



**“Puravankara Limited Q4 FY18 Earnings Conference  
Call”**

**May 14, 2018**

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RISKS AND CONTROL**

**Moderator:** Ladies and gentlemen, good day and welcome to the Puravankara Limited Q4 FY18 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' then '0' on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Kuldeep Chawla - Chief Financial Officer, Puravankara Limited. Thank you and over to you, sir.

**Kuldeep Chawla:** Thank you very much and good afternoon, everyone. We hope all of you had a restful weekend despite the hectic earning season. My name is Kuldeep Chawla, the Chief Financial Officer of Puravankara Limited. Thank you so much for joining us on Puravankara's Q4 Earnings Call today. The improving macro environment, the pick-up in credit growth, RERA implementation, the GST roll out and the much skewed up of opportunities for collaborative developments are in all ensuring reasonable buoyancy in the residential real estate market today across many markets and micro markets. On markets where effective demand is returning as oppose to the latent demand earlier, we would like to call out the cities of Bangalore, Pune, Hyderabad and Kochi.

Moving on to Puravankara's performance for the quarter and year ended March 31<sup>st</sup>, 2018. For the quarter ended March 31<sup>st</sup> we have doubled our sales to 1.2 million square feet valued at Rs. 649 crores versus Q4 of last year. This is the highest level of sales we have achieved in the past 12 quarters. The Park Square launch is the start of a long list of planned launches across both our brands which we have shared with you earlier as well. If we break down the sales for the quarter and for the year, couple of things are noteworthy. Number one, ready-to-move inventory sales grew 75% from 0.79 million in FY17 to 1.41 million. What is important is that in FY19 we will only add a third of the inventory to this bucket. This should ease our cash flow materially going forward. In addition, overall sales for the year grew substantially, grew by 50% in fact to 3.25 million from 2.15 million and you saw a corresponding growth in sales value to 1,752 crores as supposed to 1,168 crores for the year ended March 31<sup>st</sup>, 2017.

The consolidated revenues for the quarter as per Ind AS stood at 323 crores as against 454 crores for the quarter ended December 2017. EBITDA stood at 96 crores compared to 106 crores and profit before tax for the quarter stood at 28 crores as compared to 38 crores in the quarter ended December 31<sup>st</sup>, 2017. Profit after tax was a similar number 25 crores for the quarter ended March 2018 as compared to 26 crores in the quarter ended December 31<sup>st</sup>, 2017. The consolidated performance as per Ind AS for the year ended 31<sup>st</sup> March 2018, revenues stood at 1,505 crores as against 1,468 crores for the year ended March 31<sup>st</sup>, 2017. EBITDA was 398 crores for the full year ended March 31<sup>st</sup>, 2018 as against 470 crores for the year ended March 31<sup>st</sup>, 2017. On the other hand the profit after tax stood at 91 crores for the full year ended March 31<sup>st</sup>, 2018 as against 128 crores for the year ended March 31<sup>st</sup>, 2017.

Turning to cash flows, collections for the quarter ended March 31<sup>st</sup>, 2018 were 346 crores as against this the operating outflow for the same quarter ended March 31<sup>st</sup>, 2018 was 317 crores. The balance collection from sold units in all launched projects stands at 1,703 crores as of March 31<sup>st</sup>, 2018. Hence, stands favorably against the balance cost to go of 1,455 crores. This gap between the collections and the balance cost to go has been progressively going up which is favorable. Combined with the unsold receivables from the launched projects of 3,763 crores, the projected operating surplus of Rs. 4,011 crores on the launched portfolio also compares favorably against the current outstanding net debt of 2,247 crores as on March 31<sup>st</sup>, 2018. The weighted average cost of debts has progressively been coming down and it stood at 10.64% as of March 31<sup>st</sup>, 2018 as against 11.44% as of March 31<sup>st</sup>, 2017. Interest rate reduction as we have said before is an ongoing goal post and we are making concerted efforts to focus on lower interest rate even in the current environment.

With this, we would like to open the floor for questions.

**Moderator:** Thank you very much. Ladies and gentlemen, we will now begin with the question-answer session. We take the first question from the line of Nikunj Mehta from HSBC Asset Management. Please go ahead.

**Nikunj Mehta:** So, I just was looking at your presales number for this quarter. So, I understand that we have launched the Provident Square this quarter. So, what has been the response in terms of absolute sales presales number over there?

**Ashish Puravankara:** So, Provident we have sold, Park Square we have sold about 750 plus units in the launch.

**Nikunj Mehta:** And sir, out of how much had you launched and how much you booked? So, 700 and number which you have said has been booked. So, how much have you had launched in terms of your number of units?

**Ashish Puravankara:** So, 751 initially it was against I would say 878.

**Nikunj Mehta:** And I was just looking at your completed projects lists. So, the Windermere in Chennai if I am looking at, I mean see the sales traction over there is still bit on a slower sluggish side and of the 2.7 million square feet which you have in the completed projects that accounts for a bigger chunk. So, how should we look at it on the monetization of this inventory going ahead?

**Ashish Puravankara:** So, Windermere specifically what we have seen even in the past even in the first phase, right, so this is what Phase-I, Phase-II and part of Phase-III which we have combined together. In Phase-I & II we hardly have any inventory left to sell. This is the last of the launch phase wherein little bit of completion works are pending. So, in our experience we have seen that once it gets complete the traction of sale picks up significantly.

- Nikunj Mehta:** So, when is it getting completed then?
- Ashish Puravankara:** No, it is complete but the final finishes are going on which should be done in the next month or so.
- Nikunj Mehta:** And just looking at your EBITDA margins and comparing on annual basis for FY18 versus FY17 removing the other income part. So, the EBITDA margins have dropped as if I look at on a Y-o-Y basis. So, what is the reason for that any specific thing?
- Kuldeep Chawla:** So, I think you need to look at our EBITDA margins on a slightly longer term because this is a function of revenue recognition. And so, some of the projects that got recognized on revenue in this year had slightly lower margins. The other way of looking at it is that a large number of projects have not yet recognized revenue which will happen over the subsequent quarters. So, for example our Marina One project in Cochin which has a very high gross margin, Silver Sands, a part of Kenworth in Hyderabad, Park Square which we have just launched. So, all of these projects over the next couple of, next quarters will get, will start recognizing revenue, you see those EBITDA margins come back.
- Nikunj Mehta:** So, you see margins to improve from what you have done in the FY18 level, that understanding is correct?
- Ashish Puravankara:** Correct.
- Nikunj Mehta:** And just a last question if I may. So, if I look at your land bank and I have looked at over the years. So, my question is how do you plan to monetize this land bank cost? When I compare it with let us say two quarters back and I see the movements, so Bengaluru is where one we have moved from land assets to ongoing but in some other segment like let us say for our land in Colombo I mean the movement is not as such. So, how do you plan to monetize these land assets and how do you see the saleable area of around 58 million square feet which we have? How do we see this number going over the next two years, I mean just your sense on that?
- Ashish Puravankara:** So, today if you look at that land banks that we are talking about, so we have identified for this year like we had mentioned in the beginning two quarters ago about 16 million square feet of that will get monetize by way of launches. So, out of which we have already launched 4 million which is, one is Park Square which is about 1.82 million square feet which got launched. Then we have Goa which we started the prelaunch, the formal launch should be in about a month from now. So, over a period of time we start identifying micro markets which are doing well and then sort of designing and then launching projects within those micro markets that we already own.
- Nikunj Mehta:** So, do you see that any land additions apart from what we have or you will look at monetizing these first and then go for land acquisitions?

- Ashish Puravankara:** So, in the micro markets and cities where we already have land obviously the focus of your company is to monetize those lands first. But there will be situations like for example we have entered Mumbai, we have entered Pune, right those markets we do not have a huge land asset base. So, there we will acquire new land but the focus again there being by way of joint developments. So, if you see all our lands and all our projects, so today we have launched one in Pune and we have about 3 or 4 projects in Pune which is in the design phase right now, 3 projects, although those have been acquired by way of JD. So, very small deposits, right. So, cities and micro markets where we do have lands we will get new projects on board, but focus will be to get them on board by way of JD. Given a quick example of that is also like for example Thane and Mumbai, so Mumbai we have a project on LBS Marg in Bhandup, right all trade for secured on JDs, just waiting for that final clearance that new DP to come out. We also in the sanction process of project for Provident on Shilphata road on the outskirts of Thane. Even that was secured on JDs.
- Nikunj Mehta:** So, the additions in the new projects which we whatever we do will be more towards JD, JDA model basically going ahead. Is there a fair understanding?
- Ashish Puravankara:** Yes.
- Nikunj Mehta:** And if just you can slip in the final question, if I look at your cash flows for the full year, we have been doing around 1,200 crores of operating outflow combining with the interest cost, the income tax paid and the land payments which we do it comes roughly around 1,500 crores. So, that is an annual run rate which we have even if I look at the FY17 numbers? So, do you see a sense of in terms of the operating inflow which we get to actually exit this 1,500 crores numbers in FY19 or over the next 2 years?
- Ashish Puravankara:** Yes, absolutely.
- Nikunj Mehta:** So, what is the drivers in the presales and the collection from the sole projects?
- Ashish Puravankara:** Yes, so two things. I think the key cash flow drivers will be the accelerated sale of the ready-to-move inventory which we have started seeing signs of even last year as well. Secondly will be the new launches.
- Kuldeep Chawla:** And third will be all these projects which have got completed and as the hand over process kind of accelerates all your last 5%-10% of payments which add up to a very sizeable sum those will come through. So, these three things just on the first point ready-to-move inventory sales grew 75% year-on-year in this year. So, you see the benefit and that a lot of that happened towards the latter half of year as well. So, you see all of that benefits coming through.

- Nikunj Mehta:** So, is it fair to assume that you will be turning free cash flow positive, I mean excluding the income obviously the income tax and everything you will be generating of free cash in FY19, that is what your target, right?
- Ashish Puravankara:** Yes.
- Moderator:** Thank you. We take the next question from the line of Ujjwal Shah from Quest Investment. Please go ahead.
- Ujjwal Shah:** Sir, looking at your 4Q numbers for Puravankara brand we have reported low sales number in terms of million square feet. So, what exactly led to that sir?
- Kuldeep Chawla:** So, basically all the ongoing steady state projects, right where the choices have come down the prices have gone up. So, in that sense the minute you start seeing our launch in Puravankara you see that number coming back.
- Ujjwal Shah:** Can you give us an outlook on the launches for Puravankara basically for upcoming year?
- Ashish Puravankara:** So, if you go to our presentation on page 10, so there you have the breakup of Puravankara on the top.
- Ujjwal Shah:** Sir, of that how many are expected to get launch, sir?
- Kuldeep Chawla:** So Kanakapura, the work is already started that is a commercial project. The next one is Thanisandra that is a large profitable project where the economic interest we own is very high 87.5% to be precise and then subsequently we will have Lal Bagh, we will do on Bellary road. So, what we have done is if you see the expected launch date have been mentioned on the right-hand corner, right. But now just to quickly walk you through, so Kanakapura we have all approvals in place. The work will start in probably a month or so. Thanisandra, we have all approvals in place. We have applied for RERA registrations. So, we should see action on that over the next 1 or 2 months. Lal Bagh we are in the final stages of sanction. Bellary road, the sanction is expected which is the new Airport road, the sanction is expected in the next 15 to 20 days. Post which we will go for RERA registration and we will see a launch there as well. So, everything is pretty much in an advance stage.
- Ujjwal Shah:** And secondly sir, in terms of realizations what we have seeing is both for Puravankara as well as Provident the realizations has steadily moved up. As per your expectations where do we see these realizations for the coming year?
- Ashish Puravankara:** So, on a realistic basis I think you should look at a minimum 4% to 5% sort of appreciation year-on-year. So you will have some projects, some micro markets where you see a very strong demand and let us say beat that trend but otherwise on a thumb rule basis, I think a 4% to 5%.

- Kuldeep Chawla:** And that is upside potential from here because of two reasons. One is that when you do a project like Marina One that is a Rs. 10,000 product. That adds incrementally. So, it is a function of product mix is also what I am trying to say. And may be in the course of the next year, year and a half as we add Mumbai in Puravankara, you will see that go up further.
- Ujjwal Shah:** And sir, in terms of debt repayment what are our plans for next two years?
- Kuldeep Chawla:** So, let me put it this way. I mentioned to you about in the quick introduction that I made about what traction we are seeing on inventory ready-to-move inventory. That is point number one. Point number two is that the related point is that half our debt is linked to standing instructions based on inventory sale. So, over the course of the next two years we would see a material impact on our debt.
- Ujjwal Shah:** And sir if my understanding is correct, considering that we would be doing a lot of JDAs, the land acquisition cost ideally for next 2 to 3 years should go down for us?
- Ashish Puravankara:** Yes.
- Moderator:** Thank you. We take the next question from the line of Prem Khurana from Anand Rathi. Please go ahead.
- Prem Khurana:** Sir, basically you have done great in terms of value booking this quarter but then somehow, I exclude Park Square seems as if the number would have been kind of lower than what we did last quarter as well as last year. So, is it fair to assume that the demand is much more for the new launch they have been doing because these happened to be at a discount the project that you already have it, I mean advance stage of completion which is where we will still are looking for some value wise rather than going out and buying, I mean basically the consumer sentiments still not back as such and people are still kind of trying to look at value products which also explains the number that we have seen with Puravankara because if I look at the full year number, I mean if I considered that I mean Q4 is an outlier for full year Puravankara is up only about 8 odd percent in terms of value booking whereas, Provident has doubled over the same period and it is largely because of the fact that we have done this Park Square launch.
- Ashish Puravankara:** As a concept you need to understand how sales happen, right. So, I think there is a number that you have on a steady state project what contribution those projects due to sale and what contribution a launch does to your annual sales numbers. Now, go back into Puravankara, see look at Silver Sands in Pune for example. The total number of units that have been opened up for sale is about 800 or 900 apartments. So, total apartments sold is about 750 odd. So, the prices has come down, we are getting our additional FSI sanction which we are hopeful of coming in the next that in 2 to 3 months we should get back. So, prices in Silver Sands has come down because we are very less inventory now left to sell. Look at Westend in Bangalore of

Puravankara again there we are about 87 odd percent sold, right. We are getting additional FSI sanctioned again which should come in the next 2-3 months. So, then the choices in that project will go up, right. You look at Season that is completely sold out. Look at Kenworth of Provident in Hyderabad even there if you see we have completed Phase-I, Phase-II, we sold out about 85 odd percentage. Now, we are opening up the third phase. So, it is a combination of launches it is a combination of choices, right. One very important positive fact that we need to note is that over the last 3 to 4 years we have changed the way we sell. Earlier we would not want to sell more than 10%-15% at the launch and then spread the sales out through the course of 4 years of the project and therefore there were risks of building up ready-to-move in inventory, which we change 4 years ago. So, if you go project by project go to Silver Sands launch, Westend launch, Kenworth launch, Park Square launch right now with the new book building process we are able to sell much higher volume which is almost in the first 2-3 quarters we are able to sell a minimum of 60% to 70% of the phases that are opened up much better realizations. So, the 750 apartments that was sold in Park Square we got an average realization of Rs. 5,450 a square foot for a Provident. When we have grey day other sort of competition around which are in the range of 5,100-5,200, right. So, we are able to get higher realizations and we are able to push volumes in this new sale strategy which we have deployed across the last 4-5 launches and deployed it successfully.

**Kuldeep Chawla:**

And in answer to your question Prem on Puravankara, the options in Puravankara without the new launches have disappeared almost like Ashish was explaining.

**Prem Khurana:**

Sir, my concern was if I look at the number for last 2 quarters we were doing sustained sales of almost around Rs. 400 odd crores. I mean we did not have any new launches in Q2 or in Q3 and if I were look at the number for Q4, so Rs. 600 crores let us for the time being as you would have booked almost Rs. 400 odd crores kind of number for Park Square because you have sold almost 0.7 million square feet of area at around 5,400 kind of number. So number net off this works out only Rs. 200 odd crores which is lower than what you were doing earlier, I mean at least in last 2 quarters which was there with us.

**Ashish Puravankara:**

No, therefore the new launches are important, right. So, that is what I was trying to explain to you and I walked you through most of those projects wherein the choice has come down. Like now with the Thanisandra launch with the Lal Bagh launch, Bellary Road launch we see those numbers coming back.

**Prem Khurana:**

And in terms of launches if you could explain how much of this 13.9 million square feet that you have been targeting would actually hit the market as and when in terms of, you would phase it out right, I mean it is not launch the entire 14 million square feet of area because historically we use to and then we suffered because we were sitting on huge inventory by the time project for nearing completion. So, the idea was way to kind of break it down into number of phases. So, how much would hit the market and how much would be open for sale this year and same



way and how much would you be into offer from you 11 million square feet of unsold inventory or I mean though inventory is which is yet to be open to your customers in our existing project this would hit the markets?

**Ashish Puravankara:** So, basically now let me walk in through the launches. So, for the previous question I actually walk through on the status of where these sanctions are which has all in the final stages. Out of the 16 odd million that we had said earlier we already have launched 4 million. The other one like Kanakapura, Thanisandra, Thanisandra we have received all clearances all sanction only thing left is now RERA registration, right that is one. Point number 2 is when we do these new launches we going to ensure that we breakup the inventory into may be any project that is about 1.5 million plus will break it up into 2 phases for the sake of sales and launches. We are also going to adapt, what we have been doing for the last 5-6 launches of that whole EOI book building process where we are able to sell 60% to 70% of the phase that has been opened up for sale within the first 2 to 3 quarters, right. So, that change in sale strategy will ensure that the inventory buildup that we saw 5 years ago in projects that were launched 5-6 years ago will not happen in the new projects.

**Prem Khurana:** And how about the launches from your inventory that is yet to be opened for sale in your existing projects? 11million square feet there, right?

**Ashish Puravankara:** Yes.

**Prem Khurana:** So, would they also hit the market this year only or you would wait for inventory to do kind of, I mean wait for it

**Ashish Puravankara:** To say the trigger would be, if we are at about 5%-10% unsold inventory in the previous phases that will be a trigger in activation for the launch of the next phase.

**Prem Khurana:** And sir, just one last question from my end, I mean on cash flow situations is this year our net debt has gone up by almost around Rs. 300 odd crores and we spent almost Rs. 200 odd crores on land acquisition, so even after adjusting for this land acquisition money it seems we have done almost around Rs. 100 odd crores of negative number and this 100 includes 160 what that would we would have receive from Sobha, right? So, which is as if core operations have almost of around Rs. 260 odd crores this year. When do we expect the number to come down, almost the year because I mean for us initially we used to kind of look it deleveraging key for us now this year, I mean it is almost up of Rs. 300 odd crores which is not in sync with what we guiding for earlier and ...

**Kuldeep Chawla:** So Prem, 2 things, one, if you recall on the last earnings call we have indicated that in the short term the debt would go up and we explained those reasons, point number 1. Point number 2 is RTM or ready-to-move inventory like I explained to one of your earlier callers, half of our

current debt is linked to standing instructions on ready-to-move inventory. So, as that is selling and that has seen very good traction in the last 5 quarters we expect that debt to come down materially.

**Prem Khurana:** As it fair to assume that it will take us almost 2 years to like where this RTA is ...

**Ashish Puravankara:** No, you start seeing after a couple of quarters you start seeing material changes. I must also add that the increase in debt apart from what you are talking about the investment in deposits and things like that on the land side has gone to ensure that we protect the brand and complete projects in time. This year we delivered 6 million square feet. Next year we do not have such large deliveries. So, therefore I am trying to tell you that your concern is does not have a basis.

**Prem Khurana:** And sir, this area that we delivered this year we would have some pending payments against this area deliver right at the 5%-10% that you receive at the time of possession, how much ...

**Ashish Puravankara:** Correct, which is what the first caller I think Nikunj or somebody if I remember his name correctly said that and that is what Ashish explained was that as the handovers are happening because of this large 6 million completion. Some of that has spilled over into this quarter and the next quarter.

**Prem Khurana:** And how much could that amount be in absolute terms? The amount you would be spending?

**Ashish Puravankara:** In fact you were talking about directionally around 150 to 200.

**Prem Khurana:** And last, historically we always in focus more in Bangalore because if I were look at our land bank today it seems Bengaluru is increasing becoming a smaller, small part in our overall operations I mean 56% is outside Bangalore is how should one see it, I mean seeing competition to increase in Bengaluru which is why you are diversifying into other geographies or is it able to find any good deals in Bangalore which is what is making us go out and then look for some other geographies as our growth markets?

**Ashish Puravankara:** Look, so we had in fact informed everyone that that strategy exercises about 2 years ago where we identified being a brand today we get proposals from across the country. As a team we sat down and said which are the 5 cities that we believe will give us over the next 5 years will give us the necessary growth where the job creation is happening, etc. right and we identified Bangalore, Hyderabad, Pune, Mumbai as these micro markets that we expand our business into.

**Prem Khurana:** And any update on Sri Lanka project?

**Ashish Puravankara:** Sri Lanka we have got of the approval we have started site work at site and we should be looking at a potential launch in the next month and a half. But we have got all the approvals in hand.

- Moderator:** Thank you. We take the next question from the line of Giriraj Daga from KM Visaria. Please go ahead.
- Giriraj Daga:** Couple of question from my side. First if you can give us the, I know you have spoken about that in the presentation on the PPT slide 10 about the launch and then we have the phases to be launch in the already launch projects. What is your best-case estimate in terms of what is the launches you will making, I am not looking at a project per say, those will be Phase-I, Phase-II. So, on the already launched projects they are phases to be launch and then the new projects what is the amount of I mean square feet? What is the amount of launch we are looking this year FY19-FY20 if you can break?
- Ashish Puravankara:** See, my opinion between the 2 brands comfortably it should be in the range of about 12 to 14 million if you are combining the un-launched phases and the new launches. One clarification that where we have, so if you see our new launches they are not in the same micro market as the ones where we are opening up new phases of older project.
- Giriraj Daga:** So, 12 to 15 million square feet combine these 2 years?
- Ashish Puravankara:** Yes.
- Giriraj Daga:** And in terms of our delivery out may be put it as revenue recognition part. So, this year we have delivered about 6 million kind of a number and next year you said the pipe line is lower actually. So, should you assume that the revenue recognition would be on the lower side although our launches in the new sales....
- Ashish Puravankara:** No. 6 million of projects got completed and delivered we have projects that have not yet entered revenue recognition where we are accelerating construction, so should actually come into revenue recognition cycle, right over the next quarters and so therefore the recognition will go up not down.
- Kuldeep Chawla:** Correct. Highlight was that the addition to inventory is like only about 6-6.5 lakh square feet as supposed to 2 million square feet last year, number 1. Number 2, these revenue recognition like Ashish said will go up substantially on account of 3-4 projects like Silver Sands, Kenworth next phase, Marina One and Park Square coming into revenue recognition cycles.
- Giriraj Daga:** And in terms of land also what are that cash flow what ...
- Ashish Puravankara:** Sorry for the interruption Giriraj. Subject to of course to an accounting standard 115 which the government has kind of talked about and notified between talk about later if anybody has any questions on that.

- Giriraj Daga:** My last question on the land payment side, so if I look at the cash flow what we have shown in the PPT we are showing about 200 crores kind of run rate for 2017 and 2018. Now considering based on the launch pipeline where do you see this number is likely to be? Were we are expecting similar amount of trend to continue or the number may be lower?
- Ashish Puravankara:** More or less same.
- Moderator:** Thank you. We take the next question from the line of Sangeeta Purushottam from Cogito Advisors. Please go ahead.
- Sangeeta Purushottam:** I wanted to just understand that if you look at a project from say start to completion basically would that be roughly a 3-year period that from the launch date to actually handing over and what is the kind of EBITDA per square foot that we actually target or think about and with this cycle turning up, are you likely to see this EBITDA per square foot also move up along with greater traction in sales?
- Ashish Puravankara:** So, it all depends in terms of timeline from our projects, it all depends on couple of factors. On size, example and the technology that is being used the number of floors and number of blocks. Quick example is that if you have 3 towers in the project, but they are ground plus 30 floors, you can finish them fairly faster because floor to floor we are able to move if you are using aluminium form work for example we are able to move in almost 8 to 9 days, right? But if you have 18 blocks in a projects but shorter blocks. It is coming out of the basement or the excavation which takes time, the main foundation. Now to that you add to precast technology right, so which we have done in Sunworth, right. Sunworth we completed 1.5 million square feet in about 22 months from start to finish to the key. Now, Park Square that was launched right now where we saw fantastic sales which 750 plus units is being built in precast. So, on a thumb rule basis anything that is about 0.5 million you can look at 3 to 4-year period but if you add technology to it in terms of precast, etc., it can be brought down to about 25 to 28 months. Your second half of the question in terms of, yes with these new launches you should see the EBITDA margins going up.
- Sangeeta Purushottam:** And how do you actually think about EBITDA? Do you think about it as like in terms of EBITDA per square foot or you think about it in percentage term, how do you actually look at it.
- Kuldeep Chawla:** In percentage term.
- Sangeeta Purushottam:** In percentage term?

- Vishnu Moorthi:** Because it cannot be per square feet basis because based on revenue recognition like for an example sale of Park Square is very good in this quarter but that is not coming in revenue recognition. Entire EBITDA is coming out of the earlier projects.
- Sangeeta Purushottam:** Yes, I am not talking in accounting terms, I am really talking in real terms because the accounting for real estate projects is a little complicated basis.
- Kuldeep Chawla:** I think even in cash flow terms Sangeeta we think in terms of EBITDA percentage. And the reason is very simple between Puravankara and Provident variations could be meaningful. Within Puravankara they could be meaningful depending on location. You could have 6,000 in Mumbai you could have 20,000, in Kochi you are 10,000, so it varies.
- Sangeeta Purushottam:** And as sir, as a ballparks number what is the EBITDA percentage that you would generally make in Puravankara and Provident would it be about 30% of the sale price, how should we really ...
- Kuldeep Chawla:** Average 25% between both brands put together.
- Sangeeta Purushottam:** And this 25% is what you expect will move up a little as the cycle progresses, is it and that is come really ...
- Kuldeep Chawla:** Closer to 30.
- Sangeeta Purushottam:** It will move up closer to 30.
- Kuldeep Chawla:** Yes.
- Sangeeta Purushottam:** And one other request that when you are giving your cash flows, I think I discussed this earlier also the cash flow is actually pretax, right. So, when we are comparing it with debt we need to knock off tax really to figure out whether the cash flow is adequately covering the debt or not. So, it could be useful if you could just sort of even if you are making an assumption of some tax amount just give that as a note because that is just helped clarify otherwise the cash flow is look a little exaggerated compared to the debt.
- Kuldeep Chawla:** Fair enough.
- Moderator:** Thank you. We take the next question from the line of Tushar Sharda from Athena Investment. Please go ahead.
- Tushar Sharda:** In Q4 your revenue recognition is low. So, what is the reason for that?

- Kuldeep Chawla:** Revenue recognition is a function of projects that came up for revenue recognition in that particular quarter. What did not come up and will come up over the next few quarters are projects like Silver Sands which were launched almost 2 years ago, the first phase that is and subsequent phases came later. Cochin – Marina One where we have done overall 400 crores worth of sales. Kenworth, Phase-II and of course, Parks Square where we sold 750 units in the month of March.
- Moderator:** Thank you. Next question from the line of Dhruvesh Sanghvi from ProsperoTree. Please go ahead.
- Dhruvesh Sanghvi:** Can we expect 4 million square feet sales for FY19?
- Ashish Puravankara:** So, we do not give guidances, but it should far exceed this year sales if the launch pipeline if you consider that so the contribution from the new launches should far exceed the sales of this year.
- Dhruvesh Sanghvi:** But second about the arrangements in the JD, for example in Park Square I do not remember the exact data but let us say if we have a 1,000 apartments for sale and ours is let us say 850. So, when do we allow the other party to sell, I mean is it completely after our 850 getting sold or if you can just give a sense of what kind of arrangements we have?
- Ashish Puravankara:** It varies from project-to-project, transaction-to-transaction. So, some of the joint developments are area share wherein we put a restricted clause in the document where for the first 6 to 8 months the landlord will not sell his shares, so that the developer gets a chance to sell his share out. Post that there are also clauses in the document that say that the landlord cannot undercut the market. So, therefore he is restricted to sell at the price lower than the developer's price. Then you have few transaction that are revenue share wherein the entire 1,000 apartments, example that you gave gets sold by the developer and there is a revenue share if it the 20:80 joint development 20% of the revenue flows to the landlord. In cases of revenue share we recoup the cost of marketing from the landlord for his proportionate area that is being marketed and sold.
- Dhruvesh Sanghvi:** So, in the case of Puravankara's finished goods inventory not getting sold highly for this quarter. Could it be one of the reason that the other developers are, I mean JD partners are selling higher in one or two projects let us say Seasons and Sunflower or that is not the point at all.
- Ashish Puravankara:** Not really. Not at all, I think the kind of distribution network that a developer has over a landlord does not compare at all. Even today if you see over the last 2-3 years we have done formal tie-ups with the large brokerage houses in India from the Anarocks of the world to the Square Foot and PropTiger, etc., with the kind of choices and the number of units that developer has in the incentive program that we play out for them. I think they are far more benefitted by partnering with the developer to sell their stock vis-à-vis the land owner.

**Dhruvesh Sanghvi:** One additional point there in Seasons, I heard that you said we are completely sold out but there are some 27 apartments being shown and the number has increased from 15. So, is there a return of 12 apartments?

**Ashish Puravankara:** No, so we had sold out. This is the additional apartments that we got. So, the land owner had to return the deposit, instead of returning the deposit he has given us more apartments. So, there was deposit and there was interest that was accruing on that on few of the deposits made to the land lord. So, since his inability to pay the money back he has given us apartments and therefore the inventory has gone up.

**Dhruvesh Sanghvi:** And sir, on the launches side I believe you said that there is some 10 million to 12 million, you are confident that we will launch. In terms of practicality what you saw and at actually I ask the similar question in the last time as well that we saw the estimated timelines on that same presentation shifted from Q1 to Q2 to Q3 of FY19 for a couple of projects. For example, Bengaluru Lal Bagh or Karnataka ...

**Ashish Puravankara:** So, Lal Bagh you are very right. Lal Bagh is one and only project in our entire bucket which needs TDR to be loaded on it. Unlike Mumbai here in Bangalore we do not do part sanction of base FSI and after half way through the project load TDR. So, entire thing needs to be loaded upfront. Bangalore for some reason the entire TDR policy was undergoing a change. So, for almost 2.5-3 years while our entire plans were ready sanction was, NOCs were ready. All NOCs are in place but the TDR policy being formalized or getting delayed and that is why the delay happens. Now, the TDR policy has been finalized (a), (b) this is one clarification note JO that needs to be issued. The day that JO comes out the sanction timeline having all the NOCs in place should be not more than in a month and half.

**Dhruvesh Sanghvi:** My question is not that, my question is that, I mean for example there are 7 projects where we shifted our estimated timeline in September presentation it was X and in March it is Y. What I am trying to say is I understand that it is not intentional but what are the practical issues that we face is it like city wise there are some ...

**Ashish Puravankara:** Those delays did happen in the past but going forward. So, just as an example if I have to walk you down, for example the Puravankara list of the launches, right. So, the first one that you see Kanakapura we have all sanctions in place, site work has started. If you see number two, Thanisandra we have all sanctioned NOCs in place, there is no delay we are applying for RERA registration next week. So, I think 30 days to 40 days of getting the registration we should look at a possible launch.

**Dhruvesh Sanghvi:** And one last question. I think we are acknowledging the fact that we need to sell our inventory and half of our debt is marked to our existing completed inventory. I think Kuldeep ji or somebody said that the meaningful change will be seen after 4 to 5 quarters. What stops us from

looking at a little bit of a discount or there is no demand guarantee in this environment for those inventories?

**Kuldeep Chawla:** So, if I may take the liberty Dhruvesh, what I said was a couple of quarters you would start seeing a meaningful impact. So, Ashish wants to add something.

**Ashish Puravankara:** No, so rest assured what we have run and the reason that you have seen a much better sale in terms of ready-to-move in inventories we last year about 8-9 months ago we split the team. One problem that we realized was when you have a common team selling inventory, people tend to focus on the low-hanging fruits and the easier one which are new launches and ongoing projects vis-à-vis ready-to-move in inventory. Since, the time we shifted and have a dedicated team selling the ready-to-move in inventory these are not bad projects. These are all sold 70%-80%-90% and we have seen the result wherein the sale of ready-to-move in inventory is almost doubled, right. So, we should see a faster traction in that bucket as well.

**Dhruvesh Sanghvi:** Sorry, I would like to just correct when we say double may be over FY18 to FY17 it has I am not trying to grill anything I was trying to understand for example we sold 44 apartments over the 13 projects which are under the ready-to-move inventory list today. I may be wrong by 5-6 apartments here and there over a 90-day period across 13 projects we are selling 45 to 50 apartments only on the ready-to-move inventory. Is there a problem in the market?

**Kuldeep Chawla:** If I may, I think on one project alone namely Sunworth we sold between 65 and 70. One project alone we closed 65 to 70 in the quarter. So, even for the quarter our ready-to-move inventory across both brands has done well. If you want I can even give you the exact numbers for both brands which is been our presentation for the quarter. For the quarter-ended March we sold a 0.23 million square feet, that Sunworth sold close to, 380.

**Ashish Puravankara:** So, this entire year Sunworth we have sold over 380 apartments in the entire year and most of that acceleration happens towards the end of the year. If you would like we can take this offline. I can share with you the entire ready-to-move in bucket and this year how it has sold.

**Moderator:** Thank you. Next we take the question from the line of Tushar Sarda from Athena Investments. Please go ahead.

**Tushar Sarda:** So, my question was Q3 to Q4 there is a substantial drop in the revenue recognition. So, I do not think in one quarter the projects which were in revenue recognition would have gone out of revenue recognition or is that some projects got completed?

**Ashish Puravankara:** The latter is absolutely correct Tushar. Some projects have got completed and therefore there is no further revenue recognition possible from these projects.



- Tushar Sarda:** Second question I had was relating to the cash flow. You have given the expected sale value and the expected cost of completion. So, does this expected cost of completion also include overheads like salary?
- Kuldeep Chawla:** No, it does not include overheads. It does not include interest. It does not include sales and marketing expenses which is included in overheads and it does not include taxes.
- Tushar Sarda:** So to that extent the tax will be lower right?
- Kuldeep Chawla:** Yes, absolutely correct. But there is still a lot of headroom.
- Tushar Sarda:** That I understand.
- Kuldeep Chawla:** No, factually what you are saying is correct.
- Kuldeep Chawla:** We have been put a note going forward, so that all our slides is carried going forward. Next question please.
- Moderator:** Thank you. We take the next question from the line of Naresh Kataria from Money Curve. Please go ahead.
- Naresh Kataria:** Are we going to consider the dividend a little later or what is the plan for the dividend for FY18?
- Kuldeep Chawla:** The board is meeting before the AGM to consider the dividend for the year-ended March 2018.
- Naresh Kataria:** So that will be on consideration.
- Kuldeep Chawla:** Yes. Absolutely, very much.
- Moderator:** Thank you. We take the next question from the line of Ujjwal Shah from Quest Investment. Please go ahead.
- Ujjwal Shah:** Ashish sir, just wanted your outlook on commercial development. Where does Puravankara see over next 2-3 years in terms of commercial development. Will we follow our rental model or outright sale as what we are looking for and how do we see this by way of the business developing over next 2-3 years if you can share some insight?
- Ashish Puravankara:** If you look at the next two three years we should see, we should have a portfolio of as we had said about 5 to 7 million square feet over the next 5 to 7 years. So, I think about 2 to 3 million square feet of office space. We have been very choosy. So these are only good micro markets. So we are not doing in the outskirts and building very large tech parks hoping for job creation to happen there. But these are like for example Kanakapura Road that you see is right in the

beginning with metro connectivity is where they are proceeding with our office space development. We have another site 3 km from MG Road on Old Madras Road here in Bangalore where we are looking at commercial development. So, about 2 to 3 million square feet and currently the strategy is to build and hold and lease.

**Moderator:** Thank you. We take the next question from the line of Harsh Shah, individual Investor. Please go ahead.

**Harsh Shah:** This is the question regarding because the share price is affecting since last 4-5 years, the share price is not moving. So, any consideration of buy back or something?

**Kuldeep Chawla:** No, we have no consideration of buyback at this point.

**Harsh Shah:** No consideration as of now because dividend also you told before the AGM will be done. So, I heard that question. So dividend is there, right?

**Ashish Puravankara:** There is no question about buyback and dividend will be considered in the next board meeting before the AGM.

**Moderator:** Thank you. We take the next question from the line of Bharat Sheth from Quest Investment. Please go ahead.

**Bharat Sheth:** Ashish, this is relating to commercial when we have such a high borrowing on our books and we are talking of building a commercial portfolio and holding on which can generate a yield lower than around 6%-7%. So what is the rationale and can you just ...

**Ashish Puravankara:** These are land assets that has already owned by the company which are good for commercial in terms of rental, etc. So Kanakapura was an old land bank that we already had. Old Madras Road is the other example that I gave you that again the land owned by the company for the last I think 8-9 years. These are in the CBD, today with us strong relationships with the banks we are getting construction finance almost to the cost of the construction and the way and the day you, the traction in these micro markets are very strong. So, the day that project is completed, and you have leased out you convert the construction finance into an LRD. So, there is no burden for say on the organization but we are building annuity income over a period of time.

**Moderator:** Thank you. We take the next question from the line of Manoj Dua, Individual Investor. Please go ahead.

**Manoj Dua:** My question is towards the business development side. If we see the con calls of two developers like Godrej and Oberoi, all of these people are thinking of huge opportunities towards adding new JVs and, etc., and Godrej has raised 1,000 crores for that. Oberoi had enabled 2,500 crores resolution for raising the capital. So, what are the progress we are in adding JD. How much

million square feet we have added in JD this year and what is we are targeting in this financial year or we are waiting for little bit ready-to-move inventory to sell off to be more aggressive. Because as we see the commentary of all other developers because of the supply side because of the RERA, GST all landowners are not able to launch their project and they are ready to do JD with good developers like us at very attractive rate.

**Ashish Puravankara:** So, I think land being our raw material we are constantly in the 5 cities that I mentioned. We are constantly in the market we are looking at joint developments. We are also in final stages of talks with 2 of the largest funds currently operating in India to also create a platform transaction mainly for Provident to provide a growth sort of pipeline for Provident. So, we are constantly in the market looking for joint developments. In terms of our targets land transactions when you work on 10, 3 or 4 actually come through. Some gets stuck in legal due diligence, etc. So, we have to constantly evaluate and add to that sort of land bank.

**Manoj Dua:** Can you give me some number how much we have added in last financial year?

**Ashish Puravankara:** I do not have that number upfront. I can share that number with you.

**Manoj Dua:** Second, how is the response of the prelaunch of Goa project?

**Ashish Puravankara:** So pre-launch Goa we have already, Phase-I has about 400 odd units. We have already collected about 475 to 500 checks over the last 35 days of pre-launch. This pre-launch will last another month and half so we are quite confident of a positive response.

**Manoj Dua:** Third on the ready move inventory if you see many developers where never given launch discount like Oberoi has given discount from their projects in Mulund as well as the Esquire because all of the people are preponing cash flow because of the opportunities they are seeing in the market in terms of joint development. So if we see Q4 was little bit less in terms of Q3 in ready-to-move inventory either it was because in Q3 lot of festivals were there, you had one discount scheme also during that period and in the Q4 your stress was more on this new launch like Park Square?

**Ashish Puravankara:** My reasoning is if I have to put my finger on one thing, so I do not think is anything materially wrong with that RTN, I think as an organization when you have a very large launch all energies though not by design tends to go and focus and tends to go towards that new launch. But otherwise nothing materially wrong or different.

**Manoj Dua:** Yes, we agree that as of nothing wrong, material wrong in the project because if there been any wrong their sales would not be that kind of sale which we get in Q3. So, that is why I was saying that Q4 was little subdued in terms of ...

- Ashish Puravankara:** I think because of the extension that Parks Square received from internal teams and resources.
- Moderator:** Thank you. We take the next question from the line of Vivek Kumar, individual investor. Please go ahead.
- Vivek Kumar:** We have this ready-to-move inventory, my doubt is let us say what is the timeline that you have in mind or any plan B, C, if there are few projects that are stuck because if the money that does not get released from this, I think the and with launching about 10 million square feet. Do not you think we will only pileup debt if this traction does not go?
- Ashish Puravankara:** Two things, so one is that wherever you see this ready-to-move in inventory are projects that was launched more than 5.5 to 6 years ago. If you see our launches that has happened over the last 3 to 4 years, we do not have this sort of an inventory pile up because like I mentioned earlier we have changed our entire sales and selling strategy where we are selling almost 60%-70% of the phase is opened up in the first 3 to 4 quarters of the launch and we are able to achieve this with good realization. So, the current project we should not see this sort of an inventory build-up. Having said that it is few projects which are having that issue, right. Today if you look at our Whitehall I do not have huge unsold inventory but look at Skydale I don't have huge unsold inventory, look at Westend I do not have huge unsold inventory, right. You look at our Kenworth which is on-going already we are at 87% sold. We are still year and half away from completion. So, it is few of those like Coimbatore market, Chennai market where we are seeing a little bit of weak sentiments. But otherwise it is not a serious concern.
- Vivek Kumar:** That is what is my question like say whatever is the project that you have launched 4 years back which are not moving and let us say they do not move are we having any plan these B, C, project wise because ...
- Ashish Puravankara:** We keep doing that. So, time is again we have done so to give it that boost, now for example Sunworth if you compare what we sold in Sunworth we had about 800-odd apartments unsold, today we are at 500. We sold 380 apartments of ready-to-move in inventory in Sunworth this year. So, after every 2-3 quarters we have a marketing campaign, we have an event at site and we give it that boost. So, we do have a plan B and C in this.
- Vivek Kumar:** So, whatever is the project that are launched 4-5 years back when do you think this will move out of the balance sheet. What is the worst-case timeline?
- Ashish Puravankara:** I think most of it you should see in the next I think 12 to 15 months.
- Vivek Kumar:** So, one and half year I think you should be done with all the projects launch before 2000 ...
- Ashish Puravankara:** Yes, correct, absolutely.

- Moderator:** Thank you. We take the last question from the line of Anik Agarwal, individual advisor. Please go ahead.
- Anik Agarwal:** Just one question. Our inventory on the balance sheet on consol basis is 4,687 crores, so how much is the interest cost in that inventory?
- Vishnu Moorthi:** There is a 50% of our debt is against that ready inventory to quantify the number the debt outstanding on ready inventory 1,156 crores.
- Kuldeep Chawla:** About a 100 crores to 110 crores of interest cost is against that of our total interest cost is against that. We take about 1,100 crores at 10.4% average comes to about a 115 crores. But that is on the beginning of this year as we sell that interest cost comes down.
- Moderator:** Thank you. That seems to be the last question. I would now like to hand the floor over to the management for their closing comments.
- Ashish Puravankara:** Thank you, ladies and gentlemen, for your time, your questions we hope we were able to address all of them and we look forward to interacting with you again in the near future. Thank you for your time.
- Moderator:** Thank you very much. Ladies and gentlemen, on behalf of Puravankara Limited, that concludes this conference. Thank you for joining us, you may disconnect your lines.

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(This document has been edited for readability purposes)