"Prestige Estates Projects Limited Q1 FY27 Earnings Conference Call'

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MODERATOR: **MR. PRITESH SHETH – AXIS CAPITAL**

Moderator: Ladies and gentlemen, good day, and welcome to the Prestige Estates Q1 FY27 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand over the conference to Mr. Pritesh Sheth from Axis Capital. Thank you, and over to you, sir.

Pritesh Sheth: Yes. Thank you, Shruti. Good afternoon, everyone, and thanks for joining the call. From the management of Prestige Estates, we have Mr. Irfan Razack, Chairman and Managing Director; Mr. Zayd Noaman, Executive Director; and Mr. Amit Mor, Chief Financial Officer.

I'll now hand over the call to the management for their opening remarks. Thank you, and over to you.

Irfan Razack: Good afternoon, everybody. I'll hand over to Zayd to give the opening remarks. We also have Mr. Naik, our Chief Finance Controller. He's also listening on.

Zayd Noaman: A very good afternoon to everybody, and thank you for joining us today. The first quarter has been a good start for the year with stable operating performance across all our businesses. We continued to execute on our development pipeline, maintained healthy collections and saw consistent performance across our office, retail and hospitality portfolios while laying the groundwork for a much stronger launch calendar over the balance of the year.

Our resi business recorded presales of INR6,579 crores during the quarter with sales volumes of 6-odd million square feet across 337 units sold. Customer collections remained robust at INR4,802 crores, reflecting healthy customer demand and continued execution across our projects. Geographically, our sales remained well diversified.

Hyderabad contributed this time 49% of quarterly sales, driven by the successful launch of Prestige Golden Grove, followed by Bangalore at 27%, Mumbai at 12%, NCR at 7% and other markets at 5%. Average realizations for apartments stood at INR11,193 per square foot, primarily reflecting the geographical mix of sales with Hyderabad accounting for nearly half of quarterly presales.

During the quarter, we launched 4 projects spanning a combined 20.16 million square feet of developable area. These included Prestige Golden Grove in Hyderabad, Prestige Gardenia Estates Phase 2 in Bangalore, Prestige Pine Forest -- sorry, Prestige Forest Hills Phase 2 in Mumbai and Prestige Century Landmark, a commercial development in Bangalore. Together, our resi launches represented a GDV of approximately INR12,000 crores.

While Prestige Golden Grove contributed significantly to our quarterly performance, Prestige Forest Hills Phase 2 was launched towards the close of the quarter and therefore, only a limited contribution to Q1 sales. We expect the momentum from this launch to be more meaningful over the coming quarters.

During the quarter, we also completed 3 projects with a developable area of 4.37 million square feet, comprising Prestige Tech Forest, which is a commercial project, Prestige Sanctuary, a residential project in Bangalore and Prestige Cityscape in Kochi.

Our annuity portfolio also delivered another healthy quarter with our office business. We recorded a gross leasing of 1.5 million square feet during the year -- during the quarter. A key highlight was the successful preleasing of the entire development at Prestige JRC Signature Tower to one of the leading banking institutions, which shows the continued preference of marquee occupiers for well-located institutional quality office developments. The exit rental of our commercial portfolio for FY27 stands at INR865 crores.

Our retail portfolio continued its strong performance with gross turnover increasing 18% year-on-year to INR737 crores. Footfalls across our malls reached 5.2 million during the quarter, while the FY27 exit rentals for the retail portfolio stand at INR370 crores.

Our hospitality portfolio also continued to perform well, supported by increased occupancies and competitive room rates -- average room rates. Beyond business performance, we also remain committed to our sustainability agenda. On the occasion of World Environment Day, the company participated by planting 1.25 lakh saplings as part of our commitment to plant 1 million trees in Bangalore.

This initiative reflects our continued focus on integrating environmental stewardship with long-term value creation across our developments and communities we serve. As we enter the festive season, we have a strong lineup of high-value, high-velocity launches across our key markets. These include marquee developments such as Prestige Business Bay in Mumbai, Prestige Bougainvillea Gardens, Prestige Meadows in NCR.

Prestige Falcon City Reserve in Bangalore -- Prestige Falcon City -- and Prestige Clover Dale in Chennai, The Prestige Place in Hyderabad are a few important launches lined up for the second quarter, which will further strengthen our momentum heading into the festive period.

Beyond launches, we also continued to strengthen our long-term growth pipeline during the quarter through lots of business development. We expanded our presence in 3 new micro markets in Mumbai, that is Thane, Borivali and Versova, which marks another important step in broadening our footprint in Mumbai, MMR region. These acquisitions not only expand our footprint, but also add to our launch pipeline with our teams already working in advance towards launching these over the coming quarters.

With this, I think we're happy to take your questions and hear more feedback from you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Parikshit from HDFC Securities.

Parikshit: Congratulations on a good quarter. So my first question is on the Hyderabad contribution to the sales in this quarter, the Golden Grove project. So -- versus the GDV, the numbers look a little muted. So if you can give some color on how is the Hyderabad demand in the current environment?

Irfan Razack: Sir, we have sold already 60% of the total project. We have a GDV of INR9,500-odd crores.

Zayd Noaman: Including land.

Irfan Razack: Including the landowner share.

Zayd Noaman: Which we are not selling.

Irfan Razack: Which we're not selling. And we've, I think, sold very well over there.

Parikshit: Okay. And just on the business development, I think we have announced a strong business development, including Aram Nagar in the Q1. So how is the rest of the year looking in terms of business development across Mumbai, Bangalore, Hyderabad and NCR? If you can give some more color what are the targets for this year? I mean, how much do you think we can do business development this year? And how quickly can we bring these launches, especially the Aram Nagar one, into the launch pipeline?

Irfan Razack: Sir, in terms of business development, it's very dynamic. It changes quarter-on-quarter. We are on target to, I think, achieve that spend for the year. We target about INR4,500 crores of spend towards business development for the year, which will be spread over the ensuing quarters.

And in terms of launches, actually this quarter, we plan to launch 4 projects in Bangalore, which is the Prestige Avon, Prestige Battersea and the Prestige -- the Garden Breez. These are all under approval. We should get all the approvals in maximum 8 or 10 days' time after which RERA and then we launch that.

Apart from that, we are going to launch Prestige Palm Court in Chennai this quarter. So it's quite a lot of action that you're going to see. So Garden Breez, Avon, Springwood and Battersea this quarter in Bangalore, Palm Court this quarter in Chennai and Park Street in Chennai will be next quarter and then it will follow.

So there's a big, big launch pipeline, which is almost INR45,000 crores worth of launch pipeline that is still pending. And I think all seems to be on target. In fact, quarter 3 will see Prestige Meadows, Prestige Bougainvillea Gardens and the Prestige -- what's that called, Chambers 51 in Mumbai, 2 are in Delhi, 1 Chambers 51 is in Mumbai.

Parikshit: Okay. Just last question, Irfan, sir. So have you seen any impact on the ground in terms of delays in deal closures by the customers, any elongation in the sales cycle because of geopolitical tensions because -- any concerns around AI because there has been a lot of noise around AI and its impact on slowdown, especially to the traditional IT companies and the demand related to that. So on the ground, especially in Bengaluru, how things are shaping up and even across your other sites and geographies, have you seen any impact of the sentiment around the geopolitics?

Irfan Razack: I think you asked me 3, 4 questions all in one go. The first part is you asked about delays. Delays, we had a whole lot of stress in the last quarter, which, of course, will have an impact on handovers. That is during the elections in Assam and West Bengal, a whole lot of labor had gone away, and now they have started coming back or they have come back.

But we did have huge stress of about 2 months. So that will impact deliveries by a month or so, but nothing really to really get concerned about. Then your next question is, how will geopolitics affect the business. Business has not got affected because of geopolitics. But what happens is our costs have gone up because of geopolitics, because of the oil prices going up, because of commodity prices going up.

Obviously, cost has gone up. But then that's only for that particular time, that 3 months or 4 months, whenever, then we go back to the thing. But then there is going to be some impact on a bit of expense.

And the third part you're asking whether the demand is there. Demand continues to be there. We don't see anything. And AI, I think AI is more positive than negative. AI is another business model that is coming up and more job creation happens. Yes, on one side, the mundane jobs, which is a regular accounting jobs may be at peril. While that happens, there are new type of jobs that are coming in, which are more technical and everybody has to upskill themselves.

However, we don't feel the pinch here. We believe that there is demand and people are positive and they have a need and they are committing themselves even at these higher prices. That's the amazing part of it. And that's not only in Bangalore, it's across all the cities we operate in.

Parikshit: So you remain confident of that 15% to 20% presales growth which you have guided in the last call?

Irfan Razack: No, that is given. That -- we are very, very confident because we've got a big pipeline. And the only thing that may -- which may trip is that these products don't come to market. But once we hit the market, I don't see us not selling. So the question of not being able to sell does not arise. But always, you have this problem of delays in approval, delay in getting RERA.

In fact, that is where our major stress is. But like you see 4 projects, which I told you should have come in Bangalore. Now they all got delayed to this quarter. Otherwise, instead of INR6,500 crores, we would have been like hero saying we did INR8,500 crores. But then it will come this quarter.

There's a big pipeline. And I think it's a good pipeline that we have, including now we've got some 3, 4 big projects even in Goa where we've invested in land. Now it's like a moving target. Every week we have promised next week and the next week doesn't come. So what happens is we really just cannot plan it. So that's where our problem is. But in spite of all the connections, in spite of having all the relationships, sometimes targets are moving.

Moderator: The next question is from the line of Kunal from CLSA.

Kunal: Just a couple of questions. Firstly, on the annuity side, right, in terms of the projection that we have given out for rental income, particularly for the office portfolio, there has been some revision, downward revision, in '27 and '28 numbers. Is it on account of some spillover of some deliveries completions? And if yes, then can you just highlight on that, please?

Amit Mor: Kunal, basically, it's 2 projects which we have pushed the time line by a couple of months, maybe 2, 3 months, it will -- so we had planned those projects to get completed in March '27. The time lines for those completions is now somewhere in June '27. These are basically a tech zone as well as JRC. These 2 projects is what we have pushed the time line. But again, no significant delays as such.

Kunal: Okay. And just like a couple of quarters or like a couple of months delay? Not -- and any reason for the...

Amit Mor: Couple of months. Not a couple of quarters. Couple of months.

Kunal: Okay. Okay. So by '29 -- I think '29 onwards, our estimates are pretty much…

Amit Mor: In fact, JRC, we have already committed to the tenant that we will be handing over in June quarter…

Kunal: This is next year?

Amit Mor: Yes. Next year. It's fully reserved.

Kunal: Sure, sure. Also on the cash flow side, right, this quarter, we saw some -- a little bit of surge in the expenses, particularly. The collections were fine, but on the expenses side, we saw some surge. Should we expect a similar level of expenses both in the construction and the overheads for the rest of the year also or should we -- would there be any moderation there?

Amit Mor: You can see almost similar run rate. But in Q1, the expenses were a little higher because whatever bills were submitted by the contractors in the last quarter, they got certified and we had to pay that bill. So the construction cost was a little bit higher. Moreover, we have a big launch pipeline in Q2 as well as Q3. So some of the approval payments and all that we had to make. So -- because of that, the construction payments was a little higher than what we had expected.

Kunal: Correct. Correct. So does that mean that -- because our collection run rate is pretty much on track with our full-year guidance of INR20,000 crores. And if we are able to achieve the same guidance, then in terms of operating cash flow, would there be some pressure there versus last year because if we expect the same level of expenses to continue? Just trying to understand on the operating cash flow side where would we end up there?

Amit Mor: No. Even on the cash flow, if you see it was a little lower compared to our full-year guidance because the sales what we have guided for the full year, it has not happened at percentage terms. So if you see, we have guided the residential collection in the range of INR21,000 crores plus -- INR21,000 crores to INR22,000 crores is we are expecting residential collection for the year should be.

And the total gross collection, including all other verticals, will be in the range of INR25,000 crores. So at the current run rate, it will touch only INR20,000 crores, INR21,000 crores. But then once we launch the projects what we had slated in Q2, Q3, okay, those projects will add to the cash flows. And definitely, it will -- our free cash flows also will improve.

Kunal: Understood. Understood. And lastly, one question for Mr. Razack. We've seen some -- NCR market really doing well. I think some of the new entrants got some very good response last quarter or so. Any plans of like scaling up there in terms of like project acquisitions or like expanding in, say, Gurgaon market or so?

Irfan Razack: No, no, we've got 3 projects tied up. One is, of course, an old project, which is in Sector 150 where the master plan is now finally approved at the sports city. We are only waiting for the building plans to roll out and then RERA and then launch. So that is imminent. That will happen very soon.

Similarly, we have tied up that is the Prestige Meadows in Sector 92, which will again have a GDV of INR4,500 crores. So even that is also the agreements are signed and the plans are drawn up and they put it for -- locked in for approval, which should come soon, we should have a November launch.

And then there is one -- another project, which is Sector 190 or whatever, and that is also called the Prestige Falcon City, and that also is ready for it. And that -- there also we are just doing the final paperwork. I think that also should get done soon.

Apart from this, we are also discussing a couple more. So there is a good pipeline. And I think we are very bullish on the NCR market, more so since it gave us some great numbers in the last financial year. We definitely are trying to see that we get the choices. You see, we're just not getting desperate and picking up anything and everything.

Only if it makes business sense and if we believe that there is a bottom line and there is a potential to get good revenue, we are locking in those. And we've locked in 3 and then maybe 1 or 2 more will keep coming as we go along.

Kunal: Sure. And then lastly, just on the business development side, our spend will be in line with what we had guided for at the beginning of the year around INR4,000 crores, INR4,500 crores?

Amit Mor: Yes, we saw some higher spend, yes. Yes, yes. And then, of course, you'll -- see there will be churn of capital, there will be inflows and outflows that keep happening. So right now, see, even in Mumbai, it is tied up. Yesterday, we just announced that we have tied up Thane. Thane, which is a very large project in Thane, and I believe that should do extremely well. And that's going to happen pretty much fast because it's not an SRA project or a redevelopment. It's a clean land. And I believe that, that should do extremely well.

Moderator: The next question is from the line of Rahul from Elara Capital.

Rahul: Sir, my main question was on the leverage front. How should we look at net debt moving from here on through FY27? You did mention that you're going to spend around INR4,500 crores in BD. Your annualized finance cost is running at around INR1,800 crores, INR2,000 crores. And if I look at your annual capex, that's around INR3,500 crores, INR4,000 crores. So where should we see your peak net debt level over the next 4 to 6 quarters? That's my first question.

Amit Mor: See, on the debt part, if you see, we have guided that gross collections for the year should be close to INR25,000 crores, of which residential will contribute around INR21,000 crores to INR22,000 crores, it will be in that range. And the free cash flows will be in the range of INR8,500 crores to INR9,000 crores.

So the free cash flow what we'll generate from the operations will be sufficient to meet our spends on the capex spend as well as on the business development. There'll be a marginal increase on debt, maybe by maximum INR1,000 crores, INR1,500 crores, not more than that. So I don't think so there'll be a significant drawdown on debt this year. So whatever launches we are planning, that will unlock capital and maybe there'll be a reduction in debt as well.

Rahul: Okay. And what is your debt at the SPV level? And what is the company share in that?

Amit Mor: Sorry, debt in?

Rahul: At the SPV...

Amit Mor: You mean joint ventures?

Rahul: Yes.

Amit Mor: Yes. So our net debt, Prestige share in joint ventures will be in the range of INR2,200 crores.

Rahul: Okay, understood.

Amit Mor: Includes the DIAL project, then the Lakeshore Drive and Tech Pacific. These are the major ones.

Moderator: The next question is from the line of Akash Gupta from Nomura.

Akash Gupta: Sir, my first question is on the reported P&L. The margins were on the weaker front. EBITDA was down 4% year-over-year. So I just want to get a thought around the P&L and how the numbers are going to move over the next couple of quarters. That's my first question?

Amit Mor: See, again, on the margin front, if you see the portion of residential -- we have reported a residential top line of INR1,600 crores. It was mainly because during the quarter, we didn't have any major completions because of which the handovers were lower and the reported numbers were -- reported residential numbers were lower. But my fixed costs remain the same.

In fact, it increases because we are planning heavy launches in Q2 as well as Q3. So -- because of the mismatch in revenue recognition, my reported margin is a little lower. But if you see at the project level margins, it remains the same. There's no pressure on the project level margins as such.

Akash Gupta: Understood. Sir, my second question is on our launch pipeline. I think I heard roughly 3 launches in Bangalore and 1 in Chennai. That's still cumulative roughly maybe 30 billion, 40 billion of launches. And then this would imply like a presales run rate of another 60 billion, 65 billion in the second quarter.

Wouldn't -- are we not leaving too much to -- for an ask perspective in the third and fourth quarter? And then if we have like 450 billion of launches pending, why are we just launching like 40 billion, 50 billion per quarter?

Amit Mor: Would like to have more launches in Q2, but approvals and all that, they are at various stages. And basis the current status, we expect some of those approvals to come in Q3. So that's what we are expecting Q3 to be a big quarter for us.

Akash Gupta: Is there any problem in any particular city that there is a delay in RERA approval? I mean what's holding our projects? Where is the delay?

Irfan Razack: There is no specific problem or delay. It is just the time that certain things take to process, like each project is in a different stage of the approval process. And each, I think department -- government doesn't perform like the private sector, right? If it was, then I think we would have more predictable launch time lines and quicker time lines. Unfortunately, that's the case.

So we do our best to make sure that things are expedited. But I think what we are giving you is a very conservative time line. Hopefully, we will launch faster. But 1 or 2 quarters, things may move up or down.

Zayd Noaman: Some of them are recent acquisitions, which we are pushing hard for bringing it to the market.

Irfan Razack: For example, Prestige Meadows in NCR.

Zayd Noaman: And the Chennai project.

Moderator: The next question is from the line of Pritesh Sheth from Axis Capital.

Pritesh Sheth: Two, three questions from my end. First, I think we had good 3 project additions this quarter in Mumbai and across different markets. I just wanted to know the project structure of probably each of them. I know Aram Nagar is a JV. Thane, you mentioned it's a clean land, but it's the JDA -- and even for Borivali, what's the structure like? And what would be the margin expectations from these projects?

Irfan Razack: Both Borivali and Thane are state joint development agreements. And I think the JDA for Thane is even registered as of yesterday. So all the terms are there very clear.

Pritesh Sheth: Sure. And margin expectations would be similar to what we have at the company level or we are slightly getting better here or how is that?

Irfan Razack: We always like to get better. It all depends on the cost as well as selling price. But then selling price is going up. And it's a large development. I think Thane will get a GDV of almost INR9,000 crores, which I believe we also want to really get some great volumes there. And that should do well because it's a nice piece of land, well located, and it should do well.

Pritesh Sheth: Sure. Got it. Got it. And in terms of Mumbai commercial assets, BKC and Mahalaxmi, we had done some preleasing earlier, but any progress after that? And in Q1, have we done more? If you can just guide us on some numbers in terms of how much we have preleased for both the assets?

Irfan Razack: No, this is all work in progress. Only thing I can say is there's a great interest and the numbers are very strong and we ourselves are sort of holding back. But at the same time, we are concentrating on seeing how we can get the production in terms of completion done soon. Work is going on at a brisk pace, but we'll be most happy and most rested only once the project gets completed. And I think the teams are really working hard to see that happens. And I don't think we have any sort of doubt on the leasing part as also on the rental. The rental is also pretty quite robust.

Pritesh Sheth: Sure, sure. And lastly, if you want to just provide update on hospitality piece, on the IPO or in between, we had media reports about we doing a private transaction as well. So if you just want to clarify on that, how are we approaching the monetization of the hospitality portfolio?

Irfan Razack: No, no. See, as of now, nothing new to say, except that the teams are working on various options. We'll see what works out. It's all work in progress. See, we could have done the IPO, which again, we have time till September 30. But at the same time, today, some -- there are interest from various PEs. Let's see what comes out.

Pritesh Sheth: Yes. Okay. Okay. Because there also debt is kind of material enough. We know that monetization also can bring down the leverage at the company level that way. So, yes. Okay, no problem.

Moderator: The next question is from the line of Girish from Avendus Spark.

Girish: Firstly, just if you can give us some understanding on the Chennai launches, right? Because we see close to INR12,000 crores, INR13,000 crores of GDV, which is planned in this market. So how confident are you in terms of the sales velocity given the depth of the market? Because in the past, what we have seen is that Chennai projects have seen a lower sales velocity at the time of launches. So if you could give us some update on the approval stages also?

Zayd Noaman: Yes. So we are pretty confident. The approvals are in a pretty advanced stage. So Prestige Palm Court, we should launch in Q2 for sure. This has about INR1,200 crores of GDV. And I think this project should do well as well in velocity.

Next would be Prestige Park Street. This either will launch in Q2 or will move into Q3. This has about INR1,500 crores of GDV. And this is a luxury segment. So we're quite looking forward to it as Chennai has not seen a good quality luxury project in the recent past. Especially for Prestige, this would be a big one.

Next is a large launch that we should have in Q3, would be the Prestige Falcon City. And I'd like to mark that both Park Street and Falcon City are recent acquisitions. So this is quite quick to turn things around and launch in Chennai.

Falcon City will be 6.84 million square feet, and it's about INR5,000 crores of GDV. Q4 we should launch Prestige Clover Dale, which is also a big launch, about 4 million square feet and another INR5,000 crores. So it's about INR13,000 crores of -- INR13,000 crores, INR14,000 crores of GDV just in the next 3 quarters in Chennai, which we're pretty confident of launching.

Girish: Awesome. Got it. Secondly, in terms of the unsold inventory, which is close to 16 million to 17 million square feet. We see Hyderabad is pretty big, right, almost 7 million square feet. So if you could just give us some view on the sales velocity of the Hyderabad inventory, which I'm assuming is the Golden Grove and also for the rest of the inventory?

Zayd Noaman: So Golden Grove, as we said, is just launched. So -- and we've already sold about 60% of the inventory. So pretty confident of good sustained sales over the next few months. So the next 1 or 2 quarters, we should see that inventory significantly reduce. And we'll also add up some inventory in Q3, Q4 in Hyderabad with some new launches, which is Rock Cliff and The Prestige Place.

Moderator: The next question is from the line of Karan from Ambit Capital.

Karan: Just a couple of questions from my side. Firstly, in terms of launches in Hyderabad, have there been any changes in plans for Prestige Imperial Park this quarter? And also the Prestige Springwood, which was scheduled for FY27, that has now been pushed to FY28. So is it a conscious call to calibrate launches in Hyderabad given the inventory levels over there?

Zayd Noaman: No, not at all. In fact, Prestige Place is what was earlier called the Prestige Imperial Park. We've done a slight redesign, uplifted the product. So -- but we're pretty confident of bringing that in, in Q3 or Q4.

Irfan Razack: In fact, now that Prestige Place will be a mixed-use development. It will be, again, a luxury product because we believe that is the future area. So we're getting a hotel, we're getting office, we're getting luxury premium retail as well as branded residences, which is the Marriott as well as the St. Regis.

So the whole thing has been designed by Benoy and the designs now finally are ready because such large developments with mixed use, with various type of components takes time to even conceive, understand and conceptualize and get the product right.

So now we've got the product right. Now it's a question of pushing the authorities to get the approvals which should come in the next 1 or 2 quarters. Once the approvals are there, we -- one thing with Prestige is we were never, never going to push any launch. Only thing is our endeavor is to see how we can get the product ready to bring it to the market.

And I am very confident that once we come to the market, we will be able to sell and get great revenues. In fact, on the Prestige Place, we've just started construction of the CEC, which will take us at least 4, 5 months.

Karan: Sure. So as a follow-up, on the balance, INR450 billion of launches scheduled for later this year, and while you did briefly speak about Chennai. But if you think of the top 5 or 6 projects, which would include Chambers 51 in Mumbai, Falcon City Reserve in Bangalore, Falcon City and Clover Dale in Chennai and 2 other launches in NCR, that makes up about INR30,000 crores, INR31,000 crores. What's the current approval status and risk of slippage in these products -- in these projects into FY28 instead of FY27?

Irfan Razack: I don't think it'll slip into FY28. We're working very hard to bring it all in this financial year. And it should come and will come. Yes, there could be, but then I don't think they should -- it should go into the next financial year. But we've got 3 more quarters to go. Hopefully, it should all fall in place and we should have it quickly.

Of course, we see now each region has different governments. Now we've got a new government in Tamil Nadu. It seems to be on the positive side. Now everywhere else, it's all work in progress. I think it should come through. I don't see any problem.

Karan: Sure. And lastly, on BD, I'm not sure if you've communicated what's the outlook for BD for the rest of the year. You've already closed 3 transactions in Mumbai, but going into rest of FY27, how should one look at that?

Zayd Noaman: Yes, we will have some balance BD left. You'll see some BD in Bangalore and then Gurgaon as well.

Karan: Any number to quantify here or it's still in discussions?

Zayd Noaman: Work in progress with the discussion. We'll keep you all updated as things progress.

Moderator: The next question is from the line of Yashas from Bank of Baroda Capital Markets.

Yashas: I just would like to know what's caused the average realizations to go low over the quarter. And how would you expect realizations to trend, say, over FY27 to '29?

Zayd Noaman: See, during the quarter, a significant portion of our sales came from Hyderabad region where the average realization is on the lower side. So in the Hyderabad region, the realization is in the range of INR8,000 to INR10,000. But whereas the other regions, it is in the range of -- depends on product to product, but you can safely assume to be in the range of INR14,000 to INR15,000.

Irfan Razack: Not only Hyderabad region, it's all that particular micro market, that was the thing and it was a large launch.

Zayd Noaman: Yes.

Irfan Razack: Now we'll also do in Hyderabad, we are doing The Prestige Place and we're also going to do The Prestige, which will be all very high price. So depends on the product, depends on the micro market.

Zayd Noaman: So in the current quarter, because of Golden Grove, the average realization has...

Irfan Razack: I would say that.

Zayd Noaman: Average realization has come down.

Moderator: The next question is from the line of Parikshit from HDFC Securities.

Parikshit: Sir, my question is on the BKC (X) Tower. I mean last call, you had said that about 70% is leased. Just wanted to get an update on that. What's the leasing now? And also I think on BKC (Y) you said that you'll wait for completion. So any initial thoughts? How is the demand for the preleasing on that tower? And also, if you can cover Mahalaxmi preleasing?

Irfan Razack: I think I've given instructions that we should wait and see how the construction progresses. And it's better to be a little -- since we've already got a big -- already a big tie-up with good companies for these -- both BKC (X) and (Y). And then of course, (Y) has the -- what's it called, the hotel, which is the addition. So yes, now focus will be on completion.

Similarly, on Mahalaxmi, we have got great inquiries. In fact, we've got some very big inquiry even for buy, but we don't want to sell because finally, these assets we are creating to REIT out. But I think around 400,000 has already been precommitted.

Parikshit: Okay. 400,000 has been leased out in Mahalaxmi you're saying?

Irfan Razack: Yes.

Parikshit: Okay. And sir, on our first commercial launch, the Business Bay, so when is the launch? And how do you think -- so what kind of response -- initial response do you think you're getting? So will this be a sellout in this year? So how should one look at this big, large commercial strata sale?

Irfan Razack: We'll see as it comes. We are hopeful that there will be a great demand, but we never know. But I believe that the product is good, location is good, and it should meet with a very positive response. We are also trying to see and prime the market and understand what would be the right pricing. And of course, it also has to make sense to the company in terms of bottom line.

So as we get closer, right now, it's all work in progress. We're getting the current occupants vacated. Almost 50%, 60% have moved. The rest have to get done, and then we need to pay a lot of fees. All that. It's work in progress. Hopefully, in the next couple of months, we should be ready.

Zayd Noaman: More than anything, seeing the progress of our commercial projects complete across BKC and Mahalaxmi, especially the way we've completed the rehab tower, has given a lot of confidence in the market. And a lot of people have actually approached us to acquire some spaces there, which obviously we are not selling.

So this actually has given us a pulse of what's the kind of customer and what they're looking for. So this will actually help us shape our decisions for the Chambers 51 as we come nearer to launch.

Parikshit: And sir, one more question. I mean you did touch upon hospitality and how you're thinking of monetizing it. But a broader question on the commercial portfolio, which is expected to ramp up significantly over the next 2, 3 years. Do you think it's the right time to maybe divest a minority stake and raise some capital now and wait for the assets to mature maybe, and then look at the REIT?

So how does one look at, from that perspective, the capex on these assets, which could contribute significantly on rentals? So at what point of time you'll be comfortable to bring in some external capital and deleverage that debt?

Zayd Noaman: So we're waiting for the projects to actually complete because we believe and we've always believed, Mr. Razack believed that we want to build a critical mass. And I think leasing these assets out is key, which is going -- which has been going pretty well. Yes. So I think in the next 1.5 years, 2, these projects will be complete. The leasing also should be completed by then. And actually, then this would be a trigger for us to actually evaluate and then take a decision on way forward. But we're definitely considering it.

Parikshit: Okay. And just last question on the residential. I have seen some of the projects on your website, and they have this 25-25 scheme like Forest Hills has some projects in Bengaluru. So if you can help us understand what is the strategy there and how these schemes being rolled out in new launches? Is it more like sustenance sales or is it more like luxury? So some color on that would be helpful to understand the demand scenario there.

Zayd Noaman: This is with regards to Prestige Forest Hills, right?

Parikshit: I think I saw on the website, the Forest Hills, there's a scheme with 25%, 25%, 25%, 25%, so 4 years, I think payment of 25% each and some other projects sites on the Bangalore on the website.

Zayd Noaman: Yes, it's structuring basically instead of collecting money of 5% and 3% every slab or whatever, what we felt is the flexibility of the customer to pay annually. So it's not that they are paying right at the end. They are paying once a year, 25%, and that covers over 4 years, and that covers that time line of construction.

So it's 25% into 4. That's how we work this out and it also gives a little comfort to the customer. It gives us also that the cash flows are tied up, and we'll ensure that there is the construction progress also.

Parikshit: And just one last thing on the data center. I think so you have signed some MoU with the Maharashtra -- government of Maharashtra. So how are you thinking on the capital allocation towards data center and over near to midterm, so how much time you are away from some announcements on investments, first investments rolling out for the data center business?

Zayd Noaman: Yes. So the Maharashtra government was very keen on setting up these data centers and actually attracting and bringing in GCC. This is where we came in. And they had some land parcels, which they were going to acquire and give us. But that acquisition, we have not yet spent any money there yet. We have not yet invested anything as yet. That's a work in progress. So I think closer to the time that, that acquisition is complete, I think then we'll be able to speak a bit more on strategy.

But I think overall, if you look at the data centers, what we've done in the past, we would be keen to invest in the land and then -- and also the building and we'll tie up with data center partners or GCCs then to invest further in it. So I think it's an open canvas as of now. Closer to when we'll acquire the land, we would firm up these plans.

Parikshit: But any color on what kind of like megawatts like -- I mean, what kind of scale you're looking at or the IT load on the data center side, which you think over the next 2, 3 or 4 years should be there on the balance sheet?

Zayd Noaman: About 100 megawatts for now.

Parikshit: Okay. 100 megawatts.

Moderator: The next question is from the line of Pankaj Tibrewal from Ikigai Asset Manager.

Pankaj Tibrewal: A couple of questions on the balance sheet side. Can you just help us with the debt numbers?

Zayd Noaman: We had a net debt of INR11,900 crores, which translates to a debt equity of 0.69. The gross debt is INR15,000 crores and we had cash and cash equivalents to the extent of INR3,300 crores.

Pankaj Tibrewal: So from March level, reported number on annual report was INR10,900 crores on net debt. That has further gone by INR1,000 crores. Is that right?

Zayd Noaman: Yes. Net debt has gone down, right, which is like on 2 reasons. We had some borrowings as well as our cash balance we have deployed for a few land acquisitions. So there were gross borrowings to the extent of INR650 crores, INR700 crores and cash balance reduced by INR400 crores to INR500 crores.

Pankaj Tibrewal: Where do you see it settling down somewhere? And what will be the comfortable levels which you will think we are comfortable at levels?

Zayd Noaman: Yes, again, we mentioned that we have a very strong pipeline of projects which will get launched in the coming quarters, especially in Q2 and Q3. So that will unlock a lot of cash flows, which -- because some of the debt have been taken on those land parcels. Once the projects are launched, some of the debt on those land parcels will get repaid. So you will see some -- especially on the residential front, some debt getting repaid in the coming quarters.

Pankaj Tibrewal: That's quite helpful. Second, when I was looking at your annual report, which you released some time back, the corporate guarantees have gone or doubled last year and INR11,000 crores of corporate guarantee apart from the debt increase. How should we read that from contingent liability perspective?

Zayd Noaman: See, some of the corporate guarantees, it will be a double counting in the sense it has been given for debt for some of the subsidiary companies. So when we are raising capital at the SPV level, some of the bank because it doesn't have a very long -- fairly new setup or it doesn't have a credit history to raise capital in those SPVs, the parent company needs to give those corporate guarantees.

But that debt is already consolidated in the consol financials. So that doesn't get counted. But if you see at the JV level, we mentioned that we have a Prestige share of net debt close to INR2,200 crores -- INR2,100 crores to INR2,200 crores.

Pankaj Tibrewal: But this corporate guarantee amount will keep on increasing. How should we look at because there's 100% increase in the contingent liability here?

Zayd Noaman: Again, if we are taking any debt at the SPV level. But now if you see going forward, we don't expect it to increase significantly because now most of the projects we are trying to take in the parent entity itself instead of floating a separate SPV for each and every project. But where there's a requirement of the transaction that we have to float in SPV because of the other partner requirement or anything like that. In such cases, we'll need to exchange corporate guarantees for taking any debt in those SPVs. It will be case-specific, difficult to quantify at this point of time.

Pankaj Tibrewal: And last, but not the final, just one observation. The secretarial auditor has made a remark this time and flagged a noncompliance with disclosure in remuneration details.

Amit Mor: Sorry, unable to hear you.

Pankaj Tibrewal: The secretarial auditor has flagged a noncompliance, which was never the case with Prestige in the previous annual reports. Any thoughts on that?

Amit Mor: Is it regarding any -- I don't recollect any noncompliance…

Pankaj Tibrewal: You can have a look at the annual report, which was regarding the not disclosing the remuneration details of the CFO, Company Secretary and others…

Amit Mor: Again, that has been the case, which we have been not the first time the secretarial auditor has given that. But if you see the related party disclosure, we have given the KMP, whatever salaries are paid to the KMP. It is being disclosed, but not individually, but at the KMP level, it has been disclosed at the totality level.

Moderator: The next question is from the line of Yash Gupta from Asit Koticha Asset Management.

Yash Gupta: Sir, currently we are commanding strong position in Mumbai and NCR and this we have achieved within a short period of time. Are we looking to add any new cities going forward?

Amit Mor: See, right now, we are very focused on the 4 cities and growing in these markets. However, Pune has always been in the radar and very soon, we should acquire a launch project over there. So Pune is a city that we are looking at very seriously. Apart from this, we are focused on where we are operating right now.

Yash Gupta: Okay. Sir, our current unrecognized revenue is around INR70,000 crores. And can we expect this INR70,000 crores to get recognized in next 3 years? And what will be the recognition level for FY27?

Amit Mor: Whatever we are -- INR70,000 crores of revenue we have, it will get recognized in the next 4 years. 3 years will be difficult because whatever projects we have launched, I mean, last year, it will get completed in a span of 45 to 48 months. So maybe we can conservatively take 4 years as a time period for revenue recognition. This year, we should recognize on the residential front close to INR11,000 crores to INR12,000 crores of sales.

Yash Gupta: Okay. And how is the hospitality business is going forward -- going on? And what are the time lines for the listing now?

Amit Mor: See, listing, we have approvals till September. So I think Mr. Razack mentioned that we are looking at alternative of this one also. So if something finalizes on that front, we will definitely consider. But on the hospitality, it is contributing meaningfully. I think we reported a top line of INR350 crores on -- just hold on -- the revenue front.

Yes, INR300 crores was the hospitality top line in the current quarter and EBITDA percentage for hospitality was around 41%. And at the bottom line, it contributed close to INR419 million to the bottom line.

Yash Gupta: And can we expect hospitality to like finalize within next 6 months. Can we say that?

Amit Mor: We wouldn't like to put a definitive time line because the discussions can take some time. So whenever those discussions get finalized, we will definitely give those details.

Yash Gupta: Just a small request. Can you please add like 1 or 2 slides of hospitality business into this so it will be great helpful for us?

Amit Mor: Yes. Since our IPO, this one was still valid. And if the markets improve or this one, we can definitely decide on the IPO also till September -- 30th September. But post 30th September, we can disclose the hospitality details as well.

Moderator: That was the last question for today. I would now like to hand the conference over to the management for the closing comments. Over to you, sir.

Irfan Razack: Thank you once again for a very insightful and purposeful questions. We do hope you understood what the company is doing. I'm more than happy. Zayd and the rest of the team, including Amit, will be more than happy to answer any doubts that you still have and would like to know what the future is. And we believe that the business is strong and will continue to be strong as we go along. Thank you very much.

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