



**“Puravankara Limited Q2 FY ‘19 Earnings Conference
Call”**

November 2, 2018

**MANAGEMENT: MR. ASHISH PURAVANKARA – MANAGING DIRECTOR,
PURAVANKARA LIMITED
MR. KULDEEP CHAWLA- CHIEF FINANCIAL OFFICER,
PURAVANKARA LIMITED
MR. VISHNU MOORTHY – SENIOR VICE PRESIDENT-
RISKS AND CONTROL**

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Puravankara Limited Q2 FY '19 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 entering '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kuldeep Chawla – Chief Financial Officer, Puravankara Limited. Thank you and over to you, Sir.

Kuldeep Chawla: Thank you. A very Good Evening to all of you. My name is Kuldeep Chawla, I am the Chief Financial Officer of Puravankara Limited. Thank you so much for joining us this evening on Puravankara's Q2 FY '19 earnings call. The results for the quarter as well as the investor corporate presentation have both been uploaded and we hope you could see at least some of the pages have not read through all of the presentation, allow me therefore to begin by sharing with you the financial highlights for the quarter and then take you through the performance for the first half of FY '19. During the quarter, Provident a 100% subsidiary tripled its sales year-on-year for the quarter. Our overall sales for both brands clocked a steady 1.09 million square feet valued at 633 crores, a growth of 35% over the year ago quarter. The sales were led by ongoing projects and especially those of new launches in Provident, which demonstrated an all-round growth across its key markets. The group sold over 13 residential units on average every day during this quarter ended September 30, 2018, doubling growth in terms of the number of units sold year-on-year. The premium affordable housing segment continues to witness good demand. Provident has contributed smartly to overall sales with more than 85% of the total unit sold by the group and 76% of total sales by value in Q2 FY '19 up from 26% from a year ago quarter. We launched two projects in the quarter, Provident Adora De Goa in the end of July 2018 and Provident Neora, an 80-IB project, in Bangalore in September 2018. Both launches were successful, especially Adora De Goa, where the average realization is above Rs. 6250 a square foot as against an average of the older units in the region of about Rs. 4500 a square foot across other markets.

Puravankara is also expected to demonstrate good growth in its targeted launches, which are being rolled out over the next few quarters with prelaunch construction activity already underway. Coming to the quarter performance, consolidated revenue stood at Rs. 499.3 crores, a growth of 34.4% year-on-year for the quarter. Continuing our focus on execution, we spent over 300 crores across all our projects. Earnings before interest, depreciation, taxes, and amortization stood at Rs. 111 crores representing an EBITDA margin of 22.2% on consolidated revenues. PBT stood at 33 crores whilst total comprehensive income post taxes stood at 21.6 crores. Inflows from operations for the quarter continued their healthy trend and increased to

386.2 crores. Operating surplus before interest and taxes was 72 crores, 22.7% higher than the sequential quarter and after accounting for the operating expenditure of 314 crores. The company continued to comfortably meet all its obligations to its various stakeholders.

Now, coming to the FY '19 performance for the first half of the year, consolidated revenues 894 crores, a growth of 23% year-on-year for the half year. EBITDA 218 crores representing a margin of 24.4%, PBT 68 crores, and comprehensive post-tax income 48 crores. The balance collection from sold units of all our launched projects stands at a healthy 1939 crores as on September 30th against a balance cost to go excluding overheads and interest of 1726 crores. This combined with the value of unsold inventory open for sales, which needs no further cost of 3432 crores is projected to generate an operating surplus before overheads and interest of 3646 crores in the launched portfolio. Apart from this, we project a further surplus of 3082 crores from units which are not yet open for sale. These two, 3646 crores and 3082 crores, give a combined projected surplus of 6728 crores for the company as a whole. Debt-to-equity basis the changed accounting standard, AS 115, in which we adjusted 610 crores of net worth was 1.38 times at the end of the quarter, but was comfortably protected by a more predictable cash flow with the new launches having been very successful. The weighted average cost of debt stood at 11.01% for the quarter ended September 30th.

In summary, this has been a good quarter for Provident extending its gains and Puravankara performing steadily. The response from the launch of Adora De Goa was overwhelming and demonstrates not only our commitment to our brands, but also the customer acceptance of our products across our key markets. The improved predictability of cash inflows is therefore encouraging. October has been a good one with project collections improving across the board on both brands. Going forward, we continue to see a good growth trajectory for the second half of the current financial year. With this, we would like to open the floor for questions.

Moderator: Thank you. Ladies and Gentlemen, we will now begin the question and answer session. We have the first question from the line of Ankit Gupta from Bamboo Capital. Please go ahead.

Ankit Gupta: Sir, my question was on the debt figures, so we have been seeing that continuously our debt has been increasing and with the new launches coming up and if we see our balance sheet as on 30th March we had almost 1500 crores of debt which was due to be repaid in the current year, so what are your views on the debt and how much of this 1500 crores has already been repaid and how are we planning to repay this debt?

Kuldeep Chawla: We are comfortable with the current level of debt. As we have said in the past and the trend continues, the sale of ready-to-move inventory goes automatically towards reduction of the debt.

As an example, during the currently concluded quarter in September 20th, we paid about 127 crores of debt, so our current level of cash flows are comfortable. We have increased our debt in the current quarter because we saw an opportunity to capitalize on the purchase of a specific land which we got at a value that was below market and which was in a strategic location in Bangalore, so we are looking to progressively reduce our debt as and when our sales continue, our mandated repayments are very comfortably spread out over the next many years.

Ankit Gupta:

Sir, the current maturity which is shown in the balance sheet, I think that is also been...?

Kuldeep Chawla:

That 1500 crores which is shown for real estate companies is the repayment that is required over a four-year period. The second aspect is that it is back ended, and just to put things in perspective our ready-to-move inventory sales as well as our current stock of ready-to-move inventory which does not have any cost associated with it, more than comfortably enables us to pay this debt.

Ankit Gupta:

My second question was on the ready-to-move inventory, the kind if we compare the Puravankara sales for this quarter compared to the same quarter of last year, there has been a decline in both number of units, volume as well as realization, so any view on that and how is the sales for ready-to-move inventory going on currently because I think this quarter the sales has been positively impacted because of the two new launches that we had, so any views on how the movement for ready-to-move inventory especially for the projects in Chennai which we are seeing relatively less movement?

Ashish Puravankara:

In terms of our ready-to-move inventory I think most if you look at the last I think three-four quarters besides two projects, which is one in Coimbatore and one in Mangalore, all the other projects including Chennai we have seen a positive movement in ready-to-move inventory, so that is quite encouraging from that point of view. These two projects obviously now we are just getting our heads together and since it is nearing completion like in our past experiences, we have seen where few problematic projects when they near completion, the sales picked up, so both these projects just about to start hand over soon. As far as all our other new launches just a quick note that this changed the strategy, which I had also mentioned in our last call that all our new launches that we have done over the last I think two to two-and-a-half years you would see that in terms of sales percentage we have upfront sold almost I would say about 60% - 70% of these projects each and every launch, I am talking Poona, I am talking Hyderabad, I am talking Goa, I am talking Bangalore across the Puravankara brand, across the Provident brand, so we have changed. In terms of the current launches, we should not be in a similar position where we have an inventory buildup in the future and that is helping the situation as well. In fact all these new launches would not even require any construction finance.

- Ankit Gupta:** How is the payment terms for this?
- Kuldeep Chawla:** **You had a question on realization per square foot.**
- Ashish Puravankara:** In terms of realization per square foot now, I think Provident is in a way doing well, but what Puravankara needs is the minute the new launches come in because a lot of the projects where we have higher per square foot selling price, for example, Whitehall, for example Seasons etc., the amount of inventory left there is very little, so I think the new launches will help not only get numbers in, but will also help get the realization up. Another project like Cochin, for example, where also which is helping the realization per square foot that because of the recent flood that happened there, this quarter the numbers are little low, lesser contribution from them, but we are hopeful that over the next couple of quarters it should come back online.
- Ankit Gupta:** Sir, my other question was on how is the payment structure for the new launches, how much advance do we take and what is the payment structure for the newly launched projects?
- Kuldeep Chawla:** Two points I want to make, number one, the payment structure is that if you assume a three-and-a-half year delivery, in the first two years we would collect as much as 70% to 80%, number one. Number two, I want to specifically state that none of our new launches have had any schemes of any sort, so there is no dilution in the payment plan being back ended, I want to specifically mention this aspect.
- Ankit Gupta:** That is great, I think that is what Sir was also saying that this new launches will help us fund in our other
- Kuldeep Chawla:** As an example, we have already collected the 10% from the Goa sales in the last three months. Registrations have proceeded at a fast clip.
- Ankit Gupta:** Sir, last question was on, we have almost 7000 crores of inventory on our book as on 30th September, so out of this how much will be ready-to-move inventory?
- Kuldeep Chawla:** Firstly, I think the 7000 crores, I would like to just understand how you are getting that breakup, but in answer to your specific question we have about 1350 crores of ready-to-move inventory and just to put things in perspective, on an annual basis we sell about 500 to 600 crores of ready-to-move inventory every year. Last year, we sold even more. In fact you asked a question earlier about Chennai, I want to specifically state that Chennai in Q2 FY '19 sold as much as in Q2 FY '18, Windermere project specifically. Cosmo City in fact has picked up in Q2 FY '19 versus Q2 FY '18. It has doubled its sales, Cosmo City.

- Ankit Gupta:** The last question how is the response for the newly launched Bangalore project?
- Kuldeep Chawla:** That project which is an 80-IB project was launched at the end of September 2018 and by the way it was launched without an expression of interest process for the simple reason that it is a steady small project and we said we will sell it over the next couple of quarters, so you see over the next few quarters sales will pick up, it is a great location.
- Ashish Puravankara:** So far response has been good.
- Ankit Gupta:** Just one suggestion, this quarter the results were out at 5 o'clock and con call was at 5:30, so just a suggestion that if we can just keep one to one-and-a-half hours of gap between the con call and the results, that will be really helpful to us.
- Kuldeep Chawla:** We released the results around 4:15-4:40, 4:30 we uploaded it, next time we will load it even earlier. Thank you for your suggestion.
- Moderator:** Thank you. We have the next question from the line of Biplab Deb from Antique Stock Broking. Please go ahead.
- Biplab Deb:** My first question was already answered but still I would want to rephrase the question is that you have ready inventory and completed projects and as you said 1300 to 1500 cr, and many of these are outside Bangalore, I just wanted to know based on the sales velocity of last six months or one year, in how many years do you think based on the sales velocity, you will be able to sell all the non-Bangalore completed projects, this is my first question? And second question is on the Mumbai projects. There are two JDs, one is in Bhandup and another is in Thane, when this would be launched, is there a delay in the launch because of prevailing market situation or because of approval and so, and I also read a news article where Puravankara bought 2 acres of land parcels in Chembur and if you could throw some light on this, these are my three questions? Thank you.
- Ashish Puravankara:** In terms of ready-to-move inventory if I have to even include Bangalore or exclude Bangalore, I am quite confident that about 75% of the inventory we are hopeful we can sell over the next year-and-a-half. We will be in a situation where the final 10% - 15% because of lack of choice in all apartments being there may take a little longer, but a major chunk like I said I think we are confident with the current strategy, the current pace at which the sales has picked up of the ready-to-move inventory it should be sold over the next year-and-a-half. Your second question about the JDs in Bombay, you are talking Thane or you are talking Shilphata?

- Biplab Deb:** Sir, as per the presentation I see there are two, one is in Bhandup and one is in Thane.
- Ashish Puravankara:** Bhandup, the JD was signed some time ago, we were waiting for the new DP. If you are aware in Bombay there was a confusion with the entire the DCR, the DP, the zoning etc. which today there is clarity, so we have already started designing. We should be ready with our final plans with the architect, in fact the presentations are on as we speak. We should finalize the design over the next maybe 10 to 15 days and start with submission. No sooner we get the sanctions in place, we will be launching it. We strongly believe that while Mulund I think there is some wee bit of oversupply, we believe that Bhandup is a micro-market even today for a product that has been launched with the right ticket size, so the market today is good, it is only the sanction that we are waiting on which was delayed due to the new DP. Similar case with the Shilphata one as well wherein the sanctions are on. I think they are almost reaching towards the end of the sanction, so no sooner we get the sanction we will be launching that project as well.
- Biplab Deb:** You could say that this is because of your waiting for the DP in both the projects, Bhandup means you are waiting for the DP, Thane once you get the sanction then you will move ahead?
- Ashish Puravankara:** These are already on, I think we have got various NOCs, the sanctions are on, we are in the final leg.
- Biplab Deb:** About the Chembur plot, the news report that I read is that you bought some 2 acres of land plot, can you throw some light on that?
- Ashish Puravankara:** In terms of development potential that project would be close to, I am just giving you approximate numbers, we have started designing on that front as well, approximately should be about 3,80,000 to about four lakhs square foot approximately depending. We like that specific micro-market again because of lack of oversupply there, they are not so many projects available. This is the land parcel which is right opposite the Tata Institute of Social Science, good location and we have started designing and as soon as we get our sanctions, we will be launching that. For Bhandup, another clarification, so Bhandup and Chembur would be under the Puravankara brand obviously and the Thane one would be under the Provident.
- Biplab Deb:** This is not a question, I just want to, basically you see some traction in Mumbai markets in terms in this micro-market, there is no concern about the micro-market in Mumbai?
- Ashish Puravankara:** Every market that we are present in, my strong belief is that you cannot paint the entire city with one brush, so I think there are today the way the times are I think one has to really evaluate the micro-market business city, like for example, Mulund versus Bhandup, a low Parel versus

Chembur, etc. There are certain micro-markets that are doing well, there are certain micro-markets that have specific oversupply situation within that micro-market, so I think the right micro-markets within cities, I think the right ticket size within those micro-markets makes all the difference in the world.

Kuldeep Chawla: We have been across Hyderabad, across Pune, across Goa, even across Cochin, whenever Puravankara or Provident has entered a new market, it has immediately captured market share across all these four and I am giving you instances from four markets over the last three-and-a-half years, so we are confident of repeating the same thing in Mumbai as well.

Biplab Deb: Sir, one final question, I think on the ready-to-move asset, in terms of Kochi micro-market, what is your view because it seems like the sales velocity is very low especially near Marine Drive project?

Kuldeep Chawla: Kochi is actually not a problem, Kochi we hardly have any inventory left. Cochin what you are seeing inventory is under construction Marina One and that has already sold close to 45% to 50% of the inventory, otherwise, the three projects Grandbay, Oceana, and Eternity have very little inventory. In fact, Eternity property is less than five units.

Moderator: Thank you. We have the next question from the line of Prit Nagersheth from Wealth Finvisor. Please go ahead.

Prit Nagersheth: I think a lot of questions were answered by the first two participants, Sir, can you shed some light on the NBFC funding which you have, how that say could potentially impact housing finance companies, which could hence -as a result has an impact on potential sales?

Kuldeep Chawla: Three quick comments, number one, we do not have more than 30% of our total funding coming from NBFCs. Number two, we just have a couple of NBFCs, they are very large, very well reputed, PNB Housing Finance and Aditya Birla Finance are two NBFCs. Number three, that we recently asked these NBFCs to draw down some money that we required for construction and we have had immediate funding come in from them, so we actually reduced our overall as a percentage of our total, a month-and-a-half ago we reduced our exposure to NBFCs. We did not think this crisis would happen, but as a strategy we just did it.

Prit Nagersheth: With rising cost of capital, this has two parts to it, one is obviously the debt that you have their, the interest rates, the cost of capital has moved to 11 percentage as per the presentation that is one part and when we met at the AGM, the idea what you told me is that not this quarter, but down the line you do see the debt reducing is one? The second is how does the rise in cost of

capital impact those guys who are taking money from housing finance and buying apartments, buying stuff from you guys?

Kuldeep Chawla: I think as far as people who are buying homes and their home loan interest rates are concerned, for those people who are particularly taking home loans from NBFCs, all of our buyers are end-users, whilst in the immediate term it might appear like their overall interest cost is up for their home buying, based on discussions we have had with both the NBFCs as well as the customers, we have not seen any slowdown in sales or in buying because of this aspect. The other aspect is that if you look at the situation that prevailed two years ago even when interest costs are lower, if project gets implemented faster and faster your overall interest cost comes down, so that is it. And then you had another question?

Prit Nagersheth: The impact of rising cost of capital for you guys?

Kuldeep Chawla: The impact of rising cost of capital for us is going to be may be another 0.1% from these current levels. I may add that this is assuming that after 30th September from now if costs go up further from here, otherwise, we do not expect any rise in interest cost from these levels.

Prit Nagersheth: What about bringing the debt down back to say 0.8debt-to-equity ratio?

Kuldeep Chawla: That is going to happen over the next year or so and the reason is very simple. As my ready-to-move inventory sells down, my debt goes down automatically.

Prit Nagersheth: But what happens if there is a slowdown, you are not selling it as fast as you would like to?

Kuldeep Chawla: Let me put it differently, the amount of sales of ready-to-move inventory is far, far higher even at the most conservative level than my debt obligations.

Ashish Puravankara: Just to add to that, I think from a future point of view, these two to three years ago the change in selling strategy that we undertook where we were selling getting financial closure in terms of sales percentage and beyond, across the last three to four projects, so typically when does that debt increase, so last projects a small percentage sold then to sort of complete these projects we borrowed. Today, like I said all the last two to two-and-a-half year projects we hardly required construction finance, so going forward these projects, there will be no debt increase in account of all these launches, when I say all these I am talking for the last two to three years, two years whatever launches that we have had. The sitting on the books really is on the older projects RTM, which fortunately have started selling well.

- Prit Nagersheth:** One last question, again during the AGM I think what we understood in the plan was to be asset light which meant is that land purchases would be done via JV that would not be on the books, but we have seen definitely some more purchases in this quarter, so can you shed some light on what the strategy is, is it going to be asset light, is it going to be that you will be purchasing land if you get an opportunity, how are you going to go about?
- Ashish Puravankara:** Even in the AGM I had clarified that the overriding strategy is going to be joint developments, but as you may be aware land transactions take some time, six months, eight months, a year sometimes a year-and-a-half, so these are all older transactions that were in negotiations. Today, obviously considering the current market, we were able to further negotiate the prices down, so unless there is a clear opportunity there will be no buying.
- Kuldeep Chawla:** In addition, I think in this specific instance we use the current market opportunity to be opportunistic to grab something at below-market. I also want to address specifically with some data, the question that you asked on ready-to-move inventory, ready-to-move inventory sales are 450 to 500 crores a year. Last six months, we sold 240 crores of ready-to-move inventory, so whereas my repayment of total debt including ready-to-move debt is 400 crores in the next 12 months. To put things in further perspective, we have prepaid some debt in the current quarter. In Q2, we paid about 130 crores of debt and a large part of that came from ready-to-move inventory sales.
- Prit Nagersheth:** Basically we are very comfortable with the debt **obligations**?
- Kuldeep Chawla:** Yes.
- Moderator:** Thank you. We have the next question from the line of Dhruvesh Sanghvi from Prospero Tree. Please go ahead.
- Dhruvesh Sanghvi:** Sir, the Bangalore Park Avenue where we had a similar launch, what was the sale in this quarter, last quarter we sold but in this quarter did we add on to that?
- Kuldeep Chawla:** Yes, we did. We had approved about 1100 units with RERA out of the 1800, we sold about 71,000 square feet valued at about 40 to 43 crores.
- Dhruvesh Sanghvi:** Basically, why I am asking this question is I just wanted to understand from an angle where on the initial rush and the kind of fantastic marketing that we are doing apart from the good product, maybe leading to good sales at that point and then that rush dies down, is that the case or no, it continues?

Kuldeep Chawla: I would just like to clarify that in the case of Park Square, I do not know if you can draw that inference because we have only some 13% of the inventory left. Why I am saying this, when you sell 87% within three to four months of launch, the only way to test that theory is when we open the next phase.

Ashish Puravankara: I think to give you a generic answer to your question, no, we have not seen. Obviously the numbers are very different from the quarter of the launch, but let me give you an example of Kenworth or Silversands which is in Pune, which is a Puravankara product, so while we have sold 50% to 60% in the first two quarters of launch, the sales have continued, so for example, again I am just talking to you ballpark numbers I think in Silversands we had got 800 odd units sanctioned in the first phase, today we are close to I think around 700 sold. In fact, now we do not have much inventory to showcase, we are pushing forth for the Phase 2 sanction. In Kenworth as well, the Phase 1 sold out, the Phase 2 sold out, we merged it called it Phase 1. The Phase 3 also the sales are equally good.

Kuldeep Chawla: More than 1000 units sold in Kenworth and only 12% inventory left.

Ashish Puravankara: Similarly, I think even if you take Park Square like I said, it was from 600 to 700 which was sold. Today, I think out of 1100 we are around 900 odd sold.

Dhruvesh Sanghvi: In that context let us say, for example, Goa, where we almost did a thousand units sale whatever 800,000 unit sale and I think the project has approximately 3000 units...

Ashish Puravankara: No, totally is 1800.

Dhruvesh Sanghvi: If we go ahead, do we envisage that this 800 will also be like sold or fairly easily sold or then there will be difficulty in doing this now?

Ashish Puravankara: One is if you are specifically talking about Goa, I do not think we should have any issue up to about maybe 1350 units, this feedback is simply because we have some people on waitlist for specific type of three-bedroom unit which was not approved by RERA, so we are pushing forth for the RERA approval and we already have a waitlist for those units. After 1350 will it taper down, I do not know but having said that I think 1350 in the first three quarters of a project which will take you about four-and-a-half to five years, you already have more than the financial closure risk, there is no risk. Lastly, from strategy point of view what we do is what sales is that we have opened up, the expenditure in terms of construction is only going towards those phase. Even in a situation where something changes on ground, sentiment changes on ground, I am not

expensing towards constructing a phase that is not open that has not been sold, so you are insulating, de-risking yourself from that point of view.

Dhruvesh Sanghvi: One place where I found that something is probably lacking is we have been consistently guiding on launching in a big way, but I think we are falling substantially short, so as an answer we will have an answer that we launched Goa, we launched Bangalore but the overall target was probably a crore square feet, I think we are falling substantially short of that, is that a management bandwidth issue or you are ?

Kuldeep Chawla: I do not believe we ever gave a guidance, in fact we have been very specific to say that we would not like to give any guidance. The second aspect is we could have done more launches, but sold the same number of square feet. We said let us go deep into a project...

Ashish Puravankara: I think to respond to you the issue is not from a management or company bandwidth point of view, the issue let me give you a few examples, like Bhandup we have been ready the DP DCR that had to be released is being postponed by the Government multiple times, now finally it has come through, now we are proceeding. Even in Bangalore now we have reached a final stage of sanction, we are waiting. There was some Khatha, the revenue document amalgamation because of the Government issue got delayed, I think it should happen over the next two or three weeks. Lalbagh, the TDR clarification is just about coming on right now, but 80% of the sanction work is done, I think it is mainly policy issue which has pushed the indication that we have given you in the past, but nothing to do with the company or the bandwidth.

Dhruvesh Sanghvi: Sir, last part again on the finished goods inventory, because the time was a little less, I could not do the right amount of work, but I think we are holding around 2000 apartments in the ready-to-move inventory and the sale in this quarter under the ready-to-move inventory is 200 apartments?

Ashish Puravankara: I would suggest to go by value or by square footage because apartments in a way if you are looking at a consol level can be little misleading because you have a Provident which is 800 square foot and you have a Puravankara which is 1250 square feet and 1500 square foot.

Dhruvesh Sanghvi: Of course, I said that I did not have that time.

Ashish Puravankara: I think in terms of just to clarify in terms of RTM approximately the value there that this is about 1350 crores. In the first half of the year, we have sold RTM worth 240 crores in the first half.

- Dhruvesh Sanghvi:** For example, let us say even Bangalore, which is a strong market we sold one apartment in Highland out of the 51, I think we will lose money in this way. There are examples after examples in the ready-to-move inventory category, for example, apart from Chennai, I am not talking about Chennai...
- Kuldeep Chawla:** Chennai has actually done quite decently.
- Dhruvesh Sanghvi:** Chennai has done well 23 apartments out of 256, but if we see deeper is there a problem...
- Kuldeep Chawla:** Windemere alone has sold 40 apartments.
- Dhruvesh Sanghvi:** Sir, I understood I am not talking about Chennai, I mostly talking from...
- Ashish Puravankara:** Highland I think you have picked the right example, unfortunately, so about 3 kilometers from Highland is Park Square. The focus was to somehow ensure the momentum of Park Square, first drive the people there, and this is 50 units sitting over there, so I think anytime now the part of the focus will move now to, so today I am going to showcase, so we are going take the price of Highland a little higher to say, okay we have this which is under construction and then you have Highland which is ready, so that was more strategic.
- Dhruvesh Sanghvi:** We as investors understand from an angle that there is no balance sheet risk to Puravankara, but for us to make substantial profit growth and the cash flow growth, I think this is where completed inventory is the big problem which I can see at least, I do not know about the way we are seeing, but that is the feedback, Sir.
- Ashish Puravankara:** I do not know if using the word problem is the right word there, but yes, so we do have the ready-to-move inventory. The right amount of focus has gone into it, the last year, three to four quarters almost 45% to 50% of our quarterly sales is contributed by ready-to-move inventory, so that has picked up, but for the two projects which I mentioned upfront, so I do not see a problem there.
- Moderator:** Thank you. We have the next question from the line of Tirath Muchhala from Elusividya Capital. Please go ahead.
- Tirath Muchhala:** Sir, my first question is regarding the tax rate on the projects by Provident, what would the tax rate be on corporate tax rate basis?

- Kuldeep Chawla:** 25% is the current rate of income tax for Provident Housing and next year we will get an 80-IB benefit in addition, so the effective tax rate will come down further.
- Tirath Muchhala:** Could you elaborate on that, how does the tax rate come down and is it a substantial degree?
- Management:** In 80-IB projects only MAT needs to be paid, entire income tax is exempt, so the MAT whatever we pay will be available as a credit and because we also have non-80-IB projects, we may get full benefit of these 80-IB projects at zero tax, so as these 80-IB projects come in, our effective tax rate will go down.
- Tirath Muchhala:** Is that at all the serious part of our strategy to get into these kind of projects, so we can introduce the tax component?
- Ashish Puravankara:** That is a serious strategy in terms of Provident because Provident if you see the sizes, the 80-IB is applicable on those sizes. We get 80-IB benefit, it is available to us; therefore, all the new sizes so if you see our older projects, the sizes are up by maybe 10 square-foot, 15 square-foot . Secondly, when 80-IB got introduced about a year ago, they said any projects are sanctioned from here on out and if they confirm to these sizes, you will get that tax benefit, so all our future launches. Now for example Shil, Thane etc. we are ensuring that we are designing , anyways the sizes were 80-IB sizes, but maybe for 5 square foot here and there, so we are ensuring that we conform to that 80-IB guidelines and will get that tax benefit.
- Tirath Muchhala:** Thanks for that. One more thing is, I will just ask two questions together, one is the pipeline of our new projects that we let us say we have not yet found, does capital association make us stronger in that sense or do you see a good pipeline of projects because of the distress in the industry, so that is one, and the other is that as long-term investors, one thing is that all the land assets that we have let us say over the next four or five or six years, do you see us exhausting more of our land assets or do you think we should be pursuing newer properties like the recent ones that we have done?
- Ashish Puravankara:** I think to answer to your first question, there is no specific benefit that we have accrue, accrue from Capital Association, but they being a great brand as well, so this was something that we have gotten into way back in 2006 when FDI had opened up, so it is a separate JV company that we have and that company independently looks at projects. Your second question was on...
- Tirath Muchhala:** On land assets, like in the future, in the next four, five or six years, do we see us using more of our land assets from our land bank or?

- Ashish Puravankara:** It will be a combination of two, so in micro-markets where we already have land, obviously the effort is to ensure that we turn around and monetize our own lands, but there are new emerging micro-markets where the company does not have lands. To put it simply now, Magadi Road, Bangalore, which has now developed into a great micro-market. Tumkur Road, that has developed as a great micro-market, the entire city developers who are all focusing essentially on Whitefield area, South of Bangalore, Hosur Road, Sarjapur road, ring-road etc. so there we have acquired some land, that overtime we are going to be launching those, but on Tumkur Road, for example, we do not have a land bank, so there if we get some great JVs, joint ventures are joint development, yes of course those will be new acquisitions.
- Tirath Muchhala:** But any rough guidance, we are like 55 million square feet of land assets as a proportion, so 20%, 30%, 40% that we can use and convert it to property?
- Ashish Puravankara:** Yes, of course, you can use them today. Basically, we do not want it to cannibalize our own product, so now Sarjapur Road for example we have two land parcels. We were just about getting out of Skydale and Skywood, now, we have another project there which we have currently started designing and just getting all the revenue documents sorted out, so that is another 18 acres which will be launched, and 3 kilometers from there we have another 38 acres. Now, I will wait two years to launch that till the inventory, the new project comes down to a certain level.
- Moderator:** Thank you. We have the next question from the line of Sunita Desai, an Individual Investor. Please go ahead.
- Sunita Desai:** Sir, I have only one question. I just want to get a sense of the run rate of your ready-to-move-in inventory?
- Kuldeep Chawla:** Run rate in terms of sales value?
- Sunita Desai:** Yes, how it has been over the last few quarters just to understand how we have sold in terms of the ready-to-move inventory?
- Kuldeep Chawla:** Last two quarters put together, we have sold about 240 crores, 130 to 135 crores in this quarter and about 110 crores or 107 crores in the previous quarter. Q4 and Q3 of last financial year... give me a second i'll give you those numbers as well, just 30 seconds.
- Sunita Desai:** Sir, while we wait for that can you also give us some sense of how long it will take to sort of work through this ready-to-move-in inventory?

Kuldeep Chawla: Like I said, we are doing about 450 to 500 crores a year very comfortably of ready-to-move inventory. Our current inventory is about 1350 crores, so barring those two markets, I think we should be done in the next one-and-a-half to two years.

Sunita Desai: You say that your total debt including the ready-to-move inventory is about 400 crores, correct?

Kuldeep Chawla: Correct, out of which in the next 12 months, payable in the next 12 months.

Sunita Desai: If you could just give me last year's ready-to-move inventory that would be great?

Kuldeep Chawla: Going in reverse order from this year, 134, 104, 187, 159, that has been the run rate, so if I were to look at the last 12 months, we have done 585 crores worth of ready-to-move inventory sales and if I were to look at the debt over the repayable from this ready-to-move inventory over the next 12 months, it is around 270 crores, what I am trying to say is we have got enough cover even if the ready-to-move inventory sales were to slowdown from here, we have more than enough cover. I would also like to say that at any point in time, we have receivables from sold stock of ready-to-move inventory, because it takes between 30 to 60 days from the time ready-to-move inventory unit is sold for the money to come in, I have not counted that receivable at all in this math.

Moderator: Thank you. We have the next question from the line of Ankit Gupta from Bamboo Capital. Please go ahead.

Ankit Gupta: Sir, my question was largely from industry perspective given the current liquidity crisis and the NBFC issues that we are seeing, we have been hearing news of press in the real estate market that a lot of inventory has been piling up especially in some of the cities like Mumbai, so what are your views on how the current crisis is playing the role on real estate?

Ashish Puravankara: I think there are two sort of, I would like to just separate the two questions, I think in terms of the inventory movement and sales in Mumbai, again I mentioned this and I clarified earlier, I think you cannot talk of Mumbai as a city, I think there are certain micro-markets within Mumbai which are doing good, there are certain micro-markets that are not doing as well. There are certain ticket sizes within those micro-markets, which are doing extremely well. We are quite careful of that, so therefore, if you see today the kind of location, so we have committed two projects in Bhandup, we have committed two projects now in Thane, we have committed to a project in Chembur, so we believe that these are micro-markets with relatively much lesser in terms of oversupply or unsold inventory and the right ticket size is selling quite well.

- Kuldeep Chawla:** As far as your point about the NBFC crisis, I think there are two to three ways of looking at it. Number one, you have got to look at developers who have borrowed heavily from NBFCs for holding onto land rather than creating a productive asset out of it. The second is what is the composition of your overall liability mix, how much of it is NBFCs, which NBFCs do you have, what is the purpose of your borrowing been, so on and so forth. The third is what sort of developer are you, are you a developer who keeps churning, who keeps rotating capital, or are you just borrowing and then sitting on that debt for a long time when repayment is not happening, so those are the things that you need to look at when you look at NBFC debt. Just like you do not sweep the entire inventory in a city like Mumbai with one brush, we should not sweep NBFC debt with one brush, that is our view on this.
- Ankit Gupta:** Are you seeing any correction in prices happening in some of our key markets like Bangalore?
- Kuldeep Chawla:** Not at all.
- Ankit Gupta:** No pressure on players to reduce the prices and sell in the inventory they have?
- Kuldeep Chawla:** We are not experiencing that and we like to believe organized players are in the same boat.
- Ankit Gupta:** One last question from my end, we have seen that we got a very good deal in Mumbai for the land parcel, so one of a large player in Mumbai was also indicating that because of this issue, there can be good correction in the land prices, so any views on that?
- Ashish Puravankara:** Again, any correction in land prices in my limited view is that it would happen again in certain micro-markets where the land supplies large. In certain micro-markets where you do not have a large supply of land, there will the correction happen, I do not think so. One thing yes, in terms of the purchase price that we got into for Chembur, we did take advantage of the current situation to whatever extent we could, but where you have lesser supply of land I doubt you will see a correction.
- Moderator:** Thank you. As there are no further questions, I would like to hand the floor back to Mr. Kuldeep Chawla for closing comments, please go ahead, Sir.
- Kuldeep Chawla:** Thank you. Ladies and Gentleman, thank you, we know it is late in the evening, but we appreciate very much you coming on this call and please feel free to continue those questions. We will be more than happy to address them and we would also like to take this opportunity to wish all of you and your families, a very Happy and Prosperous Diwali 2018. Thank you.

Moderator: Thank you, Mr. Chawla. Ladies and Gentlemen, on behalf of Puravankara Limited, that concludes this conference for today. Thank you for joining us and you may now disconnect your lines.

(This document has been edited for readability purposes)