## Sobha Developers Ltd. Investors/Earnings Conference Call (October 22, 2010)

**Moderator**: Good evening ladies and gentlemen. Thank you for standing by. This is Sonya, the moderator for your conference call today. Welcome to the conference call of Sobha Developers hosted by Enam Securities Private Limited. We have with us today Mr. J.C. Sharma, Managing Director, Mr. S. Bhaskaran, Chief Financial Officer, and Mr. Kishore Kayarat, Company Secretary from Sobha Developers and Mr. Nitin Idnani from Enam Securities Private Limited. At this moment, all participants are in a listen-only mode. Later, we will conduct a question and answer session. At that time if you have a question please press '\*' and '1'. I would now like to turn the conference over to Mr. Nitin Idnani. Please go ahead, sir.

**Nitin Idnani**: Thank you, moderator. Thank you all for taking time to attend this call. We are pleased to host the second quarter FY11 conference call of Sobha Developers Limited. The format would remain the same. We will be taking through the results by the management followed by a Q&A session. I would like to hand it over now to Mr. J. C. Sharma. Thank you.

**J.C. Sharma**: Hello. This is J.C. Sharma from Sobha Developers. Good evening ladies and gentlemen and thank you all for patiently waiting for some time and joining us for this con call amidst your busy schedule. We thank also Enam for hosting this call. I would like to give the phone to now our CFO Mr. Baaskaran who will run through the current quarter performance and the current half year performance and as the format suggest thereafter we will take the call from you as well. Thank you.

Baaskaran: Good evening ladies and gentlemen. In continuation to our first guarter, Sobha recorded a top line of 431 Crores. Out of this 218 Crores has come from real estate operations. Rs. 114 Crores by way of land monetization. Rs. 94 Crores from construction and manufacturing activity and 5.6 Crores from income from other sources, including partnership income. We are happy to inform that the top-line is up by 90% compared to the corresponding period of the last year and cumulative top line for the first half is up by 85% compared to the corresponding period of the last year. Also, the top line for the second quarter is up by 35% compared to the first quarter of the current financial year. The real estate operations contributed 78% to the top line. The balance 22% is from both manufacture and contracts. The operating margin from our real estate business continues to about 35%. We are happy to communicate that. During this current quarter we have done 7,44,678 square feet of fresh sales from all the regions. This is 11% more than what we achieved during the first guarter. The cumulative sales recorded during the first half of the current financial year is 14,15,561 square feet which is 120% more as compared to the corresponding period of the last year. We are reasonably confident with half year through, we will be able to achieve our annual target of 3 million square feet. During the second quarter, we have launched projects in Bangalore and Coimbatore, totaling to about 0.64 million square feet and planning to launch further 6.47 million square feet in the next two to three quarters in all the regions we operate. This excludes NCR, where also we hope to start the operations in the next couple of quarters. During the current quarter, sales from Pune region has been reduced due the reduction of existing project and the slight delay in the launch of the new projects. As on date, we have 9.64 million square feet of ongoing projects. Out of

this 8.35 million square feet is saleable area. We have already sold about 5.7 million square feet and 2.7 million square feet remains to be sold. We expect to generate 932 Crores from the sold units both outstanding receivables and further to be billed and further 1,221 Crores on unsold apartments based on the current selling price. We also expect to incur Rs. 1,036 Crores estimated on current cost to be spent for the entire ongoing development, leaving operational cash flow available from the ongoing projects to the tune of Rs. 1,116 Crores. The average selling price on the sale made during the first half sale is Rs. 3,750 per square feet and we are confident of maintaining the selling price in next six months. As informed earlier, we are happy to share with you that we have monetized land in Pune for Rs. 114 Crores. With this we will be achieving our projected land monetization of Rs. 200 Crores for the current financial year. On the contractual front, we have seen a growth of about 5% compared to the first guarter of the current financial year and 100% jump during the current quarter compared to the corresponding period of the previous year and a jump of 75% in the top line during the first half compared to the corresponding figures of last year. During the second quarter, we have completed and handed over three contractual projects totaling to 0.65 million square feet and one real estate project measuring 0.1 million square feet. We have about 4.27 million square feet of contractual projects on hand to be delivered over a period of 1 to 1.5 years and fresh committed orders of 6.58 million square feet from Infosys for which the work will be started from coming quarters onwards to be delivered progressively in the next two to three years. We continue to operate with 15% margin on contract. The contractual on manufacturing division promise a robust growth this year. The top line for second quarter increased by 16% compared to the corresponding of the last year. We will be happy to note that the company has been generating positive operational cash flow in the first half, especially in the second quarter, the company generated operational cash flow of Rs. 205 Crores after meeting the other working capital requirements, and the debt has been reduced by Rs. 168 Crores. Please note that the above reduction are incurring the cost of new launches. The net debt as on  $30^{\mathrm{tn}}$ September 2010 is Rs. 1,244 Crores compared to Rs. 1,412 Crores at the end of the first quarter. At the debt equity ratio stands at 0.69 as on 30<sup>th</sup> September 2010 and the present cost of borrowing is about 12.5%. We remain positive about the industry demand with IT, ITES sector increasing guidance for the next two quarters on recruitment. We expect the growth to remain strong in the coming quarters. With bank funding still available for individual home buyers at an affordable rate, we are confident that the volumes will be sustained in the coming quarters. We are also happy to inform the presentations of second quarter has been uploaded. Once again we thank you all for the participation and now leave the floor for discussion.

Nitin Idnani: We can start with question and answers now.

**Moderator**: Certainly, sir. Ladies and gentlemen we will now begin the question and answer session. If you have a question please press '\*' and '1' on a pushbutton phone and await your turn to ask the question when guided by the facilitator. If your question has been answered before your turn and wish to withdraw your request you may do so by pressing the '#' key. We have our first question from Mr. Anand Agarwal from Credit Suisse. Please go ahead, sir.

**Anand Agarwal:** Good evening, everyone.

Baaskaran: Good evening.

**Anand Agarwal:** The first question is pertaining to this land sale that you have done 114 Crores. Have you received the entire money in this quarter or...?

**Baaskaran:** Out of the 114 Crores, we have received substantial money, about 90% of the money has been received.

**Anand Agarwal:** Okay. And you book this income of 114 Crores on this, at the EBITDA level, what would this land sale was contributed?

Baaskaran: About 30%.

**Anand Agarwal:** 30%. Okay. Then my question is that if you look at your margins and you have not really improved that much because if I adjust for the 30% margin on this land sale compared to the previous quarter, the margin would not improved. And if I remember in the previous quarter you had a one-off charge taken for the Gurgaon land. So, why is that I mean the margins have not really improved much?

**Baaskaran:** If you look at the margins we are able to maintain the same margins. Whatever the price increase has happened only during this current quarter and the fresh bookings, which you will see the benefit in the coming quarters only.

**Anand Agarwal:** Okay. I mean it is actually lower than the adjusted margin of last quarter, because last quarter if I adjust for the 15 Crores of that write-off that you have taken, the margins were almost close to 24% or so, and this time around, the adjusted margins -- adjusting for the land sale is something like 21% or so.

Baaskaran: It is about 23%.

**Anand Agarwal:** Okay. Second, my question is what is the customer advances in this quarter and what is the net receivables, I mean both sundry debtors and customer advances, how they moved in this quarter?

**Baaskaran:** Customer advances is about 7 to 8 Crores only. Balance is all sundry debtors.

**Anand Agarwal:** Okay. And then what is the reason for the increase in current liabilities in this quarter, by almost 90 Crores over the previous quarter?

**Baaskaran:** It is where the fresh sales have happened. The booking when estimated for which income is not recognized, has been treated as the current liabilities. That is the reason.

**Anand Agarwal:** No, but you said only customer advances is only 7 to 8 Crores right?

**Baaskaran:** Correct. And the balance provision for tax is there. And on the current liabilities, if you see, it is about 6,415 million as on 30th of September. If you compare with the 30<sup>th</sup> of June figure, one second....

Anand Agarwal: It is 550 Crores.

**Baaskaran:** As of 30<sup>th</sup> of June, my current liabilities are about 5,502 million. It is about 900 has gone up. So, the increase is mainly in the name of -- sundry creditors has gone up big, and the balance in the other liabilities just gone up some.

**Anand Agarwal:** Okay. And again going back to the revenue that you mentioned about on the real estate part is about 2183 million. It is kind of flat on a Q-o-Q basis.

Baaskaran: Yes.

Anand Agarwal: So.....

**Baaskaran:** The reason is the sales on the fresh new projects what you have launched on which the income is not recognized. That is because it is not qualified for income for that this quarter.

**Anand Agarwal:** No, but if I remember you now recognize revenues based on what you sold a certain element that you recognize as portion of land sale....

**Baaskaran:** Even the land income is not recognized yet.

**Anand Agarwal:** Oh, why is that? I mean because you sold about 0.7 million square feet, right?

**Baaskaran:** No, as the process of qualifying is that I have to when they make the payment, for me to recognize the land income I have to enter into an agreement or I have to collect a 25% money. This project is launched only in the month of September. And they have made only booking money. So the process of collecting the money and entering into agreement will come in the month of October, so the income is deferred. That is the reason you are seeing it flat in the real estate.

**Anand Agarwal:** Understood. And just last couple of questions, I mean, the 6.58 million square feet of contractual from Infosys that you are talking of, what will be the value of this?

**Baaskaran:** About, Rs. 1,000 per square feet average.

**Anand Agarwal:** Okay. And just lastly on your-can you give me the split between contractual income and manufacturing income the split of the 934 million or...?

Baaskaran: Sorry?

Anand Agarwal: The split between contractual income and manufacturing income?

Baaskaran: You want the split?

Anand Agarwal: The split, yeah.

Baaskaran: Contractual income is 717 million and manufacturing income is 217 million.

Anand Agarwal: Okay, fine, great. Thanks a lot.

Baaskaran: Yeah.

**Moderator**: Thank you for your question, Mr. Agarwal. We have our next question from

Ms. Karishma Solanki from Antique Stock Broking.

Karishma Solanki: Good evening sir.

Baaskaran: Good evening Karishma

Karishma Solanki: Sir, what was your average realization during the quarter for the

sales?

**Baaskaran:** About Rs. 3,750 per square feet.

Karishma Solanki: Okay. And sir, you had about 100 Crores which was to be

recognized as revenue from PUMA partners, right?

Baaskaran: Correct.

Karishma Solanki: Sir, anything is coming in this....?

Baaskaran: Not yet. It is still in advances only.

Karishma Solanki: Okay.

Baaskaran: No transactions happened on the (inaudible) in this quarter.

**Karishma Solanki:** Okay sir. Will this be coming in next two quarter?

Baaskaran: We hope so.

Karishma Solanki: Okay. And sir, can you give a breakdown of the launches that you

have done in this quarter in terms of each individual project?

**Baaskaran:** This project we have launched 0.64 million square feet, both Bangalore and Coimbatore. And in the coming next two quarters, we are planning to launch 6.44 million

square feet.

**Karishma Solanki:** Sir, in Bangalore, this is signature you have to....

Baaskaran: No, in Bangalore, I will be launching about close to around 5 million square

feet.

Karishma Solanki: And of this 0.64 million square feet in Bangalore?

Baaskaran: 0.64 million is no, 0.45 million square feet in Bangalore and 0.19 million

square feet in Coimbatore.

Karishma Solanki: Okay. And sir, what would be the value of your order book

currently....?

Baaskaran: Contract?

Karishma Solanki: Yeah. For the 4.27 plus 6.75, what would be the amount of that

order book?

**Baaskaran:** 6.58 million square feet is coming at an average price of about Rs. 1,000 per square feet. And then 4.27 will also be Rs. 1,000, out of which we have already

billed about 150 Crores we have billed, balance is yet to be billed.

Karishma Solanki: Okay. Thank you sir.

Baaskaran: Yeah.

Moderator: Thank you for your question, ma'am. We have our next question from Mr.

Abhinav Sinha from CLSA. Please go ahead, sir.

Abhinav Sinha: Hi. Sir, my question is on how the pricing has been in Bangalore

market over the last quarter? And how do you see going forward?

**Baaskaran:** The prices have been increased in the last two quarters by about 5% to 10%. And we feel that with the input prices getting further firm, it may add to further price increase, otherwise it will be stabilized at this price level.

**Abhinav Sinha:** Okay. Sir, the average realization will be flat going ahead in second half of the year as well, why is it sir, is it because of mix change or something?

**Baaskaran:** One is that the price increase is contributed to the average selling price being higher. The other one is the product mix also contributing to higher price realization.

**Abhinav Sinha:** Okay. And on cash flow you mentioned that some amount have gone into new launch of project etc how much was that?

Baaskaran: It will be about close to around Rs. 60 Crores.

Abhinav Sinha: 60 Crores was in to that?

Baaskaran: Yes.

**Abhinav Sinha:** So, (inaudible) Crores since you got around (inaudible)?

Baaskaran: Sorry?

Abhinav Sinha: The 114 Crores of land sales which are there around 100 Crores has

been recovered from that?

Baaskaran: Yeah, right.

Abhinav Sinha: In this current guarter?

Baaskaran: Yes.

Abhinav Sinha: Okay. Thanks.

**Moderator**: Thank you for your question, sir. Our next question comes from Mr. Avi Mehta from ISS. Please go ahead, sir.

**Avi Mehta:** Hello sir. Thanks for taking my question. Just on the balance sheet sir, just wanted to understand we have delivered 0.1 million square feet but if I look at the inventories this reduction have be 75 per year, just wanted to understand is there something which is construction impacted due to monsoons or is something on that sort happened?

Baaskaran: Can you come again on the question please?

**Avi Mehta:** Sir, inventories, if I see, reduced on Q-o-Q basis. Just wanted to understand because the handovers in the real estate is just 0.1 million. Is the contractual business inventories reduction such a shortfall or is it because of construction going slow, what , if you could give some....

**Baaskaran:** Construction is -- on the contractual price there was some clearances required business representing a decline. Otherwise, things are in place.

Avi Mehta: Okay. Now, nothing on construction to be because of seasonal...?

Baaskaran: No, no. No seasonality factor.

**Avi Mehta:** Okay. And last in the loans and advances what this be reason for the Q-o-Q increase, if you could just give a sense, is there anything aware of or nature, any land acquired or no?

**Baaskaran:** No, as for the land of course we have not acquired any land per se. But we are talking on to some people for the joint development, some advances here and there and whatever we have paid for the new launches from ex-Delhi, all those things, is going to land advances.

**Avi Mehta:** Sir, and last sir, you had indicated that the increase in current liabilities is largely because of -- it is correct to say it is largely because of customer advances, right or is it....?

Baaskaran: On account of customer advance.

**Avi Mehta:** Largely because of that, right?

Baaskaran: Largely because of that.

Avi Mehta: Okay sir. This is all from my side. Thanks a lot sir.

Baaskaran: Thanks.

**Moderator**: Thank you for your question, Mr. Mehta. We have our next question from Mr. Gaurav Pathak from ICICI. Please go ahead, sir.

Gaurav Pathak: Sir, congratulations for the good set of numbers.

Baaskaran: Thank you.

**Gaurav Pathak:** My question is you spent 60 Crores towards mobilization of new launches. What exactly is the nature of this expense?

**Baaskaran:** It is towards a plan approval charges, infrastructure charges.

**Gaurav Pathak:** Okay. You will be occurring, this is beyond the normal construction expense or is it part of your normal construction expense per square feet?

**Baaskaran:** This will be falling part of the construction per square feet what we calculate. These are things I have to spend first to get the project started.

**Gaurav Pathak:** Okay. And what visibility can you give on the new launches in this festive season and also on pricing?

**Baaskaran:** First on the launch of per se, we will be launching about 2.65 million square feet in the third quarter and as far the pricing is concerned we are reasonably confident that the present pricing will be continued to maintain.

**Gaurav Pathak:** No price increases?

Baaskaran: As of now, no.

Gaurav Pathak: Okay. That is it from me. Thank you.

**Moderator**: Thank you for your question, sir. We have our next question from Mr. Gagan Agarwal from Merrill Lynch. Please go ahead.

**Gagan Agarwal:** Sir, can you give us some light on the 13 million square feet that you have talked about launching, what period you are looking at?

Baaskaran: 13 million?

**Gagan Agarwal:** Square feet of launches?

**Baaskaran:** Launches, I have told, I will be launching another 6.47 million square feet in the next two to three quarters. That apart with NCR it will be much more.

**Gagan Agarwal:** Okay. And the land sale target you are maintaining 200 Crores this year, looking to up that?

Baaskaran: No, we are maintaining 200 Crores only.

**Gagan Agarwal:** Okay. Actually sir, your presentation talks about 13 million square feet of launches over the next few quarters, so.....

**Baaskaran:** I did not. Which presentation next few quarters 13 million square feet I am not too sure.

Gagan Agarwal: No problem sir.

**Baaskaran:** No, no, that is if you see that there is ongoing plus – if you see including ongoing it will be 13 million.

**Gagan Agarwal:** Page 9 of your presentation says you are gearing for new launches of 13 million square feet.

Baaskaran: That includes the NCR as well.

Gagan Agarwal: Okay. So NCR could be as big as 6 million.

Baaskaran: Yes.

Gagan Agarwal: Okay. Thank you sir.

Baaskaran: Thank you.

**Moderator**: Thank you for your question, sir. We have our next question from Mr. Arun from Religare Capital. Please go ahead, sir.

Arun: Hi, sir.

Baaskaran: Yes, Arun.

**Arun:** You said NCR is as big as 6 million square feet?

Baaskaran: About that size.

**Arun:** Thanks for this. Apart from this with respect to the land sale that you had this quarter, out of this 114 Crores what would be the PAT impact of that?

Baaskaran: We do not talk about PAT. The EBITDA margin of about 30%.

Arun: Thanks.

Baaskaran: Thank you.

**Moderator**: Thank you for your question, Mr. Arun. We have our next question from Ms. Nitika from B&K Securities. Please go ahead, ma'am.

**Nitika** Sir, I missed a figure for the average sales realization. What is the average sales realization for this quarter?

Baaskaran: Rs. 3,750

**Nitika** And so probably it has remained the same in the pervious quarter because previous quarter also it was around Rs. 3,800/-

**Baaskaran:** Yeah, it is more or less on the – it is hovering on the same level only

**Nitika:** Okay. And sir, since this money which you have received against the land sale being used for repayment of debt?

Baaskaran: Yes. It has been used to repayment debt only.

**Nitika:** Okay. And sir, last question is that have you done some increase in price on the project?

**Baaskaran:** On the new launches the price has been increased by about say 5%. On the existing projects, selectively, we have increased the price about 5%.

**Nitika:** So probably average sales realization for the coming quarter would be around Rs. 4,000 if I am not wrong?

**Baaskaran:** It also based on the product mix what you will be selling. But we expect this year to compete it about Rs. 4,000.

Nitika: Okay. Thanks a lot sir

**Moderator**: We have our next question from Mr. Srinivas from HDFC. Please go ahead, sir

Srinivas: Hello sir.

Baaskaran: Good evening Mr. Srinivas.

**Srinivas**: Good evening sir. Can you tell us the status of this NCR project? What else needs to be achieved before you launch?

**Baaskaran:** We are waiting for the plan approval to be in place. It should come in the next two to four weeks' time. Then we start the soft launch and infrastructure work and we will go for in the official launch, in the end of the third quarter or beginning of the fourth quarter.

**Srinivas:** After the plan approvals what else you need sir?

**Baaskaran:** After the plan approval, we have to start the project. We have to start the infrastructure and start selling the project.

**Srinivas:** Okay. And how much you would have spent now in the last six months on this project?

**Baaskaran:** We have spent on the land. On the infrastructure, plan approval, all those things, we should have spent about close to about Rs. 2 Crores to Rs. 3 Crores.

**Srinivas:** Okay. And I was just seeing the second quarter's numbers. The construction and manufacturing costs is gone up by almost about 136 Crores compared to second

quarter of last year. Can you explain what has happened? Though sales have also gone up but it is more than that.

**Baaskaran:** Whatever the land, that cost also will form part of this year.

**Srinivas:** The cost of land will come in the construction and manufacturing....

**Baaskaran:** Will also come in this part of total. When you see total also form part of it.

**Srinivas:** Okay. I am seeing only construction and manufacturing costs. In the presentation, slide no. 16.

**Baaskaran:** That includes the cost of land as well. The land sale whatever we made that cost also is included in it.

**Srinivas:** Okay. And you launched the project in Coimbatore. How is the response to that?

**Baaskaran:** The response is fairly good. We have launched the row houses there.

**Srinivas:** Okay. So what is the pricing and how many row houses you have sold?

**Baaskaran:** It is 90 units of row houses and we have launched in the month of July. And we have seen a fairly good response. Numbers, I need to come back.

Srinivas: Okay. And the pricing?

Baaskaran: Pricing is about to say 75 Lakhs to 90 Lakhs average, all inclusive.

Srinivas: Okay. Thank you.

Baaskaran: Thank you.

**Moderator**: Thank you for your question, sir. We have our next question from Mr. Ashish from Edelweiss. Please go ahead, sir.

**Ashish:** Thank you for taking my question. Just a couple of questions over here. Just want to understand about this land sale in Pune, understand that is about 114 Crores, could you help us understand where this land parcel was and what size was that?

**Baaskaran:** It is in Pune. We do not go into the micro details, because it is a confidential agreement we signed as well. We do go to the minute micro details.

**Ashish:** Could you at least help us understand realization per acre that you would have got on that?

Baaskaran: No, as I said, we have a decent margin of about EBITDA margin of 30%.

**Ashish:** Okay. Second, we have a reduction in fixed assets from a six month perspective. Does it pertain to the same land sale or is it something else?

Baaskaran: Fixed land does not come under the fixed assets.

Ashish: Right.

**Baaskaran:** It is on the -- depreciation which is getting accounted for.

**Ashish:** Okay. The second, our inventory that we have in the system right now, unsold inventory would be how much?

**Baaskaran:** As I said in the presentation it is about – unsold is about 2.7 million square feet.

**Ashish:** And how much of this would be from newer projects and how much from the older projects, if you have that schedule with you?

**Baaskaran:** Not ready with me, I need to come back to you separately.

Ashish: Okay. Not a problem. Thanks so much.

Baaskaran: Thank you.

**Moderator**: Thank you for your question, sir. Our next question comes from Ms. Gunjin [ph] from JP Morgan. Please go ahead, ma'am.

Saurabh: Hi, this is Saurabh. Good evening, sir.

Baaskaran: Good evening.

**Saurabh:** NCR project, two things. One is can you help us where exactly this project is located? And second is if I remember correctly, this was a development which was to be done with QEC and IL&FS. And I think you had about 68 to 70 interest in this. So, are those like the debt equity investors or is there any commitment to them as well?

**Baaskaran:** This is in Bhaupur village behind Dwaraka. This is the same land which we are talking where we had a QEC is a stakeholder.

**Saurabh:** Okay. So, they are equity partners, right or ....?

Baaskaran: It is a part of joint development where we have about 63% of share.

**Saurabh:** Would you be doing construction for them as well and it is like a profit share?

**Baaskaran:** We will construct and give it to them. They are constructing a there, we will sell our share.

**Saurabh:** Oh, so you will construct and give it to them, so they will not incur the construction expenses on that?

Baaskaran: Yeah.

Saurabh: Okay. All right. Thank you very much.

Baaskaran: Thanks.

**Moderator**: Thank you for your question. Our next question comes from Mr. Kamlesh Kotak from Asian Market. Please go ahead, sir.

**Kamlesh Kotak:** Sir, could you just let us know how much of the lending reserve we have and what part of that we need to still monetize or we would be developing on our own?

**Baaskaran:** We have land bank of about 2,950 acres still. And our target is to achieve 200 Crores for the financial by way of land monetization. It is our land which is being monetized in a good margin we will be monetizing considering the fact that we need land, keep the land, and acquire for the next two years of development.

**Kamlesh Kotak:** And these are located across the cities or I mean how these are located?

Baaskaran: Across the cities.

**Kamlesh Kotak:** Any new cities also we are targeting in terms of our development or we will be mainly focusing on the four, five cities we are at presently now working on?

**Baaskaran:** We will be focusing on wherever the cities we are working now. And we will be having only NCR.

**Kamlesh Kotak:** Okay. And secondly, sir, could you just identify in terms of the pricing realization across this four, five cities, how you see the traction or any cities getting more of kind of forming trend or how is it panning out, self-realization?

**Baaskaran:** All the cities where we operate which is the realization going up compared to what it was last year, which is resulting in an average realization of Rs. 3,070 per square feet and we see continue to grow the same amount.

**Kamlesh Kotak:** But any differentiation which we see in terms of any cities, particularly, showing combing trend?

**Baaskaran:** Not much of any big difference.

**Kamlesh Kotak:** Okay. And lastly, sir, as we see, going forward, what could be your target debt-to-equity ratio maybe by end of the year?

**Baaskaran:** We are targeting debt to equity ratio of 0.5 by 31<sup>st</sup> of March, 2011.

Kamlesh Kotak: Which is currently 0.7?

Baaskaran: 0.69.

Kamlesh Kotak: Yeah. All right sir. Okay. Thank you, sir.

Baaskaran: Thank you.

**Moderator**: Thank you for your question, sir. We have our next question from Ms. Madhurima from Mint. Please go ahead, ma'am.

Madhurima: Hi, sir.

Baaskaran: Hi, Madhurima.

**Madhurima:** I know you said you do not want to give out the specifics of the land sale, but can we at least get an idea of the size of the land, will you be able to say that?

Baaskaran: About 50 acres.

Madhurima: The Pune. Yeah.

Baaskaran: Yeah.

Madhurima: About acres?

Baaskaran: 50.

**Madhurima:** 50. And sir, when you say that target is 200 Crores for monetizing land. Do we know which are the cities in which this land is available?

**Baaskaran:** As I said earlier, we have land across various cities and our target is to achieve 200 Crores by way of land monetization. So whichever city we are able to buy at a price of what we want to sell, we will be monetizing that.

Madhurima: Sure. Okay, sir. Thank you.

Baaskaran: Thank you.

**Moderator**: Thank you for your question, ma'am. We have our next question from Mr. Amit Aggarwal from Diwa Capital. Please go ahead.

**Amit Aggarwal:** Hi, sir. My first question was what is your launch price, sale price for the two projects you launched right now, not the average price for the quarter, the launched sale price for the two projects?

**Baaskaran:** In Bangalore, we have launched the price of about 4,300 plus and in Coimbatore, we have launched about Rs. 4,000.

Amit Aggarwal: Okay. Would it be considered as a premium project?

**Baaskaran:** Yes, they are in the super luxury category.

**Amit Aggarwal:** Okay. I could not catch, you have given out the numbers for customer advances for this quarter, what is the number for customer advances for this quarter?

Baaskaran: I will revert back to you correctly.

**Amit Aggarwal:** Okay sure. Both this quarter and previous quarter and debtors, why have the debtors gone up then sir?

**Baaskaran:** Whatever the balance on land sale has to come has come under debtors. That is the one reason.

Amit Aggarwal: Right. Okay, sure. That is all I have. Thank you.

**Moderator**: Thank you for your question Mr. Aggarwal. Our next question comes from Mr. Mush Gandhi from SBI Life. Please go ahead sir.

**Mush Gandhi:** Good evening sir. Sir my questions regarding the ongoing real estate project. Sir, any indicative timeline by when we are supposed to deliver the 8.35 million square feet?

**Baaskaran:** This will happen in the next two to three years' average time.

**Mush Gandhi:** Two to three years?

**Baaskaran:** Yeah, delivery starts from this quarter onwards but the entire 8 million which will take two to three years. By the time we keep on adding the projects, so, at any point of time we will have average delivery of two to three years of projects.

**Mush Gandhi:** Okay, and sir specifically to this 8.35 million square feet what will be the kind of tax that we will be paying on it? I was just looking at the cash flows like you mentioned 1100 Crores...?

**Baaskaran:** On an average of about 25%.

Mush Gandhi: 25% tax?

Baaskaran: Yeah.

**Mush Gandhi:** Okay, and also if you could help us understand with the 13 million square feet or the 6 million square feet that you are going to launch since the projects have been identified what will be the average realization on those projects?

Baaskaran: It will be about Rs. 4000.

Mush Gandhi: Okay. And can we go by the 30% margin or it will be higher than that?

Baaskaran: No, it will be about 35%.

**Mush Gandhi:** 35%. And the tax rate on the...?

**Baaskaran:** On the operatives.

**Mush Gandhi:** On the operatives. And the tax rate on these would be....?

**Baaskaran:** If you see the overall corporate tax on the entire thing, you can plan on about 25%.

Mush Gandhi: Okay, thank you sir, thanks a lot.

**Moderator**: Thank you for your question sir. We have our next question from Mr. Avneesh Sukhija from BNP Paribas. Please go ahead sir.

**Avneesh Sukhija**: Hi sir, this is Avnish. Sir just wanted to understand how is your construction cost per square feet moved over the quarter? Both cement and steel prices have appreciated by say about 10% to 15% on a Q-o-Q basis, what is the impact on the construction cost?

**Baaskaran:** No, as I said earlier most of the projects have been completed structurally, so in this quarter we are not seeing big impact on the price increase.

**Avneesh Sukhija:** What will be the...?

**Baaskaran:** It will have impact in the coming quarter because the new projects whatever we are launched will consume the steel, cement in the coming quarter onwards. So, any impact will be only in the coming quarter which is already factored in our selling price.

**Avneesh Sukhija:** But what would be the impact, will it be 5% or 10%?

Baaskaran: About 5%.

**Avneesh Sukhija:** Okay and your per square feet construction cost would be about 2000 per square feet?

Baaskaran: About between Rs. 2000, between Rs. 2000 and Rs. 2100 per square feet.

**Avneesh Sukhija:** Alright, sir, thanks.

**Moderator**: Thank you for your question sir. Our next question comes from Mr. Janish Shah from Quantum Advisors. Please go ahead sir.

Janish Shah: Yes sir, I have a couple of questions. One is on your Delhi project which - your Gurgaon project basically which you are going to launch for about six million square feet, how much would be the, like the timeline for, is it a single stroke one project which will be launched or it will be phases in which it will be launched, that is one. And what I am trying to understand is the absorption which it will take over years for you to develop this project? Second is you have mentioned about like 2400 acres of land overall. Could we just get what could be the average cost of land right now with you?

**Baaskaran:** Okay. The first question is a single project in NCR, but we will be launching in phases.

Janish Shah: Okay.

**Baaskaran:** If we feel this will take about 5 to 6 years for the entire project to be in place. As far as the land is concerned it is about 2900 acres we have approximately, and about at Rs. 2450 Crores.

Janish Shah: 2450 Crores? That is the total cost as of now?

Baaskaran: Yeah.

**Janish Shah:** Okay. And you are saying that out of this 200 Crores you will be monetizing in the coming year?

**Baaskaran:** Out of the 200 Crores, we already monetized certain amounts in the first half. The balance will be monetized out of this land bank.

**Janish Shah:** Okay, okay and I am just trying to understand how do you want to restructure your land bank now, because you have a presence in all the cities all across, these are like ranging from a metro to tier 2 kind of cities as well. So what exactly is a plan on rationalizing this entire land bank now?

**Baaskaran:** Strategy of buying land is the locations where we want to operate and we are having the land banks where we are operating or where we have planned to operate.

Janish Shah: Okay.

**Baaskaran:** So the idea is to monetize the land by way of operations only. We want to achieve our debt equity ratio of 0.5.

Janish Shah: No, see, basically how do you identify, basically you all be having a set of land bank which has a more monetizable value today and you would be having a land bank which would be having a futuristic value so it would be a mix of both, but when you are rationalizing or when you are picking, choosing for monetizing about 200 Crores, what is like strategy on that, I mean is it a more of a liquid land banks, which are put on scenes or like?

**Baaskaran:** It is a combination of both. As I said I already monetized about close to 115 Crores in the first six months and I need to monetize the balance only. For that after the strategy both I have to get the money as well with a margin plus these considerations that I need to have lands for the future development as well, based on the strategy we monetize the land.

Janish Shah: Okay, okay so you will not be completely exiting any of the locations?

Baaskaran: No.

Janish Shah: Okay, okay, thank you.

**Moderator**: Thank you for your question Mr. Shah. We have our next question from Mr. Samir from Morgan Stanley. Please go ahead.

**Samir:** Hi, thank you. Good evening, every one. Just one question on the 3.3 million square feet, that is on page 11 on a presentation that should be hitting and delivered this year. How much of this unsold?

Baaskaran: Page 11, 3.3 million square feet?

Samir: Yes, to be delivered?

Baaskaran: Page 11, which one you are talking?

**Samir:** Slide page 11, it says that you are planning to complete 38 projects measuring 6.8 million square feet, office real estate is 3.3 and you have already done 0.1, so I would imagine 3.2 going to get delivered?

**Baaskaran:** No, this one you are talking about 3.3, that is the real estate, planning to complete 38 projects measuring 6.8 million square feet. Hello.

**Moderator**: Mr. Samir. Sir I believe his line got disconnected.

Baaskaran: Yes.

**Moderator**: We have our next question from Mr. Teja Sait from Fortune Financials. Please go ahead sir.

Teja Sait: Hello.

Baaskaran: Hello.

Teja Sait: Hello sir, Teja sir

Baaskaran: Yeah, Mr. Teja, good evening.

Teja Sait: Good evening sir. Sir, just can you tell me how much interest capitalized on

this quarter?

**Baaskaran:** We have capitalized close to be about 70% we are capitalizing.

Teja Sait: Sorry sir?

**Baaskaran:** 70% we are capitalizing.

**Teja Sait:** 70%, sir can you give me amount please?

Baaskaran: You want the amount?

Teja Sait: Yeah.

**Baaskaran:** One second. About 35 Crores we have capitalized.

Teja Sait: 35 Crores. Okay. Sir you just mentioned in the conference call that the

customer advances stand at 7 to 8 Crores?

Baaskaran: That we need to, I will give revert back to you on this figure, I need to

correct it.

Teja Sait: Yeah, because that is too less.

Baaskaran: And I will revert back to you on this.

**Teja Sait:** Okay. And sir what would be the target debt at the end of the year, because you have been...?

**Baaskaran:** We are targeting to maintain the debt-equity ratio of 0.5.

Teja Sait: Okay.

Baaskaran: Which means I need to bring it down to about 1,000 Crores.

**Teja Sait:** To 1,000 Crores? Okay.

Baaskaran: 1,000 Crores.

**Teja Sait:** Yeah, yeah, that is it from me sir. Thank you sir.

**Moderator**: Thank you Mr. Sait for your question. Our next question comes from Ms. Somali Kohli [ph] from AM Capital. Please go ahead ma'am.

**Somali Kohli**: Hi, this is Sonal Kohli. Just I have now two queries from you. Firstly, on your Gurgaon project, what kind of realization construction cost would you entail? And secondly you mentioned that it will take you five, six years to be done with the project. Were you referring to sales or were you referring to the entire development?

**Baaskaran:** The first question is too early to comment on the construction cost on the realization piece. Once we are finished with the plan, we will be able to comment.

**Somali Kohli:** This would be a mass housing project or this would be....?

**Baaskaran:** It will be a first, it will be a township development. The second question is, <> when we say five to seven years it is construction completion of the project.

**Somali Kohli:** Secondly, in any of the micro markets, are you seeing, now we are near festival season, are you seeing any decline in prices in Central Bombay you have seen lot of launches where prices have indirectly fallen about 10% to 15% in any of the micro market you serve for a similar project are you seeing any kind of discounts or decline in prices and what is your view on key market here?

**Baaskaran:** No, we do not see any such big decline to happen. Even if it happens it will be only for a temporary period for seven days, ten days for the festival season. So we always see only the price to be stabilized on both.

**Somali Kohli:** Okay, thank you.

**Moderator**: Thank you for your question Mr. Kohli. We have our next question from Ms. Pooja Sarkar from Diligence Mediacorp. Please go ahead ma'am.

**Pooja Sarkar:** Hi Mr. Sharma, this is Pooja here from DNA Money

Baaskaran: Hi, this is Baaskaran. Mr. Sharma is listening to you

**Pooja Sarkar:** Okay, sorry. Hi. I have a few questions with regards to first with your Pune project, this for the Q2 you have seen a drop of 78% in your sales book correct? Can you tell me the reason why?

Baaskaran: Sorry, come again.

Pooja Sarkar: In Q2, there is a drop of 78% in your area being sold in Pune, correct?

Baaskaran: Correct.

**Pooja Sarkar:** Sir, can you tell me the reason why there has been less launches or what is it, can you give us the reason?

**Baaskaran:** The launch is plan to be, happen in the future has been delayed by two to three weeks, that is the main reason.

Pooja Sarkar: And how much you will be launching your?

**Baaskaran:** We will be launching this quarter about 2.25 lakhs square feet.

**Pooja Sarkar:** Okay, and what is your realization here?

Baaskaran: About Rs. 3500 per square feet.

**Pooja Sarkar:** Okay. And one question sir I have with regards to your NCR-Delhi projects and the northern projects. This was a joint venture with QEC, Jindals India, where Jindals India provided you with the land, correct?

Baaskaran: Yes.

**Pooja Sarkar:** Okay. So are they still in the venture and if yes how does your profit sharing -- what is the kind of profit sharing you have in this project?

Baaskaran: They are continuing in this venture and our ratio stands about 63%.

**Pooja Sarkar:** Okay. And you were going to develop – earlier your plans were to develop an integrated township in Sector 106 and 109 and again separate housing project on 72 acres of land, so have the entire project plan has changed, can you give me a new project plan or anything?

**Baaskaran:** The first, we are developing only the bigger township projects, the other lands will be in the future development.

**Pooja Sarkar:** That would mean you are developing the Sector 106 and 109 in the first parcel?

Baaskaran: Yes.

**Pooja Sarkar:** Okay, and total area here would be around 5.7 million square feet, the developable area?

Baaskaran: Yes, whole yes.

**Pooja Sarkar:** Okay. And what would be the total -- I mean can you give me a million square feet what would be the total delivery by the end of this fiscal?

**Baaskaran:** This fiscal we will be delivering about average about six million square feet both in (inaudible)

Pooja Sarkar: Okay, thank you so much sir.

Baaskaran: Thank you.

**Moderator**: Thank you for your question ma'am. As there are no more questions I would now like to handover the conference to Mr. Nitin Idnani. Please go ahead sir.

**Nitin Idnani:** Thank you everyone for taking the time to attend this call. I would like to thank the management again for making themselves available for the same. Thank you so much.

**Moderator**: Ladies and gentlemen this concludes your conference for today. We thank you for your participation and for using Tata Indicom Conferencing Services. You may please disconnect your lines now. Thank you and have a great evening.