

Date: 23/08/2023

To
The BSE Limited
Department of Corporate Services,
P.J. Towers, Dalal Street,
Mumbai- 400 001
Scrip Code equity: 503101

National Stock Exchange of India Limited
Listing Department,
BKC, Bandra (E)
Mumbai-400 051
Symbol: MARATHON

Sub: Transcript of Q1 FY'24 earnings conference call

Pursuant to Regulation 30 and Regulation 46(2) (oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of Q1 FY'24 earnings conference call held on Wednesday, August 16, 2023. The Transcript is also available on the Company's website at <https://www.marathonnextgen.com/>

Kindly take the same on record.

Thanking you,
Yours truly,

For Marathon Nextgen Realty Limited,



K.S. Raghavan
Company Secretary & Compliance Officer
Membership No: A8269
Place: Mumbai
Encl: A/a



“Marathon Nextgen Realty Limited Q1 FY '24 Earnings
Conference Call”

August 16, 2023



**MANAGEMENT: MR. CHETAN R SHAH – CHAIRMAN AND MANAGING
DIRECTOR – MARATHON NEXTGEN REALTY LIMITED
MR. MAYUR SHAH – VICE-CHAIRMAN – MARATHON
NEXTGEN REALTY LIMITED
MR. KAIVALYA SHAH – PROJECT HEAD, NEO HOMES,
MARATHON NEXTGEN REALTY LIMITED
MR. SAMYAG M. SHAH – PROJECT HEAD, MARATHON
FUTUREX AND NEXTGEN – MARATHON NEXTGEN
REALTY LIMITED
MR. S. RAMAMURTHY – CHIEF FINANCIAL OFFICER,
WHOLE TIME DIRECTOR – MARATHON NEXTGEN
REALTY LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Marathon Nextgen Realty Limited's Q1 FY '24 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Binay Sarda from E&Y. Thank you, and over to you, sir.

Binay Sarda: Thanks, Carol. Good afternoon to all the participants on the call and thanks for joining this Q1 FY '24 Earnings Call for Marathon Nextgen Realty Limited. Please note that we have mailed out the press release and presentation to everyone and you can also see the results on our website as well as it has been uploaded on the stock exchanges. In case if you have not received the same, you can write to us and we will be happy to send it over to you.

Before we proceed with the call, let me remind you that the discussion may contain forward-looking statements that may involve known or unknown risks, uncertainties and other factors. It must be viewed in conjunction with our businesses that could cause future results, performance or achievement to differ significantly from what is expressed or implied by such forward-looking statements.

To take us through the results of this quarter and answer our questions, we have with us the management of Marathon Nextgen represented by Mr. Chetan Shah, Chairman and Managing Director, Mr. Mayur Shah, Vice-Chairman, Mr. Kaivalya Shah, Project Head, Neo Homes, Mr. Samyag M. Shah, Project Head, Marathon Future X and Nextgen and Mr. S. Ramamurthy, Chief Financial Officer and Whole Time Director.

We will be starting the call with a brief overview of the quarter gone past, which will then be followed with the Q&A session. With that said, I will now hand over the call to Mr. Chetan Shah. Over to you, sir.

Chetan Shah: Thank you, Binay. Hi. I am Chetan Shah, Chairman and Managing Director, Marathon Nextgen Realty Limited. We are delighted to announce robust quarterly results driven by a favorable demand landscape leading to pick up in sales booking across our projects.

We remain committed to sustaining improvement in our financial performance and continue to focus on increasing sales momentum enhancing collection efficiency, generating robust cash flows and reducing debt.

The ongoing consolidation within the real estate sector coupled with the reduction in inventory level signals a very promising landscape. These trends point towards a sustained positive trajectory in real estate cycle characterized by escalated prices and absorption rate amidst constrained supply.

With a resounding performance in the first quarter, we are confident of achieving new milestones going forward, and we remain positive on the future outlook supported by our healthy launch pipelines and access to vast land parcel across Mumbai Metropolitan Region, MMR, for development.

Friends, operational highlights for Quarter 1 Financial Year 2024:

Area sold stood at 1,31,000 square feet. Booking value stood at 199 crore. Collections stood at 166 crore, and average realization stood at Rs. 22,500 per square feet for commercial and Rs. 16,500 per square feet for residential.

Consolidated financial performance is as under for Quarter 1 Financial year ending 2024. Net revenue stood at 210 crore as compared to 98 crores in Q1 FY '23. EBITDA in Q1 FY '24 stood at 80 crores as compared to 47 crores in Q1 FY '23. Profit before tax stood at 45 crores as compared to 15 crores in Q1 FY '23. Profit after tax stood at 43 crores as compared to 12 crores in Q1 FY '23.

On the debt scenario, net debt stood at 832 crores as on 30th June '23.

The cash flows as on 30th June '23, balance collections from sold units completed as well as ongoing in all launch projects stood at 592 crores. Total spending estimated project cost to be incurred stands at 1,025 crore. Total estimated revenue from unsold inventory stood at 1,904 crores. These are based on a 40% revenue share for Monte South project. You know, we have not taken a 100% share in this number.

Friends, with these we seek your questions regarding the numbers that we have shared or any other query that you may have. Binay, we would want to keep it open for questions.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-answer session. The first question is from the line of Gopal Agarwal from Aagman Advisors. Please go ahead.

Gopal Agarwal: Sir, I just want to ask a few things. With respect to EBITDA margins, can you just throw some light on EBITDA margins for each of your project tentatively?

Chetan Shah: We have an overall range of EBITDA margin of between 30% and 45%. So, what we have achieved, because every quarter has a different mix of different projects. So, quarterly, it keeps on varying. So, what we have reached currently the EBITDA margin is about 36% as compared to 28% last quarter, we have reached 36% this quarter.

Gopal Agarwal: And sir, what is the sustainable are you expect to go forward as well?

Chetan Shah: So, the EBITDA margin is between 30% and 45%. So, we would hope that we will be able to continue more than 30% going forward.

Gopal Agarwal: So, we can expect north of 30%, right?

- Chetan Shah:** Yes.
- Gopal Agarwal:** And sir, can you provide net cash flow guidance for the completed project as well as ongoing projects?
- Chetan Shah:** Sure. So, we have in our presentation submitted the, you know, project-wise cash flow also, but I can overall tell you that balance collections from sold unit which is completed and ongoing in all launch projects stood at 592 crores. So, 592 crores of committed sales collection is pending and unsold inventory valuation as per the last sales rate is 1,904 crore. Both put together, 1,904 crores plus 592 crores, that's about 2,500 crore, and pending estimated project cost is about 1,025 crore. This is based on a 40% share in Monte South.
- Gopal Agarwal:** And sir, one last question. Sir, what is the general price hike expectations over the next one or two years for our current projects?
- Chetan Shah:** I would let Mayur answer this question.
- Mayur Shah:** So, the sales at a little higher prices are also consistent. That is what we are saying across the project. The commercial we have been able to increase the ready inventory prices by almost 15% the Marathon Future X and even in residential project Monte South, depending upon the floor level and the ready and under construction inventory, the prices have been increased by at least 15%. 10% to 15% is the residential prices which has gone up compared to last year. That is the market scenario that we are seeing, you know, in all our projects, the prices have increased from the previous year's average by 10% value.
- Gopal Agarwal:** Sir, I am safely assuming that there is very good demand for this is the increase in the price.
- Chetan Shah:** Yes, yes, there is very good demand which gets reflected in the revenue that we are showing in this quarter.
- Chetan Shah:** So, great any other question?
- Gopal Agarwal:** No, sir.
- Moderator:** Thank you. The next question is from the line of Srishti Tandon from NVS Brokerage. Please go ahead.
- Srishti Tandon:** I just had two queries. First, please share your growth plans, sales and your key focus areas for the next three to five years.
- Chetan Shah:** Well, we have shared in our PowerPoint that we have uploaded project-wise, but I can give you the total numbers.
- Srishti Tandon:** Yes.

Chetan Shah: The launches next year we are going to have Monte South, which is a Byculla project. We will have at least 200 units launched, which will roughly amount to about 3 lakh square feet, and at the rate of, current rate of 22,000, the value of this launch is going to be about 660 crore. On the Neo Park Phase 3, there is going to be 525 units that are going to be launched. The area is about 1,80,000 square feet and the rate is between 9,500 and 10,000. The value of this launch is going to be 171 crore and Neo Park Wing C will have 147 units launched. 57,000 square feet is the area, and at the rate of 9,500, it will give a value of 55 crore. So, these three launches put together will give us a launch of about 872 units and area of about 5,37,000 square feet and the value of 886 crores.

Mayur Shah: Just to add to that, there is one launch which is planned in Panvel along with the launches that we just spoke about in Monte South, and that launch is likely to be about 4 to 5 odd lakh square feet, and currently, we are at a rate of about 6,200 over there. So, you know, 200 crore plus is a number that we are looking at launching over there.

Chetan Shah: So, as far as the launch is concerned, you know, generally, it is in the festive season, which were the sort of start September, October, you know, Dussehra, Diwali. So, it would be launched in the third quarter of the financial year.

Srishti Tandon: And sir, one last one. What is the general price hike expectation over the next one or two years in our current project?

Chetan Shah: Ms. Tandon, that is a little difficult to answer, what is going to happen in future, but what we can see in the past, we have had a price growth of about 10% across various segments. Some segments have grown by 15% to 20%. Sub-segments have grown by 5%. So, overall, we can expect across the board in general a 10% hike over next one year.

Moderator: Thank you. The next question is from the line of Harish Shah from Admin Advisors. Please go ahead.

Harish Shah: I just wanted to ask you with regards to your land bank, are we looking to do any acquisition or do you prefer to choose any JD or JV asset light route? That is question number one. And question number two, if you can just give some more highlights on the part of Panvel projects, how is your phase, what is the phase momentum currently?

Chetan Shah: Thank you, Harish, for asking this question. What we have the land bank and our one of the slides that is giving in the, you know, PPT that we have uploaded has an upcoming project which mentions about five projects which are already ongoing currently. Phase one, phase two is already ongoing and phase three yet to be launched. That pipeline consisting of five projects is about 31.5 lakh square feet. Estimated value is 4,660 crore. The breakup is given in the PowerPoint.

Now coming to your second question about the other land banks, we are already looking at acquiring a Company where the Company has about 14-acre land in Bhandup. So, that is

something that would be an acquisition and we would be seeking permission of the shareholders at the AGM. So, that will also contribute about net value of about 2,250 crore of turnover over next 10 years. So, these are, you know, some of the projects.

The project that we are looking at are generally asset light models, and they are in joint development more in the sense that we would be giving some top line revenue to the landowner. For example, our Bhandup project, we would be giving roughly about 10% of the top line to the landowners. So, that is how most of the new projects are being acquired where investment requirement would be very minimal so that we don't have to incur higher debt, but the turnover contribution in the revenue would be much higher.

Harish Shah: And if I may be allowed to ask two more questions, so this is again with respect to your debt. What is the debt reduction plan that we anticipate by the end of FY '25? And please can you state what is the current cost of debt?

Chetan Shah: The current cost of debt is about 14.5%, and it is substantially reducing. If you see the debt service coverage ratio which was 0.61 has gone to 1.18 and interest service coverage ratio has also improved substantially to 2.77. So, that is what the Company is already working on that aspect. The debt equity ratio has also been reduced to less than one or just about one. Over the last four, five quarters, we have reduced it substantially. What was the other question?

Harish Shah: No, I think you have answered that. And with regards to my last question, what are the sales value that you are targeting in FY '25?

Chetan Shah: Year-wise breakup we don't have, but what we have given is the number that is going to come from the future. So, some of those, some of the projects will get over in three years so that that cash flow would be spread over three years, while other projects may be getting over in one year. So, it just, you know, the breakup is not there.

Harish Shah: But ballpark, any ballpark that you would like to share?

Chetan Shah: These forward-looking statements we may not be able to make, but we have given the numbers, and we also given the yearly, year ending deadline. So, from that, you know, if you divide the number of quarters over which these projects are going to get over, that number can be derived. We have not derived that number. But it is there in the PPT. Yes.

Moderator: Thank you. The next question is from the line of Bhavik, an individual investor. Please go ahead.

Bhavik: I actually joined the call a bit late. So, I am not sure if this question was answered. Sir, my first question is, when do you plan to launch the Phase 3 of Monte South as well as the Phase 3 of Nexzone and Neo Park?

Chetan Shah: So, Phase 3 of Nexzone we have already put our plans for approval, but we expect those approvals to come probably by Q4 of this year or Q1 of next year, and you need to take RERA

approvals there as well. So, probably three odd months post that is what we are planning to launch at for phase three of Panvel Marathon Nexzone.

Mayur Shah: And regarding Neo Park Phase 3, we will be doing it in this financial year probably during the festive time.

Chetan Shah: See both of the launches are planned sometime just pre-Diwali. That is around Dussehra. So, it would be in the third quarter of the year that we would be launching.

As far as your question about Monte South Phase 3, we already have Phase 1 and phase 2 in the offing which consists of Tower A, B and C. So, that is what is right now going on, and Phase 3 is about two years away after completion of, substantial completion of third tower, we will be launching fourth tower.

Bhavik: And sir, what are the other projects in pipeline which you plan to launch in the near future, like in maybe one year or so?

Chetan Shah: So, we have actually answered this question, but I will repeat it, but the launch pipeline of this year, we are about approximately going to launch around 800, 900 apartments. The total area which is going to be around 5.5 lakh square feet, and total value will be around 850 odd crores.

Bhavik: And sir, last question is how much is the ready-to-move-in inventory?

Chetan Shah: Most of our residential construction areas are, you know, getting sold while we complete, and within six months of completion, the residential inventory gets sold. Having said that, the commercial inventory at Marathon Future X is just got completed. The 38th floor occupation certificate we received this quarter. So, that is something that is being proposed to be sold. It is about 2 lakhs square feet of inventory in commercial project Marathon Future X.

Mayur Shah: And to add to that, residential inventory which is completed is less than 10% of the whole tower, which is Monte South Tower A.

Management: I would just like to add one thing about Future X. So, out of the 2 lakh square feet which is now ready, close to 1.2 lakhs is something that, as was mentioned, we have just received OC, which was in about May, June of this year. So, that's something that we just got ready, just to give a perspective on that.

Moderator: Thank you. The next question is from the line of Monika Arora from Share Giant Wealth Advisors. Please go ahead.

Monika Arora: So, my first question is, can you please provide some details in regard to the acquisition of 14 acres of land in Bhandup? And is it an outright purchase or a JDA? Also, if outright purchase, and what is the total cost? And how have we finance the same?

- Chetan Shah:** This 14-acre land is actually already purchased by a Company Nexzone Fiscal Services Private Limited, and we are trying to acquire 90% stake in this Company by fresh issue of shares. Okay. So, that is being planned at the Board level. The sanction has been received. At AGM, we will be proposing this acquisition. Okay. So, after the Annual General Meeting, shareholders approve this, this will proceed further. It consists of the Company already has a 14-acre land, and we have shared the numbers that 2,250-crore worth of revenue it can generate and profits of about 325 crore can be generated on this land parcel.
- Monika Arora:** So, in development agreement?
- Chetan Shah:** It is the Company already has JDA with the landowner. The landowners would be paid roughly about 9% to 10% of the top line.
- Monika Arora:** And in your last call, you said that you are planning to sign some redevelopment opportunities. So, could you update on the same?
- Chetan Shah:** We are still looking for one. We have discussed three projects, but these projects are, you know, they take time to actually materialize. We need to look at the development control rules and, you know, all these various postal zone regulations etc. So, there is no projects that we can, you know, make any announcements currently.
- Monika Arora:** And sir, any particular geography you are targeting or it is agnostic?
- Chetan Shah:** Yes, we are looking at lower Parel Worli or the South Monte kind of a redevelopment project.
- Monika Arora:** And sir, if I could pitch in one more question? Are you also working along the lines to merge the listed and the unlisted entity, given that the unlisted entity has all the land banks, so any update on that?
- Chetan Shah:** Well, that is on and off the table, you know, various times, we have looked at it, and then the cost of merger, the valuations and all that. So, what we have always done is all the new acquisitions that are there are being taken in the distal entity. Out of the old acquisitions, if they are in the standalone companies, then those companies are getting merged into this entity.
- In the past, we have done this with Sanvo Resorts Private Limited, which is our Panvel Nexzone project. We have also done with the Millennium Commercial Project which is Terrapolis Assets Private Limited. So, these two companies which were group companies of the listed company.
- Similarly, this proposed acquisition of shares in Nexzone Fiscal Services is also a group Company, which we are trying to. So, in bits and pieces, we are trying to merge the projects which are privately held into the listed sphere.
- Moderator:** Thank you. The next question is from the line of Madhur Rathi from CCIPL. Please go ahead.

- Madhur Rathi:** Sir, I just wanted to know the upcoming projects for all for 4,600, out of which 2,400 crores, 2,500 crore will be in our range. So, what is the timeline when we hope to launch these? And when can we expect these to be completed?
- Chetan Shah:** Well, right now we are going on. You have a two list. You know, one is ongoing project. So, ongoing project is what is currently on, and there is a cash flow. The cash flow of about 3,000 crore from unsold area is yet to be received and on top of that, there is an upcoming project. As you mentioned, 4,650 crore worth of upcoming projects, 31.5 lakh square feet of sale area.
- Now these areas, these are going to be launched over the next five years. So, there are different timelines for different projects. Monte South Phase 2, Phase 3 is going to be launched after Tower 3 is substantially booked. Marathon Nexzone Phase 3, we are still in Phase 2 development going on in Panvel and we will probably be launching another 4 lakh square feet this financial year from Phase 2. After that we will be taking Phase 3. So, that is also about two years away. And Neo Park Phase 3, 4, 5 will come sooner, but that is not yet in the fixed date plan. All these projects are likely to be starting between 12 and 36 months.
- Madhur Rathi:** So, we can expect the revenue to be like order booking to be in the next five years?
- Chetan Shah:** Yes. Because once you launch it, the booking and the sales number start pouring in over like three to five years.
- Madhur Rathi:** And sir, my next question would be, out of the land bank that we have around 100 acres in Panvel, Thane, Bhandup, Dombivli, all these land banks we have, are there any projects under pipeline that we are hoping to launch? And what kind of revenues are you expecting from the same over the next four or five years?
- Chetan Shah:** Mayur Shah will answer this question.
- Mayur Shah:** So, that is a Marathon group level land bank which we are having. Today, Marathon Nextgen has a sufficient project pipeline for at least the next three to five years. As and when the Group looks at an opportunity, definitely Marathon Nextgen will tie up that blue plan and bring into the Company.
- Madhur Rathi:** So, these lands are with our with our private Company.
- Chetan Shah:** Yes.
- Madhur Rathi:** And sir, what is the IRR or ROCE that you expect before making any new investments? And what kind of profit margin do we like make sure before making any new investments?
- Chetan Shah:** Our EBITDA Margin is in the range of 36% to 45%, and our PAT margin effectively should be 15% after tax and everything. So, these are, you know, some of the guidelines that we use. Our wealth should keep on growing at 15% year-on-year. So, these are some of the broader strategic numbers based on we acquire new land, new projects.

- Madhur Rathi:** And sir, just my final question. What kind of debt to equity do we hope on maintaining and like before doing any project or so in that, if you could highlight, that would be very helpful?
- Chetan Shah:** So, the debt to equity, we are comfortable with debt-to-equity ratio of 1. So, normally, it varies between 0.75 and 1.25. You know, it keeps on hovering between these two numbers. As far as we are happy with our debt service coverage ratio and interest service coverage ratio, which currently, ISCR is at 2.77 and DSCR is at 1.18. So, the debt is within control.
- What happens is our IRRs are much higher than the cost of debt. Cost of debt, as we answered in another one of the questions, is about 14.5%. So, if our IRR and our EBITDA margins are, you know, 35%, there is a leverage that is available by borrowing money. So, not borrowing is also not a good idea in real estate companies. So, we are generally within the range of 0.75 to 1.25. It gets close to 1.
- Moderator:** Thank you. The next question is from the line of Kunal Jain from District Capital. Please go ahead.
- Kunal Jain:** Sir, I have project related question. So, what is the sales momentum you are witnessing in Monte South and Future X project?
- Chetan Shah:** So, Monte South, the sales have really picked up because our project Tower A, we already got occupancy certificate up to 51st floor, and the tower is already progressed up to 59 floors. So, there, typically, we are getting a booking, sales booking of around 15 to 18 units per month. In terms of number of crores, it is around 45 crore per month is something which we can easily book as the projects have really progressed quite well.
- Currently the presets number in Monte South is about 75,000 square feet valued at about Rs. 180 crore. Pre-sales are the numbers which are, you know, booked, but yet not registered document. So, these are the numbers which will get reflected immediately in the coming quarters.
- Kunal Jain:** And sir, are we still seeing any price hikes in this project.
- Mayur Shah:** Yes. So, you know, the price hike are taking place wherever that's possible. So, just to give you an example, in Marathon Future X, if you see over the last four to six quarters, we have managed to get about a 15% price hike in the project. Obviously, that is very dependent on the stage of the project, completion, type of space. If you are aware in Lower Parel, there is a different space, you know, there is IT, Commercial, different type of uses and things like that, but on a general basis, we have managed to get it, and we have done it wherever possible, we have increased it without, you know, it is affecting the velocity of sales.
- Moderator:** Thank you. The next question is from the line of Darshil Pandya from Finterest Capital. Please go ahead.

- Darshil Pandya:** Sir, anything that, you know, you like to see a new geography going forward, like, you know, we have seen good investments coming in in the North Mumbai area where in Rustomjee, Sunteck and other players have shown some good response. Do you have something in your mind entering these locations?
- Chetan Shah:** Well, for acquisition of new projects, no, we are already into the geographies that we are working particularly in North Bombay. What we are definitely considering is something in South Bombay. North Bombay, we already have good projects in Bhandup, and in MMR region, if you see, we have good project in Panvel going on. Mulund, we have a commercial building going on. And in South Bombay, we have this Lower Parel commercial project going on near Marathon Future X. And Byculla, we have a residential project going on which is Monte South. With all these projects, we have quite a good work to be done over next three, five years. So, there is nothing immediately we are looking at in North Bombay.
- Darshil Pandya:** And just, you know, I heard you saying that debt is also one of another option that you would always like to have. So, do we expect fundraising or something going forward?
- Chetan Shah:** Well, no, there are no immediate plans for fundraising because we are comfortable with most of the projects are financially closed projects. We have tied up with the bank loans and, you know, sales velocity is also really great. So, from that perspective, there is no need for immediate fundraising to be done. The cash flow, as you have mentioned, is also very comfortable, and construction finance is very easily available for good projects with clear title. So, I don't see any new fundraising to be done in near future.
- Moderator:** Thank you. The next question is from the line of Dr. Amit Vora from the Homeopathic Clinic. Please go ahead.
- Amit Vora:** My question is answered.
- Moderator:** Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to the management for their closing comments.
- Chetan Shah:** Thank you very much all who participated in today's Concall. We really appreciate your questions and some of the questions put us to think about the future route that we want to take. So, thank you very much for your suggestions and participation in the Concall.
- Moderator:** Thank you. On behalf of Marathon Nextgen Realty Limited, that concludes this conference. Thank you all for joining. You may now disconnect your lines.