Kolte-Patil Developers Limited, Q3 2020 Earnings Call, Feb 07, 2020
2/7/20
Operator

Ladies and gentlemen, good day, and welcome to the Kolte-Patil Developers Q3 FY '20 Earnings Conference Call. [Operator Instructions]

Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Shiv Muttoo from CDR India.

Thank you, and over to you, sir.

Shiv Muttoo

Yes, thank you, Jennis. Good evening, everyone, and thank you for joining us on the Q3 FY '20 results conference call of Kolte-Patil Developers Limited. We have with us today, Gopal Sarda, Group CEO; and Vikram Rajput, Head of Investor Relations.

Before we begin, I would like to state that some of the statements in today's discussion may be forward-looking in nature and may involve certain risks and uncertainties. A detailed statement in this regard is available on the Q3 FY '20 results presentation that has been sent to all of you earlier. I would now like to invite Mr. Gopal Sarda to begin the proceedings of this call.

Gopal Sarda

Good evening, everyone. A warm welcome to everyone present, and thank you for joining us today to discuss the operating and financial performance of our company for the third quarter ended December 31, 2019.

To start with, happy to share that as envisaged we have delivered strong sales of 0.82 million square feet in Q3 financial year '20. Performance has been driven by some of our largest projects, Life Republic, Ivy Estate and Opula. Notably, we have achieved this performance in a subdued consumer market through sustenance sales, which essentially means projects in our current sales ecosystem. This, we believe is a strong testament to our brand equity and robust sales machinery built over the years. We expect to sustain the sales momentum in Q4 and are confident of comfortably achieving our sales guidance of 2.4 million to 2.7 million square feet for financial year '20.

Enabled by the very successful ZABARDUS promotional campaign, we sold 500 units with a booking value of INR 205 crores in just 38 days at Life Republic, Pune. We believe the continued strong demand at Life Republic also validates our decision to buy out our private equity partner ICICI Venture share and expand Kolte-Patil's ownership in the project to 95%.

During the quarter, we completed the second tranche payment of INR 70 crores for buyout of ICICI Venture's 50% stake in Life Republic, largely through internal accruals.

Despite this additional outflow, our debt position remains stable this year and the balance sheet is in a strong position for us to evaluate expansion opportunities.

Timely execution discipline was maintained across every project in our portfolio and customer-centricity continued to be strong as reflected in the delivery and collection numbers.

In 9 months financial year '20 we completed deliveries of 1,343 units, aggregating to 1.53 million square feet. Further acceleration will be seen in Q4 financial year '20, and we expect deliveries of more than 2,000 units in financial year '20. During 9 months financial year '20, collections have come in at INR 990 crores, up 9% on a Y-o-Y basis. We expect significantly stronger collections in Q4 based on OC received for some projects. As indicated earlier, majority of the current year sales are from projects in sustenance phase with a strong -- shorter booking-to-registration period. This year, we remain on track to clock the highest ever collection in the company's 3-decade history.

This is important from the perspective of getting clear visibility of cash flows in the backdrop of a market where liquidity is increasingly at a premium.

As on date, we have an area of 8.3 million square feet under execution in the RCC and MEP stage, which will add to our delivery and collections in the coming years.

We have received majority of the approvals for Goregaon, Dahisar and Borivali redevelopment projects in Mumbai. A launch calendar is provided in the Q3 presentation for your reference.

With only the last leg of approval spending, we are on track to launch these projects in Q1 financial year '21, with an aggregate top line potential of approximately INR 1,100 crores.

This will help us establish greater visibility in the Mumbai market and create more business diversification. We have also updated all of you with the launch calendar of 4 projects in Pune. This include Giga in Viman Nagar and Pimple Nilakh that are likely to get launched in the first half next financial year as well as projects at Boat Club and Downtown in Kharadi in the second half of financial year '21.

These 4 Pune projects are all 100% owned by Kolte-Patil and represent an aggregate revenue potential of more than INR 2,000 crores.

Overall, we expect stronger sales momentum as we expand our portfolio, and our average sales realization could improve as this new project gets launched next year.

Now I'd like to take you through a quick discussion on our financial performance. In order to facilitate like-to-like comparison and continuity of information flow, financials based on the erstwhile applicable percentage of completion method of accounting for revenue recognition have also been included on Slides 14 and 15 of the results presentation shared with you earlier.

This is accounting measure we continue to use internally to evaluate our ongoing performance, and we see it better aligned with the real estate situation of the business. Revenue from operations in Q3 financial year '20 on a POCM basis grew 90% Y-o-Y to INR 337 crores. Revenue was driven by first-time revenue recognition at R9 Sector in Life Republic and Ivy Nia projects. EBITDA margin was lower at 22.8% on account of higher revenue recognition from lower margin projects.

Going forward, we expect to operate in the range of 24% to 26% in the short to medium term.

Now to talk about the recent announcements in the Union Budget 2020, while the event was positive from affordable housing perspective, it possibly fell short of the keen expectations around supporting policy initiatives to provide a boost to the overall real estate sector. However, we believe that the innate growth potential of the residential market remains intact, and we are confident of growing rapidly as the market consolidates through strong brands such as Kolte-Patil that have built credibility with customers through time-bound execution over the years.

Going forward, we plan to capitalize on the self-sustaining growth engine we have built and expand operations by leveraging our strength in the coming years. We are truly an asset-light company that has successfully delivered on several engagement models to drive sustainable growth, consistent cash flows, high returns while maintaining a strong balance sheet.

On this platform of execution excellence and balance sheet sense we are gaining 360-degree traction across markets. We will continue to [maintain] a fine balance between a prudent and conservative approach while aggressively pursuing carefully selected profitable expansion opportunities.

We look forward to closing the current year with strong momentum, which we hope to carry into the next few years to drive value for all our stakeholders.

On that note, I conclude my opening remarks and would like to now ask the moderator to open the line for Q&A.

Operator

[Operator Instructions] We take the first question from the line of the Biplab Debbarma from Antique Stockbroking.

Biplab Debbarma

Congratulations on the excellent performance. First of all, sir, I see that net debt has increased. And it is because of increase in debt or in view of decrease in cash equivalents. So why the debt -- net debt has increased? And -- yes, sir, continue.

Gopal Sarda

So the net debt has increased because if you see the cash and cash equivalents have gone down because we have paid the second tranche of ICICI Venture. So that INR 70 crore has come from earlier opening cash and cash equivalent, and the next level of internal accruals, what we have generated from the operating cash flows.

Biplab Debbarma

Okay, sir. Okay, sir. Yes. And I see that you are impending a Mumbai launch in the next -- in Q1 FY '21. All the 3 together, if I understand correctly. So once you receive IOD, what other approvals are required. Earlier, it was something like CC, commencement certificate and all to launch a project for sales. What other critical approvals are required once you have received the IOD?

Gopal Sarda

So if you refer -- in our IR presentation, we have given a detailed milestones certain NOCs like CFO NOC, EETC NOC, municipal concessional approvals and environment NOC that has been received by us. We are waiting for Tree NOC and IOD. And between IOD to CC there are certain compliances towards other requirement as per the government, which may be a Sewerage NOC, which may be a royalty NOC. So a couple of local NOCs are required. And then you have to obtain a CC, post that a RERA number and launch. So from IOD to CC, it would be a 15-day journey. And from CC to RERA it would be another 15-day journey, and then we can go for a launch.

Biplab Debbarma

Okay. So 2 critical things. Once you receive IOD, then it would be CC and then would be RERA approval, right, sir? Critical, 2 critical?

Gopal Sarda

Yes, correct.

Biplab Debbarma

And you are going to launch all these 3 together?

Gopal Sarda

I may not say it altogether, it may come over a month-on-month basis. So maybe it will come in...

Biplab Debbarma

Okay, okay, okay. So it is not like you are going to launch on the same day 3 projects?

Gopal Sarda

Yes, yes, it will come in a quarter. And followed by month-on-month launches.

Biplab Debbarma

Okay. And what -- sorry, I have one more question. These 3 projects, what would be the like configuration, like it would be premium, mid-segment, what kind of -- you have some business plan, you must have prepared, what kind of base rate, average rate that you intend to launch these 3 projects?

Gopal Sarda

So basically, I will take you through project-on-project basis. So Dahisar-based project will comprise of 1 and 2 BHK residential apartment.

Biplab Debbarma

[Foreign Language] Sir, Dahisar, 1 and 2 BHK.

Gopal Sarda

And there, we are expecting an average selling price of 14,500 to 15,000. This consists of basic plus-plus charges.

Biplab Debbarma

Oh, this consists of basic plus-plus charges. Okay, okay, okay sir, and other 2?

Gopal Sarda

Second project is Hari Ratan wherein we have designed 2 and 3 BHK for a residential portion, and then we have taken G+1 as a retail portion over there. And there, an average of 18,000 to 20,000, we can expect due to the retail portion. So maybe residential would be 16,000, 16,500, but commercial on a higher side, and that an average 18,000 to 20,000 would be our realization. And the third project would be Borivali West, Om Shree Gokul. That project comprises of, again, 1 and 2 BHKs as a residential product, and we have some retail shops as G+1 configuration.

And an average of 16,500 we can expect due to the retail component over here also.

Biplab Debbarma

Okay. Sir, so what would be the ticket size typical that in Dahisar and Borivali that you expect ticket size would be, if someone wants to buy 1 BHK and 2 BHK in these 2 projects. What would be the [Foreign Language] ticket size that -- what would be the price of a typical set of 1 BHK, 2 BHK?

Gopal Sarda

So 1 BHK would be in the range of INR 95 lakhs to INR 1 crore, and 2 BHK would be INR 1.25 crore to INR 1.3 crore at Dahisar West. Goregaon would be INR 2 crore approximately for 2 BHK and INR 3 crore approximately for 3 BHK, and Borivali would be in between INR 1.3 crore to INR 1.75 crore, 1 and 2 BHK.

Operator

[Operator Instructions] Next question is from the line of Gaurav Chopra from Centrum PMS.

Gaurav Chopra;Centrum PMS;Equity Research Analyst

Just one clarification, this sales volume, which you have reported, 0.82 million square feet, this is gross or this is net KPDL's share?

Gopal Sarda

So we always report the net sales. So gross minus whatever cancellation for the quarter, and this would be your net sales. So 0.82 million is the net sales number.

Gaurav Chopra;Centrum PMS;Equity Research Analyst

When you say net -- so there is a Slide #11, you have mentioned KPDL share is 93% in Q3 FY '20 versus 80% in Q3 FY '19. So that 0.82 million is including the partner share and your share or it is only KPDL share?

Gopal Sarda

No. So when we talk about 0.82 million square feet, these are the gross numbers. And out of which, if you have to consider our share, it would be 93% of the total presales number.

Gaurav Chopra;Centrum PMS;Equity Research Analyst

So our share has grown by 19% Y-o-Y?

Gopal Sarda

Yes.

Gaurav Chopra;Centrum PMS;Equity Research Analyst

And can you give me the figure for presales, what has been our share of pre-sales in the current quarter vis-a-vis previous quarter?

Gopal Sarda

So from the current quarter of 0.82 million square feet, you can consider 93% would be our share.

Gaurav Chopra;Centrum PMS;Equity Research Analyst

In terms of value, I was asking?

Gopal Sarda

Value-wise, I think, probably, we'll have to calculate the number. So you can get in touch with our IR team, they can provide you the exact breakup.

Operator

[Operator Instructions] The next question from the line of Biplab Debbarma from Antique Stockbroking.

Biplab Debbarma

Sir, in the Pune, and that in the launch calendar, I see, Pune. In Pune, you have 4 projects lined up for launch. And 3 of them are commercial. And if I -- this thing in our previous -- your previous -- in our previous discussion, our con call I vaguely remember that you are the -- you didn't plan to venture into commercial projects, rental or so. So do I assume that these 3 projects in the Giga, Boat Club and Downtown, these 3 projects would be for-sale model?

Gopal Sarda

So basically these are the -- yes, so these 3 locations are strategically good locations for the commercial development and lot of infra sells, so like a location like Kharadi wherein you see there's so much of commercial development happening and commercial rates are ahead of residential rates, and we have some retail component around all the projects. So we believe that commercial would be a better realization for us. And since in our project, any which way we are low on the commercial side, 80%, 85% of the portfolio is residential, and we have hardly 10%, 12% commercial presence. Having said that, we are still evaluating 3 options, right? Either we can go for a build-to-suit model wherein we get some substantial money upfront and balance construction linked or we will ensure that, we will sell that much of stock which will take care of the financial closure and balance stock. We can keep it as a rental portfolio for KPDL or we will take it as a retail sale and we'll realize full and we will collect the internal accruals and deploy for the next level of business development, growth engine for the company.

So we are still at the discussion stage, probably in a quarter or so we will freeze the plans under which option we are going ahead, and then I'll be able to give you a concrete guidance, see like this is what we have chosen in conjunction with the board, and this is the final outcome of the design and the financial number for the company.

Biplab Debbarma

So basically, you are not even contemplating 100% lease model?

Gopal Sarda

We are open, we are trying to do a scenario analysis, which...

Biplab Debbarma

Okay, okay, okay. Which model would be...

Gopal Sarda

Bigger financial parameters and numbers. Every model has their own plus and minuses, but whatever would be the best for the organization we'll choose one. So we are trying to do number crunching, we are trying to see what is the best under the current scenario and favorable to the company.

Biplab Debbarma

Sir, when you say commercial, you mean office space, right? Or you mean office or retail or anything?

Gopal Sarda

It's a mix of retail and office spaces.

Operator

[Operator Instructions] Next question is from the line of Mohit Agrawal from IIFL.

Mohit Agrawal

My question is on the business development opportunities that you are seeing, especially in Mumbai. I wanted to have your thoughts on what kind of deals you're seeing? And why are we not seeing like a large number of project additions, especially in Mumbai, considering the kind of situation that is prevailing? Is it stuck on valuations, the valuation still not attractive? Or is it with the risk that come along with it? And how you think that has changed over the last 1, 2 years since this NBFC squeeze has started to happen. So any thoughts will be helpful.

Gopal Sarda

So on the Mumbai front, I think, as you rightly mentioned, in the BD, there are couple of challenges. One is on the valuation front. Second, on the legal front. Third, on the clearances front. And probably, there are a couple of models, which we're evaluating, some projects under DM, some under JV -- JVs and some on an outright basis. So the scenario is that we are already at advanced stage of negotiation with some land owners and probably 2, 3 transactions wherein we have signed a term sheet, there are a couple of CP's which we have built from the company safety point of view, and not to take too much of speculation on particular location.

So I think redevelopment portfolio, we are going aggressive because these are all projects we acquired a couple of years back wherein we have proceeded on the approval front and there since has -- these projects have been initiated by us. We know each and everything about the society, and all legal liaison products have been cleared. So the focus would remain to first launch these projects and parallelly whatever term sheets we have signed for the Mumbai region we are waiting for the CPs to be fulfilled. And then at an appropriate time, post-binding document signatures, we'll announce certain transactions, but we are keen for the Mumbai market. And we are evaluating couple of proposals, but looking at the current scenario weighing the financial closure, NBFC issues, existing dates, and too much of chaos, selection is very important. And out of 20 projects, I think 5 are only workable. So that clearances process is taking too much of time, and we want to take the best of DBD for us to maintain the growth engine for the company.

Mohit Agrawal

So do you think that once, let's say, the project goes through -- let's say, some of them at least go through the NCLT process, and then things are cleaned up and probably lenders are ready to take a haircut? Is it at that stage you think it's easier and better to acquire? Or you would evaluate projects at any stage?

Gopal Sarda

I think both the proposition have their advantage and disadvantage. So one front, when we are talking about clearing the existing proposals wherein the banker, private equity, customers are involved. So there, your productivity is too much required [Foreign Language] once if you have -- being a -- knowing the overall management bandwidth, you need to ascertain in how much time you need to put and clear one proposition, which is coming to you, 15%, 20% lesser than the market valuation. Or second is the outright proposition, which is at market value, but you can deliver at a faster pace and your time is required on a lower side. So it's all about utilizing, investment of time rather than investment of money, and we have to balance between investment of money and time, and see whichever is favorable to the organization. So propositions wherein we feel that in 3 to 6 months' time these things can be cleared, I think those proposals we are evaluating, but we feel that it will take larger time of 1.5, 2 years, or more than 1 year. I think those kind of proposals we are letting go, and we are focusing on the clean slate sort of proposition, which we can immediately launch in 6 to 9 months' time, because it's all about the time value and ensuring the numbers to be delivered as per the business plan, which we have set for the organization.

Mohit Agrawal

Yes, yes, sure. And then last one. So just like in commercial sector, we have seen a lot of private equity participation. Do you see any interest from private equity guys right now at this stage, if you want to do some large projects, you want to acquire a big land parcel? Do you think that you'd be getting interest and will be ready to partner with private equity guys to derisk your CapEx or?

Gopal Sarda

Yes, sure. So if you see predominantly, we all are SPVs, we have private equity invested with us. So if we start our journey with ICICI, Portman, ILFS, ASK Capital, Motilal Oswal and JPMC and KKR. All these guys have invested with us, they have made good money. And the kind of credentials what we have built in the private equity market, I think everybody would love to work with us. It's all about getting the right terms and they are ready to back us in any of the projects. So that is the reason we have already signed the platforms with 2 funds. One is INR 500 crores and second is INR 700 crores. So there the business development ought-right transaction, we are evaluating and taking that money into consideration rather than going for the fresh set of, again, raising a private equity with different guys. So that kind of tie up has already been done. And at a right time we will take the withdrawals from the platform and close the transaction. So that tie up has been well taken care by us.

Operator

[Operator Instructions] Next question is from the line of Alpesh Thacker from Motilal Oswal Securities.

Alpesh Thacker

So my first question is, how do you see the competition in Bangalore panning...

Operator

Mr. Thacker, I'm so sorry to interrupt. Requesting you to please use the handset mode while speaking, sir. Your audio is not very audible.

Alpesh Thacker

Okay. So can you hear me now?

Operator

Yes.

Alpesh Thacker

Okay. Sir, how do you see the competition in Bangalore panning out given the fact that the overall market has been stagnant over the last 6, 7 years and the established players like Prestige, Brigade, Sobha have aggressively gained market share in Bangalore market. And also, we see one of the players like Godrej is also getting aggressive in that market. So do you see any room for growth in that market? And if yes, what will be your strategy to grow there? Because I see that we want to have like 25% of our contribution to come from Mumbai and Bangalore in the next couple of years?

Gopal Sarda

So as far as Bangalore is concerned, I think it's been now almost more than 2 decades we have our presence. We have delivered 8 to 9 projects in the micro market, and I think 2 million square feet is what we have delivered so far, till last quarter, and there is another -- 1 million square feet is under execution. So probably by next 18 months, we'll be having 3 million square feet of delivery, with 10 projects delivered in Mumbai -- Bangalore market. So with this presence, I think we are not aiming for the larger number of what 5 top developers are doing in the Bangalore market. We are expecting 1 million square feet journey over a period of next 3 to 4 years in the Bangalore market. And for the same, we have 3 existing projects, and we are looking for addition of 3 projects. So wherein if 1 million square feet can come which will be meeting the overall target what we have set for the organization. So we believe that Bangalore is a good market. Since we have 2 decades of presence, we have done and delivered a couple of projects and moderate sale is happening on our brand. Now more and more delivery and more and more visibility can give us the next level of presales and that is what we are betting on the Bangalore market. So we don't see too much of challenges on our brand. It's all about getting the right location, planning the right products, presenting the right communication in the market, and enjoy some share from the Bangalore market to deliver the overall volumes what we have set for the group as a whole.

Alpesh Thacker

Okay, okay. And sir, my second question is, how does the long-term debt to equity trajectory for the company looks like with considerable room for leverage, is Kolte-Patil planning to use leverage to scale up and take advantage of the ongoing consolidation in the real estate market that people are talking about?

Gopal Sarda

So I think we are always aversion to the debt, and we are very, very conservative on the debt front. And that is the reason Board has approved us 0.5 debt-equity ratio, which we are consistently maintaining since last 12 to 15 quarters. So for the time being, we are very much comfortable to maintain 0.5 as a debt-equity ratio. And we see that for the next 18 to 24 months whatever business development we are planning, since we have a strong visibility towards the internal cash flows, we have created a platform and at a appropriate time, being a listed company there are other avenues to raise the money. So we don't see debt going up, but having said that, 2 year down the line, probably, if you see that any kind of changes are required in the business model then probably we'll again go back to the board and take a different route on the debt side and come back and then we'll design the business model and design the next level of growth, but for next 2 years, it seems that 0.5 debt-equity ratio is quite comfortable to drive the desired growth what we have set for the organization.

Alpesh Thacker

Okay. And what would be the average cost of debt for us?

Gopal Sarda

Today, we are at 10.4% average borrowing cost.

Operator

[Operator Instructions] Next question is from the line of Dhaval Somaiya from PhillipCapital.

Dhaval Somaiya

Sir, I wanted to ask which other micro markets do you find attractive. And maybe you may plan to enter in, say, near term?

Gopal Sarda

So see, Pune, we are consistently maintaining our leadership position, and we still believe that Pune, we can further climb the presales from current 2 million, 2.5 million to 3.5 million to 4 million. So Pune would remain our key focus. Other than that, Bangalore and Mumbai, we have entered, and we are trying to take the next level of market share from the market. So probably next 1.5 years to 2 years, we would try to focus on these market. And once we have established these 2 markets and system processes and the business more into auto mode wherein you require only decision-making guidance and review and protocols to that time, I think, probably, we'll look for some different markets. Maybe we can look for Hyderabad or NCR, but for the time being, next 2 years, the focus would remain to take next level of share from Bangalore and Mumbai market as well as Pune market, so that we can deliver the larger volumes what we have set.

Dhaval Somaiya

So, sir, just a follow-up on that. Any guidance in terms of sales volume that we might have internally targeting in the next say, 2 to 3 years from these 2 micro markets, MMR and Bangalore?

Gopal Sarda

So we believe that I think rather than going specific on those 2 markets, so for the year, I think the guidance what we have given is between 2.4% to 2.7%, and we are pretty much on track. As far as next financial year '21, we have these 3 redevelopment projects at Mumbai, 4 projects at Pune and then 2, 3 DM projects and plus the existing inventories from the same, I think, between 3 million to 3.5 million we can achieve from them. And if we are doing some business development closures, then probably we can increase the guidance to the next level. So I think it would be wise to comment on the next level of guidance post quarter 1 results. And as far as Mumbai and Bangalore is concerned, I think Bangalore, we can look for 0.3 million to 0.4 million square feet presales on a yearly basis for next year. And Mumbai, we are aiming from at least INR 1,100 crore plus the existing JV stock. We are trying to see that INR 300 crores sort of presales numbers should come in next financial year, which is '21.

Dhaval Somaiya

Okay, sir. And sir, do we have any plans to build up an active annuity portfolio in, say, next 3 to 4 years?

Gopal Sarda

See, so far, we have always believed in a model wherein buy, construct and sell at a faster pace, and with a manufacturing mindset. And that is the reason if you see on the ROC front and ROE front, we are ahead of the peers. Today, our ROC is at 15.5% and our ROE is at 11%. And that model is doing good for us. We are maintaining 24% to 26% sort of EBITDA, 10% to 11% sort of PAT, and around 18% to 20% CAGR growth in presales as well as collections and as well as our top line. So for the time being, there is no such thought to build on the annuity portfolio, but as I've already mentioned in my earlier justification these new projects, which have very well strategically located for the commercial portfolio, and if you see the financial closure is there, and we don't require too much of surplus on these projects for the next level of business development, then we may thought to build some annuity from this project, but without taking risk and maintaining the financial closure. So it's under discussion. And I think once we freeze something then probably H1 we can comment on that part.

Operator

[Operator Instructions] Ladies and gentlemen, that was the last question. I would now like to hand the conference over to the management for closing comments.

Gopal Sarda

Thank you once again for your interest and support. We will continue to stay engaged. Please be in touch with our Investor Relations team for any further details or discussions. We look forward to interacting with you next quarter. Thank you.

Kolte-Patil Developers Limited, Q4 2020 Earnings Call, Jun 24, 2020
6/24/20
Operator

Ladies and gentlemen, good day, and welcome to Kolte-Patil Developers Q4 FY '20 Earnings Conference Call. [Operator Instructions] Please note that this conference is being recorded.

I now hand the conference over to Mr. Shiv Muttoo of CDR India. Thank you, and over to you, sir.

Shiv Muttoo

Thanks. Good afternoon, everyone, and thank you for joining us on the Q4 FY '20 Results Conference Call of Kolte-Patil Developers Limited. We have with us today, Gopal Sarda, group CEO; and Vikram Rajput, Head, Investor Relations.

Before we begin, I would like to state that some of the statements in today's discussion may be forward-looking in nature and may involve certain risks and uncertainties. A detailed statement in this regard is available on the Q4 FY '20 results presentation that has been sent to all of you earlier.

I would now like to invite Mr. Gopal Sarda to take the proceedings of the call further. Thanks.

Gopal Sarda

Good afternoon, everyone. A warm welcome to everyone present, and thank you for joining us today to discuss the operating and financial performance of our company for the fourth quarter and financial year ended 31st March, 2020. I hope all of you and your families are well and safe in the challenging period prevailing over the last 3 months.

As you know, financial year '19-'20 ended on a very unexpected and difficult note with the entire world virtually coming to a standstill due to the spread of COVID-19 pandemic with disruption in economic activity, manufacturing operations, global supply chain and consumption patterns, adversely affecting established framework both at macro as well as micro level.

Real estate visibility has also remained weak at a macro level. In this backdrop, KPDL has delivered a reasonable strong financial and operational performance. During the year, our strong brand, customer visibility and operational excellence has allowed us to expand the liquidity available in our operating ecosystem, resulting in higher collections, healthy sales and net debt reduction.

Financial year '20 was our best ever in terms of collection, which at INR 1,368 crore were up 10% and at the highest level in the company's 3-decade history. Strong collections resulted from our continued focus on operational excellence, accelerated construction activity, delivering to committed project time line, thus creating a virtuous cycle of sales execution, deliveries and cash flow across all our project location.

During the year, we continued to drive execution across all our projects and delivered 1.86 million square feet with OC received for 1,601 units, including at Jai Vijay, Mirabilis, Western Avenue and Life Republic.

I would like to highlight that we closed the financial year with positive sales momentum that has allowed us to achieve our stated guidance. We registered sales of 2.5 million square feet across all our projects. Life Republic recorded 1.05 million square feet of sales in financial year '20, the second consecutive year of 1 million square feet of sales. Ivy Estate, Western Avenue, 24k Pune portfolio and Bengaluru projects were the other key drivers of volumes during the year.

It is noteworthy that in the absence of any launches, the sales performance was driven entirely by the sustenance sales in existing projects across Pune, Mumbai and Bengaluru. This evidences our robust sales and marketing machinery as well as brand recognition.

To support and supplement our sales visibility, the company has built a very strong digital platform to ensure virtual collaboration, communication and secure data transmission with its customers while working from home. KPDL has stepped up so that its customer don't have to step up. The rapid digitization of sales channels, novel offerings along with brand Kolte-Patil allowed the company to deliver decent bookings traction even during the lockdown period and ramp-up sales to the tune of 60%, 65% of the normal quarterly run rate.

As indicated in our previous communication, 180 homes were sold in the lockdown period till April 2020, and the momentum has further accelerated subsequently. So while liquidity remain a challenge for the sector during financial year '20, for KPDL there has been a reduction of INR 83 crores in net debt. Net debt-to-equity stood at 0.35x, down from 0.47x on a Y-o-Y basis.

Strong operational focus and collections have in turn allowed us to maintain debt at lower levels despite investing resources to accelerate execution and paying the second tranche of INR 70 crores towards the buyout of ICICI Venture's 50% stake in our Life Republic township project in Pune.

On the operational front, we are happy to have resumed construction activity at Pune and Bengaluru with 40% of the workforce. We are positioned to continue to scale up operation at our construction sites and look forward to reach optimal levels of execution as the lockdown eases out and normalized economic activity is resumed over the next 3 to 6 months. We are also exploring the increased use of technology to accelerate the pace of construction going forward while limiting the reliance on unforeseen externalities.

Our Mumbai story continues to shape well with OC for Jai Vijay and IOD approval for Goregaon and Dahisar

Redevelopment projects. Our Mumbai projects under approval are expected to be launched in 3 to 6 months and have aggregate top line potential of approximately INR 1,100 crores in terms of KPDL economic share to be achieved through the capital-light society redevelopment model.

Overall, we expect to see larger contribution from Mumbai and Bengaluru over the next few years. In addition to the upcoming launches in Mumbai, we also have 4 launches planned in Pune, with aggregate top line to the tune of INR 2,000 crore for the company.

Subsequent to the close of the financial year, we have entered into an agreement with Planet Smart City, a U.K.-based real estate developer, for strategic land monetization of 5.52 (sic) [5.42] acres of Sector R10 in Life Republic for INR 91 crore. This portion of land has a residential development potential of 7.6 lakh square feet in terms of saleable area.

Under the agreement, this land parcel in Sector R10 will be jointly developed by KPIT and Planet in the profit sharing model. Also, importantly for us, it provides further liquidity on the balance sheet to pursue further growth opportunities. This transaction further highlights the value creation prospects of Life Republic as a project.

Now I would like to take you through a quick discussion on our financial performance. In order to facilitate like-for-like comparison and continuity of information flow, financials based on the erstwhile applicable percentage of completion method of accounting for revenue recognition have also been included on Slides 18 and 19 of the results presentation shared with you earlier. This is the accounting method we continue to use internally to evaluate our ongoing performance, and we see it being better aligned with the real estate situation of the business.

Revenue from operations in financial year '20 on a POCM basis saw an increase of 2.6%. Key contributors were Life Republic, Western Avenue, Opula, Ivy Estate and Bengaluru projects. EBITDA margin was lower at 20.9% on account of higher revenue contribution from lower margin projects. Net profit post minority interest rose by 12.2% to INR 137.5 crore based on lower interest cost, reduction in corporate tax rate and higher other income linked to buyout of ICICI Venture's stake in Life Republic.

Going forward, while the COVID-19 pandemic and the resultant lockdown of human and economic activity across the country has subdued consumer sentiment, demand trends have been incrementally positive each passing month. We believe in the structural demand theme of real estate and are optimistic that traction will first return to Affordable and MIG segments, which is the majority of our project portfolio. Efficient management of capital, human resources, supply chain and customers is the recipe for thriving in the current scenario.

Our growing brand equity, execution capabilities and balance sheet strength will be the differentiators in the Indian real estate sector, allowing us to capture growth opportunities and create value over the longer term.

On that note, I conclude my opening remarks and would like now ask the moderator to open the line for Q&A. Thank you.

Operator

[Operator Instructions] We have the first question from the line of [Manoj Dua] from [MD Investment].

Unknown Analyst

Congratulation, sir, on the good performance in terms of cash flows and Life Republic-Planet deal and ICICI deal, and debt reduction has been commendable. My question was regarding this commercial [Audio Gap] you are doing. You have written INR 2,000 crore sale potential. Can you throw some color into it? It means that you are going to sell it, not lease it? And how are you going to plan the working capital? Do you intend to sell during construction? Or you want to sell after the completion of project?

Gopal Sarda

Sure. See prima facie these all locations are very strategically and agnostic from the Pune perspective, and that's the reason I think we have planned commercial as a development. So while doing commercial as a product, we will ensure that the financial closure is on place. So our strategy would remain in a manner that we will ensure that the cost of the project needs to be raised either from the bulk transaction or with some sort of association with any kind of private equity. And then we will think about the balance portion to be considered for the lease parameters vis-à-vis the sale and realization.

So the team is working on that. I think we are doing lot of research and development on the commercial front. We have prepared a couple of models. But one thing is for sure that, I think, the idea would remain to go asset-light, not to build debt on the books and try to structure the transaction in a manner either into a built-to-suit or with some sort of a JV partner to take care of the project cost. So we will have partial focus on internal accruals, partial through a bulk transaction or some projects wherein we feel that the sales would be coming to the system at a later stage, then we will prefer private equity as an option to take care of the financial closure.

Unknown Analyst

Okay. Great. Second, my question was regarding redevelopment. You have INR 1,100 crore guidance for the sale of 3 projects. How much profitability we can make out of it?

Gopal Sarda

So from the Mumbai portfolio, I think we can expect 25% to 26% sort of EBITDA, which translates into INR 250 crores to INR 275 crores.

Unknown Analyst

Okay. And how, post-COVID, things are shaping in redevelopment on the supply side? Godrej has also signed one small project in Matunga for the society redevelopment. So can you give me some color how the supply side is shaping up in redevelopment?

Gopal Sarda

Sure. So I think on the redevelopment front, like the 2 projects which we were talking about, Sagar Vaibhav and Hari Ratan, these projects we have given the notice to vacate, but unfortunately 70%, 80% of the residents have vacated the premises and balance 30% got stuck due to the kind of lockdown situation all over in the world. So I think people are very cooperative. We are trying to bring some sort of amicable formula, like how we can consider this at a pace.

So what we have decided is that we will start our rentals once we get the construction permissions and once we have the society vacated. So as per the contract, they are also knowing that maybe 70%, 80% people have vacated the premises. But for us to commence the work and to get the letter of entry, we need 100% vacation of the society. So they are also promoted to, they're trying to move ASAP, and then we will be continuing the project as planned. So there is no change in the journey.

I think what we believe is that as far as the Mumbai market is considered, up to INR 3 crores to INR 3.5 crores products, we see that there would be a -- there would remain a decent sale and we can continue on the existing business plan what we have planned from these projects.

Operator

[Operator Instructions] The next question is from the line of Mr. Adhidev from ICICI.

Adhidev Chattopadhyay

Sorry, I joined call a little bit late. I just want to ask on the launch calendar you have given. So we are planning now 3 commercial projects. You may have already answered this question, but sorry to reiterate. So any -- this is a more recent thing you've decided on? Or -- and will it be a strata sale or lease? What is the exact plan over here?

Gopal Sarda

See, as far as -- as I said earlier, now let's talk about the Boat Club project. That location is so strategically positioned, I think we have to plan commercial only there. So that was earlier decided. As far as the Giga Residency is considered, I think it's adjacent to Phoenix and diagonally opposite to earlier Inorbit. I think that location we have planned residential earlier and that too with a very bigger sizes of 3,000, 4,000 square feet. And then later on, we have realized that, that market is very subdued in the Pune as a city and location is very good from a commercial perspective. So we have redesigned the entire project and now we are going ahead with the commercial. And as far as the third downtown project based out of Kharadi is concerned, I think that location is suitable for any development, maybe retail, residential and commercial. So the thought was fully commercial, but now we have prepared a couple of design options wherein we can either look for full residential or partly residential, partly commercial. So all those evaluations were going on.

And as I said earlier, I think from the financial closure perspective, we all know that towards commercial development, maybe initial sales is slow towards -- once you complete RCC and nearing possession, the sales pickup and sometimes, commercial is a pure function of lease. So we have ensured that the financial closure will be taken care of. We will not go ahead to build such kind of huge portfolio on a debt. And we have decided to either cut some inventory in bulk with a discounted price to take care of the cost. Or if we feel that any private equity would wish to join the project at a right and decent valuation, so that option is also on. So while doing all those developments, we will have all our options open from internal accrual perspective to BTS perspective to private equity or HNIs who wants to purchase in bulk. So basis the right combination, we will close our financials and move ahead.

Adhidev Chattopadhyay

Okay. But is this a done thing? You're definitely going ahead with the launch and construction? Or it is subject to all the financial closures that you mentioned that...

Gopal Sarda

Yes, yes. So as far as the products are concerned, Giga Residency, Boat Club, we will, for sure, go ahead with the commercial development. There is no change in those products per se. Downtown, we are -- we may consider partly residential, partly commercial. And in next 1 or 2 months, we will freeze that. But rest of the project, for sure, we are going ahead with the commercial development.

Adhidev Chattopadhyay

Okay. And this is strata sale? This is what you want to do?

Gopal Sarda

Yes. So we believe that after COVID also, it won't happen that all of a sudden the entire demand will be vanished. Obviously, we all expect that the commercial demand will go down. It may come from 100% to 50% or 50% to 30%. But there would be some decent demand, and these locations are absolutely very premium and prime locations from a Pune perspective. So we are confident that the kind of overall development potential which at each of the location is not more than 0.6 million. So like when we talk about Giga Residency, it's just 0.6 million and when we talk about Boat Club, it's 0.38 million. So, I think, these are decent development. In 3 to 4 years' time, we can easily offload these kind of inventory, and we are not going into 1 million or 2 million square feet of big debt. So we think that we'll be able to complete the project on time.

Adhidev Chattopadhyay

Okay. Okay, sure. And second question is what are you doing on the activations front April onwards, in terms of whatever sales you have been doing? If you just help out how the online tenants have helped. And with all these people now working from home, how do you see demand for homes spanning out over the next couple of years?

Gopal Sarda

Yes, it's a good question. So I think if you see from April onwards, I think, post-lockdown, we have quickly revamped the overall ecosystem of sales. We have created a strong digital platform. We have also created an open room wherein the customer can directly interact with our representative and they can also have a complete virtual view of the project. So as far as all technology, digitalization, whatever we can do, we are doing that, and I think customers are buying. So I may not say that INR 3 crore onward inventory is moving on a digital platform. But yes, up to INR 80 lakhs inventory, like projects like Life Republic or projects which comes under MIG portfolio between INR 35 lakhs to INR 85 lakhs we have seen a decent traction. There is a good demand coming into the system.

So those guys who have -- what we call as visit and not booked, that data is getting converted to the sale as well as there is a superb demand coming from NRI market. So I think we have seen that the NRI sales pre-COVID vis-à-vis the post-COVID is almost double. So we were doing a INR 10 crore of sales from NRI market pre-COVID, which has resulted into a INR 20 crore of sales post-COVID. So we have created an overall ecosystem. We have also done with a sales campaign reset wherein we have created ads, we have tried to explain through ads that how the overall ecosystem has been derived by KPDL, and people are buying. So I think digital platform is also a good platform. I believe visit and not booked are getting easily converted. NRI guys are also getting easily converted. If some guys who wants to do the site visits also, that also brings some sort of efficiency in the system.

So in spite of 3 site visits and then we take a decision, by using the digital platform, I think whatever information or whatever discussion we need to have with the sales representative is getting completed. And then 1 site visit with social distancing, they are giving the check. So we have created a system wherein even the customer can come by their car and then our guy in his car is taking to the project and he is aware about the location and everything. And basis the other digital interaction, they are cutting the checks and we are doing the closure.

So I think we cannot say that 100% sales is coming from a digitalization, but yes, at the same time, 50% to 60% of the sales is still happening through our digital platform. And guys who have already visited are taking the decisions at a faster pace. So we believe that going forward also 40%, 45% of the sales can be generated through digital platform. But yes, to bring to the original operational capacity of the sales, we also need the site visits and physical interaction with social distancing and other hygiene and precaution parameters at site.

Adhidev Chattopadhyay

Okay. And on this -- what is your view on the work-from-home and all this talk which is there on the offices front? And how do you see demand for your houses panning out?

Gopal Sarda

So as far as work-from-home concept is concerned, I think it all depend on the profile of the person. So like from a real estate perspective, if you see the construction and sales teams are any which ways are based on the site. So if they can manage -- they are managing from the site and rest of the corporate people, we have created batches wherein whomsoever can work from home is doing, like from a legal perspective or from some other department, they can obviously do the work with the same efficiency. But I believe that this is not the complete concept that the entire corporate world will shift from a work-from-home. Obviously, till next 3 to 6 months' time, work-from-home would be a bigger quorum and smaller quorum would be available at the offices. But on a longevity basis, I think it will come back to normalcy. As far as the IT and other sectors wherein work-from-home which was prevailing earlier also will be continued. So we feel that these are all short-term things. And on a long-term basis, probably slowly, slowly, economy will come back to the normalcy at pre-COVID situation.

Operator

The next question is from the line of Mr. Parikshit from HDFC.

Parikshit Kandpal

Gopal, congratulations for fantastic numbers, especially managing the balance sheet in such times and closing that deal in April which was like where we were almost at the peak in terms of COVID, a lot of deals are falling apart. And also commendable that the organization -- that you have not done any salary cuts or deferrals of salaries, so that speaks about that you are comfortable on liquidity.

My question was more on -- so how do in this new post-COVID era, so how are you redesigning your launch plans? And also if you can highlight because your LR is like

50% almost, I would say, 35%, 40% contribution of this year's sales of 2.5 million comes from LR, which is a large contributor to the volume. So -- and surrounded by tools that pulls lot of IT employees who are basically buying there. So if you can also give a mix on the buyers of LR and -- in the uncertain times where there could be demand shrinkage in IT and this work-from-home thing is being worked out plus people are talking about rationalizing costs. So how could that impact the LR plans of launches? And also if you can touch upon the monetization like the one you did in Planet Smart? So are you planning any such monetization also in that LR?

Gopal Sarda

Sure. So I think, Parikshit, answering to the first question, to look at the overall operational business plan, so the idea would remain as that we want to come back to the original level. So let's assume on the collection front, if we are at 35%, 40% on the sales front, if we have reached to 60%, 65% and on the construction front, we are at 35%, 40%, so the idea would remain that we need to quickly come back to the original operational capacity. So we are aiming that by end of this financial year we should come to 80%, 90% of the last year's performance. So the focus would remain to preserve liquidity on the book so that the operations are not getting impacted.

While doing so, there are a couple of business development opportunities which are coming on the table. So what we will do is that we will not take aggressive bets for next 6 to 9 months on the outright purchases. But having said that, you know in this consolidation phase, there are so many proposals which are easily available without paying the land cost and in a structured manner, you go into the JV/JD revenue sharing model by giving INR 5 crores, INR 10 crores as a deposit. So those transactions will be continued irrespective of the COVID scenario externally. And some transaction, if by chance, it comes at a very, very attractive price, then we have the platform. So with private equity, we can exceptionally look, but that needs to be a distressed value.

As far as the overall sale channel is concerned, I think we have demonstrated the second year at Life Republic, wherein we have surpassed 1 million square feet. So now we feel that maintaining 1 million square feet of Life Republic is quite possible. And for the same, we always ensure that the replacement of inventory has to be there. So from the existing 4 million square feet, if we have sold 2.5 million, 2.6 million square feet and we are left with only 1.4 million, 1.5 million, so we have already processed 2.8 million square feet under approval, which we are expecting in the next 6 to 8 months' time. So H2 financial year '21, we will have couple of launches at Life Republic which will take us to 1 million square feet or probably not 1 million square feet, to 0.7, 0.8, if there is a further subdued atmosphere due to COVID. So Life Republic is one of the key contributor.

As far as the other launches are concerned, so we have -- if you see last year's performance also, we have collected INR 1,368 crores, out of which approximately INR 400-ish crore is my operating cash surplus, which has been utilized on various aspects, maybe paying to JV partners, maybe investing in Life Republic transaction, dividend, debt reduction. So likewise, we believe that even if this year we achieve 60%, 70% of last year's collection, still we can easily manage the kind of AOP which we used to deliver in the last couple of years. So the idea would remain that 1.92 million square feet of sales with 70%, 80% capacity can be managed. The only thing which we will get a hit is towards the growth capital. Had it been the case wherein we were continuing with the same pace like a pre-COVID, then we could have got INR 450 crores, INR 400 crores sort of a growth capital which would have been deployed and taken the presales to the next level.

So now looking at that parameter, I think it will get postponed by 6 to 9 months. So instead of collecting the same money in this year, it may go in '21 and '22. And accordingly, the launches would differ. But as we have already mentioned on the results presentation also, so these 7 projects, 3 based out of Mumbai and 4 based out of Pune, I think we will launch these projects, and we are confident that the kind of business plan which we have prepared for the organization, even we achieve 70%, 80% of that for these projects, we should be easily maintain our operational health. So the plan would -- to have the launches in a manner looking at the cash position at the company and ensuring the working capital is been intact, and we are not going back to the incremental debts and all.

So we -- overall, we -- it looks like that since the position is unique because we have a net debt of only INR 434 crore by March '20, the portfolio is good as affordable to mid-income would be the first to revive and then we have 80%, 90% of the portfolio. By March 2020, we were having INR 1,350 crore as sold receivables lying on the book. And over and above that, we have some RTMI inventory to the tune of INR 250 crores to INR 270 crores like Raaga, Jai Vijay and 1 project based out of Western Avenue wherein we have retail shop. So collage of all can give us a good healthy performance for this financial year, not obviously at 100% of the capacity, but at least even we achieve 70%, 80% as financial year '21 we close, I think we would remain in that growth journey and probably March '21 onwards we will continue to focus on the growth plan which we have set for the organization to double our presale and to bring the growth to the next level.

So this year, we, as a team, has committed to first get the operations back at original level and then we will be accelerating towards the growth transaction. So basis the cash flows into the system, I think, Parikshit, we will take our call at appropriate time.

Parikshit Kandpal

Okay. And due to the mix of the clients in Life Republic, buyers, if you have some sense?

Gopal Sarda

Yes, yes. So as far as the Life Republic transaction is concerned, so basically R Sector -- R10 Sector is of total 1.4 million square feet, out of which half has been divided and we have done a transaction with Planet wherein 50% money has come to us and 50% is linked to environment clearance, which will flow into the system in next 3 to 4 months' time. And I think they have started as a Phase 1, and if we like the performance, then there is working commitment to us that they would love to continue with the same terms and the same commercial for Phase 2.

So there might a possibility that the same sort of transaction will be continued with the Planet as a company for Phase 2 also. Phase 1 is just probably the thing that transaction happened in the pandemic time and they don't want to take much of the exposure. So they have carved out from the full sector as Phase 1 and they have cut a deal with us. And they're hopeful and positive for Phase 2 also. But that will be completely dependent on the overall [Technical Difficulty] environment and how our performance comes at Life Republic.

So as far as Life Republic is concerned, since we have so many sectors, we have so much of FSI, so in future also, if there are any transaction wherein we feel that, that is bringing some sort of value addition to the company or if we are getting a good monetization which we can utilize for the growth opportunities, we will be open for those kind of transactions in near future as well.

Parikshit Kandpal

This INR 90 crores is -- you have received INR 45 crores you are saying out of INR 90 crores?

Gopal Sarda

Yes. Yes, yes. So 50% of that we have received and 50% was linked to the approvals. So we are expecting the approvals by September, October. Once we have the approvals in hand, then the second tranche will flow into the system.

Parikshit Kandpal

And this annual sales of 2.5 million is net after cancellations or any -- so this is net sales, right? This is not the gross sales?

Gopal Sarda

Yes, yes. Yes. It's purely net sales. We have [Technical Difficulty] we'll be reporting on the net sale basis. So our gross sales for the year was beyond 2.7 million, 2.8 million. But what we have reported is a net of cancellation, which is 2.5 million square feet.

Parikshit Kandpal

Just lastly, on the cash flow, there's some JV partner a land cost of INR 175 crore which was paid out. So what is that? Because I understand the LR buyout is INR 70 crores, but what is this INR 175 crore?

Gopal Sarda

So if you see, from that INR 175 crore, there are a couple of projects. So you see, during the year, Motilal Oswal has got exit. So the substantial chunk has gone to Motilal Oswal which for their investment at Western Avenue. Second, Stargaze being a JV project, one share goes to that landowner. And in Western Avenue, there was some stock which has been assigned to the landowner at the time of that land acquisition, and he was retaining that stock. So he has offloaded that stock and that amount has gone to him. And as well, like Tuscan and Three Jewels being ASK Capital and Portman Holdings being the partner. So these are all share of the JV partners from a respective project and substantial goes to Stargaze and Motilal Oswal being the largest contributor for the year.

Parikshit Kandpal

So you have given them exit or they're selling their stock and you're giving the cash flows to them from the project -- from their stock which is getting. So I'm not able to understand this thing.

Gopal Sarda

So I'll give you one-by-one. So basically, as far as the Motilal Oswal transaction was concerned, we have assigned some stock to them and some stock to us. From -- so their stock also -- the responsibility of selling their stock was also lying on us. So that stock was sold for the year and that money has been transferred to them. As far as Stargaze project is concerned, it's a JV. So we are getting 62%, they are getting 38% of the top line. So they get their revenue share of that. Likewise, some distribution has happened at Three Jewels and Tuscan during the year. So whatever surplus money is there, when we split that 50% comes to us, 50% goes to JV partners. So some money has gone to Portman Holdings on Three Jewels as their share of profit from the business. And since we are talking about the cash flow, the surplus distribution has come as a part of JV partner.

Parikshit Kandpal

Okay. It's more like completing the deal.

Gopal Sarda

I hope...

Parikshit Kandpal

Yes, yes, I got it. So it's more -- it's not that you're basically buying...

Gopal Sarda

No, no. This is basically -- yes, yes, sharing of cash flows with the joint venture partner.

Parikshit Kandpal

Okay. JV partner, cash flow sharing basically that is what it is, basically, the outgoing ones, their share in that project, economic interest, their economic interest, to the extent you are paying them off?

Gopal Sarda

Yes, yes, yes.

Parikshit Kandpal

It's nothing related to land. You've not acquired any new land, right?

Gopal Sarda

No, no, no, except Life Republic, which we all know about.

Parikshit Kandpal

Yes, and that's the INR 70 crores you've separately shown in the tranche payment, right?

Gopal Sarda

Yes, yes, yes.

Operator

The next question is from the line of Mr. Biplab from Antique.

Biplab Debbarma

So sir, first question is on your existing ongoing projects. In general, if you assume that no incremental sales happen in the next 6 months or 1 year and you don't have any external funding per se, would these projects run on their own from the internal accruals from the receivables of the sold units? I mean can you fund the construction from the internal accruals in general all of your projects?

Gopal Sarda

Sure. So I'll just explain you in detail. So I think if you have seen by 15th of March, we have raised invoices to the tune of INR 145 crore and that has been forwarded to the customers. And I think that INR 145 crores will flow into the system. Also, I've mentioned about my RTMI stock to the tune of INR 270 crore. That can also come irrespective of any construction close on the 15th. And when we talk about the INR 1,350 crore sort of sold receivables which are lying on the books, I think some construction needs to happen and which has also started.

So I think at any given situation, if you will consider there is 0 construction, 0 sales, still we can collect INR 400 crores to INR 500 crores sort of collection and from that, we can manage the construction. Now if we are assuming that there is 0 construction, then what we have to do with this INR 400 crores? We have to clear the existing vendors, which will not be beyond INR 60 crores to INR 80 crores. So this will -- this INR 400 crores, we'll have to utilize towards overheads and interest. So I think that can take care about the operational aspects as far as financial year '21 is concerned.

But having said that, looking at the current parameters in the month of April, May and now June, since, as I said, 30% to 40% labor strength is there at all the sites and some momentum is happening. So earlier, let's assume if the slab was getting casted in 10 days, now it may be taking 1 month or 40 days, and this situation will remain for next 3 to 4 months. But we are hopeful that, and the kind of response which I'm getting from construction team, is that labor wants to resume back and slowly, slowly, they are coming back. So we expect that by October or November, the situation will come back to 70% of the existing capacity, and that is more than enough for us to derive INR 900 crore to INR 1,000 crore of collection for the year.

Biplab Debbarma

So basically, sir, you are saying that if construction starts and there is no restriction or 40%, 50%, 100%, so without incremental sales, you will have net positive cash flow for the construction to go on and all the projects running, right, sir?

Gopal Sarda

Yes, or I'll give you a second example, wherein let's assume, there is no sales, no construction. Now what company has to manage is about their overheads, which consists of employee cost, admin costs. An now marketing expenses would be 0 because we are not doing any marketing activities assuming under your example. And what we have to pay is about the existing channel partners payout. Now these tunes to, to the tune of INR 150 crore to INR 180 crore. And then let's assume if we add interest of INR 50 crores for the year, which is around 225 crore. So this INR 225 crores can be easily taken care of from the INR 400 crore cash flow, which we can collect INR 145 crores existing invoices and plus the RTMI stuff of INR 250 crores. So still we are operating positive if we want that on a standstill basis.

Biplab Debbarma

Sir, my second question is on your Mumbai projects. My understanding is that based on your time line of events, 3 months plus/minus is that you are ready to launch -- all -- you have all the approvals in place, right, sir? And so in that case, I just wanted to understand, would you need any additional funding for the -- like debt funding, private equity funding for the project to be launched? And I just want some color like at what price points you are planning to launch because pre-COVID you might have some business plan, we are going to launch at this price. But post-COVID, your business plan might have changed on the pricing point? And what kind of margin do you expect in this project -- in the Mumbai projects only?

Gopal Sarda

As far as Mumbai projects are concerned, I think now there are couple of positive developments. Like right now, we all are aware about that the premiums can be paid at a deferred manner with 8.5% as interest. So there is no debt coming on the books, neither we have to classify these as the interest. What we have do is this 8.5% can we considered as the project cost. So the structuring of the project has happened in such a manner that the corpus is also being paid in 3, 4 tranches. So obviously, to start the project, see, some premiums needs to be paid. So let's assume, if we take an example of Sagar Vaibhav, we need to pay INR 8 crores to INR 14 crores to do the project completely plug-and-play. So by investing INR 14 crores, if you are getting a full inventory, then we can manage the full project wherein we are expecting INR 70-odd crores or INR 75-odd crores sort of free cash flows. So for these kind of free cash flows, some investment needs to be done because it won't be possible that you are managing the project completely on internal accruals. So initial investment to the tune of INR 10 crores, INR 15 crores for Sagar Vaibhav, and then for Hari Ratan, let's assume, since it's a bigger project, we need to incur INR 20 crores, INR 25 crores to take off the project. But we can also do the phasing. So like instead of taking full building as plug-and-play, we can take a partial building and by reducing from INR 25 crores to INR 15 crores. And to support the next level of cash flows, we have retail portion there. So typically, retail transactions are a good cash source to the developer because those transactions typically happen at a 50% downpayment and 50% linked to construction. And these kind of buildings where we can take a part OC and use earlier projection to retail portion compared to residential. So there are a lot of business angles -- lot of business acumen and financial acumen needs to be applied to take care of the working capital cycle as and when the situation comes and appropriate calls will be taken at appropriate timing, depends on the external factor.

Biplab Debbarma

Sir, about the -- at what prices you're planning to launch and expected margins this kind of projects...

Gopal Sarda

Sure. So as far as Sagar Vaibhav and Hari Ratan is concerned, Sagar Vaibhav, we expect that at an agreement value level, so which basic price plus your floor rise and other charges, but agreement value level on a salable basis we expect INR 14,000 to INR 14,500. And at Hari Ratan, we expect INR 16,000 to INR 16,500 would be the launch prices. And basis the overall response, we'll take the prices to the next level. And as far as the margin is concerned, I think I already mentioned that we are -- we will be managing the entire Mumbai portfolio at 25%, 26% sort of EBITDA margin.

Operator

[Operator Instructions] The next question is from the line of Kunal Shah from Carnelian Asset Management.

Kunal Shah;Carnelian Capital;Analyst

Just taking forward the question on the cash flow. So it would be right to assume that when we look at collections, we should see collections net of amount paid to JV partner land costs?

Gopal Sarda

No, no. So if I have understood your question correctly, you mean to say whatever collections we are getting are net of landowner share?

Kunal Shah;Carnelian Capital;Analyst

I mean when we are looking at collections, right, so say, INR 1,312 crores, probably the whole of INR 1,312 crores essentially does not belong to us because we may still need to pay INR 175-odd crores. So it would be right to see net of JV partner land cost when we are looking at the collections on a year-on-year basis?

Gopal Sarda

So if you look at our collections on a year-on-year basis, what we show on the inflow side is the gross one and what we show on the outlay side are the actual distribution. So we are doing gross collection and whatever we are paying to JV partners or probably towards land and everything is getting mentioned on the outlay side. So yes, the collections are on a gross basis.

Kunal Shah;Carnelian Capital;Analyst

Okay, okay, okay. And just the other question on the commercial fees as far as Pune goes, right, so now fee -- I mean, you've already touched upon it in the previous call, but just wanting to understand, since the commercial is seeing a little bit of pressure, right, and since we are looking for initial investments from private equity players or some sort of JV partner, considering the market scenario, do we see any potential delay happening as far as the pipeline of these projects go? And the second part to the question as far as the Life Republic goes, there has been a trend that government talked about, people, when it comes to IT, right, residential demand going down because people again moving to their hometowns kind of scenario. So any thought you would want to share on that aspect as well?

Gopal Sarda

So as far as -- let me just answer your second question first. So I think as far as the Life Republic and consumer demand question is concerned, I think we are not seeing any kind of reduction in the demand. In fact, post COVID, people are getting emotional and they are pushing their decisions of buying home. It's all about the affordability and their basically overall paying capacity. So as far as Life Republic is concerned, irrespective of the COVID scenario, in the last couple of months, like if you see April, May and now mid-June also, we are already at 50% of our original sales capability and we believe that there is a lot of inclination, a lot of interest are flowing all across. It's all about some customer really wants to come and see the site, they really want -- some customers are waiting for the market to correct and the moment they feel that, obviously, the branded players are not going to slash their prices, so they'll jump on it.

So as far as demand is concerned, demand is absolutely coming back at a rapid speed, not obviously at the pre-COVID scenario, but yes, definitely post lockdown, the scene which we witnessed in the month of April vis-à-vis the kind of scenario which we are looking in the month of June, it's a upward trend. So maybe at April we were at 40%, then May we were at 50% and now June we have seen that we have already come back to 60%, 65% of our monthly run rate. So demand is obviously coming on an upward direction. And in next 6 months' time, it will -- 6 to 8 months' time, it will be settling to the pre-COVID scenario is what we feel as far as affordable to mid-income segment is concerned.

Now as far as the commercial question you are talking about, I have couple of times mentioned on calls earlier also and this time also, see, the locations were so agnostic that the product segment is absolutely correct. And going forward, even if this -- let's assume even if the market goes into a different scenario or even if suppose B or C developers are slashing the price so what will prevail in the coming market is about your layout and products. So we are not compromising, and that's where we are giving utmost time to come up with the best of the product and best of the layout. So ultimately, for the quality product, there is always a demand is what we believe. And we hope that we'll be able to manage the sales at appropriate time and while doing so we have created a couple of scenarios. And if A plan doesn't work out, so we have option plan B, which will take care about the financial closures. Margin would be here and there. Let's assume even if we aim for 35% margin and then if option A doesn't work out, we end up with a 28% to 30% of margin in option B, but we have all our plans ready and the financial closure is what -- is utmost important for us in this pandemic time.

Kunal Shah;Carnelian Capital;Analyst

No, I was trying to understand more from the delay in the pipeline kind of perspective, right. So there is no doubt about being the selection of the location is commercial, right, fine enough. But considering the scenario, can there be a delay as far as the target launch goes, which could affect the pipeline more is what I was wanting to understand.

Gopal Sarda

Yes. Absolutely. So you are right. And that's the reason, if you have seen in the presentation, I've given a broader range. I have not given a specific time. Across the projects, I have taken sometimes 3 to 6 months, 6 to 9 months or 9 to 12 months. So 1 quarter here and there is definitely possible because even the government authorities sometimes if something happened in their offices, there might be a delay of clearing the files. If you see at the Mumbai level, since March, MC has not cleared a single file. So it's been last 2, 3 months almost so many files are pending. So we -- those kind of unforeseen situation or any kind of government delays to clear the file, we are mentally prepared for the same, and that's the reason 1 quarter here and there the buffer we are keeping in our hands.

Kunal Shah;Carnelian Capital;Analyst

Okay, okay. And just last question, if I -- if you could help with the cash flow situation as on June, right. So I mean, we had a -- we have a INR 110 crore worth of undrawn line, and then we would have -- we started with a cash of -- balance of INR 97-odd crores and then probably INR 45 crores received from this R10 sale, right? So how is the cash flow situation as of now with the company, if you could help understand?

Gopal Sarda

Absolutely. So you have seen that by March 2020 we were having some INR 98-odd crores in cash and cash equivalent and liquid funds and as the second INR 45 crores, will definitely come. I think the only change, the drastic drop which we have seen is in the month of April and May, the reason being banks were not ready to handle this kind of pandemic situation. So they were into like a complete wait and watch mode. So the April and May month, they were very, very slow to disburse even the registered cases. So there, we have seen some drop. But now probably in the month of June, we are expecting at least 50% of our monthly run rate. Now what they have done is that they are also taking care of last 3 months salary slips of the customer, what kind of deduction has happened, how many pink slips have been given to the employees and whether they have the sanctioned limits to those kind of customers. So we have also checked our portfolio. In our portfolio, hardly 1% of impact has come, but 99% of our customers are into a healthy shape, wherein now the collections will start flowing into the system. And this month also, we are expecting 55% to 60% of our monthly run rate, which was not a situation in April and May. So April and May, we were just 30%, 35% of the collections because of the bank's conservative approach.

Kunal Shah;Carnelian Capital;Analyst

Okay, okay, okay. And just one more extension to the question. As far as the average realization rate goes for the company as a whole, it's obviously dependent a lot on the location, projects and everything, right? But how should one look at it now considering the changed reality that is there, and there has been a lot of talk about slashing of prices and everything, right? So what are your thoughts as far as industry goes, Kolte-Patil goes, and how should one look at that as well, if you could help?

Gopal Sarda

Sure. So if you see, as -- I think your question consists of 4, 5 parameters. One, while we cannot only focus on the margin, we have to deliver a requisite volumes because the kind of infrastructure, the kind of overhead which all the developers have set for the next level of growth pre-COVID. So I think there are certain overheads which they have to justify. There are certain debts lying on the book which they have to justify.

To justify that, there is a requisite volume which one needs to deliver. And now to deliver that requisite volume, if there is some sort of a price, we say price discount accommodation one has to take, let's assume for a Pune market we always enjoyed a voluminous sort of responses to all our launches by giving just 2%, 3% sort of discount. So I think those kind of discounts, one should be flexible and open during campaign time, during probably some festive time when we create a good campaign, and we say that these are the -- sometimes we give freebies, sometimes we -- let them enjoy some 2%, 3% of interest cuts. So all those 2%, 3% should be -- keep in our hand to generate the next level of volumes.

And having said that, I think probably, one has to also focus on cash flows and margins. So each of the payment needs to be assessed in a manner that either you should win in cash flow or margin. So simple idea to manage the business is that you have to assess your all payments, all decisions in a manner, either you are winning on the cash flows or you are winning on the margins. And that's how you have the plan for your next 1 year. It doesn't matter, let assume for the next 1 year, even if we are going from 26% EBITDA to 22% EBITDA, but we are able to bring back the liquidity cash flows and overall volume to the system, I think it's a fantastic parameter. And then from when the market settles down, then you are there in the business for the next couple of decades. So I think those kind of minor flexibilities one should be open for and at an appropriate time, those kind of decision needs to be taken to take the organization's operational excellence to the next level and come out from this pandemic situation.

Kunal Shah;Carnelian Capital;Analyst

Okay, okay. And you did touch upon the -- every aspect as far as the Bombay goes, commercial real estate goes, everything, but any thoughts on joint development model? So we have been doing INR 55 crores, INR 60 crores for last 2 years now, right? So how do you see that shaping up in the current year or probably in the next year? And is there any scope to kind of take it to the next level as well because that will further help us in the augmentation of the cash flows for the company?

Gopal Sarda

Yes, I think as far as my knowledge is concerned, for all the organization and all the management, the first and foremost thing is to bring back the operational excellence. And to bring back the operational, everybody will try to preserve the cash to ensure that there should not be any disturbances while managing the current operational excellence and to maintain the working capital cycle. So probably for next 6 to 10 months, I feel that developers will not go for aggressive land acquisition, which they were doing pre-COVID. So everybody will try to enjoy this second phase of consolidation, structure the transaction in a profit-sharing manner or JV/JDs or revenue sharing manner by creating some sort of scene in the game by giving some deposits and structuring will play a fantastic role going ahead. And I think as I have mentioned on a couple of my calls, one has to ensure that while entering into any transaction, he has to pay for 3- to 4-year inventory, and not for a 10-year inventory. Because the moment you go into that trap of acquiring for 10-year inventory [Technical Difficulty] then Phase 2, Phase 3 there would be inventory carrying costs, which kills your profitability and which kills your overall margins. So prudent decision needs to be taken.

On the second aspect as the overall scenario looks like there would be a delayed demand to the commercial or shorter demand? Yes, commercial will see some sort of hit definitely. And on the residential front, I believe that Pune and Bangalore markets are very stable market. And up to INR 1 crore, there is a phenomenal demand, which we have already seen. Now also the demand is there. And as far as Mumbai portfolio is concerned, I believe that up to INR 3 crore, INR 3.5 crore, there would be a decent sale. There would not be a much disruption. But yes, INR 10 crores and above ticket size, there will be a very, very difficult time. And we may see some sort of a deep price cut in those segments.

So we are playing safe. All those 3 projects which I had mentioned earlier, Sagar Vaibhav, Om Shree Gokul and Hari Ratan, I think those are falling in less than INR 3 crores sort of ticket size. That's the reason we are hopeful that maybe there is a delay of 6 to 9 months on the business plan front, but we will be able to offload the inventory with a decent margin. And our plan is that we are continuing with -- we'll be continuing with the launches as planned, maybe a delay of 3 to 4 months, depends on the overall external scenario.

Operator

The next question is from the line of Mohit Agarwal from IIFL.

Mohit Agrawal

Congratulations to the team on a strong FY '20, especially cash flow numbers. My first question is, sir, I see on most of your projects, you have easy payment plan schemes like 10-90, 20-80. Just one thing. Are these all -- these would be all bank subvention schemes, right, or developer subvention? And what would be the share of -- if you could give us some idea of the share of these schemes contribution in terms of final sales numbers, so let's say, if you're doing INR 100 of sales, then what percentage comes in from these schemes is what I wanted to know. And last bit of this question is that is there a cash flow impact because of these kind of schemes, like does the cash flow get deferred or something like that, if you could help understand that?

Gopal Sarda

Sure. So I think if you see the overall portfolio, we have only couple of projects wherein these kind of 10-90 or 20-80 schemes are going on. And that, too, in fact, to attract and help boost sales post COVID. So I think pre-COVID scenario if we see, we were only 15% of the portfolio which were falling into that payment schemes and 85% were a regular CLP payment. And post COVID, if you see, 25%, 30% is falling into that 20-80, 10-90 and 70% still we are managing on a regular CLP basis. I believe that this is there for a short-term period, let's assume for quarter 1, to boost the sales. And the moment we feel that we are almost coming back to the normalcy, we will again shift or we'll go back to the original CLP plan. So let's -- in the first 3, 4 months, whatever we have contributed, we have to further divide it by 3. Let's say, even if I'm saying 30% of the sales we are generating through 20-80 or 10-90 and then on a year-on-year basis -- on a full year basis, if we have to divide by 3, so 10% to 12% collections will be deferred, but 85% to 88% collections will flow into the system as planned -- as per the CLP plan.

Mohit Agrawal

And sir, this would be bank subvention or you would be giving from your balance sheet? How are these schemes, this 20-80...

Gopal Sarda

So we are giving from our balance sheet. So how we do is that typically, when we go for 10-90 or 20-80, we increase the prices and the interest is there on our book, and that interest needs to be given to the pricing. So if you're selling at INR 5,200 per square feet and we feel that for 15 to 18, now the interest cost comes to INR 300, then we are selling those products at INR 5,500, INR 5,600, and we take care of the interest on our books. So basically, it's purely a developer funding.

Mohit Agrawal

Perfect. Perfect. Sir, you talked about the new deals that are coming and second phase of consolidation. Have you, as of now, started receiving any calls, distress calls from developers? Or I think is it too early to comment on that in terms of distressed developers?

Gopal Sarda

Yes. I would divide it into 2 parts. If you are talking about the distress, I think yet not, we have not seen the 100% acquisition is going into a distress sale sort of atmosphere. But yes, there is a lot of inclination from landowners or developers for the larger parcel, which they know that only the large developer can complete by executing and giving them their land monetization. So those kind of deals are flowing into the system. And to be very honest with you guys, I think, in the lockdown period also, we have almost closed 1 transaction wherein we have paid the first tranche and waiting for certain CPs to be concluded. And then post that, the SPA will be signed and then announced.

So during lockdown period also, we have got a fantastic transaction, wherein it's pure 50-50 profit sharing arrangement without land cost to be considered and some deposits we are giving basis the milestone. So 1 milestone we have cleared. But since the final binding document we are waiting to sign because of 1 CP which we have created. Once that is -- that will be completed, we'll announce that transaction also. So I think transactions are flowing onto the system. It's all about your unique structuring which help you to be asset-light and also enjoy cash flows to boost your ROCE.

Mohit Agrawal

Great. Great, sir. And sir, last one, a very small one. Your presentation says there's a 3-month moratorium that you have taken. So is the understanding correct that now in June, July, August, in that period, you have started paying up EMIs?

Gopal Sarda

Yes, yes. We have always [Foreign Language] even in the month of March, we have paid. Only April, May and June, we have taken on a safer side. We want -- as I said, we want to preserve more and more cash on the books for 2 purposes: one, to build operational excellence; and second, to enjoy, if there are any business development proposal comes on the table on a lucrative term, so we are also keen with an asset-light model. So as I said, we are not in a mood to cut down INR 100 crores, INR 200 crores check and buying outright transactions. But yes, in the range of, let's assume, whatever the transactions are coming on our table by paying the deposits and entering into 50-50 sort of profit sharing model. So those kind of transactions, we are evaluating and we are keen. So we are trying to preserve cash for both operational excellence as well as growth for the company.

Operator

The next question is from the line of Alpesh Thacker from Motilal Oswal.

Alpesh Thacker

Congratulations for a very good set of numbers, sir. My first question is basically on the industry side. So definitely, as you mentioned earlier also that Pune and Bangalore are one of the most resilient markets in the residential space in India right now. But again, if you see that the competitive intensity in Pune is building up for last couple of years. So how do you see that panning out going ahead also? So any change in long-term strategy that we had like a couple of years back because of change -- because of changing competitive intensity in the Pune market? So that is my first question, sir.

Gopal Sarda

So as far as you have seen, like we have 90%, 95% of the portfolio into residential. And we believe that we have a residential key position in the Pune market and we have residential expertize. So our strategy would remain same. I think we will focus more and more on the residential market. And if you see most of the research reports and big research houses, everybody is saying residential would be the game changer for next couple of years due to this COVID scenario. So I think in our strategy earlier also the focus was on the residential and now also the focus will remain on the residential. And we believe that Pune is a superb, stable market and predominantly the demand is obviously stable and sometimes it goes to the next level. So depends on any kind of migration if it happens from Bangalore, Mumbai or other market, the demand will go to the next level. Even if there is 0 migration from the other places, I think Pune has an appetite to give year-on-year basis of 10% to 15% incremental demand, which we are witnessing from last couple of years. So the focus would remain on the residential, and I believe that Pune market is a very stable market. In fact, we will try to take the numbers to the next level and for the same we will do more acquisitions. We believe that we are also running short of our market share. So even if we have done 2.5 million, we believe that 3.5 million, 3.8 million is very much possible in the Pune market. It's all about shorter launches, shorter projects and that's what we have to see. And then we'll be able to show to the market the brand strength and the overall operational excellence by the company.

Alpesh Thacker

Okay. Okay. Got it. And sir, one thing that you are mentioning that you will go ahead with any kind of deals or project acquisition only if the deal is like very lucrative for next 1 year at least to preserve cash and stuff like that. So just wanted to understand what kind of project IRR do we see when we talk about a lucrative deal? So just a ballpark figure? And what is the strategy over there when we evaluate a deal, which is like lucrative to be taken care of?

Gopal Sarda

So let me just clarify. See, all the deals are not linked to the IRR. So IRR would not be the only parameter which derives on the deal and IRR is the only parameter when we go more the outright transaction. So when we talk about JV/JDs and profit sharing, I think the IRR goes in 3-digit, 4-digit also sometimes. So those are basically a per square feet sort of profitability on -- and on the margin front for the consolidation P&L. Yes, but when we go for the outright transaction, we believe that 25% to 30% sort of IRR has to be there. So if any land bank -- if any land which we are buying under outright model, then we aim for a 28%, 30% sort of IRR. And while other structured deals in profit sharing, JV/JDs or revenue sharing, those are completely dependent upon the EBITDA margin what we can maintain for consolidation results and ROCE for the company which creates a value creation program for all the stakeholders. So those deals depend on those parameters.

Operator

The next question is from the line of Mr. Parikshit from HDFC.

Parikshit Kandpal

Gopal, so earlier, you said that there is INR 1,350 crores of sold -- value of the sold projects, right?

Gopal Sarda

Receivables, yes.

Parikshit Kandpal

So this is -- so how much is the construction cost you have to incur on this to complete these projects?

Gopal Sarda

I think it should be around in the range of INR 750 crores, approx number, ballpark number I'm giving you.

Parikshit Kandpal

So we have around INR 750 crores of pretax cash flows, which -- because -- but out of the INR 1,350 crores, we've not collected anything, right? So there's no collection. So this is net value of sale which is yet to be collected from the clients, right?

Gopal Sarda

Yes, yes. So let me just explain you in a detailed manner. So when I'm talking about the sold receivables, this INR 1,350 crores consist of registered, unregistered sales lying on the books on March 2020, out of which INR 145 crore invoices have been raised and forwarded to the customer for collection. And cost to complete for this INR 1,350 crore would be in the range of INR 725 crore to INR 775 crore. I don't have the exact number, but I'm giving you a ballpark number. The reason being, if -- even if you see this current year, we were operating cash surplus by INR 400 crores, INR 450 crores and we have created certain RTMI inventory. Now when we talk about the RTMI inventory, the cost to complete is less. So it may be a lesser number. I don't have the exact number, but it won't be beyond INR 750 crore for sure.

Parikshit Kandpal

So you have like pretax surplus of roughly around INR 430 crores left from existing whatever has been sold? Is it the right understanding?

Gopal Sarda

More, no? INR 1,350 crores minus INR 750 crores, INR 500 crores approximately.

Parikshit Kandpal

Yes. And plus INR 145 crores of -- okay, you have built it, but still not come. Okay, it's still yet to come. So I'm subtracting that also.

Gopal Sarda

Yes. That we have considered logically in that INR 500-ish crores. [INR 1,350 crores] is adding that INR 145 crores.

Parikshit Kandpal

Okay. Besides this, you have -- so roughly it's a little bit close to INR 500 crores of pretax cash flows plus you have 3.77 million of ongoing but unsold. So that will roughly get you around INR 1,500 crores, INR 1,600 crores at INR 5,000 realization, around INR 1,600 crores, INR 1,700 crores of inflow will come from there. And for that, you will be spending close to how much, INR 900 crores of construction cost?

Gopal Sarda

Absolutely. So I'll give you numbers once again. So let's assume suppose the existing sold receivables, which we were talking about, INR 1,350 crores, and then we considered approximately 3.77 million which you are referring from the portfolio slide, so we will be having a free cash flow to the tune of INR 1,900 crores to INR 2,000 crores. And we are expecting INR 1,450 crores to INR 1,500 crores as a post-tax cash flow, which will flow into the system in next 30 to 36 months, depends on this INR 4 million to be offloaded.

Parikshit Kandpal

Okay. So INR 1,400 crores -- so out of this 3.77 million, so if I take a 1,500 -- 5,500 you are...

Gopal Sarda

Yes, INR 1,500 crore as a post-tax free cash flow, you can assume from the current ongoing project plus the sold receivables.

Parikshit Kandpal

Okay, INR 1,500 crores.

Gopal Sarda

Pretax INR 2,000 crores, post-tax INR 1,500 crores.

Parikshit Kandpal

Pretax INR 2,000 crores is what you are saying?

Gopal Sarda

Yes.

Parikshit Kandpal

So it looks to be a high number because from the INR 1,350 crores, INR 500 crores is pretax, then from 3.77 million if it is 5,500, so it's INR 2,000 crores of sales on that at least construction cost will be 3.77 million into -- INR 3,000 crores will be your construction cost now?

Gopal Sarda

No, no, no. The reason being I'm telling you most of the inventory, as I said, we have to also keep in mind the RTMI angle. So as I said, that INR 270 crore inventory is ready, now Jai Vijay is 0 spend, Raaga 0 spend and the retail portion of Western Avenue, need not have to spend.

Parikshit Kandpal

So with that also you have...

Gopal Sarda

Yes, yes. So I have a detailed working. I'll ask Vikram to forward you on that front. I don't have it here.

Parikshit Kandpal

So you have included that INR 270 crores of ready-to-move-in inventory where nothing much has been incurred now. So that, including that is you're saying is INR 2,000 crores of pretax cash flow and post-tax INR 1,500 cash flow. And your share of this INR 1,500 crores will be how much approximately?

Gopal Sarda

Now you have to consider 93% because hardly there are much -- you consider on a 90% basis on a safer side because 7%, 8% minority share will go out of it.

Parikshit Kandpal

Okay. So 90% of INR 1,500 crores is what will be your share.

Gopal Sarda

Usually, what happens when we talk about the construction cost, it's not INR 3,000 crores. Usually, the building cost is always in the range of INR 2,100 crores to INR 2,200 crores. But in terms of the internal sector infrastructure and outer infrastructure, so a project like Life Republic and Ivy Estate, the external infrastructure has been completed and that has already gone to WIC, to P&L and has been recognized. So what we have to, a couple of sectors are there wherein the construction cost will be on a lower side because the external development has been completed in the last couple of years. So a collage of all will come to these numbers. And these are the calculated numbers I remember, but I don't have exact numbers right now in front of me. But I think Vikram will provide you this number separately on.

Parikshit Kandpal

So just coming on the CCM part of accounting now. So this year, delivered 1.9 million. So the numbers, I know CCM, there could be losses. But you're also giving completed -- there is POCM as well. But I'm saying from a revenue recognition perspective, now this INR 1,350 crores will move into revenue as the projects get completed. So this year, there could be a sharp contraction in revenue recognition in terms of CCM?

Gopal Sarda

Yes, yes, you can assume because of CCM is -- it's a very [Foreign Language] you will see lot of weird results sometimes because of the kind of accounting treatment. We have to link it to OC. Now let's assume for the year if you are not getting possession beyond 500 units you may see a substantial drop on the revenue recognition front. But what I believe we have to look is from the presale perspective, collection perspective and that's the reason we are continuously giving the POCM, which is the right way to analyze the overall EBITDA, financial ratios and other parameters for the company because COCM -- CCM you will see a lot of weird results sometimes depends on those quarters when you don't have booked any revenue recognition because you have not obtained the OC, but the overheads are getting recognized in the books and that creates losses. And then what happens in quarter 1, quarter 2, quarter 3, you have created losses and all of a sudden, quarter 4 may, you have booked a certain revenue, wherein only the construction and limited nonconstruction expenses are coming, which is giving you an inflated EBITDA and tax margin. So those are -- it would be -- it is not advisable to do analysis on the CCM front and derive on some sort of conclusion.

Parikshit Kandpal

And just on the projection because you have to do projection. So this 1,300 -- [12, 11, 20, 30,] INR 1,130 crores you did for FY '20. So now that INR 1,350 crores is only what will move into revenue recognition, right? So -- besides that, is there anything reversals which you had done earlier because of the new shift? So anything is pending from that to be recognized. So if you can just give a background, how much can we recognize in a sense your own estimate of this leg which was INR 1,130 crores, how much -- will it fall down to INR 500 crores, INR 600 crores? So this year, how is it looking, out of the INR 1,350 crores which is pending to be recognized and plus whatever is reversed earlier as pending.

Gopal Sarda

Yes, yes. So see, for the year, let me just give you some light on the project. So I think let's assume -- we assume a situation on March 21 wherein a couple of towers based out of Life Republic, like R16 Tower, G and H building, we will see possession. R1 Tower, A and G building, we will see possession. And then probably, we'll try our level best to achieve possession for E and F tower at Western Avenue. And there were a couple of towers at [Technical Difficulty] So we have to calculate those numbers, Parikshit. It would be a very odd number if I throw something. These [Technical Difficulty] saleable average and all needs to be calculated and provided. So Vikram is noting all those things. And I think on a one-on-one basis, if you can get back...

Operator

We have a follow-on question from the line of Kunal Shah from Carnelian Asset Management.

Kunal Shah;Carnelian Capital;Analyst

Just 1 question on this INR 1,400 crores, INR 1,500 crores cash flow which we just talked about in the previous question. So if I understand correctly, you're saying that 90% of those would be Kolte-Patil's share, right? I mean, I missed the part which was about the joint ventures or partner's share.

Gopal Sarda

Yes, that's right.

Kunal Shah;Carnelian Capital;Analyst

90%. Okay. Thank you. That was pretty helpful.

Operator

Ladies and gentlemen, the management will be taking the last question. It is from the line of Mr. Biplab from Antique.

Biplab Debbarma

Sir, there are 2 questions. One is on the debt level. It has decreased this quarter by around INR 52-odd crores. Going forward, because looking at this post COVID-19 situation and real estate overall demand market, do you foresee any increase in debt? And yes -- if yes, what could be the around ballpark debt level that we'll see in the next 1 year?

Gopal Sarda

Sure. So I think for the quarter we have reduced our debt to the tune of INR 86 crore and for the year depends on net cash and cash equivalent, it has come to INR 83 crores. So since we have a protocol of maintaining debt equity ratio at 0.5 and currently, we are at 0.35, so we have a buffer in our hand to the tune of 0.15, which if you apply on the network it can come in the range of INR 125 crores. So always, we have a mindset of managing the debt INR 100 crores, INR 125 crores plus/minus during the years and that too within the limit of 0.5 debt equity ratio. So we will continue to maintain that. And obviously, now focus would be on to revise the operations and do more collections. So I think may -- it might be possible that if the collection flows into the system as planned and banks support us then we may not require some debt unless and until we do some sort of big investment in other regions or probably go for outright transaction rather we will be having a decent surplus. But if there are situations wherein banks are unable to operate and they are unable to disburse or they are going more and more conservative, then on a quarter-on-quarter basis, between INR 50 crores to INR 75 crores plus/minus is possible.

Biplab Debbarma

Okay, okay, okay. Sir, 1 final question is on your Mumbai projects. Say, let's, for example, say, Hari Ratan, you are planning to launch it at, say, around INR 16,000. So if you are going to make a margin of around 25%, 30%, that means that the cost of -- per square feet cost would be around INR 12,000, INR 13,000. So I just wanted to understand the cost structure, where there could be flexible because there are a lot of discussions on price side and we believe that price cut at this cost structure would be very difficult. Okay. So just trying to understand because how this cost add up, like if you have some new -- if you broadly categorize the cost as a, in your case, redevelopment society which includes development as well as for POS as well as rental. And then you have a construction cost of INR 4,000, INR 4,500 and then you have a government premium. Just trying to understand how this cost -- these 3 category cost pertaining square feet would be, ballpark.

Gopal Sarda

Okay. So basically, see, yes, it would be very difficult to give on a per square feet basis, the reason being Mumbai premiums are a function of Ready Reckoner Rate. So you may see that for Hari Ratan and Sagar Vaibhav, it can come down to INR 2,000, INR 3,000 per square feet as far as TDR paid if it's a premium term. And sometimes for a project like Jai Vijay, it can go to INR 6,000 and for a project like Bandra, it can go to INR 8,000 also. So it completely depends on your Ready Reckoner Rate which derives your premium calculation as well as the TDR calculation. That's the first part.

Second, when we are talking about Hari Ratan, you have calculated INR 16,000 as a price and accordingly you are deriving profitability. But while doing so, you have to also assess and understand there is a retail portion wherein we fetch a -- on a higher revenue. So that helps to boost this INR 16,000 to the INR 18,500 or INR 19,000 level. And as far as the overall construction cost goes for the redevelopment sector as a whole, you may have heard that minimum INR 13,000, INR 13,500 would be the cost in a suburban side to build the portfolio. So it's a collage of multiple things.

I think it would be wrong at my part to give any specific numbers. But what I can give you is about we always ensure that any project which we acquire, it has to have a 25% to 26% sort of top line profitability for us to enter into the project so that there is a margin of 50. If 10% goes here and there on cost front or revenue front, then we should also left with a moderate margin. So that's how we evaluate. And as far as the investment goes, we try to freeze the investment in a manner that we should be investing at INR 100 over a period of time and getting INR 100 minimum and restricting our investment in the range of INR 30, INR 40 to have the better ROC and IRR. But in the worst-case scenario, even if you have to infuse full money as the sales is not flowing into the system, then that time also, you should maintain that 28%, 30% sort of IRR.

So likewise, we take our decisions and manage the portfolio. And we always ensure that while we go into suburb side, there has to be either a lesser FSI consumption. So I give you an example of Sagar Vaibhav Society. In spite of INR 14,000, INR 15,000 per square feet, we are able to make profitability because their existing FSI consumption was very low. It was to the tune of 0.5, 0.6, and we have not given them more than 1.1. So we have enjoyed the -- not from the 2.5 as well as the incremental FSI also has come to us because of our contractual clauses which we have demonstrated at that time. So that gives us the next level of profitability. And projects like Om Shree Gokul and Hari Ratan, we have gone aggressively because there were retail portion as a developer share, which is boosting our APR to the next level and again, we are coming back to 25% of the EBITDA. So there are multiple parameters which one has to assess.

But on a broader level, you can assume that INR 12,000 to INR 13,000 or sometimes INR 14,000 per square feet would be the costing. And if someone can derive INR 20,000, INR 21,000 as an APR, then there is a lot of -- that 25% margin can be easily maintained. Otherwise, the collage of residential and retail will again take you to the same number in a prudent and structured mannered dealings with the society.

Biplab Debbarma

Okay, sir. No, my question was from the point of view whether price cut is possible because that was what my belief is, that price cut is not possible.

Gopal Sarda

So I have given you that answer as well. First and foremost, we don't require price cut in those segments because those are INR 2.5 crores to INR 3 crores range. Even if we are going with a price cut of even 5%, 7%, still we have decent margins, we may end up coming from 25%, 26% to 18%, 19%. So margin of safety has been there in our hands. As and when the situation comes, we can take those appropriate calls. But prima facie, we don't feel neither of the portfolio, we have any plans to cut the prices as of today.

Operator

Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Sarda for closing comments.

Gopal Sarda

Thank you once again for your interest and support. We will continue to stay engaged. Please be in touch with our Investor Relations team for any further details or discussions. We look forward to interacting with you next quarter. Thank you

Kolte-Patil Developers Limited, Q1 2021 Earnings Call, Aug 21, 2020

8/21/20

Operator

Ladies and gentlemen, good day, and welcome to the Kolte-Patil Developers Q1 FY '21 Earnings Conference Call. [Operator Instructions] Please note, this conference is being recorded.

I would now like to hand the conference over to Mr. Shiv Muttoo from CDR India. Thank you, and over to you, sir.

Shiv Muttoo

Thank you, Janice. Good evening, everyone, and thank you for joining us on the Q1 FY '21 results conference call of Kolte-Patil Developers Limited. We have with us today, Gopal Sarda, group CEO; and Vikram Rajput, Head, Investor Relations.

Before we begin, I would like to state that some of the statements in today's discussion may be forward-looking in nature and may involve certain risks and uncertainties. A detailed statement in this regard is available on the Q1 FY '21 results presentation that has been sent to all of you earlier.

I would now like to invite Mr. Gopal Sarda to begin the proceedings of the call.

Gopal Sarda

Good evening, everyone. A warm welcome to everyone present, and thank you for joining us today to discuss the operating and financial performance of our company for the first quarter ended 30 June, 2020. I hope all of you and your families are keeping well in this trying period over the last few months. The current financial year has started off in challenging circumstances, continuing in the backdrop of the global turbulences caused by the COVID-19 pandemic starting March 20.

As you know, through the course of the previous year, the Indian economy had already been under the strain of slowdown and weakness in consumer spending. With the constraints caused by the continuing spread of the virus across the country and more specifically the impact caused in our target market, we have reported a subdued performance in Q1. Q1 saw sales volume of 0.31 million square feet translating to a booking value of INR 164 crore. This was driven by Life Republic, IV and Bengaluru projects. We were highly encouraged to see demand across Affordable MIG and even 24k product segments, which were entirely sustained in sales in existing projects. The number of deal closures achieved across projects and product is in the backdrop of the white spread and protracted weakness in all kinds of discretionary spending activity in recent months.

Our customer visibility was supported by digitalized interaction, while physical visits and site experiences remain constrained. We promptly revamped our overall existing scaling up digital sales platform to ensure secure, dedicated virtual collaboration and communication with customers. Advanced digital tools and user-friendly virtual assistance heightened the customer confidence. Along with sales, Q1 collections from customers were also low at INR 105 crore. You may recall that the current quarter weakness comes soon after we recorded our highest ever collection last year in 3 decades of operations. The lockdown for a major portion of the quarter brought our execution momentum almost to a standstill in the months of April and May.

During the quarter, there was substantial reduction in construction and labor force capacity. Further, property registration suffered on account of closure of government offices. In this period, the banking system was working at a slower pace, and home loan disbursements were being processed based on firmer and more extensive evaluation criteria. However, the labor force strength is gradually increasing and reached at approximately 55% to 60% in mid-August from 40% at the end of June. Going forward, we expect 30% to 50% improvement in collections on a quarter-on-quarter basis for the remainder of the year as labor force, construction and sales continue to recover. Q1 revenue declined to INR 77 crore on POCM basis. With the lockdown in place for most of the quarter, construction activities during the period were at a standstill for almost 2 months impacting revenue severely. We incurred a loss of INR 32 crores during the quarter. Profitability was mainly impacted by lower revenues and execution of lower margin projects. The limitation of customers' collection during the quarter means that our focus was on business continuity and cash conservation. We have also maintained very strict discipline on every phase of our indirect cost base, and this resulted in a sharp decline in operating expenditure during the quarter. Net debt was stable in Q1, and the leverage remains at a very comfortable level at 0.5x equity.

Overall, efficient working capital management, sustained cash flow generation has resulted in stable liquidity position for the company. We have sufficient undrawn bank limits, a good pipeline of new launches, sufficient sold receivables, meaningful RTMI inventory with OC and unreleased inventory, which will further improve our free cash flows. We are expecting net free cash flow of approximately INR 260 crore from RTMI inventory in Jai Vijay, Raaga and Western Avenue projects, where we have already received OC.

During the quarter, our liquidity position was also bolstered by a joint development agreement, we signed with Planet Smart City, a U.K.-based real estate developer for strategic land monetization of 5.52 acres of Sector R10 in Life Republic for INR 91 crore. This transaction was closed in circumstances of weak systematic liquidity further highlight the value creation prospects of Life Republic as a project.

During the first quarter and coming into the second quarter of the year, our entire organization has continued to work efficiently within our business continuity and risk management framework, ensuring minimum impact on all the company's stakeholders.

While the world comes to terms, with the extensive disruption in all spheres of economy and human activity, we believe this is a good time to take the various learnings and build our organization position further. We think now is also the most opportune time to remain focused on creating more resilience into our corporate structure and a solid business that gains from the emerging new realities in the real estate sector. We see the current situation as one of the demand deferment. Our value offerings in the affordable MIG and even 24k segments continue to find strong interest that should translate into sales velocity in future.

While current sales activity is driven by sustenance sales in existing projects across cities, we have a strong pipeline of new launches in Pune, Mumbai and Bengaluru, with aggregate sales area of approximately 4.5 million square feet and top line potential of approximately INR 4,150 crore. Contribution from these projects should expand our growth visibility and once again accelerate the virtuous cycle of sales, execution and cash flows.

Our overall performance during the remaining 9 months of financial year '21 is expected to better with improvements in each subsequent quarter. We look forward to continue to build a differentiated position in our target market as customers find great comfort in brand, quality, governance and execution led developers.

On that note, I conclude my opening remarks and would like now ask the moderator to open the line for Q&A.

Operator

[Operator Instructions] We take the first question from the line of [Manoj Duhan from ND Investment].

Unknown Analyst

My first question is how much was the presale in the month of June, if it is possible? And how the trend is moving toward July and August from there?

Gopal Sarda

So if you want the breakup of 0.31 million square feet. So I think in the month of June, it's approximately 0.15. And the upward journey is also positive. We see on a month-on-month basis, we are coming back to the quarterly run rate of 65% to 70% of our pre COVID numbers.

Unknown Analyst

Okay. Now as there is lot of headwinds in presales so developers are giving discounts in terms of scheme -- easy things, scheme like 1090 or 2080 or something like that. And recently, I was reading one article -- an order of RERA that a developer was forced to return back the money that he deducted 20% money in the case of cancellation. So what are the risks in easy schemes? How much -- if the cancellation comes, how much customer lose or skin in the game of the customer is there in cancellation?

Gopal Sarda

So I think from a -- there are 2 perspectives. One, we look from a developer's perspective and second from the customers' front. I think developers have to build some confidence in terms of the delivery. So customers for the time being, are aware about that labor is a big constraint. So there might be delayed deliveries. So they prefer the payment plans, like probably 2080, 1090, so that whatever markup developer is building by way of interest, that's for a definitive period. And if there is a further delay, then customer is not liable to pay that and he's secure somewhere that the interest component this developer has escalated in the form of prices respective to a definitive period. So from a customer perspective and from a developer perspective, I think this is a sort of a commitment in the form of delivery, which developer is impliedly giving to the customers to boost their confidence. Now as far as the cancellation question is coming, it all depends on the developer's policy. So in the document, when you share with the customer, I think the [AFS] document, if your policy is very clear in terms of 5%, 10% of the total agreement value can go into the cancellation, and that policy should not be contradict to the RERA, MOFA agreements or probably the current AFS agreement under RERA. So one has to balance in such a manner that the policy is taking care of RERA compliance as well as the developer's interest. So there can't be any sort of a unilateral percentage. One has to think in mind, and it has to be aligned with the RERA and MOFA requirements from the government.

Unknown Analyst

Okay. And what has been the trend now? Like we -- some developers, we are listening that customers are asking for a bigger home and big sizes and maybe asking for premium quality also. So what is the trend between Affordable and 24k? Are we getting uniform traction or some sector is getting higher? And what about sizes also?

Gopal Sarda

So I think, as I've always said, there is a demand for all the products and all this segment, it's all about the right product mix. So Affordable to mid income, obviously, would be the first to revise, and it's already -- we have started seeing the traction on the ground. I think the one -- a sudden change or probably the new aspect, which is coming in the form of analysis is that I think to some extent, 7% to 8% of 2 BHK demand is shifting to 3 BHK because those couple who are working and their companies are strong in terms of the operational capabilities and their jobs are secured. And they can afford additional space. I think they are going from 2 to 3 BHK, they're upgrading. They are taking that additional risk. Because their jobs are intact. They are secured by the company comfort. So some sort of demand has moved towards the 3 BHK because if both wants to work from home, which is a new trend, which we all have witnessed, and that is the new normal. So I think the additional room helps them to do their office work efficiently without any disturbances. So that trend is what we have seen, a 3 BHK demand is going up on a month-on-month basis to the tune of 7% to 8%. And as far as the larger homes also, like exceptionally for 4 BHK and 5 BHK also, [indiscernible] or guys who are at a well position or probably we call at a [CXO] level, they are also upgrading because nowadays, now we all know that there is a -- home is the best place to stay, wherein you can build to your some sort of office spaces, your fitness center and all. So additionally, whomsoever is -- can accommodate this kind of ticket size budget. I think those are buying. So in nutshell, if we have to conclude, I will say there is a proper demand for all the segments. And it's all about the right mix. So probably 80% demand would be towards Affordable to mid income, while 20%, we can classify under 24k offices and alternative assets of real estate.

Operator

The next question is from the line of Dhaval Somaiya from PhillipCapital.

Dhaval Somaiya

And congratulations on good performance even in the challenging times so far. So my first question is that -- so you've mentioned about the weak registration. So how is that panning out from the government? And then are the buyers willing to step out to do the [indiscernible] registration pluses, is it back to normal?

Gopal Sarda

No. So I think there are a lot of challenges currently because I think one of the reasons for subdued collections is on 2 fronts. One is that we all know in our industry, we may be having a sold receivables to the tune of INR 1,350 crores lying on the books as of March 2020. But I think we have to bifurcate that into 2-part, registered and unregistered sales. For the registered sales, we need the slab casting to be progressed at the site so that we can send more demands and generate more money. And as far as the new sales, which we are generating like for the quarter, 0.31 million square feet, this needs to be registered so that the bank disbursements will flow. I think currently, both aspects are very, very important, not only registration but construction as well. And on the registration front, as you know, like Pune being such a prominent market wherein the demand is coming across. So from Mumbai, rest of India, rest of Maharashtra and NRIs, everybody is buying at Pune. So when we talk about our portfolio, it also consists of 65% Pune-based and 35% sales other than Pune market. And for them, there are too many issues in terms of you know now travels and permissions also they required because they have to come to Pune and register their units. So I think their challenges are also there from the traveling perspective, from the pathways, from the government approvals, and other challenges. So it may possible that it will take a quarter or 2 to cover the full registration. So for next 2 quarters, the pressure would be there on the collections front because of the registrations and construction, but we are hopeful that on a quarter-on-quarter basis, the things are improving. So like in the month of April and May, the collections were in the tune of INR 27 crores , INR 28 crores only, while June has touched to INR 50 crore and likewise, we are seeing that July and August also is moving upwards. So we are hopeful that quarter-on-quarter, 30% to 50% jump we can show in the collections and things will come to normalcy over a period of next 3 quarters.

Dhaval Somaiya

And my second question was that across our project pipeline of 10-odd projects in 4.5 million square feet. How much of it has launched maybe or this can be launched in a couple of weeks' time? And where we are maybe waiting for the environment to improve a bit?

Gopal Sarda

So I can give you some time line for some projects. So specifically, we can touch each of the regions. I think first, we start with Mumbai. So as far as Mumbai portfolio is concerned, like Sagar Vaibhav, CHSL and Om Shree Gokul, CHSL I think those 2 projects, we can, for sure, expect to go for launch in the month of October. Likewise Life Republic R10 sector, 1.4 million that will also come in the month of October. And followed by other projects like Downtown, [Glitterati] Balance and Hari Ratan based on Mumbai, these projects can come in the month of Jan and Feb. So I think these 6, 7 projects will definitely come for this particular financial year. While for Boat Club and Giga, we may need some more time, but we are trying to get all the approvals by March '21, so that some sort of revenues and collections can flow into the system. But around 6, 7 projects, which we have just discussed, I think that there is absolute clarity, and we are pretty much on track as far as the launch is concerned.

Dhaval Somaiya

And one last question from my end is, sir, in the cash inflow from the land monetization is INR 45-odd crores. So when is the balance expected, is it a couple of quarters lag or we expect it to come in this quarter itself?

Gopal Sarda

So planning Smart City transaction is what you are referring, based out of Life Republic. So I think the transaction value was INR 91 crore, out of which 50% we have already received in the month of April and the 50% amount is linked to the environment clearance, so which we are expecting by end of September. So this current quarter, we are expecting that amount, maybe 1 month here or there. But before December, for sure, that amount will flow into the system.

Operator

The next question is from the line of Himanshu Upadhyay from PGIM.

Himanshu Upadhyay

Yes. I had 2, 3 questions. The completed projects, which are -- where we have stated that the free cash flow could be INR 260 crores. So how soon or how fast the sales are possible in these 3 projects? The time line for these 3 projects sales, yes?

Gopal Sarda

So all these 3 projects, the sales have started picking up. In fact, in the most challenging project for us in terms of the ticket size was Jai Vijay because of the GST impact during last couple of quarters. So there was -- and since we were holding our prices, so at time, there was no traction. But post OC, we have seen a good traction coming in. We have already sold 2, 3 units in last month. So I think the entire inventory, if you want to talk about, it will be uploaded in next 10 to 12 months time between Raaga, Jai Vijay and Carnation and Western Avenue.

Himanshu Upadhyay

Okay. And one question was on this, you had a release in the -- on [DHA] on 6th August regarding the -- what is the dispute between the Jai Vijay project or the people who are already existing and between us, is that INR 36 crore? Where are we currently on that thing, on that situation?

Gopal Sarda

So I think we have sent a clarification note to both the exchanges, but I can elaborate for your understanding. So this dispute has started more on the clubhouse front. So basically, they were looking for some 300 units sort of space in the clubhouse. And we have calculated some odd 10 per square feet per member. And there was no specific return in the document, like how much we need to build as a clubhouse. And they were expecting that we have to construct this clubhouse from the FSI portion. So the first dispute have arisen on the clubhouse front, they should have been very specifically written that this kind of requirement is there in their mind, and that area has been specified in the [DFB], and they could have also mentioned about that if the current free of FSI portion is not adequate, then you may have to let go from your sales portion to build that kind of clubhouse. So that was the first dispute. And second, I think project has also been delayed to the tune of 12 months because of many reasons old DCR, new DCR then in between initial days, jumping around and then GVK NOC over and above civil aviation NOC which is a historic event in Bombay. Because usually, once you have a civil aviation NOC, then the project is through and you're starting. Post, you see there is a new requirement coming in the form of GVK NOC, wherein they were able to get some coordinates on the site and it took us some 2 to 3 months' time to obtain that. And then last year also, there was a huge monsoon in Mumbai region, which were not been witnessed in the last 65 years. So these couple of reasons have been -- have been delayed the project and due to which they were also looking for some sort of liquidated compensation. And the first and foremost thing is that we were legally very strong because the BD has been encashed post OC. When we have obtained the OC, we have given the position and they have encashed the BD because of one thing because that unconditional sort of clause was there in the document. This was more of operation tactic on the developers. So we sat down and we have decided that rather to go into the court matters and which may take 1.5 year, 2 years, 2 years' time to come on the solution. And logically speaking, we thought that ultimately, we are losing some sort of interest on the big amount. So we sat down with them and amicably, we have closed. And today, the settlement deal is at the last [day] of discussion, our lawyers are doing the fine tuning. Hopefully, in next 10 to 12 days time we'll be signing that. And after paying compensation to the tune of, I think INR 6 crore to INR 7 crore, the balance amount will flow into the system. So with that, the dispute will be over, and the liquidity will be back to our books.

Himanshu Upadhyay

Okay. Okay. And one thing on the -- how is -- how are the pricing for new launches you are expecting? And one thing which I wanted to understand was, so we have these redevelopment projects in Bombay, okay? And so something like high-value item Gurgaon. How much sensitivity or profitability are we able to get if the prices come down by 5% to 10%? How big a negative impact can it be? Because just we are hearing more and more on the pricing front, there may be certain amount of pressure. So what are you sensing? And how are you thinking about the launches? And how big an impact can plus/minus 5% does on the redevelopment location projects, IRRs and returns? Can you give some idea on that?

Gopal Sarda

Sure. So on the redevelopment portfolio, I think many times, we have talked on the redevelopment, feasibility and financial front. I think on the redevelopment front, per se, also we are operating with 25% to 27% sort of margins. I think redevelopment is more of a working capital management game, wherein you can enhance your ROC and IRRs. So we have -- the societies were very cooperative with us during changes in the DCR, whatever impact on the cost have come, they have given us the incremental FSI free of cost, wherever we need to accommodate to bring the feasibility. So that was also been taken care and we have entered into a supplemental agreement. And we have also done the registration enclosure.

Now coming back to a specific question, if we go for 5% sort of price cut. So as I said, since we are operating at 26% sort of an EBITDA margin, it can come down to 21%, but with an -- a top line of INR 1,100 crore, even INR 210 crore to INR 260 crore sort of free cash flow is what we are expecting with an investment of not more than INR 50 crores to INR 60 crores because everywhere we have got a phenomenal structures wherein we have to lock the initial IOD/CC to make the project role, wherein we have the retail portion, we can sell the retail, we can generate cash flows and we can invest for the balance IOD/CC. So while acquiring, we have ensured that we are getting one-on-one. So if the full amount we are investing, we will get -- if we are investing INR 100 crore, INR 100 crore should be the profitability to the company in 3 to 4 years time. And while starting the investment, we are starting with the 35% to 40% of the total volume. So we are well balanced from the ROC perspective, from the EBITDA perspective and from the cash flow management perspective. So we have ensured that in any of the situation, if the cost goes up by 5% and the revenues coming down by 5% still we will win either of the parameters, either on the EBITDA front, PAT front or ROC front, and we will always remain like an asset-light model for the redevelopment project.

Operator

The next question is from the line of [Manish Monka] from GST Investment.

Unknown Analyst

We observed an increased focus on technology in our press releases, went through the website and appreciate the work that you did there. Could you please share some aspects of our sales strategy such that we are able to differentiate ourselves in the digital space to maintain our leadership?

Gopal Sarda

Yes. So good question. I think in this unprecedented times, I think digital platform is what most of the guys or most of the peers and industry at large have been using that. I think we have created a ecosystem from a lead generation to the closure of the unit. We not have to do any kind of physical activities. We have created a full ecosystem, wherein the customers are uploading the KYCs on a digital platform. We are also getting the RTGS' online, and we are submitting the closure document to them online. So today, I think on the tech front, like we have lead management software, we have heavily invested in advance SAP and CRM. And each and every call, each and every lead is getting tracked in the system, there is a complete digital platform for the customer KYC and we have back-ended closures also from the accounts and finance perspective. So I think going forward, social media, digital platform is what is prevailing, and we are also using the tech apps also like today, if they want to interact with our sales representative, there are basically a digital room where in one-on-one discussion can happen. We have installed the television. We have installed like Microsoft Teams, Zoom like we have also in-house ERP software, which is helping them to understand more on the project front, and we are also implementing augmented and virtual reality wherein we are showing them the complete size online in the room, wherein they can see that what is the progress going on, which floor, if they take, then where would be all the views. And in terms of the internal floor plan that they have to assess on their screen. But in terms of the site visit, we have created a virtual ecosystem. And I think this is what most of the players are doing. I don't see much of the differentiation, but we are also working on the apps also from the customers' immediate queries on immediate questions and which will be implemented over a period of time. So -- but current setup is resulting good momentum on the sales front and in spite of the turbulence and unprecedented times in Q1, we have clocked in presales of 0.31 million square feet, that shows the result is flowing into the system.

Unknown Analyst

Okay. Sir, I appreciate the answer. Sir, one request I wanted to make. Sir, could you please upload the transcripts of the con calls that we can all go through because we -- it could help us understand the company better by reading the past transcripts and everything.

Gopal Sarda

Sure, point noted. I'll ask my Investor Relations team to do the needful.

Operator

[Operator Instructions] The next question is from the line of Biplab Debbarma from Antique Stockbroking.

Biplab Debbarma

My question is on the consolidation nature that you might be seeing in Pune, especially you might be getting a lot of deals and evaluating a lot of deals. I just wanted to, first is, wanted to understand what kind of deals that you are seeing? What kind of deals are there trending in terms of like, are they under construction projects, nearing completion, all it is into land deal, somebody has land and they feel that you are the right developers to develop that kind of deal, what kind of JDA, DMA, just trying to understand the trend that you are seeing in terms of new deals? And related to that question, sir, in this current situation where every developer will be focusing to sell the unsold inventory because last 4 -- 3, 4 months have been very bad. And going forward, everybody would want to [first offload] their unsold inventory, try to manage the cash flow. What kind of bandwidth or where do you tell the lead have then if you find a good deal to takeup those kind of deals?

Gopal Sarda

Sure. So I think we can bifurcate your question into 2 parts. First, I'll touch on the business development. And second, we'll come on the sales front. So I think on the business development front, there are all kinds of deals which are flowing on our table. So today, we are getting profit sharing deal, revenue sharing deal, stock sharing deal, outright transactions. And even projects wherein half-staff or even the bankers are approaching us to come as a lead partner and drive this project and they can manage the full cash flow for the existing developer. So I think all kind of deals are flowing, but our strategy would remain a mixed bag, wherein we will obviously go asset-light and wherever we see that there's a super distress opportunity is coming, then that time, we will take some aggressive call in terms of going for outright models along with private equity or by taking minimal debt and close that transaction and balance can be paid in the tranches. So our strategy remains simple, like for the next 9 months, we will focus to preserve cash for the operation revival and fulfill our existing commitments towards the third tranche of ICICI buyout and also towards some repayments on the debt front and also on the projects wherein we have also adopted like a 50-50 plan or 20-80 plan in terms of customer payouts. Wherein we have to include our money and then complete the project. Going forward, I think once we see that 75% to 80% of the achievement of last year's, our targets are coming from sales, collection, construction, then we have a fair visibility in terms of cash flows flowing into the system, then we can take the new commitments on the outright front. So that's a strategy. Having said that, if any of the specific opportunity come with a super distress, to the tune of 25% to 30%, then we have a platform understanding with 2 private equity guys, wherein we have to invest 30% and they can invest 70%. So those platforms can be in cash because currently, when we had a discussion with our platform partners, they were also looking for a steep and deep discount. Otherwise, they will also into a wait and watch mode as far as the outright transactions are concerned.

So business development is at, I think, the one who have to create a structure in a manner where you remain asset-light, you gain on the profitability front, and there is not too much of the pressure on the working capital cycles because now a days, I think one of those days wherein you entered into a transition, you start your presales even before approval and definitive agreements. But now definitive agreements, when your approval, [EC/CC], RERA compliance are very important. So when you have to invest at the time of signing the transaction, the second comes towards CDR paid FSI premiums and obtain the CC and in between whenever the project, the advanced stage of inventory buyers are smart to save on their GST front and they prefer [RTM]. So some sort of money you have to keep in your pocket to manage the working capital cycle. So we assess the project in a manner like how much is our upfront requirement, what would be the working capitals required during the project and how the overall financial closure is being taken care of and all the stakeholders' interests are aligned, then only it makes sense to enter and complete the project. So for us, the entry and exit is very important. And the project parameters are also equally important. So when we talk about a half-done project or probably some developers have started a project wherein we had done 30% of the sales, and that sales has been delayed for 2 years towards delivery. And some portion we have sold, which is not sanctioned. And there are too many sort of stakeholders involved like a banker, unsecured one, private equity. Then such kind of projects we are avoiding to ensure that the productivity of the management is being deployed to the right deal, which can be moved at a faster pace. So we don't want to become a CRM company, neither a legal expert to resolve all these projects. We can take at max a design risk or the approval risk or probably raising the money towards the project completion and finish it off. So that's the strategy. Design changes are okay, approval, partly approved, partly we have to wait satisfying and to raise sometimes money with private equity bankers on our brand that is easily available. So all those structuring is what we are evaluating.

On the sales front, I think we will be continuing with the launches, what we have in our mind and which we have also mentioned in today's IR presentation also. I think we believe that maybe 20%, 25% demand is going out because of the layoffs because of the subdued market, because of the salary cuts for the employees. But however, we feel that since market at large. So only the big players are into a consolidation field, wherein the smaller players will be going out. So that share can be encashed by the larger players. And that would be more than the 25% demand which is going out. So we can be compensated well over there. And that would be the right strategy to launch the projects as planned. Maybe couple of quarters, you will see slow sales, but in the long run, you will catch-up that because sales is a function you can catch up in a quarters' time. While construction's, obviously, there are certain processes and you have to accommodate specific timelines to cover the project. So sometimes, if we may ahead on the construction curve but sales can catch up at a later stage. So launch calendar will be intact, and we are very hopeful that post December, sales revival will happen, and then March '21 onwards, I think we can do larger numbers than March 2020, what we have delivered.

Biplab Debbarma

Okay. Sir, one final question. Sir, do you -- have you seen any significant issues in cancellations or delay in payments in the month of -- I mean, June, July, anything significant that is worth mentioning? I mean, cancellation or delay in payment?

Gopal Sarda

So I think if we assess such kind of unprecedented times, I think usually, customer goes into complete sort of wait and watch mode or sometimes because customers are completely confused. Maybe some set of customers are worried about their job continuity and all those things. And some sort of investments, which they have done in past, that is got stuck or they want more period. So a couple of times, such kind of request does comes, but it all depends on the merit basis. And I think typically, it is 30 to 40 days time line can be given to the customers to revise and get his funds available. But once you are into a contractual obligation and when you are driving such a large businesses, so I think business clauses are taking into consideration. And then we ask them to either pay the money or there are certain sort of interest parameters or if somebody has showed that unwillingness to pay, then we are also proceeding for the cancellations also. In such kind of time, I think 5% to 10% sort of cancellations are -- is the trend in the market. And whatever we are reporting, these are the net of cancellation numbers. So probably when we talk about April, May and June, like 0.31 million square feet is what we have reported, while 50,000 to 60,000 square feet you can consider towards the cancellation from previous quarter and this quarter.

Operator

The next question is from the line of [Manoj Duhan from ND Investment].

Unknown Analyst

Sir, in short term, definitely, everybody in real estate has head for a headwind, but medium to short-term looks very promising for a developer like us. And if we move on to our last annual report, our intention to move to company toward higher level, like 4 million sales, 5 million sales. We have to do some business development deals in whatever structure form it is there. So do you think this year could be because of headwinds we could -- so it looks to preserve cash flow, but it looks like great opportunity to do business development deal this year. Can you -- what's your thought about that?

Gopal Sarda

Absolutely. I think our timing is -- we call it blessings in disguise. Maybe we have -- in last 1, 1.5 years, we have not done too many deals, which went well for us because those deals are coming at a cheaper and a right valuation. So probably, this is the right time to go aggressive on the business development front. So our gut feeling is that for the next 12 to 15 months, there are a lot of deals which are flowing. And we will announce it at appropriate time because post-COVID environment, I think a lot of angles needs to be looked at. As I already mentioned in terms of the financial closures, the funding required to start the project and all those things. So we see that in next 12 to 18 months, you will see good announcements coming from KPDL towards business development front.

And also on the presales number as we were talking about 4 million, 5 million business plan for the company as a whole. So if we have to see, I think we have a decent pipeline also. It's not the matter if the business development doesn't happen. That doesn't mean we will not be able to scale up our presales and collections. So I think today, we have 4.2 million square feet RERA approved unsold inventory, and we have around 4.5 million square feet under launches and the total under approval is around 6 million square feet. So by March '21, once we have that 6 million under approval, to a launchable inventory. And then even from 4.2, half or 80% -- half of the inventory gets sold for the year, we have a good sort of portfolio, which can be considered for financial year '21, '22, wherein we can show the next level of jump from the previous presales number and the next level of collections flowing into the system.

Also, one more important point, which I think I would love to bring here is that if you have seen that 4.5 million square feet of presales or 4.5 million square feet of launch calendar is translating to an aggregate value of a INR 150 crores. So that means the new average of price realization is to the tune of 9,200. So going forward, I think the average price realization of the company will move substantially on a higher side, which ultimately will translate into a larger EBITDA than larger profitability because Mumbai and existing Pune projects will start contributing wherein we have the historical land cost. And also, there are a couple of retail sellable component we have across projects, which will boost the APR. So going ahead, next 3 to 4-year vision, I think EBITDA and PAT will expand substantially.

Unknown Analyst

Okay. Provided lockdown doesn't happen. I think sales are increasing month by month, and we have launched it in the month of October. Do you think we can cross last year presales with all this probability?

Gopal Sarda

I think particularly for this financial year, we may not be able to surpass last year's presale numbers. But definitely, for March 2022, we will surpass last 4 years number.

Unknown Analyst

Can you explain, so how much will be down from the last year?

Gopal Sarda

You're talking about this particular year?

Unknown Analyst

This particular year, financial year 2021.

Gopal Sarda

Since today, I think since we don't have any clarity on the vaccination front, and I think the way the cases are increasing, it might possible couple of more lockdowns can come. So I think it all depends on the vaccination visibility but irrespective of any change in the environment, and we expect that the same subdued for the current environment prevails for the entire year, we should be in a position to match 75% of the last year's presales number.

Unknown Analyst

Okay. One last question. In many developers, NRI sales have been increasing because of currency and the rates have been stable for 5, 6 years, and they are also looking for opportunities. So what are we doing to increase our NRI sales?

Gopal Sarda

I think we have also witnessed that the NRI sale is double compared to pre COVID time. We have a focused digital strategy for the NRI market. We have activated our associate and channel partners in the NRI market and a dedicated team of sales who is working, based in India, is in continuous search, we are nurturing all the leads and we are hopeful that the NRI sales throughout the year would be far better and one of the highest in last couple of decades. So I think for NRI market also, even the new launches, we will have a definitive one segment as NRI, sales coming into and we will dedicatedly build a team or channel partners as well as digital platform to generate larger share from NRI market because that is very active and currently giving us a good results.

Unknown Analyst

Okay. I think we should expect good BDA. I think it's a great year for doing development deals, which can lay a foundation for medium term. This is my feeling.

Operator

[Operator Instructions] Next question is from the line of Himanshu Upadhyay from PGIM.

Himanshu Upadhyay

Yes, Gopal, when we are saying that the projects, which we did not take on our hands or we did not buy or the land, but now they are at a better price point. How much better would that be the? Hence, would it be -- what percentage you are seeing the price lower than what you were earlier negotiating?

Gopal Sarda

So I think from -- I can go deal-by-deal from a revenue-sharing perspective earlier projects or locations like [indiscernible] [Balewadi], people were asking 40%, 60% on the revenue sharing percentage that those kind of transactions are available at 34%, 35% because the land owners were unable to manage the working capital cycle. So there, we can see some sort of 12% sort of price negotiation in our hand from the peak 40-60 transaction. As far as the profit sharing transactions are concerned earlier, the developers were into the mode of like 40% goes to the developer and 60% to the landowners. With a miniscule investment, those transactions are in the range of 50-50, they are easily accommodating. And on the outright front, I think any land price pre-COVID versus today, I think, 10% to 15% discount, everybody is ready to consider, if we are seeing a down payment. However, if you want a larger tenure or probably a deferred or structured payout towards 2 years, then we have to consider the same price, and we can consider 50% paying from our own equity and 50% can be generated from the internal accruals of the projects. So these are the scenarios which are helpful to either build EBITDA, PAT, ROCs or IRR and manage the working capital cycle efficiently. And there is a decent margin to now evaluate JV, JDs, which were earlier with a challenging scenario because we have to give a higher share and then you have to manage the cost and now post GST, we all know that at Pune and Bengaluru market, that's a second rent, which is coming to the developer. So I think that's where the concerns were. And on the JDA front also, the GST is coming on the stock portion. So I think in the revenue sharing model, [back to the] advantages and those kind of deals can flow into the system.

Himanshu Upadhyay

Okay. And the second question was the projects which we are doing in -- or going to launch in Bombay. What is your thought process that how can we faster sell those projects? So let us say, Jai Vijay and all those took much longer time, and then see -- and right now, again, the GST benefits are also there, not benefit, but the incremental cost and what used to be. How do you think the -- and what can you do to be disruptive and get faster sales done? Because that is one of the important areas to be a higher ROCE company? Yes, especially in Mumbai projects, can you give some idea?

Gopal Sarda

Yes, yes, sure. So I think when we talked about the Jai Vijay, I think we were keeping a price higher than the market. So I think the rest of the market was in the range of 20,000, 21,000 whereas, we were selling at 24,000 and 25,000. So that was one of the reasons we were very low on the velocity front because coming from a Pune and having not much of the deliveries in Mumbai market and still we have commanded the premium. And we have done a sales of 60 units with the average selling price between 22.5 to 24.5. That was the reason we were low on the velocity because the price was comparatively 15% higher than the market, irrespective of we have delivered. But that won't be a scenario for the rest of the project because of the 2 reasons. Jai Vijay, the ticket size was going beyond INR 3 crores and while if you see Sagar Vaibhav project, the ticket size is in the range of INR 90 lakhs to INR 1.25 crores. So I don't think we have to do much of the sales freebies or any kind of payment plan to work at Sagar Vaibhav. I think the ticket size and the location is so well placed, we can easily generate good sales. As far as the other locations like Hari Ratan and your Om Shree Gokul project, I think Hari Ratan is also so well positioned on the linking road with a 4-side access to the plot and metro coming and malls next to that. That location itself is a nice location. And I think to the tune of INR 2.5 crore, 2 and 3 BHK would be a good demand because of the Jain, Gujrati, Marwadi community around, and we have seen some sort of interest coming across people who are trying to inquire when the projects will be launched. So once you have into the right ticket size, I think the velocity will automatically flow. So currently, Jai Vijay was on slightly higher ticket size and plus additional burden on the pricing front and then all of a sudden the GST has come. These 3 parameters have created a subdued sales, while other side of this Borivali, Sagar Vaibhav and Hari Ratan, wherein we have a good lending ticket sizes from the customer's point of view. And as well as strategically locations of all those plots. So their infrastructure, connectivity, access to other basic needs towards the hotels, towards the malls will automatically help us to generate far bigger velocity than Jai Vijay and when we talk about the disruption, I think for that, we need to have some sort of a larger sellable area or larger inventories. So these kind of redevelopment projects, these are more in the nature of asset-light model to build ROC and IRR and decent profitability to the organization. While since we don't have much of the inventory to sell beyond INR 2.5 lakh per project, I think the disruption plan would be difficult to develop. Rather, we will plan in a manner that the same inventory can be uploaded over a period of 3 years. The moment we'll enter into a 1 million sort of project development, acquisition or launches at Mumbai, that time the disruption plant comes, wherein we can show the volume to the Mumbai market.

Operator

The next question is from the line of [Manoj Duhan from ND Investment.]

Unknown Analyst

My question has been answered.

Operator

Thank you. Well, ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Gopal Sarda for his closing comments. Over to you, sir.

Gopal Sarda

Thank you once again for your interest and support. We will continue to stay engaged. Please be in touch with our Investor Relations team for further details or discussions. Look forward to interacting with you next quarter. Thank you.

Kolte-Patil Developers Limited, Q2 2021 Earnings Call, Nov 06, 2020
11/6/20
Operator

Good evening, everyone, and thank you for joining us on the Q2 and H1 FY '21 results conference call of Kolte-Patil Developers Limited. We have with us today, Gopal Sarda, group CEO; and Vikram Rajput, Head of Investor Relations and Corporate Finance.

Before we begin, I would like to state that some of the statements in today's discussion may be forward-looking in nature and may involve certain risks and uncertainties. A detailed statement in this regard is available on the Q2 and H1 FY '21, results presentation that have been sent to you earlier. I would now like to invite Mr. Gopal Sarda to begin the proceedings of this call.

Gopal Sarda

Good evening, everyone. I warmly welcome you all today, and thank you for taking out time to join us to discuss the operating and financial performance of our company for the quarter and half year ended September 30, 2020. I hope all of you, your colleagues and families are keeping safe and healthy in this time period over the last few months, as we collectively fight against the continuing overhang of the coronavirus pandemic. We are glad to report a marked sequential improvement in our Q2 financial year '21 performance across all our key operational parameters. Our sales traction for the quarter showed an improvement over the last quarter, both in terms of area as well as the value.

In Q2, sales volume was at 0.35 million square feet, an increase over Q1 and sales value grew 18% at INR 194 crore Q-o-Q.

Buyer interest is getting more widespread, driven by increasing site visits and virtual interactions. The October sales numbers showed an increasing improvement registering close to our pre-COVID level. Going ahead, we expect the current momentum to sustain based on [sustenance] sales in existing projects and a series of launches that are in the pipeline for the next few quarters spread across Pune and Mumbai. Therefore, sales are expected to be substantially stronger than H1 during the second half of the fiscal. Kole-Patil has a positive track record of efficient and timely project execution through the year. This has enabled us to gain the support and confidence of homebuyers who entrust us with their life capital. Over the years, we have measured up to their trust and expectations to build a strong reputation for the Kolte-Patil brand.

Moving forward, with the purpose, we have picked up pace of construction activities once again in the second quarter. We have managed to mobilize 80% of the labor force at most of our sites and at Life Republic, the mobilization of resources is greater than the pre-COVID levels. Labor posting at Life Republic significantly improved from approximately 1,200 pre-COVID to 1,400 plus presently. We plan to deliver 760 units amounting to 0.85 million square feet in H2 financial year '21.

Pickup in sales and execution had a beneficial impact on collections. Collections in Q2 financial year '21 came in at INR 201 crores, which is nearly double the Q1 level and better than what we had envisaged earlier. Further, we are glad to share that the month of October has seen us reach pre COVID levels of business and execution with collections crossing INR 110 crores. We are expecting to sustain this momentum and report strong collections for the remainder of the year.

H2 financial year '21 will witness strong collections and construction activity at Life Republic. Further, collection to also benefit from Bengaluru projects, Exente and Raaga. The combination of low rate, improved collection and operational efficiencies allow us to deliver healthy free cash flows even in this very difficult year.

Our Mumbai story continues to shift well, and we have a solid portfolio of society redevelopment projects in prime suburban locations. We have already achieved key milestones, including IOD, pre-NOC and MOEF approval for Om Shree Gokul, Sagar Vaibhav and Hari Ratan Societies and CC for Om Shree Gokul. Further, vacation notices have been served to the resident and tenants of Sagar Vaibhav and Hari Ratan Societies.

Post-vacation, we will be obtaining CC approvals for these societies. We remain on track to start execution at these 3 projects as the new calendar year starts. In aggregate, these projects have a top line potential of over approximately INR 1,100 crores. Also, we have another 4 million square feet coming up for launch across Pune and Bengaluru with an aggregate top line potential of INR 3,050 crore.

Overall, we are happy with the progress made with respect to business development since the lockdown started. We are seeing owners of both land as well as capital gravitating to developers with strong execution skills and deep process orientation. In this situation, we are centered on building a sustainable series of projects in the 3 addressable markets, both in terms of area and value. Subsequent announcement will see capital-light addition to our portfolio before the close of financial year '21.

Our balance sheet remains strong and debt-to-equity was at 0.38x equity as on September 30, 2020. Going forward, we see the structural demand theme of the sector developing on the back of several drivers. A combination of lowest inflation-adjusted home prices in many years, sharp decline in interest rates and stamp duty cuts have considerably improved affordability and overall consumer sentiment. Branded developers with stronger balance sheets and execution history like Kolte-Patil party have consistently enjoyed buyers' confidence, and we expect our holistic 360-degree approach to allow market share gain and generate significant long-term value for stakeholders.

On that note, I conclude my opening remarks. I would like to now ask the moderator to open the line for Q&A. Thank you.

Operator

[Operator Instructions]. The first question is from the line of [Rohit Ramakrishna] from Ritzi Capital.

Unknown Analyst

Am I audible?

Gopal Sarda

Yes.

Operator

Okay, [Rohit] now you're not audible. Can you be a bit louder please and closer to speaker phone.

Unknown Analyst

Okay. So I have a couple of questions. So sir, can you share what is the ready-to-move inventory that we have? And what is the contribution from Bombay and other geographies?

Gopal Sarda

So as on today, we have approximately INR 230 crore RTMI inventory, which is lying at Jay Vijay Raaga project, and we have some retail stops at Western Avenue project. And as far as the overall contribution is concerned, I think we have a detailed slide on the investor presentation where we have given a breakup of 0.35 million square feet of leases and the collections as well.

Unknown Analyst

Okay. No, I was just asking of this ready-to-move inventory, how much is from Bombay and how much is from Raaga?

Gopal Sarda

Okay. So if you want further breakup, then I think Mumbai, we have close to INR 80 crore approximately. And balance would be at -- so INR 80 crore Mumbai, INR 50 crore around Western Avenue and the balance INR 100 crores at Raaga. So INR 50 crore, INR 80 crore and INR 100 crore.

Unknown Analyst

Okay. Got it. The second question was, sir, in terms of your future pipeline, you alluded to about INR 1,000 crore, INR 1,100 crore crores in Bombay and about INR 3,000 crores odd in Pune and Bangalore that you expect. So these launches broadly in how many quarters do you expect? Like how much do you expect these projects to be launched in FY '21? And how much in -- beyond FY '21?

Gopal Sarda

Sure. So I think this financial year, before March 21, Mumbai all projects will go for the launch, which is approximately INR 1,100 crore. And then based out of Pune, there will be 2 projects, one R10 Sector based of Life Republic, which is 1.42 million square feet. And there is another small project at Wagholi, which is 0.25 million square feet. So these are the 5 launches, which will definitely be covered under the current financial year. And the balance launches will be span out in H1 and H2 in financial year '22.

Unknown Analyst

Okay. But all of this will happen in the next 5, 6 quarters?

Gopal Sarda

Yes, for sure.

Unknown Analyst

Got it. And sir, just 1 more question. I mean, our long-term guidance is sort of to do about 4 million to 5 million square feet over the next 3 to 5 years. So of that, if my understanding is correct, you expect about 3.5 million from Pune and about 0.5 million from Bombay and the rest from Bangalore. So I just -- please correct me if this is incorrect. If this is correct. So I just wanted to understand, right now our throughput from Bangalore is around only 2,50,000 square feet a year, if my numbers are right. So a ramp-up of from 2.5 lakhs to about 1 million is a very steep ramp up. So just wanted to understand how is -- what is your thinking specific to Bengaluru market? And are we having any launch there or any DM that we are doing to sort of get business development to add to our portfolio there?

Gopal Sarda

Sure. I think very good question. So numbers, more or less, are right. I think I have guided on that parameter only 3.5 million for Pune and between 0.5 million to 0.7 million, I said about Mumbai and then the balance 1 million square feet at Bangalore. So I think we are pretty much on track as far as the Pune and Mumbai portfolio is concerned, because Mumbai, we have the planned launches, plus we have the 5 forthcoming projects at various locations of Mumbai. And Pune, I think since lockdown till date, we have done a phenomenal job in BD. I think it's all about announcing the deals at the right stage.

We have ensured that the balance sheet remains light and approximately 3 million to 4 million square feet of business development announcement will happen before March '21. So I think I'm pretty much happy with the business development performance for Pune because all those are very, very asset-light and very unique structures.

As far as the Bangalore is concerned, I think we are lagging behind. We have approximately some 0.7 million square feet of inventory, but the Bangalore plan is basically a long-term plan. So when I said about 1 million square feet, it will happen over a period of 2 to 3 years. So I'm not expecting Bangalore to contribute significantly by March '22 or probably H1 '23, it may take to March 24 level. But definitely, on a year-on-year basis, we'll show some progress.

So like if you see earlier days, we used to sell only sort of 80,000 square feet based out of Bangalore. But in last 2 years, we have revamped from 80,000 to 2.5 lakh, so which is almost like a 3x jump. So likewise, it's all about the shortage of projects. At the moment we have more projects in Bangalore market, I think we'll be able to deliver more sales because from the same city, we can do 3x sort of a presale growth as far as Bangalore is concerned.

We are at some sort of a discussion with some of the landowners under DM and under some sort of profit sharing or some are outright. But I think Bangalore market is a bit of tedious market from a legal perspective. And we haven't done much of the acquisitions in the last 7, 8 years. So it will take some time to revise their but I'm confident that over a period of next 3 years, we'll be able to achieve 1 million square feet number. It's all about acquiring more projects and giving launches at the right time. So probably, Pune and Mumbai, we are pretty much on track. And I think March 22 would be a phenomenal year for the company, wherein we will be delivering a robust sort of performance across parameters, maybe top line collections, bottom line. So I'm expecting the next financial year, we should be in a position to generate approximately INR 550 crores to INR 600 crores as a free cash flows or operating free cash flows for the company. And Mumbai and Pune will contribute significantly over there.

So hopefully, March '22 and then followed by March '23, I think, in the next 2 years, we will see the -- we'll see the sharp growth in terms of all parameters, and we'll be able to achieve our number in next 24 to 36 months' time as far as the presales are concerned.

Unknown Analyst

Got it. So just as a follow-up on this. So I mean -- so we've been doing -- I'm excluding this year. Last 4 years, we've been around 2.5 million square feet, give or take. This year, obviously, one should not take in, but can this number then substantially go up by 30%, 40% in terms of pre-sales? Would that be a fair assumption, sir, in FY '22?

Gopal Sarda

So if we are going to compare from $2.5 million as a base of March '20. And if you want to see March '22, I think comfortably, we should be able to generate more than 35% to 40% sort of a presale growth. Because there's a good pipeline at Mumbai, there are good launches at Pune. And also, there are the business development, which we are expecting by March '21, will also come for launches in H2 financial year '22. So we can definitely achieve anything around 3.5 to 3.7 sort of presale number by March '22.

Unknown Analyst

That is very heartening to hear, sir. Just one last question, sir. Just on the Pune, Pune -- the plan that we have, the launches this year you said one is -- you said 2 projects, both are commercial or...

Gopal Sarda

No. Yes. I'll answer. So basically, I said Life Republic interim, Life Republic [are 10]. So we think a excuse development. So we have approximately 80,000 as retail portion there. And then the balance, 13.5 lakhs is a residential portfolio. And the one project which I said at [Bangalore], which is pure Residential. So I think the commercial launch is yet to happen, that will go in the next financial year.

Operator

The next question is from the line of Biplab Debrama from Antique Stockbroking.

Biplab Debbarma

It's heartening to see the optimism. Sir, I have one question. So you gave the cash flow number of FY '22. So for FY '21, what would be the expected cash flow that we expect from Kolte-Patil?

Gopal Sarda

Sure. So if you see in Q1, we have done a collection of INR 105 crore, and in Q2, we have achieved INR 201 crore. So as of H1, we are standing somewhere around INR 305,000 or INR 310 crore. But I think we have seen a sharp uptick in terms of collection in the month of October. October, we have surpassed INR 110 crore, and the momentum will be continued because now the labors are back on site. Life Republic is at 110% sort of execution, and we have good sold receivables flying at Life recovering and other projects.

So I'm expecting INR 100 crore plus or INR 100 crore will be continued till March '21. And we are expecting for the financial year '21, we should be able to collect INR 850 crore, INR 875 crore as a collection for the year, out of which INR 400 crores will go towards the construction, then we have approximately INR 200 crore as sales, marketing, admin, employee and finance cost. And we expect INR 75 crore, INR 80 crore sort of tax outlay in the form of direct/indirect side. And still, in spite of a very difficult year, by March '21, we should be operating cash flow positive by INR 200 crores.

Biplab Debbarma

So sir, is there any chance of -- because although debt -- net debt has increased marginally. Is there any chance of net debt going down? I mean I know it's a comfortable level. I just wanted to understand. Net debt, is there any chance of going down?

Gopal Sarda

No, I don't think the net debt will go down. I think probably, the debt level would remain the same. The reason being we have to clear the last tranche of [IDS] debenture. There are some sort of initial investment via deposits or some sort of outlay on the BD front. And then you know that during launch, you have to invest in [TDR PDFs] and premiums. So I assume -- or I believe that by March '21, there will not be a sharp reduction in the debt. It will be more or less similar to March 2011.

Biplab Debbarma

Okay. Sir, good to know about the cash flow level? Sir, other question is on the last 2 quarters. Is there any -- I mean, there are trends that we are hearing. But is there any significant trend that says that ready-to-move inventories are preferred or -- and in medium-term segments are selling more. Is there any trend that we can see in the last 2 quarters that you can see in your Pune projects?

Gopal Sarda

So I think there is a demand for all the products, and it's all about the right product mix. So what we have witnessed our portfolio is that all our affordable [MIT] 24k shops retail. Everywhere, there is a good demand, which is coming back. I think the only substantial change, what we have observed is that the demand for the 3 BHK homes is going up. And to some extent, the same has got -- been adjusted from 1 and 2 BHK. So I have seen from -- if you see our H1 a presentation, which we have H1 presentation of the presales, which we have captured in investor relationship presentation. I think the 3 BHK demand has moved by 6% to 8%, and we just got existed from 1 and 2 BHK.

And as far as the hire segment, to our surprise, I think we haven't seen any kind of deduction in terms of presales. So a project like Opula, Target and other high-end projects. So I think all those projects have contributed to a pre-COVID level. So we believe that there is a demand for all products. It's all about the right product mix. And one has to balance the portfolio between affordable to mid-income as well as the 24k.

So we maintain currently 80% of our portfolio into affordable to mid-income and 20% is into a luxury segment. And I think which is panning out well for us, and the demand is coming across spectrum.

Biplab Debbarma

Okay, sir. So if I may, squeeze in one more question. Is -- on your Mumbai launches, I understand that in Q3, you'd be launching, everything goes well, you will be launching one of the projects. First of all, I wanted to understand what would be ticket price. You have in the previous con call, told us about the rate selling rate. We just want the ticket size of including everything, what would be a typical ticket price?

And do you have any attention about the sales velocity on launch? Because we have been seeing -- that's what we have been hearing that ready-to-move inventories are selling and in Mumbai, below INR 2 crore inventories are selling at a good sales velocity with reputed developers. So regarding the reputation, there is no question with Kolte-Patil. But there was the ticket size and have the new project product launch in the Western suburb, what is your take about it?

Gopal Sarda

Yes. I think I'll answer your previous question first, which has been partly answered, and then I'll cover this one. So I think you are asking about the flavor of the market, whether there is an inflation for RTMI or under construction on hearing position. I think what we have seen is that there is a demand across. No doubt, RTMI is a preferred inventory for the buyers, but if you see the branded players, I think they are selling all inventory because there -- the trust factor is there. So customers preferably want RTMI inventory with BOC developers, when it comes on the A group or a branded developer like us, I think they trust our stages, they prefer under construction, launch or RTMI all inventories. And that's the reason in October, we have seen sharp sort of recovery in our presale number.

So there is a demand across spectrum up to sort of a INR 3 crore inventory I see this is the more or less rent, but above, like in the luxury segment, if you'll ask me about INR 10 crore, INR 12 or INR 15 crore onward inventory, maybe you are right in terms of RTMI is the preference. But I think this segment up to INR 3 crore, the inventory is moving across stages.

As far as your second question is concerned from the Mumbai portfolio, so we are very well positioned. I have said on many of my calls that our focus is on one, 1, 2 and 3 BHK inventory and up to a INR 3 crore package. So if you see a Sagar Vaibhav project, we have 1 and 2 BHK product there, which is in the range of INR 95 crore to INR 1 crore 1 BHK and INR 120 lakhs to 130 lakhs as 2 BHK products. So that is, obviously, from a Mumbai market, it's like more into budget homes.

When it comes to Hari Ratan, I think it's also not touching beyond INR 2.8 crore to INE 2.9 crore. So we have 2 and 3 BHK products there, ranging from INR 2.4 crore to INR 2.9 crore INR. So I think in Hari Ratan, also on the residential front, we are comfortably placed.

And as far as the retail portion, both locations, Om Shree Gokul as well as Hari Ratan, the retail shops are in the range of INR 3 crores to INR 4 crores. And there is a flexibility. If some buyer wants to combine the shops, then we can club it. Otherwise, we have the individual units also in the range of INR 3 crores to INR 4. And like Om Shree Gokul also, again, it's more or less similar to INR 1.1 crore to INR 1.75 crore, 1 and 2 BHK products. So all our products are at a very strategic location, nicely placed in terms of the ticket size, in terms of the products. And we are confident and hopeful that we should be able to upload this inventory in the next 30 to 36 months' time span.

Operator

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

Parikshit Kandpal

Gopal, my question was more on the prepaid. So are expecting a slightly better performance on Kolte-Patil, so like what other Mumbai developers have been able to do this quarter. In fact, some of them have actually recovered the entire pre-COVID sales. But we have somewhat lag behind. So what makes me look at the numbers is that we have not been able to gain market share. So any reason why the numbers are not looking up?

Gopal Sarda

So I think we have to bifurcate the market share in both the markets, Pune and Mumbai. So if you see Mumbai, I think we have sold some good 5 to 7 units at Jai Vijay projects. And as far as the Pune is concerned, there were -- we have a limited inventory, Parikshit. If you see there is largely 3.8 million to 4 million square feet of inventory which is lying and it's been last 18 months to 20 months. This is more of a sustenance inventory and there is less of the choice.

So probably, the moment we open the new launches and probably the moment we'll open the new inventories. So the choices will go to the next level. And I think the presales will reach to the next level, and then you will be seeing that the Kolte-Patil market share is coming back. So currently, for the next -- last 2 quarters and probably 1 more quarter, we will be struggling in terms of larger presales. But the moment, we'll be opening the fresh inventory and the launches will happen, the presale number goes to the next level and then we can regain the market share. So this is sort of a sustenance space for us, and that is stopping us to gain larger market share.

Parikshit Kandpal

This year, I mean, you said October is now back to the pre-COVID level. So will third quarter be more like a normal quarter? Or you said that still there will be some struggle and then fourth quarter may be a normal quarter?

Gopal Sarda

So I am basically expecting R10 launched by end of November or first or second week of December. So if the launch actually happens as per the stipulated time line then probably Q3 will be obviously normal to a pre-COVID level or probably it's like 80%, 90% of pre-COVID level and Q4 would be a bumper year wherein we will catch up our numbers. So I think this R10 launch is a big event for us, and we have a good base on that.

Parikshit Kandpal

Well any somewhere around 1.8 million square feet or close to that range?

Gopal Sarda

1.42 million at R10 and then approximately 0.25 million at Wagholi.

Parikshit Kandpal

No, no, I'm saying pre-sales volume. So will we end the year at about 1.8 million square feet total presales for the year?.

Gopal Sarda

Yes. Yes, we should be able to touch that number comfortably.

Parikshit Kandpal

Okay. And some Bombay launches happened then value-wise, will be still higher. So in terms of value-wise, we'll be still -- maybe we should be able to match last year's number?

Gopal Sarda

yes. Yes. So probably, I feel that from Q3 onwards, I think so far, we have been talking about 1 million square feet and in terms of deliveries. I think going ahead, as the Mumbai contribution will start flowing into the 15th. We have to talk on both parameters value as well as 1 million square feet.

So as I was saying at the opening remarks and couple of questions which I've answered before you, I think I'm expecting probably H2 onwards or probably Q3 onwards and next financial year, on the value front, there would be a significant jump. Maybe on the 1 million square parameter, we may see that March '22, we'll be closing around 3.5 million but on the value front, I think we should be able to surpass by 45% of our March '20 numbers.

Parikshit Kandpal

Coming to collections, I mean intensity of collections are still not normalized. So are we able to -- so what's the constraint here? I mean, other banks not disbursing the [funds] still or there have been cancellations? So how do you look at the collections number as it seems to be offset here.

Gopal Sarda

As .

So Parikshit, if you see, I think, on the collections front, I think Q1, we all know it was a complete lockdown period and banks were not ready and I have answered in my last IR call. I think April and May, it was a steep dip. We were at just 29...

Parikshit Kandpal

No, I'm talking about Q2, just Q2.

Gopal Sarda

Yes. Yes, so I'm coming to Q2 as well. On the Q2 front also, if you see the construction momentum started mid-August. So the first 1.5 months, like July and 15 -- August 15, there was not much coverage. It was more or less like a similar environment of lockdown because July month Pune was into a lockdown for a good 15 to 20 days. And then mid-August, the labors have started resuming.

So the actual pace has started in the month of September. And that -- you see that in the month of October, we have already seen that we have collected INR 115 crores, INR 120-odd crores. So I think October onwards, you will see a sharp uptick in collections. And going forward, we will be able to continuously collect more than INR 100-plus crores. And that's the reason I said about -- if you read that INR 850 crore INR minus the INR 305 crore we have collected so far. So I'm talking about the INR 550 crore number in next 6 month, which is more or less like INR 100 crore run rate. So I think we'll be able to catch up in H2 because the construction progress has started to almost a pre-COVID And now everything is moving the presales, the news -- the new presales is also coming back. And as RTMI inventory will flow, I think the collection can further uptick.

So projects like Jai Vijay, Raaga and some shops which are at Western Avenue, the moment will be able to upload, I think the collection can go to the next level. But for sure, it will -- Q3 and Q4 will more or less in line with the pre-COVID numbers.

Parikshit Kandpal

Okay. So that is the reason I think why the POCM loss is also coming because the construction has not really picked up, and there is under-absorption of overhead, right?

Gopal Sarda

Yes. Yes, yes. So I think on the POCM loss also, there were 2 reasons. One, what you said is also right, the collection -- the construction pace has not picked up and lower revenue recognition because of that. And one more reason is based out of the maximum revenue has come from R16 Sector based on Life Republic and Western Avenue projects of Pune, E&F Tower. So Western Avenue project, we all know that this is a low-margin project because of the high land cost.

And as far as R16 sector is likely, this is at a very extended end of the township, wherein the average selling price is at INR 4,700 vis-a-vis the rest of the township, we are selling at INR 5,000 to INR 5,200. So probably on that front also, these are all low-margin projects and lesser construction execution. But Q3 and Q4, we will again revamp and it will go into the pre-COVID of P&L.

Parikshit Kandpal

So I was expecting at this time, you said there could be some movement in RTMI. So what's your view on that? So we have not really seen any big pickup there.

Gopal Sarda

I believe, I think Velocity is a function of 3 things. It's all about your freebies, discounts and payment plans. So currently, I think as far as the Raaga, Jai Vijay inventory, we have not basically given some sort of deferred or long payment plan or some sort of steep discounts. So probably we feel that I think we are maintaining a moderate velocity. And the stamp duty, obviously, to some extent across a city like Mumbai, probably 3% value is not that attractive. But as far as the Pune and other locations are concerned, yes, there is a sharp uptick.

But overall, I think along with stamp duty, one has to also balance with a previous discount and payment plan. I think that's what the flavor of the market. And that's what gives you the next level of velocity. So we are -- while maintaining the financial parameters and decent velocity, we are taking a mid view, and that's where you see the moderate sales compared to the exorbitant sales numbers, which we are expecting from other players who are going extremely sort of payment plans and taking those hits on the P&L.

Parikshit Kandpal

So have you offered any discount in the sector payment promotions or activation. Are we doing anything sort of a decision?

Gopal Sarda

So as far as the overall portfolio is concerned, I think more or less, our APR are similar to pre-COVID levels, but approximately INR 50 to INR 80 per square feet, either in the form of freebies or some sort of spot discounts is what we are not letting go any checks. So I think that's the flexibility which we are in cashing at Pune and Bangalore projects. And as far as Jai VIjay is concerned, similarly, 2%, 3% sort of discounts for the spot closures and to satisfy the customers is what we are doing across portfolio. But not substantial reduction. If you compare the pre-COVID sort of APR vis-à-vis during Q2 and Q1, you will not see more than INR 100 sort of per square feet fluctuation in the prices.

Operator

The next question is from the line of Himanshu Upadhyay from PGIM Mutual Funds.

Himanshu Upadhyay

First, a few questions on Mumbai, the new projects or we are launching. See, currently, we are working under Kolte-Patil brand only. But some of the projects, which are -- we have a good location. So something like Hari Ratan, which is on Linking Road in Gurgaon, or again, in, I would say, South side. When do we think we would be mature enough or the brand would be acceptable that we can have a more premium or a luxury project or what would be the thought process? So something like when we are having car and some of the locations, which are good?

Would you like to take them at a more premium? And because at the end, the higher profitability will be in those projects or those type of products. So when do you think we can reach that level? Or how would be your thought process? Can you -- just to give your thoughts?

Gopal Sarda

Sure. So as far as the brand recognition and price premium is concerned, I think we have demonstrated that if you compare our Jai Vijay projects vis-à-vis the rest of the project in the vicinity, we are selling 15% of premium. And as far as the Linking Road project, which we have delivered there, also, we have done a good sales of INR 50,000, INR 55,000 per square feet on carpet. And adjacent to our line projects other developers who were also selling at INR 47,000 to INR 50,000. I think I'm not worried on the price premium because the brand recognition in the Mumbai market is -- it's still far better than our expectations because a project like Life Republic, we have some 800, 900-odd customers from Mumbai market, all are private equity bankers and are large business associate based out of Mumbai. And we have a good relationship since last 1 decade in the Mumbai portfolio. It's all about, we were not opening new projects. I believe that we would be commanding the prices or price premium equivalent to the reputed brands in particular market.

Having said that, yes, we are not going into a super luxury sort of product development at Hari Ratan, Om Shree Gokul or Sagar Vaibha. Hari Ratan would be MIG plus, while the other 2 projects would be in an MIG brand.

And as far as a super luxury segment is concerned, we have 1 society acquired at [Hari] INR 16 crores Sukhnivas. Those kind of products probably there, you will see a very, very high end kind of a development we will do. And there, we would be able to fetch INR 8 crore to INR 10 crore sort of a ticket size premium. So I think in that segment, yes, we will make some good profits. As far as the other portfolio is concerned, the current portfolio we are talking about, I think we are happy at 25%, 27% sort of EBITDA, rather we'll be focusing on ROC and IR. So our Mumbai entry and our Mumbai strategy is to focus on ROC rather than EBITDA. So currently, you may see that on INR 1,100 crore sort of a top line, we could bring that INR 260 crore to INR 280 crore sort of a PBT or EBITDA margin.

But on the investment front, I think we will win because our investments are not beyond INR 80 crore to iNR 90 crore. So on the delta front, the idea is to invest less and make more money in the form of multiple and build ROC and IRR rather than focusing too much on EBITDA impact. So that's where the focus is. And we are happy to have a moderate margin but larger ROC and IRR. And that's the strategy we are implementing across group, and we would love to work like a manufacturing company, a service provider rather than running behind margins. So we want to grow with the ROC, IRR and network.

Himanshu Upadhyay

Okay. The second question was on these product launches, what we are doing. What can we have learnings from Jai vijay or Jumbo Darshan? Can we do something, which is faster sales and because Jai Vijay even after ROCE, we had some amount of inventory, okay? In the next 3 projects -- or the coming 3 projects, what would be your thought process to increase the sales velocity, which will effectively increase the IRR?

So give you -- can you give you some thoughts or learnings from the earlier 2 projects what we have done in Bombay? And what we can do better in the coming projects in Mumbai?

Gopal Sarda

Sure. So I think the learnings which we have captured from Jai Vijay project, I think we did the same thing, as you were saying about, we were holding on the prices. We have not cut down the prices from INR 24,000, INR 25,000, and we were expecting that at the time of RTMI, we should be able to command INR 26,000, INR 27,000. And we thought we will invest something by working capital for some time. And at ready position, the GST will go out and the buyer will give some premium and all. So I think that doesn't fructified well on the contrary after the pandemic and the GST came in, in between, I think the prices are more or less stable or sometimes we have to come down also to ensure the cash flow into the system. So I think that's where we have decided that rather than running into a too much of price premium and holding inventory for the larger time and expecting premiums at OC, one should upload the inventory with the market momentum. And if need be we can have a moderate price premium to manage the cash flows and remain asset-light. So during the new 3 projects, we are implementing the same strategy. We may start with a moderate pricing, and we will escalate if the velocity is in line with our expectation. Otherwise, we'll continue on the momentum and will not go behind the prices. And we'll focus more on the working capital cycle than enhance ROC and IRR. So that was a learning we have captured from Jai Vijay.

As far as the other project link pilot is concerned, I think that time, we have short of flexibility we have sold the inventory in line with the buyer's expectation, and there were not too much of turbulence in the form of GST and all those times. So that project went smooth, we did not have to invest much in that project, and we have managed on the customer advances. So let's see how the Jai Vijay experience can be utilized for the new 3 launches, wherein we remain light on the investment and better ROC and better returns for the organization as a whole.

Himanshu Upadhyay

Yes. And one question on the Pune side, okay? So we have some stamp duty relaxations, okay? We have 2, 3 projects, which are slow, Stargaze and Three Jewels, and I would say, Ivy Estate. Some -- Ivy Estate is more 100% owned in the premium also. Is there something we can do to speed up the velocity of these projects? Because what we have ongoing and unsold is 0.5 million square feet to 1 million square feet. Generally half in these 3 projects. And the velocity remains 0.0 to 0.05. Is there something, which we can clearly do in the festival season or next or this next 2, 3 months and the stamp duties also, sir, any thoughts on that? And just how are you planning?

Gopal Sarda

Yes. So we have already planned some good campaigns at Ivy Estate and Three Jewels. So earlier, it was more of a CLP plan, but then we have realized that to build the velocity, we have to give some premium plans. So I think it worked for Three Jewels as a project. We are running sort of a 10:90 scheme like a 10% payment now and 90% at the time of possession. So that is giving us a good result earlier, we used to sell their 10,000 square feet a month while last 2 months, it looks like a 15,000 number is already flowing into the 15.

So projects like Three Jewels is giving good results under payment plan and similar thought we have applied for Ivy Estate there in spite of giving payment plan all, we thought we will manage the price in a manner that the stamp duty will be absorbed by us completely. And build some sort of a sales velocity. So probably, you will see Q3 and Q4 there would be a sharp 25% to 30% presale jump at these locations because of the campaigns and the kind of prepays and payment plans, which we are providing here. So we will definitely show some sort of a velocity increase in H2 of financial year '21 at these locations.

Himanshu Upadhyay

And one last question. We have given in the presentation and stated currently, I saw that in October, the we've got INR 110 crore of receivable or the collections have been INR 110 crore. Is it majorly because of construction increase only? Or you have seen better sales traction also in some of the nearing completion project and hence the better receivables or better collection has been there? Anything you can throw color on me how would you divide between the 2?

Gopal Sarda

Sure. So it's a collage of all. I think, first, we have done some sales at Jai Vijay. Second, the construction pace has also revamped significantly. I think our team has done good job. There were a good slab has been casted. And effectively, the money has been collected by the CRM team.

So I think it's a team effort. Finance has infused money collection. The construction team has casted the slabs and CRM has efficiently collected. While to some extent, even a little bit of RTMI is still not significant. But yes, some sort of traction has started at RTMI inventory. So a collage of all has given us these kind of numbers.

Himanshu Upadhyay

One last question. One last final question. See, what we see in asset management businesses, the prices are cheap for a period of time, okay? And again, we need a lot of raw material or land in our business also. How are you planning? Because what prices may be lower, maybe for a period of 1 year or 2 years? And then you have to use that judiciously for a period of time. So how are we trying to take benefit? And earlier, we had also stated that we want to have a platform or view working on certain platforms for new acquisition of projects. So what are your thoughts? And especially because what we understand or what we think is the prices may be better than what they were 1 year back and better opportunities be there, but generally, they are for a period of time, let's say, 2 years or 1 year. So how do you plan to maximize your capacity to grow for future?

Gopal Sarda

So if I understood your question correctly, you are talking about, one on the commercial portfolio, second on the platform and you can just summarize the third question. I think these are the 2, what else?

Himanshu Upadhyay

So what I was saying was prices of land will remain cheap for a period of time, okay? It does not remain cheap for all the time, okay?

Gopal Sarda

Correct.

Himanshu Upadhyay

So you have to grasp opportunities when the time is right, okay?

Gopal Sarda

Correct.

Himanshu Upadhyay

And the time or the good opportunities can remain for 1 year, 2 year or, let's say, may happen 3 years, okay? But then mean reversion happens. Okay. So I'm saying in the next 1, 2 years or what window of opportunity may be there in the market. How do you plan to develop your business or acquire more projects? And at one point of time, we said that when we would like to acquire land, we would also like to do platforms through which we could raise capital so JV platforms or something like that. So that acquisition is not very heavy on us, okay. So what is the progress on that? And how are you seeing -- if, let's say, we want to be a 4 million square feet hitting company for every year from FY '22 or '23, okay? Given 3.5 or something for FY '22. But beyond that, then also we need to work from here on, okay? So how is the progress on that and the platform, what we were thinking about, where is the progress opportunities? And how are you building to FY '22, '23 onwards?

Gopal Sarda

Yes. I understood your question perfectly now. I think, just to give you a background, I think I completely agree with the thoughts like this time of pandemic and the business development opportunities on good terms, will be there for next 12 to 18 months. And that's where we're encasing all those things. As far as the platform is concerned, I think that was the era we were looking for outright transaction. But when we have done sort of good interactions with our landowners and sort of developers. I think in this pandemic time, they have showed a good flexibility, and they have realized that rather than going behind the land prices upfront or at a higher valuation, they want to be a partner with good developer like us, and are happy to take the back-ended sort of cash flows, but on a higher side.

So this is giving us an opportunity to remain asset-light build good profits and basically create some sort of good ROC and IRR for the organization as a whole.

So currently, the kind of business development I was talking about to the tune 3 million to 4 million, we did sort of like a revenue-sharing models, 2 projects. Two we did more on the profit sharing and one project we did on a DM basis. So all -- while doing also, what we have to invest is more on the deposit front, and that is also refundable. And we create a decent margin of sort of affordable project will give a 750 to 800, MIG project, will give us some sort of 1,000-ish.

So we remain light and we make our moderate profit. So currently, I think we would love to be asset-light because I think the pandemic is yet not over. And during our last interaction, I said that we will first focus to revise the business and once the business is coming back to the normalcy. And hence we see that there's a huge visibility on the cash flow front, then we go for the outright models and try to acquire some distress or some sort of a deferred -- long deferred payment sort of acquisitions.

While on the platform front, what happens in this time, their mindset also changes. So initially, the thought process was acquiring on both fronts. So they were coming like a plane money like equity transaction, 30-0 sort of investment up to ex IRR sort of a pari passu and then there are different ratios. But now also the platform guys doesn't want to take more risk both on the revenue and cost set, and they want to build more of a revenue model, wherein they will take the market risk in the form of sales and collection, but the principle should be protected, and they are giving most flexibility in the form of payments and they have been able sort of structure without any guarantee, but principal protection sort of deals.

So I think currently, when the deals are coming on a asset-light model, why do in cash the platform. And by March '22, I think, as I said, INR 550 crore to INR 600 crore sort of free cash flow, we will also generate so those kind of opportunities should come if there are business development opportunities under outright model to the tune of INR 100 crore to INR 300 crore or INR 400 crores, I think that can be managed by us with our own capital.

So unless and until, we see that there is a significant amount we are looking for, and then we don't want to raise debt. That's the time the platform entry will come. But today, we have uniquely redesigned our business acquisition strategies, and we are remaining very, very asset-light and structuring the transactions in a manner, wherein, I think we are not in need of much of the capital.

So maybe I think our human tough involvement or I think human capital is what we are investing and giving some sort of services to the landowner also to complete the balance parcel and then continue the show. So I think if we can invest more in the form of service and give better services and restrict our capital and invest human capital and create some sort of ROC and IRR for the organization, so why not to build with that while maintaining the growth?

So as I said, that next financial year, we'll be -- we are targeting anything beyond 3.5 million square feet. So we have a good visibility. And obviously, at a very attractive valuation. And when we have a clear visibility in terms of not any kind of disturbances from this pandemic. And when the capital is not remain idle, that's the time we will start aggressively investing our capital, but we will not do any kind of speculation. If there is no clarity in terms of absolute milestones on the approval front, the external environment. So we don't want to take larger bites as the business development deals are still growing in asset-light model.

And going ahead, I think a mix of all would be the right balance. We will either go into a complete asset-light neither going to a full outright and neither remain sort of a heavy day, we will try to create our own hybrid structure, wherein we will acquire 60% in the form of asset-light model wherever we see that there is a fantastic sales visibility and historic track record. And on the sales front, we are not taking much of the risk, and we are not doing experimenting in new locations, we have a track record. So then we don't mind going outright in a long, deferred payment and we will try to show the growth while maintaining the integrity of the balance sheet.

So I would be remaining -- I would, like, be a hybrid model, a balanced approach we will take. And we will always ensure that the balance sheet remains asset-light and debt levels are more or less up to 0.5 sort of debt equity ratio. So in that model, we are trying to build a growth, and the opportunities are there. And we haven't seen so far, there is no success coming in. So at a right stage, whenever we see that we want to go for the next level of growth. And this asset-light model is stopping us for the growth, then we may design a change in BD strategy, and we may go aggressive on the outright front. But currently, with this mixed approach, I think we see a good traction happening. And I think in next 4 months' time, we will do quite significant announcement, which will be a good value creation program for all the stakeholders.

Operator

[Operator Instructions] our next question is from the line of Alpesh Thacker from Motilal Oswal.

Alpesh Thacker

Most of my questions have been answered. Just one question from my end, mostly on the Mumbai strategy. So can you just share -- throw some light on the fact that we are basically targeting the redevelopment opportunities in Mumbai? So how bigger is -- how big is that market given overall, Mumbai is a very big residential real estate market? So how big is this market? And who would be our key competitors in this space?

Gopal Sarda

So as far as the redevelopment portfolio is concerned, we all know that there is a scarcity of land in Mumbai. And when it comes on the redevelopment, there are a variety of proposals. Typically, currently, we are doing private society redevelopment even [SRA] is also redevelopment, then there are 37 -- 33-7, it's like a tenanted, and then there are [NRI] development. So I think in private society redeveloped itself, there are 16,000 to 19,000 societies, which will come over a period of next 1, 2 or how many decades, I don't know. And as far as the other portfolio towards South Mumbai is concerned, typically, the tenanted redevelopment and other [SRA] and other models.

I believe there is a huge work in the redevelopment market. I don't see there is any kind of scarcity of work. It's all about the right feasibility currently, there is a mixed feedback on the redevelopment front, I don't know. Most of the guys who are active 5 years back, they are not active today. And what we see is that from last 1 year, we don't see any competition coming to us for any of the projects because we have demonstrated our own unique professional mechanism to deal with the societies and we have created our performance as a forefront. So probably after Link Palace and Jai Vijay delivery and other projects wherein we are very, very transparent in terms of our communications. so many societies are approaching us, but we want to enter into strategic locations, wherein there is a balanced view from the committee and PMC. And wherein we feel that this would be not too much of time-consuming job that 2, 3 years, we are just pending to acquire. I think if the society management as well as the PMC arena in a manner to expedite and close the projects at a faster pace in 6 to 8 months, and we are evaluating those projects only because we don't want to build a land bank. We want to show our production and execution performance to the market as a whole.

And we are very confident that this segment will remain with us till the time we operate in Mumbai. While doing so since there is some sort of a time-consuming process in spite of doing all these kind of professional approach and transparency obviously, the overall process remains serious because they have to always go to GM and take necessary approval for even smaller things. So we want for the growth purpose at appropriate time, we will also beat the other portfolio. In the form of joint venture outright, so that we are not heavily dependent on this, but this will remain like a 1 segment. So like for Pune, if you see, we have our presence in affordable MIG 24k townships and retail. And each of our segments are contributing.

Likewise, we will ensure that 50% of our Mumbai portfolio will be dependent on the redevelopment, but parallel, we'll build another 50% portfolio in different structures and different locations in different sort of a deal, maybe JV, joint venture and outright at the right valuation. So we will ensure a collage, and we will ensure that we are showing growth both ways.

Alpesh Thacker

That was very helpful. Just a small follow-up on that. So is there any significant difference between the IRRs that redevelopment project has and a normal outright or the JV kind of project?

Gopal Sarda

So as far as redevelopment projects are concerned, I think we are currently not measuring on an IRR front because maybe some projects wherein we have not invested more than INR 20 crore or INR 25 crore. And if the retails are INR 70 crore, INR 80 crore, the IRR can go to 2-digit, 3-digit also. So I think on a redevelopment front, we are going more on a ROC front. While on the outright JV, outright model only is where we are calculating on the IRR front.

So I think JV's profit sharings and redevelopment will calculate more on and pure outbreak like a complete land consideration over a deferred payment or upfront, that time, we can build an IRR because in the JVs also, typically, as I said, in Pune, also a INR 10 crore, INR 15 crore deposit, we can manage INR 100 crore sort of profitability. So probably I think it's wrong to calculate IRR and set any kind of benchmark internally for the performance parameter.

Operator

The next question is from the line of [Manoj Dilap] as an individual investor.

Unknown Attendee

In case of redevelopment projects, are we getting more feeler from societies post pandemic that they we wanted more because of more balconies work-from-home structure. Are we getting more proposal from the redevelopment? Or it's too early?

Gopal Sarda

So I think, Manoj, it's reversed. Nowadays, societies are showing flexibility. So in a couple of societies, even we have done some sort of renegotiation. And we have taken some sort of flexibilities in upfront payments. So they were very, very cooperative in the pandemic time, and they have addressed all our concerns, and we are gaining sort of good returns on the back of their mind change. So there is no absolutely demand on the extra space, extra balconies or anything. They just want their projects to start and they want the developer should not stop. And they are showing the flexibilities because some of the structures are into dilapidated space. Some of the buildings are very old. So nowadays, members have -- or the societies have started showing flexibility and parallelly, we are getting a good sort of flexibility from the BMC also. If you look at the premiums, earlier, we have to pay all premiums upfront. Now we have got some relaxations to the tune of 4 year, 5 years. So you have to pay 10% upfront and 22.5 into 4 installments.

And if the building is beyond 70 meter, then you are getting full 5-year tenures. So basically, 18.5% at 8.5% cost. So I think the redevelopment is now spanning very helpful for us, wherein we have the BMC giving deferred payment at 8.5%, and that's over a period of 4 to 5 years in some premiums. Society is showing some flexibility in the form of delayed purposes and change in terms of the extra carpet area.

So for us, I feel that now going ahead, probably, we should be able to improve our ROC on the redevelopment portfolio.

Unknown Attendee

My question was not that. My question was that not for existing portfolio. Like societies, which want to go for redevelopment because post pandemic, their choices have changed like they want balcony or they want an extra home. So are old societies going -- more eager for going for redevelopment?

Gopal Sarda

So I have answered that, [Manoj], I said at the beginning itself, societies are not demanding anything in the form of...

Unknown Attendee

Not our portfolio, which are not in our portfolio, just old society just like that, who are not earlier thinking or redevelopment are coming, okay, let's do for new societies with better amenities with post-pandemic?

Gopal Sarda

Obviously, to the new societies are not demanding anything more than the market or the existing parameters of lifestyle amenities will depend on the size of the plot. So probably, if the plots are in like 0.5 acre, 1 acre and the SSI consumption is on the higher side, they will be able to get maximum on the fitness center or some amenities on the rooftop.

If the projects are in the range of 3 to 5 acres, then obviously, that's the common thing like a lifestyle amenities and all those things, which we being a brand are providing to them, and they are also showing that in their tenders. So I think redevelopment is being linked to the tenders and there -- everything has been specifically maintained in the tender documents. So no change post-pandemic, but scenarios are the same.

Unknown Attendee

One of the competitors' con call, Godrej Properties says, when they acquired a land in Bangalore, they have virtually no competition. So how we are seeing in BWA competition in terms of acquiring land. And they said their IRR has considerably gone up in the new deals. Can you throw some color on that and what we are getting there new in the BDA?

Gopal Sarda

So as I said on a couple of answers earlier, I think on the BDA front, basically, when we are going into a joint venture, profit sharing or DM model, we are not calculating IRR because that can touch to a 2-digit -- extreme 2-digit or probably a 3-digit number. We are focusing more on ROC. Because today, I am getting projects at INR 10 crore, INR 15 crore deposit, wherein I -- we will be able to manage INR 90 crore to INR 100 crore sort of profitability. So probably, these kind of deals, we are not evaluating in rather IRR model.

We evaluate that on a per square feet basis, like being a developer, when we are doing 1 million square feet of construction and sales, then we should -- and if the prices are in the range of 6,500-ish, then we should get at least INR 1,000 per square feet as our margin. So we have different, different parameters to measure different deals typically, if in the redevelopment portfolio, we are going more on the ROC front. And as far as the JV DMA and profit sharing, we measure more on the per square feet basis that whether we have been rewarded well compared to our overall efforts.

So these are the parameters, which we are following. But if you want to answer in absolute IRR then IRR can touch to a 3-digit number also when we are very, very asset light.

Operator

The next question is from the line of [Vinay Bathija] as an individual investor.

Unknown Attendee

All of my questions have been answered.

Operator

The next question is from the line of Nikhil Upadhyay from Securities Investment Management.

Nikhil Upadhyay

I have 2 questions. One is on the Bangalore -- hello, am I audible?

Gopal Sarda

Yes, yes, very much. Please continue.

Nikhil Upadhyay

So 1 is on the Bangalore piece, you said like, as of now, we are 0.5 million and probably in our idea of reaching 5 million, that would contribute around 1 million. But I'm not very clear here on what is our approach and how we would be going about building that 1 million kind of landscape for us. And the reason is because intuitively, what I feel is that Bangalore is a much more organized kind of a market. So what is our thought process? And how would we approach that market? That is one.

Secondly, on a question which was already asked earlier, like the commentary from some of the earlier players who had organized the call was that the demand was very strong. And I was also expecting a very good offtake from your side in terms of our numbers. So is it like -- because we don't have any strong ready-to-move inventory? Or is it like people are coming for inventory, which is ready to move, that's why we are not seeing the similar kind of sales velocity in this quarter? Or what is the whole idea with which people are coming? And what kind of products people are looking at?

Gopal Sarda

Sure. So I think we can bifurcate your question in 2 parts. First, we'll touch to a Bangalore part. And then second, I use some thought process on the presales front, why the presales are not going to the next level and all. So coming back to Bangalore, if you see, currently, we have unsold inventory to the tune of 0.59 million square feet. And all Raaga projects neither of these projects is completely out. So now from just 2 projects like Exente and Raaga Phase 2, wherein we have some RTMI inventory, we are able to manage 2.5 lakh to 2.8 lakh square feet in last 2 financial years.

I think what Bangalore for us, in Bangalore, we have to open 3, 4 new projects because each of the project, like a project like Exente, 15,000, 18,000 per square feet on a month-on-month basis is possible. A project like Raaga, we are selling 10,000 to 12,000 per square feet on a month-on-month basis. So we opened 3 more projects. So I think we should be able to reach 50,000, 60,000 sort of run rate, which is taking us to 7.5 lakh. So I think the next 1 year or probably 18 months, the idea is to acquire 3 new projects and launch because each of the projects, we are getting some velocity. It's all about less of inventory. There are only 3 projects ongoing.

We also open up, like in Pune, we are 14, 15 projects going on. And like in Bangalore, we have only 3 projects. And there also, we have a lower velocity because of the less footprint in last 2 decades, and brand recognition, what we have in Pune vis-à-vis in Bangalore are different because we haven't done much of the marketing campaigns. We haven't delivered like 15 million, 18 million square feet sort of a portfolio.

So Bangalore will take us some time, but definitely, there is a revamped demand to our products to our brands, which I've already highlighted that how from last 10 years, we were doing just 80,000 on a year-on-year basis. We have reached 2.5 lakh to 2.8 lakh square feet, which is a 3x growth on the presales front. But going ahead, we want more projects so that we can show more growth at Bangalore. We are not competing with sort of a show-offs [the stage we get with] other players. Our idea and our aim is to just acquire 1 million square feet over a period of next 2 to 3 years. And for the same, the business development efforts are going on, it's at a right time, we will hit a couple of transactions. And then probably, once we are opening new sort of projects, then we would be able to show some sort of growth at the Bangalore region. Now...

Nikhil Upadhyay

Sorry to interrupt, but just one follow-up here. Now as you said, like when we are going for the project acquisition and based on the commentary, which you have mentioned, like you seem to be very bullish about Mumbai in terms of the redevelopment, where the ROCs could be very high. You have a very strong position in Puna but when you are going into Bangalore and the kind of competition, do you see that the kind of deals or the -- when you are sitting and discussing with the JV partners or anyone so the ROCs are the negotiating power, which we have probably in Pune or probably now in Bangalore with societies, we -- Bombay, we have with societies, we have a similar bargaining power in Bangalore?

Gopal Sarda

I think more or less say, but not exactly to the power what we are enjoying at Pune region definitely because the brand presence at Pune versus Bangalore is different. So we may have to work on a moderate margin as far as the Bangalore region is concerned, we can't ask for a super abnormal margins or a very, very asset light. So we have to take some sort of investment and moderate margins at Bangalore. But slowly we can revamp that. So no doubt on that front, we cannot enjoy the same privilege what we have at Pune market.

And coming back to your next question, I think as far as the presales and overall sort of uptick and you were talking about the inventory. As I said earlier, I think probably from last couple of quarters, it's more of a sustenance inventory, and we are selling that inventory from last 2 years. So probably, if you see the ongoing and unsold inventory, what is lying September 2020 is just 3.9 million. And if we have to target a 3 million inventory from 3.9 is next to impossible because customer wants choices. A customer wants different locations. So I think what we are lagging behind is the new launches, wherein we have the visibility now. And probably, once we will be opening the new launches and new locations then you will see there is a sharp uptick in the presales, and we are gaining on the market share.

Operator

You we'll take the last question from the line of [Rohit Ramakrishna] from Ritzi Capital.

Unknown Analyst

Yes. Sir, just 2 questions. One, I think you mentioned about some of the partnerships or landing that you are planning to do, you're looking not from an IRR because maybe the investment will be much lower, and you're looking at a cost vertical. So you said that, let's say, around [60,500], the take rate is the selling rate, when you look at about INR 1,000 as profit. So when you're talking about this, this is -- what exactly this is your operating like EBITDA or this is PBT or this is your after tax profit, what is it exactly are you referring to? Just broadly, if you can sure. That's the first question. Maybe after this, I'll ask the second.

Gopal Sarda

Sure. So I think when I talk about per square feet margin, on a DM project, I think if I'm getting INR 900 per square feet on a project of 7,000-ish at a selling price, which is coming to me at a 10% sort of EBITDA. When we talk about the profit sharing, per se, it looks like that we are at a 20% sort of EBITDA. And when we talk about the IRR, it looks on an extremely high side. So I just wanted to give you a further example, the whole idea to give a per square feet because it's 1 million square feet project, wherein we have to give just a INR 10 crore in a deposit and if I am getting a [45] as a PBT, then that is a 4x from the ROC perspective, but there were 4 multiple.

But as far as the margin per square feet is concerned, it is just a INR 400 per square because sometimes you have to have do analysis from a variety of angles. So you have to also ensure that you are maintaining the EBITDA, ROC and IRR. But at the same time, the per square feet margin has to be anything above 700-ish. So ranging for a JV is typically 12% to 15% of top line as far as the redevelopment and profit sharing, we are at 20%, 22% sort of EBITDA and when we go for a pure-play outside model, then we expect that 28% to 32% sort of EBITDA and a 25% to 30% sort of IRR.

Unknown Analyst

Sir, just before I move to my second question, just as a follow-up, so as you sort of alluded to in your earlier commentary that going forward for us to reach that kind of throughput of about 4.5 million or 5 million square feet. A large part of it is dependent on the kind of BD we do. So -- and some of these, you mentioned, what kind of margin on woman. So is it also fair to assume that, I mean, if you look at it from a P&L perspective, maybe the EBITDA margins would be lower than what they have been earlier for us. Is that a fair comment to make?

Gopal Sarda

I think what we have to look from is a long-term perspective, maybe a couple of quarters, you see that the EBITDA margin growing 18% to 20%, and couple of projects, you see the EBITDA margin slowing from 20% to 32% but over a period of 4 years, I think we should be able to maintain the healthy EBITDA, which we are doing from last 3, 4 years, which is in the range of 25% to 27%. But yes, depends on the deal, depends on the presale flowing from which region under weak structure, EBITDA would be a very fluctuating sort of a game going ahead. But there would be a significant improvement in the APR because Mumbai projects contributing Puna historical projects wherein the APRs on a higher side. And we will always ensure that on the ROC front, we are ahead of the cloud. If you look at our peers, I think most of our peers are in the range of 3% to 7% ROC and ROE, while we are continuously maintaining 15.5% as an ROC and 11%, 12% sort of ROE.

And I think on the scale front is what we are gearing up so that we can compete in all parameters while maintaining the integrity of the balance sheet and remaining low on the debt. So I think the differentiator, what we are trying to play is remain low on the day and still try to show growth and remain asset-light and still try to build ROC and IRR. So these are our extreme parameters, which we have set for us, and we are working hard on the same to deliver the same. Hopefully, next 2 to 3 years, we can position ourselves as a real estate differentiator and create some sort of a very good value creation for all the stakeholders.

Unknown Analyst

So the last question was that -- so you have stopped sort of announcing the deals, but you seem very confident of announcing some business development deals. So these are under some CPs or? I mean these are not yet closed or anything can go wrong from there from that perspective? Or everything is closed and you just are waiting for a few things?

Gopal Sarda

So I think this time, I was very, very confident on my talk because there are -- the term ships are binding on the landowners and not on us. And obviously, the substantial progress has been happened. We have started working this time across spectrum simultaneously. So probably the duties going on, the drafts are going on. The designs are getting free and we are trying to catch up easy from a deputy agreement to launch stage. So we are confident that we will be able to clock the 3 million square feet sort of business development in this financial year itself.

Unknown Analyst

Got it. And from the, let's say, whenever you announced to the launch, one should take about 12 months or can it be even protractive?

Gopal Sarda

I think from acquisition, once we enter into a definitive agreement and then once we have announced a transaction, we will try to bring down the launch time line to 6 to 9 months because the back-ended workings have already been started.

Unknown Analyst

Got it. And sir, absolute last question, sorry, you have said last couple of times. So if you see in the last 5 years, our ROC has ranged at between -- have average around 14%, 15%, and the sector has been like really going through a very tough time. So can we sort of -- I mean, typically, you earn very low ROCs in down cycle and when you have like a multiple multiplier of that in an up cycle for a typical player. Now even we have been fairly like protected in terms of our own ROC also, and that's very commendable. But you also see that when the cycle turns, we will be a bit like others may earn like very high ROCs and because we've not suffered that much.

So by the virtue of simple [erosion], we will not also see very high fluctuation. And we hover around 20%, 22% only. Or do you see that this 15% ROC can actually see a step jump to, let's say, 30%, 35% also, which is very typical in a very strategic sector like ours.

Gopal Sarda

So I think it's a very futuristic sort of question, and I have to -- I'll try to give you the best of the answer. But as I said, the differentiator, what we are trying to do is that low under debt, low on doing transaction on asset light. And the moment, let's assume, suppose tomorrow, we are doing 3 or the DME is directly adding to other income and going -- adding to the pack. So there is no sort of cost which is coming on the P&L and if the path is expanding to the next level and when you divide it by your network, you will see the ROC is ranging from 15% to 25%.

So that is very much possible with Kolte-Patil developers. I think the reason being the way we are structuring the transaction, we are remaining light, but we are also ensuring the decent profitability so it may possibly next coming 3 to 4 years, the ROC can expand from 15 to 22, 24 sort of a journey. But for the same, I think what we have to do is basically the projects which we are acquiring under revenue sharing and probably projects, not on the project under profit sharing in DMA, those have to contribute well because under revenue sharing, obviously, the EBITDA will be low. That is not directly improving our all financial parameters. But under profit sharing and DMA, definitely, the ROC will go to the next level. So it's all depend whether the maximum transactions are coming from revenue sharing or the transactions are coming from profit sharing and DMA. But if it's in the later part like profit sharing, and DME, definitely, ROC will go from 15 to 24 sort of journey.

Operator

Ladies and gentlemen, that will be the last question for today. I now hand the conference over to the management for the closing comments. Thank you, and over to you.

Gopal Sarda

Thank you once again for your interest and support. We will continue to stay engaged. Please be in touch with our Investor Relations team for any further details or discussions. Look forward to interacting with you next quarter. Thank you.