# Embassy Developments Ltd — Feb 2023 Quarterly Analysis

## 1. VERDICT & BUSINESS QUALITY SNAPSHOT

*The punchline. Read this first — it frames everything below.*

**Result:** Inline (Sales) / Strong Beat (Balance Sheet) **One-line:** IBREL has successfully transitioned into a net-cash entity standalone (□580 Cr surplus), creating a massive liquidity buffer that de-risks the business while awaiting the final NCLT merger order with Embassy Group.

| Dimension | This Quarter | Signal / Evidence | Sentiment |
|---|---|---|---|
| Beat/Miss vs Prior Quarter | Beat (Balance Sheet) | Shifted from □976 Cr Net Debt to □580 Cr Net Cash Surplus. | □ |
| Earnings Quality | High (Cash flow driven) | Net cash movement of □444 Cr in Q3 alone, driven by collections and asset sales. | □ |
| Guidance Confidence | Neutral | Sales velocity is slowing; future growth hinges entirely on "Planned Projects" and Merger. | □ |
| Management Credibility | Strong | Delivering on the promise of de-leveraging and professionalizing the platform. | □ |
| Business Quality Signal | Improving | Pivot from a debt-heavy developer to a cash-rich land aggregator/developer. | □ |
| Key Q&A Exchange | N/A | Section not applicable — investor presentation only. | □ |
| The Street's Primary Anxiety | Sales Velocity | Presales have declined for two consecutive quarters (□297 Cr → □281 Cr → □241 Cr). | □ |
| Capital Cycle Stage | Consolidation | Monetizing legacy inventory to fund the next development cycle post-merger. | □ |
| Margin / Return Trajectory | Stable | Luxury realizations at Worli (□30,000/psf) and Lower Parel (□16,900/psf) remain firm. | □ |
| Pricing Power | Stable | Holding prices in core MMR assets despite lower volumes. | □ |
| FCF Conversion & Quality | Strong | Collections (□435 Cr) significantly outpace construction spend (□131 Cr). | □ |
| Competitive Moat Signals | Widening | 3,280-acre land bank is the largest in the listed peer group; difficult to replicate. | □ |
| Balance Sheet Strength | Strong | Net Cash Surplus of □580 Cr; interest coverage is no longer a primary concern. | □ |
| Working Capital Efficiency | Improving | Inventory liquidation in "Near Completed" projects (1.8 msf unsold) is a focus. | □ |
| Mgmt Guidance Track Record | Reliable | Executing on "asset-light" and "de-leveraging" strategy. | □ |
| Key Vulnerability | Merger Delay | Any further NCLT delay keeps the 53 msf Embassy pipeline out of reach. | □ |
| Management Tone | N/A | Concall not available — commentary absent. | □ |

**Sentiment: □Positive**

**Key Takeaways:** * **Positives:** The standalone balance sheet is now a fortress. Turning from □976 Cr debt to □580 Cr cash surplus provides the management with significant optionality for land acquisition or faster execution. Operational efficiency is high, with collections (□435 Cr) more than 3.3x the quarterly construction spend (□131 Cr). * **Negatives:** Sales momentum is flagging. Area sold has dropped from 0.5 msf in Q4FY22 to 0.2 msf this quarter. The "Planned Projects" pipeline (7.4 msf) has not yet seen active launches, and the company is heavily reliant on the Embassy merger to replenish its "Ongoing" project funnel. * **Forward Watchpoint:** The final NCLT approval for the merger remains the binary event for the stock; until then, the company is in a "harvesting" mode rather than a "growth" mode.

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## 2. BUSINESS PERFORMANCE

### 2A. KEY METRICS

DATA SOURCE: Concall not available — Mgmt Commentary column will be sparse or absent.

| Metric | Current Qtr | YoY Change | QoQ Change | Trend | Mgmt Commentary |
|---|---|---|---|---|---|
| Presales (□Cr) | 241 | ↓ (vs 634) | ↓ (vs 281) | ↓ | 59% of sales coming from <□1 Cr ticket sizes. |
| Area Sold (msf) | 0.2 | ↓ (vs 0.4) | ↓ (vs 0.3) | ↓ | Declining velocity; heavily skewed to mid-market. |
| Pre-tax Operating CF (□ Cr) | 304 | ↑ | ↑ | ↑ | Collections (□435 Cr) less Opex/Taxes/ Finance costs. |
| Gross Collections (□Cr) | 435 | ↑ (vs 275) | ↑ (vs 316) | ↑ | Strong recovery in collections vs previous quarters. |
| Realization - Worli (□/psf) | 30,000 | ↑ | ↑ | ↑ | Refers to ongoing projects (Blu Estate & Club). |
| Revenue Potential (□Cr) | 6,146 | First entry | First entry | → | Combined Net Surplus from all project categories. |
| Land Bank (Acres) | 3,280 | → | → | → | 2,528 acres in West; 573 in North; 178 in South. |
| Net Debt / (Cash Surplus) | (580) | ↑ | ↑ | ↑ | Massive improvement to a net cash position. |
| Construction Spends (□ Cr) | 131 | ↓ (vs 166) | ↑ (vs 116) | → | Steady execution across active sites. |

### 2B. SEGMENT BREAKDOWN

| Segment | Area (msf) | Sold Area | Unsold Area | Net Surplus (□ Cr) | vs Company Avg | Key Development |
|---|---|---|---|---|---|---|
| Near Completed | 16.1 | 14.4 | 1.8 | 1,225 | Mature | Blu Worli (Completed) at □27,000/ psf ASP. |
| Ongoing Projects | 8.8 | 4.7 | 4.0 | 3,381 | Growth | One Indiabulls Thane (2.1 msf unsold) is key. |
| Planned Projects | 7.4 | 0.0 | 7.4 | 1,540 | Pipeline | Indiabulls Golf City Savroli (3.8 msf) is largest. |
| SEZ Land (Nashik) | 1,424 | N/A | N/A | N/A | Strategic | 89% economic interest in strategic land bank. |

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## 3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

| Dimension | Category | Management Target / Claim | Required Run-Rate | Historical Delivery | Risk Flag |
|---|---|---|---|---|---|
| Guidance | Merger Completion | Pending final regulatory/NCLT approvals for Embassy merger. | N/A | Ongoing process | High |
| Strategy | Land Monetization | Monetize non-core land to enhance presence in strategic locations. | Needs ₹500 Cr+ annual recycling. | Achieved cash surplus. | Low |
| Strategy | Capital Allocation | Focus on projects with "OC Received" to generate immediate surplus. | ₹1,225 Cr surplus target. | 14.4 msf sold already. | Low |
| Strategy | Asset Light | Development of projects without needing upfront land spend. | 0 Cr land capex for pipeline. | 3,280 acres owned. | Low |
| Balance | Debt Reduction | Maintain lean balance sheet post-merger. | Monitor Embassy debt integration. | Strong (Net Cash standalone). | Moderate |

## 4. ANALYST Q&A

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

## 5. WHAT CHANGED vs PRIOR QUARTER

| What Changed | Prior Quarter | This Quarter | Direction |
|---|---|---|---|
| **Balance Sheet Status** | Net Debt: ₹976 Cr | Net Cash Surplus: ₹580 Cr | ↑ Improving |
| **Liquidity Position** | Tight / Focused on de-leveraging | Robust / Fortress Balance Sheet | ↑ Improving |
| **Sales Velocity** | 0.3 msf | 0.2 msf | ↓ Deteriorating |
| **Collection Efficiency** | ₹254 Cr (9M avg) | ₹435 Cr (Q3) | ↑ Improving |
| **Net Surplus Potential** | Not explicitly detailed | ₹6,146 Cr (Total Portfolio) | ↑ Clarified |
| **Office Location** | Corporate Offices | Relocated to WeWork (Worli/Gurgaon) | → Efficient |

**Investor Notes:** * **CFO-to-PAT Divergence:** While PAT is not explicitly provided in this PPT, the Net Cash movement (₹444 Cr) vs Presales (₹241 Cr) indicates that cash flows are being driven by "Sold Receivables" and potentially one-off asset sales (Note "Proceeds from Project Land Sale" in the cash flow table, though value is subsumed in subtotal). * **Working Capital Lever:** The massive swing to Net Cash is the result of aggressive collections and limited construction spend. * **Thesis Change:** The fundamental thesis has shifted from "Survival and Merger" to "Strength and Merger." Standalone IBREL no longer requires the merger to service its own debt, giving it a much stronger negotiating/operating position. However, the plateauing sales volume suggests the company needs the Embassy brand and pipeline to reignite top-line growth.

STOP HERE.