"DLF Limited
Analysts/ Investors meet"

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Ashok Tyagi: Hi, Good afternoon. Welcome to all of you. I mean, a lot of familiar faces, some new ones. I hope you had a good, intensive first half and a decent lunch and some of you got to interact with the Chairman, Anushka, Savitri, the leadership team.

You know, the way we want to run this is that we will have a presentation, which has now post the trading hours also been uploaded on the stock exchanges and hopefully the presentation will run for about 35 to 40 minutes. Obviously, if there is a pressing issue, you are more than welcome to ask a question during the presentation as well. But post the presentation, we will open up for a Q&A and invite the Chairman also on stage at that time.

I think really two or three, I will say, disclaimers, I will put. A) most of the data that we have here is data that's already been disclosed as a part of our quarterly, be it in terms of our presentations or in terms of our analyst calls. What we have done is we have slightly fleshed out the data more, made it slightly more specific, but that's one thing. But there is no new heart shattering data that you will necessarily get here, but hopefully you will get in a form and shape which makes it slightly easier to understand. B) I mean, this is forward-looking data in the sense comparable to what is there in the analyst reports. So, obviously, it is subject to the same sets of uncertainties that any forward-looking data would be, which is the usual safe harbor disclosures.

The third point is, wherever we have used areas here, the areas refer to the saleable area and the gross leasable area and not the carpet area. Obviously, as and when those products are launched, they are launched in the form of carpet area square meters. So, this is right now, the metric here used is saleable area stroke leasable area in square feet, you know, in that sense. But obviously, eventually, when the documents get signed, it is carpet area in square meters, you know, in that sense.

The fourth point, which I think hopefully you would appreciate as you go through the presentation, is that by and large, it's simply our business is divided into DLF and DCCDL. But that is not the way we actually run the business. The business is run really as DevCo and Annuity business. And most of the data that we have tried to capture is with that distribution in mind, that DevCo and then the Annuity business. And the Annuity business includes the DCCDL as it's called, the Atrium Place, which is our JV with Hines, the rental projects that are housed on the DLF side of the equation and our hospitality business which also is an annuity business and which is an increasingly growing and important business in our ecosystem.

So, what we will do is, we will get Badal to start the pitching of this. Badal, as all of you have met in the morning, is our new GCFO and he will hopefully use all his experience to pitch out and then as and when we come to specific sections, we will request the concerned business leaders to join us on stage and at the end of it all, then we request the Chairman, Anushka and Savitri to join us on stage and then open it up for Q&A. Badal, all yours.

Badal Bagri: Good afternoon, everyone. I thought I would be very serious, but I thought I will start with a slightly lighter note on 107 days of experience in the real estate sector. Hopefully, I would do justice to the, I would say, outstanding journey which this Group, this Company has created, and I think is in the path of creation.

So, with that caveat and a few of the caveats which, okay, few of the standard caveats, possibly I will again repeat. We have structured the business the way we would want you to see the data. It's not an accounting representation of information like DCCDL and DLF. It's like a business segment, a management estimate. That's the way we would want you to see this data. And okay.

First to begin with, eight plus decades of strong presence. I think not many companies can boast of. It has an impeccable record of generating customer value, having a customer-centric focus on the quality of development. It's just not about developing a property but kind of an ecosystem around it. Extremely high standards of corporate governance and compliance. I can say this with my five or six different experiences and strengths I have, I think the level of corporate governance and compliance is absolutely top notch and I have worked with some reasonable companies in my life. And this to my mind has resulted in an extremely strong brand which DLF is kind of like I say in Hindi "Name itself is enough." So, I think it stands for itself. It stands for product. It stands for quality. It stands for best of output. It stands for customers first.

As we said that we have two distinct businesses which we run. One is the development business, and the second one is the annuity business and we are going to cover both. Our development business has been kind of performing exceedingly well, has been a strong growth driver for the last five years and as we stay internally annuity business is extremely steady and strong compounder where we have significantly invested over the last four to five years.

This gives us, to my mind, it's a uniquely positioned organization where we have got a balance of development business and rental business which gives a balanced portfolio which I think we are one of the few players or maybe the only player, at least in the country, to have such kind of a balanced portfolio, diversified portfolio, supported by hospitality and the services businesses.

Past few years, and we will kind of run through numbers, you are already aware of it, has been really really strong for DLF as a Group. And as we go through the slides, we will realize that we have laid an absolutely strong foundation for the next level of growth for DLF. As we say and again repeat, focus always remains on prioritizing customer needs, creating customer value with the customer. You would have heard Aakash say at least four times during the Privana presentation, we look at customer first, we look at customer value creation. Okay. Again, repeating the same thing, customer centricity, compliance, safety, governance, and sustainability. The five key pillars which are of no compromise whatsoever in the way we think, in the way we execute, and the way we operate.

These numbers, which we represent, is to give you a sense of scale and size of DLF as a Group. So, again, we have represented the 100% value of all the entities which we have. So, we have disregarded or rather we have not considered the accounting definition of JVs, etc. So, this is 100% level. So, DLF as a Group had over almost 13,000 crores of revenue and over 7,000 crores of EBITDA last year. It's an extremely strong performance and we have been kind of growing steadily rapidly over the last five years or so.

We have been consistently paying dividend for almost 17 years and for the last three years at basis the performance we have actually taken care of shareholder returns in the same way and grown our dividend pay out to the shareholders as well.

Net debt or cash is an absolutely one of the critical points which in almost every discussion comes into play. We have had our focus of reducing our net debt position. From almost 24,000 odd crores, we are at 14,000 odd crores net debt position in the last five years, almost reduction of 9,500 crores. And with a strong operating performance measured in EBITDA in this particular case, our net debt to EBITDA has actually come down approximately ~2.6 levels as of December end.

Not repeat the same two lines of businesses. We will now dwell into the two businesses separately. We will talk about it on what has been the performance and what possibly our priorities are, the way we think about these two businesses in the future.

Ashok Tyagi: Can I request Devinder Ji and Aakash to come for the development business especially Aakash?

Badal Bagri: Okay. As you are already aware that we have a high-quality land bank available for development. We will do talk about the quality of land bank and how it's situated. So, we are one of the, I would say, fortunate companies having, possessing land bank accumulated at the right time, maybe, and which is ready for super great monetization possibly in the coming years.

Our focus, as we say, is always customer centricity. I am repeating this time and again because, again, it's very close to heart. But along with it, we do focus on margin as a concept from a realization perspective. Our focus is on margin and cash. These are the two key levers which we continue to focus on in almost every discussion, in almost every aspect of business development when we talk about.

One of the things which we wanted to highlight that whatever we are doing today or whatever we have done yesterday is going to come into our financials only after three, four, five years or so is in conservative accounting policy, our accounting records do not reflect what is being done today. So, we thought we will just reiterate this while I am sure you are aware of it but it's important for us to reiterate this because this does not represent your current strength, the current potential of what is actually happening on the ground if we were to just look at mere financial statements. And hence we thought we would bring this point out specifically. You may be aware but it's always important to reiterate this because this is not comparable. Okay.

In sales booking, I think we have had a good year. We have almost hit 19,000 crores, over 19,000 crores of sales in this financial year. Our launches, as you are already aware, have been well received, whether it is Privana South, Privana West, you got some statistics from Aakash, was significantly oversubscribed. We did, if I may use the word, rationalize, we had to kind of prioritize whom we want to give, and that's always a good position to be in. We saw exactly the same situation when we launched Dahlias, which is an uber-luxury, super-luxury product and it definitely did exceed our expectation of how the sales looking or how the customer responded to our product. So, we feel confident of what possible we have done. We feel confident of what the products have been and we feel that our performance in sales has been fairly, if I may use the word, stellar in the last 1.5 to 2 years or so.

But as I say, no discussion, at least for us, is complete if we do not talk of margin and cash and hence it was important for me to bring this margins page along with the sales number and we continue to generate healthy margins from whatever sales we are doing. Our growth in margins is higher or faster than our sales numbers.

If I were to look at the same margin number in a very different manner, as on April 20, we had almost 10,000 crores of realized margin which was supposed to be recorded in our financial books of account. As I say, there is a lag in accounting. The same number we generated, we accreted around 25,700 odd crores of margin from sales booking which has been done. We consumed in our financial statement almost 13,000 odd crores. We, as on end of December, we had over 20,000 crores of margin which is yet to be recognized in the P&L which is going to get recognized over the next two, three, four years as and when the projects fructify. So, these are for launch product, sales done 20,000 crores of margin sitting on a balance sheet, of course subject to realization of cash. This strong margin etc. has resulted in reasonable growth in profit after tax and we have seen a steady growth on it.

CAPEX, here the CAPEX, the way we have defined is land and approval cost. We continue to spend money on approvals and land wherever is required. The land acquisition will be whether to kind of improve contiguity or parcels which can have accretive value to the projects which we are launching. And if there is an attractive parcel which we feel can be extremely value-accretive, we would kind of go out and invest in those property. And I think we stopped by the IREO land which we have taken opposite to Grand Hyatt in Sector 61. So, that's one of the examples where we think that we have had a reasonable investment and it is going to be very, very value accretive to the Group as a whole.

Despite spending money on the CAPEX and approval cost, where the realization is going to happen in the future, we continue to generate operating cash post all expenses, post all CAPEX and approvals. We continue to generate cash for the Group. Hence, as a result, one of the stated goals which we had that we want to reduce our debt, which I covered earlier as well, we became net debt positive last year. And we are almost 4,500 crores net debt positive as we speak as of December end. We continue to be in this path. And again, 9,000 crores of cash of which 7,100 crores is lying in the RERA account itself.

This is an interesting thing, and we saw several cuts. This is the cut which we are presenting but when we looked at this data, we looked at data 15 years, 10 years from the product launch, etc. of various product. The point which being made out here is the return or value accretion to the customers on the product launched by DLF has had a reasonable return over a longer period of time and it is comparable with any other asset class in the country. And as I said, we have taken this into various cuts, various segments, luxury, super-luxury, 10 years, 15 years, and I think the answer by and large remains the same.

This is a chart which has been shown earlier, which is published of the launch pipeline. We had presented that we will have almost 37 million square feet of projects which will be launched in the medium term, effective yielding around 114,000 crores of revenue over a period of time as and when sold. 35% of this value 114,000 crores, 35% of value worth projects have already been launched till date. Another 15% worth value will get launched in the coming fiscal year. So, the pipeline which has been talked about 50% value worth of projects will get launched and hence all this is here and now and not something of the future.

Again, we will kind of take this and peel this one by one and kind of go into the next level. Of the 40,000 crores, just one previous page, one point, 40,000 crores of launch product, we have already sold 17,000 crores, so the balance inventory left for us to sell is approximately 25,000 odd crores from the products already launched. This is the number which will be required in this next slide and hence I am just highlighting this point.

If you recall, I had said that 20,000 crores worth of margin has already been locked from sales done of all projects launched. The projects launched with unsold inventory, if you were to sell, just mere execute that, the gross margin potential could be another 17,000 crores. So, the total gross margin which we will be able to generate from projects already launched and will be sold will be almost worth 37,000 crores. So, in a very defensive manner, if I were to say it very differently, if I did nothing else for the next five years, 37,000, if I had just executed what I had and sold what I had, we would generate 37,000 crores of margins.

Then we have also talked about another 77,000 odd crores of pipeline, which is going to be launched over the next x number of years, 3 to 5 years or so. And if you were to kind of take a ballpark number of what kinds of margin potential those have, that could be another 30,000 odd crores. And these are rounded off numbers, directional numbers, and that's the way possibly we should take these numbers. So, overall potential of margin to be created from the projects already launched and will be launched, which are clearly defined in our thought process is almost around 67,000 crores. Okay.

If you were to take this forward, this margin into cash, how does this margin generate cash? And the reason we are harping, because it's very important for us. Again, I am repeating, margin and cash are fundamental parameters or KPIs we should like to monitor. Sales also is important, but these two are more important. We are sitting on 9,000 crores of cash as on December end. We talked about in earlier slide. We have receivables of 30,000 crores. These are all published numbers. There is no new numbers on this. 30,000 crores worth of receivables from sales already done. All the projects which are launched, and we were to complete today, we will end up having 20,000 odd crores of cost.

So, if we did nothing, just executed our projects and realized what we have sold and the cash in hand, we will be left with 19,000 crores of cash before overheads and expenses. If we were to just add the inventory which we are sitting on of launched project, 25,000 crores. And we realized that money, 24,000 crores is net of brokerage, etc. 24,000 crores is incremental money which we are going to realize.

So, from all the launched project till date, we will generate almost 43,000 crores of cash in the medium term. If we were to take this 43,000 crores cash and now take out all our CAPEX, OPEX, taxes, net of financial income, which could be anywhere between 17,000 to 19,000 crores, a ballpark number over this period of time, our net cash generation, post expenses, etc. could be approximately 25,000 crores from project already launched. On top of it, from our new pipeline in this defined period of time, net of operating cost, we could generate another 24,000 to 26,000 crores of cash depending on when we launch, how we launch, etc., etc. So, with in this period, we are looking at anywhere almost 50,000 crores of cash balance in a way because we started with 9,000 crores in the medium term.

So, again to crudely put, if we did nothing and just sold what we had, 25,000 crores cash balance, if we did well and we kind of kept on track and kind of market supported, it could be as high as 50,000 crores, maybe, God knows, it could be even more. But it's a good foundation, good position to be in, is the point which possibly we wanted to highlight out here on this page. Is that clear? Okay.

It's important to also tell us we talked about the land bank which is there. We have been historically reporting that we have almost 192 million square feet of land of which the development business potential was 169. That's the first column. This is what we have been publishing etc. We have reassessed our potential. basis the revised zoning regulations, policies, taking into consideration TODT, DR regulations, etc., etc., and also assessing what we want to do where we feel that this 169 today on a reassessed basis could be as high as 196 million square feet. Not as high as, it could be approximately 196 million square feet. Of this 196 million square feet, 23 million square feet is already under development and another 29 million is the potential where possibly in the pipeline we will develop. If we did all of it, by the end of this period, we will still be left with almost 144 million square feet of developable land bank, which to my mind will be good for us to execute in a steady-state basis for another 20 odd years or so. So, we have a fair, fairly potent land bank in prime area, developable, which will help us in good stead for a good times to come, couple of decades at least we think so.

Again, it's important to kind of give a margin twist to it. And we have kind of broadly qualified that what kind of is the super luxury products area which we have, what is the kind of luxury which we have. But the highlight out here would be that the premium and commercial projects also we are saying could be in the benchmark of around 30% (+/-2%) (+/-3%) here and there, 30% kind of realization or margin, which to my mind also is a fairly good number. Overall, we are aspiring to have a 45% gross margin in the long term from our development business going forward.

Just to summarize, we have got a great quality of land bank. Our focus on cash is paramount. Even if we did nothing, almost 25,000 crores of cash will be generated. We have almost 37,000 crores of margin potential from already launched inventory, which the new sales booking will be a steady state we are talking about. We are looking at a similar number for at least next fiscal year. And this should help us deliver almost 2x growth of PAT and +2x plus growth in cash over the next, in the medium term, I would say, in almost five years or so.

Debt continues to be of importance. We have already done net debt zero. We have already been net debt positive. We want to reach a gross debt zero benchmark, and which will happen soon. And we will be judicious and cautious on capital allocation, whether it's shareholder return or growth CAPEX. So, in summary, this is what we are looking forward from a development business perspective.

Ashok Tyagi: So, we can open up on Q&A on development business for the questions that come to your mind.

Praveen Choudhary: Hi, this is Praveen Choudhary from Morgan Stanley. My question is about capital allocation. I think Badal convinced us, I think we were earlier convinced, but he's convinced us that you are going to generate a lot of cash. So, the question is, how do you use that cash? And I see one line, disciplined and opportunistic capital allocation. But if it's possible to dig deeper into it, the dividend growth has been good in the last three, four years. But as a percentage of earnings, as a percentage of the stock price, it's very small. Can it be dramatically increased? Is that the focus? And the second one is obviously investing in areas where the returns are very high. And if you can delve into what are those areas potentially can be, considering INR 500 billion that you are going to generate over the next five years. Thank you.

Ashok Tyagi: So, on the capital allocation, to be fair, we have maintained that we want to be broadly, I mean, distributing 50% of the PAT that we generate over the medium term. Right now, we are slightly south of it, but I think in the next couple of years, we should hopefully hit that level. But you are right, we will have cash that will be generated over and above that also which Step 1 is to get gross debt zero, which will hopefully happen in the relatively short term.

B, we will build a cash cushion for sure which would be available to us for any opportunistic acquisitions that come to us and frankly for also generating hopefully a very strong stream of financial income that can also become like a third major stream of income over the years. But obviously the intent stays that as and when we get something very interesting, like the parcel that we did last year, we would be open to do it. But it can't be completely like a pie in the sky sort of a thing. Chairman?

Rajiv Singh: Yes, I think I agree with Ashok. See, the main point basically here is that, as mentioned earlier, these are projections. Okay? So, we have to be careful that we don't go and spend what we don't have right now. So, when we have that money, then you can ask this question again. Maybe the answer will be different. Okay. That's the first point.

Look, I think the message what we are trying to give is, because this question is raised many times by everybody, frankly it's raised in our own mind also. Are we doing enough? Should we do more? Should we look for certain things? I think the message which I want to kind of give to everybody is, you know, over the last eight decades, we have done a lot. Maybe some mistakes, maybe some good things, we have done a lot.

We now kind of feel that we are at that mature point where really we don't need to do more unless it makes sense to do more. Our numbers are healthy. Our cash generation will be healthy. Hopefully, customer appreciation will be healthy. Return to shareholders will be healthy. Even after that, we will have an opportunity to re-evaluate the next steps here. Nothing, I think, is off the table.

Right now, we don't have anything on mind because we remain totally focused on what we are doing. We are not compelled to do anything fortunately. But what we are leaving out there is that we will have that kind of firepower available to us to do things within our business or for shareholder return as the case would be. But I think we have a few years to get to that point.

The importance of this message here is that our journey is rewarding enough and we need to remain focused on it rather than try to seek new journeys, try to seek new projects, try to seek new pastures. There will be bad days and maybe sometimes it's better on those bad days to sit on the sideline and catch your breath and re-invigorate yourself rather than trying to run in all directions. I am well aware that in our industry many people are aggressive and far more sort of, I would say, optimistic. And fair enough, we were like that too. There is a certain stage of growth and a certain stage of evolution where you need to be like that. Luckily, we have crossed that point. We have got all the buffers already built up. We are not sort of feeling that we need to go down that journey and be in that risk-taking stage at this point of our journey.

Badal Bagri: It's easier for the audience.

Rajiv Singh: And whatever slide, they can just refer to that slide. So, you can put it back on here. You just say what you want to ask and we will put that slide on here.

Parikshit: This is Parikshit from HDFC. So, I think one slide you have shown the returns of different asset classes. So, I just wanted to pick the brain of the DevCo team. So, within your client profile, I mean, we see a very super luxury ticket size of 10 crores and upwards in NCR. So, what percentage of their net worth across the asset classes do you think will be real estate and on a more sustainable basis in NCR on a base of 20,000 crores, which you are sitting right now?

So, I asked this question earlier to Rajiv Singh. He was saying he will answer in the Q&A. So, on a sustainable basis, what kind of strategy on the DevCo side do you think that what could be the sustainable growth from here on the pre-sales given that we already are sitting on a very high base and given different asset classes, I understand that most of these people are not funding these homes through debt, so they are buying it on their personal balance sheet. So, what kind of allocation in their personal portfolio real estate be?

Rajiv Singh: Certain points you are asking are actually outside our limit. So, maybe we will have to ask those questions from guys like you. But I think the message here is that firstly, our pipeline we have defined. That number is 100,000 odd crores plus. We have done almost 20,000 odd crores out of it. It kind of, we have defined the medium term. Sometimes these are not hard and fast numbers, but you need something to go by. We have defined it to be a five-year period. So, any back-of-the-envelope calculation means you kind of try to continue at the present pace of, say, 20,000 odd crores, a good year slightly better and a bad year slightly less.

What we want to point out to you is we are not really pressed for, looking for ways to sharply increase it. I am not saying that we will not have an opportunity to do so or we won't do so. But the financial reasons to do so are not compelling. So, that is the first reason. So, we will keep our sales levels almost at what we have achieved. And if markets allow us an opportunity after a few years we can consider taking them up, but right now it's just executing the plan which will give us this average.

Coming to the question of the customers and what they have and as I told you, look, we try very hard. I am not saying that we are always successful, but there are three things we want to classify our customers as here. First is a genuine user. We love that guy, whoever that person is okay. And we do believe that that person will buy things in a reasonably prudent manner to the extent his or her income supports it to the extent a financial institution decides to support them by giving them a loan. That assessment of the capability, we leave to the financial institution to make that wise judgment. We kind of try our best not to do multiple bookings here. That is where we feel the risk will multiply.

Second is, there is a person who is an investor. Investors are also always required in the business. They take a chance. They create a rental income. They come in at a reasonable time. They exit at a reasonable time. They are generally well-financed people who, what we wanted to indicate from here, would, as part of a larger portfolio, enjoy returns comparable over time to other asset opportunities they may have here.

The third person is the person we are worried about and we try our best to stay away from, is the speculator. The speculator is the guy we all need to be careful about because that person is the guy who overtrades you, will take advantage of the installment payment schemes which are available and try to make bookings which at the end of the day cannot be funded unless somebody else is found to take them off his hand. That is the person who will suffer in a poor economic cycle.

So, as a Company, I am not saying we have not had a fair share of speculators. We have seen how it all ends. I think I explained to you at lunch time also that with the project cycles today, the only way to really make big money is to go high rise. And the only thing to go high rise is it takes you 5 to 6 years to actually do a project.

So, by the time you start a project, and you accept bookings to the time you deliver the project, and collect the rest of your money, world has changed. So, we have to be very, very careful that that so-called speculator through that period will certainly not stay the course.

And there will be a bad time, there will be a good time, that person who speculates with us is not necessarily speculating with us alone, maybe by habit he or she speculates all over the place, they could get in trouble somewhere else, and so on and so forth. In the stock market world, it's like trading on margin futures, it's great till it happens. So, we are cautious on that point.

I don't really think in the part of our portfolio that number is significant. We try to keep it down. And we watch our receivables very, very closely, and very, very carefully. So, keeping that in mind, I think Aakash, and his team do proactively reach out.

And if somebody is experiencing even the slightest of distress, we don't want to be harsh with anybody, we generally don't like to exercise the contractual clauses, but we try to get them a profitable exit. So, we are all the time, I would say, I know Aakash can give me a better number, but even in a project which is well sold, in the first couple of years, Aakash, what percentage of people do you manage to kind of trade out by giving them a better option?

Aakash Ohri: So, almost about 25% of the people kind of trade out and kind of get a better option. As we have spoken around Privana and Arbour's time also in the morning, we were subscribed and oversubscribed by about almost 4x in each of these businesses, launches.

As we are today, as we stand today in about 2 years, Arbour has an upside of almost about INR 8,000 a square foot, which is trading in second markets, and Privana is upwards of INR 4,000. So, that's the kind of trade up that people are also doing and getting the margins that they're getting today.

Rajiv Singh: So, the message here, which I want to just give, Aakash gave the right number, 25%. See the point is, we can step in and take those, somebody has bought from that person. That person could have been my customer directly. I can choose to step in and go to that customer directly, offer him Arbor 2, Privana 8, or whatever I want to do and get that booking in.

But then I leave that festering 25%, which keeps festering, and over time will become a bad debt or a speculative debt in my thing. We very aggressively, very aggressively first say, before we go and sell, let our customers sell if that is their need or their desire, and very honestly, we go out to facilitate their sale. We do not distinguish, if at all, Aakash prioritizes the sale on behalf of an existing customer, even at the cost of a residual stock leftover in the hand of the Company. So, it's a constant thing.

As I said, with all the care, as he's mentioned, 25% of customers do tend to trade out as time comes through, some for economic reasons, some for making some other opportunities or making some money. We are conscious of it, and our projections take that into account.

So, I think, I hope in the industry people remain conscious and don't chase sales bookings. It's a metric which is quite a dangerous metric, because at some point of time, you start kind of looking for new customers and ignoring your old customers, and that is where the problem starts off. So, we are careful that, I am not going to say there'll be no accidents, but overall, I think we are now far more cautious of the health of our receivables.

Mohit Agrawal: Hi, Mohit from IIFL. Sir, while you have shared the pipeline for the next 5 years, in terms of your development pipeline, as a business leader, if you look on the next 5 years, and how do you see the geographical spread of DLF markets? So, right now, it looks like it is predominantly going to be Gurugram– for the next 5 years. After that, do you see long-term vision? Do you have a long-term vision? Sorry, I am just going to repeat.

So, do you see after 5 years, DLF being meaningfully present in markets like, even if I consider NCR to be 3 markets, right now, let's say in Delhi, which may possibly open up with the change in the government, you currently just have 1 project. So, do you see your presence meaningfully increasing in Noida, in Delhi, in Mumbai? So, some thoughts, your long-term vision on that.

Rajiv Singh: Yes. I will be frank with you that, as we mentioned, that even after we have completed our immediate launch pipeline, we have got about 150-odd million square feet of so-called development potential left over. Willingly through passage of time, some part of that potential will get enhanced, because something or the other will be bought. Some will also get reduced, something will be sold, but net-net, we believe that that number will remain on slightly on the positive side.

So, look, the important point, which is that we are not compelled to do anything. This geography or our mix of geographies will give us the upside we continue to seek. That said and done, NCR, I can safely say, we will try our best to take advantage of all opportunities. We really don't look at Gurgaon or something, we look at NCR generally as a market.

For various reasons, Delhi had its very tough development environment, which hopefully will ease. And the Noida market, for historical reasons, we were not present. We do look for opportunities to be present. So, NCR will be a good market for us. North India, more around Chandigarh, we will continue to be there. Mumbai, we are dipping our toes in the water. Let's hope the results are encouraging. So, I think these will be principally the markets we will remain focused on.

And our Rental businesses will be more widespread, but I am not really feeling the need to do the development business as of right now in new geographies. I think these geographies will keep us quite busy and actually quite engaged.

Another important point of our Company, it may be considered downside that we are over-focused. I keep hearing and reading sometimes that we are myopic in our vision, we are not diversified, we are not this, we are not that. But I will be very frank with you, that's why we are sitting here, that's our strength. We every day keep thinking about the same damn thing all day long. And everything we do has a knock-on effect on the next thing. So, imagine if I go to say Mumbai and I go to Thane, I pick up a 10–15-acre parcel, I build it. I will go there, I will make my money, I will leave from there, nobody will miss me and that's the end of it.

Here what happens is I build my parcel, because of that the kids need a school, I build a school. Because of that the attractiveness goes up, somebody better people come there, offices come there, and so on and so forth. So, this whole cycle, this virtuous cycle we will be able to create, is really the reason why actually we are sitting here.

If you go to Mumbai also, go anywhere else, I will tell you guys, the guys who are creating larger communities, who are remaining deeply invested in those communities, at times looking stupidly so, are the guys who actually are succeeding, and in my opinion, will succeed. I don't want to really quote names, but doesn't matter, I mean I am not saying anything negative about anybody. But, say let's look at Oberoi Reality, they've created that project in Mumbai, remained with that project, continue to create that project, that's his goldmine, that's his name, that's his reputation, that's so on and so forth.

You can do 20 buildings in 20 different locations, but it will never have that impact. So, anybody who has, maybe Lodha is doing it with Palavas, takes a sizable chunk, remains deeply invested, starts thinking 20, 30, 40 years, lives through it, takes the good times, the bad times, stands with the customer, that is where the real reputation comes, that's where the real financial upside comes.

So, I think, don't take it as a negative, I think it's a strong positive, that companies are actually deeply focused in what they're doing, versus kind of spreading their bets all over the place. Ideally, you should have many communities in many places, that's a pipe dream. If we get a chance to do larger communities somewhere else, yes, certainly we will consider it. But small, small things in random locations, they make money arithmetically, but that's not part of our thinking now.

Mohit Agrawal: And sir just 1 question, we met about 3 years back, we had a similar, and this question was asked then also about you entering the mid-income. So, you had clarified at that time that you look mid-income and affordable separately. I understand affordable may not be your area of interest, but on the mid-income, because there is 1 perception today, that a lot of launches that have happened in Gurgaon have been all INR 5 crores, INR 6 crores, INR 7 crores plus, and there's a real dearth of maybe a segment which caters to INR 2 crores, INR 3 crores, INR 4 crores, kind of a ticket size. So, any thoughts around you kind of trying to plug that gap, if at all that exists?

Rajiv Singh: See the basic point is firstly, your memory is good of 3 years back, I don’t remember that much. But anyway, the fact of the matter is that, we are fortunate that we have got land parcels which allow us to operate in the better the segments. Surely you will not expect us to take those land parcels and underprice them and put something which is inappropriate, okay.

The real question therefore comes up is, do we have land parcels which are possibly in the premium segment? I think Badal did indicate we have got premium segments and we have the land parcels, okay.

And we remain committed to that business, we enjoy that business. The so-called middle-class customer is actually our bread and butter. The Company has been built by them, hopefully, growing through a growth journey of improving their life and their incomes, and hopefully, buying different properties from us at points of time. That's our business. They also are the backbone of our Office business, because the Office business is predicated on good, strong, salaried talent, educated talent. So, we always take steps to encourage that talent.

We have today got a couple of projects, maybe if you do have some time or you want to, anyone, if you want to come back separately, please, you are most welcome to. We have struggled with one point that how do you make something which is affordable for a certain income segment, remains viable for the developer, most importantly, remains operational of a certain quality and safety later on? So, anybody can make a 40-floor building, but if it's not maintained, the lifts are bad, God help us, we are worried. So, we have done a project recently, it's almost getting delivered now, which is called Garden City Enclave, Devinder has done it.

It's a bunch of low-rise houses, 4 floors very, very sort of carefully and consciously planned within a price point which we sold, correct me if, it was INR 1 crores something was the price point? So, INR 1.4 crores to INR 1.5 crores we sold it at, not too far back, about a couple of years back, I would say. Okay, these are units of about 1,600 square feet, but we worked very hard in 1,600 square feet.

They get 3 bedrooms, they get car parking, they get all the amenities they need. There'll be a nice little community center, and so on and so forth, etc., etc. Their quality of life, in my opinion, will be quite nice. Today that unit, again, because it's a nice unit, has escalated in value, maybe today, I don't know what's the number for that unit. So, INR 2.4 crores to INR 2.5 crores, so now we offered at INR 1.5 crores, the market has priced it at INR 2.5 crores, but we are in that segment.

The point on that segment basically being that would we like to repeat that? Would we like to go and buy more land to do it, and so on and so forth? Again, that's where the question comes in is, I think since you talked about 3 years back, I am going to repeat what I said 3 years back. I still say today, our constraint is our ability to successfully execute.

The ecosystem around us of execution, unfortunately, is not keeping pace with the needs of our industry, maybe other industries. And therefore, what we need to be careful about is that while all these dreams are predicated on my ability to turn it around with lower margins, somebody behind me has to back me up to accept my sort of proposition and deliver and construct the product. That is, to be honest with you, a problem today at large scale.

So, when you are, again, confined to a few good contractors, a few people who follow certain quality and safe practices, then you have to ask yourself a question that where would you like to put those people? Would you like to put them to build your office buildings or would you like to put them to build your certain residential projects, or can you spare them for the so-called tighter and tightly priced projects?

So, this is the problem we are facing. If the construction industry here kind of opens up, that the delivery problems start going away from your mind, possibly companies like us can look at doing this. But right now, you have to keep your fingers crossed. It's a risky player. So, we are in the immediate future going to utilize our lands, what we have. I don't think we will go looking for new opportunities in that sector.

Mohit Agrawal: Thanks.

Puneet Gulati: Hi, this is Puneet here from HSBC. You talked about keeping your sales level to the levels that you've achieved. Should we predicate this to the execution challenges or are there any other thoughts that you'd like to add?

Rajiv Singh: No, I think largely, yes, you are right, execution challenge is something. I think the important point which was mentioned earlier was that we declared a launch pipeline a while back. We are not deviating from the launch pipeline. I think to our opinion, we have tested it that does it satisfy us, does it satisfy our ambitions? The answer is yes.

The odd project could come in. I mean I am not ruling that out. But largely, we feel this is a fair balance of the execution capacities, our own ability to focus, and our comfort level of the kind of customers we are seeking. It may be slightly conservative, I hope so, and maybe a new contractor shows up, maybe a new opportunity shows up. I think in the next 5 years, there will be some changes, hopefully positive, but nothing significant.

Puneet Gulati: So, one should assume that pace of launches would be largely what you delivered in last 1 year, 2 years?

Rajiv Singh: Pace of sales, yes. Pace of launches is lumpy. So, what's going to happen is that, as already mentioned in the 5-year story, we are already kind of 35% in there. We will be another 15% as per our estimations. So, we are going to be slightly, hopefully, God willing, front-ended in our launches. Whether that will result in being front-ended in sales or not, time will tell.

What we have told you right now is be prepared for a flattening of the sales curve. If it gets front-ended, good for everybody. Launches will tend to get a little bit front-ended, 50% being done soon, and hopefully, the balance in the nearer future and not at the end of this period.

Puneet Gulati: Understood. And secondly, real estate as an industry, and your Company also has seen 2 cycles, 14 to 20, and then 20 to 25. Is there something that you think you would like to do differently so that you can insulate yourself from these kinds of cyclical impacts?

Rajiv Singh: Basically, I think that's why we did the 10-year test, we did the longer test. To be honest with you, it firstly depends on what period you measure what year. But the good news is that over time, and I will say this for real estate in general, certainly specifically for our product which we measured, it stands the test of time. It's not something that people go and say, oh, I doubled my money. That's good news for a week or 2 weeks. It's also not that I've lost all my money. So, if you prudently invest, you are as good or as bad, depending on the time of the day and the month, in terms of any other asset class you invest in.

So, real estate, we believe, should be something which should give you safety, should give you comfort. But unlike many other asset classes, it gives you 1 big advantage, and that's what we hope the DLF difference is. Hopefully, you tend to enjoy your investment.

You can live there, you can enjoy it, your family can enjoy it. At the same time, your money is safe and growing. So, that is what I think is the proposition we would like to give.

That period of time you mentioned, what happens in period of time was, it was a period of excesses. And excesses only get removed by extreme pain. China is going through it as we speak today. This is the first time, I think, where India has been ahead of China. We have been through what they are going through now. It's just when people get carried away, things come down to earth.

If you ask me, I don't think it's an industry problem. It's not a demand problem. Somebody else asked me earlier, cycles and this. It's not a cycle. The consumer was ready to buy. Consumer was scared to buy. Consumer felt that if I go out and give money to anybody, in certain cases, including DLF. My money has gone down the tube. The customer confidence was completely destroyed. Very well known, very established name, which I will be honest with you, even I recommended to many people. I knew them personally and I said, yes, please go ahead. They're good guys. Time proved otherwise.

So, that is why I feel that it was a problem caused by the industry of its own making. If you are intent on scoring self-goals every 5 to 10 years, I can't say. But otherwise, the consumer demand was only sort of staggered.

And therefore, it came back a bit stronger when the industry, post RERA became a little safer place to be. Like everything else, there will be periods of exuberance, followed by some periods of correction. I don't really think we are going to go through that deep a correction, because people have got a bit wiser now.

Puneet Gulati: Understood. Anything you'd like to do differently in the next 3, 4 years versus what you did specifically in the last 3 years?

Rajiv Singh: No. I think the message what we want to give through this presentation, boring as it may be, is we actually want to remain intensely focused on our netting. We actually, you know kind of, we all spend half the day keep thinking about what else different can I do, and we are wasting our time.

Okay, I think we spend that time just doing what we should be doing, we will be much better off. So, this industry doesn't have, I was recently in Dubai, there's nothing pathbreaking out there. There's no product I can say, oh my god, no, it's not that. Some nice things are there, I appreciate them, but that's about it. So, it's just doing what we have to set out to do. Innovation levels are lower.

Really what we have brought as DLF to the table, which I think has been well appreciated by my customers, by hopefully the industry, I do also believe even global players have taken notice, is not too much of a change on the hardware, but an intense focus on the software, whether it's customer focus during the process or the post sales living experience. And I think that's where we are really seeing the monies we are seeing, the profits we are seeing, the price premiums we are seeing.

I really don't think we can really say it's because my concrete is better than his or my this thing. It's just that people enjoy living in our communities, because of the soft services, our commitment towards them, and the prestige that has given them.

So, today there is some prestige to being part of living in building A or B or developer A or C. And that comes from the community and the way we run it. So, we will spend more time on the software services and keep working hard to improve them more and more and more, sometimes even at a cost attributable to us. But that's something which we feel is going to be the difference, not really the hardware. So, if you want to ask me what we are going to change in the next 3, 4 years, just do more and more for the consumers living or going to be living with us.

Puneet Gulati: Thankyou.

Aakash Ohri: Also, if I may just add sir, to what your point is, so what I've seen over the last 4 years, residential real estate post COVID has become a priority. And I am seeing the younger generation in my bus, I was addressing some of you, earlier the average age of purchase was about 38. Right now that has come drastically down to about, it's between 28 to 30. This is the new set of Indians or the new set of people who are coming into buying residential real estate. So, the base has increased.

So, the cyclical nature that you are talking about, obviously your Chairman clarified regulation stronger this. But I think what I am seeing over the last 4 years is the residential real estate has become a priority to own bigger, better, and that's what people are aspiring to do. And the younger generation is now more rent. A priority is for even for them is to change I am saying.

Kunal Lakhan: Hi, this is Kunal from CLSA. Sir, just wanted to clarify, you said that you are going to be focusing more on the execution and sales are expected to remain steady at these levels. Do you think is it because the industry may take a breather after a sharp run up in the last few years? And also parallelly, like what are your view on the prices across micro markets of Gurgaon?

Rajiv Singh: No, look, I don't think we are taking a breather, or we are doing anything else. As I am saying it, our cash flow is going to come in sooner. But I want to qualify it. I think Badal put up that slide. He's brutally honest. But the hard fact, which I think all of you must realize is, and that's a question I think you guys may ask us one day, hopefully not today, but one day.

All the money which goes in, goes into the RERA account. So, today the cash flow just goes into RERA account. I can throw my weight around and say it's mine, but actually it's not. So, unless you don't execute and don't deliver, you don't get the cash flow. But yes, we will start banking the cash flow, number 1. Our profits will actually get recognized with a lag. So, you know, we have done the sales booking. Great. We have started the project wonderful. But the journey is not over.

So, that is what I would say that why do we look at our industry as something different than any other industry you guys cover or your colleagues cover? You make a cement factory. The day you go and lay the foundation stone and award the contract and do a little bit of digging, do you immediately start thinking about where would we put the second cement factory? This cement factory is done, let us find the second cement factory. So, whoever does this will die. So, simple fact thing is the journey has to be completed. The sales bookings and all these are just the start of the journey.

And I think that is what I want to just say that it may look like we are actually coasting, but actually the hard work has just begun. And, we want to finish that hard work. If we have time available, certainly we will take on newer adventures.

So, that's what I just want to say, that profits are yet to be realized, profits are yet to be accounted and booked. Cash flow is being realized, but cash flow is yet to be freed up. And, we are on our way, but by no means would I like to say the journey is over, and therefore we start thinking about what's next. That's my answer to your question.

Kunal Lakhan: And on the prices, sir?

Rajiv Singh: Look, prices, we are enjoying good pricing. I think it is respectable pricing. What this product slide we had shown you should tell you that, there was a period where prices had got depressed because of the uncertainty conditions around the industry, as I mentioned. They came back stronger, but over time they leveled out at a low teens type of price delta, maybe 10%, 15%. So, if the price points remain somewhere as a growth rate of, say, 10%, 12% generally, I think the industry is safe and we are comfortable and our margins will continue growing.

Rapid price increases beyond this point would be a little uncomfortable, somewhat unnecessary. Any price increases which start stagnating also would be a cause for worry in the case of inflation. So, far, so good. So, we are feeling that all the new launches which we shall be doing will reflect reasonable price increase and appreciation, but nothing untoward, at least from our end, we won't be pushed to change pricing drastically.

Kunal Lakhan: Sure. And my second question was on incrementally our strategy, right, what we have seen in Dahlias is that we sold certain significant amount, then we took a pause and now we will restart the sales sometime in future. For your incremental launches, especially in Privana and subsequent phases or even Sector 63, would we adopt a strategy, what we have been doing in the last few years, where we will sell out if the demand is there, or would we take calibrated pricing hikes, and do calibrated sales based on those pricing hikes? Is there some strategic change there?

Rajiv Singh: No, there is no strategic change. I think it depends how you look at issues. If I had 1 product, I had 1 project, and I had 5 or 7 years ahead of me, I would certainly sort of make sure that I sell x% at time of start, 15%, 20%, then I will sell another 10%, 15% when I start construction, and so on and so forth. I will play the cycle. I will try to get maximize my realization. I will time it to the need of my money, and I will earn my money, hopefully, intelligently, and smartly over, say 5 years. The difference what I want to point out to you guys is it's not a particular project. It's a type of segment we operate in.

So, when we look at Privana, we don't look at Privana West, South. So, if somebody says, Privana is all sold out, the answer is no. Okay. Part of Privana is all sold out, but in totality, Privana is yet to be fully sold out.

So, what we are really looking at are these are all incremental blocks in the larger story. The larger story for us remains not Privana West or South, but remains Privana. So, we know that we are intelligently mining Privana.

Our price in South to West has changed. God willing, price from West to something else will change. And over time, we will keep improving the product. We will keep adding value to it. And therefore, when you sit back and say, did Privana get sold in a period of time and in batches, the answer will be yes. And did you collect your due share of upside each time you went out to market? Answer, again, hopefully, will be yes.

So, that is the difference, which I want to say that we look at something in larger chunks, just that offering itself 100% sold out is, because that offering is a part of the larger chunk. If I had nothing else to do, I would not go out and sell more. Dahlias, why we have kind of slightly sort of pausing for breath is because touch wood, the response was more enthusiastic than we expected.

So, we just kind of, we don't want to pump that pipeline too much. So, we just kind of saying maybe we want a little bit ahead of ourselves. Let's just try to get some healthy balance. So, that's why we have kind of eased up a bit. But the intent is to sell Dahlias also at the right point, at the right time, in a manner which is as soon as practically possible.

Kunal Lakhan: Sure. And my last question was on if you go back to that slide on the potential development of land, almost 85 million square feet is in the premium segment category. And when you try to tie that up with say the asset class wise returns that you have given, right, a premium segment for DLF projects has actually given the least price CAGR in the last 10 years.

So, how should we look at monetization of this 85 million square feet, like in terms of timelines, would you strategically push it further out, so that you know that 85 million square feet or that becomes more mature to launch it as luxury? How should we how should we look at the timeline of this 85 million square feet?

Rajiv Singh: Very good question. I think the message, 2 points we want to tell you. Firstly, I think the point is that a revaluation of the TOD/TDR potential has resulted in significant delta and increase of almost 40-50 million square feet, even after accounting for prudence in certain areas. When I kind of put that into perspective, what I want to say is in the whole last decade's development potential which was there it has kind of comeback by change in entitlement and norms. So, in a good way, I am back to square one.

The second side is that yes, today we have accurately reflected that this is what it can fetch as it stands today. But the journey will continue. And our fond hope is that portions of this 85 do tend to become the Luxury segments, and maybe 1 or 2 of the Luxury segments becomes the Ultra Luxury segments. I think I was given an example earlier in the day, Privana, which you all have seen today. Till 4, 5 years back, we were sort of excited about, and I will tell you a real-time case, so we were actually looking at Privana to become a plotted colony, and launch it as a plotted colony.

We had got all the approvals, everything was done. In fact, some development also we had done, and all that, it was done. This is not too far back, I think must be, Devinder can correct me, 8, 9 years ago, not too far back, as a plotted colony.

That time our realization on this land as a plotted colony would have been net of costs incurred, etc, would have been maybe INR 7 crores, INR 8 crores, INR 9 crores would have been considered a home run, extremely excited.

Markets after that changed, it started going down, we felt the need to be on this, we will have to do some construction to hold it, to create the habitation. So, we actually went ahead and made a building, we made a model, not sort of small model, life-size model, and actually said, what will it require to build something nice where people will buy, will get our margins, etc.

And I will tell you, this is how life is interesting, a foolish thing, but we wanted the rear gardens of those units to be contiguous, so people can enjoy not little-little lawns, but sort of nice paths to walk around and enjoy and all that. The laws at that time did not permit it. We tried our best; we could not get permission for them to remove those boundary walls legally.

And therefore, we were so convinced that that was not going to be a good product from customer living point of view, we abandoned that idea and abandoned that project. So, about 5 years back, we were kind of slightly despondent, in Privana whether we will make INR 10 crores or they could have not, God knows because our thoughts were not working out, regulations were not allowing us, fast forward till today. That number has gone up by 10 times. Now, what was therefore in the lower parts of the premium category now is possibly in the mid parts of the luxury category. So that is the matter of luck, matter of right timing, matter of right product and therefore long story short, part of the 85 will certainly go through a upsizing experience. We have also mentioned in the slides, which you will see more closely, written in small print, but when you see it is some part of this will also not work out. I am not going to say everything works out. Some part will also be outright disposed of if kind of mentioned that 5%-10% of our land inventory will, after careful evaluation, will not meet the bill. So we do hope 5%-10% will get sold out, 20%-30% will get up skilled and the balance also to be honest, 30% is the number given plus, 30%-40% is, today we are all now flying a little bit high. It is not a bad number at all. And I do believe that a few million square feet a year of this type of potential in towns like Chandigarh, in certain other areas will continue and the company will continue to profit from it. So I am not really worried about a 30% plus number. I don't think it represents anything which is something which the company should not be aggressively pursuing, but I know it is going to go up overtime because of all the efforts we will put in here.

Rahul Jain: Sir, this is Rahul Jain from Elara Capital. Sir, just one thing on the Gurgaon market, over the last 3 years, what we have seen, some new entrances in the market, few channel partners turning developers, are there any practices in your observation that you are seeing would be concerning or raising red flags?

Rajiv Singh: See, I don't want to comment on anybody else. I am not very familiar but look everybody has to try very hard. It is a natural evolution cycle. Sometimes land buyers become developers, sometime contractors become developers, sometime brokers become developers, and sometime developers become bankrupt. Yes, this goes on in our cycle so this is part of life let them do that, though I think they are doing the right thing. They bring energy to the business. I will be frank with you. Sometimes they may be dreaming a lot, but that dreams are required, so I welcome those guys. I don't want to take names, but I am familiar with a few of them which you are talking about. I wish them well. If they can put it together, the industry always needs some new blood coming in and if they can bring it and become good quality developers more than happy. They have been with us some of them for a while. Hopefully they have learned from our experiences, and they won't do some foolish things and deliver to the customer and keep the customer commitment higher. So that is all I can say. It is a welcome step. I am not going to say anything negative about it.

Rahul Jain: Thank you, sir.

Pritesh: Hi, Pritesh here from Axis Capital. Just couple of questions. So first on the bandwidth part. You know Last 3 years we have seen one major launch or last year we had two major launches. That’s how we want to optimally utilize our bandwidth or there is a scope for doing 3 to 4 launches in a year. I am not saying couple of launches in Privana together in one year, but we have now good land parcels identified in the city, which we can go for launch, 61 is there. So, you know will there be a time in next couple of years where we will see 3 to 4 launches in a year or we are happy to do 1 to 2 major launch and optimally utilize our bandwidth that way?

Rajiv Singh: I think at some stage we will move on to the next part of the presentation also which is our RentCo business. I think you will see that we are quite active in that area also. So as far as I am concerned, the launches are more than 2 to 3 because we are also starting and initiating significant size rental projects. So, as a company, we are geared up to do certainly 4 or 5 of them. It just so happens right now fortunately, both parts of our business are equally attractive and consuming equal bandwidth, but if tomorrow it comes down that we have to do 3 or 4 launches in the residential sector. I think you will see that happening anywhere next year in my opinion, because some approvals have kind of seem to have got bunched off and delayed. I hope they come through soon. So, I think that the number of 2-3 low level, I think 4 or 5 big and small will take place in the development business itself and 2 to 3 starts in the so-called commercial business. We are geared up for that much here.

Pritesh: And second on the Delhi part which you highlighted, So what kind of opportunity we might look at because whatever we have heard till now, opportunities are there, but largely on the mid income side of far out Delhi, so anything on the premium luxury which are our forte, which we can look at?

Rajiv Singh: Look, for Delhi, my main point is that all the land of any significance in better locations belongs to the government. So the government has to do two things. It has to first loosen this policy and make the development business attractive and then secondly has to make sure that the land is offered to it. It is almost impossible in Delhi for somebody to go out and get large parcels of land, etc. Most of the factories in Delhi were closed a while back, those lands did get sold around, but there will be those kind of opportunities, but they won't be in central Delhi, but peripheral parts of Delhi like where we have a capital project etc., I think more opportunities will come up. That area will start transforming itself. So that is where I think the action will lie. Central Delhi, per se, will be a few, but bulk of the action I think will be around the industrial areas and some areas which hopefully the government brings to the market by some disposal process, whatever they consider fair and appropriate. Outskirts in Delhi it is there but outskirts the infrastructure everything else will take some time. So yes, you are right, it will remain a little bit challenging for the immediate near term.

Pritesh: Sure. Thank you. That's all my questions.

Rajiv Singh: Should we move on to the next part of the presentation, if it is okay and then you we can give you still a chance to recap at the very end of it if something remains or if the last question or something, please feel free.

Badal Bagri: We move to the second block, which we have talked about, which is the annuity business. The way we define annuity business, Sriram. Again, we have almost 44 million square feet of operation area, almost 39 plus in office space and close to 3.5 on retail. It is a good mix. We have a large portion in Chennai. We have a reasonable size in Gurgaon. We have got portions in Hyderabad, so it is a kind of reasonably well spread out. Like you talked about developed business, we have an extremely strategically located land bank. We have created large and scalable integrated facilities, which is world class and fairly consumer centric, I would say. So that has been our forte and strength. We have had a steady compounding business over the last 5-6 years, whether it is rents or profits, and we will see some numbers out there and we seem to be aggressively investing for growth in for future as well.

So if you look at some references, key numbers, again, just to define, if I were to look at annuity business, rental business is office and retail. Then, we have a hospitality business where we run a few hotels, various clubs and then you also have our services business which is very complementary to both DevCo and RentCo businesses. Look at the overall revenue, which is rental plus services and the hospitality business, it is a INR7,000 crore business for us of which rental portion for the last year will be almost INR4,600 crores. We have also given for reference what is the split between DCCDL and DLF, but for us, I think the more relevance is you look at the INR 7,000 crore number as an overall bucket rather where it is getting accounted for. This has delivered, the revenue growth has been single low double digit and it has an extremely healthy over 20% PAT return over the last 5 years or so.

We continuously invest in CAPEX. There are several projects. We visited one of them called Downtown in the morning. We talked about Hines, which was right across the road. We have got one coming out in Chennai. Many of them are in advanced stages and we will get kind of commercially operational if I would say rental yielding in the next financial year itself.

Cash again continues to be our focus area whichever business we consider and this business also generates reasonably healthy cash flows consistently year-over-year. Net debt to EBITDA, we have got almost INR 18,000 odd crores of debt in this businesses, all put together, whether it is Hines and DCCDL. However, our financial performance has been reasonably good, very very steady across the years and our net debt to EBITDA ratio is approximately 3.6 as on December end which to my mind is well benchmarked and we are fairly comfortable with this number.

To give a sense, we talked about 39 odd million square feet of office portfolio. We are looking at adding another 21 million square feet for projects which are already under pipeline or planned for. This portfolio itself will become 60 million square feet and we will see a fairly sharper growth in the retail portfolio as well from another 4 million, we look at almost tripling this number to almost 12 million over the next 5 years or so. These are the list of the project whereby we say almost 8 million is already under execution and several of them is in the last stages which is going to get delivered in the next year itself.

Overall, if I were to look at this 5 year and all our projects kind of come out on time, we are looking at almost INR 10,000 crores of rental revenue by FY30 plus minus 6 months, 1 year, whatever, but we are looking at doubling our portfolio of rental business in the next 5 years with the projects which are there in the pipeline. As we say, we continue to invest-to-order in order to make this portfolio viable, we will have to invest in CAPEX. We are looking at almost investing INR 20,000 crores, INR 12,000 crores in the DCCDL portfolio and INR 8,000 crores across rental and hospitality business in the DLF portfolio as well, so INR 20,000 odd crores ballpark number over the next 5 years for identified projects.

In terms of operational portfolio, we have talked about 44 million square feet. This will lend the balanced portfolio after having completed the projects which are in pipeline or which have been kind of already kind of defined in our mind. We will still have almost 60 plus million square feet available for future development, so my existing base end of 5 years could be approximately 73 million and another 62 odd million square feet available for future development and hence we have enough and more in terms of land bank and opportunity to continue to grow this business even going forward.

Commitment to sustainability, I think Sriram articulated this very, very, well in the morning and I don't think so I will come even close to what to the way he kind of passionately articulated it. So, I will skip this page. This is glimpses of the projects which possibly are under construction and are going to get launched almost Downtown is what we saw in the morning, Downtown Chennai, the next building is going to be launched sometime in the next quarter, not launched. It is going to get operational in Quarter 1 and we have Atrium Place which is three of the four buildings are almost ready for occupation in the next 3 to 4 months or so and the fourth building by end of this year.

One thing which I missed talking about is our occupancy level. We are at almost 93% on a weighted average basis across retail and office. Our office portfolio is at short 93% and if I were to exclude the SEZ portfolio, it would be almost close to 97%. Retail is healthy at 98%. All our new projects are almost 95% pre-leased. So I think we are a reasonable place for all the new projects which are going to come for occupation.

Key takeaways, we have 44 million square feet available. We are going to add, it is going to go up to 70 million square feet in the near term. We continue to focus on cash. Our CAPEX will be almost INR 20,000 crores in the next 5 years. So yielding INR 10,000 crore rental return, rental number by FY30.

Another aspect is the net debt to EBITDA. We continue to look at almost the net ratio of 3 of net debt to EBITDA as a steady state and that is what we kind of aspire to be at this point of time. So, we can actually take questions. If the question on RentCo business, you can take it right now.

Puneet: Yes, hi, this is Puneet from HSBC. So in the RentCo business on slide 39, for example, we saw Cyber City as a potential of 28 and you have built 15.5. Is there a risk that there could be disruption in the existing business as you unlock this potential by tearing down some older buildings to build new ones, should one think of it that way or is there land available on which you can build just new high rises?

Rajiv Singh: I think, look, there is none of this takes into account tearing down anything. That is not there. This is all well planned for, and the land is available for it. What I think the message which I wanted to give to everybody here was that DevCo is very big, growing, exciting, but there is a huge development potential sitting in our RentCo itself. That is our benchmark to many other rental players. The delta in today is that most REITs or most of other things have 80%-90% of their portfolios, even by law in some cases unfortunately to be mature and about 10%-15% to be developable. In our case, the important thing is crazy as it sounds, we are about 33% mature and about 67% yet to be matured. So the growth outlook even in a steady business like our rental business is actually enormous and that's the message I think we want to do. Frankly, when we started doing these numbers very carefully, we also saw them four or five times because they were a bit startling and that is the real message that to your question earlier also that as much as the development business offers us lots of opportunities, so does the rental business. And between embedded rental growth because of the quality of assets and time, the new additions will keep this business growing at a pretty strong clip. And as we are estimating, certainly the rentals would definitely hopefully, let us say, double in a shorter period of time and that kind of pace can be continued. Large portion of this land have been kind of, what large means the land has been paid for. So hopefully the addition to the bottom-line in cash and in terms of profits will be proportionately larger. This by itself is a very exciting business. The development business is sort of adds much more to it. So this is why we today actually took the opportunity to present our businesses in two different ways in which we look at it and that is a deviation in a quarterly meeting, unfortunately we are so high bound by so many things, time included and dos and don'ts that you really can't get beyond just updating numbers. This time, I think the message we want to give you is we have taken some liberties to present the data, not as strictly as accountants would want it, but as businessmen would like to see it as investors hopefully would like to see it. And the important thing is that we have got two strong complementary businesses both demanding our time, both giving back a fair degree of return. Collectively, between the two, I think we see good things happening and that is why when somebody asked me questions on development business, I want to kind of measure it with this that both sides are keeping us busy for now and hopefully this trend will continue.

Puneet: And between the two, which one do you think gives you better return on your capital and time and how do you allocate capital between the two?

Rajiv Singh: It will depend on time of day. By 8 o'clock in the morning, RentCo looks good, by 12 in the afternoon DevCo looks good. So yes, they are the two sides of the same coin. It is like you guys all in the financial business you get happy when you sell a stock and book the profit, you get all the more happy when you hold the share see the valuation of that after 10 years. So it all depends on what drives you and what measurement you want to adopt for that discussion. So I can justify either one of the two. So can you. I think collectively it is a very nice mix to have that development gives you the chance to generate the cash to actually fund the CAPEXs for this one and then overtime this will give you the cash to go back and fund for the development. Most important is we can create the communities part of the Gurgaon story, part of other stories as wherever employment generation is taking place, residential business will do well and wherever residential business does well, retail will do well. So this is going to be there and Gurgaon, questions keep getting asked, but the quantum of employment generation and quality employment generation which is taking place, God willing, is quite high and that is how the demand for apartments and other services is taking place. So both things are very strong and this has its own sort of a path and therefore as I said, one time I had mentioned earlier last time, maybe 3 years back, I will look at about 10 million square feet as being our kind of steady state number from a comfort capacity happiness point of view. I think between the two businesses; we are nudging ahead of that number. Now, we are happy to do so. But this itself is a 4-5 million square feet per year delivery kind of thing, so that energy could have been devoted to DevCo if this opportunity wasn't there between the two. It is a very good opportunity, and a lot of this land gives us reasonably good paybacks.

Puneet: And do you worry that this 4-5 million square feet that gets delivered, the city has the potential to absorb it over a foreseeable period of time or would others have to vacate to fill up in your place?

Rajiv Singh: Vacate, that is true, some people will have to vacate. Hopefully, they vacate for better times and better things. Some people will also move on. So that is the way things are. But so far I think we are cautious that as Badal mentioned that we do watch our pre-leasing very carefully. So far the output is backed up by good pre-leasing commitments and hopefully that will continue. If it doesn't, I will be honest with you, we will slow down. So this projection which we are giving you is based on a comfort factor that these things will tend to happen. Beyond that what pace will be adopted will depend on various factors, but I think this overall pace should be maintained.

Puneet: Okay! Thankyou.

Parikshit: Sir, this is Parikshit from HDFC. So just on the CAPEX, you have highlighted INR 20,000 crores of CAPEX will give you incremental rental of about INR 5,000 crores, so which is a 25% yield to cost. So is it the right number, I mean it looks to be very high?

Rajiv Singh: What looks very high? CAPEX or yield?

Parikshit: Yield to CAPEX of 25%?

Rajiv Singh: So I think to be honest with you, I think this is a run rate. The actual numbers on a steady state basis will be slightly better. So we are, those benchmarks are what we start with, but hopefully we will be slightly better in terms of return to cost, but remember in our case, we are fortunate right now to ignore land. So if you ignore land on construction, we certainly feel that money we spend, we should get back hopefully in 3 years, in some cases it becomes 4 years, yes.

Parikshit: Second question, I think morning we are discussing Mr. Khattar. So he said that the concentration of the clients, now I think the tower 7, there were about 4 clients and looking to lease about 1.2 million. So one is the concentration risk seems to be increasing. Then, we have this 40% coming from US and then Europe, about 40 and then balance India and then the trade war going on all around. So do you think that there was a period when there was a pent-up demand which is now getting absorbed and then there will be again a pause and the way the trade war pans out, so there could be a significant slowdown hitting in and with high concentration if some of these clients move out then again we look at a very kind of a model which was earlier more stable where we have more diversified plants and then we have built a concentration and then this thing comes out. So that could bring in a big disruption?

Rajiv Singh: No. The first point, I don't think we are out to select clients, okay. So we take all clients as they come. We welcome small guys, we welcome big guys. If it just turns out to be 4 of them, great, if it turns out to be 12 of them, wonderful, we are not doing anything here. Our only focus slightly is that we don't want to overexpose ourselves to the shared office space industry, so we are going to keep that number little bit in mind, but beyond that as long as we are dealing with corporates, corporates who also would be significantly investing, interesting data now, I will tell you I was visiting some of our clients other day. Their spend on their office interiors is actually slightly more than my spend on the building here, slightly much more. So are they deeply invested or am I deeply invested is the question mark. So if some disaster takes place, nobody can say anything about it. But otherwise I think it looks good and we are catering to all kind of clients, big or small, and it is just that many of our smaller clients have become big. Today, I don't think anybody is kind of running away from anything. I don't think this is pent-up demand. In fact if you want a statement from me, I think demand is accelerating and not kind of catch this thing. And last but not the least is that look at the end of the day, any question, any one of you may have, we have the same question. What if this doesn't happen? What if that happens? What if this happens? What if that happens? The answer, simply put, is have the financial strength to see through that period. You could do nothing about it, okay. What will happen tomorrow? I can't change. Neither can you, okay, but we must be able to be around day after. So the fact is that is why a prudent financial policy will just put you in the worst case situation to a period of enforced rest. That is about it. So some building may live empty and vacant for a year, year and a half, two years. If it is not killing you because your balance sheet can take it, that is about the worst that can happen. My colleagues and competitors may not have that luxury. So finally, who will remain standing? Time will tell, so I am quite comfortable with the way things are going right now. The pace is good and we also feel that retail as a sector in India still has fair exploitation potential and anything in offices will more than get made-up by number one is retail and I think the Indian office scenario also should not be ignored. If the economy comes to anything, what everybody talks about, we will start needing our own GCC's or our own offices, number two. And thirdly, I think I will say the most important thing to all of you guys is, you know, for us, we have identified this is DevCo and this is RentCo. That is our view. That is our thought on what we feel is the optimum utilization of space today. It is not mandated by anybody. We are very careful that we do not indulge in some things which are only this or that. We also are very careful that we don't go in locations where if somebody doesn't go and open up a pharma lab in that place, you are doomed because nothing else can happen. No, we don't do that. So worse comes to worst one fine day. Worst comes to worst will be that you convert them to residential opportunities. It may happen sometime. Markets may take a turn for this thing. If it so happens we are okay with it. So that is why I am trying to say that all our lands below our office or retail buildings are quality lands capable of any use, so we have thought about the downsides quite a bit. To be conservative, but I don't think such pessimism is really necessary as of now.

Parikshit: Just on the flex, last question on the flex piece. So do we have a flex strategy and or we will directly look at like dealing the larger clients directly and maybe a managed office player who will be there leasing out from us and then doing more retail kind of leasing for us indirectly. So we won't have that exposure. So what is your view on the first of all the managed office industry and whether you will have a flex strategy of your own or you will like. So what will be the future of the flex within your leasing portfolio?

Rajiv Singh: Two-three things I will say, may not be in any particular sequence. Firstly, the good news is we are semi in the managed office businesses because we are not just making a building and walking away. Luckily for us, in all our buildings, we have sufficient amount of management presence. We manage them actively, we amortize them a lot. We make sure that the customer, lot of the stuff which he or she may have had to do on their own we are anyway doing it for them even before the flex industry came around. We had full-fledged maintenance services, we had lots of backups, so that person didn't have that much to do beyond their four walls. So we continue doing that. As I said, we have enhanced our soft services offerings. Hopefully when you guys come back next time in Downtown, you will see very vibrant sort of social amenities and health amenities etc. We have reinvested and right now established a brand. The test samples have been successful. Now, we are going to grow it aggressively called thrive where we feel we will be able to provide a very good wellness option to our customers. Our point is to give it to people who otherwise may not be able to afford that quality. We are determined to give it to them so that they enjoy coming to our buildings, etc. So from that particular point of view, we are actually semi-office managers, but we will not cross that line. We look at the managed space providers as our partners and sort of serve a purpose of providing flexibility and new tenant introduction into our portfolios. Their business model is slightly more fluid, slightly more short-term, and the capitalizations of some of them are slightly lesser than some of these established multinationals. So you will expect that will be slightly more prudent in exposures which we do sort of watch. So that while we manage the overall managed portfolio in our number is controlled and individually also it is controlled that said and done, I think it is a very healthy collaboration and they are actually bringing a lot of value to us. Hopefully, we are also bringing it to them.

Kunal: Hi, this is Kunal from CLSA again. So just you said earlier, you talked about the limitations for REITs to grow and at the same time you spoke about our aspirations of scaling our rental portfolio. So should we just rule out any prospects of REIT in the mid-term or even in the long-term, of DCCDL?

Rajiv Singh: We cannot rule out anything, but definitely for sure in the short run it is not part of our agenda, number one. The way the REIT is structured, it is an instrument which is good, but as I said, it distributes income efficiently to its unit holders, but every time you want to grow it, you have one of two choices. You go and buy something or you have to go and build something. In both cases, you need to go back to your unit holders for capital all over again. So it is a great thing for the finance industry to be in because they get fees all the time from raising capital and the loans and various things. I hope we can stay out of that issue, but like everything else, sometimes, you want to try different things. We may have REIT here or there just to test the waters, but I don't think it is going to be part of our strategy as we speak today. Government regulations can change, it may become far more attractive. Certainly, we will look at it as and when such situation arises here.

Kunal: Sure. Rajiv Singh Sir, my second question was a little more conceptual, 7-8 years back we promoters sold stake in DCCDL and brought in the much needed capital in DLF and it helped us spare down the debt significantly. Today, our situation is very different that today the debt is not an issue. We have significant cash flows like you talked about, like INR 50,000 crores of surplus that we will make right? Would we consider buying out GIC stake at any point in time and or more so sooner than later because like you said that 66% of value creation in that portfolio is yet to happen and no better way to create value than develop the portfolio. So would you consider at some point in time?

Rajiv Singh: Yes, two points I want to mention to you, maybe I think our slides are not showing that correctly. So we need to be careful with that. The value creation in the DCCDL portfolio is not 67%. It is slightly lesser. The rest of it will be now in the DLF portfolio. That is said and done. Look, I am not in sort of push to consider anything to do with GIC in buying out or this or that, no. Our understanding is very clear that if and when they wish to seek options of liquidity, we shall do our best to provide the same to them. It could be through listing. It could be through anything of that particular portfolio. I was with them recently and I don't see anything at the present moment where at their end, anything of that kind is there. So that it is a good partnership. I always want to say that times change. Today, we can sit and talk big things, hopefully we continue to talk big things, but I appreciate anybody who came through at times when they needed to come through. So from our side, we will always respect them and welcome them and make sure that they stay with us as long and as profitable as is practically possible. But the day they want to kind of move on or in cash, certainly we will respect that judgment. I am not going to initiate it. If you want that answer from me, the answer is that.

Kunal: Sure. Thank you so much.

Parvez: Hello. This is Parvez from Nuvama. So my question is regarding your geographical spread. As the development potential shows, we have large development potential in NCR, which obviously has the benefit of probably being the only economic center in North India. Have we, in the past or let's say in future, will we consider moving out in newer geographies where we are not present today?

Rajiv Singh: Are you talking about for the rental business?

Parvez: Yes, for the rental business.

Rajiv Singh: Rental business, we are anyway in Chennai in a reasonable way, Hyderabad in a semi reasonable way. Hyderabad has grown greatly so maybe today we are not that reasonable anymore, but we are there. Bangalore, we are not there. Mumbai, we are not there. These are obvious markets for opportunity. But all I am going to say is that today when markets are hot, sometimes the opportunity is not there. Markets too tend to cool. But yes, I think the rental business will certainly seek geographies where our clients wish to be. So while development business, we will have an option to remain hopefully focused. But in rental business, we may follow our clients. But that time and a good opportunity will tell you.

Parvez: The second part of the question is obviously in Gurgaon we have a competitive edge in the form of high quality portfolio as well as a development potential that we have. Do you see that let's say in future if we go to Bangalore or Mumbai which are probably much more competitive market than Gurgaon will have to do something different than what we have done here?

Rajiv Singh: No, I don't think we have to do anything different, to be honest with you. We need to have scale because customers expect that scale from us. They expect a certain level of infrastructure and amenities, which we'll have to provide. I think we just kind of keep that scale in mind, are willing to put that much on the table, and remain competitive to what that market needs are. I don't see that to be a major issue. Nothing new needs to be done.

Parvez: Thank you.

Karan: Hi, thanks. Karan here from Ambit. Sir, I had one particular question on the overall rental market, right? So if you look at the rates for some of your residential or the DevCo portfolio, and Aakash has spoken about it in a few interviews, how Gurgaon rates have moved closer to London and Dubai and all these markets. But if you think about the rental portfolio, it seems like India is still a fairly underappreciated market because rentals abroad are much higher than what it is in India and even for DLF's portfolio at about $2 a square feet or $2.5 to $3 a square feet. So, from a more medium term, do you think that the rentals actually have room for significant rerating, let's say over the next five to seven years or do you feel that the infra initiatives that have been undertaken by the government still aren't enough or the population growth that we are seeing compared to the infra capabilities currently still aren't enough for the rentals to move up?

Rajiv Singh: Firstly, I don't think we are even at $2.5 to $3 number you're talking about. The important part is that companies are coming from worldwide here for two reasons. Economics is one of them, capability is the second one of them. So I think hopefully the industry should not go to a point where the economics portion starts getting stressed out. We are making decent numbers, we are getting good numbers. I am quite comfortable if we don't have significant rental deltas but have consistent and steady increase. We watch our paybacks. Inflation has affected us. Certain changes affect us. So because of that, our costs do go up. So far, the rentals are covering that. I hope they continue to cover it. But otherwise, I think that the rental level is lower than residential. But again, Aakash is fortunate to speak of a few projects which he's been able to successfully position. But that's not true for the whole, I mean, all of India. So I think an exaggeration on rental sort of being world class. I think India overall has a long way to go, both in rentals compared to world pricing, and in general, I am going to call it, residential being to world prices. The average in India still today for the kind of apartment you are offering. Today, I hope most of the people start delivering what they are promising. They're quite nice apartments and the price point is, let's say about INR 15,000 – INR 16,000 a square foot. I mean, maximum 20,000, but INR 15,000 – INR 17,000, you get something nice here. What is INR 15,000 – INR 17,000 here? $200? You'll get nothing but $200 in 90% of international cities. So I think we are way, way behind in our residential pricing also. If you go to any other city, $800-$1000 is okay for city center pricing and $500 to $700 is okay for decent in suburban thing of the quality standard which people are promising. If you go back also and see, I think you know much better than me, but the average pricing is still INR 7,000-8,000. The bulk of India is still INR 7,000-8,000. I keep reading reports from all of you guys, I mean, that's the kind of number. It's $100 a square foot. So when you start looking at those numbers, I think the residential business by no means can be said to be world beating. I think the delta, if you personally ask me, may be slightly more still in favor of residential being at a discount. And quality commercial not necessarily being at that much discount. So that's the way I'd like to put it there, but let's see, time will tell you.

Karan: And second question, not related to the annuity piece, but the overall NCR real estate market. Historically, we've seen that some of your peers would have taken a few steps because of which the trust deficit overall went up. Are you seeing something similar happening at this point by any of your peers? Do think that the market is more mature, balance sheets are more cleaner because of which such a risk cannot emanate?

Rajiv Singh: First point, people have become slightly wiser. So I hope they do not make the mistake, but being aggressive is nature of this business. So new people may be aggressive. Some mistakes may happen, I am not going to rule that out. It may not happen financial reasons, sometimes competence reasons, sometimes bad luck. But financially, I think all of you guys must keep understanding that the model of development with post RERA is really a tough model. I will tell you very frankly, I somehow can't figure out how you can enter this business because your project cannot generate the capital required to buy that land. The banks are not authorized to provide capital to buy the land. The money gets stuck into the RERA account. So 90% or 99% of developers are stuck in this wheel where they have to, they generate money, it'll go into the RERA accounts, expectations for them to generate more money will be great. The moment they have to go into that, they can't pull the money out from RERA account, they have to go out and do one of two things. They have to borrow from so-called NBFC sector which has its huge return expectations, which I think sometimes becomes challenging to meet. Or they have to go and raise fresh capital. It's a very vicious kind of cycle. The more you do, the more you dilute, or the more risk you, in effect, kind of take on. Five steps, it's just some, how many people have the discipline that today you have started and for the next five-six years I would not do it and then I will realize my profits of RERA. Out of that profit then I will go and buy genuinely another piece of land then I will take another five years to do it, everybody's in that hurry mode, so in that hurry mode balance sheets or whatever it is but in that if you go to the wrong financials you take high interest cost loans. If you talk about past. the fact of the matter is that 99% of people, I don't know how they borrow, how people borrow 20% IRR, 27% IRR, 30% IRR. The giver knows he won't get and the taker knows he won't able to. If these things happen in the quest for growth, because you will have to either raise capital or you'll have to borrow from secondary markets. I only hope people are sensible that they don't get carried away in that, because finally those are where the accidents can take place. Right now, I think everybody is scared, not too much of it is happening but if you know lot of capital is put to work in this sector, I think that will be weak and bad for this sector. So I don't know how that's going to play out but we'll wait and see.

Karan: Sure and my third and last question, Badal in one of the slides you're talking about the medium term development potential of about INR 75,000 crores. So are you not building any escalation in prices as far as that INR 75,000 crores of launches are concerned or is it based on current pricing or know future?

Badal Bagri: It's based on expected pricing but it's expected pricing from those projects.

Karan: So any escalation, what kind of escalation are you building at this slide?

Badal Bagri: The expectations are fairly marginal I would say. Fairly marginal.

Karan: Sure, thank you.

Murtuza: Hi, sir. This is Murtuza from Kotak. You've talked about investing deep in the infrastructure, the associated sort of network benefits when you look at a residential development. Towards that extent, when we look at the Mumbai project, which is to be launched soon, it's much smaller compared to whatever you would have done in Gurgaon. Is there a larger plan for Mumbai, or the current development would be a one-off that you're looking at? That's my first question.

Rajiv Singh: Look, I think we are testing the Mumbai waters. Mumbai is a large market, mouth-watering market, but with its own issues and with its own strong set of players. So you know, how that turns out? The project is small, but not small to the point that it becomes unattractive. It's decent. There are certain potentials around that project which actually can make that project quite handsome. We will remain focused on that. So if that project becomes successful, I think it will be a project of reasonable size and scale. And success will also be of reasonable size and scale. Maybe our temptation is to take that thing forward. Maybe after going through that experience, we come back and say that's not the market for us. I think this question execution will answer. Time will answer. 3 to 5 years, either we will take deep steps into the market or we will kind of satisfy ourselves with executing limited projects very successfully. I don't know the answer to this. It's not material to our business, to be honest with you. Therefore, we can do the right thing for that project. There's no pressure either way. Let's wait and see. I mean, ideally, we can have a good presence in Mumbai, wonderful. But past experience has taught us that it's not that simple. So we'll wait and see.

Murtuza: Badal, the second question for you. There is a slide which talks about a INR 20,000 crore odd of CAPEX spend at DLF. Does that include the annuity business as well, or that's just on the development business?

Badal Bagri: So on the CAPEX side, on the development business, I don't think it's a INR 20,000 crore number. I think what we have shown out here that we have spent close to INR 5000 or INR 6,000 crores in the last five years, which was land and approval. So INR 20,000 crores is the

Rentco business capital, where the INR 12,000 crores will be in the DCCDL projects and INR 8,000 crores will be on the DLF sites.

Murtuza: This is on slide 19, actually, that I am referring to?

Badal Bagri: There is no CAPEX on this page.

Management: This is cost to complete of all the pending projects.

Badal Bagri: This INR 20,000 crores you are talking about?

Murtuza: Yes.

Badal Bagri: This is cost to complete all the projects which have been launched in the development side business as on date. All cost complete.

Murtuza: Thank you.

Rajiv Singh: I think let me clarify to you because maybe in other developments this may not be there. Anything which we spend for holding for long term including rental is considered CAPEX. Expenditure to complete development obligations for products for sale is not CAPEX. So our total construction spend will be significantly in excess of INR 20,000 crores because INR 20,000 crores is just CAPEX for the rental business in the next five years. INR 7,000 – INR 8,000 crores would be CAPEX for the development business. So CAPEX alone will be around INR 26,000 – INR 27,000 crore. The expenditure on completing projects which we have to offer to customers would be possibly as per these slides another INR 40,000 to INR 50,000 crores. So actually our construction spend, whether you call it CAPEX or non-CAPEX or government charges or whatever you want to call it, actually will start becoming a significant number of possibly INR 6,000 crore, INR 7,000 crore, INR 8,000 crore a year. We will have to aspire for a greater number, but that's the kind of scale we'll have to get used to in terms of annual expenditure, some for CAPEX, some for development.

Murtuza: So just one question. One area where we have not invested heavily has been hospitality development. We have a couple of projects, but it's not been like we have invested. So is it just that you don't find the returns attractive enough in hospitality development, even as a part of your, let's say, integrated office development or retail development? So just your thoughts on that?

Rajiv Singh: No, I don't think so. That's not the correct case. Right now we are new in hospitality. Our focus in hospitality had been to serve our existing customers, whether they were rental customers or development customers. We've done a good job at it. We continue to do more. Frankly, in the next 5 years, a few thousand crores will be utilized just to build CAPEX for that purpose alone. That money cannot be measured simply by what it earns. It has to be measured by what earnings it provides to the ecosystem it serves. So yes, if you take it that way, very viable and worthy of lot of investment. Would we do hospitality completely as a third-party activity that means have a hotel and some location just somebody walks in, somebody walks out, we make some money on it hopefully. Yes, we have deliberately classified the hospitality as part of our annuity business. It indicates our intent that in due course of time like any other asset class it also represents a decent source of income and value and capital appreciation. We are quite busy with what we are doing, but we'll keep our eye out for it and opportunistically we will look at that as time comes up here.

Badal Bagri: Just to summarize through final slides on what we have talked about over the last couple of hours, we continue to hold extremely strong, valuable land bank with both DevCo and RentCo, annuity business and development business combined over 200 million square feet of development potential pending, which will remain pending after which executing all the identified projects. So that's the first key takeaway which I thought I will kind of bring this about because this is the core and fundamental to both of our businesses..

Just to summarize on the points which we discussed, we have enough and more land bank to give us sustained growth for over 20 years going forward, development business. The rental business which we talked about, annuity business, we would have 73 million square feet of developed area by end of five years and another 60 plus million square feet available for development and hence both the businesses have reasonably good runway. We are targeting almost 45% gross margin in the development side of business with INR 25,000 crores of surplus cash potential from existing already launched projects. Annual rentals of around INR 10,000 crores in the next five years exit next by FY30 and our group PAT and cash flow to grow 2X or 2X plus in the next five years or so. CAPEX INR 20,000 crores in the annuity business, INR 6,000 to INR 7,000 crores in the development business. The CAPEX of INR 20,000 crores is going to help us build the base to kind of have accelerated growth in the rental business post FY30 as well.

As stated above, in development side we would like to get to a gross debt zero position soon. And overall in the next five years on a group level, our gross debt position should be close to zero. Shareholder return, a balanced judicious approach in growth and shareholder return. We look at almost distributing 50% of our PAT as dividend return, which will translate to 15% to 20% growth over the next five, six years on the dividend payout as well. So broadly, if you were to look at it, these are the goals which we have kept for ourselves for the next five years or so. There will be good times and bad times, but we think that we are fairly well positioned to kind of go out and achieve these set of targets which we have kept for ourselves.

Rajiv Singh: So I think this, Badal has summarized it well. You've all asked your questions, maybe exhausted out, but we've to kind of put everything back in perspective that it's two strong independent businesses, both complementing each other, both having their own needs, but fortunately both being contributive. Collectively, as I said, we still look at generating enough cash, even after strong CAPEXes, strong growth to kind of bring our debt focus, which was for DevCo business. Now we'll shift the debt focus for the entire group. We will hopefully generate even reasonable accounting profits. Despite the accounting standards, which are reasonable and conservative, the deltas will be sort of good. And 50% of those profits, which do get accounted and distributable, we will work towards distributing to the shareholders. I know we will be retaining, God willing, a large amount of cash in the company. It's a happy problem to have and something we will look at as time goes forward as that cash becomes more and more real. We have kind of set ourselves a short-term goal of gross debt zero in DevCo, so we remain kind of discipline towards that. We are now trying to set a goal for remaining group net-net-zero. That will also help us being a little bit more disciplined. And even after we achieve both these goals, then we'll have to figure out what to do with the money, God willing. So any questions, anything you guys may have, I know I appreciate you all spending so much time, but please feel free, we do have a little bit of time. The intent was to kind of explain the company and explain the management thinking behind how we do things and sometimes maybe because of the complexity of operations, it appears to be opaque. This is opportunity to kind of clear the area.

Puneet: Yes, hi, this is Puneet here and just following up on your group net debt zero by FY30. I mean should one think that the gross debt would still be INR 20,000 – INR 25,000 crores and you'll have another INR 25,000 crore of cash in your books?

Ashok Tyagi: Puneet, the gross cash that we are saying DevCo business will have would be at least INR 25,000 crores. And hopefully the RentCo net debt should be a number less than that. So on a group basis, our net cash should definitely be higher than the RentCo net debt.

Puneet: So that's the cash we want to hold in the company?

Ashok Tyagi: Absolutely.

Management: And our aim is to at least keep enough cash to cover any obligations which may need for the growth that would be our short-term aim.

Puneet: And do you envisage that the development business may not necessarily in future be, you know, net working capital positive for you? Is that why you want to keep so much cash?

Rajiv Singh: No, I don't think so. But see, COVID happened. God was kind. We all got through it. Our tenants were very responsible. They paid up and so on and so forth. We know in countries like the US or all that didn't happen. Even very large and eminent financial organizations who have great reputations had to kind of default and fold in and so on and so forth. So, in life what can happen, nobody knows. We've seen crazy things happen which nobody could have forecasted. So, as an abundant measure of reasonable discipline, we want to kind of keep ourselves to the following that we want to keep in the near term an objective where we are responsible. We do lot of CAPEX in RentCo, to the maximum extent of our capacity to utilize. That number would be a number which, as we have indicated, about 3X of. So that number generally could be north of what Ashok was talking. And naturally, INR 25,000 crores in the DevCo is just from the visibility of launch projects. Hopefully, we'll be doing some work in the next few years. That number should also be slightly better. So net-net, it kind of keeps you disciplined. So look, I will be very frank with you. Life is good. We need lots and lots of discipline checks because you can get carried away. Our business by nature is a business where you are optimistic, you have to dream a bit, you have to believe a bit. When you start believing it too much is when you get into a lot of trouble. So I think I am just kind of putting some guidelines. After that, yes, the field will be fully open. I do believe in the next few years we will be able to achieve these goals. They are serving as limiters to us. But then after that, the machine will start throwing out a lot of cash with almost no obligation under any circumstances remaining. By that time, hopefully we'll mature, we'll also build up our organization skill sets better and so on and so forth. And let's see what we can do with it. So message, what to leave to you is it's good, good become better. Let's put it that way.

Puneet: Okay, thank you.

Akash: Hi. Akash from Nomura. Sir, some of your peers who are roughly at the same scale in the DevCo side, they're doing BDs, they're trying to gain market share in different parts of the country, but us, for example, we're still not pressing on growth as much as we can and we have all this land bank. So my question is, aren't we being a little too conservative at the risk of losing market share?

Rajiv Singh: We don't measure market share. This is not a business of market share, number one. Number two, as I said, we did our bit a few decades ago. We don't really need to do it aggressively today. Number three, I am still continuously perplexed by words like GDV. Yes. If they are able to pick up lots of new projects, which generate huge amount of margins, bring the money back and all, great. And many of those projects, I still would like to say, as I said, they need to, they are good companies, they are growing well, they are aggressive, so they are hungry for new projects because they don't have those projects with them. We are far fortunate that we have those projects with us. So that is the only delta. I don't think it's more or less. Chasing additional business, we've realized it comes at the cost of what you already have. So we are happy to first utilize what we have and then go out and chase additional business. Maybe we are slightly more conservative than others, but maybe, I will be frank with you, we may have learned our lessons over a longer period of time than others. I hope they don't repeat some of them. But time will tell you.

Akash: Thankyou Sir.

Ashok Tyagi: If I may just supplement, if you go through just the listed companies, the only ones making any modicum of serious money are the people who are doing projects on their own land. People who are doing JVs or JDAs for 10, 12, 15 years, without commenting on individual names, just look at how much money they have made. So are you in the business for running pre-sales or are you in the business of generating margins and cash? We believe we are in the business of generating margins and cash and not in the business of generating pre-sales. So we are off the treadmill, for sure.

Akash: Hi, one question. On the target for zero net debt at the group level, if I got it right, you said at the DevCo level, we might have, let's say, close to INR 25,000 crore of cash and maybe slightly lower net debt at the RentCo level. Now, I mean, currently our DCCDL net debt is somewhere around INR 16,000 - INR 18,000 odd crore. Now this would mean that of the INR 12,000 crore incremental CAPEX in DCCDL, could say maybe only half of it might come through debt and balance might come from internal accruals. While it is great from a financial stability point of view considering that we are in a cyclical industry. Another point is maybe we could improve our ROEs by taking slightly more debt considering the strong quality of assets that we are going to develop. So just wanted to get your thoughts on that?

Rajiv Singh: Look, point is you're absolutely right. We can do all those things. But to be very honest with you, I think we are fortunate that the cash being generated from our assets does fund part of the CAPEX. But let me put this way that if we want more CAPEX, we've got a little bit of a debt headroom. So it's not that we don't want to raise more or we don't want to do less. These are arithmetic based on the peculiar equations our company fortunately is placed in today. And it just so happens that we will try to see the RentCo debt not drastically falling by multiple. It will in fact increase by absolute value but not too much. DevCo will start throwing out cash. So this equation I do believe at the end of the day would change but not materially so. Financial leverage, financial gains, increasing this, these are some things we are kind of little bit away from because the biggest issue is when you say return on equity, return on profits. Actually, unfortunately for us, we are, as said, reporting profits of activities. So anyway, those numbers are anyway kind of skewed. The way the system is set, the way the accounting standards are set, those things are stacked against you if you really want to play high stakes financial ratio games and all that. We've realized that and therefore we say, we look, we live with what the external environment is and not pay too much attention to all these things.

Akash: Thanks

Aditya: Hi, this is Aditya from UBS. A quick question on the land bank. So you have a 5-year pipeline of launches, right, both on DevCo as well as on the RentCo. Apart from this 5-year pipeline, you have a huge land bank of, you know, 150, 160 million square feet on the DevCo and I think 60, 70 million square feet on the RentCo. My question is, why is not more of this future potential also in the 5 – 6 year pipeline? Is it because of kind of execution bandwidth, or is it the kind of demand that you foresee in the next five years, and the launches are calibrated according to that? Or is it also partly that some of this land bank is still in areas that are maybe far from development in terms of infra etc. and so they're not viable in the next five years? Just wanted to understand why the launch pipeline has to be maybe only a small fraction of that overall land bank?

Rajiv Singh: Except for the last bit of your statement not being developable is all of the above. So I think look the fact is we have a capacity constraint in terms of how much we can we believe, we can develop well, number one. Number two, you are in desperate hurry to get rid of something if it is going to lose its value. Whether it loses value absolutely or loses value DCF, CCF, then you are actually in a hurry to do so. I think another myth which I would like to take on is that land loses its value. And that's what we have kind of tried to show you with the slides, that it doesn't lose its value. I can assure you, if you take buyer share, all of you, I don't think you can recommend a single one to your clients if you presume the following, the share will not increase in value, it will not yield anything, but it will have to bear the average cost of capital for 10 years. I don't think anybody can put any buy recommendation on any share because you basically by mathematics will come down to say you please give me the money, I will make sure you lose half of it. Okay, it's not practical. The fact of the matter here is we believe land generally as an asset class. Unless you do foolish things with it, you run into some other problems, legal included, those things can cause some damage to your land. But otherwise, sitting on your land is not unsafe. There are better investments may be, smarter things to do, maybe, we don't have that capacity, but maybe. But it's not bad, you're not losing anything. Now in our case, we actually, when we look back and see that would we have been a smart person by selling out that land sooner? Actually, the point is the land value increase. Maybe at some point next time around we'll try to do some flushing out of that also. 10%, 11%, 12% is the average value increase in the hands of my customers. My inherent land value increase is significantly greater. So that is why I am saying that by quickly and desperately taking it out. Rental is the only business where if I had tenants to give me that money and I had the capacity to build it quickly, I don't lose anything because then it's okay. In development business, we have to be careful that you have to kind of keep building up value. And as I explained to you, unlike many other people, that soft service is part of our business, the attention to customers, the attention to compliances, the attention to safety, believe me, it's taking up a disproportionate amount of our time relative to what it was in the past and what other people do. But that is what is giving us the increase. So I don't think it's that we are not looking at the fact that we should do it faster, not faster. I think there's a reasonable degree of caution that we are not necessarily having to sell it off because it's a losing proposition. Now, bluntly put, you can see the scale of cash generation. We are anticipating it may or not happen. Really, anything, dreaming beyond this, adding to this, making your life miserable, putting some customer to risk and so on. You know, you guys all, I don't know if the risk reward ratio is worth it. But in trying for the next 5,000 crores, you kind of put everything at stake. Not sounding sensible to me at the present moment.

Ronald: Hi, this is Ronald from ICICI Direct. So I had one question regarding this Gurgaon and Noida versus Mumbai markets with respect to the registration and the process involved in both this market that registered after the completion or you say pay it and after the completion you pay other balance money, so this generates lots of speculative trading of flipping the apartments and everything, so do you consider that this could be rectified in the first place, why it isn't rectified like why it's not paid and registered at the time you sign an agreement and do you think that it would get rectified in the future?

Rajiv Singh: I think what you said is interesting. It came to my notice also. The general principle is that stamp duty is payable when title is passed here. So I would still like to say Gurgaon and Noida do it the right way that you won't pay the stamp duty when the title is passed and you pay a notional amount adjustable against the final stamp duty at the time of execution of a binding commitment. I will also cite, Mumbai treats that almost as an execution upon the first 10%. That the title is technically and theoretically passed. Every state has its own rules and has own interpretation, I am not going to comment on it. But I don't think there's any compulsive need for Gurgaon and Noida to follow the Mumbai model. In Gurgaon and Noida also, we have a very strong apartment act, which kind of says that the title is passed through a certain legal process upon and subsequent to receive of completion certificate, occupation certificate etc. I find it hard to believe that how can title be passed when you may not even have started construction. But anyway, every state has its own issues. If that's the law there, so be it. We will follow it for Mumbai. But I mean I think Gurgaon and Noida is not, I don't think this is encouraging speculative trading or discouraging speculative trading. I really don't think so.

Ronald: Thank you.

Rajiv Singh: It also allows developers to see the new Ind AS standards are that you cannot recognize income till you have kind of created a sort of binding interest in it. So by doing this in Mumbai, fortunately, unfortunately, you can kind of say by taking 10% payment, now you can start recognizing revenue, which in places like Gurgaon and all, till you get an OC, you can't start recognizing revenue. It does change significant benefits for the developer in terms of recognizing revenue. So maybe there's advantages to it, but again, I think we are not pressed to push for it in these places.

Thank you everybody. I think it's been a long good session. I think you spent a fair amount of time in the morning at the sites. All my colleagues have sort of shown you around. All I want to say is that this is a nice event to do periodically, but our doors are open. We're always happy to answer queries. We are also happy to receive and host you individually any time. We remain constrained by what is in public domain, but within that we're more than happy to share and expose any part of our operations to any one of you, so please feel free. I am really happy that many of you made the journey last night itself so that you could spend the whole day productively with us. I do hope this session has been productive for all of you and I said you know, happy to sort of meet up with you next time, maybe someday, God willing, we can have a shorter interaction in Mumbai itself. Vishal will hopefully create something which we can house all of us. So let's look forward to it. I think there's lots of good activity will take place. We had a choice of, kind of doing this significantly later and having things to talk and report, but we felt it's important to do it on the calendar, which it was necessary to do so. And I also aware right now that generally there's a thing in the markets of markets going up, markets going down, this, that, and all that. I said, it was even more important for us to put our point of view across when the point of view may not be that fashionable. Because I think we don't want to be sort of playing to a trend. We would like to play to our own plan and our own story. So I think we've kind of put our facts out without trying to change them because of circumstances, optimistic or pessimistic. There's a period of turbulence which every industry and every market go through. I still remain highly confident that the overall Indian growth story is intact, the real estate journey and the housing and other infrastructure stories in India is just beginning. We have a huge, huge way to go before we can claim to be anything of world class in terms of infrastructure, standards, quality, pricing, availability, everything. And I think we still see a 20 – 30 year clear sort of run rate ahead of us. We can have bad timings and that's why while we are following a very conservative debt strategy, we do believe it gives us the comfort to see through any bad time without changing or interrupting our plans. So I think I'd just like to put it in that perspective to all of you. But thanks for coming here, and we look forward to seeing you again. And some of you, I hope, can stay back and like to join us for dinner. We look forward to it. Thank you.