Embassy Developments Ltd — Aug 2023 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Miss (Accounting-heavy) **One-line:** A "kitchen-sinking" quarter where new management has aggressively provisioned for legacy promoter-linked receivables (□629 Cr) while facing a strategic setback with the MIDC termination of the 2,500-acre Nashik SEZ.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Weak Miss	Adj. PAT loss of □50 Cr; massive reported loss of □679 Cr due to exceptional items.	□
Earnings Quality	Low (One-off driven)	Reported PAT wiped out by □629 Cr provision; core EBITDA remains negative (-□44 Cr).	□
Guidance Confidence	Neutral	Launch pipeline pushed to Q4 FY24; realization of "Net Surplus" (□5,997 Cr) is backend-heavy.	□
Management Credibility	Improving	New management is actively challenging "erstwhile" promoter actions (London receivables).	□
Business Quality Signal	Deteriorating	Nashik SEZ termination notice puts ~44% of total land bank (by acreage) under legal cloud.	□
Key Q&A Exchange	N/A	Section not applicable — PPT_ONLY.	□
The Street's Primary Anxiety	Legacy Asset Leakage	Recovery of London receivables and status of the MIDC Nashik lease termination.	□
Capital Cycle Stage	Consolidation	Focusing on de-risking the balance sheet and preparing for late-year launches.	□
Margin / Return Ratio Trajectory	Deteriorating	Massive hit to Equity (down from □3,667 Cr to □3,026 Cr QoQ) drags ROE prospects.	□
Pricing Power	Stable	High-end Worli/Thane inventory priced at □35k/□15k psf respectively.	□
FCF Conversion & Quality	Distorted	Net debt remains negative (Net Cash), but cash is consumed by opex/interest vs sales.	□
Competitive Moat Signals	Stable	Significant land bank (3,226 acres) remains a long-term advantage if titles are cleared.	□
Balance Sheet Strength	Adequate	Net Cash position of □310 Cr provides a buffer against operational losses.	□
Working Capital Efficiency	Deteriorating	Inventory slightly down to □4,743 Cr; "Other Assets" likely contain stuck receivables.	□
Mgmt Guidance Track Record	First entry	This is the baseline quarter for the current management's strategic pivot.	□
Key Vulnerability	Legal / Regulatory	Potential loss of Nashik SEZ land and inability to recover Clivedale dues.	□
Management Tone	Defensive/ Assertive	Assertive regarding legal rights; defensive regarding legacy financial holes.	□

Key Takeaways: * **Positives:** Management is showing "governance teeth" by voiding prior board resolutions that waived □629 Cr in London receivables, signaling a clean break from the erstwhile promoters. The company maintains a Net Cash position (₹310 Cr), a rarity in the sector. * **Negatives:** The MIDC termination notice for the 1,424-acre Nashik SEZ (totaling 2,500 acres including subsidiaries) is a massive blow to the "Land Bank" thesis. Operational performance is stagnant, with negative EBITDA (-₹44 Cr) and all major launches back-ended to Q4 FY24. * **Street Concern:** Analysts will likely focus on the timeline for "Sky Project" acquisition and the potential for further write-offs in the non-core land bank. * **Forward Watchpoint:** Monitoring the legal progression of the MIDC lease challenge and the Q2 FY24 refinancing of ₹144 Cr in bonds triggered by the Infomerics rating downgrade.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS *PPT not available — numbers from investor presentation (PPT_ONLY mode)*

Metric	Current Qtr (Q1FY24)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Presales (₹Cr)	90 (Est. from chart)	Not in doc	Not in doc	→	Volume driven by sustenance sales in ongoing projects.
Revenue (₹Cr)	Not in doc	Not in doc	Not in doc	→	Presentation focuses on Surplus/Inventory values over quarterly P&L.
PAT (₹Cr)	(679)	↓ 1205%	↓ 81%	↓	Driven by ₹629 Cr exceptional provision for London receivables.
Adj. PAT (₹Cr)	(50)	↑ 3.8%	↑ 39.7%	↑	Core loss narrowed vs Q4 FY23 (₹83 Cr loss).
Pre-tax Op. Cash Flow (₹Cr)	Not in doc	Not in doc	Not in doc	→	Gross collections and construction spends shown as charts only.
Realization/sqft (Worli)	₹35,000	Not in doc	Not in doc	→	Pricing held firm at premium Worli projects.
Revenue Potential (GDV)	₹10,858	Not in doc	Not in doc	→	Represents total unsold inventory + pending receivables.
Land Bank (Acres)	3,226	Not in doc	Not in doc	→	1,424 acres (Nashik) currently under MIDC termination notice.
Net Debt / (Cash) (₹Cr)	(310)	↓ 128%	↓ 3.1%	↑	Slight reduction in net cash due to operational burn.
D/E Ratio	0.1x	→	→	→	Maintained low leverage despite equity erosion.
Avg Cost of Borrowing	12.8%	↑ 190 bps	↑ 50 bps	↓	Rate revision post-rating downgrade to "IVR A".

2B. SEGMENT BREAKDOWN

Segment	Area Unsold (msf)	Net Surplus (₹ Cr)	Realization (₹/psf)	Trend	vs Company Avg	Key Development
MMR (Worli/ Thane)	1.4	1,537	35,000	→	Premium	Worli JV with Blackstone (Spero) is the flagship.
NCR (Gurugram)	1.8	(28)	4,800-6,000	↓	Below Avg	Enigma/Centrum show negative surplus (Pending Costs > Receivables).
Tier II (Jodhpur/ Vizag)	0.3	132	4,000-4,800	→	Average	Primarily sustenance sales in completed projects.
Land Reserves	3,226 (Acres)	Not in doc	Not in doc	↓	N/A	Nashik SEZ (West) is 78% of the West land bank.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Math Feasibility	Historical Delivery	Risk Flag
Guidance	Launches	4 major launches in Q4 FY24 (Worli, Thane, Gurugram, Alibag).	High; needs ₹4,398 Cr GDV launch in one quarter.	First entry	HIGH: Regulatory delays.
Guidance	Recovery	Recovery of ₹629 Cr from Clivedale (London).	Legal-dependent; binary outcome.	First entry	HIGH: Counterparty risk.
Guidance	Debt	Prepayment and refinancing of ₹144 Cr bonds in Q2 FY24.	Needs external financing or liquidation of cash.	First entry	MEDIUM: Rating pressure.
Strategy	Asset Monetization	Monetize land banks in non-core areas.	Historical monetization has been slow.	First entry	MEDIUM: Liquidity.
Strategy	Project Ops	Target Net Surplus of ₹5,997 Cr.	Requires 12.2 msf of sales and execution.	First entry	MEDIUM: Market demand.
Macro	Regulatory	Challenge MIDC termination of Nashik SEZ.	Legal process usually takes 2-5 years in India.	First entry	HIGH: Land loss.

4. ANALYST Q&A

Section not applicable — investor presentation only. No concall conducted or available.

5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare.

What Changed	Prior Quarter	This Quarter	Direction
First Entry	N/A	N/A	N/A

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