Embassy Developments Ltd — Feb 2022 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline / Transitionary **One-line:** This quarter marks the definitive "clean-up" and structural pivot from a founder-led legacy entity to a professionally managed, institutional-grade platform through the Embassy merger.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Inline (Baseline)	9MFY22 Sales at □1,058 Cr for IBREL; integration committee active.	□
Earnings Quality	Moderate	Focus remains on collections (□946 Cr) and inventory liquidation over GAAP P&L.	□
Guidance Confidence	Neutral	Subject to NCLT final approval for the merger completion.	□
Management Credibility	Strong	Induction of K.G. Krishnamurthy (ex-HDFC) and Sachin Shah (ex-Embassy REIT).	□
Business Quality Signal	Improving	Pivot toward asset-light JDA models and high-growth Bengaluru/MMR markets.	□
Key Q&A Exchange	N/A	Concall not available — commentary absent.	□
The Street's Primary Anxiety	Merger Timeline	Management focused on NCLT order status and de-leveraging Embassy debt.	□
Capital Cycle Stage	Consolidation	Merging two large portfolios to create a top-tier listed developer.	□
Margin / Return Trajectory	Stable	Realizations in MMR (Worli) held at ~□29,853/sqft.	□
Pricing Power	Stable	Significant inventory in premium micro-markets (Worli, Hebbal).	□
FCF Conversion & Quality	Strong	Sold receivables (□1,190 Cr) provide 2x cover for IBREL near-term costs.	□
Competitive Moat Signals	Widening	Combined entity will hold ~3,600 acres, the largest land bank in the listed space.	□
Balance Sheet Strength	Stressed (Embassy side)	Embassy net debt at □5,407 Cr vs IBREL's □976 Cr; merger will re-balance.	□
Working Capital Efficiency	Improving	Relocation of offices to WeWork; focus on monetizing finished inventory.	□
Mgmt Guidance Track Record	First Entry	Professional management team has strong pedigree (Blackstone, Starwood).	□
Key Vulnerability	Regulatory Delay	Pending NCLT final hearing and approval for the composite scheme.	□
Management Tone	N/A	Concall not available — commentary absent.	□

Sentiment: □**Positive**

Key Takeaways: * **Positives:** The total exit of founder Sameer Gehlaut and the de-classification of promoters removes a long-standing governance overhang. The combined entity gains massive scale with a 17.6 msf (IBREL) + 53.3 msf (Embassy) pipeline and a dominant position in the Bengaluru commercial market.

Leadership hires from HDFC and Embassy REIT signal a shift toward institutional standards. * **Negatives:** The Embassy entity brings significant leverage (□5,407 Cr net debt), which will require aggressive monetization of the 42.5 msf commercial pipeline or land bank to service. Merger execution risks remain until the final NCLT order is passed. * **Forward Watchpoint:** Monitoring the monetization of the Gurgaon Sector 106 land parcel (term sheet signed for ~□580 Cr) as a litmus test for capital recycling speed.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

Concall not available — commentary absent.

Metric	Current Qtr (9M)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Presales - IBREL (□ Cr)	1,058	First entry	First entry	→	Includes Sky Forest project sales (~0.1 msf).
Presales - Embassy (□ Cr)	303	First entry	First entry	→	Driven by high-end Bengaluru residential.
Pre-tax Operating CF (□Cr)	1,195	First entry	First entry	→	Total collections: IBREL (□946 Cr) + Embassy (□249 Cr).
Realization - Worli (□/ sqft)	29,853	First entry	First entry	→	Maintained premium pricing in Mumbai luxury.
Revenue Potential (□ Cr)	10,210	First entry	First entry	↑	Combined inventory + ongoing sold receivables.
Revenue (□Cr)	Not in doc	First entry	First entry	→	Focus on cash flow/sales over recognition.
PAT (□Cr)	Not in doc	First entry	First entry	→	Not disclosed in investor presentation.
Land Bank (Acres)	3,600	First entry	First entry	↑	Largest among listed peers post-merger.
Net Debt / Equity (x)	0.81	First entry	First entry	↓	IBREL standalone; Embassy debt is the key hurdle.

2B. SEGMENT BREAKDOWN

Segment	Area (msf)	YoY Growth	Realization	Trend	vs Company Avg	Key Development
IBREL Residential	15.7	First entry	Premium	→	Core	7.7 msf ongoing; 6.1 msf planned.
Embassy Residential	10.8	First entry	Luxury	→	High Value	Entry into Senior Living (0.5 msf).
Embassy Commercial	42.5	First entry	Leasable	↑	Scale Driver	Focused on Bengaluru (IT/GCC hub).
IBREL Commercial	1.9	First entry	Mixed	→	Non-core	Includes Mega Mall (Jodhpur) & Vadodara.

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate	Historical Delivery	Risk Flag
Guidance	Merger Completion	NCLT final review/order awaited; shareholders/SEBI/CCI approved.	Completion by FY23 (implied).	First entry	High (Regulatory)
Guidance	New Launches	~7.9 msf of planned projects to be launched up to FY2024.	~1.3 msf per quarter.	First entry	Moderate
Guidance	Monetization	Gurgaon Sector 106 land parcel in advanced stage (term sheet signed).	₹580 Cr inflow expected.	First entry	Low
Strategy	Capital Allocation	Focus on asset-light JDA/JV/ Development fee models.	0% upfront land capex for new deals.	First entry	Low
Strategy	Asset Mix	Re-balance commercial (42.5 msf) and residential (26.5 msf) portfolios.	N/A	First entry	Moderate
Macro	Industry Cycle	Residential sector at "cyclical inflection point" with narrowing rental gap.	N/A	First entry	Low
Balance	Debt Reduction	De-lever balance sheet and reduce cost of debt post-combination.	Needs ₹2,000 Cr+ reduction to normalize.	First entry	High

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
Governance Structure	Founder-led (Sameer Gehlaut)	Professional Board (K.G. Krishnamurthy, Sachin Shah)	↑ Improving
Corporate Status	Standalone	Merger Integration active (Relocated offices to WeWork)	↑ Improving
Project Focus	Mumbai/NCR concentrated	Multi-city (Bengaluru, MMR, NCR, Chennai)	↑ Diversifying
Growth Strategy	Balance-sheet heavy	Asset-light (JDA/JV models)	↑ Improving
Portfolio Scale	17.6 msf	70.9 msf (Combined Pipeline)	↑ Expanding

STOP HERE.