PURAVANKARA®

"Puravankara Limited Q4 FY19 Earnings Conference Call"

May 21, 2019

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Moderator: Ladies and gentlemen good day and welcome to Puravankara Limited Q4 FY19 Earnings Conference Call. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal 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. Kuldip Chawlla – Chief Financial Officer. Thank you and over to you sir.

Kuldip Chawlla: Thank you very much. A very-very good afternoon to all of you. My name is Kuldip Chawlla, I am the Chief Financial Officer of Puravankara Limited. Thank you for joining us on Puravankara's Q4 FY19 Earnings Call.

The January - March 2019 quarter tops what has been a good year for Puravankara. A strong focus on timely and quality execution, sales as well as collection continues across all our markets, both our brands and for both ongoing as well as ready projects. We saw continued acceleration in sales of the ready-to-move inventory across all our projects where we sold 610 crores in the full-year FY19 including 227 crores in Q4 FY19. I would like to take the opportunity to mention that the 23% growth in sales volume in FY19 over FY18 appears optically low whereas actually it is 106%.

By way of clarification, Provident Park Square was actually launched in the last week of March 2018 with the sales volume of 751 units valued at 400 crores therefore on a like to like basis the growth in sales value bookings between FY19 and FY18 is 68%. We are encouraged not only by our sales across all our projects especially in slow-moving markets including those such as Chennai and couple of others but also by a steady and significant improvement in collections during the year.

It is also pertinent to mention that the combined effect of all the regulatory changes that we have seen over the last year or two as well as the consolidation opportunity that this market presents to us and the changes that we have seen taken place in the demand side as well as the supply-side prepare us well for the quarters and the years to come.

Coming to the quarter's performance; in Q4 FY19 backed by the sale of almost 13 units every day that too without any new launches during the quarter, sales bookings were at steady 1,148 units or 1.23 million square feet valued at Rs.726 crores, an encouraging growth of 117% and 94% over the quarter of October-December 2018. Sales of ready-to-move inventory almost doubled for the quarter from Rs. 226 crores and 366 units as compared to Rs. 115 crores and 185 units in Q4 FY18 respectively. Ongoing projects in both our brands witnessed significant increases in price realization. Consolidated revenues also doubled to Rs. 667 crores for Q4 FY19. The EBITDA for the quarter was Rs. 156 crores, up 63% year-on-year, representing an EBITDA margin of 23%. Profit before tax stood at Rs. 63 crores, up 126% whilst total comprehensive

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income post taxes stood at Rs. 39 crores, up 58% year-on-year. Importantly inflows from operations for the quarter continued to grow and stood at Rs. 467 crores or Rs. 156 crores monthly, an encouraging growth of 34% year-on-year. This growth in inflows has helped accelerate the necessary spends to move projects towards completion as well as to fund the initial expenditure for our new launches which are being rolled out in the current financial year. Consequently, after accounting for operating expenditure of Rs. 360 crores, the operating surplus before interest and taxes was Rs. 107 crores. Handover of completed projects as well as the current ongoing ones combined with the steady sales and collections from ready-to-move inventory are likely to drive the operating surplus to higher levels going forward. The company continues to comfortably meet all its obligations to its various stakeholders.

Coming to the FY19 performance:

Continuing our stated strategy for diversify across markets geographically, markets other than Bengaluru contributed over half our ongoing projects and importantly, 69% of our proposed launches. At the same time the company is taking careful but strategic steps to start building out an annuity portfolio with a careful rollout of already tied up land parcels in strategic CBD on near CBD locations to start with in Bengaluru and Pune.

For the full year till March '19 consolidated revenues stood at Rs. 2,127 crores, a growth of 41% year on year. EBITDA was Rs. 517 crores, up 30% year-on-year, representing a healthy margin of 24%. Profit before tax stood at Rs. 173 crores, up 32% year-on-year whilst PAT, i.e., totally comprehensive income post taxes was Rs. 114 crores, up 25% year-on-year.

The balance collection from sold units of all our launched projects stands at Rs. 1,971 crores as of March 2019 against the balance cost to go excluding overheads and interest cost of Rs. 2,233 crores. Combined with the value of unsold inventory open for sale at Rs. 4,582 crores, this is projected to generate in operating surplus of Rs. 4,320 crores before overheads and interest cost. Apart from this the company projects a further surplus of Rs. 2,229 crores from units in approved projects but not yet open for sale. These two figures combined give a projected surplus of Rs. 6,549 crores for the company as a whole excluding overheads, interest costs and loan repayments. It may be pertinent to note that this surplus excludes all projects which are being launched in FY20 such as Bavdhan and Capella in Q1 FY20 as well as others such as Kondwa in Pune, Kachanayakanahalli, Atmosphere in Bengaluru and Chembur in Mumbai among others, all of which add to this surplus of Rs. 6,549 crores going forward.

The debt level remains largely unchanged from a quarter ago figure. The debt - equity ratio as of March 31st was 1.46x as per Accounting Standard 115 and 1.14x as per Ind-AS. The weighted average cost of debt stood at 11.4% for the quarter ended March 31st, a marginal growth of 5 basis points over December 2019 which was largely due to the increase in the reference rate by

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the lenders. Approximately 8 million square feet of new inventory is being launched in FY 20 across both our brands and across our focused markets which is not only forecast to help release blocked capital and debts would also reduce that debt and interest costs progressively.

To summarize:

This has been a strong quarter with a significant contribution to a good full year where we have continued to focus not only on sales and collection but also on execution. We are also preparing the organization for a new and sustained growth trajectory and gaining market share across our key residential markets. The return to Mumbai, the expansion in West India, the sustained launch program across our key markets in both our brands, all these augurs well. Importantly, we have taken concrete steps to ensure costs optimization, contract management and operational efficiencies. All these are likely to bear fruit in the coming quarters and indeed the years ahead. We are encouraged and excited with the trends emerging from this quarter and for the full-year.

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

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Biplab D from Antique Stock Broking.

Biplab D: I have basically two observations and one query. First observation is that your presence in the various micro-markets, out of that Bangalore is doing well but what about Chennai? You have lot of completed projects and it seems you have also projects in Bangalore and Coimbatore, Chennai and there is a concern about those micro-markets also. So this is first query. Second is could you update elaborately on the Mumbai projects? It's almost I have been observing it's more than 2-3 quarters we have been anticipating your Mumbai entry early. And third is your debt compared to FY18, FY18 it was around 2000 crores, now in FY19 it has gone up to 3000 crores. In this market where most of the micro-markets, the sales velocity is kind of muted, is it wise to increase the debt—I am just talking about gross debt—from 2000 crores to 3000 crores? I understand you have been selling well; you have been launching excellently, Goa, Bangalore, Pune, doing well. But despite that there is a concern on the debt especially in the last one-year, what prompted for the debt to increase by almost 50%, 2000 crores to 3000 crores?

Ashish Puravankara: I will take the first two questions, Ashish here. I think in terms of you asked about the micro-markets that we are currently present in and Bangalore been stable, so one correction there. If you look at our inventories, Pune we have done extremely well, so the first project that we launched out of 800 apartments we have close to 700 apartments sold. So we are actually accelerating our second phase sanction as well as accelerating the sanctions of our other projects in Pune. Goa for us has done extremely well; again there we have sold over 1000 units over the last I think 3 quarters. We have already collected 10% agreement signed over 800 apartments.

So I think that's done really well for us, similar success even in Hyderabad where again there we have some 87% sold of the Provident project that we are doing in Hyderabad. You are right Bangalore continues to be stable. We are seeing some positive responses even in Chennai, so if you see our quarterly sales Chennai has picked up. So there is some positive trend there. Coimbatore we took a call, so we don't have any new projects in Coimbatore. It is the two projects that we are actually just about completing. The Provident one which is completed as an organization we took a call, we said let us give a few discounts but get the inventory out. We started December end, we had about 200 odd unsold units in the Coimbatore Provident project. We did an aggressive marketing campaign. By March in three months we had sold 110 units there and the momentum is continuing. We are hopeful in the next 1-1.5 quarter that number should reduce significantly. So therefore, I think most markets are doing stable for us. Your second question on Bombay, yes Bombay the first project that we signed up in Bombay was in Bhandup there the sanctions were stuck because of that dumping yard issue. Now that is being resolved, so the designs have been completed. They are being submitted for sanctions. Chembur which we bought a quarter ago, the design has been completed. We are doing a submission next week. Shil which is on Shil Phata junction even there I think we are almost through with the sanctions there, hopefully in another quarter but for these elections. Thane also we should be getting the sanctions pretty soon. So even though sanctions are moving but Bombay being Bombay for one or the other reasons the sanctions were delayed but now we are moving.

Kuldip Chawlla: Your question on debt if I may Biplab very simply put, this is a peak level of debt. Debt from here will go down as launches happen and a large part of this thing is going into production right now. So whether it's owned land, JDAs, all these launches and the collections will help reduce the debt. In addition, as you have seen we have done very good sales of ready-to-move inventory in this last quarter. All this will translate into further collections which will automatically through standing instructions reduce the debt further.

Biplab D: On the Chennai what would be the estimated value of the inventory in entire Chennai, Puravankara have?

Kuldip Chawlla: Out of the approximately 950 crores of total inventory roughly 270 crores odd will be Chennai. But I want to just mention to you that if you look at between Q1 and Q4, Chennai has actually across all our brands Windermere, Swan Lake, Cosmo City, every brand of ours, every project of ours we have seen at least a 25% to 30% growth in Chennai sales between Q1 and Q4, very-very significant. If you want I can get into each individual project but we have steadily seen, Windermere for example in Q1 we sold about 27 odd units, in Q4 as a data point we sold 53 units, in Q3 as a data point we sold 42 units. This is just one project. If I were to give you another project in Cosmo City we were selling some 3 units a month which is 9 units in a quarter, in Q3 and Q4 we had sold 22 and 29 units respectively. So just two examples, you can see a massive

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increase in Chennai sales which is what is driving this whole collection coming from ready-to-move inventory.

Moderator: The next question is from the line of Prem Khurana from Anand Rathi.

Prem Khurana: So two questions, essentially one was if you could help me understand our volume numbers better because when I look at the numbers and we have been able to grow, we have done very well in terms of full year 3.6 million square feet odd of what we have sold. But if someone was to look at I mean comparable numbers because essentially this year you ventured into a new market which is Goa wherein you have done pretty well and which has given us 0.8 million square feet of area. If I were to adjust on this 0.8 it seems as if we have done volumes which are lower than last year as in FY18 without Goa we did around 3.3, FY19 excluding Goa it's 2.8. So which essentially comes and our traditional markets the number seemed to have come down. So is it that we were busy focusing on Goa because we want to make it as a success which is where we lost out on some of these markets or you would want to believe that the markets went down I mean Bangalore or Chennai. I think in your remarks you said Chennai has done pretty well for you I mean some of these projects have done 25% kind of growth on YOY basis which essentially leaves me with the fact that Bangalore would have done seriously bad for us.

Ashish Puravankara: I think the way you need to look at it is that your annual sales number, there are two things that contribute to it. You have the current ongoing projects that contribute to annual sales numbers; you have launches that contribute to your annual sales number. So the minute we have launches especially if you look at the last 2-3 years with the change in selling strategy that we have adopted, we are almost selling out 60%-70% within the first 2-3 quarters, you can see this across Pune, across Hyderabad, across Bangalore and across Goa, all these markets. So we did not have that significant launch. So two things, one is the previous year number, the launch that was supposed to happen in April just we got the Park Square sanctioned sooner so that got launched in the end of March that contributed almost…

Kuldip Chawlla: 400 crores in the sales….

Ashish Puravankara: No, in terms of volume.

Kuldip Chawlla: 7 lakh sqft.

Ashish Puravankara: There are two ways looking at it, you can add that 7 lakh square feet so it was actually a launch that was supposed to happen the next year, we got the sanction earlier and that contributed to the previous year's number that you are comparing this year's number to. Secondly now even Goa I mean end of the day we are expanding into new markets. Goa was that launch and any launch, let it be Bangalore, let it be Pune, any launch will add in. If you remove that launch number then

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there is a standard steady state, so the minute you sell 60%-70% of a project then quarter-on-quarter you are not going to get that euphoric sort of addition to sale.

Prem Khurana: I think the idea would be to kind of grow, I mean somehow to manage to grow our existing market as well as keep on adding new market which is how you will be able to kind of grow even better.

Ashish Puravankara: So that purpose you take Park Square as an example and look at the sales, so when we launched Park Square in March we had sold—I am just giving an approximate number, we had sold—about some 600-700 apartments. Let's understand how it has fared this year. This year now we are close to 1100 apartments sold. So even the ones that gave you the numbers in the last year, are they slowing down this year, they are not. They are continuing to contribute.

Prem Khurana: And what kind of numbers would you be willing to kind of have in this year at least from the traditional market leaving aside Bombay because Bombay again would be, it will all depend on the day you get your approvals in place. On a comparable basis what kind of growth would you want to look at in this year in FY20?

Ashish Puravankara: While we don't and we have never given any guidance but it's all these launches come through keeping in mind I would say at least 40% to 50% growth, keeping the launches in mind and the contribution from ongoing projects. And GST is also stabilized now.

Prem Khurana: And one question for Kuldip sir, our net debt number seems to have gone up by around Rs. 500 crores odd during the year.

Kuldip Chawlla: Correct.

Prem Khurana: A large part of it is explained by land banking and we have spent around Rs. 350.

Kuldip Chawlla: Correct.

Prem Khurana: So which leaves around Rs. 150 crores odd of shortfall in our operations and we have still not started working on our annuity portfolio as yet. So given the fact that we have big plans for annuity and if our residential is been doing negative number, is it fair to assume that the debt would go up even further? And what would explain this negative number of residential side because land bank I understand it's lumpy and it tends to be seriously lumpy and which is where you have no option but to kind of have that incremental debt. But then operationally I mean people tend to believe that residential projects tend to be kind of self liquidating in nature when you need to fund your land cost and then the remaining would is taken care of by customer advances and specially given the fact that we tend to go for this EOY method of selling your products.

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Kuldip Chawlla: So two quick answers to your questions; number one, you had two questions; one was on the Rs. 150 crores, right?

Prem Khurana: Yes.

Kuldip Chawlla: As far as that is concerned that is two parts. A large part of it is to do with project such as Kenworth and others where we have deliberately have a situation where payment plans are catching up, 1 or 2 or 3 quarters after execution and that's a project which is actually ahead of schedule. So that projects are actually executing ahead of schedule. So we had to draw down some debt on that, so there are couple of projects like that. The second is where we had in the case of near ready or ready-to-move inventory, we had some cost to go and even after getting OC. So that had to be funded. But as you have seen in this quarter ended Jan-Feb-March we have had a Rs. 160 crores per month or approximately Rs. 470 crores of collections. That has caught up with our expenditure. So the second part of your question which I, what I think, I really want to focus on is therefore, we have hit our peak debt and you should see a net reduction from here, number one. Number two, to talk about 350 or 360 crores of land debt, 75% of that is going into production this year. So that in addition will result in a progressive reduction of debt and of interest cost, both. Does that answer your question?

Prem Khurana: No, so essentially given the fact that we are supposed to start with our annuity portfolio this year because we have already built in.

Kuldip Chawlla: So as far as our annuity portfolio is concerned Prem, all I needed in the next 1-1.5 years is a little bit of construction finance. You must also recognize that our annuity portfolio is not 3 million square feet, 4 million square feet of execution. It is 0.5 million to 800,000 square feet of near CBD projects which are going to turn around quickly. So the debt requirement on that is not huge, our debt reduction has already started. I can tell you that in the month of April we have already started prepaying our debt because our collections from sales in the last 2 quarters have been very good.

Prem Khurana: What would be the value of this unsold inventory that we have within our completed projects?

Kuldip Chawlla: Rs. 950 crores.

Prem Khurana: And any pending dues from the properties which are already delivered?

Kuldip Chawlla: Balance to be collected, yes.

Prem Khurana: Not from the under construction, only the properties wherein you already have OC and then the final payments are yet to come to you.

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Kuldip Chawlla: Is your question that do we have collections from that?

Prem Khurana: Yes, so do we have any collections due from…

Kuldip Chawlla: Yes, we have significant collections because we sold 230 crores of ready-to-move inventory in February - March this quarter alone.

Prem Khurana: And would you be able to share that number as in out of two…

Kuldip Chawlla: Plus there are projects like Westend which have just—we have not even started delivery of them—we are starting to handover now and in the next two quarters you're going to see a massive collection from Palm Beach where we have just received occupation certificate. So there is a large amount of money to be collected which is where our confidence on debt repayment is coming from.

Prem Khurana: Because I have observed one thing in our number.

Kuldip Chawlla: At figure if you want to know is Rs. 350 crores.

Prem Khurana: One thing that I observed which is kind of essentially if I were to look at the cash flow sheet that you gave us I mean the pending collections and the pending cost. We always used to be positive excluding the unsold area in your under-construction projects it is always used to be positive in terms of there used to be some surplus which used to appear. So last quarter the number was around 250, so the idea used to be even if I'm not to sell any incremental units from hereon I will be able to kind of take care of my obligations. But this quarter the number has turned negative. I understand the one quarter…

Kuldip Chawlla: But Prem please appreciate that one side do new launches, I have no problem. My success of the launch determines everything. I also want you to recognize one very important thing Prem, there were two projects which we launched in the last two weeks of March, they are Zenium and they are Somerset. Those projects we've just launched so you are not seeing the sales of those come in. But the cost of that I have taken into account. The construction cost of that alone should be in the region of about 350 crores

Prem Khurana: So 1.13 would be your Zenium.

Kuldip Chawlla: Yes 1.13 and then another 0.35 odd from this thing is about 1.4 million square feet into a minimum of 2800 to 3000.

Ashish Puravankara: And those two projects are still in the UI process so therefore that has not come into the calculation whereas the cost has come therefore you are seeing that gap.

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Moderator: The next question is from the line of Karan Singh, who is an individual investor.

Karan Singh: My first question is on the cash flow statement, I'm just seeing the first four quarters. Q4 is the quarter where your operating surplus is more than the interest cost if we compare out. Do we see this trend continuing?

Kuldip Chawlla: The short answer is yes.

Karan Singh: The net debt level, again in Q4, its reduced for the first time if you take Q1-Q2-Q3-Q4 is it also going to be the same going ahead, is it going to be at the same levels?

Kuldip Chawlla: Is your question are we going to see a reduction in debt going forward?

Karan Singh: Yes, net debt.

Kuldip Chawlla: As we collect from ready-to-move inventory our debt automatically will come down because of standing instructions, number one. Number two, as we launch more and more, we don't need construction debt. We need very little construction debt for our residential projects. So there is surplus coming out of that as well. As a data point for example Goa is already generating a surplus.

Karan Singh: The sales realization has come down slightly, both for Puravankara and Provident if we look at QOQ or Q4 FY19 and Q4 FY18.

Kuldip Chawlla: Sales realization is a function of product mix.

Ashish Puravankara: If you remove the ready-to-move in inventory and look at our current ongoing projects and our launches there is a significant increase in sales realization. Like I gave you the example of our Coimbatore project where we are trying to ensure since we have already ready-to-move in inventory, its Coimbatore we don't have more projects there, how do we ensure we get that sale off done quickly so that effects on an average basis your sales realization but if you look at our ongoing and new launches its up significantly.

Moderator: The next question is from the line of Amitabh Sonthalia from SKS Capital & Research.

Amitabh Sonthalia: Your net worth has gone down year-on-year?

Kuldip Chawlla: Amitabh, optically yes, the net worth has gone down, reason is that it would have gone down for all companies because of an Accounting Standard called 115 which required us to recognize revenue only for those projects which are delivered where the customer has paid 100% and where the registration has happened. What this meant was that all companies were required to reverse through an adjustment of the net worth, all those revenues for ongoing projects that we were recognized.

Amitabh Sonthalia: It's gone down by what about?

Kuldip Chawlla: Rs. 610 crores is the figure, Rs. 610.76 crores is the exact figure, consolidated basis this was the reversal.

Amitabh Sonthalia: Rs. 610 crores is the decrease in net worth now is that the entire revenue booking amount or is it the expected EBITDA reported from on that.

Kuldip Chawlla: This is the retained earnings. The adjustment to net worth will only be of the retained earnings.

Amitabh Sonthalia: The past retained earnings?

Kuldip Chawlla: Yes, the revenue that was reversed was significantly higher. The revenue that was reversed was Rs. 3,340 crores.

Amitabh Sonthalia: How will this get re-accounted for in the future?

Kuldip Chawlla: Some of it has already been recognized and the balance will be recognized over the next couple of years as those projects for which the revenue and the profits were reversed are completed, handed over and registered.

Amitabh Sonthalia: Will it again go back to the net worth directly without hitting your P&L?

Kuldip Chawlla: Yes, it will go back to net worth.

Amitabh Sonthalia: It's a really notional decrease?

Kuldip Chawlla: That is correct.

Amitabh Sonthalia: It does impact your debt - equity, how do the bankers and credit rating agencies view that?

Kuldip Chawlla: We answered this question a couple of quarters ago but I am happy to, more than happy to share with you. We had proactively reached out to our rating agency and our lenders and neither of them have an issue whatsoever because they recognize that this is an industry-wide phenomenon and that what has not changed is our cash flow which is the basis on which debt is paid.

Amitabh Sonthalia: That really doesn't change anything for you?

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Kuldip Chawlla: Doesn't change anything.

Amitabh Sonthalia: In any case it is not going to go to any further, it's a one-time…?

Kuldip Chawlla: That is correct.

Amitabh Sonthalia: Next year it will go up by the quantum of….

Kuldip Chawlla: It will progressively go up by the revenue recognized or revenue and it will progressively go up by the retained earnings that are being re-recognized.

Amitabh Sonthalia: But it will not hit your P&L again?

Kuldip Chawlla: No, it won't. What we will change is that we end up….

Amitabh Sonthalia: I'm just trying do a guesstimate of your FY20 balance sheet, supposed how much of it let's say if your net worth goes back up by 500 crores, half of that would be through the P&L retained earnings and half of that would be through write-back of this reversal or something like that?

Kuldip Chawlla: Amitabh is it possible that I can take this, this is a slightly more detailed discussion. Can we take this off-line that's not too much to ask?

Amitabh Sonthalia: That's fine.

Moderator: The next question is from the line of Rohit Potti from Marshmallow Capital.

Rohit Potti: My question was more on the long-term strategic perspective. I am from the South and I can vouch for the fact that the brand enjoys quite a strong hold in many of its Southern markets and from my understanding generally real estate, the brand in order to get established takes quite a long time in a newer market. Now given the wide number of locations that you are present in the Southern markets, I was wondering if you could share your thoughts on strengthening the brand for the long term in their markets that you are already present in versus going and entering newer markets like Mumbai for example which would be a relatively newer market with a large number of competitors. So I want to understand how you think of because there is only so much management bandwidth that would be presented and the senior management, so if you could explain?

Ashish Puravankara: Just couple of clarifications. I don't know, not too many people know that the company actually started out in Mumbai and then we moved our focus to the South in Bangalore so Mumbai in a way is coming back home (a); (b) as a strategy we are very clear that we have identified the 5 key markets we believe over the next 5 to 10 years will give us growth and have depth which is

Bangalore, Hyderabad, Chennai, Pune and Mumbai. In Mumbai and in Pune it's very strategic so we have now close to 6 odd projects in Pune about 6 projects in Mumbai, most of them are with local developers. So in terms of the liasoning, in terms of the sanction that responsibility is with the landowner. In terms of the brand recognition if you look at Pune, our first project within the first 3-4 quarters, we had already sold close to 700 out of the 800 apartments which is the total sanction as on that date. Look at Goa—we sold 1100—more than we know, realize or accept, the brand is even stronger in markets like Bombay, Pune and we have seen that in reality we have launched and we have seen that success of sale. Secondly even the entry into these markets was developers and most of our projects like I said from developers in Pune-Mumbai. They have come to Bangalore, they have approached us, they have gone to our site, they understand our brand, they understand the execution capabilities they have understood, our selling machinery that's quite efficient so they have in fact invited us this into their cities, they have taken the responsibility of sanction. Then the matter is only executing and selling. In these markets again we are very careful so now my basic understanding is if I have to look at a micro-market in Mumbai like Mulund I believe there is a huge oversupply. Every person work is present in Mulund, so we would not see us taking up a project in Mulund. Where have we taken up projects? We have taken our projects in Thane and Shill Phata for Provident. We have taken up a project in Chembur for Puravankara. We have taken up a project in Bhandup for Puravankara. We have tied up two projects one is Borivali (East) and the other one is Goregaon (East). We are carefully choosing these micro-markets, we are carefully choosing the partners, responsibility of sanctions are on these partners so then our entire role is going to be the brand, the selling machinery and the execution.

Rohit Potti: A follow-up to this the answer that you have given is the broader worry a shareholder in the business might have is that are we spreading the bandwidth that we have? When I say the band width, I'm talking not just about….

Ashish Puravankara: No, if you look at, we are reducing few cities that we are present in so for example Bangalore we have had a project we are not going to do another project there. Coimbatore where we had 3 projects, we are not going to do another project there so these are the 5, so we are also very we keep getting enquiries from NCR, we keep getting enquiries we are not going there. We get enquiries from Calcutta; we are not going there. We have understood what our bandwidth is which markets we understand well and basis that is where we have entered into these cities. I don't think we are going to add another city we are going to stick to these cities that we believe will give us the growth over the next 5 to 10 years.

Rohit Potti: Just to get this clear what we are going to do is focus on these 5 pretty large cities and there might be ancillary cities like Cochin and Goa which would continue at the same steady speed pace. Is that right?

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Ashish Puravankara: I don't think there will be additional projects in Cochin or Goa, what we have already we will execute and come out and then focus on these 5 cities.

Rohit Potti: Going forward we will taper down our involvement in other cities and will just focus on these 5 large markets for the next 5 to 10 years?

Ashish Puravankara: Correct.

Rohit Potti: Just to understand the long-term broader strategy again so what we are doing is, rather than focusing on just residential both basically we are focusing on residential right from Affordable to Premium Housing across many cities so the focus is now changing to focusing on the relatively large market that you mentioned and we are focusing on probably within then going from pure residential plate to commercial and others as well**,** is that right?

Ashish Puravankara: Let me put it in a simpler format so then you can understand, so yes the focus of the organization is with the residential across premium brand which is Puravankara, the Affordable brand which is provident across the 5 cities that we mentioned earlier which is Bangalore, Chennai, Hyderabad, Pune and Mumbai. In addition to that yes, we have taken a decision where we will create some portfolio of annuity income by way of commercial development. The target that we have set over the next 5 to 8 years was about 7-8 million square feet. 5 million square feet out of which is already land owned by the companies so there is no cash outflow to get these lands on board. The land is already available due to their locations; they qualify as great locations for commercial office space development. We are not getting into Retail, we are not getting into Hospitality, it will only be a Commercial Office play.

Rohit Potti: This 7-8 million square feet, over let's say 5 to 10 years it might be difficult and I understand that you have said it's not answerable right now but how do you see at least percentage wise the presence of the company in both residential and commercial across these cities, is it going to be equal or depending on the market developed it might still be skewed towards Bangalore?

Ashish Puravankara: By far I think the residential business will continue to be the most significant percentage. This is a very fixed number; as a strategy we have set 5-8 millions. We are doing over 5 to 7 years; we are launching close to 6-7 million annually of residential space.

Rohit Potti: The question was not on that. I am pretty sure that the residential space would continue to grow over the long term but I was just asking strategically while we have taken great efforts that reducing the dependence on Bangalore, I was just asking over the long term let's say 5 to 7 years how do you see the mix between the cities changing in both residential and commercial? Is commercial going to be entirely in Bangalore?

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Ashish Puravankara: No, as of now the lands that the company already owns, so there the most of the commercial lands are in Bangalore. There is just one project which is the 10-acre project in Pune so the distribution is for now is that, so almost 80% of the commercial will be Bangalore and about 20% is Pune.

Rohit Potti: The residential over next 5 to 7 years, do you see it becoming broadly more evenly distributed among these 5 geographies that we are talking about?

Ashish Puravankara: Absolutely in fact with the launches that we have over the next 2-3 years, the rest of India which is essentially Pune and Mumbai we will almost become 45%.

Rohit Potti: My sense is that the price of the shares are quite cheap, so how do you think about—I understand that the business does need capital to grow. There is a long runway that is available to you particularly given the trouble that other developers are in. But what about organic growth, how do you think about buyback of shares may be reduce a dividend or otherwise allocating more capital to share buyback and how do you think about that?

Ashish Puravankara: I don't think we can do a buyback because we are currently at 75% the promoter group so I don't think buyback is possible.

Vishnu Moorthi: We can't do just to like to save dividend tax we go to buyback then can we get by GAAR provisions, so generally people don't do advice like that. Buyback can be independent exercise. One should not do as dividend versus buyback.

Rohit Potti: The reason I was comparing both was because it's in a way a capital return to the shareholder and the whole idea being at a cheaper price is one is able to buy one's own share, it will increase the value purpose of the earnings to each of the shareholders will increase that was the whole idea.

Kuldip Chawlla: Just allow me to say the following couple of sentences. We will continue to do what is in the best interest of the business and of the shareholders. At this point in time suffice to say that we basically believe that we would like to invest in the growth of the business and that is the best way to create shareholder value.

Rohit Potti: Given the large markets that you have chosen and the long runway that we have for the business, is there an idea of the debt levels that you are comfortable with over the long-term and how do you measure that? I guess debt to equity doesn't probably make much of the sense for real estate business particularly given them in your accounting norms, so how do you think of debt and for a business like you all which will eventually have larger commercial fees over the long term?

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Ashish Puravankara: We are conscious of where the debt level is but we are comfortable at this point. I believe we are somewhere we are at the peak. Having said that one needs to evaluate our growth strategy in the West so like I said we have almost close to 6 odd projects in Bombay, we have close to about 6 projects in Pune where we have started design and we have started sanction. 95% of all these projects have been secured on a joint development basis so there is a not huge capital outflow. Secondly if you look at the RTM the ready-to-move in inventory and if you see that actually it is sale over the last quarter and the previous quarter that in itself will reduce the debt and give some cushion in case if required in terms of construction finance for future projects. Again, like Kuldip had mentioned earlier some debt has gone up on account of new acquisition. Those acquisitions that we are no more buying, Chembur land for example which we bought about a quarter odd ago we have already designed it, we are submitting that plan for sanction next week, we are hopeful of getting the sanction over the next 5 to 6 months. So we are turning project around much faster so that in itself will release the debt and reduce the debt.

Rohit Potti: I confirm with you that the current debt levels are not much so concern and eventually it's manageable but the idea was to understand how the management thinks of debt over the longer term?

Ashish Puravankara: That's where I gave you the flavor of our acquisitions in Pune and Mumbai which were on land development basis where there is not a huge capital outflow, secondly if you look at our change in selling strategy that we adopted about 3.5 years ago which was very different from the time before that which we wanted to sell only 10% and then sell the balance over 4-5 years of project construction. We said no, we understand that business cycles have shrunk, sentiment cycles are shrunk so we adopted that whole UI process, book building process where we are able to sell almost 60%-70% in the first 2 to 3 quarters of the project launch at higher averages through this entire process so therefore if you look at all the launches that we have done over the last 3 years across Pune, across Hyderabad so the construction finance requirement has been very minimal.

Rohit Potti: Would it be right in that case to say that over the longer term the proportion of debt that would be required for the business to complete construction would be lower on average than was required for an equivalent construction in the past because of the change in process and execution?

Ashish Puravankara: Absolutely and evident if you look at the last three years launches and Kuldip off-line can give you the number debt checking on those launches which is insignificant.

Moderator: As there are no further questions, I like to hand the conference back to Mr. Kuldip Chawlla for closing comments.

Kuldip Chawlla: Thank you ladies and gentlemen for your time and your attention. We will continue to do what is great for shareholders to focus on creating value as we roll out the new launch strategy and our overall plans for FY20. Thank you once again and have a wonderful day.

Moderator: Thank you very much. On behalf of Puravankara Limited that concludes the conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.

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