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"Puravankara Limited Q2 FY18 Earnings Conference Call"

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	MR. NEERAJ GAUTAM – VICE PRESIDENT, PURAVANKARA LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Puravankara Limited Q2 FY18 Earnings Conference Call. We have with us today on the call Mr. Ashish Puravankara – Managing Director and Mr. Kuldeep Chawla – CFO. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Kuldeep Chawla from Puravankara Limited. Thank you, and over to you, sir.

Kuldeep Chawla: Good afternoon, everyone. My name is Kuldeep Chawla. I am the Group CFO for Puravankara. Thank you for joining us on Puravankara Limited's Q2 earnings call today.

Allow me the privilege of starting with sales. We have seen a 74% year-on-year growth in the volume of sales bookings during this quarter ended September. Total booking value stood at 438 crores and that was up 65% year-on-year for that quarter. The total booking volume for Q2 FY18 was 8,03,966 square feet compared to the total booking volume of 4,60,000 square feet in Q2 FY17.

New sales for this quarter therefore have shown a meaningful growth, 438 crores for the quarter ended 30th September, as against the corresponding sales for the previous quarter, which were INR 257 crores. For the half year ended 30th September, sales were 1,379,205 square feet, which was 736 crores as against the corresponding sales for the half year ended 30th September, 2016 were 1,040,000 square feet, i.e., 579 crores. A rise in inquiries, footfalls and closures, especially those of completed projects as well as of our affordable brand, Provident have driven this growth in sales volumes and will be reflected in the revenues going forward.

Moving onto the split between Puravankara and Provident, for Puravankara, new sales for the quarter ended 30th September rose to 531,555 square feet or 326 crores, as against 350,000 or 211 crores for the quarter ended 30th September, 2016. For the half year, sales grew to 931,555 square feet or 548 crores of bookings as against 830,000 square feet or 490 crores for the corresponding half year ended 30th September, 2016. Similarly, in Provident we saw a 2.5 times growth in sales volume to 272,411 square feet or 112 crores as against 110,000 square feet for the quarter ended 30th September, 2016 which was valued at 50 crores. Correspondingly, new sales for the half year ended September 30th 2017 grew by 2.15 times to 452,411 square feet or 188 crores against 210,000 or 89 crores for the half-year ended 30th September 2016.

Moving on to the consolidated financial performance for the quarter ended 30th September, consolidated revenues stood at 371 crores as against 393 crores, which included land sales. Excluding land sales for the quarter, consolidated revenues were up 53% for Q2 FY18 as against the year ago quarter. EBITDA, stood at 98 crores for the quarter as against 99 crores for the

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previous quarter and both PBT and PAT were the same at 33 crores and 21 crores respectively for the quarter ended 30 September.

For the half year ended 30th September, revenues were at 727 crores and that was up 29% year-on-year, net of land sales. EBITDA stood at 196 crores for the half-year ended September 30th as against 213 crores for the corresponding half year. PBT was up a couple of percentage points about 8%, 9% at 65 crores for the half year ended 30th September 2017 as against 60 crores for the corresponding half year, whilst, PAT was almost flat at 41 crores.

The good news, as well from this quarter, apart from sales and revenues has been on collections, which rose 75% to 524 crores for the quarter ended 30th September 2017 as against 299 crores in the year ago quarter. As the company continued its focus on speedy execution, consolidated outflow for this quarter ended 30th September stood at 410 crores. And as we had reported the last quarter, a continued focus on productivity improvement, cost control etc. resulted in an operating surplus of 128 crores for this quarter compared to 100 crores for the previous quarter ended June 30th 2017.

The balance collection from our sold stock in all our launched projects as of 30th September stood at 1,384 crores and compares favorably against our balance cost to go of 1,378 crores. Combined with the unsold receivables from the launched projects of 4,439 crores, we have projected an operating surplus of a similar figure 4,444 crores on the launched portfolio. And this compares favorably against the gross current outstanding debt of 2,100 crores. The operating surplus therefore of this quarter and the half year reflects the efforts of our group over the last few years, when we have continuously invested to ensure timely completion of our projects and to ensure brand protection.

Moving on to the cash flow projects, position for projects which are ready for completion, as we have stated in our previous call, we would be delivering about 3 odd million square feet. On our debt position, our net debt has been declining regularly and net debt stood at 2,008 crores as of September 30th, a 10% reduction against the 2,208 crore figure as of 30th September, 2016.

Net debt-to-equity has also been regularly declining and stood at 0.86 times on September 30th 2017 versus 0.93 as of September 30th 2016. We have also been reducing our weighted average cost of debt, which over the last 12 months from September 2016 has reduced to 10.68%. The complete benefit of this would be witnessed in the subsequent quarters because interest-rate reduction is a regular exercise. We are currently borrowing our construction finance at below 10%.

In addition, we would like to share with you that we have prepaid 60 crores of debt voluntarily in the current financial year. This is over and above the standing instruction for the repayment of debt, which is linked to the acceleration of our sales of completed, and nearly completed

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inventory. Finally, we would like to share with you that ICRA has upgraded the Group's credit rating with a stable outlook at BBB plus.

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

Moderator: Thank you, sir. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from Dhruvesh Sanghvi from Prospero Tree. Please go ahead.

Dhruvesh Sanghvi: Congratulations to the team for the phenomenal 8,00,000 square feet of sales. And I have a couple of questions. The first one is a little bit on the factual side. Page number six of presentation shows some 23 million square feet of upcoming projects. On page number seven, it shows new launches are 14.7 million and on page number 38, it says that Puravankara's new launch share is 7.91 million square feet. Can you throw some light on, how do we see what number as what? And what is the difference between these numbers?

Kuldeep Chawla: Okay. So, you know the figure on page number six is correct. I think what you need help with is reconciling page 7 and page 38, which is also correct. Out of 14.7 million, 14.7 million is for Provident and Puravankara put together. In fact, if you want the split, you know…

Dhruvesh Sanghvi: I'm just wondering, that, let's say if page number 6 is 23 million then what is 14 million?

Neeraj Gautam: Page number 6 is the total lending, out of that the projects which we can launch in next two to three years, but page number 14…

Kuldeep Chawla: 14. 7 million is a subset of 23 million. In other words, what we are trying to say is that over the next 12 to 15 months, we will launch approximately 14.7 million square feet.

Dhruvesh Sanghvi: Out of that?

Kuldeep Chawla: Out of the 23. Point number one is that Provident will have about 65% of that, which is 10.3 million square feet. Puravankara will have 4.4 million square feet. In fact what you said is a very interesting point because if you see the number of projects is pretty much the same. But the focus being on Provident, Provident makes up two-thirds of the total.

Dhruvesh Sanghvi: Absolutely. So I'll just summarize for myself maybe, 14.7 is what we are planning to launch in the next 15 months approximately and out of that, 60%-70% is going to be Provident, and out of which on page number 38, where we give our elaborate project pipeline, we have something known as yet to be launched projects. Puravankara's share out of it is 7.9. So can we say that this could be launched in the next six months timeline kind of a thing. I mean that would be a subset of that 14 as well.

Neeraj Gautam: On page number 38, give the detail of our ongoing current projects. The phases yet to be launched which is shown in page number 38, is a part of our existing projects where the part of

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inventory is not open for sales. That is summarizing those details, those phases we do not really launch, but those are already plan approved, project in progress, we have not opened those area for sale. So page 38 is basically giving detail of the project status if we look at the headings for the current project status.

Dhruvesh Sanghvi: So 7.91 is not a part of 14.73 and therefore…

Neeraj Gautam: No, not at all.

Dhruvesh Sanghvi: Okay, the 7.9 is completely different and additionally 23 is what we can launch in the next two to three years.

Kuldeep Chawla: Yes, because for example 7.9 is your approved as of date, right. We may have things which are in the process of final approval. You may have plan sanction but may not have building plan thing. So those we will add further.

Ashish Puravankara: So I think on page 38 if you see the name of the projects, these are projects that are currently under construction where sales and construction is going on, right.

Dhruvesh Sanghvi: No, sales are not going on and I don't think…

Kuldeep Chawla: Sales are not yet open. Evoq for example, construction is on, sales is not open, Highland 3 no sales is open, Windermere 4 no sales is open, Silver Sands 2…

Ashish Puravankara: No, let me clarify. What I meant was, these were projects where the first or second phase has already been launched, where phases are on. So these are phases of those sanctioned projects which in time we will be opening them up. For example, now Sunworth. Sunworth is 6 million square feet, 5,800 apartments, which we had broken it up into four phases. Phase-1, Phase-2 has already been launched. Phase-1 is complete, Phase-2 is also complete, right? Now the third phase of that which is already sanctioned will be opening it up. So just to clarify again out of the 23 million, we have a launch pipeline of 14.7 million of new projects, on the ongoing projects there are unlaunched phases which will also be opened up over time.

Dhruvesh Sanghvi: So 7.9 is completely separate from 14.7 which is coming.

Ashish Puravankara: Yes, you are right.

Dhruvesh Sanghvi: Sorry to take a little bit of time. But I think there was a lot of confusion there. So the second is, have we launched anything in the last six months. I see only Marine Drive was the only one being launched. Am I right?

Ashish Puravankara: You're right. So we are going to start seeing launches starting November end. So clear visibility. So we will have one Provident launch in Bangalore, end November, first week of December.

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We will have one launch in Goa, which again, we've got all clearances sanctioned. Marketing is getting all the collaterals ready. This is the one right next to Tata Project there, again under the Provident brand, which will be ready. So starting November you'll start seeing all the launches.

Dhruvesh Sanghvi: Sure, sir. Last on this part and I'll get back in the queue. What gives you such a high degree of confidence in the selling ability, suddenly that our broad launches were approximately 3 million square feet a year and we are talking about launching almost 1 crore square feet now. And that too at varied locations. So is it just that we are getting too attracted with the tax benefits or are we looking at really great demand and our ability of selling.

Ashish Puravankara: So, one is we are seeing stable demand across the micro markets that we are present in. Few locations like Pune, few locations like Hyderabad, we are seeing much more positive. Bangalore continues to be stable. These are launches which are not actually queued up. They were delayed in terms of getting clearances for one reason or the other. For example, if you see page number 10, the first project, which is Lalbagh, which is in the city center, right, high value. But in the city center, there was a confusion in TDR in Bangalore which has now gotten sorted out. So now that clearance should come to us in the next maybe one or two months. So these were projects that clearances had gotten delay, it's a coincidence that now most of them have gotten ready, advantages. These are of varied sizes across the two brands across micro markets within the cities. So very well spread out.

Dhruvesh Sanghvi: So it is nothing to do with just the tax benefits attraction that we may be looking at , we are thinking more about…

Ashish Puravankara: Yes, that definitely is one of the incentives under Provident, right. But also I think the stable market and our ability to sell. So, while we had a few launches, whatever launch we have done even over the last, if you'll taken an example, over the last two years, may it be Pune, may it be Hyderabad, may it be Bangalore, right, we've been able to sell well in all those launches.

Moderator: Thank you. Next question is from Samar Sarda from Kotak Securities. Please go ahead.

Samar Sarda: I got a couple of questions. One is this Kondhwa LLP apparently bought some land in joint venture in Kochi. If could just help us out with that?

Ashish Puravankara: It is not part of the company. So Kondhwa LLP was a shell company, but so this land has not been bought by the listed company.

Samar Sarda: Okay, any thought of bringing that in the listed company?

Ashish Puravankara: No.

Samar Sarda: Yes. If I could just ask why like buy land outside the listed company?

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Ashish Puravankara: No, so one is like we had shared earlier as well, our growth plans for the next five years was in five markets, which we had identified and I think over the last 2-3 quarters we've been saying that to all our investors, we believe that Bangalore, Hyderabad, Pune, Mumbai, Chennai, these are the five markets we believe have good strong growth over the next five years in that order of favoritism. So that is on our radar. In the other cities where the company owns land, we will either develop or we will monetize it. Cochin did not figure in that plan. So this was a personal investment done by the Chairman of the company, where some opportunity had come up where the Cochin did not figure in our new growth plans of acquiring new land. This opportunity was offered to the company. The company in consideration of its strategic plans over the next three to four years took a conscious decision that they would not participate in this project. And therefore the company had the option to but chose not to. Does that answer your question?

Samar Sarda: Fair enough. Second question was, there are lot of Provident launches which are planned. From a ticket size perspective, will some of these launches offer units, which are below Rs. 20 lakh or ticket size of Rs. 25 lakh or it will be higher?

Ashish Puravankara: Provident generally operates within, I would say 30 lakh to 45 lakh bracket.

Samar Sarda: Yes. So Mr. Ashish would know that but just wanted to check whether any plans to bring down the ticket size considering the LIG segment of benefits?

Ashish Puravankara: So if you look at the single-bedroom units and the studio flats will be in that ticket size. Going forward, all Provident projects will take on the 80-IB benefit that we get, which is designing our apartments under the 60 square meters. So that tax benefit will be there, but in terms of the ticket size, I think the one bedroom in the Provident projects will be in that range.

Samar Sarda: Fair enough. And this would be probably what 10% to 15% of our total portfolio of Provident or less than that?

Ashish Puravankara: About, yes. I would say it about 15% to 18%.

Samar Sarda: Fair enough. And my last question was with respect to the launch pipeline, like from an approval standpoint, what can possibly go wrong on delaying launches, launches getting late, stretch beyond the 12 months?

Ashish Puravankara: Sure. So keeping the let me say possible delays, we have factored those delays in and therefore, we have actually tried to share with you as transparently as possible, the quarters that this will be launched in. So if you see on the extreme right column, that's the quarter. That quarter has taken into account, the timeline it will take us an account of delays, the most outer limit to get these approvals in place.

Moderator: Thank you. The next question is from the line of Vivek Puraga from Bruceville Advisory LLP. Please go ahead.

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Vivek Puraga: Good to see there is a good traction in Provident. I have two, three questions with regards to Provident. One is you have around 3 million to 4 million of near completion and read to move. On top of that, you're launching somewhere around 11 million and majority of which is in Provident. So I just want to understand although your unsold receivables from the sold will take care of your construction cost, I wanted to understand, what is the confidence, is the demand giving you or is it because of the micro locations? What is giving you the confidence that you can launch and sell that much while we have so much of nearing completion inventory? That's my first question.

Ashish Puravankara: Just to put your question into perspective and you get a good understanding. So Provident irrespective of where we have launched has done very well. One point in my mind is that where we start seeing a little bit of challenges in projects that are fairly large, which is 6 million square feet, 3 million, 4 million square feet where that micro market absorption happens easily to the extent of 2, 2.5 million square feet and then you start seeing some stagnation. Again, it is I think more mental stagnation than physical. So for example, the same projects when we have broken out the phase, renamed it with a different name and done some marketing, again the traction has gone up. So that is just a general note on Provident, right, in terms of absorption and size. Now if you look at our launch pipeline, they are very well spread out in micro markets where we do not have stock. So they are spread across Bangalore, Chennai, Goa, Pune, Mumbai, A. B, even in a Bangalore or Chennai, it is in micro markets where we do not have an existing project. Third very important point, these sizes are much smaller, we can get in get out faster.

Vivek Puraga: Okay. So if I can understand Provident, it's much easier to get traction in Provident when the sizes are not huge. Can I take that?

Ashish Puravankara: Yes, absolutely.

Kuldeep Chawla: Also I'd like to add, that there are specific projects where we are seeing very good traction, which is visible to you. For example, in Provident alone, we've seen 2.5 times increase in sales, most of which has come from completed and nearing completion inventory. So even though we are not competing in those markets with our new launches, sales are very healthy.

Vivek Puraga: So in connection with this same question, can I assume that you are also taking care of the other inventory in those micro localities before we plan these launches, right, I can assume that?

Kuldeep Chawla: Absolutely. So for example, in Sunworth, we sell between 30 crores to 40 crores per quarter.

Vivek Puraga: I'll go to the next question. My next question is, you are seeing very good traction in Hyderabad. So are you planning any new land tie-ups because I also see advertisements by Puravankara in the local newspaper. Is there any new tie-up that you're making with the land owners in Hyderabad, because you had a very good launch?

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Ashish Puravankara: We have about four to five sort of negotiations on in Hyderabad, on joint development. So yes, we are exploring.

Vivek Puraga: And that's mostly in Provident or Puravankara, both?

Ashish Puravankara: I would say four of them are Provident, one is Puravankara.

Vivek Puraga: My next question is on, what gives you the confidence to get in, I don't know, into Mumbai and Goa, what kind of location is Goa and can you throw light on your thinking behind choosing these locations and getting in there and expanding, can you?

Ashish Puravankara: So Mumbai, I will start with. So Mumbai is a location on Shil Phata road, which is right next to Lodha Palava. Today, those are also affordable locations. Today, they are selling at about Rs. 6,500 a square foot, right. We have taken our sales price, just so that this is a new brand in new city, in a new micro market, we have taken a launch price at 4900, where we make a healthy margin. And this again is on joint development basis, right. We have demonstrated in the past where we've entered new markets because brand being strong, like for example, Pune in the recent past and Hyderabad in the recent past, where we have not had residential projects but have been successful in terms of sales because of the brand. So we want to just extrapolate this. Again not high risk because we are not buying land outright. These are joint developments. Again, very good micro market where we are seeing good traction from other developers and Provident has a strong positioning there. Coming back to the second new market that you mentioned, Goa, there's just one single project. Again, very risk averse. It's a joint development. Money was also paid only post getting all clearances, which means plan sanctions, building license, environment, after that we gave the deposit for joint development. And again this location is right next to the airport, right next to Tata project, where I don't know, if you track that project, February of last year when they had launched it, only a digital Facebook launch and sold about 65%-70% of the project, which was opened up, right. So again a very strong affordable sort of micro market, which has done well in the past. We have got our clearances. We should be launching in December.

Vivek Puraga: So that will be done by Tata project, the construction, the Goa one?

Ashish Puravankara: No, the construction of that is being done by L&T.

Vivek Puraga: Okay. The last question is, after a long time, we have clocked 0.8 million square feet. And are you seeing the same kind of traction in the coming quarters or is it a one-off, because of the fests that we have conducted in the last month?

Ashish Puravankara: No, so I think it's a combination of multiple things. I think it's the ready to move in inventory, which has become a flavor, where the customer believes that there is no GST on it. And under construction has the GST. Second point being six months ago, we also separated our marketing

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teams out, somewhere human nature where we believe that the team focuses more on launches and under construction rather than ready to move in because prices have run up, choices are lesser. As a strategy, we separated the teams out, which we are seeing the results of right now, right? So I think all these points put together, we are seeing the traction there.

Vivek Puraga: So this traction is going to continue, it's not a one-off thing right. Can we take that? I am not asking a number exact number but the traction, the numbers should not be so much off in the coming quarter.

Ashish Puravankara: So let me give you a safe answer, I think, with the new launches, with the under construction and this RTM, which has accelerated, yes, we should be hopeful of continuing that number.

Moderator: Thank you. The next question is a follow-up from the line of Samar Sarda from Kotak Securities. Please go ahead.

Samar Sarda: I had a couple of follow-ups. One on Provident and more on the construction cost. Ashish, like earlier also, you have tried to have JVs with Homex and EI also was talking to us. From a scale perspective, when you're talking about large projects and project lifecycle, what might be the increase in construction costs you might see over the next three to four years and if you could also point out like, what is the construction cost for a Provident product, say in Hyderabad or a Sunworth as of today?

Ashish Puravankara: So Hyderabad today, pure construction costs would be in the range of about Rs. 2300 a square foot. These are all locked contracts with external contractors. So these are contracts which are through the first and second phase of the project.

Samar Sarda: So these are all lock and keys?

Ashish Puravankara: Yes.

Samar Sarda: And over and above this, we would have some approval cost or interest cost?

Ashish Puravankara: Yes. There is of course.

Samar Sarda: So our contingency or interest cost is not built in Rs. 2,300?

Ashish Puravankara: No. All construction related and contingency related to construction has been built into 2,300.

Kuldeep Chawla: Including CMC.

Samar Sarda: Okay, and any thought process on this cost probably coming down with more scale or it's only likely to cost?

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Ashish Puravankara: No, so in terms of GST, we will see some savings that will come in. Right. In terms of scale, I think, large the project, and now with us deploying pre-cast, there will be other sort of indirect savings in terms of, see if you are able to construct faster, the same construction taking you 3.5 years, if you're able to do it in 2.5 years, you see that indirect savings in terms of interest cost as well.

Samar Sarda: Right. So for example like Sunworth, I still recollect like the first phase was delivered in a good period of time. Same is the case with Welworth for the first phase.

Ashish Puravankara: Correct. And the customer would also then benefit from these.

Samar Sarda: But of course, yes. Second question was in your buyers in Provident, do you also track whether the buyers are first time buyer or a second time buyer?

Ashish Puravankara: Yes, we do. I would say about a very large portion if my memory serves me right, I think about 70%, 68% or 70% of the buyers are first time buyers.

Samar Sarda: Okay. So this is a percentage on which you will be able to take the 80-IB benefit?

Ashish Puravankara: Correct. No, 80-IB benefit is for the entire project irrespective if the buyer is buying it for the first, or second, or third time. For the developer, the 80-IB benefit simply stands on the fact that your size of the unit is under 60 square meters.

Kuldeep Chawla: What you're talking about Samar is probably related to the subsidy.

Ashish Puravankara: Customer will get a further benefit if he is buying his first home. But the developer on the project gets a benefit irrespective if it's the second or third purchase from the same customer.

Samar Sarda: Because I thought, if it's only for the first buyer…

Ashish Puravankara: You're right. So the buyer gets an additional subsidy at his end if he is buying a first apartment. But if a project is 80-IB approved projects, which means nothing, but if your apartment sizes are under 60 square meter built-up area, irrespective of who your buyer is, I mean the same buyer cannot buy two apartments in your project. That restriction is there. But he could be buying the third apartment, right. But your project still gets the entire tax benefit.

Moderator: Thank you. The next question is a follow-up from the line of Dhruvesh Sanghvi from Prospero Tree. Please go ahead.

Dhruvesh Sanghvi: Can you throw some light on, again I think you said some receivable number is 1,000 crores, and cost to go is 1,370 crores. So this 1,370 is including of entire page 36, 37 and 38. Am I right?

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Kuldeep Chawla: The short answer is yes, the 1,370-1,384 crores of receivables is from only those projects which are open for sale.

Dhruvesh Sanghvi: No. You said receivables were around 1,000 crore.

Kuldeep Chawla: Correct. 1,384 crores, is the balance collection from sold units.

Dhruvesh Sanghvi: And the cost of entire 36, 37, 38 is only 1,370 crores.

Kuldeep Chawla: Yes. What that means is that in other words, we don't need to sell another square feet to complete all our ongoing projects.

Dhruvesh Sanghvi: Perfect. That is what I was looking at. Second is so this automatically also means that whatever completed inventory or the ready to move in inventory that we have, probably valued at around 1500 crores today and counting the completed as well as the near completion part. The funds that will be waived out of the sale proceeds will probably be used for the new launches that we are planning in a big way?

Kuldeep Chawla: Partly for that, but in fact we have had a discipline now for quite some time where all the completed inventory, bulk of it is actually going towards retiring the debt. In fact, over and above that, we have prepaid about 10 crores to 15 crores every month for the last six months.

Dhruvesh Sanghvi: Right. Sir but then if we see the absolute debt number, somehow there is a little bit of a gap from what you are probably saying except for the land sale that we did, the debt in absolute terms have not come down?

Kuldeep Chawla: It's come down to 200 crores in the last compared to previous quarter, number one. Number two, there is also a timing difference. Please appreciate that we might be requiring some construction finance on a temporary basis for some of these projects depending on the timing of the cash flow.

Dhruvesh Sanghvi: Understand. So basically in the next six months if we sell around 500 crores also out of this…

Kuldeep Chawla: Yes.

Dhruvesh Sanghvi: That because now the timing difference would work in our favor of retirement of debt probably.

Kuldeep Chawla: Correct, absolutely correct. We've reached that inflection point.

Dhruvesh Sanghvi: And in terms of Provident, if you can just throw some light on what kind of scalability is possible? Today 300 crore to 400 crore has been our range in the last let's say five years. What can be our number? I mean, can it reach to 2,000 crores, 3,000 crores over a five, six year period? Is it possible, one?

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Ashish Puravankara: Of course. I think it's possible. So I think the answer lies if you see the profile of projects that were launched this far under Provident, right there were few projects, but very large in size so in one micro market. Let's take Sunworth for example, had about 6 million square feet, right, 5,800 odd units. We had Welworth City, which was in one micro market, one sanction, 3,360 units. We had Cosmo City. So normally when you have one project in one micro market, it tends to stretch through a longer period of time. The same square footage if you have to break it up and launch for example, the same 6 million instead being in one Sunworth, you imagine you break it up into one million square feet into six different locations across, you're able to sell much faster. You are able to execute much faster and come out in 2.5-3 years. Whereas if you put 6 million in one micro market, the same thing takes you five to seven years. So just to answer your question, so therefore if you see our profile of new launches that we have done, they are across micro markets and much smaller in size. Therefore we are able to scale up. As far as execution is concerned, since we have the ability and agility to do a combination of either pre-cast or we do aluminum form works and the technology now, or the speed lever rather is in our hand for execution.

Dhruvesh Sanghvi: So basically we are spreading more because large projects cannot be sold immediately. It takes natural time which is a fair point. So and most of these projects we are looking at JDUs because we cannot keep purchasing land and am I'm right in thinking?

Ashish Puravankara: Correct.

Dhruvesh Sanghvi: So these barriers typically would mean that project profits will be shared equally and the construction cost will be borne by Puravankara?

Ashish Puravankara: Not necessary, I mean depends how you look at it. Like some for example, some JDs are area shared, right, where you build, for you it is the cost of construction and then the land owner shares the upside. Some JDUs are revenue share, right, where you are right, where we share the entire upside together, because whatever revenue comes in, it is shared as per the percentage of our joint development percentage.

Dhruvesh Sanghvi: Right. So, I read about this some deal with Kilitch Drugs or some company in Bangalore where you have done some JDU. So where there is a promise of you giving and handing over some inventory to the owner. So if they come to sell and you want to sell, so are there clauses where you will sell first? I mean, is it all the pre-determined or it is a little bit ad-hoc?

Kuldeep Chawla: Yes. So most JDs will have a clause where we tell the landowners for the first year, year and half they cannot sell. Secondly, if they want to sell, they should use our sales machinery. Thirdly, there is also a clause where the owner cannot sell at a price which is lower than the developer's price. So all the safeties are all sort of tied into the document.

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Dhruvesh Sanghvi: On an average, on the Provident-centric, where we are doing all these JDUs, because this is Provident, I'm assuming the land cost will be in the range of Rs. 100 to Rs. 500 a square feet, I mean on the FSI square feet, I am saying. Can we assume that our share will be 60%, 70% on a broader level, I mean, howsoever, we can work it out. But on a broader way, it will be much more in our hands and less in the JD partner hands?

Kuldeep Chawla: So on an average, if you say, you are right, it will be anywhere between 70% to 80%. And which we share as well in our presentation, we write our economic interest.

Dhruvesh Sanghvi: Okay. So I thought that is economic interest in terms of revenues, but yes, so that is…

Ashish Puravankara: No, wherever it is revenue, revenue, wherever it is area share, area, but what we are saying from the total development, what is our economic interest is what we share transparently.

Kuldeep Chawla: And there will be instances where we also have profit share. So we have complete alignment of interest with our land owners in that regard. And wherever there's area share, he has to pay us some marketing fee for selling his area.

Dhruvesh Sanghvi: Okay. Broadly, we should take it as 70% to 80% of economic interest in whatever way it is working now?

Kuldeep Chawla: Yes.

Dhruvesh Sanghvi: Okay. On the tax front on Provident, will it attract MAT or it will not even attracting MAT, I mean, if you can…

Kuldeep Chawla: If it is an 80-IB project, it will attract MAT.

Dhruvesh Sanghvi: Okay. You said if, is it not sure that now there is no if for Provident in our case, because most of all projects will fall in that category.

Ashish Puravankara: No. So what happens is that, if you see our current ongoing projects, there is some 10%-15% were already designed before 80-IB came into the picture, we had 10%, 15% of the project, maybe be a little larger than 60 square meters. We are still hopeful of in the future, but there is no guarantee where we can work with the department to get a proportionate tax benefit on that 80%, 85% which confirms to the 60 square meter and below sizes. 2005, when 80-IB was there, when they had 80-IB, there were few projects where it was under 1,500 square foot builtup area, we did have penthouses which were larger than 1,500 square foot. But we worked with the department and we also got some rulings where we got the proportionate benefit of the project as opposed to the department first taking a view, since you have few apartments that crossed this 1,500, the entire project is not eligible for tax benefit. But through tribunal etc., we have won and we have got a proportionate benefit. So now bringing that example back to our current situation at Provident, our older projects have few percentages that are over. What does 80-IB

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say that the entire project should have units under 60 square meter. We have few percentages when 80-IB was not there, there are more. Can we negotiate with the department and get the proportionate benefit, I think time will let us know. Future projects of Provident, which is currently on the drawing board stage, you can take it for granted, it will be all under 60 square meter and will get the benefit of 80-IB.

Dhruvesh Sanghvi: Great. And one last part, are we facing huge hurdles on the above Rs. 60 lakh – Rs. 70 lakh ticket size, that is, I mean, that we say Puravankara as a brand.

Ashish Puravankara: So I think the challenge starts coming in at 2 crores and above, or rather 1.75 crores and above.

Dhruvesh Sanghvi: Okay. So we have shifted focus to Provident but Puravankara still remains to be having a decent amount of launches coming. Though it is mentioned in the presentation, of course, but I am just trying to understand the broader parts.

Ashish Puravankara: I would say focus is equal on both brands. Provident by nature, a lot of locations, which would not conform as a Puravankara location today become eligible for a Provident. So that science is playing out well for Provident. Secondly, Provident projects will be a little larger than a Puravankara project, therefore the square footage being higher than a Puravankara.

Dhruvesh Sanghvi: Okay. At some point in time, Ashish, are we looking at raising funds on Provident level, because the kind of execution that we are talking about, it will become a darling of the market.

Ashish Puravankara: We have not thought about it at this point. When we do, we will let you know.

Moderator: Thank you. The next question is from the line of Rengamani who is an individual investor. Please go ahead.

Rengamani: Yes, hi, team. Actually, I have two questions here. Question number one, what is our margins that's getting from these Provident front and from Puravankara front? And the second question is, what are our interests going forward in commercial properties? I think there was some discussions I think in the past two to three months that we will be also going into commercial properties. So are we going in there?

Ashish Puravankara: Sure. I'll answer your second question first and then allow Kuldeep to answer the question on margins. So in terms of our strategy for the next five years, we have said that we will increase the percentage of commercial properties that we build. We are on that strategy. So today, I think it's a very small number, maybe about 3% of what we build today, little lesser than that. But we hope to split the portfolio anywhere between 10% to 15% of commercial and the balance residential over the next four to five years. As we speak, we are in discussion/negotiations on joint development for commercial properties, again very choosy about which locations we choose. In terms of even a city, we do not want to go to the outskirts. And we are looking at these commercial projects.

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Kuldeep Chawla: On your question regarding Provident margins, it is around 30%.

Rengamani: 30%, good. And this would increase over time?

Kuldeep Chawla: So I think we expect those margins to remain stable. That's our planning. If they get better, good luck. But we're not planning that those margins will go up. Our underwriting is at that level. Let's put it this way.

Rengamani: And what about Puravankara?

Kuldeep Chawla: Puravankara would also be, maybe a little higher, or it really depends from project to project, but you should assume by and large, our margins will be between 28% and 32%.

Moderator: Thank you. The next question is from Manoj Dua from Geometric Securities. Please go ahead.

Manoj Dua: My question, you have decreased the debt as well as the debt cost. And interest cost has been reduced in the P&L, which is, but obvious, but when you will get the actual complete effect of reduced debt cost in the P&L?

Ashish Puravankara: In coming quarter?

Manoj Dua: Yes. How many quarters will you see the extra real benefit?

Ashish Puravankara: Debt, if you look at, reduced from the last quarter and as of 30th June, it was 11.36%. Now it's 10.68%. So the actual benefit will come in going forward each quarter, I mean Q3 and Q4, the benefit will come.

Kuldeep Chawla: Let me put it differently. If I were to look at it, we will get about a 21 crore annualized benefit of interest on the debt of 2000 crores. And that would going forward, point number one. Point number two is that this 10.68 is a continuously reducing exercise. So in the coming quarters, you'll see more and more of that benefit flowing to the bottom-line.

Manoj Dua: In this first half year, we had no launches and we were still selling 0.8 million in this current quarter. Going forward with the new launches as well and you still have a lot of ready to move inventory, in which flavor as you said there as you said, because no GST is there. So don't you think we can be achieving more than 1 million per quarter going forward?

Ashish Puravankara: In terms of combining the ready to move and under construction and the new launches should sound like, but it all depends when the timing of these launches as and when they come in. But the launches will provide the necessary push in terms of sales numbers.

Manoj Dua: You have all the JDs and JVs. Going forward immediate launches, we see most of them are JDs, I think, all of them except one, all of them are JDs and JVs. So what we get in the PPL share in

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joint is somewhere 55%, somewhere it's 88%. Some might be profit sharing, some might be area sharing, some might be revenue sharing. Going forward, can we get this in the presentation because it is sometimes very confusing, 88% kind of high figure is also there and in Chennai 25% is a figure there in a project, which is a Provident thing. So why there is a such low sharing like 25% in a Chennai project?

Ashish Puravankara: Let me clarify, the Chennai project is in a separate SPV where we have a private equity fund. So the investment was 75, so ASK was a private equity. So the land was bought in an SPV, where they contributed 75% capital, we have contributed 25% capital. Therefore that number that you see there. On an average, if you see all our JDs are in the range of, it will be, like I mentioned earlier, will be in the range of about, depending location, it will be 70% to 80%. There is another one that you see 55%, that's in Puravankara, that's a very small project in the city center. So your revenue share or area share all depends on the location and therefore the land value.

Kuldeep Chawla: There is also a small clarification, the 87.5% that you see is the result of two things. One, that Puravankara and Keppel own 50% each in the land and the land owning entity has then given it to Puravankara, to develop it on a 75% revenue share to Puravankara. So therefore, the effective economic interest of Puravankara is 87.5%.

Manoj Dua: What is the strategy going forward in signing JV and JDs. We would like to sign only those deals which we can launch in next six month or one year or we will just like let us deal and let's see how much time for it. Because most of the other developers who are signing deals are launching very immediately and they are signing only those JVs and JDs. So my question is anything which isn't immediate launch in our presentation, any deal we have signed in last six months or one year?

Ashish Puravankara: Yes, of course. So if you see, for example, Goa was signed one month ago and post all clearances, right. And typically, we are not getting into land where any land clearances are required, conversion required or whatever, when it comes to a JD. And even if it is required, we part with very little advances, we link all the deposits either connected to clearances or sanctions. So there is no money that is going out to the landowner way in advance and then waiting for six months, one year. So for example, typically in a joint development, we give anywhere between 7% to 10% of the land value as a deposit, right. Now this deposit, we break it up into two parts, where we say we will give on title and signing the JD agreement, we will give you 50% of the deposit, balance 50% we try and negotiate where we will give it to you on sanction. Therefore the day the sanction comes, we are able to launch the project, the cash flow starts and then we give the deposit.

Manoj Dua: This Mumbai deal is also a recent deal, two Mumbai project deals?

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Ashish Puravankara: Yes. So if you see, the one we launched under Provident on Shil Phata Road that will be in fact registered. We already have the MoU all registered, signed. And the final JD is getting registered next week. And the plans have already been designed and we have submitted for plan sanction.

Manoj Dua: Okay. As a shareholder going forward, we can see any signing of JV deals as announcement to BSE so that we can know how the company is planning, how many deals the company is signing?

Ashish Puravankara: We can. So what at the hygiene that we've been following thus far is wherever we know the transaction is closed, money is paid is what we declare, right. If they are term sheets with smaller advances, for example, we have another three, four projects, which we have already signed the term sheet, given small advances. But till the title is complete and it's a definitive transaction, we do not want to in a way spook the market and say this is what we are doing, and the deal does not go through.

Manoj Dua: Okay. Like Goa deal you signed off….

Ashish Puravankara: As a practice, we have actually not been making announcements other than launches. And we are just being relatively conservative, in terms of announcements.

Manoj Dua: So going forward, we can see many deals in the next presentation or something like that? We are aggressively finding this deals as somebody said, you are looking land in Hyderabad also etc. So we are signing many deals as on just going forward?

Ashish Puravankara: Yes, and about a year ago, we took a decision that unless RERA and GST were implemented and rolled out, we would hold back some of the launches. Now that, that has happened, GST and RERA have stabilized, we believe this is the time to actually now accelerate our business.

Manoj Dua: The ready to go inventory has an attraction of zero GST. But in the presentation, you said you are getting a traction in near completion inventory also. So how you are able to present a customer a near completion inventory in which he has pay to a complete GST, whether the customer's psyche is not to wait for the project to be get completed and so he would like to buy in zero GST?

Ashish Puravankara: No. So I think it all depends on which projects, which micro market, what is the supply in that micro market. I think today we have all categories of buyers, right. So we have some people even today with GST who want to get into at the launch time. They believe they get a better pricing, better choice, a pre-launch price and a better choice of unit. So you have a bucket of prospective buyers who fall into that category, ongoing projects as well. Again when they compare to other projects in our micro market, which is of their preference, and you have a project that is already going on, price being right, they commit to it. Then you have projects which are nearing completion, so some customers who are wary, even with RERA around the corner, who are wary if the projects will get completed within the time stipulated, would like to

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get into a project where they have understood that 95% work is done, right. Then you have also a section of buyers who want this ready to move inventory where they believe that, mentally that this 12% GST does not apply. So as a marketing machinery, we are hitting hard on all pistons.

Moderator: We will move on to the next question, which is from the line of Shikhar Mundra, who's an individual investor. Please go ahead.

Shikhar Mundra: I wanted to understand how do you estimate like what do you estimate to be the IRR for your new projects, like what are the timeline of your cash flows and what are the upfront costs to be incurred? And can you give me an idea of the timeline of the cash flows going out and in?

Ashish Puravankara: Shikhar, can I request you to send a mail to Kuldeep because it will take a long time. So in interest of the other participants, if you can send we can give you a detailed breakup of this.

Shikhar Mundra: Okay. Alright.

Moderator: Thank you. The next question is a follow-up from the line of Vivek Puraga from Bruceville Advisory LLP. Please go ahead.

Vivek Puraga: Ashish, you said, that there is a good traction in a ready to move inventory and the nearing completion. So how much time do you think we would be able to finish off with this current ready to move and nearing completion that we have. We have around three point some million. How many more quarters do you think, we will be able to sell this off?

Ashish Puravankara: So it depends certain projects which have a little larger inventory might take a little longer. So if you see the bucket, in my mind, I think there are about seven to eight projects, most of which should be done over the next three to four quarters. Some of the larger projects, so I'm assuming 12 to 18 months.

Vivek Puraga: So six quarters, most of the current ready to move should be done?

Ashish Puravankara: Yes.

Vivek Puraga: And do you have any debt figure in mind where you want to stop at what we will decrease till this amount and then we will use our proceeds to investor investment? Do you have any debt figure like that or a debt ratio in your mind?

Ashish Puravankara: I think anything between 1,700 to 1,800 should be comfortable.

Vivek Puraga: So that is where we will stop and then we will, okay, got it. So another thing, can we expect in the next 4-5 years the Provident to be a much bigger in terms of pre-sales because of the launches that we are doing and everything.

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Ashish Puravankara: Absolutely. So I think, with this whole strategy and one of the learnings at least my personal learnings has been more number of projects, little smaller in size and across more number of micro markets, which is what it is quite visible in our new launch pipeline as well. So the minute, add more locations right, your annual sales traction the number of sales volume goes up, your construction starting and exiting of projects also becomes much faster.

Kuldeep Chawla: And proof of that is already there both in Pune and Hyderabad from the launches we have done over the last two years.

Vivek Puraga: So in Hyderabad, is there any ballpark figure on how much million you are trying to launch because I actually felt it was another four to five projects? Or we will come to know as you know sign in or are they big ones lastly, are they smaller projects? That, at least that much, I'm not asking the number.

Ashish Puravankara: So today if you look at page 10 of our presentation gives you the entire line-up of launches of the projects already secured, which are in design or sanction phase. In addition to that, we are negotiating a couple in Hyderabad.

Moderator: Thank you. Next question is from Manoj Dua from Geometric Securities. Please go ahead.

Manoj Dua: Sir, as you told, Provident, in which we are taking tax benefit will have to give MAT. So our strategy would be to mix Puravankara and Provident such a way that we don't pay much taxes, this would be going forward?

Ashish Puravankara: No. As of today, they are separate companies and that's the way we'd like to keep it.

Kuldeep Chawla: But that said, we do have 80-IB and non-80-IB projects within Provident itself. So to that extent, directionally what you are saying, we will be able to accomplish.

Manoj Dua: Okay, but in going forward, can we see like this, that we can de-merge Provident and list it as a separate identity.

Ashish Puravankara: We have not thought along those lines at this point. I think maybe a year or two down the line, we can evaluate and then strategize.

Moderator: Thank you. The next question is a follow-up from the line of the Dhruvesh Sanghvi from Prospero Tree. Please go ahead.

Dhruvesh Sanghvi: Last one from my side, sir. On the interest cost, what I am understanding is FY17, the interest was 244 crores on the P&L. I think FY17 or little before FY17, our peak debt was around 2,300 crores. If we are at 2000 crores, why should we not have interest cost falling 180 crores below that, because 2% interest cost benefit and 20% reduction in absolute debt. I think you said only 20 crores of savings coming.

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Kuldeep Chawla: So I think there are two parts to this. Part one is that, you are only looking at absolute amount, debt amount and you are seeing at points in time. Debt is a function of utilization during the period, okay. That's point number one. Point number two is that the full benefit of the interest cost, because you will see that in this quarter, we dropped quite substantially. So in the next six months of this financial year, you will see a meaningful reduction in interest cost. That's the second part.

Dhruvesh Sanghvi: Okay. So my point is, is the interest also captured in our first-in, first-out method, in the sense that two years back, our interest cost was, let's say, 12.5% and that was being capitalized, and now those projects are getting completed and hitting the revenues. And therefore a 12% interest is getting hit on the P&L today.

Kuldeep Chawla: No, I will let Neeraj answer that question with specific points.

Neeraj Gautam: If you're referring our profit and loss account, the interest reflects the true interest we paid during the year. You are right that interest is getting capitalized, but in the financial presentation, the interest we paid during the period in kind of nature of expenditure, which is coming in the balance sheet on the case of profit and loss account, which reflects the interest paid for the year. It's not that first-in, first-out basis.

Kuldeep Chawla: Let me answer your question in a slightly different way as well. If you look at the interest for the half year or even the quarter ended September 30th, for the half year, you'll see 145 crores in the half year ended September 30th 2016. That corresponding figure is down by about 22 crores, at about 123 crores in the six months period ended September 30th 2017.

Kuldeep Chawla: So you're already seeing a meaningful reduction.

Dhruvesh Sanghvi: Okay. So basically, 40 crores a year, that is what we look at. 20 crores for half year, so 40 crores for a full year. I mean, is that right?

Kuldeep Chawla: Yes, directionally, what you are saying is correct. But like I said, the exact number will depend on the utilization of debt.

Dhruvesh Sanghvi: Within the period, if it is high, then of course, it will change. But you said that we are at the inflection point of the cash flows.

Kuldeep Chawla: Yes.

Dhruvesh Sanghvi: It has to, ideally.

Kuldeep Chawla: Yes.

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Dhruvesh Sanghvi: On the other side over the next five years, I mean we have been paying 200 to 250 crores interest per year. Our profits are in the range of 80 to 120 crores, if we deduce the land sale that we did, it would be around 80 crores, 90 crores, 100 crores in these last two years. Is it possible that we will reach to 400 crores, 500 crores, because I'm thinking, a company paying 250 crores of interest and not earning more than the interest, how long?

Neeraj Gautam: See if we look at, our cash flow summary, large part of our inventory is the completed inventory which at historical cost in our books. And hence sale of these completed inventory will increase my margin. When we are going to sell the property, profitability will go up, going forward.

Kuldeep Chawla: In other words, what we're trying to say is that over the last two to three years, we've spent 1,000 crores, 1100 crores a year, to make sure, we earn the benefit over the next period, which is the period over which we are going to sell the inventory.

Dhruvesh Sanghvi: Absolutely. And last part on that aspect, again on the inventory, the March 2017 number on the inventory and balance sheet was around 4,000 crores. Out of that, how much is the interest cost capitalized total, do you have an exact number there?

Kuldeep Chawla: I will have to get back to you. If you could drop a mail to me, we would be able to give you that figure.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for closing comments. Over to you.

Ashish Puravankara: So in the interest of time, I'll just say we've had an exciting quarter. Sales are up, sales revenue is up, bookings are up. We are seeing a lot of traction on the completed, nearing completion inventory. GST, RERA, stabilized. We look forward to some exciting times in the future. Thank you so much ladies and gentlemen for your time and for your questions. Have a good day.

Moderator: Thank you very much members of management. Ladies and gentlemen, on behalf of Puravankara Limited, this concludes today's conference call. Thank you for joining us and you may now disconnect your lines.

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