“Puravankara Limited Q3 FY '18 Earnings Conference Call”

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

Moderator: Ladies and gentlemen, good day and welcome to the Puravankara Limited Q3 FY '18 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by 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. Thank you and over to you, sir.

Kuldeep Chawla: Thank you and good afternoon for all those in India and a good evening for others on the East and West. I'm Kuldeep Chawla, the Chief Financial Officer of Puravankara Limited. Thank you so much for joining us on Puravankara's Q3 earnings call today.

The real estate industry has witnessed several transformational changes in the last one year, by way of the GST bill and RERA implementation. The promulgation of RERA has made the realty sector more transparent and has helped protect consumer rights, something that previously has been a concern for many home buyers. We believe that the companies that have a sound corporate governance will flourish in the post-RERA environment. We are already seen that.

GST on the other hand has converted India into a unified market and has helped the ease of doing business. The government's focus on affordable housing and its declared mission of providing housing for all by the year 2022 has given a huge boost to the industry and today, affordable housing is the fastest growing segment in the real estate market. The recent budget amongst others has two proposals related to the sector that we wholeheartedly welcome. First is the announcement of a dedicated fund under the National Housing Bank for affordable housing, which we hope will provide a much-needed fillip to this segment of the industry. Secondly, the imposition of the long-term capital gains tax, we believe would bring a better parity in the allocation of capital between equities and other asset classes, including real estate.

Moving on to Puravankara's performance for the quarter, I'm very happy to report to all of you that we've had another stellar quarter in terms of both sales volumes and collections. We also have early in Q4, i.e. in the middle of January launched a new Provident product, Provident Park Square in Bengaluru. And there are quite a few more in the pipeline in West India, including Mumbai as well as others that we have scheduled for Bangalore and other cities such as Pune.

Allow me to move on to the numbers for the quarter, let me begin with sales. We've seen a 31% year-on-year growth in the volume of sales bookings, 676,309 square feet during Q3 FY '18 as compared to the total booking volume of 515,136 square feet in Q3 FY '17. This translated to a 33% year-on-year growth in the booking value of INR 366 crores during FY '18 Q3 as compared to the total booking value of 274 crores in Q3 FY '17. Provident has produced another good quarter with about 40% of the total sales. Ready-to-move and nearing-completion inventory was

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Email: investors@puravankara.com
CIN: L45200KA1986PLC051571

the growth driver for both brands, with 54% of the total sales in Q3 FY '18 as against 29% in the year ago quarter. As a result, new sales for the quarter ended December 31, 2017, was 676,309 as I've earlier stated. And sales for the nine-month period ended December 31, 2017 stood at 2.055 million or INR 1,102 crores.

To put this in context, this was a 32% increase over the nine-month period ended 31, December 2016 and importantly, the figure of 2.055 million for the nine-month period compares quite favorably against the sales for the full year ended March 31, 2017, which stood at 2.15 million or INR 1,168 crores. A rise in inquiries, a growth in footfalls and higher closures across both brands, especially of completed and nearing completion projects have driven this growth in sales volume.

Breaking up the sales volume into Puravankara and Provident, first Puravankara, new sales for the quarter ended December 31, 2017 rose to 355,267 square feet, at 231 crores against 292,594 or 175 crores over the quarter ended 31st December 2016, showing an increase of 21% year-on-year. This powered the sales for the nine-month period for Puravankara, for the nine-month period ended December 31st 2017 to 1,278,096 square feet as against sales for the nine-month period ended 31st December 2017, which were 1,122,245, an increase of 14% year-on-year.

Provident, our growth engine, showed a 44% increase in growth in sales volume and a 54% growth in sales numbers. Sales volume for the quarter ended December 31st 2017 for Provident was 321,042 square feet valued at 135 crores as against 222,542 square feet valued at 99 crores. This powered the sales for the nine-month period ended December 31, 2017, which grew to 777,418 square feet, valued at 323 crores as against sales for the nine-month period ended December 31, 2016, which stood at 432,952 square feet and valued at 188 crores, an increase of 80% year-on-year.

Realization for Puravankara for the quarter ended December was 6,500 square feet as against 5,995 square feet for the realization of year ago quarter ended December 31st 2016. Provident, based on the product mix that it sold during the quarter ended December 31st 2017, their realization was 4,202 as against 4,447 in the year-ago quarter.

On a consolidated basis, as per the IndAS for the quarter ended December 31st 2017, new sales volume grew 31% to 676,309 for Puravankara primarily led by sales from Provident and ongoing projects in Puravankara. Importantly, sales numbers for completed and nearing completion inventory were three times for this quarter or on a year-on-year basis. And Provident sales numbers in terms of number of units were 1.5 times. Consolidated sales revenues for the quarter ended December 31st 2017, therefore stood at 455 crores as against 371.5 crores for the quarter ended September, up 22% year-on-year.

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EBITDA was 106 crores for the quarter ended 31st December, as against 98 crores for the previous quarter ended September 30, 2017, up 8%. Profit before tax was 38 crores as against 33 crores for the quarter ended September 30th 2017, up 16% and profit after tax, which was 26.2 crores as against 20 crores in the quarter ended September 30th 2017, was up 31%.

On a consolidated performance basis as per IndAS for the nine-month period ended 31st December 2017, sales were up 32%, at 2.055 million for the full year ended March 31, 2017, it was 2.15 million. Revenues were 1,182 crores for the nine-month period as against 1,000 crores for the nine-month period ended 31st December 2016, up 18%.

EBITDA for the nine-month period ended December 31st 2017 was 302 crores as against 321 crores for the corresponding nine-month period ended December 31st 2016. And profit before tax stood at 103 crores for this nine-month period as against 92 crores for the corresponding nine-month period ended December 31st 2016, up 12%. Profit after tax was 67 crores for both nine-month period ended December 31st 2017 as well as the nine-month period ended December 31st 2016.

Moving on to cash flows, collections for the quarter ended December 31st 2017 rose 21% to 311 crores as against 257 crores in the year ago quarter. Consolidated operating outflow for the quarter rose to 291 crores as the company continued its focus on timely and speedy execution. The balance collections from sold units in launched projects stands at 1,385 crores as of December 31st 2017 and compares favorably against the balance cost to go of 1,261 crores, combined with the unsold receivables from launch projects of 4,185 crores, the projected operating surplus of INR 4,309 crores on the launched portfolio of projects compares favorably as against the outstanding debt as of December 31st 2017.

Net debt has been regularly declining and stood at 2,176 crores as of December 31st 2017 as against 2,227 crores as on December 31st 2016. Net debt to equity as of December 31st 2017 was 0.92 as against 0.94 as of December 2016. At the same time, the weighted average cost of debt has reduced by almost 100 basis points from 11.6% as of December 31st 2016 as against 10.67 as on December 31st 2017. Interest rate reduction has been a regular and ongoing exercise for your company.

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

Moderator: Sure. Thank you very much. We will now begin with the question and answer session. We have the first question from the line of Dhruvesh Sanghvi from Prospero Tree. Please go ahead.

Dhruvesh Sanghvi: When we see the immediate launches, sheet provided in the presentation, most of the Puravankara projects have the expected launch date shifted from Q3, Q4, to probably one or two

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quarters ahead. Can you just enlighten on, I mean what has been the reason for extending the expected launch dates?

Ashish Puravankara: So now if you go down the list, so Lal Bagh, basically we are just waiting for the sanction. So the Lal Bagh had some TDRs that were required for the project, which, the entire TDR policy here was stuck for about 2.5 years, 3 years, finally through we bought the TDR, it's loaded, I think we should be getting the sanction. There is no specific issue on any of the launches, I think we're just giving you a conservative date keeping the sanctions in line.

Kuldeep Chawla: Thanisandra is actually ready for launch, and we might actually launch it for example, in the month of March. What you will also see for example is things like Kanakapura Mall, now, we have actually started work on the project, as such. But we've just kept a conservative kind of period there. So, some of these projects you may actually not see a formal kind of a launch happening. But the work has started.

Ashish Puravankara: Just to give you a quick snapshot and insight, so for example Lal Bagh like I mentioned, it's going in, I think another month, we should get the final sanction, post that we have to factor in about a month to 45 days for the RERA registration before we can launch it. Election in Karnataka is also around the corner. So, it may get a little delayed, but there is no issue in terms of sanction. Thanisandra received all the sanctions, fantastic location north of Bangalore. We we'll be applying for the RERA registration, but all sanctions are in place. So, there is no issue of concern there. Bellary Road is in the final stage of sanction, the minute the next committee sort of meets, I think in the next month, we should get a sanction then another month to 45 days for the RERA registration. So, I think that RERA registration is what is now being incorporated in these dates.

Dhruvesh Sanghvi: And what about Bhandup in Mumbai, if you can update?

Ashish Puravankara: Bhandup in Mumbai, you'll be aware that there is a stay on all sanctions because of that dumping yard case, right?

Dhruvesh Sanghvi: Okay, but it is for the re-development ones, right?

Ashish Puravankara: This is not a redevelopment project, this is a vacant land.

Dhruvesh Sanghvi: Even for the vacant land, the dumping ground issue, okay, fine.

Ashish Puravankara: Yes.

Kuldeep Chawla: For all sanctions.

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Ashish Puravankara: Except if I'm correct, I may be wrong, but I think for SRA, it is not applied, but everything else it applies. So again where in Bhandup, our plans and everything are ready, waiting for this case to get vacated. Once sanctions open up, we'll be submitting our plans for sanction.

Dhruvesh Sanghvi: But in terms of the marketing plan and all is being kept ready, so whenever that sanction arrive, is we will be at the initial...

Ashish Puravankara: Yes, so now so two factors for Bangalore specifically is considering the fact that, a month down the line, two months, all the officers will be busy with sanctions, that is one consideration. Second consideration is 30 to 45 days addition on account of the RERA registration. But parallelly you are right, I mean, all marketing collaterals, everything we keep ready, we don't wait for the RERA registration.

Dhruvesh Sanghvi: Right. And sir, a similarly, even in Provident, because not just Bangalore, but the other parts of Provident has also shown the delay. Is it only because of RERA there as well?

Ashish Puravankara: So I'll go down that list that is in our presentation, so Kanakapura, for example we've already launched it.

Dhruvesh Sanghvi: Yes.

Ashish Puravankara: Right. We launched it on Jan 15. Till about last week, we have already collected 500-plus EOIs and checks. So, it's just encouraging and positive.

Dhruvesh Sanghvi: That is the reverse book building

Ashish Puravankara: Correct. So, we are running that process for another 20 days. The target there is to collect 1,000-plus EOIs and then do a formal launch. The work space is about 640 units.

Dhruvesh Sanghvi: Wow, so we've already received 500 EOIs.

Ashish Puravankara: No, but so that EOI process is that from EOI to booking, the success rate percentage there is anywhere between 55% to 60%. So people have liked the pricing, they've liked the location, they've liked the product. But eventually when we give them the final price, because it's book building…The success, the hit rate is about 55% to 60%.

Dhruvesh Sanghvi: Even that would make the project to be 33% sold, because you said some 600 units, right?

Ashish Puravankara: Not 33, 640, so I'm hoping that we should at least grow 80% to 90% of the first phase.

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Kuldeep Chawla: So in the next 20 days Dhruvesh, as we reach our target over 1,000 expressions of interest, and 55% to 60% convert as against 640 units, we hope to sell 80% to 90% of tax pays straightaway. And then similarly, the thing about other launches has moved only to be more realistic about timelines related to RERA. Otherwise everything else is ready.

Ashish Puravankara: There is no specific issue on any of the projects under Puravankara, probably in terms of sanctions.

Dhruvesh Sanghvi: So basically for the 1.5 crore square feet launch within the one year that you were saying in the last quarter, so maybe in the next nine months, can we say that 1 crore square feet has been launched, the 10 million square feet will be launched in the next 9, 10 months?

Ashish Puravankara: Yes.

Dhruvesh Sanghvi: Okay. So, we understand Bangalore is doing very well, Pune is doing excellent, but Coimbatore, the inventory has not moved both in Provident as well as in Puravankara, from the last quarter to this. Any comments on that?

Ashish Puravankara: So just to I think point out, so for us Bangalore is doing good. I think Hyderabad is doing very well, Pune is doing very well. In terms of Coimbatore, you are right but I think it's more to do with the whole political sort of situation that happened three, four months ago. It has a three to four-month lag. We have our eye on it. So we will be strategizing and coming up with some sort of promotion and focused marketing effort there. So we believe that in the next month or so, there should be some stability in terms of sentiment, it's gone through issues with weather, it's gone through issues with Jayalalitha etc. and I think it's just about stabilizing.

Dhruvesh Sanghvi: Okay. And similarly for Chennai, again the traction there is very, for example the Windermere II has probably only sold, 14 apartments in the last quarter, why I am going into the projects is, I just want to understand, let's say if we get stuck into a certain area because we are now expanding into eight cities and multi-projects in single city, what would be our strategy be because then, how long can we sit there, do we decrease the price, what do we do typically at that time?

Ashish Puravankara: So basically, last three years, you will see that all our launches, we have ensured with this whole book building EOI process. We have not only assured a good average selling price achievement, but we've also shown higher traction. So that has really helped us. So earlier the strategy itself was very different. It was we wanted to only sell 10%, 15% on launch and then we would intentionally spread the sales out of across the 3.5 years, 4 years of the construction period, increase the price gradually, right which we changed three years ago, four years ago where we started doing this whole EOI book building process, where we are saying, even if I sell, we want

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to so we target to sell 80% to 85% within the first six months of the launch days, within the first six months, eight months of that project and which we have been successfully been able to do.

Kuldeep Chawla: In Hyderabad, you've seen that.

Dhruvesh Sanghvi: Yes, we've seen. So Hyderabad, Bangalore and Pune is doing phenomenal, I understand. So my question was mainly coming from that angle, but...

Ashish Puravankara: But I think there, you have to put in, so is everyone in Hyderabad and Pune doing well, I don't know, I don't think so. But the point I'm trying to make here is that I think that strategy of that whole EOI, the strategy of ensuring we sell 70% to 80% and not lose out also on the pricing, through this whole book building process also worked well.

Moderator: Thank you. The next question is from the line of the Ruchi Parekh from Anand Rathi. Please go ahead.

Ruchi Parekh: Sir I wanted to know if you can let me know about the 110 crore land payment that you have done? So this is in regards to which land?

Ashish Puravankara: So these are spread, these were deposits given across about six projects, across the cities of Bangalore, Pune and Mumbai, and Goa. So again, these are very strategic locations. Most of them, they're all actually Provident projects. And they're all on joint development. So these are advances made for that.

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

Vivek Kumar: My question is regarding how is the demand scenario post this GST, RERA and everything, especially with respect to our Provident projects across the locations? Is it just gone back to the previous or there is a substantial increase from what it used to be before demonetization?

Ashish Puravankara: I think it's a tad bit better than what it used to be, because of the whole confusion of GST now having being stabilized, clarified, the demand seems to be coming back. Also, I mean, you have to put in the filter of RERA there as well. So, I think both, one is GST, one is also because RERA and the amount of launches have come down. So therefore, I think grade A developers who are showing execution on ground are seeing a higher share of the pie and seeing some good sales.

Vivek Kumar: So can you throw more light on what cities are tying up with more land owners now? At what basis it is happening? Are you signing more deals than before or it is at the start the consolidation process or whatever you're talking about?

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Ashish Puravankara: So, I'll answer your question in two parts. One is in terms of cities, we were clear about two years ago we identified for us for Puravankara and Provident, which would be our cities for growth, which we had mentioned was Bangalore, Hyderabad, Pune and Mumbai for new growth. In terms of demand, I think we've seen that come back across both the brands.

Vivek Kumar: No, my question was is there any increase in that rate at which you are signing new deals across the location…

Ashish Puravankara: Because of RERA, also we are seeing a lot of deals. So, if you see in Pune, I would say 80% of our deals, four out of six deals are with existing developers with existing plan sanctions. The Thane deal for Provident that we did was with an existing developer. In Bangalore, we are in the final stage of closing about three or four deals, again, join development so no huge capital outlay, but again with existing developers where most sanctions are already in place. So, yes, your suspicion is correct. We are seeing a lot of deals come at better terms with sanctions and some amount of NOCs in place.

Kuldeep Chawla: A lot more from existing developers. I was just saying that apart from the fact that we are signing up more it's with existing developers who because of RERA have decided that they don't want to be developers anymore and are giving us on excellent terms in our favor, land parcels for joint development or development management. So, there is a capital outlay.

Vivek Kumar: All this are work in progress. So, we would see all the tie-ups in the next one year or so?

Kuldeep Chawla: Yes, you would actually see launches from these in the next one year.

Vivek Kumar: Okay. Apart from what you already mentioned in the presentation?

Kuldeep Chawla: Yes.

Vivek Kumar: And sir, it's great to see the increase in Provident sales from what we have been doing in the last 2-3 years, quarterly-wise. So given that we have a lot of ready-to-move inventory given that there is a consolidation happening given government trust on affordable housing and the low ticket housing, when do we think we will really scale up in Provident, when I say, I'm not asking you the numbers, but the real, what do you think is our potential for Provident in terms of square feet in the next three years or five years, let's say, three years at least. Because of so many things going for us there's a huge tailwind for where we are positioned actually. So, it's been trying to help us imagine where we can go or what we can do.

Ashish Puravankara: Being careful on giving you a guidance, we strongly believe that in terms of possibilities and the potential for growth in Provident, especially in the current scenario is phenomenal. One is the government push, I think RERA and us getting great deals with NOCs in place. So, in terms of

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faster, in case of a JD advance to launch, so shorter period, we believe that Provident should grow exponentially over the next couple of years.

Kuldeep Chawla: And just to give you a data point from the recent thing, Provident has seen a 54% growth in the number of units and about 40% in terms of value. That's a very large growth that we've seen over the last quarter, and the same trend we're seeing over the last nine months. So, this is without launches.

Vivek Kumar: That's what I was hinting at, so are seeing from this lower base, are we confident that we can repeat this north of 30%?

Kuldeep Chawla: Let me give you the example from the most recent launch on the 16 of January, we launched Provident Park Square. Out of 640 units as of about a week ago, we had received expressions of interest for more than 500. 300 out of these will translate into new launches that's in just about three weeks. We have another three weeks to go, we hope to cross 1,000. So that should give you, I'm trying to answer your question with data, so that you see that what we are talking about in terms of growth, we're actually achieving. So the issue is not the low base, the issue is you can look at it in the project-by-project basis across these three cities, four cities that we are talking about: Pune, Mumbai, Hyderabad and Bangalore.

Moderator: Thank you. The next question is from the line of Abhishek Lodhiya from SMC Global Securities. Please go ahead.

Abhishek Lodhiya: I just want to understand one thing, why margins are coming down? I mean, last year it was something around 29%, now from this year, every sequentially it's getting down. So are we giving some discounts or what exactly is happening on the margin front?

Kuldeep Chawla: Abhishek, thank you for your question. For the nine-month period ended December 31, 2017, our EBITDA margins are identical to those that were there for the full year ended 31st March 2017.

Ashish Puravankara: That is one. Secondly also if you look at our completed inventory specifically in Provident, so the new launches are doing well we're getting good pricing, but I think as a strategy to balance velocity vis-à-vis realization, we haven't increased the pricing of our ready-to-move-in inventory in Provident because of which for example if you look at Sunworth where we were selling about maybe five to ten units a month in Sunworth. So as a strategy there to push the sales today in the last three months, we've sold almost 40-45 units a month there.

Kuldeep Chawla: We've sold 170 units in the last quarter.

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Ashish Puravankara: In the last quarter, because of which you're seeing that it's a product mix. I think it's a strategy to ensure that at least on the Provident side where we have inventory to push.

Abhishek Lodhiya: Okay. Sir, how can it be a product mix is it because if we see on a sequential basis only Puravankara's absolute on volume side is higher than the Provident side?

Ashish Puravankara: I was giving you just an example in terms of Provident what we're doing in terms of older projects ready-to-move-in inventory, where in terms of strategy, where we are not pushing. But I don't think you can look at it on a quarter-on-quarter basis.

Kuldeep Chawla: Correct. Our submission, Abhishek, is don't look at it on a quarter-on-quarter basis, because on a quarter-on-quarter basis the product mix determines the margins. Therefore, I was requesting you to look at it on a longer-term basis, which is in this case nine months versus the 12 months full year.

Moderator: Thank you. Next, we have a follow-up question from the line of Dhruvesh Sanghvi from Prospero Tree. Please go ahead.

Dhruvesh Sanghvi: Yes. Sir, we have been hearing about, at least the headlines, that lot of grade A builders are now thinking about affordable in a very big way, one of the headlines was Prestige Estates tying up with HDFC for, let's say, 2,500 crore of fund or something. How far behind are they to catch up, because the industry volumes are not really expanding. And if the competition comes in a big way, how badly will we be affected or is that the right way to think?

Ashish Puravankara: Couple of filters layer here I would put. One is, I believe that lot of companies if you go back five, seven years who mentioned getting into affordable housing. I think the space is a little different. Understanding of the customer mindset takes some time. We've been doing this, so we launched Provident in 2009, huge learning that came out of it. And therefore, today, we believe that we are much higher up on the learning curve in understanding the mindset, products etc. in that space. Second benefit, I would say that provident has us today it's a dedicated brand for affordable housing with a dedicated focus. One more example that we have seen is that customers in this space need to feel comforted. For example, earlier, we used to have this Provident property exhibitions in five-star hotels, and the walk-ins are very low. And one of the learning that we had, so now we have about month-and-a-half ago, we had an exhibition at a school ground and we had almost I would say about 1,500 walk-ins. So that separate brands giving that sense of mental comfort, understanding the buyer sentiment, we believe that we are up there. The last bit is there space for more players to enter, absolutely. I mean, I think today with RERA opportunity, you combine RERA are right now. The number of players, unscrupulous players that were in this space, right, have all walked out. So, I think the size of the market in the affordable space any which ways I think is large enough for a few more players to get in. So to me, it's not worrisome.

Kuldeep Chawla: I would just add a comment, Dhruvesh, number one, we were the first affordable housing company in this country, number one. Number two, to the point about volume, I'll give you a data point from one of the worst markets in this country, namely Gurgaon. An affordable housing player who launched his business about three years ago, today has a waiting list, his marketing cost is down. He spends money on treasury because of the affordable housing. He has more application, he is not able to scale up his supply. This is Gurgaon. So, we believe that the market for affordable housing is going to grow exponentially and we believe we just have a large and growing share of that business.

Dhruvesh Sanghvi: Absolutely. Fine, sir. And last part, can you just highlight the dividend policy, because last year we had some extra gain from I think a land sale or something. So, will it continue in terms of absolute numbers or if you can just throw some light?

Kuldeep Chawla: On dividend policy, we believe that we will come back to you on this aspect in the next call, which will be post the completion of the year.

Moderator: Thank you. The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.

Prem Khurana: I joined a little late, so I am not sure if you've already answered this or not. But basically, I observe a trend in our average ticket size, for instance, I mean, especially for Puravankara projects. It's been moving up from INR 7 million-odd, it's already increased almost 10 million-odd. For affordable, it's been the same almost, I mean, 4 million, 4.5 million odd, but then on ongoing project side, the number seems to be higher. So, does it mean, I mean, we've been doing bigger units in Provident now and how should I look at the numbers for Puravankara maybe if you could help me better understand these numbers, because I mean the thought process was the demand is much more for sub-1 crore ticket side at least on Puravankara, I think the demand is doing better for higher ticket size units.

Ashish Puravankara: No. So Provident's focus will continue to be so. Provident is defined by the unit size, right, which is connected obviously to your ticket size. So, for example, our two bedrooms in Provident will always be in the range of that 750 to about 850 square feet. Our three bedrooms will always be in the range of 1,050 to about 1,175 square feet. Having said that, it's important to note micro markets where these projects are being launched. I will take an example of the Provident product that was launched on Jan 15 this year of Kanakapura Road. There we will be getting an average for the first initial phase of the launch. I think the average that we'll achieve is about INR 5,300

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a square foot, right. So, it all depends on the location of these projects and new launches that we have.

Prem Khurana: But, then when we're launching a project we look at ticket size or we look at the per square feet realization, I mean, when you are kind of planning a layout or planning configuration for this.

Ashish Puravankara: The benefit of the ticket size will always be there. So, for example, in that micro market, the average selling price is about 5,000 to 5,500, right. Provident will not lose out on that per square foot average selling price, but when a customer, prospective buyer compares a Provident ticket size, which is 800 square foot two bedroom to an average developer's ticket size, which is about 1,250 two bedrooms, that's the benefit he sees. Then he goes back into the apartment of 800, is it livable, is it functional, that's where our seven, eight years of experience and this thing where we have ensured that the wastage of spaces have come down. So, it's still a very functional well-designed apartment. And you get the benefit of almost one-third, a little less on the ticket size because of the 800 square foot two bedroom.

Kuldeep Chawla: Prem, I just like to add one thing. On a quarter-on-quarter basis, you might be seeing some variation. I'll give an example. Kenworth in Hyderabad, the location at which we launched the project is something where the demand was more for three bedrooms. And actually, the three-bedroom units in the two phases that we've launched have fully sold out. So, whilst we are not losing out on the price per square foot, in Hyderabad, Kenworth for example, the largest unit, the largest percentage of our mix is actually three-bedroom units. It might be different in Mumbai or Pune or Bangalore. So we'll have to go project by project. And if we need to get into a more detailed thing, happy to do this offline with you.

Prem Khurana: Sure. No, basically, why I want to understand does it mean, I mean even on the Provident side, we are moving closer to the city centers now, because if I look at the numbers for completed and ongoing projects, so completed at least for the last four quarters your number has been almost around Rs. 4 million a unit. And for ongoing it's been more than 46 lakhs, 47 lakhs. So does it mean…

Ashish Puravankara: I doubt Provident will move to a city center, but definitely, for example, earlier projects which used to be on the border of suburbs, so you can do a Provident product in a suburb, right. So for example Whitefield today, earlier the thought was you need to drive out 5 kilometers to be able to give a Provident product, but today because of the size, right, you're able to also provide it within Whitefield. Will it ever be on an MG Road, I doubt it.

Prem Khurana: No, not MG Road, I understand somewhat. It's not possible. And just sir, second, some of your peers have been slotting platform. Sir, any thought there? I know, I mean, you've been doing JDs even for your Provident housing projects…

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Email: investors@puravankara.com
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Ashish Puravankara: One is we already have a healthy pipeline of launches. Secondly, we are in I would say, mid to final rounds of discussions with a couple of funds for a platform for Provident as well.

Prem Khurana: Sure. And just if you could clarify, there has been some change in our land bank this quarter, I mean, the Bangalore number has come down by 3.6 odd million square feet. So what would that pertain to?

Ashish Puravankara: So that was one transaction where we had a JD with Patel Engineering. And I understand that they have gone into some banking issues, and just for now the bank has taken over and they have decided to sell the land as opposed to continue on a JD.

Prem Khurana: Sure, sir. Any deposit that's been made with this partner, has the money come back?

Ashish Puravankara: Yes, the deposit along with interest has been recovered by the company.

Moderator: Thank you. The next question is from the line of Bharat Sheth from Quest Investment. Please go ahead.

Bharat Sheth: Sir, just one small clarification that on this affordable housing, we understand that there was a notification that developer cannot collect the GST. So, can you throw more light and how its affect has I mean in terms of working capital or?

Vishnu Moorthi: Yes, sure. Government has not issued any notification.

Bharat Sheth: Okay. There's a news item.

Vishnu Moorthi: They have just put a news; however, they also have put a caveat saying that if the developer is actually factoring the input taxes separately, then he could collect it. Now actually in our case from the 1st July itself we declared saying that our prices are after considering the input credits. We have put this also in our agreements already from 1st July itself, in all our agreements we have declared this because we are factoring the input credits not as a cost and because it is passable to the customer. So therefore, in our case our records are quite clean that we should be able to collect. However, we'll see how the market will actually pan out because of this news. It is like in my way if, let us say, if we are not able to collect it separately, somewhere these input credit has to be loaded to our cost. So the landed cost may not materially vary even if developers don't charge, because they have to pass it on to the customer either as a part of the price or as a part of taxes.

Bharat Sheth: Okay. So, in eventuality in that case, otherwise we have to charge it separately and increase the cost, correct, I mean price.

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Vishnu Moorthi: Yes, because none of the developers who are charging, they are not factoring the input credit as a cost, so therefore they have to pass it on to the customer either as a part of the price or as a part of the tax.

Bharat Sheth: So, in that scenario, currently our, I mean, price to customer looks lower or effectively it is same?

Vishnu Moorthi: I think it would be cosmetic fur.

Moderator: Thank you. The next question is from the line of Ujwal Shah from Quest Investment Advisors. Please go ahead.

Ujwal Shah: I just had a few queries regarding the land assets that we have. So, can you throw some light on the Colombo portion of our land bank? And secondly, we being gung-ho about the Hyderabad region in respect of the phases that we are seeing over there. In terms of our land assets, we seem to be having exhausted in terms of our land assets in the region. So, are we looking to add more land bank over there or is it going to be a more of JD focus area for that? Thank you.

Ashish Puravankara: Yes, sure. So as far as Colombo is concerned, this was the land that the company had bought way back in 2006. We have now got, so it's in a location called Ja-Ela, it's about 24 acres. We should be proceeding with the launch in the next month, month-and-a-half. We're quite happy excited with the market there. In terms of Hyderabad, yes, you're, right, we are currently in the process of finalizing of few land parcels there and it will be on JD, joint development. So, there won't be a huge capital outflow.

Ujwal Shah: And sir, in terms of Bangalore, we have a huge land parcel over there. So, is a contiguous big land parcel available somewhere in the main prime area of Bangalore or how is it located?

Ashish Puravankara: So, the Bangalore land parcels are spread across. I'll have to look into that number. I think it's 25, 30 locations, so total of Bangalore, it's not one land parcel.

Moderator: Thank you. The next question is from the line of Abhishek Anand from JM Financial. Please go ahead.

Abhishek Anand: My query will be regarding the Kanakapura Road project, which you have launched in Jan. Firstly, will it be under the affordable housing scheme, 80-IB(a) exemption?

Ashish Puravankara: So, this specific land we will have to make an attempt with the authority to get the 80-IB benefit, just because there is a confusion there that we said all plan sanctions post March, 2017. This plan was sanctioned earlier, then we modified it to make the sizes smaller. So it is under the Provident brand, it does confirm to the sizes, right. So therefore, I think they have taken this up with the department. Having said that, all new launches of Provident you will get the 80-IB

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benefit. This one specific product because of that rule which makes no sense, end of the day we have modified it to address the issue affordable housing and our modified plan sanction is post the march 2017 date.

Abhishek Anand: And so, there is, of course, one condition where you cannot sell multiple flats to a single family.

Ashish Puravankara: That is being followed. So, all conditions of 80-IB are being followed in that project. And in all other Provident projects, so that we don't lose out on the benefit.

Abhishek Anand: It's in the reverse book building process only, that single-family single application, something of that kind?

Ashish Puravankara: Yes.

Abhishek Anand: Perfect. I just wanted to understand the kind of supply you are seeing in the various geographies. So, for instance, Mumbai we understand Bhandup area, Mulund area is well-supplied market. How is the supply seen across Bangalore market where you are planning to launch your project? And if you could help me out why do you think Provident is doing well, especially in Kanakapura Road launch, and the peers are not able to launch in this particular geography?

Ashish Puravankara: I think, this would be a very long answer. I think Provident why is it doing well, I think it's our learning of understanding the customer better. I think the way we have packaged the product. I think it's a design, it's the lifestyle that we have created. And when you look at the ticket size there, I don't see any other project in that micro market offering you that kind of finish, that kind of branded specifications and which is two-third the ticket size of the supply that's happening there. On a general basis, you asked about the supply in the various cities and the micro markets, launches have come down, I mean, this is a public fact. Today, if you look at the JLL report, launches in city of Bangalore for example is down 75%, right. If you look at 2015-2016 and if you look at 2017-2018, launches are down. So that also I think is a positive sign for the few launches that are happening now.

Abhishek Anand: Of course, those information is available to your peers as well. And everyone has a pipeline. So, I am just trying to understand from you going forward, do you expect material supply coming into these markets because these have been to certain extent under-supplied markets? Or do you think that gradually the market or market supply will improve only the players who are able to tap the demand will benefit from it, just wanted to have your view on this.

Ashish Puravankara: So generally, I think going forward, I think the number of launches what the city was experiencing for the last 10 years will be down by 50% just on account of RERA and almost 40-50% of those unscrupulous or Tier 2 developers walking out of the market. So that itself will ensure that our market shares go up. But having said that, I think the branded players who carefully choose the micro markets and launch the right product at the right price because of the pent-up demand and the lack of launches we will fare well in the market.

Abhishek Anand: And there are no pricing actions you have taken, so pricing in Kanakapura Road remains as if. It's just the ticket size you have changed right is my understanding correct there?

Ashish Puravankara: Yes.

Abhishek Anand: It's not discount to the market price in that region?

Ashish Puravankara: So in terms of pricing now, the average on Kanakapura Road today is around Rs. 5,000 a square foot. We are confident of achieving bases what we've seen in the 500 plus EOI is the longer checks that we have received. We should be able to achieve a pricing of 5,300. So why is that pricing, I think the ticket size allows us to price a little higher. I think the product that we have designed so today you are able to get a Provident product with finishes like a similar elevator, slide-ups which is Kataria tiles which is the number one tiles brand today in the country, Berger internal paints. So the various package the entire product and the ticket size put together we're able to charge a little bit of a premium for this Provident product that we've launched.

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

Vivek Kumar: Ashish, you mentioned that you're tying up more land parcels in Hyderabad, is it significantly up from what we have now or it's just small parcels of land and what brand, Provident or Puravankara?

Ashish Puravankara: So currently we are negotiating about three land parcels for Provident, and about two land parcels for Puravankara, and one for Puravankara Commercial.

Vivek Kumar: Okay. And you have stated your philosophy of trying to sell more than 60%, 70% within 8 to 10 months or within a year of the launch. So, but we have not seen that happen before, what gives us the confidence that we'll be able to achieve it going forward?

Ashish Puravankara: No, we have demonstrated that in Palm Beach, we have demonstrated that in Kenworth, we have demonstrated that in Silversands, we have demonstrated that in Western.

Kuldeep Chawla: Yes. You should look at all these four projects you will get the data.

Moderator: Thank you. Next, we have a follow-up question from the line of the Dhruvesh Sanghvi from Prospero Tree. Please go ahead.

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Dhruvesh Sanghvi: In terms of the tax benefits, so have we already started receiving for any project so far in Provident?

Ashish Puravankara: Not yet, because these are the launches that will come out now.

Dhruvesh Sanghvi: Okay. And can you give us some kind of a debt outlook, because I think we went down to some 1,900 crores, back to around 2,200 crores or 2,100 crores. With the kind of new launches that we are now going to see, can we say that this will go probably up to 2,500 crores or no we'll be really able to restrict it to these levels?

Ashish Puravankara: No, I think there are two sides to it. One is, today if you look at our ready-to-move-in inventory, I think ballpark value of that is about 1,283 crores, 1,300 crores is the value of our RTM, where we don't have any money to be spent against it. So that will straightaway go towards debt reduction. Having said that, on the other side, we have this huge lineup of launches, which will require money in terms of obviously sanctions, premium, marketing, mock-up, those and any shortfall in construction. So that we push it up a tad bit, but I don't see a significant, significant increase in that number.

Moderator: Thank you. As there are no further questions, I'd like to hand the conference back to the management for any closing comments.

Kuldeep Chawla: Thank you, Rahman. Ladies and gentlemen, thank you so much for all your questions. If there are any further follow-up questions, Ashish, Mr. Vishnu Moorthi, Niraj and I would be available to you offline. We thank you for your questions. Have a wonderful day.

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

(This document has been edited for readability purposes)

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