"DLF Limited
Q2 FY '25 Earnings Conference Call"
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Moderator: Ladies and gentlemen, good day, and welcome to DLF Limited's Q2 FY '25 Earnings Conference Call. We have with us today on the call, Mr. Ashok Tyagi, Managing Director and CFO, DLF Limited; Mr. Sriram Khattar, Vice Chairman and MD, Rental Business; Mr. Aakash Ohri, Joint Managing Director and Chief Business Officer.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. I would now like to hand the conference over to Mr. Ashok Tyagi for his opening remarks. Thank you, and over to you, Mr. Tyagi.

Ashok Kumar Tyagi: Okay. Thanks, Michelle. So good morning and a good afternoon, everybody, and thanks for taking time out on a Saturday first half. I mean, we invariably end up doing this on a Saturday because the meeting is held on a Friday. So apologies for that. I mean, as you must have seen the numbers and the presentation by now, I think we continue to be on a very steady and a positive trip on both the development and the rental businesses.

The quarterly new sales last quarter was an aberration slip, and it was only about INR690-odd crores because, frankly, sometimes you can't micromanage the approval cycles. And some of the approvals that we were expecting to come in Q2, actually, one of them has now come in Q3, which is for The Dahlias. And some other approvals are in the pipeline. But we still maintain a first half total sales -- presales of about INR7,000 crores and continue to be strongly poised for achieving our sales guidance for the year.

On the free cash flow piece, we continue to generate strong cash flows and did about INR1,200 crores of free cash flow on the DevCo side and about INR900 crores of free cash flow before dividend and CapEx on the RentCo side. So combined as a business, we continue to generate about INR2,000 crores plus of free cash flow per quarter. The PAT for the quarter was INR781 crores from an operating standpoint. And then there was that onetime deferred tax liability reversal, which you may have seen and observed in some other listed entities as well, and we'll discuss about it as we process.

And that added a further INR600-odd crores to the PAT. But in all fairness, I would suggest not putting too much weight on that, because that to a large measure is a notional entity, which because of Ind AS, one has to account for in that manner. But we did end up reporting a higher PAT than usual for sure.

We have a very strong launch and sales pipeline for the second half. On the rental business, while obviously the rental portfolio continues to expand, I think buoyed by the overall positivity that generates, we have accelerated our CapEx programs, as Mr. Khattar will elucidate during this hour. The Downtown Gurgaon, the Downtown Chennai, the retail in Downtown Gurgaon, the Atrium Place, the 3 plazas that we are developing in the final stage of completion in Gurgaon, Delhi, and Goa. So there's a flurry of activity happening on the rental business as well, as there is on the development business.

Beyond that, I suggest that now we leave the floor open. The only other opening remark that I'd like to mention is that we have tried to make a slight change in the way our presentations are structured, because we felt that the presentations were by and large structured on the financial lines of DLF Limited and DCCDL. And as we know that there is right now a small but hopefully a growing rental business in DLF as well, so we would try to also start capturing more metrics of RentCo as a whole and DevCo as a whole, because while today the rental business of DLF is maybe less than 7%, 8% of the total rental business, this proportion will grow in the next 2 to 3 years to a more sizable number. And I think it is important that we also share that data in a transparent fashion with the market.

Beyond that, now, I open the floor for questions.

Moderator: We will now begin the question-and-answer session. To ask a question please click on the raise hand icon tab available on your toolbar or on the QA tab available on your screen. You may also post your text questions on the, Ask a Question Tab available on your screen, kindly turn on your mic when the operator announces your name. Ladies and gentlemen, we will wait for a moment while the question assembles.

The first question is from the line of Puneet Gulati from HSBC.

Puneet Gulati: Congratulations on good progress. My first question is with respect to the launch approvals. If you can update us on where you are in approval stage for various launches, Goa -- Dahlias, you said you've got approvals, when is the formal launch expected, and the other projects like the rest of the phases of Privana?

Ashok Kumar Tyagi: Okay. So Puneet, as you're right, and as we have mentioned in, I think, the release, the Dahlias' formal approvals have come in, in the 1st week of October. And I think Aakash will detail out to you later on the entire prelaunch cycle and how he's progressing there. The balance approvals, which is Goa, Mumbai, and the next phase of Privana are all in different stages of the approval processes.

Sometimes, frankly, especially for non-Gurgaon approvals, it becomes very difficult to predict down to the last fortnight, but we continue to be confident of hopefully launching Mumbai in Q4. And Privana and Goa also look to be going on track. As I mentioned that especially now with the Dahlias' prelaunch, we are far more confident now and we are very strong that we should be able to meet our guidance that we had given to you for the full year.

Puneet Gulati: And Aakash if you can talk a bit on the Dahlias side. Initially, the expectation was it will be a INR50,000 crore realization product. Now at least the media report seems to be suggesting INR80,000 per square feet, and much larger area sizes as well. If you can comment something on the Dahlias business.

Ashok Kumar Tyagi: So before Aakash answers, just one -- I'll just -- to ensure that everybody stays on the factual piece. As you know, RERA filings are public and some of you may have already downloaded. In RERA, what we have filed right now is the total revenue of about INR26,000 crores for

Dahlias based on the prelaunch price that Aakash has. These numbers will obviously keep on going upwards as the price keeps on moving. But what's been reported in RERA officially is a total revenue of INR26,000 crores and a margin of 70% plus. That is what we have basically reported on the RERA website. Aakash?

Aakash Ohri: So Puneet, as Mr. Tyagi just mentioned, that is the beginning. As you know, Camellias started with a INR7,000 crore valuation, and we are exiting at about INR12,500-almost crores. So I think super luxury has to be dealt completely separate from how the rest of the country or anything else sells. It has a certain progress, it has a certain process, and I think we need to respect that. Putting price to a super luxury product, so I can say it will go up to a phenomenal amount. You've seen how Camellias' recent sales have been, and not one, many sales have been in the 3-digit number.

So I feel the start is what you just mentioned. But we've got -- I think, very humbled by the response we've got for Dahlias. And I think we would like to keep it one day at a time. We've built up a very good equity here and across the globe as well. I think what has happened right now, Puneet, is that today, people are looking for the best lifestyle that money can buy, and Dahlias is today that option for the country.

Another good thing that I'd like to share with you all is that it is no more a geographic development or people who are -- there's no more a south-north kind of a divide. I have seen in super luxury, including our projects in Goa and of course, Camellias, it has been pan-India. The recent sales and the interest that I'm seeing is coming from top families of Tier 2 cities all over the country. So I'm pretty excited with this kind of a feedback. And I feel that the start point is where we are today. It is only going to go up.

As I said, it is not a first day, first show kind of a scenario. It's one of the largest projects that the country has had, as you know, almost $7 billion. So I think what is important right now is to keep it that way. But the product is absolutely out of the world. It is one of the best that has ever been made, and I can say it with great pride, I don't think there is anything comparable to the Dahlias in the world, with 4-meter ground to ceiling height, magnificent 17 feet outdoor living spaces decks, 10,300 square feet is a minimum size that you begin with.

And of course, one of the most spectacular greens that are going to be created, lake parks. So it is going to be a paradise. You can dream whatever you want to. We are on our way to implement it. Puneet?

Puneet Gulati: Excellent. All the best for that. And my second question is, you would have seen all your peers also raising equity and now more aggressively buying land, etcetera, in NCR region. How do you feel about that? And are you doing anything to accelerate your launches for FY '26 there?

Aakash Ohri: So Puneet, peers -- it's always good to have good competition. You need to be kept on your toes. Complacency is not good. But again, I say respectfully to everybody here that peers are doing what they do. We do what we know best. And one most important thing where we get the support from is our existing customers. We have a very strong re-trade team that is on ground for the last almost 4 years. All they do daily is to make sure that our existing customers' interests are kept protected and they continue to grow.

So peers will come and go, but I think we need to work on our areas. I'd rather look inwards and continue to make sure that my customers are satisfied and happy. And then, of course, if they are, then most of the business and a lot of it then is generated out of that constituency. And then, of course, we continue to mine every day. Our NRI business has grown from 3%, 8% to about almost now 28% this year. So we will continue to make sure that not only in India, but across the globe, we will continue to market DLF products.

So as far as the pipelines are concerned, yes, Privana, as you know, the Privana 3, there is a huge demand coming in for that now. That ecosystem is doing phenomenally well. American Express, with their massive office, almost 20,000 people to move in that area. And that area is coming up. It's infrastructurally extremely good. So that is the next thing to do. Then, of course, a couple of other things that are happening.

So we will continue to do our bit, I assure you. But I don't think we are going to be doing this because we are pressurized with peers or something. We've got a very robust 3-year Gurgaon plan, Puneet.

Puneet Gulati: Lastly, on the rental business, can you also give some sense of where does the rental EBITDA for your main parent company stands? And what is the expectation into FY '25 and '26, and also exit rental EBITDA for DCCDL?

Sriram Khattar: So Puneet, the FY '25 exit rental, and I would add the other income, because that's the total rental revenue, so to say, will be as guided earlier in the ballpark of INR5,000 crores. And add to that another about INR300 crores in DLF. So it will be INR5,300 crores. For FY '26, this total will jump to about INR5,800 crores for DCCDL and will jump to about INR1,000 crores for DLF, taking it to about INR6,800 crores. And this is because the new assets which are going to be income generating in DLF are all coming up in the current year, be it the 3 malls that are there or DLF share in Atrium Place, our joint venture with Hines.

Puneet J. Gulati: And when you talk about the INR1,000 crore EBITDA for DLF, you are attributing only your share or the entire Atrium share?

Sriram Khattar: This is the entire thing. So if you look at only our share, it will be in the ballpark of about INR800 crores, because certain properties are owned by DLF. It's only Atrium Place, which is owned 67%.

Puneet J. Gulati: Right. And if you can give the number for Atrium stand-alone as well, so we know what the other...

Sriram Khattar: So Atrium stand-alone numbers, we will share with you separately. But out of the 2.9 million square feet development, we expect rental to commence from May, June onwards for about 2.1 million, which will get completed. So we will have the benefit of 8, 9 months rentals there. And another tower, which is about 800,000 square feet, is slated for completion in December '25, for which the rental should start in May, June '26. And if you take a total of about INR300 million and take, say, an average rent of, say, INR160-odd, you can do the arithmetic around. I would sense about INR600 crores, yes.

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

Saurabh Kumar: Sir, just a few questions. So first is on Dahlias. So the RERA filing which you filed, the gross margins, as you rightly said, is 70. That seems to imply a construction cost north of like INR20,000. Is the number, right? I mean, why is the construction cost so high?

Ashok Tyagi: No. So one point. I think the total construction cost on a carpet area basis that's been filed is, if I'm not mistaken, about INR18,000 or so, which translates to a lesser number on a scalable basis. So there are two pieces here. Frankly, some of the accounting on it will get settled over time, which is that apart from the buildings and their construction cost there, there is a massive lake park, etcetera, that is also being developed, as well as there is an infrastructure that will be developed, I mean, to basically have a seamless connectivity.

So I think some of those costs will also settle here. B, also please appreciate that the club that is being slated for the Dahlias will almost be 2x. Correct me, Aakash, if I'm right.

Aakash Ohri: 2.5x.

Ashok Tyagi: 2.5x is the size of the club in Camellias in that sense.

Aakash Ohri: Camellias is about 1.6 lakh square feet.

Ashok Tyagi: This is almost a 4 lakh square feet-ish club. So the club cost is also baked in here. So I think some of these costs will fine-tune as the sales price will fine-tune. I mean, Saurabh, to be fair, I think if you are basically hinting that the 70% may be a lower number than what will eventually turn out to be, that may be correct. And hopefully, that will be correct. But I think this is what the starting numbers that we thought we should prudently go with.

And obviously, as every 6 months odd, these filings keep on getting updated, hopefully, these numbers will keep on getting updated.

Saurabh Kumar: So basically, in the construction cost, you basically subsume that entire -- the land near Crest basically comes into golf course? You basically...

Ashok Tyagi: Not entire. As I said, there is some accounting allocation that's been done. But the cost here is not only the cost of the tower construction, it also includes the cost of the club and some of the surrounding infrastructure, yes.

Saurabh Kumar: And so basically, now it is fair to say that the last of Crest is now done, it's all going to be then Golf Course Necklace, then Dahlias and the subsequent phases.

Ashok Tyagi: Yes. That does look to be the case right now. But again, one doesn't know how life in future will be. But currently, you're right that the plan is to have sort of the Camellias-like product like Necklace around.

Saurabh Kumar: And Aakash, just any initial feedback you've got? Like there are only 400 units, you need to sell about 420-odd. How should we think about what your initial demand is? And basis that, like if you were to think about your full year guidance of INR17,000-odd crores, how would you think -- what will be your feedback?

Aakash Ohri: So Saurabh, so far, so good. We've pretty overwhelmed with the initial first set of, I'd say, very strong EOIs, which have been concluded. And I think it's an extremely good start. But as I said to you in previous discussions also that I think this is something that we'd like to keep polishing and bringing out almost every quarter. So right now, the kind of the first set that has come out has come out almost double to what your expectations were. So hopefully, that should also reflect in the stock values.

You should do that also, but I think most importantly one step at a time. I think this is -- it's been very well received. Allow me to share the numbers in time and in Q3. But I think right now what has happened is that where I see this coming from is that the people who initially missed the Camellias bus and are still a lot of them who reside in Golf Links and, of course, outside of it people who -- I'm seeing a lot of people in Tier 2 cities or even Mumbai, Bangalore, Chennai, they have now started to invest in Delhi.

They need like a place there. And I'm seeing a lot of demand in the recent Camellias and not demand and sales in the recent Camellias from there including Kanpur and Bhubaneswar and everywhere, which I feel is also going to -- is driving the Dahlias demand.

So these are all qualified leads. Everybody knows the price points are between the numbers that have been quoted. Most of them know that's a 4-year payment plan. They know that there is going to be almost a 30% outflow in the first year. They know that the product is what it is today. Also, the entire ecosystem that we are making is going to be one of its kind. So the Necklace will complete as you and Mr. Tyagi have said, but again with super luxury in time. I think once the lake park and all that come about, and the landscapes and all that people start to see it is -- I wish I can say it's comparable to the Golf Club. It's going to be far more superior in terms of the view corridors that we are creating aesthetically and everything else.

So it's going to complement the Dahlias in a very big way. So, Saurabh, when we start there's going to be an x amount of numbers or traction. Then as I see it, obviously, it has to maybe plateau in some stage, but that's the time that we are -- and very interestingly Dahlias is also a very step-up kind of a price point game. So it's not like blocks. It's like every apartment is different from the other in terms of price points and PLCs and all. So therefore, there is already a kind of a step-up which is already planned in the budgeting process. So I think one quarter at a time, but I'm seeing right now a good amount of interest. I just want to see how much of that we will convert and then we will keep reporting to you, Saurabh.

Ashok Tyagi: In fact, Saurabh, through you -- I mean, through your question, I would also like to sort of inform indicatively, while Kuldeep will work the details with your entire team, that after the Q3 results are over, so sometime in February at a mutually convenient date, we would like to organize an Analyst Day by which time all of our Dahlias plans and all will be completely out there, ready to be shown.

Our entire plans on Downtown will be ready to be shown. And I think hopefully, all of you will get a far greater clarity of how this entire ecosystem on both the Downtowns in RentCo and the Dahlias and the Privana on the DevCo side are coming along. And obviously, Atrium Place. So at some time, I think we'll work the details out, but I think we are right now targeting sometime in February for organizing an Analyst Day because March onwards, it starts getting hot.

Saurabh Kumar: Sir, just coming back to Dahlias. So Camellias is at INR1,30,000, let's say. Historically, DLF has never given significant discounts on new launch projects versus completed. And now you're coming with Dahlias. Your RERA filing seems to indicate INR70,000 to INR80,000. Why is there such a big difference when Dahlias is a better product than Camellias?

Aakash Ohri: No, INR1,30,000, you are talking about carpet, right?

Saurabh Kumar: Carpet will be 1 lakh, right?

Ashok Tyagi: Yes. Actually, the RERA carpet that we have filed for Dahlias, it's about INR1lakh a square foot.

Aakash Ohri: So Saurabh, Camellias is a completed project. Dahlias is a 4-year -- I mean, 4 to 5 years horizon. So obviously -- in fact, I thought you were complimenting us saying that very aggressive pricing. But yes, there's not much difference. I mean, if you see, there's only -- you have to keep some kind of -- give them a head start, but Camellias, obviously, right now is established. People are living there; people are moving in there. So Dahlias, I'm sure will overtake that in a reasonable short span of time.

Saurabh Kumar: Okay. Understood. Sir, just last two questions. So one is on DLF RentCo. Your rentals have gone to INR120-odd crores this quarter in your cash flow statement. What is the commissioning which has happened incrementally this quarter?

Sriram Khattar: So there are four new streams of income that are going to come in or I would say, one is the mall that we have the small one in West Delhi in Moti Nagar. That the OC is expected by the...

Ashok Tyagi: No, he's saying, in this quarter apparently, we reported INR120,000 rental income on the DLF side. So that's, I think, what he's asking.

Sriram Khattar: So you're asking about that or how it is going to pan out over the next few quarters?

Ashok Tyagi: Saurabh, when we report that rental income, we include the DMA income which is basically the fee income for providing construction services to Cyber City that we provide. And as the Downtown construction has sort of accelerated that number is stronger, but I think it's an important point and I'll request the finance team to henceforth sort of segregate the route, so that there's no confusion on this.

Saurabh Kumar: Okay. Got it. And just lastly on this the cash flow which you get from your Midtown project, should we expect that dividend this year or next year? And similarly, Atrium consolidation, that will be a JV consolidation, or you will consolidate at parent?

Ashok Tyagi: So the One Midtown is a JV consolidation and it's been like that from the start. So we expect that the cash flow should start coming in from Q3. And hopefully, between Q3 and Q4, a large chunk of it should get accounted for. But some of it could get accounted for in Q1 also because as you know some of the 4-bedroom units will be sold now in that sense, hopefully with a shorter payment plan. But yes, cash flow should start accruing.

Some part of P&L of our total share of about INR1,000-odd crores about INR250 crores through revenue share has been accrued in the last few quarters, but the balance P&L should also start accruing with a higher share from Q3 onwards, because now the OC has been received. I think the offers of position are in the process of being sent out. So I think hopefully, both the P&L and the cash flow on One Midtown should start now.

Saurabh Kumar: Okay. And just last thing. So in the AGM, the Chairman said that the cash proceeds will be used to make gross debt zero. That still stands at DLF level?

Ashok Tyagi: So if you see, the net debt is already zero in that sense. When we say gross debt zero, we are basically saying that even excluding the 70% RERA account our total. I think honestly right now, we look on track, but if there's some very interesting opportunity that comes up like the Sector 61 opportunity that came in February that's something that we'll see. But it's clearly -- I mean, if there's no other significant opportunity that is pursued, I think that's a target which remains on track frankly in the next three to four quarters.

Moderator: We'll take the next question from Praveen Choudhary from Morgan Stanley. And the question is thank you for the presentation. Just to understand the launch strategy for DLF Dahlias, would you wait for confirmed interest from 10 or 50 or 80 units before launching the project? Is there any chance it could get delayed to January 2025 or 4Q?

Aakash Ohri: No, Praveen, thanks. It's not going to get delayed. It's already on the floor. And as far as the main launch is concerned with the whole experience center experience and everything else that I had stated some time back that, that is going to be sometime in July, August. But thanks to the demand, thanks to the support and the good amount of inquiries that we've got from our super luxury customers, we have already done post RERA, we are already in the market. I assure you; it's been an overwhelming response.

If you allow me to just give me this time to close the numbers and then state them in our next call, I think it will be better. But all I can say to you is -- whatever numbers that you just mentioned, I don't know 10, 30, 80, all of the above, let me put it this way, so we are on our way to at least start. It's a good start. We've got good inquiries. We've got good EOIs. They're all backed with -- if I can give you a little more confidence, they are all backed with instruments which are already banked. Money is in the account. So therefore, there is no speculation.

Ashok Tyagi: So there's no speculation. Q3, you will see a substantial amount -- I mean, a reasonable sum of money towards the new sales booking from Dahlias in Q3 numbers.

Moderator: Thank you. The next question is from Parvez Qazi from Nuvama Group. Please go ahead.

Parvez Qazi: So my first question is to Khattar sir. Sir, what would be the completion time line for the mall of Gurgaon? I believe we have already given out the construction contracts. And also same time lines for DT Gurgaon Block 4 and Chennai Block 4.

Sriram Khattar: So I'll start with the offices first. Downtown 4, we expect the OC during this quarter. And it is nearing completion now. And hopefully, in the next 5, 6 months, the tenants will do their fit-outs. And we expect the rentals to commence from sometime in the month of May, June next year. Fortunately, it's completely leased now. And therefore, it's only a question of getting the OC, the tenants doing the fit-outs, and the rental income commencing.

For the mall, which is about 2.1 million square feet, and the offices next to it of about 5.5 million, this entire development of 7.5 million, the excavation has nearly been completed. The drafting, etc., is also getting completed, and we propose to start the civil construction by late December, early January. That has been delayed by a month or 2 because we are given to understand that the National Building Code is changing the structural codes. And we want to be compliant with the new codes. And therefore, the level of structural design and planning has taken longer than what we anticipated.

And the time lines to complete this is in the ballpark of 36 to 39 months. When we look at Downtown Chennai, we expect the OC for Downtown 3, where we have just 2 tenants, out of whom one has already commenced fit outs, because the fire NOC, etc., have come. We expect the OC again by late December, early January. The construction work for Downtown 4 and 5, which is 3.5 million, has already commenced in the month of July, and we again expect it to be completed in 36 months.

I may also add that in addition to the 2 Downtowns, the joint venture with Hines, which is Atrium Place, the first phase of 2.1 million, we expect the OCs in the month of March, April next year, and the OC for the fourth tower, which is about 800,000, at the end of next year.

Parvez Qazi: Sure. And one question for Aakash. When do we expect the launch for next phase of Privana and also the project on the IREO land that you have acquired?

Aakash Ohri: So Privana, we are planning for this year-end, the last quarter. And the IREO land that we had, again, the demand there is reasonably getting very high. As you know, it is the closest to the Golf Course Road and bang opposite the Grand Hyatt. So there is already kind of a lux kind of a feel already created there. I feel that that should be, well, after the Q1 of next year. But I think you should see it next year for sure. And that's going to be a different product. It's definitely going to be in the luxury stable.

Moderator: The next question is from Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: So my first question is to Mr. Tyagi. So sir, now we have very 2 large launches coming up and which will likely be successful, and we are all set to exceed our presales guidance of INR17,000 crores, INR18,000 crores, moving maybe, if I guesstimate, upwards of INR25,000 crores. So in light of this, how do you think will next year pan out given such a very top-heavy base of presales and large reliance on NCR market to grow from there on. So how do we envisage next year?

And also, if you can touch upon your business development plan outside NCR, so that the concentration risk reduces and we see more growth markets emerging for us, maybe in MMR. How do you see the business development pipeline there given some large parcels are coming up for bidding over there? And are you ready to write large checks for those kind of deals like INR1,000 crores or INR2,000 crores, upwards of that?

Ashok Tyagi: Well, the last part is the easiest answer. We will never be reckless on writing any checks for any geography, including NCR. That is very clear. Second, if I may say, semi-joking, semi-serious, this entire thing about NCR concentration is a hardcore Mumbai-based analyst bias, which I've always maintained, frankly. There are developers, very huge developers with almost 95% plus sales in the MMR region who don't get asked this question that we get asked repeatedly.

But yes, we are not apologetic at all about our NCR focus and NCR concentration. NCR shall continue to be a center of gravity of our entire launch pipeline. We will continue to expand in places like MMR. And in fact, our first launch should happen in Q4, as we mentioned earlier. We have a significant growth pipeline in Chandigarh as well, and we'll continue to have one-off launches in places like Goa. But clearly, NCR will be the fulcrum of our entire DevCo strategy.

Aakash Ohri: But Tricity is also...

Ashok Tyagi: And Tricity also is growing. Tricity is growing, Mumbai is growing, but NCR will be the fulcrum, and we don't anticipate any concentration risk. In fact, ironically, the way other developers are increasingly trying to buy land in NCR, they also don't foresee a concentration risk in NCR. So don't worry about NCR. NCR potentially is the, not only the country's, possibly going to be the world's largest metropolitan area in the next 5 years. And I think we must stay focused on that.

Parikshit Kandpal: Any color on the presales, I mean, given that this year is going to be phenomenal for us?

Ashok Tyagi: Look, except for giving guidance once a year, we normally don't comment on the mid-correction of presales. But one thing I'd like to sort of clearly say to dash your hopes, it won't be INR25,000 crores for sure. That much I can underwrite. It won't be that number, frankly. Especially after the strong prelaunch interest that Dahlias is sort of generating, we are very confident of INR17,000 crores, and let's see where it eventually lands.

Parikshit Kandpal: Privana will also add there, right, fourth quarter, I mean, something coming in...

Ashok Tyagi: Well, let's see. Let's see. Anyway, we are almost in the fourth quarter now, January is not so far away. So let's see.

Parikshit Kandpal: Sir, any EOI number on Dahlias? I know, I mean, conversions are still happening, but initially, like for the units which are -- so is it going to be a single-phase project, I mean, in terms of opening up of sales or you have opened certain units? And also, if you can touch upon how many EOIs you would have received. I mean, though conversion, you will get to know more towards the end, which you will disclose, but at least some color on how has been the response in terms of EOIs?

Aakash Ohri: So response with respect to EOIs has been good. As I say to you, I have a different approach to EOIs. Whilst everybody else does an EOI based on a piece of paper or maybe just some formality of a check, we do a very strong EOI with almost 9% monies on the table. So we have a completely different approach. And you've seen it post Arbour. Even in our booking amounts, whilst the rest of the people do INR5 lakh booking, we do INR50 lakh. And now it's going to be INR1 crores. One is that.

So therefore, we rather -- and we very respectfully tell our channel partners and also our customers that, look, this is the broad band, and should you be interested and should you bid in, the EOI process only begins post that. So what I'm saying is once you -- I qualify it in 3 levels, and then we start this particular process.

So when we report these numbers, we report and only tell you post that whole process that -- if I give you a random EOI number, this forum is going to be shocked. So I don't want to go there. And again, I'm saying to you that I want to continue to be grounded with this. I just want to suss out the market properly. I don't want to be reporting things which are untrue and unfair. But very, very strong kind of interest.

And therefore, to start with, yes, you will see those numbers. The first lot, as I said to you also, the numbers that I'm saying to you are post monies received. And I say to you, again, post monies, 9% received, not even booking amount. So this is the first lot that has come in. I assure you all, including Saurabh, that it is not cheap. In no way it is cheap. These are bare shells. We will never allow the valuations of Dahlias or DLF 5 to come down, and that will continue to happen. So that is something that we'll work hard to make sure that we are meeting expectations of our investors first, our owners, and then, of course, the rest of the country. So it's a thing.

And then the strategy is that, look, we have batched them in 50 each. And with each 50, we are going to go up in terms of price points. So that's what our plan is. I have been through the Camellias story. I have seen the ups and downs and the lows and highs. And may I remind this forum, in 2020 or 2021, the first time that I got into these calls, everybody had concerns about where Camellias is going to go and how are we even going to reach INR40,000 a square foot and all that.

So all I say is, look, DLF has a way of doing things. We put lifestyle and services way ahead of our price points and customer comfort. So I think I'd rather continue to play that game and make sure that our present inventory is strongly embedded and has enough value. Everything else will stem from that. So if a Magnolia today sells at about INR45 crores and an Aralia is today at INR35 crores, please understand where this is going to go. So yes, is that good?

Parikshit D. Kandpal: Yes. Just one last question, sir. On this balance potential of Phase 5 and the City is about 24 million square feet. I don't know how much has moved or launched already in that, because you club it in one single line. So is it right to assume now the base rate or base sales clearing price would be upwards of INR60,000 for this portfolio now?

Ashok Tyagi: As I think was asked earlier and commented upon, I think it's safe to assume that Phase 5 will predominantly be the super luxury projects only now in that sense, so you can make your own assumptions. But yes, predominantly, Phase 5, the residual stock will be the super luxury projects.

Moderator: The next question is from Kunal Lakhan from CLSA.

Kunal Lakhan: Quickly on the approvals for the Mumbai project, do you anticipate any delays because of the upcoming state elections? And also the status on Goa approvals, I believe that got delayed in Q2. So what's the status there?

Ashok Tyagi: So honestly, approvals, I mean, without going into the specifics of any particular approvals, the approvals for all these projects, Privana, the next phase, Goa and Mumbai are all in advanced stages, frankly. I'm not sure whether the entire Maharashtra code of conduct has a bearing on that, because these are now fairly routine approvals. None of them is like a policy approval. So at least Mumbai, currently, we do look strong to go for a Q4 -- I mean, for approvals and the launch to happen in Q4, unless there's something completely unforeseen that happens.

Kunal Lakhan: Okay. Understood. Secondly, on, again, like the business development, right? So we haven't seen much of land acquisition or project acquisition being done outside of NCR market. Just wanted to understand like in terms of our priorities outside of NCR market and also in terms of our priorities for capital allocation. I remember like a few years back, we used to talk about like the capital allocation priorities will be towards, firstly, growth, and then CapEx, and then secondly -- thirdly, rather, towards returning money to shareholders. So any change in the capital allocation priorities, and also...

Ashok Tyagi: So the allocation principle remains the same for us, which is broadly a split between shareholder return and growth capex. The growth capex is not just buying new land, but it's also continuing to invest in our capex portfolio. I mean, while obviously, the Atrium and the 3 plazas are the immediate phase, but once they complete, we still have large tracks of commercial land on the DLF side of the equation as well, not the Cyber City, which we will continue to invest in, especially with the upcycle on the commercial piece.

As far as your second point is concerned of where would we be looking at BD opportunities? So in all fairness, from a DevCo standpoint, as we have mentioned repeatedly in the past also, our focus continues to be NCR, but we have a very healthy interest in MMR. And we are waiting for how our first launch -- the first launch is like a test pilot. Let's see how it goes. And if we get hopefully an encouraging response here, we'll see what more we can do there.

But clearly, beyond that, Chandigarh, we have a very strong land bank already on both the Panchkula side as well as the Mohali side of the equation. And I think that's enough to keep us busy for the next few years. And we are currently honestly not looking, from a residential side, into acquiring any further land parcel in any new geographies beyond...

Aakash Ohri: But Tricity and all are reasonably big...

Ashok Tyagi: Yes

Aakash Ohri: what we [inaudible 0:47:06] next market. In fact, just to let this forum know, we sold recently...

Moderator: Sir, we missed on that. I mean, your audio a little bit cut down. Can you please repeat it?

Aakash Ohri: So, what I was saying is that the Tricity business is also reasonably big. Just to let this forum know that recently, one of the last -- the Valley Gardens floors, which is the luxury floors that was sold in the Valley project of ours in Panchkula, we sold the last one at about INR4 crores. So there is also a very aspirational buildup to good properties in the Tricity. And you know we've got Pinjore and Mohali and all that. So that itself is a big business to follow.

Then, of course, as Mr. Tyagi was saying about Mumbai and acquisitions there will happen post our launch here. And then, of course, NCR is where we are continuously...

Ashok Tyagi: In fact, Kunal, even the Mumbai project that we have, currently, we are launching about 1 million square feet. I mean, if we continue working assiduously with our local partners on expanding the reach of that project, I mean, that project, in all fairness, has the vision to potentially be, over time, more than a 5 million square feet project in that sense. So that's a pretty humongous project. Obviously, you know how slum rehab works, so, I mean, we have to work hard in that sense. But I think over time, this is a 5 million plus square feet vision that this project will eventually entail.

Kunal Lakhan: Understood, sir. And last question is on like this year, right, in terms of like sales concentration, largely will be driven by Dahlias and the Privana phases, the 2 phases, that one is launched and upcoming. But when I look at like, say, '26 and beyond, and I understand like we spoke about like, I mean, we'll never target like a INR25,000 crores kind of a number.

But incrementally, like just growing this business from a scale of, say, INR17,000 crores thereon, right, how should we look at Phase 5 monetization year after year in terms of like how much area would you think would you be able to sell like year after year? Or for that matter, like what is the, say, replacement for, say, '26 or '27, which can happen instead of Dahlias, some other project can contribute to sales, just to keep the momentum of sales growing from INR17,000 crores and beyond?

Aakash Ohri: Yes. So, see, what Mr. Tyagi was saying, whatever projections we are giving, please understand why we say what we say is also because unless margins make sense to us, we are not in that treadmill kind of a game. We will give you solid products. We will give you solid margins. This is what we work for. So whilst everybody has got their own agendas and we respect everybody, but we are going to be doing what we are doing right now.

Also, DLF 5, please keep it in a separate bucket, because that super luxury will sell by itself. There are certain valuations that we have to achieve there. So it's a 3- to 4-year kind of a project. It's now a continuum. DLF 5, you can put in one bucket and the rest of the business. Gurgaon alone has, in the next year or 2, has 2 another, almost 3 luxury projects like of a Crest coming. So we are going to be occupied there as well. Then, of course, the Privana ecosystem, as you know, there's the 4 and hopefully 5, whatever. All that is going to keep us busy there.

Gurgaon or NCR is something that has caught the fancy of most of the investors internationally. That we will continue to mine. It's not even the tip of the thing right now. What you all need to understand is, whilst you are talking about -- we don't mine the NCR geography, we mine the world.

So once all that is happening, that also will have a reasonable amount of interest coming in. And then, of course, you move on to the other geographies, as mentioned by Mr. Tyagi earlier to you all. So that's how we will be able to take these numbers to where they are. But that's it. I mean, I think we've got enough on our plate to think as to how to bring these to the floor and then you guys can put the numbers to it.

Kunal Lakhan: Sure. Aakash, just one clarification on what you said. So Gurgaon ex of Privana and Phase 5, you said 3 more projects. One is obviously Golf Course Extension, IREO. The other 2 would be?

Ashok Tyagi: We have a couple of group housing potential developments in the erstwhile DLF City of DLF 1 to 4.

Aakash Ohri: Great location.

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

Pritesh Sheth: My first question is largely on, I think, margins and cash flows for the current quarter. While we had good revenue bookings this quarter, what drove that revenue in P&L? And we saw margins, at least the gross margins going down from 56% to 44%. I mean, it was just project-specific, or there's something to look at? And second, on cash flows, collections were down, just a seasonal thing? And how do you see that increasing over next half?

Ashok Tyagi: So, I'll answer your last question first, because that's something that caught our attention as well. So, I think that clearly, the absence of a new launch in Q2 versus Q1 was largely responsible for that, because what happens, Pritesh, is that when you launch a new product, typically in 30 days, you collect 10%. So, if it's a INR5,000 crore launch, as we had in Privana last quarter, you collect about INR500 crores in a 30-day cycle anyway.

Last quarter was extraordinarily good also because we had the instalments coming in from Privana 1, Arbour, and Privana 2, and here, obviously, there was no new launch. We anticipate comfortably to be at INR2,500 crores plus collection machine for Q3 and hopefully an even higher number for Q4. By the way, this excludes One Midtown collection, because that is not consolidated, and that's now going at a very strong clip as well, which is the reason why both GIC and us will be able to harvest a significant amount of our cash flow from One Midtown.

That's one thing. Secondly, on the 56% versus 44%, those margin pieces, as you can see from the residual gross margins bar chart, from the launches that we have made, we are now comfortably in the 40% plus. I think with Dahlias baked in, you will see this number approaching our target number of the late 40s, frankly.

One more thing, which I think is maybe it's an arithmetic issue that in some projects, which is notably One Midtown and potentially Mumbai, the sales, which is the denominator, is the combined -- is the total presales, and our share of profits is only 50% of it in that sense. So to that degree, they do tend to pull down the weighted average margin ratio. But in most of our new projects, which are not Dahlias, we are targeting a 40% plus/minus. And obviously, Dahlias would be a 70% plus/minus, so that the weighted average of the late 40s can be maintained going forward.

I'd like to clarify one more thing, which I think came in an offline query, which is that this is the margin on the new projects. What about the reported margins and all? In that, we are very transparent that the reported margins still work on the sales made 4 years back and the positions being done today. But unfortunately, the cost structure of today, so they are basically based on the sales made 4 years back, but the cost structures today, which is for driving this entire INR17,000 crores, INR18,000 crores sales machinery, plus supporting the RentCo in their construction efforts. So there is a certain degree of mismatch, which I think will unfortunately take 18 to 24 months to fully align, because amongst the newer generation of projects, I think the first one that will come for revenue recognition will be Arbour, which should come around the '27-time frame.

So, I think there, you would still see some degree of -- while obviously, hopefully, we'll keep on driving more cost optimization, but I think you will keep on not seeing as healthy reported numbers as healthy you would see in terms of the embedded margins. I mean, I know reported numbers are important, but I think it's also important that the true metrics under this revenue recognition that we have is really the new sales booking, the embedded margin in new sales bookings, and the free cash flow those are generated.

And I think we'll try to not only focus on those 2, but we'll also try to ensure that we share as much information about those as we can. The rental business, on the other hand, is going extraordinarily strong in both the EBITDA growth, cash flow growth, and the PAT growth. Actually, the PAT growth in the RentCo business will be 20% plus on a sustained basis here, yes.

Pritesh Sheth: Sure. And just on the revenue bump up that we saw this quarter, any specific project led to that, like we were at INR1,400 crores...

Ashok Tyagi: This is basically possessions driven, frankly. And plus offline, Kuldeep will tell you, what happened that, those multiple floor launches that we had over the last 4 years, they depend on the OCs that come. So obviously, this quarter, a higher proportion of OCs must have been received and those resulted in the revenue bump up there in that sense. But that Kuldeep will offline give you the details of that INR2,100 crores number.

Pritesh Sheth: Sure. And the restructuring or amalgamation of several entities that you are planning, anything on the rational side we need to know about, or it's just...

Ashok Tyagi: So I mean, the rationale is simplicity. I mean, obviously, like many people in this business, we had a vast network of these land-owning companies, and then there were complicated developments and arrangements between the landowning companies and the holding company. And over time, we are just trying to clean those, so that more and more of the licensed landholding comes directly in DLF or DHDL.

And hence, you'll always see DLF and DHDL mergers being there. I mean our target is that once the current state of mergers is implemented fully, I think we'll be down to about 79 entities from a number which was almost 5x of this 6, 7 years back. And I think our target remains that we'll eventually try to drive that number down to about a sub-50 entity on the DevCo side and between 10 to 12 entities on the RentCo side.

Pritesh Sheth: Sure. And one last for probably Aakash on Privana. Now we keep getting better in terms of location within the Privana ecosystem and hence, the pricing would be higher than what it was earlier? Or just as a product itself, since it's evolving, we would target a higher pricing. So what's your sense on that?

Aakash Ohri: No, I think this company leaves a lot of money on the table. So I don't think we go with that. But the product is evolving. The ecosystem is already doing well, very well established. In fact, what Mr. Tyagi was saying, in February, we will take you all there. You will see what you saw maybe 3, 4 years back when we all came. And this time, you'll be very pleasantly surprised to see how that place has come out. It's really beautiful. But the next phase is going to be a very -- it's going to be a more evolved product than the last 2. So therefore, the pricing will reflect that.

Moderator: Ladies and gentlemen, we will take that as the last question for today. I would now like to hand the conference over to Mr. Ashok Tyagi for closing comments. Over to you, sir.

Ashok Tyagi: So, thank you, all of you, for participating and participating very actively. I mean, obviously, if you have any offline queries or detailed financial queries, Kuldeep is there, and you can reach out to him, and he'll reach out to the concerned teams to be able to address those satisfactorily. We will continue evolving the presentation as we keep on moving forward. And hopefully, by the time you guys are here in February, we should be able to be even more sort of discerning in terms of making you understand our business.

Both DevCo and RentCo continue to be extremely strong clip, frankly. And I think really, I mean, Dahlias on the DevCo side and the Downtowns on the RentCo side, we are actually at the cusp of some very, very exciting new products now, which will really define DLF in the next few years. And I think financially, we'll continue to be strong and disciplined. And to whosoever asked that question, no, we are not going to keep on recklessly writing checks. So, on that happy note, I shall, again, thank you, and wish you and your family a very happy Diwali.

Aakash Ohri: Happy Diwali.

Moderator: Thank you very much, sir. On behalf of DLF Limited, that concludes this conference. Thank you for joining us, and you may now exit the meeting. Thank you.