I mean the idea being obviously Saurabh, there is some stage as and when Cyber City does have a monetized solution, Atrium Place may also be -- potentially contribute to that. But this is not -- this building hardcore for lease. This is like a classical RentCo asset. It's just that as and when the monetization proposition or solution comes up for Cyber City as a whole, we'll talk to Hines at that time to see also if we can contribute that as well into that modality.

Saurabh Kumar: Okay. And current visibility, sir, where will you think the exit rental for FY25 stabilizes now?

Sriram Khattar: Saurabh, I was waiting for this question, it should stabilize between INR5,100 crores and INR5,200 crores fiscal -- FY25.

Saurabh Kumar: FY25. Okay. INR5,100 crores, INR5,200. And this will exclude Atrium, right? I mean, Atrium will be?

Sriram Khattar: Yes, it excludes Atrium…

Ashok Tyagi: March '24 exit is…

Saurabh Kumar: And in the parent, it will -- should be at the current run rate, right? And the DLF...

Ashok Tyagi: The DLF Centre it comes at -- DLF Centre will get reduced from parent and go into Cyber City. So that INR65 crores or INR60 crores, INR65 crores will get direct to Cyber City.

Saurabh Kumar: But nothing is completing in DLF in the next one year, right? In one of the malls you were building or the...

Ashok Tyagi: The malls will come into play in the fiscal...

Sriram Khattar: Noida will come into play. So that's about INR50-odd crores.

Ashok Tyagi: INR55 crores in Noida, yes.

Sriram Khattar: So what will happen on the DLF side that one side -- once the DLF Centre deal is consummated about INR60 crores of rental will shift from DLF to DCCDL. But in DLF, the two, the data centre one and about 0.5 million of IT Park that will start really yielding range of roughly an equivalent amount, maybe INR5crores a year.

Saurabh Kumar: Yes. So basically, DLF remains constant that goes up. Okay. Got it. Just one last question, sir, on this deal, which you've done. For me like effectively, your property prices are going up, but if I look at the transaction and even if I make assumptions around land cost, other charges, land cost is not going up, right? So you're basically buying 7.5 million square feet for less than, I don't know, maybe INR1,400, INR1,500 a square foot. So that's a very sweet spot for you as a developer to use cash when land price is not going up, property prices going up, so your incremental margins are better. I mean if you want to comment on that?

Ashok Tyagi: So Saurabh, you're right and very rough back of the envelope computation, from the agreed land cost and all the governmental charges required to go up to peak the 4.5 plus FAR. I think our landed land cost will come to around or less than INR2,500 per square foot of saleable area. And so obviously, given the price points, hopefully in the Golf Course extension road, that is a fairly sweet spot.

Saurabh Kumar: So when should you be doing more of this, like, I mean, this is like the situation doesn't last for long right?

Ashok Tyagi: Saurabh, this transaction has taken 19 months of my life...

Saurabh Kumar: I got my...

Ashok Tyagi: 19 months of my life, my HbA1c has shot up by about 20% in this transaction. So -- let's -- we'll do it...

Saurabh Kumar: It takes only two days for Aakash to sell it. Yes.

Sriram Khattar: The sugar levels of Aakash and Ashok are constant..

Ashok Tyagi: But I mean delegating this distressed effect the…

Saurabh Kumar: Okay. Got it. Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question of our question-and-answer session. I would now like to hand the conference over to Mr. Ashok Tyagi for closing comments.

Ashok Tyagi: Thank you. So, A, obviously, I would like to thank all of you for, again, coming out and supporting us. Yes, we have hopefully had a very good quarter, and I think this is a harbinger of possibly not only the next quarter, but hopefully, the next couple of years, if not longer. I mean both the DevCo and the RentCo, both offices and malls.

I mean, really all the segments are firing right now in unison. I mean the one delta there was, was with respect to SEZ lands and that also has now been rectified. So hopefully, all the engines of the company should be working together.

Our free cash flow is now reasonably strong. We have -- as I mentioned earlier, we'll keep on distributing that across shareholder returns and growth capital. So I think overall, I think the company is definitely hopefully looks to be -- I mean, the company and the industry look to be in a relatively decent zone.

I'd also like to take this opportunity, frankly, to thank Vivek, who, I think, in the last 4.25 years of -- four years plus?

Vivek Anand: Four-plus years.

Ashok Tyagi: Four-plus years. Honestly, has been tremendous in terms of putting sanity in our process, in our cash flow systems in terms of strengthening of the -- not only the teams below him but also the IT networks. I mean, in some sense, I think, he was exactly what we needed. And while we tried our level test to have him stay back, he wants to ride a motorcycle now, so which is okay. But again on behalf of all of us, I think we once again thank him enormously for what he contributed here.

Vivek Anand: Thank you.

Ashok Tyagi: All the best, Vivek.

Vivek Anand: Thank you.

Ashok Tyagi: Thank you.

Sriram Khattar: Thank you.

Aakash Ohri: Thank you.

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