Embassy Developments Ltd — Oct 2023 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline / Improving **One-line:** A stabilization quarter where core operational losses narrowed and the net cash position strengthened, though the investment thesis remains entirely tethered to the successful execution of the back-ended Q4 FY24 launch pipeline.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Inline	Pre-sales of □156 Cr show a modest recovery from Q1's □90 Cr.	□
Earnings Quality	Moderate	Adj. PAT loss narrowed to □18 Cr; no new major exceptional hits this quarter.	□
Guidance Confidence	Neutral	"Upcoming Launches" (□4,398 Cr GDV) are still slated for Q4 FY24/Q1 FY25; no advancement.	□
Management Credibility	Stable	Maintaining the "Net Cash" discipline; debt/equity remains at a healthy 0.1x.	□
Business Quality Signal	Improving	Net Surplus (future cash flow potential) increased by □229 Cr QoQ to □6,226 Cr.	□
Key Q&A Exchange	N/A	Section not applicable — PPT_ONLY.	□
The Street's Primary Anxiety	Execution Delay	Can management actually launch □4,398 Cr of GDV in the next 6 months after multiple delays?	□
Capital Cycle Stage	Consolidation	Preparing for the next growth phase via JV with Blackstone and de-risking balance sheet.	□
Margin / Return Ratio Trajectory	Stable	Equity base stabilized at □3,057 Cr after the massive Q1 erosion.	□
Pricing Power	Expanding	Management estimates Worli (Blu) realizations at □35,000 psf vs historical average of □27,000.	□
FCF Conversion & Quality	Improving	Net cash increased from □310 Cr to □433 Cr, providing a solid launch pad.	□
Competitive Moat Signals	Stable	Large land bank (3,226 acres) remains a dormant asset with monetization potential.	□
Balance Sheet Strength	Strong	Net Cash position of □433 Cr is industry-leading for a mid-cap developer.	□
Working Capital Efficiency	Stable	Receivables cover on near-completion projects remains healthy at 1.4x (□1,767 Cr vs □1,140 Cr).	□
Mgmt Guidance Track Record	First entry	This is the baseline quarter for the current management's strategic pivot.	□
Key Vulnerability / Red Flag	Regulatory/ Legal	Status of Nashik SEZ lease (1,424 acres) and Sky project ownership transfer remains opaque.	□
Management Tone	N/A	Investor Presentation Only.	□

Key Takeaways: * **Positives:** The balance sheet is cleaner, with Net Cash rising to □433 Cr (up 39% QoQ). Operational performance is trending in the right direction, with Adjusted PAT losses narrowing significantly (-□18 Cr vs -□50 Cr in Q1). The "Net Surplus" valuation of the portfolio grew to □6,226 Cr, driven by higher estimated realizations in premium micro-markets like Worli. * **Negatives:** Pre-sales of □156 Cr, while better than Q1, are still negligible compared to the company's ₹10,864 Cr unsold inventory value. The launch of the Worli JV with Blackstone (GDV ₹3,140 Cr) has been pushed to Q1 FY25, and the Nashik SEZ legal cloud persists without update. * **Street Concern:** Analysts remain focused on the timeline for "Sky Project" acquisition and the potential for regulatory hurdles to once again stall the Q4 launch pipeline. * **Forward Watchpoint:** Monitoring the Q4 FY24 launch of the Thane project (₹591 Cr GDV) as a litmus test for the new management's ability to convert inventory to cash.

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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 (Q2FY24)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Presales (₹Cr)	156	Not in doc	↑ 73.3%	↑	Volume uptick in sustenance sales across ongoing projects.
Area Constructed (msf)	16.7 (Total)	Not in doc	→	→	Focus remains on OC/Near-completion phases (15.1 msf).
Pre-tax Operating Cash Flow (₹Cr)	Not in doc	Not in doc	Not in doc	→	Collections/Spend charts show narrowing gap.
Realization/sqft (Worli)	₹35,000	Not in doc	→	→	Management estimates for upcoming phases.
Revenue Potential Locked (₹Cr)	10,864	Not in doc	↑ 2.1%	↑	Increase driven by revision in estimated sales prices.
Revenue (₹Cr)	Not in doc	Not in doc	Not in doc	→	Quarterly P&L revenue not explicitly broken out in PPT.
PAT (₹Cr)	(18)	↑ 97.4%	↑ 97.3%	↑	Massive YoY improvement as Q2FY23 had legacy hits.
Land Bank (acres)	3,226	Not in doc	→	→	Nashik SEZ (1,424 acres) still included in total.
D/E Ratio	0.1x	→	→	→	Conservative leverage maintained.
Net Debt / (Cash) (₹Cr)	(433)	↑ 218%	↑ 39.7%	↑	Net Cash position strengthened to ₹433 Cr.

2B. SEGMENT BREAKDOWN

Segment	Unsold Area (msf)	Net Surplus (₹Cr)	Realization (₹/psf)	Trend	vs Co. Avg	Key Development
OC Received / Near Completion	1.5	609	4,000-27,000	→	Below Avg	Pending costs (₹1,140 Cr) covered by receivables (₹1,767 Cr).
Ongoing / Upcoming	2.8	2,797	6,000-35,000	↑	Above Avg	Includes Worli Phase II and Thane premium projects.
Planned Projects	7.9	2,623	4,000-15,000	→	Average	Large scale projects in Panvel and Savroli.
Sky Forest (Lower Parel)	1.6 (Total)	2,823 (Inventory)	16,900	→	Average	Ownership remains with IPPL; IBREL has right to purchase.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Launches	4 major launches in Q4FY24/ Q1FY25 (Worli, Thane, Alibag, Gurugram).	Needs ₹4,398 Cr GDV launch; current qtr pre-sales only ₹156 Cr.	Mixed (Delayed)	HIGH: Timing.
Guidance	Net Surplus	Achieve total Net Surplus of ₹6,226 Cr across current portfolio.	Requires realization of ₹10,864 Cr in inventory sales.	Ongoing	MEDIUM: Pricing.
Strategy	Debt	Maintain low leverage and negative Net Debt.	Currently at -₹433 Cr; easily feasible.	Delivered	LOW: Capital.
Strategy	Land Bank	Monetize non-core land banks (e.g., Chennai, Sonepat).	Historically slow; no major exits this quarter.	Not Delivered	MEDIUM: Liquidity.
Macro	Regulatory	Challenge MIDC termination of Nashik SEZ (1,424 acres).	Legal process ongoing; binary outcome for land value.	First entry	HIGH: Legal.

(Note: N/A — no concall conducted or available for Q&A section.)

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 (Q1FY24 Context)	This Quarter (Q2FY24)	Direction
Pre-sales Volume	₹90 Cr	₹156 Cr	↑ Improving
Net Cash Position	₹310 Cr	₹433 Cr	↑ Improving
Adjusted PAT	(₹50 Cr) Loss	(₹18 Cr) Loss	↑ Narrowing
Net Surplus Valuation	₹5,997 Cr	₹6,226 Cr	↑ Increasing
Launch Timelines	Worli JV slated for Q4 FY24	Worli JV pushed to Q1 FY25	↓ Deteriorating
Construction Spends	Not specified in context	₹55 Cr in Q2 (vs ₹44 Cr in Q1)	↑ Increasing
Cost of Borrowing	12.8%	12.9%	↓ Marginal Rise

- **Execution Risk:** While the financial floor has stabilized, the "Revenue Potential Locked" of ₹10,864 Cr remains largely theoretical until the Q4 launches occur. The push of the Worli JV launch into FY25 is a slight negative for immediate momentum.
- **Balance Sheet Buffer:** The increase in Net Cash to ₹433 Cr provides a 2.4x cover for the ₹127 Cr debt maturing within 1 year, effectively eliminating immediate refinancing risk.
- **Pricing Revision:** The increase in portfolio "Net Surplus" (₹229 Cr increase QoQ) suggests management is becoming more aggressive on pricing expectations for its MMR inventory, despite sluggish sales velocity.

STOP HERE.