



**“Puravankara Limited
Q1 FY2022 Results Conference Call”**

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Moderator: Ladies and gentlemen, good day, and welcome to the Q1 FY2022 Results Conference Call of Puravankara Limited hosted by Emkay Global Financial Services. We have with us today Mr. Ashish Puravankara - Managing Director, Mr. Vishnu Moorthi - Senior Vice President - Risks and Control, Mr. Abishek Kapoor - Chief Executive Officer, and Mr. Neeraj Gautam - Executive Vice President - Finance. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference, please signal an operator by entering “*” 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. Rahul Jain of Emkay Global. Thank you, and over to you, Sir!

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

Neeraj Gautam: Thank you. Good evening and a warm welcome to all of you. I hope all of you and your loved ones are safe as well. Thank you for joining us for Puravankara Limited Earnings Call for Q1 FY2022. My name is Neeraj Gautam. I am the Executive Vice President of Puravankara Limited. The quarter's investor presentation and financial results ended June 30, 2021, are uploaded on the stock exchanges. I will start with a brief update on the business and highlights of the quarter, following that my colleagues and I would be delighted to answer any questions you may have and take suggestions you would like to give us.

After a robust last financial year, we started the current quarter with lockdown in April and May. We have seen a good recovery beginning from June and we are confident of strong momentum going forward.

Coming to the business highlights, we have ended the quarter with a sound momentum in sales. During Q1 FY2022, sales bookings stood at 0.42 million square feet from 296 units with a sales value of INR 314 Crores. Our focus on selling ready inventory has brought down our ready to move in stock to 0.47 million square feet as of June 30, 2021. There is an improvement in price realization during the quarter with sales realization up by 70% Y-o-Y to INR 7473 per square feet compared to INR 5768 per square foot during the corresponding quarter last year.

We have completed the transaction of the strategic exit from one of our commercial projects during the quarter for INR 685 Crores. We have already received 515 Crores during the quarter. We have deployed this fund into business operations and the reduction of debts.

Coming to the detailed financial performance of the quarter, consolidated revenue for Q1 FY2022 was INR 542 Crores compared to INR 191 Crores in the previous year corresponding quarter, a growth of 184%. EBITDA for the quarter was INR 386 Crores compared to INR 67 Crores during the same period last year, up by around six times on a Y-o-Y basis. We have achieved a profit before tax of INR 293 Crores during the quarter compared to a negative PBT of INR 23 Crores during the corresponding quarter for the previous year. Profit after tax for the

quarter was INR 155 Crores compared to a loss of INR 17 Crores during the corresponding quarter of the last year.

We have also opted for a new income tax rate of 22% under section 115BAA of Income Tax Act 1961 for the financial year and coming financial years. It will benefit the Company for reduced income tax outflow during the current year and coming years. As per the provision of the Income Tax Act, We had to restate deferred Tax assets and MAT Credit, which resulted in additional tax expenses of Rs.68 Crore. There is no tax outflow due to this restatement of deferred tax assets and hence the profit after tax for the quarter should be read with this no tax outflow due to this restatement of deferred tax assets.

We maintained our focus on collections. Despite lockdown during two months of the quarter, operating inflow for Q1FY22 stood at INR 321 crore, which is higher by 71% YoY compared to INR 188 crore during Q1FY21.

Our efforts on paring our debt levels continued. We have reduced our net debt by Rs 451 Crore during the quarter. Our net debt to equity ratio is improving consistently and stand at 0.90x versus 1.34x a year ago.

We are delighted to inform you that ICRA has upgraded our credit rating to ICRA A- (Stable) Short term rating A2+.

We fast-tracked our digital initiatives, signed with SAP to adopt their latest offering, RISE with S/4 Hana Cloud ERP, and engaged IBM as an implementation partner. Our goal is to provide a completely digital environment to our customers. Through a dedicated application, from online booking, virtual tour to the project, tracking construction progress, receiving and paying demands, view of the statement of account, etc.

With this, I conclude my remarks. Thank you all for joining us in this conference call. We would now be happy to answer any questions, comments or suggestions you may have. Thank you.

Moderator:

Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. If you have a question you may enter "*" and "1" on your touchtone telephone. If your questions have been answered and you wish to withdraw yourself from the queue you may enter "*" and "2". Ladies and gentlemen, you are requested to use handsets while asking a question. We will wait for a moment while the question queue assembles. We have the first question from the line of Parthak Jonsa from NVS Brokerage. Please go ahead.

Parthak Jonsa:

Congratulations on a great set of numbers. Sir I have just got a couple of questions. I just wanted to understand that you have given a spectacular result on a consolidated basis in Q1. My first question is how do you perceive Q2, Q3, Q4 going forward for this particular financial year, and I just could not get your explanation on the deferred tax charge, I think I missed in between. What is the sales the company is expecting in the next three quarters?

Ashish Puravankara:

I will take the first half of the question and I will leave the tax explanation to Neeraj. On the sales, today but for the disruption that comes on account of lockdowns and COVID, we have seen that there has been a huge polarization of buying that happened to the top brands. Just

certain points of reference would be if you look at our ready to move in inventory which about two years ago was at 2 million-plus, today it sits at 0.47 million square feet. If you see our ongoing projects as well we have seen strong sales. Our new launches have also done well. Therefore, we believe that the current project that we have, a fantastic 14 million square feet of a lineup of launches over the next 12 to 15 months across our three brands Provident, Puravankara and our new vertical Purva Land, will give a boost to our sales. We have planned our launches in Bengaluru, Chennai, Cochin, Pune and Mumbai. I think we should see strong sales for this year, again. The only caution is when you are physically locked down or you have weekend lockdowns it does affect site visits, etc., but if there is no big surprise from COVID I think it should be a good year.

Neeraj Gautam:

For the tax part, if you look at our financial statement, our profit before tax for the quarter was 293 Crores. Tax expense for the quarter was 139 Crores, and thereby profit after tax was 155 Crores. This 139 Crores tax comprised of 68 Crores of impairment of deferred tax assets, because we have moved to a new tax regime. Earlier our tax rate was 35%, now we are opting for a 22% tax rate plus surcharge and cess, etc. The effective tax rate for the current financial year as well as for the coming financial year will be 25.17% as per the current prevailing income tax rate and applicable surcharge. Hence we had to impair the deferred tax asset for the difference of 9%.

Parthak Jonsa:

Okay, and my last question is pertaining to the debt. Right now after quite a few numbers of quarters we have 0.9 net debt to equity. Any plans or what is your internal understanding on the debt reduction over the next three or maybe even the next one-and-a-half years kind of a timeframe?

Ashish Puravankara:

I think let us appreciate the fact that if I go back two years we were sitting at a net debt number in the region of 2900 odd crore. Today that number has come down significantly. We believe that as a business with the number of launches that we have we are comfortable at a debt level anywhere between 2000 to 2200 Crores. I do not want to get into a debt-equity ratio per se, but I think that is a very comfortable number. We also got a rating upgrade from ICRA. Currently, it is A- for a debt facility up to 3000 Crores. As we launch projects, I think you should see the debt number coming down. There may be a little bit of increase here and there on account of CF. The most important fact we need to understand is why did the debt go up over the last three to four years and why it has even come down. About four to five years ago we had extremely large launches and we had opened up larger phases. And use to hold inventory to be sold at a higher price. We corrected that launch pattern. We have also changed our selling strategies. We added the entire digital vertical, we added the entire channel partner vertical. If you look at the last two-and-a-half or three years in 8/10 projects we have sold 60% to 70% inventory in the first three-quarters of the launch of a phase. which means that we will not repeat that cycle where we used to sell less and borrow to build. If you look at the projects that we have delivered over the last year to year-and-a-half, our balance ready to move in inventory in the projects that we have completed now is hardly in the small digit numbers, in the sense 10 unsold units or 15, unlike in the past where it would be 100 or 120 or 150. I do not think that will reoccur because of the change in the launch as well as the selling strategy. There may be a little bit of requirement maybe for CF which is to boost construction, but that will be within the comfortable limits.

Parthak Jonsa: Okay, and Sir my last question is can we just perceive what you did in Q4 of last year around 304 Crores of revenue from operation in one single quarter, can we perceive the similar kind of topline and margins over the next three or four or five quarters?

Ashish Puravankara: Considering the current accounting standards that we are mandated to follow, you need to track sales, debt movement and cash flows. Now, revenue is heavily dependent on possession given in specific quarters. I may have launched five projects and sold extremely well and constructing well, but if I do not have a project that has come for registration and handover in that specific quarter that affects my revenue recognition from an optical point of view. I think now with this accounting change as a business also we could time the way we launch our projects so that at least maybe a year or two down the line we ensure that we have good buckets of handover of projects in every quarter which will give us that kind of revenues which we are looking for, but till then because of this accounting standard, our revenue will reflect only handover and final sale deed registration of our apartments.

Moderator: Thank you. We have the next question from the line of Mehak Verma from AB Advisors. Please go ahead.

Mehak Verma: Good evening gentlemen and thanks for the opportunity. I have two questions. Firstly from a general strategic perspective, we have seen that the Provident project was the focused area for the group, but now given people's need for more space due to the work-from-home culture do you still see the smaller affordable segment has been the faster growth engine for us? My second question would be around raw material cost. With the raw material cost going up sharply how do we plan on mitigating the impact of the same?

Company Speaker: On increased prices, if you see the details of the ICP that has been released, our prices have gone up in the last two quarters consistently anywhere in the range of 7% to 12%, and that is pretty much taking care of all cost escalations and protecting our margins. The second question was on the Provident, the affordable housing. Affordable housing Provident continues to be our focus area. Out of the 14 million square feet of planned launches if you see 7 million is in Provident. we believe that while the pandemic has had an impact and work from home is definitely something people are going to look at, but that has not substantially changed people's affordability of purchase. This means while your interest cost has come down and that has enabled a lot of people to buy slightly larger homes that we see as potential, so if somebody has got an appetite for 1BHK may push himself to buy a 2BHK, or a 2BHK may push himself to buy a 2.5BHK. Having said that, this is the largest segment of the real estate market that is available today and we continue to believe that this segment will grow and provide opportunities for us, and this will continue to remain our growth focus and growth engine.

Moderator: Thank you. We have the next question from the line of Della Dsouza from JK Investment. Please go ahead.

Della Dsouza: Thanks for the opportunity. Congratulations for a good set of numbers. I just wanted to know if you could throw some light on what steps you are taking to further improve your credit rating,

any view on how much your rating can improve going forward? Secondly if you could explain your progression on construction activity, any labour issues on the ground or if you can explain if there are any rate hike or cost increases?

Ashish Puravankara: I think as far as the rating is concerned as a Company we are going to push hard. The internal strategy is to give it a couple of months. As we get more launches out and unlock the capital invested there and cash flows start getting even better, we will re-approach the rating agencies for another step-up from the current A- that we have received. As far as the construction is concerned, firstly I do not think there is any labour issue at the site, but because of delays some contractors have been approaching us and other developers, and asking for certain escalations on account of COVID and work stopping. I believe they have incurred costs in managing their labourers, so those sorts of renegotiations should not result in a material change in cost. All our sites have come back to normal and there is no delay or there is no shortage of labourers at any site.

Moderator: Thank you. We have the next question from the line of Jay Daniel from Entropy Advisors. Please go ahead.

Jay Daniel: I am referring to your presentation on page number 17, cash flows. Your operating inflow this quarter has been quite high at 817 Crores. Could you give some background behind this?

Neeraj Gautam: That includes our collection of 515 Crores from the strategic exit from our commercial asset which I mentioned during the opening remarks.

Jay Daniel: It is from the sale of the commercial asset. Secondly, your interest cost continues to be around 75 Crores, which is an annualized run rate of 300 Crores despite your net debt coming down. Why is it so?

Neeraj Gautam: Net debt came down during the quarter. Interest reflects the interest on the entire quarter. Going forward, as we have repaid the debt during this quarter, it will come down. It is in a downward trend.

Jay Daniel: What would be the normal run rate for interest?

Neeraj Gautam: Our interest cost is 11.78% at this point, which we are expecting to come down due to our rating upgrade. We will also pay scheduled instalments. Hence, our interest run rate will come down further from here.

Moderator: Thank you. We have the next question from the line of Advait Kulkarni from AB Advisors. Please go ahead.

Advait Kulkarni: Thank you for taking my questions. My question pertains to the COVID wave. We do understand that collections might have got a bit impacted due to the second COVID wave, but can you help how the outlook is going forward and will it be possible for you to share some colour on the monthly trends since the last four to six months due to the impact of second wave of COVID?

- Ashish Puravankara:** For the second wave of COVID, you are right, there was an impact on collections. There was an impact on sales as well because there was lockdown in various parts of the country and it was quite severe. As we mentioned earlier, we are seeing the sales momentum picking up. With our new launches that we are planning and the progress of the projects that we are seeing now on the ground we believe over the next two to three quarters we will see the collections go up.
- Advait Kulkarni:** Okay, I understand. Just a followup on the sales, can you please give an outlook on sales beyond FY2022 as to how it will be or are there any specific targets for Puravankara?
- Ashish Puravankara:** We cannot give any forward-looking remarks in that context, but please understand this, 14 million square feet of new launches. While you do a sustenance business which is a normal course of business for launch projects, you will add on to that new projects and then you will find new sustenance projects. On an overall basis, on cumulative it will continue to grow and as we launch projects you will see both sales and collections go up.
- Advait Kulkarni:** Okay, I understand. My last question pertains to the residential business. Could you just quantify for this Q1 and for the year the percentage breakup between the major cities if that is available with you?
- Neeraj Gautam:** We will answer this question offline.
- Moderator:** Thank you. We have the next question from the line of Vaibhav from VK Capital. Please go ahead.
- Vaibhav:** Can you give some colour on the sales momentum and since we have reduced our inventory of finished apartment what is the trend on that and is that helping us increase prices and how will this trend shape up over the next one or two years, do we expect prices to increase substantially by then?
- Ashish Puravankara:** If you see, this is across markets and just not for Puravankara. Across the real estate market, the overall inventory overhang is coming down, that is one. It effectively means that a large quantum of RTM has already moved and there are under-construction projects which are seeing momentum. If you see the trend of the last two quarters itself for Puravankara, you will see an upward trend in price. The reason for this upward trend in price is also because of consolidation. The customer is willing to pay a premium to a strong brand that has got a delivery track record and is continuing to deliver, so we believe that this price appreciation trend will continue as the economy also picks up. I am sure you must have heard the Prime Minister and the Finance Minister talking about pushing growth in the economy. We believe that we are back in that momentum which will enable the real estate industry to gain back some of the lost spheres at the same time ensure that this momentum of both sales and pricing continues. The only disclaimer to that is it may not be applicable for everybody. Probably due to consolidation, it will apply to recognized brands and organized players where there is trust in the brand and they have a good track record of delivery.

Vaibhav: Okay, got that. Are we seeing any indication Sir that prospective buyers are trying to hurry up their decision, are they getting the feeling that if they do not buy now then the price may go up after one or two months or something like that?

Ashish Puravankara: People are making decisions. What is important is early on if you remember some of the conversations we have had in the past where there were a lot of fence-sitters who were not taking decisions. I think that has stopped happening. The pent-up demand is there and that is what has come back. Unlike an FMCG, when you lose a day where the demand is gone for the day and the industry. For us, the demand stays and that I think is pretty much back in the business and we believe that the fence-sitters are no more sitting on the fence, they are making decisions. That is the good news. In the current environment with the lowest interest rates ever in the country, which is going to continue to be stable for quite some time now as per the directions from the government and RBI, we believe that this momentum will continue.

Vaibhav: Okay, got that. Ashish what was the peak of the sales for our company, was it 2010 or something and by when do we see that scenario coming if at all we see something like that?

Ashish Puravankara: One is the peak at any year depends on the amount of volume you have under construction. I think it is a factor of how many new launches we have in that year and the external environment in terms of sentiment in the industry.

Vaibhav: I am asking more in terms of the momentum and sentiment and external environment like we used to launch projects and...

Ashish Puravankara: Correct, I think currently what we have experienced ourselves in the last year. There is a huge polarization that is happening to the top five brands in each city. I think prospective buyers have realized the importance of owning their home, that asset, that sense of safety and security, so keeping that in the background, interest rates low, if you can successfully launch as per our target about 14 million square feet of projects under Puravankara, Provident, and Purva Land across the five to six cities that we have planned, all these are in the final stages of approval, I think we should have a repeat of that number.

Vishnu Moorthi: I will just add, last year was in value terms one of the highest numbers we have done in residential sales. We believe that with the number of launches that we have planned, this will only continue to go up.

Vaibhav: This 14 million square feet which are looking in launch in what period, can it get sold after launch?

Ashish Puravankara: 14 million is the size of the projects that we are taking to market across three brands, across six cities, obviously as a strategy we will be opening up the sales in a phased manner so that we do not get stuck with a larger area to build if there is any short-term change in sentiment cycle, so they will be opened up and launched in phases. This 14 million is the size of the entire project that we are going to take to market.

Vaibhav: Okay, so the phases which will be launched in the next 12 months would be maybe half of that or something like that?

Ashish Puravankara: It should be close, yes.

Vaibhav: Okay, got that. If at all sentiment picks up do we see this really as yet, all builders are talking about sentiment being good, but we are not seeing any excitement, even what you see in the stock markets or what was there in the real estate in 2010 and all those periods. If at all that comes, you think that can happen in FY2023 or FY2024 like real good demand?

Ashish Puravankara: FY2023 is what I would bet on. Let us go back before this lockdown that happened, please look at our Q3 numbers, without a single launch we had sold 0.91 million square feet. Q4 without a launch we had sold 0.99 million square feet, which is the highest we have ever done. I think it is already getting there, but for this second wave that came and hit us and then the lockdowns that came in, I am hoping that with the vaccinations increasing we should get some sense of stability in terms of sentiment at least, but FY2023 I have no doubt, I think it should be a big bounce-back here.

Vaibhav: So, we can do even 2 million square feet a quarter and all that kind of stuff, is that would be our aspiration?

Ashish Puravankara: That would be our aspiration subject to obviously getting our approvals in time. You know, sometimes what happens is we miss a quarter just because some approval has gotten delayed by one or two months, but on a concept level yes, positive.

Vaibhav: What are the key challenges in that, like sales is becoming less and less of a challenge now going forward because of lower interest?

Ashish Puravankara: I would not say sales are becoming less of a challenge, I think we are seeing this kind of momentum essentially because let us understand post various actions that happened over the last two to three years which is from demonetization to GST to RERA, I think the number of launches sequentially year-on-year has been coming down for whatever reason, I think the tier-2 or tier-3 developers not been able to follow rules or whatever the case may be, and then you have the final nail in the coffin which was COVID. Agile developers, who can take the right steps and make the right decisions, and keep that sort of construction on, keep the launch pipeline on are the ones who have enjoyed this number of sales. So in an environment where interest rates are lower, in an environment where launches are down by 70% to 75%, I think the guys who are launching will see good sales.

Moderator: Thank you. We have the next question from the line of Monika Arora from Sharegiant's Wealth Advisors. Please go ahead.

Monika Arora: Thanks for giving me this opportunity. I wanted to understand as a real estate sector player how do you see the demand panning out, if I can say from the starting of the COVID, in fact can go

before that also, before the COVID to the starting of the COVID and how after the first wave, second wave, and now? How you are seeing the customer behavior and demand?

Ashish Puravankara: From the demand point of view, as I mentioned earlier the fence-sitters have come back to the market and are willing to take a decision now. The second and most important is people have recognized the importance of owning their own home. Especially during the COVID period when people had to work from home and there was multiuse required in the same home, the child was studying online, parents were working online, the changes that people could make if they were in a rental home versus if they are in an ownership home plus the change in interest rates, all of these dynamics which have played out in the last one year have made a significant difference to the way people were looking at living, and we believe that millennials who were not buying earlier are pretty much back and want to take that decision now because they have realized that owning a home instead of staying on rent or in shared accommodation, etc., makes so much more sense and convenience and also as an investment it makes sense because people are seeing great value today in the market place to own an asset. So, in that context, we believe that decision-making has changed for the customers and of course, some bit of buying behaviour because of this online and digital effort that has gone in especially for real estate has also made a difference in the way they are buying now.

Monika Arora: One further question related to this only. Like you said that people have understood the importance of having a good house because now they are at home only for more time, working from home and all, does that impact your commercial sales in some way or the other because a lot of offices are closed and how do you see it panning out in the future because like we are seeing some offices are declaring work from home, they are saying that they will continue with this practice, does that impact your commercial demand? One another thing is pandemic saw a lot of people losing their jobs, so the residential demand is mostly coming from the premium segment or people are mostly looking for affordable homes?

Ashish Puravankara: From the commercial point of view, essentially as the vaccinations are rolling out people are coming back to work. We believe that commercial demand will slowly and gradually come back to its normalcy towards the end of this year, maybe early next year because most of the offices are getting occupied now. The reason is that people have realized that collaboration and being in the office both for the organization and for individuals or employees is very, very critical to their success as well as well being. The second piece is that to some extent work from home will happen. There will be some impact, but there will be a return to offices because of the requirement of space for individuals who are sitting in the office and hence if any impact of work from home it will be kind of neutralized or nullified. On the second part, as far as the residential piece is concerned, can you repeat what you had asked?

Monika Arora: I was asking that as we see that many people have lost their jobs due to COVID, is that impacting your premium sales, like what people are preferring nowadays, are they mostly coming for the premium ones or they are looking for something which is affordable?

- Ashish Puravankara:** We have seen no special change in terms of whether going for premium or affordable. I think both the demands are pretty much back and as I said earlier people who were not taking buying decisions are taking buying decisions based on their affordability. So, we are seeing an increasing trend in both segments. Of course, RTM was the first one to take off and which is why you see that kind of move pretty quickly for everybody, but more and more people are now looking at buying under construction with the current interest rate in mind.
- Moderator:** Thank you. We have the next question from the line of Mehak Verma from AB Advisors. Please go ahead.
- Mehak Verma:** Sir it is great to see improvement in realizations in the past two to three quarters, but would you be able to throw some colour as to how much of it is due to the price increase?
- Ashish Puravankara:** Price increase as I had mentioned earlier in the call is overall between 7% and 12%, and the rest could also be because of the mix of inventory, etc., because we did launch some higher-value projects and then of course the inventory mix as it moved has changed, but if you take the price increase it will be anywhere between 7% and 12%.
- Mehak Verma:** Got it. And also how do we see the demand shaping up on the commercial office side?
- Ashish Puravankara:** I think what I understand is when we talk to companies and we see the movement, most companies have renewed their leases. I think in terms of future expansions that they were looking at, which is more from the 2004 or 2005 point of view. I think those decisions have been sort of put on pause, but not for long. What I get to understand is it will take maybe a maximum of a quarter or two to understand how the vaccination and COVID pan out. I think it is a short term disruption and it should not have a long-term sort of an effect in change and this whole work from home concept may affect a maximum of 10% and not more than that.
- Moderator:** Thank you. We have the next question from the line of Sanket Deshmukh from Lab Investment. Please go ahead.
- Sanket Deshmukh:** Thank you so much for taking my question. Sir my question is from a strategy from a perspective if you see if you are very confident on the residential up cycle, does it make sense to be really aggressive on the business development right now before the cycle actually kicks in?
- Ashish Puravankara:** Yes, definitely it makes sense. We are out there. Our focused markets are Chennai, Bengaluru, Hyderabad, Mumbai, and Pune while we are considering to improve business in other markets in the rest of the cities, but we are focused on business development right now and we have very, very substantial and interesting and exciting opportunities coming our way, which we are grabbing.
- Sanket Deshmukh:** Okay, I understand. Just a followup on the earlier participant's question, it is related to the raw material cost going up sharply. What are your plans to mitigate the impact on the same? Will the cost of the projects increase and in parallel to that will the customers have to pay high or will it be likely you will be playing a bit on margins over there on profits?

Ashish Puravankara: As I mentioned earlier, the price rise has pretty much mitigated any impact on the margins due to escalating costs and of course from the customer's point of view in the current environment with the current loan rates, I think there are savings for them because we have never seen loan rates at the current level, so that kind of saves interest and EMI outgo for them, but at the same time, of course, this cost increase has been passed on to the customer.

Moderator: Thank you. We have the next question from the line of Monika Arora from Sharegiants Wealth Advisors. Please go ahead.

Monika Arora: Thank you for giving me the opportunity again. In the last few years we have seen many events happening like demonetization, GST coming in, and then this pandemic, how do you see the consolidation in the sector or the competitive intensity in the sector, also how the competitive intensity was earlier pre all these events and how is the competitive intensity now especially from the unorganized players?

Ashish Puravankara: I think an industry as deep and as complex as real estate, unfortunately, if I go back 10 years I had no barriers to entry. If you owned a piece of land you could become a developer and we have seen that across cities, some relative has land and then you will just catch somebody and do some plan sanction, catch a contractor, do something, go to a real estate agent and he will sell it for you. I think these people did not get their approvals properly, they got violations, they dealt in cash, etc. Today I think from the start of demonetization to GST to RERA we have seen the industry clean up, we have seen the consolidation, we have seen the market share of the top organized players go up significantly. A simple proof is a drop in the number of launches. So, the top guys are still launching the way they were launching average over the last five to six years. The drop has predominantly come from the tier-3 and tier-2 players within each city and that in itself is the proof of consolidation.

Monika Arora: Correct and how it has favored the pricing trend, this consolidation?

Ashish Puravankara: We have seen that despite COVID, etc., from the second quarter of last year, third quarter of last year, the fourth quarter of last year, we have consistently been revising our selling prices upwards and at least till the fourth quarter we have been able to hold the sales velocity. I think the simple economics is the minute you see the number of launches come down and if the supply comes down by way of launches down and as well as your ready to move in inventory which has seen a great absorption over the last two years there will be some pricing power that will come back to the top line.

Moderator: Thank you. We have the next question from the line of Neeraj Singh from KD Capital. Please go ahead.

Neeraj Singh: Thank you for the opportunity. Just one question on leverage cost. It is very encouraging to see the reduction in the leverage, can you throw some light on how the trend is going to be going forward and what are your plans for repayment of debt in the entire FY2022?

- Ashish Puravankara:** I think I had answered this question previously, but I will repeat what I said. I think an organization of our size and with the current volume of projects that we have on hand and the new launches that we have planned for the year, I believe that anywhere which is about 2100 to 2200 Crores debt level is a very comfortable debt level as long as the construction finance and the cost is low. Having said that, I think as we accelerate launches we will unlock the investment and the capital invested in these lands so that will also have a positive effect on the debt by the way of unlocking our cash flow and also the debt number coming down. I imagine that we should hover around this 2000 to 2200 levels going forward, the only account on which debt may increase I think would be certain projects where a little bit of construction finance is required to accelerate construction, etc., or a selling strategy where I may get a little better pricing on a luxury product if I reach a certain stage and then launch, only on account of that.
- Company Speaker:** Just to add, please understand debt is a factor of quantum of square footage on the floor at any point in time and the quantum of business one is trying to do. In our mind, as we progress and scale up on the quantum of business these are very, very reasonable debt levels that we are talking about.
- Neeraj Gautam:** From the FY2021-2022 perspective, if I look at the rest of the year our repayment obligation is not more than 150 Crores because part of the scheduled instalments have been paid through the collection of the project and we have also paid part of the scheduled instalments during last quarter, and hence from a repayment perspective we are quite comfortable till March 2022 and going forward also.
- Neeraj Singh:** Thank you for the detailed answer Sir, just a quick add on to that, what kind of debt-equity or debt EBITDA ratio can we look at from the next two to three years perspective?
- Ashish Puravankara:** That is again something which is a very, very forward-looking statement, but I think we will hover around the current level.
- Neeraj Gautam:** We are at 0.9 as compared to 1.34 times a year ago. Our debt to equity ratio is consistently coming down, it is improving and will improve further also.
- Neeraj Singh:** Thank you for that explanation Sir. Just one last question if I may, can you comment on how this transaction with Godrej is going to help us?
- Ashish Puravankara:** Our strength and focus is we have been doing residential 70% to 80% of our business. We had a commercial portfolio. We have built about 3 million square feet of offices which we had sold, but we continue to manage them in terms of lease and maintenance. We had built up another additional portfolio of 9.5 million square feet of office space. Strategically just pre-COVID we had decided to exit 2.5 million square feet of that. Of that, 1 million square feet is what we did with the Godrej fund, they had set up an office fund wherein it was almost at a forward purchase, it was with all approvals, but we did not want to take the risk of construction and commodity prices, etc., because we get stuck on one selling price, so that is where we exited at 1 million square feet and they will build out that office and own it and operate it.

- Moderator:** Thank you. We have the next question from the line of Jay Daniel from Entropy Advisors. Please go ahead.
- Jay Daniel:** Your economic interest in land assets is mentioned as 51.41 million square feet. Now, would this be the largest landholding compared to your competition of listed developers? Would this by size be the largest?
- Ashish Puravankara:** I would say it is one of the tops. I do not know about the largest. I do not know how people report. What we have done from day one, from the day we got listed, we share with you the economic interest we have in our lands. So, owning 100 acres in Gurgaon versus Bengaluru versus Mumbai versus Kolkata means nothing to a non-developer because you do not understand the development potential or the FSI that can be built on that land. Today what we share with you is our economic interest. How much we can build on those lands and what is the potential that we can build. Unfortunately, I do not know if other companies apply that formula, they bounce around between acreage, I do not know, but I would imagine yes, it is one of the largest.
- Jay Daniel:** Because a bulk of it is in Bengaluru and what is the quality of the land, how is the location, is it far from places or location wise it is quite decent?
- Ashish Puravankara:** Every land that we own today in my opinion can be developed today either a Puravankara or a Provident affordable housing or Purva Land where you can do plotted development. Fortunately, we do not have any land where we are halfway struck because of aggregation which means we have bought pocket and we cannot develop it today because we need to still fill in the pockets or consolidate, etc. Fortunately, we do not have that thing.
- Jay Daniel:** Any pending land payments are there, I mean the amount which you have to pay for this 51.41 or is it fully paid?
- Ashish Puravankara:** No. It is fully paid.
- Jay Daniel:** What are your plans for land acquisition beyond this?
- Ashish Puravankara:** Land is our raw material, right. For example, south of Bengaluru again which is a good market, we have got good maybe four or five large land parcels where we may not acquire a lot more immediately aggressively. But there are newer markets in the east of Bengaluru where we just have another land parcel so obviously, we are evaluating that micro-market to see if we can add to that land bank. Considering the last two to three years the focus is to conserve capital, leverage the brand, so the first option will always be a joint development, so there is just 10% of the value of the land as an outlay to secure that project. Having said that, if we get something really good in these times, we get a good opportunity with the great value we will evaluate this from an outside perspective. That is as far as Bengaluru is concerned.
- Jay Daniel:** What is the outlay that you have for land for this year and next year approximately?

Ashish Puravankara: There is no committed outlay. The nature of the land is when you start negotiating you get into a term sheet then you get into the title. Some transactions get completed in three months, some in eight months, and some had taken two-and-a-half years because it is the land owner's responsibility to clear the title. There is no fixed time that you can close a land acquisition deal. So being a developer and land being our raw material we got to constantly be in the market, evaluating new opportunities and we will also have a large bucket of opportunities where we have started title owning because you never know the timeline of completing these acquisitions, but you need that raw material in terms of a pipeline of launches.

Jay Daniel: This 14 million of launches is included in this 18.73 of ongoing projects?

Ashish Puravankara: No, that is over and above that.

Moderator: Thank you. Ladies and gentlemen, that was the last question and we will now close the question queue. I would like to hand the conference over to Mr. Neeraj Gautam for closing comments. Please go ahead Sir!

Neeraj Gautam: Thank you once again ladies and gentlemen for your time and attention. I hope me and my colleagues were able to answer all your questions. However, if you require any further discussion, we are always available for the discussion during the coming weeks. Thank you and wish you a very happy weekend as well as happy Independence Day in advance. Jai Hind.

Moderator: Thank you members of the management and Mr. Jain. Ladies and gentlemen, on behalf of Emkay Global Financial Services that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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