Retail Growth Strategy

We will generally do G+1/2 high street retail at most of our residential developments. We also have a reasonable existing amount of such retail (as of Dec 2022). In case of large scale (township or similar) developments, we may also do malls. In case of well-connected but away from population centre locations, we may consider outlet malls as part of our larger developments of industrial / warehousing / affordable housing.

Our thesis is that as India's GDP grows, high street retail / other good quality retail will go up in value disproportionately since such locations are not feasible to scale up at same rate as residential or office.

Our long-term intent is to earn yield income (annuity), benefit from the expansion in the economy for rising capital values of the retail space, and scale up our retail portfolio enough so that we can REIT it (value will need to be USD 2 billion or more in 2022 terms).

In view of the above, selling and exiting fully from our retail units/developments is not prudent. However, we have requirements to generate sales for our 'for sale' business and not to own units that generate revenues from 'non-vegetarian' food. Thus, we intend to use two models for our retail units / developments as below:

	'Long-term ownership (LTO)' (i.e. we are comfortable owning for 10 years+)	**'For sale' / 'non-LTO'**
Goal	To generate 15% RoE (income + re-evaluation gain) on a long-term hold using mix of: a. Rent & rent growth b. Facility Management c. Revenue from non-cost areas d. Leverage e. Other	To generate sufficient cash low to fund LTO pool
Criteria	Min. Annual rent potential of that location of Rs. 25 crore (as of 1st April 2023, adjust annually @ CPI)	Anything that doesn't fall under LTO
Unit size	Between 500 and 25,000 sft, with 70% of area being between 500 and 2000 sft	Between 500 and 1000 sft (ideally 600 / 900 sft)
No. of levels	Upto G+2, depending on whether the road is a 'busy public' road v. 'mostly	Mostly G+2 (selectively G+1 if we are concerned about demand)

	internal' road (in which case limit to G or G+1) + quantum of retail length we have on such road	
FTF Heights	G: 6.6 m (with 30-50% loft), 1 & 2: 4.5 m	G: 4.05 m, 1 & 2: 3.65 m
Max frontage to depth ratio	• Min. frontage of a unit: 4.5 m • (not applicable) If frontage <4.5 m: 1:3 • If frontage >= 4.5 m: 1:4 • If frontage > 9 m: no depth restriction	• Min. frontage of a unit: 3.05 m • If frontage <4.5 m: 1:3 • If frontage >= 4.5 m: 1:4 • If frontage > 9 m: no depth restriction
Non-veg units	No rev share, rent model to be setup as appropriate	NA (all units sold)
Financial Goals	Internal transfer from DevCo to Retail SBU @ market value upon; readiness+OC, Retail SBU to undertake leasing, asset management etc.; Retail SBU to target levered equity return: (50% LTV debt) of 15%; REIT or further long-term hold to be decided once we hit AUM of $1 billion	Sell as soon as possible, adjusting for realization
USP	Amazing external spaces/public realm, good quality of conveniences eg. Toilets, parking, high quality asset management through events and other ways of attracting footfall, use outdoor space for revenue generation eg. leasing to retailers, kiosks, markets, events etc. If > 100,000 sft of retail RNA, outdoor kids play (water or non-water).	Decent external spaces/public realm, good quality of conveniences eg. Toilets, parking,
Agreement for Sale (AFS) Conditions	No sale, hence, no AFS; in case of sale of LTO units to REIT/equivalent, review which conditions from non-LTO AFS need to be incorporated.	Incorporate following special conditions in AFS: a. __ <TBD: range shall be 2% - 6%>% of monthly gross revenues shall be paid to MDL as Asset Management fee. Payment shall be paid within 14 days of the end of the month, else interest @ SBI 1-yr MCLR/equivalent + 600 bps shall

		be chargeable with monthly compounding. Price for sale has been agreed on this basis. b. Any tenant change will require our prior approval. c. Any sale of unit will require our prior approval and all conditions of the AFS with us shall be binding. d. Any change to external façade of the store will require our prior approval. e. Lodha HPM shall manage the facilities for 15 years (and thereafter, subject to renewal by mutual consent) and CAM shall be paid to Lodha HPM. f. Society shall be formed only after 51% of the units are owned by 3rd parties (excluding MDL or any entity in which it has a stake). Society will be governed by a-e above and shall not try to vary the same.
Funding	This implies a purchase of ~$700 million from the DevCo (balance to AUM of $1 billion is estimated as our value add due to asset management), of which 50% i.e. ~$350 million will be debt (largely LRD). The ~$350 million of equity will be raised through sale of retail units	From DevCo