



**“Puravankara Limited Q4 FY-21 Earnings Conference
Call”**

June 25, 2021

**MANAGEMENT: MR. ASHISH PURAVANKARA – MANAGING DIRECTOR
MR. VISHNUMOORTHY – SENIOR VICE PRESIDENT
(RISK & CONTROL)
MR. ABHISHEK KAPOOR – CHIEF OPERATING
OFFICER
MR. NEERAJ GAUTAM – VICE PRESIDENT (FINANCE)**

Moderator: Ladies and gentlemen, welcome to the Q4 FY-2021 results call of Puravankara Limited, hosted by Emkay Global Financial Services. We have with us today Mr. Ashish Puravankara – Managing Director, Mr. Vishnumoorthy – Senior Vice President Risk and Control, Mr. Abhishek Kapoor – Chief Operating Officer and Mr. Neeraj Gautam – Vice President, Finance.

As a reminder all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Do you need assistance during the conference call, please signal an operator by pressing '**' and then '0' on your touch tone phone? Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Rahul Jain of Emkay Global, Thank you, and over to you Sir.

Rahul Jain: Good evening everyone. I would like to welcome the management and thank them for this opportunity. I shall now hand over the call to the management, Mr. Neeraj Gautam – Vice-President (Finance) for the opening remarks, over to you, Sir.

Neeraj Gautam: Thank you, good evening, and warm welcome to all of you. I hope all of you and your loved ones are safe and doing well. Thank you for joining us for Puravankara Limited's 4th quarter and Financial Year 2021 conference call. My name is Neeraj Gautam, I am Vice President (Finance) of Puravankara Limited. The quarter's presentation and financial results ended March 31st, 2021, uploaded on the stock exchanges.

I will start with a brief update on the business and highlights of the quarter and the year. Following that, my colleagues and I will be delighted to answer any questions you may have and take suggestions that you would like to give us.

The last financial year has been a challenging one. Last year post the first wave of COVID-19 pandemic, economic activities seemed to be coming back on track and the effects of COVID appeared to be receding. However, we concluded the year on a positive note in Q4. The recovery in the sentiment towards the real estate sector across India, which has started during Q3, continued to gain momentum during Q4. The second wave of COVID during the end of the year, resulted in a higher number of infections and loss of lives. However, the state government has been considerate and permitted construction activity during the lockdown period. As a result, our construction sites are fully operational with appropriate COVID norms. We expect the sector to continue its recovery in subsequent quarters.

Coming to the business highlights:

The pandemic accelerated our digital initiatives, including completely digital launch and online booking, booking of ready units. We launched six projects during the year - Provident Woodfield, Purva Atmosphere, Purva Aspire, Purva Emerald Bay, Purva Promenade, Purva

Clermont. By launching the Purva Clermont project, a world home connection in Chembur we have reentered Mumbai market.

Moving to the sales highlights:

Q4 FY21 continued to witness the strong recovery and a significant jump in sales. Which stood at 0.99 million square feet, up by 46% year-on-year basis. For FY21 we have clocked 3.43 million square feet sales, up by 21% year-on-year basis, despite much weaker Q1 numbers. As a result, sales during Q4 FY21 jumped by 98% to 753 crores, compared to INR 380crores in the previous year. For the full financial year, sales value increased by 28% year-on-year basis to INR 2,202 crores compared to INR 1,714 crores during the last year.

On the project completion front:

We have completed Kenworth Phase-1 in Hyderabad and Sound of Water Phase-1 in Bangalore totally up to 1.2 million square feet during FY 2020-21.

Moving to the financial highlights:

Our consolidated revenue for Q4 FY21 was INR 339 crores compared to INR 304 crores in the previous quarter, inclined quarter-on-quarter growth of 12%. EBITDA for the quarter was INR 114 crores compared to INR 101 crores during the same period last year, up by 13% year-on-year basis. During the quarter, we achieved the profit after tax for the quarter of INR 8 crores, compared to a profit of INR 0.35 crores in the previous year. In addition, we continue to generate operating surplus after interest in taxes, which was INR 72.1 crores during the quarter.

The sequential improvement in operating inflows continued during the quarter, we collected INR 441 crore, an impressive rebound from INR 188 crores during Q1FY21, and up by 17.76% on a quarter-by-quarter basis compared to INR 375 crores during Q3FY21. The revenue recognition for the full financial year for FY21 was muted due to lesser possession and handover of units compared to last year. As a result, we recognized a revenue INR 1,054 crores, EBITDA was INR 374 crores, our operating surplus after interest and tax was INR 496 crores for the year, and positively we have reduced our net debt by INR 237 crores.

On an overall basis, we saw an increase in interest among homebuyers looking for larger homes, better amenities and projects that are well designed, driving consumers to consider Puravankara and Provident both well known to offer these features. We have a healthy launch pipeline for FY22 with a new vertical Purva Land for development projects. The resilient demand of residential units, including residential plots is encouraging for us. We are fully poised to capture the upcoming recovery in real estate sector with our full-fledged experience and capabilities. In Q1FY22, we have raised INR 685 crores through a strategic exit from a commercial and development project. We are using these funds towards supercharging our group and partly towards reducing our debt.

We have an update about our board as well:

We are delighted to inform you that 2 eminent and experienced professionals have joined our board, Ms. Shailaja Jha and Mr. K.G. Krishnamurthy.

Shailaja Jha has been a civil servant, a technocrat and academician, with over 30 years of experience. She is an associate professor with SP Jain Institute of Management and Research. She worked for the Government of India and L&T Infotech, Cognizant Technology Services, with Wipro Limited, Infosys Limited, before starting her stint in teaching. She holds MMS degree from BITS, Pilani.

Mr. K.G. Krishnamurthy is an IIT, Kharagpur alumni with a management degree with Jamnalal Bajaj Institute of Management, Mumbai. He was Managing Director and CEO of HDFC Property Ventures Limited, and a Senior General Manager of HDFC Limited prior to that. He has been into financing for last 50 years and is an industry stalwart. The company will benefit from their profound knowledge and experience.

With this, I conclude my remarks, thank you for joining us at this conference. We are now happy to answer any questions, comments or suggests you may have.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Sarika Rastogi from TPS Capital. Please go ahead.

Sarika Rastogi: Recently there have been some news articles mentioning land sale from Puravankara to Godrej. Can you comment on whether the transaction has been completed and how is it going to benefit us?

Ashish Puravankara: Puravankara currently has a portfolio of 9.5 million square foot of office space. These are lands already available to the company, and we have identified them as good locations for developing office. As a strategy about a year ago, we took a call to exit 2.5 million out of the 9.5 million. We will continue to build the 7 million that we already have, at the right opportune time. Out the 2.5 million, 1 million is what we sold to the fund. It was a commercial development project. The transaction is completed. We have received, the first tranche of money, which is around INR 512 crores, the balance should be received shortly.

Sarika Rastogi: On a general strategy basis we have seen that Provident has been the focus area for the group. Now given people's need for more space driven by work from home, do we still see that smaller, affordable segment being the faster growth engine?

Ashish Puravankara: I think Provident will continue to be the flavor in this country. I think people from a smaller two bedroom want to get into a bigger two bedroom, people from an even smaller one want to upgrade to a Provident, which is a newer development, slightly larger, modern amenities, etc. Having said that we are keeping our eyes on the ball and seeing how long or sustained this work

from home concept will continue. Is it a one year blip, is it a two year blip? Eventually we are already seeing a lot of companies make certain sounds to say that people need to come back to work, collaboration is important, there is a lot of cross learning that happens on the job.

Abhishek Kapoor:

Also, from the customer's point of view affordability will continue to be a limitation, and hence they will only be able to afford a certain ticket size. One has to cater to that ticket size and that is the largest part of the market. Obviously, we are making product innovations to be able to deal with the pandemic challenges and work from home, in a manner which suits these customer's needs, while they, we addressed the ticket value. There are product innovations that are available in the market which will solve that challenge which we are talking about. The pandemic definitely has not changed the wallet size and the ticket value, affordable ticket value of the customer.

Sarika Rastogi:

I have some questions on construction activity also. How is the progression in construction activity been and are there any labor issues on the ground or like any wage hikes or something?

Ashish Puravankara:

So far, we were fortunate. In most cities' construction activity was allowed but, while they were allowed, I think there was a slight disruption, maybe 35%-40% for about 30-40 days, on account of disruption of free flow of material availability, labor. But otherwise sites were on. Now that things are opening up, we are almost back to about 85%-90%, and the disruption was only for about 40 days.

Abhishek Kapoor:

Also, the fact that we went out of the way, the organization has taken a lot of effort to vaccinate all our labor on the site, has also enabled us to retain the labor as well as, increase the labor force. That has been helpful, the effort in terms of vaccination drive.

Sarika Rastogi:

Let me just ask one last one, the raw materials costs seem to have increased sequentially. Can you please give some color on that and will the increase in steel and cement prices, what will that look going forward and how are we going to manage our margins and profits with these rising input costs.

Ashish Puravankara:

I think everyone is aware that the way steel and cement prices have acted over the last one or two quarters. We are aware of it. We hope and believe that this may be a short term blip and may come back to normal levels. But in the meantime almost on a monthly basis, we are reviewing our selling prices across all our projects, depending on which stage of construction these projects are in, and how much balance work to go is. We have revised selling prices upwards to somewhere capture these increases, in selling price across projects. If you see our presentation, if you see Puravankara the prices for completed, we increased there by 10% and ongoing projects also went up significantly. One reason of that 22% increase in the Puravankara selling price, one is also the product mix because we had Chembur launch there. But also the ongoing projects, we are reviewing prices on a monthly basis and seeing where all there is room to increase, we are increasing the prices.

- Moderator:** The next question is from the line of Akanksha Sharma from JK Advisors. Please go ahead.
- Akanksha Sharma:** Can you throw some light on how the first quarter has been till now, considering the disruption that is caused due to the second COVID wave?
- Ashish Puravankara:** I think the first quarter has been muted, the first time around, I think the only hindrance really was the physical lockdown. People were still at home. The genuine home buyers are still considering reviewing, taking calls. The second wave, people were falling sick, families, members of falling sick. There were some fatalities as well. So it was muted, but this month we have seen some turnaround and we hope that by July, August, the number should come back.
- Akanksha Sharma:** If you can comment a bit more on what you see in terms of the sales momentum going on from the Q4 levels.
- Ashish Puravankara:** If Q3 and Q4, is a benchmark, I think coupled with, the 14.5-odd million square foot of new launches that we have planned across cities of Pune, Mumbai, Bangalore, Chennai, Cochin, between both the brands of Puravankara and Provident which basically gives the different ticket sizes as well, we are confident that the momentum of sales should continue.
- Akanksha Sharma:** In our focused markets, what has been the consumer behavior this time versus last year? Is buying a house now not being prioritized or is it being deferred? So what kind of situations are you seeing?
- Ashish Puravankara:** Our sales numbers are there, right. I have put for you to understand the trend. One positive thing through this pandemic, people have realized the importance of owning their own home. We are seeing that, there is a huge polarization of course, towards the stronger brands. I do not know if everyone is experiencing the same level of sales, but quarter 3 we had done 0.9 million square feet of sale, which is the highest we had ever done in a quarter without a launch. Quarter 4 we beat that record and we have done 0.99 million square feet. Again, the highest that we have ever done in a quarter without a launch. And please note, this is on account of steady almost monthly, small, but sure price increases per square foot.
- Akanksha Sharma:** If I can just squeeze in one more question. From a strategy perspective, if you are confident of the residential up cycle, does it not make more sense to be really aggressive on business development right now, as in, before the cycle actually kicks in?
- Ashish Puravankara:** Absolutely. We are obviously leveraging the brand, we are constantly in the market, but like we said, we will find the right opportunity, besides we have enough land asset base available. The 14.5 million square foot is already in various stages of approvals. We are working on our existing land assets that the company already owns in terms of initiating design, concept, etc. We are also in the markets to look for good joint development and look for opportunity.
- Moderator:** The next question is from the line of Neeraj Singh from KV Advisor. Please go ahead.

- Neeraj Singh:** I just have a few questions. Firstly on the realization, have you seen any kind of improvements, on the residential side and, now that the volumes have been good in the sector for, let us say last six to nine months, do you spot any opportunity for price hikes in the projects, or will that have to wait for a later stage in cycle?
- Ashish Puravankara:** We have been increasing prices almost, if you look at our quarter 3 versus quarter 4 our realization has gone up, it is on Page #16 of our presentation, sales for quarter 4 versus quarter 3, there is a 10% increase in Puravankara completed, there is a 22% increase in the ongoing projects of Puravankara. So, we have constantly been taking the prices up. Including Provident. If you look at Provident ongoing the realization has gone up 12% from quarter 3 to quarter 4.
- Neeraj Singh:** Another one on the residential side is, would it be possible for you to quantify, for the quarter and the year the percentage breakup between the major cities?
- Ashish Puravankara:** I will give you a ballpark, Bangalore would contribute about I would say 40% of our business, Chennai, Cochin, Coimbatore and the other southern cities and Hyderabad contribute another 25%-26%. The balance would come from Mumbai and Pune.
- Neeraj Singh:** My next question is on the construction activity. Could you throw some light on the construction activities as to where the projects are headed, how the customer inquiries are whether it is online or offline and, if it would be possible for you to quantify as to if there is any delay in the ongoing projects.
- Ashish Puravankara:** Yes, there was an impact of the first wave of the pandemic. Hence in fact RERA did extend the timeline for completion of the project by 6 + 3, 9 months adoption of the developer. While we were coming back to normalcy levels in the last quarter, the second wave hit and there was impact, but we are returning to normalcy again. Having said that there is a delay in terms of delivery of the project, but in terms of customer inquiries, definitely online and our digital platforms and our marketing initiatives that we have had, we have built over time, and the distribution we have, has certainly supported the brand in delivering the kind of numbers and the growth numbers that we have mentioned in our presentations. We believe that the online and digital platforms, especially our bookmyhomenow.com has enabled us to launch projects digitally, which was never the case. In fact we did the first digital launch in the country, and we have continued to use this online booking platform, booking engine and improve that, enhance that capability significantly over the last one year, to create a very-very real online buying experience. That is a big shift that, real estate was never bought online, and that is a big shift that the customer is willing to evaluate and take those decisions online.
- Neeraj Singh:** Just one last one on the commercial office sites. Could you share some detail on how the demand trend looks like in the market on the commercial sense?
- Ashish Puravankara:** We as an organization have already built about close to 3 million square foot, but we have sold that, but we still continue to manage, the leasing and the rent. So far I think, while there is no

economic impact on Puravankara as a company, but we make a management fee, managing the lease and the rent collection, etc. The rents have been coming in almost at 95%-98%, so there is no hindrance there. About our future portfolio of office that we have planned, fortunately again for us, the locations are very good. For example, we have a large office development in mind on Bellary Road in Bangalore, which we believe today is the sunrise destination. If you understand Bangalore, Whitefield, and outer ring road, which were the hubs of IT office, today those are done, dusted, it is completely built out. Today we are seeing office development come along the new airport road, which is where we want to consolidate. That is one location where we have land. Similarly it is about three or four projects totaling about 7 million square feet. We believe that they are strategically placed. Of course, before we start construction on those, we will see how the sentiment and the market is. On our general mood point I think the disruption in office would probably be there for a year, year and a half. I do not believe it will be more than that. Yes there may be concepts like flexibility in terms of timing or coming into office five days a week, which may affect the demand by maybe 5%-10%. Companies about 7, 8, 9 months ago who made a announcements that 50% will be work from home, 100% will be work from home, I do not think that is the reality. I do not think everyone has the flexibility to have that working space at home, or that quiet corner. Besides the fact that there is some wee bit of efficiency that comes in group working, in collaboration, etc., which you cannot get sitting at home. I think this office space sort of confusion should normalize over the next year and a half.

Abhishek Kapoor:

Just to add, we believe that vaccination as it rolls out, towards the end of this year will certainly bring back people to offices. If you see in the Western markets, directions are being given for employees to be back in the office because it brings the business back and efficiency back. We see that trend more likely to continue in India as well. By the end of this year once the rollout, of the vaccination is quite comprehensive, especially in the urban areas, companies will want their employees back. In fact what we are hearing is a lot of companies are getting feedback from their employees to get them back into the offices because that is required. On an overall basis we believe that this will stabilize. It is a short term blip, but I think this vaccination and the overall normalization of the economy will enable to get the commercial demand back in the market.

Moderator:

The next question is from the line of Vaibhav Kacholia from VK Capital. Please go ahead.

Vaibhav Kacholia:

You mentioned that we have 1.5 million of office space which we are looking to monetize, any targets in terms of timelines and what could be the value of this part of the thing which we are looking to sell?

Ashish Puravankara:

No, I said out of our portfolio of 9.5 million, a year ago we had taken a strategic call to exit 2.5 million. One part we have already concluded the transaction. The other one knows we are still in discussions.

Vaibhav Kacholia:

What could be the possible value? So out of 2.5 million, 1 million is sold. I am saying that remaining 1.5 million what could be the possible value?

- Ashish Puravankara:** It all depends on what we finalize, we do not want to give a guidance on that number. As and when we conclude the transaction we will let you know.
- Vaibhav Kacholia:** My second question was, what kind of sales can be aspired to do in the long run, or maybe even in the shorter term, like quarterly or annually can be increased on this 0.99 million? Once things stabilize post the COVID thing, maybe say by third or fourth quarter and in FY23.
- Ashish Puravankara:** Absolutely.
- Vaibhav Kacholia:** What kind of numbers can we do, like 1.5 million, 2 million per quarter? Is that what we would aspire to do?
- Ashish Puravankara:** Now when you combine ongoing projects with the kind of launch pipeline we have, don't believe 1.5 is a difficult target to achieve. We should be able to even cross that. Sales in a specific quarter is a function of ongoing and launches. For example in one quarter, if we get two launches, I think we can surpass probably 1.7-2 million number. In certain quarters where we do not have a single launch, that quarter may end up at 1.1-1.2 million square foot. To simply answer your question, I think assuming the launch pipeline and the ongoing projects, once the sentiment further improves, I do not think that achieving 1.5 should be difficult.
- Vaibhav Kacholia:** What will be the EBITDA margins for our residential projects, and what would be the EBITDA margins for our plotted developments?
- Neeraj Gautam:** EBITDA margins for our Puravankara projects is close to 30% and Provident projects is close to 20%. Plotted development project we will be making +35% EBITDA margin.
- Vaibhav Kacholia:** So plotted margins are higher than residential and is there some constraints in terms of the market's ability to purchase plots or is that a more profitable business for everyone, all builders and us?
- Neeraj Gautam:** We have launched a product development project Provident, during the last financial year, sales, and the realization both are fantastic. Plus the one addition to that, project will be completed in 2 years' time period that we will get the entire collection and recognize all the revenue, hence in that sense, plotted development projects are giving better revenue and shorter cycle of money payback period and better IRR on the investment.
- Vaibhav Kacholia:** One last question. What is the long term debt level which we expect the company to be in the range or so?
- Neeraj Gautam:** At the end of financial year were at a debt of INR 2,299 crore, out of that, by now we have already paid about INR 200 crore.

- Ashish Puravankara:** INR1800 - 1900 is a comfortable number, which I think, we are hoping to achieve in the next 12 months.
- Vaibhav Kacholia:** We will not be looking to reduce it further from there, then we would be looking for new opportunities post that level, is it?
- Ashish Puravankara:** One is you do not want to have a lazy balance sheet as well, and just get the entire debt down. But it depends on the kind of opportunities we have, but from an operational level, 1800-1900 is a comfortable number is what at least our short-term target is. Once we achieve that, I think we will review.
- Moderator:** The next question is from the line of Seema Singh from AB Advisors. Please go ahead.
- Seema Singh:** Just wanted to understand your excellent collections. What is the reason for this jump and what would be the breakup of that collection, how much is from residential and how much is from others if you could help with that please?
- Neeraj Gautam:** There is a growth in collection compared to quarter-on-quarter basis in this financial year. During the beginning of the quarter, we collected INR 188 crores, but the end of the quarter there is a continuous growth in the collection. Our collection is 90% from residential projects and 10% of our collection is from our lease rentals, sale off from small commercial assets.
- Seema Singh:** I wanted to ask about Karnataka stamp duty part, I guess that comes into effect from April, so how much of our inventory would be eligible for this cut?
- Ashish Puravankara:** That was for apartments under INR 30.00 lakhs that will not be applicable for either Puravankara or Provident, we will not benefit from that.
- Seema Singh:** One last question on the general strategy, we had seen that a Provident projects was a focus area for the group. Now given that people are working from home, do you still see smaller affordable segment as being the faster growth engine?
- Ashish Puravankara:** Yes, I think there is a general trend for people to take one step higher, like one size bigger. Even that is from a product which is smaller than a Provident product, people are upgrading into a Provident product. While there is work from home and while there is this pandemic that is going around, I do not think people's affordability has changed. Provident with its ticket size, with its functional design, still continues to be extremely desirable. Having said that, we are trying to make certain design changes within the Provident apartment itself in terms of creating a certain niche, to facilitate a work from home if required. We are also looking at certain community business centers within projects as a part of the club house, which will give the residents that flexibility.
- Moderator:** The next question is from the line of Vaibhav Kacholia, VK Capital. Please go ahead.

Vaibhav Kacholia: Can you tell us a little more updates about the plotted developments sales plans and updates on that?

Ashish Puravankara: We are quite excited with this new vertical. We did our first launch in fact, Woodfield, which was on 11th of May 2020, nine days after the lockdown and Bangalore opened up. Within that week we sold out about I think 75% of the entire project within the first week, at a 14% higher realization in that micro market. Entire launch sale was done online end-to-end from the presentation to the booking, to the application, everything was done online. So, there is a certain section of the market that likes plotted development for various reasons, it is an investment in land. You get the flexibility to buy the land today and build your house over a period of time. A lot of markets, Bangalore, Chennai, Southern markets obviously, but also we are seeing that benefit, or that interest in cities like Pune now. We have created a separate vertical, which is called Purva Land, you will have Puravankara that does the office and the luxury housing, your Provident, that does the prim of affordable housing, and Purva Land will be focused on plotted development. The first project of which has already been launched, like I mentioned, Woodfield. Under Purva Land, we have now identified an additional 5.5 million square foot, which will be launched over the next, 5-12 months, across the cities of Bangalore, Chennai, and Coimbatore. We are also in talks with a few landowners to take this product to Pune.

Vaibhav Kacholia: Why didn't we launch any other projects in FY21?

Abhishek Kapoor: Any new project to launch there is a time required from the time you acquire the land, get the clearances, do the due diligence. While we have a pipeline, we have accelerated and sped up the whole process of getting sanctions, planning, and ensuring that we deliver on the old projects as well. For a brand like ours it is very important to do it right and to ensure that, the trust in the brand is maintained. So that process takes time. I think now we will see that, delivery happening.

Ashish Puravankara: You will see an extremely large, plotted development launch, hopefully in Bangalore in the next maybe 30 to 45 days.

Vaibhav Kacholia: You said 5.5 million in the next one year or so approximately, right?

Ashish Puravankara: Next one year.

Ashish Puravankara: Page #17, we have given you our launch pipeline with brands, so here at Puravankara what the launches are quarter-wise, Provident what are the launches, Purva Land what are the launches.

Vaibhav Kacholia: And so, what would be the value of this 5.5 million approximately ballpark range? In fact, earlier, also there was a news article that some 2,200 crores or something of land sales is what we were targeting when we had launched Purva Land right?

Ashish Puravankara: I think the value today would be about INR 2,500 crores.

- Vaibhav Kacholia:** Of this 5.5 million which we are launching in the next 12 months.
- Ashish Puravankara:** Yes. I think what we have covered right now and where there is clear visibility is 4 million, which is there on page 17. I think one we are just waiting to conclude. Of that 4 million, I think the average value should be about INR 1,500 crores.
- Vaibhav Kacholia:** If we add that 1.5 million further, then it can go up to INR 2,500 crores, is it?
- Ashish Puravankara:** 22.
- Vaibhav Kacholia:** INR 2,200 crores. At the company level what kind of EBITDA margins will we see going forward in FY 2022-2023?
- Neeraj Gautam:** As I mentioned earlier, the EBITDA margin for product development is better than our residential luxury projects, as well as affordable housing projects. If we take average basis we will be making EBITDA margin of 30% plus.
- Vaibhav Kacholia:** 30% plus? On an overall company basis?
- Neeraj Gautam:** Yeah, overall company basis. Currently also we are making EBITDA margin of 27%-30% in Puravankara Limited, 24%-27% for Provident Housing, for plotted development our expected EBITDA margins are better than the residential luxury projects and affordable housing projects.
- Vaibhav Kacholia:** And Provident you said would be closer to 20% in the future, right?
- Neeraj Gautam:** 20%-25% in the range. Some of them are making better EBITDA margins, some of them less.
- Moderator:** The next question is from the line of Seema Lamba, DNA Advisors. Please go ahead.
- Seema Lamba:** We are seeing growth over the last three quarters, but some questions I just wanted to ask around on the balance sheet debt. We continue to have more than 1/3 of our revenue going into paying interest, when do we see that to change?
- Neeraj Gautam:** If you look at our debt slide in our investor presentation, in the last 2 years we have reduced our debt by INR 440 crores. In 2019 our net debt was INR 2,743 crores, as on March 31, 2021, our net debt INR 2,299 crores. Out of this, we have already paid in the last 3 months almost INR 175 crores. And this trend will continue as per the existing events schedule itself, and we will be targeting debt level of INR 1,900 crore by the end of this financial year.
- Abhishek Kapoor:** Just to add, debt is a factor of the number of projects you are taking to the market, and if you see this year, the number of projects and the volume that will come into the market will further enhance our ability to reduce debt and monetize those investments and therefore on an overall basis, if you look at your topline numbers and cost of capital, that will start looking much lower. That is important in context of how many projects are on the floor, and how much square footage

is in the market to look at what is your debt level, it should not be looked at in isolation. We will continue to endeavor reduce debt, that is a separate conversation, but if you look at the top line numbers and the volume that is there in the market and the investment getting monetized as a percentage of that it will continue to drop.

Neeraj Gautam: I would like to add to the statement of Abhishek, we will look at debt per square feet, which will continuously be even better by the launch of new projects, debt per square feet under production.

Seema Lamba: Can you clarify what kind of debt this is, and why we have seen the cost sort of go up trend even though there is a trend of lower interest cost, does that interest cost help?

Neeraj Gautam: It will reduce going forward basis, if you look at our weighted average debt cost was 11.95% at the end of the financial year. This has also contributed to some debt we had taken for acquiring land in the financial year, those debts were in the nature of the debenture LCDs, and which are a little higher cost than the construction finance debt, the cost was higher. However, on a going forward basis, the launches, which we are planning, those all lands are acquired by us, we are owning either land or the development rights, and hence we are not foreseeing any debt related to land acquisition and thereby our cost of produce will come down.

Seema Lamba: In terms of your construction activities are there any labor issues that you have seen on the ground? Also if you could explain if there are any wage hikes, cost increases related to that.

Abhishek Kapoor: Yes, there was some impact on the second wave, the first wave was really tough. The labor really-really dropped very-very significantly. To come back to normalcy, it took us time because of the reverse migration, but in this wave, yes, there was an impact, but it was not as severe as the first wave, and we are trying to come back to normalcy levels quickly. We believe that in next one or two months at most, we should be back and in fact, we should be crossing our numbers prior to the second wave. Not only that, our vaccination drive, with our neighbors has really-really enabled us to retain, as well as in fact, get our labor strength back and scale up, faster. The CSR initiatives that the organization has taken in terms of hygiene and ensuring that work continues, and the payments are made has enabled us.

Having said that, is there an increase in labor cost? There is a marginal increase, but, at this point in time, commodity prices have definitely gone up, and that is a bigger concern at this point in time.

Moderator: The next question is from the line of Reshma Shah from Shah Associates. Please go ahead.

Reshma Shah: Just wanted to check on the pricing side. Are you giving any discount currently due to increase in sales? Also, can you throw some color on the pricing trend in the real estate market?

Ashish Puravankara: If you can just refer Page #16 and page number 14. I will walk you through page number 16, which shows you the price increase from quarter 3 FY-21 to quarter 4. Puravankara on our

completed inventory we have achieved almost 10% inventory higher realization, ongoing has been 22%. Now the entire 22% is not on account of price increase per se. It is also, we had Chembur as a product mix, but yes, across Puravankara projects will increase prices and we have been able to so far, hold on to the sales velocity. Provident has gone up 12% on our ongoing projects. We have been constantly reviewing prices on a monthly basis and wherever possible have been increasing prices.

Abhishek Kapoor:

I think you will see this queue with organized players. In fact the customer has become far more discerning now, and he understands that the product which is available from a category B or category C, a developer at a great discount may not necessarily be the right buy, because the concern is of the capital that the customer is deploying into the purchase, and that is a significant part of their savings. Obviously from our point of view we have seen, the traction both in terms of volumes and pricing, that is basically definitely visible in the numbers, in the last quarter and the price appreciation which happened simultaneously.

Reshma Shah:

My second question is any update on the commercial real estate strategy as we are one of the best pure play in residential play, but on the corporate space, as they are returning back, will there be a mix change?

Abhishek Kapoor:

It is not something that we have at any point in time as a strategy, we intend to continue to build up our commercial platform. We currently have about 7 million square foot to launch. We believe that the commercial market, see the demand has not gone anywhere, the growth has not gone anywhere. It is just people have deferred their decisions. Once vaccination, comes to a certain level in certain states, especially in the urban centers of the country, we believe that the offices will be back in action and decision making will pretty much be back. Our long-term strategy is definitely to continue to build up our commercial portfolio, not just the 7 million, but we are looking at opportunities in the market wherever available, where we see that there is an upside to do the transaction. We will continue to build up our commercial business.

Moderator:

Ladies and gentlemen, as this was the last question for today, I now hand the conference over to Mr. Neeraj Gautam for closing comments.

Neeraj Gautam:

Thank you once again, ladies and gentlemen, for the time and attention. I hope me and my colleagues are able to answer all your questions. However, if you require any further discussion, we are always available for the discussion during the coming weeks. Thank you once again and wishing you a happy weekend.

Moderator:

On behalf of Emkay Global Financial Services that concludes this conference. Thank you for joining us, and you may now disconnect your line.

(This document has been edited for readability purposes)

Contact details

Registered Office Address

No. 130/1,

Ulsoor Road,

Bengaluru, Karnataka, 560042

Email: investors@puravankara.com ; info@puravankara.com

Website: www.puravankara.com

CIN: L45200KA1986PLC051571