



**“Puravankara Limited Q3 FY20 & 9M FY20 Earnings
Conference Call”**

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Moderator: Ladies and gentlemen, good day and welcome to the Puravankara Limited Q3 and Nine Months ending December 2019 Earnings Conference Call. We have with us today on the call Mr. Ashish Puravankara – Managing Director, Mr. Kuldip Chawla – Chief Financial Officer, Mr. Vishnu Moorthi – Senior Vice President (Risk and Control), Mr. Neeraj Gautam – Vice President (Finance) and Mr. Abhishek Kapoor – Chief Operating Officer Residential.

As a reminder, all participant lines will be in 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 “*” than “0” on your touchtone phone. Please note this conference is being recorded. I now hand the conference over to Mr. Kuldip Chawla, Chief Financial Officer of Puravankara Limited. Thank you, and over to you sir.

Kuldip Chawla: Thank you, good evening and a very warm welcome to all of you. My name is Kuldip Chawla. Thank you for joining us on the Q3 FY20 earnings call for the quarter, and the nine--month period ended December 2019. We hope that you would have had some time to go through our quarterly earnings presentation and the financial results for the quarter and the ninemonths ended December 31st, 2019. With your permission, I will start with a short update on the business and the financial performance during the quarter and the nine month period. And after that, me and my colleagues would be delighted to answer any questions that any of you may have.

On the policy and regulatory front. The recent announcements in the union budget continue to be supportive of the real estate sector. The finance minister spelt out three themes for the budget that include an aspirational India focused on economic development and building a caring society. We believe that our sector fits all three themes. And there’s an opportunity for accelerating the potential of the realty sector in revolutionizing India and providing strong growth for the nation as well as for our company. At the same time, our discussions with capital providers post what has been a bold RBI credit policy as laid out by the RBI governor are positive for clean, well governed and will organized businesses that are gaining market share, as consolidation gathers momentum. There are multiple drivers for homebuilding, consolidation tailwinds, middle class prosperity, and finally the government itself, with its various measures to propel the economy and the sector.

Our strategy to move into affordable housing over a decade ago, is a big beneficiary of the union budget on both the demand side as well as the supply side. For example, to drive the ambitious goal of housing for all and affordable housing, the deduction of up to Rs.1,50,000 for interest paid on loans taken for purchase of an affordable home has been extended. There have also been extensions for the tax holiday on affordable housing projects.

A significant proportion of our launch pipeline, nearly 7.5 million square feet is in the affordable segment. Q3 FY20 saw a booking value of Rs.402 crores, an increase of 9% on a year-on-year basis, driven by Provident projects, importantly with good pricing power. We are encouraged

by the average price realizations which are improving across all the categories and both brands. We continue to push sales of our ready to move inventory for the first nine months of the year, combined sales numbers for both brands were up 46% to 966 units and in value terms up 61% to 616 crores.

Coming to the detailed financial performance for the quarter and the nine months. First for the quarter, consolidated revenues for the quarter were Rs.528 crores, earnings before interest taxes depreciation amortization Rs.115 crores, profit before tax Rs.26 crores and profit post taxes Rs.16.1 crores. The operating surplus at Rs.165 crores for the quarter remained steady, next for the nine-month period ended 31st December 2019. Consolidated revenues were up 23% at Rs.1,797 crores, EBITDA Rs.408 crores up 13% year-on-year, profit before tax was Rs.133 crores up 21% and profit after tax at Rs.87 crores was up 16%. The operating surplus was Rs.505 crores for the nine-month period as against Rs.174 crores for the year ago nine-month period, a smart increase of 190%.

Our efforts at pairing our debt levels continue. Our gross debt reduced by about Rs.86 crores in the quarter and Rs.180 crores for the nine-month period. Debt for recent and new residential projects is minimal. Our debt to equity ratio has continued to improve steadily in the last four, five quarters and at the end of the quarter ended December 31st 2019 stood at 1.36. The weighted average cost of debt stood at 11.77%. To summarize, we continue to work through and sell our ready to move in inventory, which enables better collections and a higher surplus. Both of these have helped drive reduction in our debt and a more resilient balance sheet. Our sales of ongoing projects continue. Our net debt to equity has been trending down and we see this continuing. At the same time, we are launching new projects across both our brands to take advantage of our dominant position in the five focus markets of South and West India. Commercial projects are also expected to see further progress over the next couple of quarters as we diversify our real estate business. May, I also take this opportunity to draw your attention to the estimated surplus of Rs.6,885 crores as against the reported net debt of Rs.2,590 crores. As of 31st December 2019, we have Rs.1,907 crores of receivable from customers against their agreements from units sold. In addition to this we have an estimated Rs.2,926 crores of operating surplus to be realized from the sale of ready and ongoing opened unsold inventory.

Further, we have an additional Rs.2,052 crores of estimated surplus to be realized from projects that are approved and would progressively move into construction and the open for sale category. Overall, we are enthused by the steady sales growth over the last nine months, reduction in both ready inventory levels, as well as debts. As always, we continue to focus in building an efficient, value centric business and help our customers realize their aspirations of homeownership and commercial spaces. With this, we open the floor for questions back to you.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. We have a first question from the line of Rahul S an Individual Investor. Please go ahead.

Rahul S: Sir my first question is basically, I'm looking at most of the new launches, they are going away from Bangalore. So are there any learnings that you have, that you are able to transfer from Bangalore to other new geographies?

Ashish Puravankara: So, no, we have equal number of launches coming up in Bangalore, but your observation is right. In terms of yes, Pune is going to see a few more launches. But Pune, two years ago, we have had a successful launch which was our Silver Sands phase one, which we sold, close to 700 units out of the 800 in phase one. So we have some experience we have a local team there. So, we know that market well now. Then we have some launches coming up in Mumbai as well, then we have launches coming up in Chennai, which we've been in the market for over the last 10 years, we've been in that market. We have another affordable housing launch coming up in Cochin, again, we've been there for a long time. So it's spread across five cities.

Abhishek Kapoor: Prior to that, in terms of learning's that we've had from Bangalore, there is a lot of strength in our distribution network between both the brands and we are leveraging the brand and the distribution network and the learning's we have had in Bangalore in these new markets, especially in the West because the way we are taking our product to market in down South is a little different than the way they take it to market in the West. So we will be using both the strategy which exists in the West, as well as ours, ours originated, ideas of how we take the products to market here down South into these markets and I think we've been excited with the response we've got so far. In all of the markets that we have taken new products too.

Kuldip Chawla Manifestation of our learning in these markets is actually as they say, proof of the pudding is in the eating, three years 2016, 2017, 2018; three new markets, Hyderabad, Pune, Goa, significant market share gains over established branded national level players in all these three markets as well as local players. So, we are enthused by what we see. And we believe that we have significant opportunity to leverage our brand as we move into the West for example.

Rahul S: Okay. Sir on the Bhandup project, I was looking at the presentation, the Bhandup project is showing deferred?

Ashish Puravankara: No, the Bhandup project we said is under review basically we are renegotiating the commercial. So while the JD has been signed, money paid, registered, we have done a wee bit of planning, but we see that because of the size, we are having to go to taller which is affecting our construction costs and therefore our profitability. So we have approached the landlord to renegotiate the terms which is under process.

- Abhishek Kapoor:** This is largely due to the DC regulations and the changes that happened to the reservation on that particular plot. So because of the change in the product itself and the way it has to be designed, we have no choice but to approach the landowner and look at the terms again.
- Rahul S:** Okay and how is the reaction for Purva Atmosphere been?
- Abhishek Kapoor:** We are quite excited with the response so far. And we believe that, that market has got a great potential that product is not available in that market. And I think we will see the results by the end of this quarter.
- Rahul S:** Okay. And sir coming to realization, I just noticed that the Puravankara completed projects, has got about 13% growth, the Provident has not seen the same growth rate. So any comments on that?
- Ashish Puravankara:** Today if you look at in terms of Provident completed inventory we had one project in Coimbatore, which we had if you go back to Jan of last year, we had about 200 and odd units, which were unsold. The project was almost ready. That market the uptick was a little slow. We are not doing any more projects in Coimbatore, so we corrected the price a bit. But fortunately, we've sold +160 units in the last 12 months. So basically it's the product mix which is showing the realization lower. If you go to Provident ongoing projects, you will see that realization has shot up.
- Abhishek Kapoor:** And it's also a reflection of the quantum of inventory that we have between PHL and PL. We have more inventory and more choices available in PL and hence you will see better absorption of RTM in PL.
- Rahul S:** Okay. And sir could just comment on the commercial side, Provident has done really well. When do you see the commercial projects picking up?
- Ashish Puravankara::** Commercial projects of Puravankara. So one project, I think we should begin. So today we approximately have a portfolio of about, 10 million square feet, out of which little over 7.5 million square foot is land already available with us. The first project we should start construction probably 30 days from now. There are two more projects where we are in the final stage of sanction and will start as and when we get that sanction. One is in Yeswanthpur which is the metro cash and carry, which we're doing along with Keppel, so that we should get the final sanction and work would start probably in the quarter. The third one is again three kilometers here from MG Road, again that's a 100% owned property of Puravankara. That work should start again, I think in a quarter.
- Rahul S:** And sir my last question on the debt, congrats it's come down from 1.51 to 1.36 over the last four, five quarters. Where do you see this level in the coming year?

- Kuldip Chawla:** Directionally we should be looking at around 1.1 levels, over the course of the next four to six quarters.
- Rahul S:** Okay, so this post FY21?
- Kuldip Chawla:** Yes.
- Moderator:** Thank you. We have next question from the line Tirath Muchhala from Elusividya Advisory. Please go ahead.
- Tirath Muchhala:** So, one of the debt raises that you guys did in this quarter was something at 14% there were some NCD. So, could you explain what is the kind of capital that's available right now, is it really a bad situation or is it getting better?
- Kuldip Chawla:** This 14% debt was raised without any hard collateral, number one. Number two, it had complete flexibility and it had multiple other benefits of being able to use it, in and out of various types of projects, #A. #B, our average cost of capital continues to be in the 11.5% range and this is just short-term money, which doesn't have long term implications for our cost of debt. So, it was more like, available line of credit which we draw on an as needed basis.
- Abhishek Kapoor:** So, just to add to this, there have been constant capital raise that is going on, we have found a lot of support from most of the financial institutions who are working with us as our partners, and we haven't seen any significant challenges in terms of raising capital in the marketplace, because I think the performance of the company has also generally been received very, very well by the financial institutions. The way we are progressing and the strategy with which we are progressing has also been well received by the institution. So there's a lot of financial institutions report to us. Fortunately, from the capital raise perspective.
- Kuldip Chawla:** It may also be relevant to add here that not only do we have a large amount of construction debt to draw down, which we're able to draw down anywhere between 10 to 10.5% all inclusive. So, there is complete flexibility. It's a function of the end use, construction debt is available. In fact, post the RBI Governor's credit policy discussions with lenders indicate very clearly that, they are looking for good, clean, organized, well managed, well governed developers to give money to.
- Tirath Muchhala:** The other thing about the warehousing space, could you elaborate a bit more on what's happening with Morgan Stanley, is it a concrete structure or is it like depending on the opportunities?
- Ashish Puravankara:** Look, so as of now we have an arrangement with Morgan Stanley for the warehousing platform. This is barring the existing projects that they already had on board. This can be taken across the country. Currently, we are evaluating a land parcel on the Bangalore highway where the title and

the due diligence is on and that would be the first. Second we have our own land, which is the Chennai-Bangalore highway Sriperumbudur where we have already submitted our plans for sanction as it gets sanctioned that project will come into this JV company. So that will be our equity contribution to the platform.

Tirath Muchhala: And this Sriperumbudur would be extensive parcel, correct?

Ashish Puravankara: Sriperumbudur is 42 acres of land on which we are doing warehousing in phases.

Tirath Muchhala: Right. And is there any plan in terms of warehousing because there are certain deals where you have a forward purchase or things like that? So, is it with that in mind or?

Ashish Puravankara: So the strategy behind the warehousing currently is that, we believe the maximum value accrual happens from land to one year of stabilization and lease. So that is the maximum value accretion that happens. So the strategy of this platform is to acquire the land, build a warehouse, lease it, stabilize it and then at the right value, knock it off and redo the cycle, but not to hold it currently.

Moderator: Thank you. We have next question from the line of Sri. Kartik from Investec. Please go ahead.

Sri. Kartik: A couple of questions from my side. When you are looking at your sales momentum in multiple cities that you operate in, has there been a marked difference in the performance of the salaried versus self-employed, that is one from a sales perspective. And the second one is the recent changes that have been announced with regards to taking away some of the dispensations in budget. Does that impact our overall thought process on how the government is thinking on the overall real estate sector because assuming that at some stage if the government decides to take away all the benefits being given to salaried segment that could have some impact on the housing sales, thanks.

Ashish Puravankara: I'll answer your second question first. So, one thing, if you see the price points even today, the markets that we are present in and the price points that Puravankara which is under Rs.1.5 crores, and Provident which operates in the Rs.45 lakh to Rs.75 lakh bracket. These are all sort of end user demand. So, these guys are not typical investor and investing. We also do this check wherein, once we hand over possession within the year, we see almost 70, 80% of these projects being occupied. So, I don't feel that over time, that it will really affect buying because it's an end user demand, there is real demand in the market today for a value product. Having said that, as of now we have not seen any difference and we'll have to wait and watch to see if it will change any sort of buying behavior.

Abhishek Kapoor: I think real estate continues to be the largest saving and investment opportunity for every individual in this country and that demand while might have kind of pent up. Our view is that generally in the consolidation phase, the shift is towards larger brands and the faith of the customers in larger brands to de-risk their investment is much higher. So, from that point of

view, we see that the demand which is pent up is pretty much there. And to answer the first question at this point in time, we haven't seen any major shift in terms of salaried or self-employed, purchases in terms of the buying or the absorption level. So, at this point in time we haven't seen any change and our view is that, the demands going to sustain and so far the results also showing the same.

Neeraj Gautam: The government has extended the benefit for affordable housing for one year. So, as of now, the trade benefit is still there and government's intention is to encourage that benefit.

Vishnu Moorthi: Message that the deposits to the bank gives up to Rs.5 lakh have bought some fear to the investors, they want to rather invest in a real estate and balance their portfolio not to keep the money in fixed deposit. So, therefore we believe that real estate, especially the housing definitely will attract more investors.

Kuldip Chawla: Specifically, we would like to mention that the benefits that are there today, which let's say theoretically three years down the road will go away. A couple of lakhs in a Rs.15-20 lakh product is meaningful but, for the ticket price or value for money that provident is in, which is Rs.35 lakh to Rs.65 lakh or Rs.70 lakh, that amount is very, very small in relation to the total.

V. Kartik: Sure sir. Just a follow up on the self-employed bit for example, if I were to look at our performance in Coimbatore, which is a business dominant city where white collar jobs are much lower. That's having some impact on our sales performance. So, I wanted to see if that's reflected in some of the other of our experience of the other cities also, maybe Kolkata vs Bangalore?

Ashish Puravankara: If you see Coimbatore in fact, we have sold exceptionally well over the last 12 months. And you're right in that sense, depending on the city or depending even on a specific micro market, if I have to take Bangalore for example, West and North Bangalore there are more salaried but if you go to Magadi Road there, I think it is more self-employed. But we really haven't seen any mark change over the last two, three quarters in terms of buying.

Kuldip Chawla: Just specific data on Green Park Coimbatore, I am giving you calendar year data sales in value terms 2016, 2017, 2018 and 2019. All this data is for 12 months ended December. Green Park sold a little over Rs.2 crores in 2016, around Rs.5 crores in 2017. Sold Rs.3-4 crores in 2018 and Rs.67 crores in the 12-month period ended December 19. Incidentally, we've seen a similar thing in markets like Mangalore I'll give you project Amaiti and Bluemont, four years same period Rs.20 crores, Rs.17 crores, Rs.22 crores, Rs.86 crores. I can give you similar data for Chennai and interestingly for Puravankara in Chennai, projects like Windermere, Swan Lake, year-on-year we have seen a 35% CAGR. Let's say Chennai sells example 20,000 units in a year three years ago. Today, let's say it's selling only 17,000 units. Three years ago organized players was selling 4000 units out of the 20,000. Today the same organized players have 8000 units out of the 17,000. So we are gaining market share in these smaller places. It has less to do with the

types of buyers, yes a Coimbatore may have more self-employed professionals. Our sales have more to do with the product, the features, the customers perception of our quality, delivery, so on and so forth.

Moderator: Thank you sir. We have next question from the line of Rahul S., Individual Investors. Please go ahead.

Rahul S.: Sir I just want to know the debt profile what is your plan for repayment in FY21?

Kuldip Chawla: Over the next two quarter we have about Rs.75 to 90 crores a quarter and then we have about Rs.110-120 crores a quarter. So very comfortable, so in the FY21 we are about Rs.450 to 470 crores of repayment. And I would like to add that, as each quarter goes by this number keeps reducing, because we are pre-paying a lot of our debt out of collections. Basically our ready to move inventory sales are continuing to do well and that is enabling a rapid reduction in our debt.

Moderator: Thank you. We have next question from the line of Tirath Muchhala from Elusividya Advisory. Please go ahead.

Tirath Muchhala: So this is just about two or three news articles, one was about the co-living thing that we're doing in Bombay. So #A, are we doing it more locations and #B, is it on hold or what's the progress on that?

Ashish Puravankara: So we're doing it in two locations. The first one would be Bombay which is Goregaon East, right next to the Nirlon IT Park. The designing is complete we are now progressing towards sanctions and approvals. The second one is in Bangalore, which is off the outer Ring Road in Bellandur, for that the designing is almost complete. It's part of a residential developments so the front half is going to be co-living and the back is going to be residential, for that also designing is complete and we will be now proceeding for sanctions. We're going to see how these two work out and then take it from there.

Tirath Muchhala: Okay. And do we plan to own these or eventually sell them?

Ashish Puravankara: So, right now, we are in talks with four operators from the top four operators in India. We are also in talks with two international operators from the UK. One of the operators in India has expressed interest in picking up some equity in the Bombay project. So, those discussions are on, quite an early stage.

Tirath Muchhala: All right, and the other thing which is again, a news article was something about projects which are a little stuck in the Western part of India and how you guys are actively looking at these things. So, if you can give a broad view on what's happening there and how aggressive you guys are?

- Kuldip Chawla:** Sure. Firstly context, dislocation in the credit markets has created over the last couple of years, significant opportunity to take on projects with erstwhile developers, which can come with approvals. And with no land titles / aggregation risks so ready to market. The opportunity is for us to essentially leverage our brand to be able to deliver homes that are quality, speedy, well designed, so on and so forth. Credit providers who have linked to these, are either in our existing pool or would like to do business with us and have confidence that we can help them solve their problems. We are at a stage where we are continuously evaluating these things, because we want to be sure that what is the right sort of risk to take. Do we take a RERA risk, we should not sacrifice our 3000-4000 crores of business for this. So we're looking at these very actively, but we will do this with a very fine tooth comb.
- Ashish Puravankara:** So, if you look at West for example, 7 out of the 11 projects that we have between Bombay Pune, 7 are from existing local developers there. In the current scenario, we continue to get a lot of proposals, we are trying to stay clear, at least right now of projects that were launched, partly constructed, partly sold because of that whole RERA risk, other liabilities in terms of taking over a half build project structure, etc. So what we are evaluating is, we are evaluating their vacant lands of people in that situation, vacant lands or projects where they have half approvals or full approvals and then evaluating that on a commercial basis and then sort of proceeding.
- Tirath Muchhala:** Alright. And for all of this will we require more equity capital, in terms of any kind of fundraising, because in the industry there are quite a few players who are raising equity capital at this time. So, is that something on the annual or do we not need it right now?
- Kuldip Chawla:** So, I think there are two ways, one there are sets of projects where capital providers are already there and it doesn't need equity, it needs expertise. It might require a small deposit to have skin in the game, which is very small in the overall context. So, that is one category. The second is that if it requires capital, we're privileged to have relationships with equity capital providers to be able to draw on that, should it be required, but we want to be very clear that we're going to look at the appropriate return on capital employed.
- Abhishek Kapoor:** Just to add to this, there are a whole lot of capital providers who are raising capital only for such assets and such opportunities and they are looking for partners like us to develop and take on these opportunities. So that line of credit or line of equity capital, that's also available to us.
- Tirath Muchhala:** So, essentially we don't need equity capital desperately?
- Kuldip Chawla:** This will not be a capital-intensive opportunity for a very large part of the opportunity metrics.
- Kuldip Chawla:** At the company level, equity will be required in terms of our commercial vertical that we're developing right now, for the whole +10 million square foot. So, for the commercial vertical, we're looking at a platform deal where we get in the projects that we have on hand as our equity

contribution so that we have the right balance between debt and equity on the commercial vertical itself. On the residential bit with our change in selling strategy where we are able to sell up front within the first two, three quarters, more than 50% of the phase that has been opened up for launch, we have financial closure. So from that angle, not much equity is required there.

Tirath Muchhala: Alright, thank you so much. The Chembur project that we are planning, which I think, is it Atmosphere?

Ashish Puravankara: No, we haven't named it yet.

Tirath Muchhala: Sorry. So the Chembur project have we started receiving any kind of feedback from potential customers about how they are receiving the Puravankara brand?

Abhishek Kapoor: Yes, that is already there. In fact, we have had very positive response generally from the market people come looking as to where the product is, where the project is, the inquiries are coming in even before we have started to decide as to when we will open the inquiry. So there is a lot of traction for the brand in the West. And we are seeing a lot of interest from end users, customers, a lot of channel partners who are waiting in anticipation for our launches, because there's a tremendous amount of faith in the brand. So, yes there's a lot of excitement in the market.

Moderator: Thank you. As there are no further questions from the participants. I now like to hand the conference over to Mr. Kuldip Chawla for closing comments. Sir over to you.

Kuldip Chawla: Ladies and gentlemen, thank you so much for your time on a Friday evening. If there are any further questions, we're happy to take them offline. Thank you once again for your time and attention. Have a wonderful weekend.

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

(This document has been edited for readability purposes)