

# Q1 2013 Earnings Call - Puravankara Projects

Dt-8 Aug'12

## Operator

Ladies and gentlemen good day and welcome to the Puravankara Projects Limited Q1 FY13 Earnings Conference Call hosted by ICICI Securities Limited. As a reminder for the duration of the conference all participants' line are in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Shalin Salori of ICICI Securities. Thank you, and over to you, sir.

## Analyst

Good evening everyone. I welcome you all to Puravankara Projects first quarter results conference call. To discuss the results we have with us the senior management of the company, Mr. Ashish Puravankara, Joint Managing Director; Mr. Jackbastian Nazareth, Chief Executive Officer; Mr. Anil Kumar, Chief Financial Officer and Mr. Hari Ramkrishnan, Vice President Structured Finance.

We will begin with a brief presentation from the management and then proceed to Q&A session. Over to you sir.

## Jackbastian K. Nazareth, Chief Executive Officer

Thank you, Sherlin. Good evening everyone. It's a pleasure to have you all on Puravankara's earnings call for the quarter ended 30th June, 2012. Like Shalin introduced, I have with me Mr. Ashish Puravankara, Vishnu Murti VP, Risk Management; Mr. Hari Ramkrishnan and I'd also like to take this opportunity to introduce Mr. Anil Kumar who has joined as our CFO recently. Mr. Anil will also function as our company secretary. Anil comes with considerable experience in the real estate industry. Before I speak about this past quarter I would like to briefly touch upon the macro economic scenario in which the real estate industry and our company operated in the past one year.

Two key challenges facing the real estate sector today are rising input cost and delay in approvals. Construction of a real estate project involves the use of a wide range of factory inputs. In any realty project close to 60% of the total construction cost is contributed by three major input items namely, steel, cement and labor.

Even a small escalation in these prices can have a significant impact on the price of a project. Since 2009, the cost of steel and cement have moved up by 35% and 24% respectively. We have detailed our strategy to meet this challenge in our recently released 2011-12 Annual Report. I hope all of you have got a copy.

Yeah, the other challenge is with respect to delays in approvals. This past quarter has not witnessed any new approvals in the realty sector. And this is likely to impact not only time line for completion but also increase the end cost of the project. Despite this challenging environment Puravankara has posted robust sales in the past quarter. A few pointers on the outlook for the remainder of the year.

Various projects totaling 7 million square feet under Puravankara across Bangalore, Chennai and Cochin will be handed over in phases during the financial year 2012-13.

Closure activities are being carried out currently for all these projects. New launches from the Puravankara brand will be done in phases across the financial year for which pre-launch activities are in progress. And handing over apartments in Provident Cosmo City Chennai and Provident Welworth City Bangalore has commenced. Provident is also gearing up for new launches across Bangalore, Mangalore and Coimbatore.

With all this we believe that we are well positioned to meet our guidance of 3 million square feet for the fiscal '13. I would now like to present our earning and business performance, for the first quarter ended 30th June, 2012. Sales volumes and value for the quarter ended June 30, 2012 we have achieved 0.57 million square feet as against 0.73 million square feet in the first quarter of FY12.

These two are strictly not comparable because the year ago -- in the year ago period we had three new launches namely, Windermere, Bluemon and Midtown which contributed significantly to the sales while in the past quarter in the recent past quarter we have had no launches. For Puravankara, alone in terms of sales volume in the past quarter Puravankara has achieved sales volume of 300,000 square feet in value terms for the first quarter of the fiscal the company has recorded 1,225 million compared to INR 2,377 million as on 30th of June 2011.

The contribution to sales has primarily come from both ready-to-move-in apartments and projects under construction. The company sales realization currently stands at Rs.4,124 per square feet. For Provident Housing for quarter one FY13 Provident recorded a sales of INR 650 million versus INR 280 million in Q1 FY12. The contribution to the sales has primarily come from ready-to-move-in apartment and the projects under construction.

A quick update on our debt status. Debt has increased marginally but we are making concerted efforts to pay this via significant cash inflows flowing in from sale of existing projects as well as new launches. We have not monetized any land in this past quarter. A quick look at our EBITDA margins.

Our EBITDA margin is at 48% for quarter ended 30th June, 2012. Tax provision, as stated in our earlier quarters, sale of non ATID units has contributed to higher tax provision and we expect this to continue going forward. SG&A expenses, there has been a small increase in our general and administrative expenses which is primarily on account of project level advertisement and other corporate branding initiatives.

Net profit has increased due to higher realization achieved in the sales for both Puravankara and Provident as well as from income from associates. With these comments I would like to throw the floor open for question-and-answers.

## Questions And Answers

Thank you sir. Participants we'll begin the question-and-answer session. [Operator Instructions]. Our first question from the line of Mr. Abhishek Gupta from Merrill Lynch. Please go ahead.

### Abhishek Gupta

Hi, good evening. Could you kindly tell me the difference in margins expected from a Provident -- typical Provident project and a typical Purva project?

### Jackbastian K. Nazareth, Chief Executive Officer

It would almost be the same.

### Abhishek Gupta

It would almost be the same fantastic. And cost of construction for both typically?

### Jackbastian K. Nazareth, Chief Executive Officer

The luxury housing is in the range of about Rs. 1,800 to about Rs. 2,000 a square foot whereas Provident is in the range of about Rs. 1,000 to about Rs. 1,250 a square foot depending on the height and other factors.

### Abhishek Gupta

Sure, superb. Could you also throw some light on the launch quarter or month for these because we've been seeing these projects for a while and quite frankly, every quarter -- the quarter just move forward by another one plus one any confirmed dates for on these launches?

### Jackbastian K. Nazareth, Chief Executive Officer

Just to sort of give you a recap what we have is about 17.17 million square feet of launches planned out of which 11 million is under the Puravankara -- under the Provident brand, 6 million is under the Puravankara's brand. Provident yes, I do agree with you there has been certain delays but the point being that most development clearances have already been solved. The delays were on account of loan factors like environment et cetera which are expected shortly for example, I think one large one in Provident should be launched in the next month, month and half from now, where we've got already a development clearance.

### Abhishek Gupta

Alright. Thank you very much.

### Operator

Thank you. [Operator Instructions].

Lavina, I mean if the queue is empty can I go ahead with my question?

## **Operator**

Sure Shalin, go ahead.

## **Analyst**

Sir, just wanted to understand what would be our launch pipeline I do understand it is 17.1 million square feet for the next one year. Can you break it down in terms of on a quarterly basis how it's going to plan out to be?

## **Jackbastian K. Nazareth, Chief Executive Officer**

Yes, if you look at Puravankara out of the 6.12 million square feet, we have approximately about 4 million in the next quarter, quarter and a half.

## **Analyst**

Okay.

## **Jackbastian K. Nazareth, Chief Executive Officer**

Right, and the balance in quarter three to quarter four. As far as Provident is concerned, out of the 11 million square feet, we should have about 8 million square feet comfortably in the next quarter.

## **Analyst**

Okay.

## **Jackbastian K. Nazareth, Chief Executive Officer**

And balance in the quarter after that.

## **Analyst**

Sir just wanted to understand, if you could give a break up of where exactly are we planning to launch this 4 million square feet in next quarter or so, I mean geographically, if you can place it?

## **Jackbastian K. Nazareth, Chief Executive Officer**

Well, they're in all directions most of them are in, out of the 6 million Puravankara, we have about seven which are in Bangalore, and two are in Chennai.

Okay.

## **Jackbastian K. Nazareth, Chief Executive Officer**

In Bangalore, I mean I don't know do you want me to name the street?

## **Analyst**

No sir, that's fine.

## **Jackbastian K. Nazareth, Chief Executive Officer**

Yeah, right. As far as the 11 million square feet in Provident is concerned we have about two which are in -- sorry three which are in Bangalore, one in Mangalore.

## **Analyst**

Okay.

## **Jackbastian K. Nazareth, Chief Executive Officer**

One in Coimbatore and one in Mysore.

## **Analyst**

Okay, okay. Sir just wanted to understand I mean given the fact that you will be launching almost 17 million square feet, is this some kind of an asset equipment purchases that we have planned for taking such kind of a colossal task almost in the next two quarters?

## **Jackbastian K. Nazareth, Chief Executive Officer**

Not really because almost 7 million square feet is in the process of being handed over.

## **Analyst**

Okay.

## **Jackbastian K. Nazareth, Chief Executive Officer**

Right, so there is significant amount of asset as well as the human resource which is getting freed up.

## **Analyst Operator**

Thank you. Our next question from the line of from Parikshit Kandpal from Karvy Stock Broking. Please go ahead.

## **Parikshit Kandpal**

Jack, hi, congratulations on good set of numbers. Jack, I wanted to get a sense about the Chennai market so, what I understand from my channel check is that OMR road or on GST road, I think next three or four months there will be lot of new launches going to happen and price levels are almost like 3,000 to almost 3,500. It is also a ready supply which is there from most of the developers and OMR. So, what will be our strategy in terms of new launches are you planning two new launches in Chennai. You already have Windermere there, you have 20-80 scheme going on, your project Cosmo City. So, what will be the strategy I think at this point the markets look saturated or?

## **Jackbastian K. Nazareth, Chief Executive Officer**

Two things there, one is if you look at the larger project that we have which is Windermere. In terms of location, it is much closer to the city. It is not -- most projects that you are referring to on OMR in Chennai are towards the fag end of OMR road.

In terms of connectivity, if you see the location of Windermere it is right in the middle of OMR as well as GST and has a connectivity from Guindy which is CBD of Chennai.

## **Parikshit Kandpal**

Right.

## **Jackbastian K. Nazareth, Chief Executive Officer**

So locationally, I am confident it got that location advantage there. Secondly, the construction has already started they are pushing on execution. So customers prospective buyers will definitely recognize both the location as well as the stage of construction. Now coming back to Swanlake that we have. There we have already sold, I think about over 65% we have sold. Right, and nearing completion in the next -- I think in the next four to five months it should -- so that is again as a ready stock will be attractive.

## **Parikshit Kandpal**

And what about the two launches which you are planning, which is going to be -- is it on OMR only or is on the GST side so?

## **Jackbastian K. Nazareth, Chief Executive Officer**

Okay. The two launches for Puravankara that we mentioned in Chennai, one is in the city which is on -- which is a small project, yeah and that's in CBD, I mean that I don't think it should be a concern in terms of sales. We already have a product right next to it which was Purva Jade, which did exceptionally well and sold out. So that should be

## **Parikshit Kandpal**

Okay. So, what will be the price point for Walasar -- project and what will be the area like?

## **Jackbastian K. Nazareth, Chief Executive Officer**

Price point I think if you ask me today of course we'll firm it up closer to the launch. But if you ask me today it is anywhere in the range of about Rs.5,500 or Rs.6,500 is what the market is there currently.

## **Parikshit Kandpal**

And what will be the area you'll be launching here, how much you will be launching?

## **Jackbastian K. Nazareth, Chief Executive Officer**

It's a very small project. It's about 85,000 square feet.

## **Parikshit Kandpal**

Okay. So but what's the outlook on the Chennai market as a whole because I think even in your Windermere project, when I had channel check sizing most of the two BHKs get sold. But we have a larger ticket size on the three BHK and average apartment cost there is almost like closure to 70 lakhs, 80 lakhs.

So in the current prevailing price I think around Rs.3,700 per square feet. So which is broadly across if you see on the GST road the same prices is there when you go from Tambaram towards Mahindra World City. So the entire stretch is in that price range. -- I understand it's little premium but when you come to OMR to till end of OMR till Hiranandani like it's almost anywhere between Rs.4,000. So how are we going to basically incrementally sell out these apartments at this price point?

## **Jackbastian K. Nazareth, Chief Executive Officer**

Two things there, I'll again come back to locational advantage that Windermere enjoys in terms of having access from OMR therefore catering to the IT corridor there, from GST the industrial corridor and CBD which we have direct access from Velachery right, point number one. Point number two, I think if you see towards the end of OMR the projects which are nearing completion I'd like to correct you there I think is in the range of about Rs.5,000 to Rs.6,000 a square foot.

## **Parikshit Kandpal**

Only Hiranandani.

## **Jackbastian K. Nazareth, Chief Executive Officer**

Sorry?

## **Parikshit Kandpal**

Only Hiranandani is in that range, I think DLF. So DLF Garden City and then you have LLT so all are like in handing over now it's almost much Rs.3,750 is the price.

## **Jackbastian K. Nazareth, Chief Executive Officer**

No, no. But then you have to also compare the stage of construction, right. I think DLF if you compare the stage of construction it is still sometime away from completion. Therefore, now if you look at Windermere I would not in anyway compare it to those projects because it is about 8 to 10 kilometers away from Windermere. Windermere, we almost pitch it as a city property because of its connectivity and its location. So in that respect I think the pricing is still, okay.

And we have been consistently doing good sales there month-on-month.

## **Parikshit Kandpal**

So this quarter if you see, if you compare the last Q4 and this quarter. So is there any traction, increased traction in the sales in Windermere?

## **Jackbastian K. Nazareth, Chief Executive Officer**

Yes, there has been. Also I want to emphasize this point. That I think Windermere is positioned as a city centric property with a larger area. And that's what is making the difference. The demographic that comes and understands that we have a large size apartment which is not a regular offering I think that is becoming a differentiating factor. But having said that I appreciate your point that some of the four bedrooms are getting slowly sold.

But now there is enough and more traction that so much so, that we are under a pressure to launch Phase 2 of Windermere.

## **Parikshit Kandpal**

Okay, coming back to Bangalore, I was there in July and talking to brokers. So since I am getting is the July month has seen a sharp cut in volumes, I mean though the first quarter was very good. But July brokers said that, July is seen almost like new sales have come down almost by 30 to 40% and generally they attributed it to the overall unsecurity in the IT industry, the flattening of benches and all. So what's your outlook like, how is the Q2 looking or what's your outlook because the price points now if you see for the most of the developers closing to almost like anywhere between 4,500 to 5,500 at this price when 1,300-1,400 square feet roughly touches 80 lakhs, 90 lakhs. So what's your sense on that, I mean does it collaborate with your own sales or your own...

## **Jackbastian K. Nazareth, Chief Executive Officer**

I want to happily said that actually we did much much better in July inspite of it being month of Ashad, where sales usually drop in. If you see year-on-year comparison do it to July, I think we've done exceptionally well. Couple of reasons, there again, I think some times, we feel the prices of apartments have gone up but we also fail to realize that salaries also have gone up for the IT segments, number one. Bangalore too most important fact is that, the recent survey shows that urban Bangalore has still 60% of people living in rental homes.

## **Parikshit Kandpal**

Jack, will this quarter be in terms of immune sales be better than Q1?

## **Jackbastian K. Nazareth, Chief Executive Officer**

Yes, we hope to because with the couple of launches should only augment that's where I said if you remember we can't compare this quarter to the year last quarter because those three launches that we did in the quarter of 2012 really bought in large volumes with Venkatapura being launched, with Provident being launched and couple of Puravankara projects. I think we are very confident that we will reach our guidance.

## **Parikshit Kandpal**

And what about the strategy on monetizing existing finished inventory most of the projects which you were doing earlier are now reaching completion. So will we see an increased momentum there in terms of sales and which will go to overall reduce your debt?

### **Jackbastian K. Nazareth, Chief Executive Officer**

Yes, if you noticed this couple of quarters we sold Venezia extremely well, we have been selling Oceana well, now Grandbay in Kochin -- Eternity in Kochin has been picking up. Grandbay will come to a closure soon. Similarly Highlands Phase I occupation is people are moving in. And when people do move in Venezia is a classic example of very limited number of flats left over there. So I firmly believe that these project will bring in the momentum. But yes, having said that we need to augment this with new launches.

### **Parikshit Kandpal**

Okay, Jack. All the best.

### **Jackbastian K. Nazareth, Chief Executive Officer**

Thank you.

### **Parikshit Kandpal**

That's all from my side, yeah.

### **Operator**

Thank you. [Operator Instructions]. Our next question from the line of Mr. Smar Sarda from Anand Rathi. Please go ahead. Yeah, hi. Good evening everybody. Jack what is the guidance on debt going ahead because the last seven or eight quarters it's been continuously going up with the sales and even the execution. So what are we missing out here with the debt going up?

### **Jackbastian K. Nazareth, Chief Executive Officer**

I think if you see this quarter debt has stayed flat. The reason it has gone up in the last couple of quarters is because of our focus in execution where we shared with you our strategy that most projects. We have two categories of projects with us, one is the once which are about 80%, 90%, 95% complete where we have sold about over 70%, 80% off. And then we have the new launches, the new launches that we have done over the last one year have done exceptionally well in terms of sales. The older ones, customers we got the feeling that customers are saying okay, fair enough, we like the project but we rather move in when it's completed. So, the clear focus within the company was to complete these projects on account of which the debt had gone up but it stayed flat now.

### **Samar Sarda**

Okay. But by the end of this fiscal say March '13 will we see debt actually tapering down a bit or how would the gross debt level be?

### **Jackbastian K. Nazareth, Chief Executive Officer**

Yes, it should. See again it's a factor of I mean if the business continues to remain the same it will definitely come down. But as new launches come on board it may go up, but very marginally.

### **Samar Sarda**

Okay. And what are the target for collections this year? How much have we done in quarter one and what is the target collections from whatever is sold for FY'13?

### **Jackbastian K. Nazareth, Chief Executive Officer**

We have collected about close to 250 crores, for quarter one.

**Samar Sarda**

Okay.

**Jackbastian K. Nazareth, Chief Executive Officer**

And it will go up to about 550 crores, for the balance.

**Samar Sarda**

550 crores, for the balance segments?  
600 crores, sorry, 600 crores.

**Samar Sarda**

This is for both Purva and Provident?

**Jackbastian K. Nazareth, Chief Executive Officer**

Yeah, yeah.

**Samar Sarda**

And how much do we intend to spend on construction in the remaining nine month or FY13?

**Jackbastian K. Nazareth, Chief Executive Officer**

It will be around close to 275 crores, 300 crores.

**Samar Sarda**

For FY13?

**Jackbastian K. Nazareth, Chief Executive Officer**

Yes.

**Samar Sarda**

Okay.

**Jackbastian K. Nazareth, Chief Executive Officer**

Sorry, take 350 crores.

**Samar Sarda**

350 crore?

**Jackbastian K. Nazareth, Chief Executive Officer**

Yeah.

Okay. And just a couple of balance sheet questions. We moved some land from properties held for development to like properties under development and we've not launched anything this quarter. So this is pertaining to what?



## **Jackbastian K. Nazareth, Chief Executive Officer**

See, basically when we transfer all the land parcel which are in the prior stage of launch, where the pre-development activity is complete and it's just waiting for approval.

## **Samar Sarda**

Okay.

## **Jackbastian K. Nazareth, Chief Executive Officer**

In to properties under development.

## **Samar Sarda**

Okay.

## **Jackbastian K. Nazareth, Chief Executive Officer**

And because of that we have transferred couple of land parcels which we had listed out in the new launches schedule.

## **Samar Sarda**

Okay.

## **Jackbastian K. Nazareth, Chief Executive Officer**

In to the POD asset plus.

## **Samar Sarda**

So like this 40 crores refers to two land parcels?

## **Jackbastian K. Nazareth, Chief Executive Officer**

It will be basically, yes, it will be second and third in the new launches schedule.

## **Samar Sarda**

Second and third?  
Yeah.

## **Samar Sarda**

And for the first time we've transferred something back from POD here?

## **Corporate Participant**

No, that was accounting adjustment which we had to do it because of some facing of the project what we had done earlier, we had kept Windermere and Bluemont as a portion of it in PHD and portion of it in POD. So we have decided to move it into POD now because we are planing to launch Phase 2 of these projects.

## **Samar Sarda**

Okay. And again like BHS like what Highlands is considered complete since you have started handover and that is moved to your properties held for sale?

### **Corporate Participant**

Correct, because we've got occupancy certificate.

### **Samar Sarda**

Okay.

### **Corporate Participant**

So and we have completed the projects and hence, it becomes a completed inventory from now.

### **Samar Sarda**

Okay. So entire Phase 1 is shifted to pieces.

### **Corporate Participant**

No, it's not Highlands, it's Venezia.

### **Samar Sarda**

Venezia?

### **Corporate Participant Samar Sarda**

Okay, and Highlands is expected to be like since you've started handover you transfer it here when you get the OC right?

### **Corporate Participant**

Yes, we've applied for the Phase 2 also.

### **Samar Sarda**

Okay.

### **Corporate Participant**

And that will happen by next quarter. So that also will be move into properties held for sales.

### **Samar Sarda**

Sure. Thanks a lot.

### **Operator**

Thank you. Our next question is from the line of Gunjan Prithyani from JP Morgan. Please go ahead.

### **Gunjan Prithyani**

Hello, yeah hi everyone. I have couple of questions. Firstly, on your debt you -- could you just give us some guidance in terms of what would be your comfortable level in terms of gearing that you're looking at by the end of this year? I mean your debt has been increasing for almost last one year every quarter and I mean the reason behind it obviously you've mentioned is because you had a CapEx on projects which are nearing completion. But again we have almost 17 million square feet which will be launched this year will again will entail some amount of outflow from your side. So how do we see debt moving from here on and what is your comfort range for debt? I'll take my other questions later, yeah.

## **Corporate Participant**

Yeah, see the first one is gross debt as of 30th June is 13.42 crores and if you really see our repayment for this financial year up till March. We'll be having a 350 crore of obligations on the repayment side. So this itself will bring down my debt from 13.42 to around 900 crores, that is on point number one.

And as stated early by Jack and Ashish we are moving our earlier projects totaling 7 million square foot which is almost complete and we're replacing it with additional another 6 million square foot. So, for this additional 6 million square feet we might take a construction loan and which we are in the process of speaking to bank. But it might not be in the range of what you are witnessing. I will not replace the 350 with another 350 that is not what we are planning to And this 350 crores is what we are going to repay in this financial will itself bring down my debt ratio from 0.73 as -

0.74 as of 30th June to close to about 0.63 or 0.62 and from then on it might the exposure might be more in the region of 0.65 is what we are looking at as a comfortable number.

## **Gunjan Prithyani**

0.65 would be your net debt to equity?

## **Corporate Participant**

Yes.

## **Gunjan Prithyani**

Okay. And in terms of your average cost of debt what would be it right now?

## **Corporate Participant**

It's about 15%.

## **Gunjan Prithyani**

Sorry, 14%.

## **Corporate Participant**

15, 15 one five.

## **Gunjan Prithyani**

Okay. That's helpful. Secondly, on your approvals you mentioned that you've been facing lot of delays and we've seen this list of projects for couple of quarters and there has been limited progress on that. But from I mean when we look at Bangalore market we've seen lot of other builders continuing to launch a lot. So is it a project specific problem, or is it a micro market specific problem that there have been meaningful delays in couple of our projects?

## **Corporate Participant**

No, actually I think it's more related to the size whereas as far as sanctions are concerned if I can put it in a percentage term I would say

99% of the sanctions are in place of what is been holding us back is, the new MOEF sort of guidelines that have come about. And our projects being fairly large come under -- MOEF. But we are confident that it should get sorted out soon.

## **Gunjan Prithyani Corporate Participant**

Yes, we should. See like I mentioned, the development there is for example, if I have to put it in perspective of Bombay, where I think most of you guys are situated, the BMC approvals are all in place, like the plan sanction, et cetera.

## **Gunjan Prithyani**

Sure.

## **Corporate Participant**

It is the MOEF environment which is getting delayed because of the size of these projects.

## **Gunjan Prithyani**

Size of the project, okay.

## **Corporate Participant**

Which we are confident should get sorted out in the next couple of months.

## **Gunjan Prithyani**

Okay. And what would be your unsold area in these projects, 7 million square feet which you're going to deliver this year, what would be the unsold area in completed projects with you and what would be the inventory value according to you?

## **Corporate Participant**

Inventory value will be some where close to 3,000 crores on the completed one, including all the projects of Bangalore, Chennai and Cochin.

## **Gunjan Prithyani**

These are ones which are completed and being handed over to customer?

## **Corporate Participant**

Yes, this is basically the projects which were launched and we are completing in this financial year, the 7 million -inventory are reaching out of this 7 million.

Okay. And in terms of 1 million square feet, how much would that number be, out of seven unsold?

## **Corporate Participant**

I can give that to you offline.

## **Gunjan Prithyani**

Sure, no problem. And just lastly on this SEBI guideline of bringing down the promoter shareholding. If you could just tell us what is your thought process there and how do we -- by when are we looking at complying with that regulations?

## **Jackbastian K. Nazareth, Chief Executive Officer**

As of now we are discussing internally because the period that we have got from most bankers that we've been in talks with is that there are a lot of companies that need to comply and nobody sort of moved in any particular direction. So we're just sort of adopting a wait-and-watch policy and we should I think towards the end of this year we should come up with the best option for ourselves.

## **Gunjan Prithyani**

Sure, okay. Thank you so much.

## **Operator**

Thank you. Our next question from the line of Nitin Idnani from Enam Securities. Please go ahead.

## **Nitin Idnani**

Good evening Jack, Ashish, Anil.

## **Jackbastian K. Nazareth, Chief Executive Officer**

Hi.

## **Nitin Idnani**

Just one last question from my side. Land acquisition, just wanted to know your outlook on land prices in Bangalore and are we looking to replenish any of the land that we are handing over so much in this year, do you feel the need to acquire any land and if so is it more of outright, more JDA and your outlook on prices and whether it is conducive right now to buy more? Thanks.

## **Jackbastian K. Nazareth, Chief Executive Officer**

The rest of Bangalore we had a project done really well, we just have one more land parcel there. So, we are constantly as a company we're looking for opportunities, we are looking at land proposals that come our way. Having said that I think as a strategy at this point we are and we are actually getting good lands on joint development wherein there is no huge cash outflow.

## **Nitin Idnani**

Okay, okay great. Thank you.

## **Operator**

Our next question from the line of Tejas Seth from MK Global. Please go ahead.

## **Tejas Seth**

Hi. Just wanted to know this 2 million square feet of Bangalore launch, what is the location?

## **Corporate Participant**

Sarjapur Road.

## **Tejas Seth**

Okay. And will be launching in phases...

## **Corporate Participant**

There is Sarjapur Road, there is Magadi Road, there is JP Nagar.

## **Tejas Seth**

No, the 2 million square feet, the large project of this new 6 million square feet of launches.

## **Corporate Participant**

That is South Bangalore.

## **Tejas Seth**

That is South, so it's towards Kanakapura Road.

## **Corporate Participant Tejas Seth**

Okay. Just wanted to know what would be the offer for sale there or you will launching 2 million at one go.

## **Corporate Participant**

No that will be in phases, I think two phases. It will be in two phases.

## **Tejas Seth**

Okay. So just wanted to have a understanding that most of our projects where we had our strategy earlier has a inventory on the completed side also and inventory monetization has been very slow than expected. What is the strategy on the new launches side, are we going to follow the same side, same way where inventory moving would be slower because our collections predominantly are lower and which leads to debt accumulation because our operating cash flow even in this quarter doesn't meet our interest cost outflow also.

## **Corporate Participant**

Okay. Let me clarify now, see earlier what we used to indulge is where we used to sell about 10% to 15% on launch. The balance to the course of the construction, what we used to be left with once we're nearing completion was not more than 10% to 15%.

## **Tejas Seth**

Okay.

## **Corporate Participant**

Which is the case now, right. But if you look at all our launches that we've had over the last year, year and a half we have done exceptionally well where even not even halfway through the course of construction we have sold over 65%, 70%.

## **Tejas Seth**

Okay. So we are going to follow the same thing?

## **Corporate Participant**

Yeah.

## **Tejas Seth**

And when can we see your operating cash flow higher than your interest cost outlook on a quarterly basis which quarter you see this happening?

## **Corporate Participant**

I think from the next quarter itself it should happen.

## **Tejas Seth**

Okay fine sir. Thank you.

## **Operator**

Our next question from the line of Puneet Jain from Goldman Sachs. Please go ahead.

## **Puneet Jain**

Hello, good evening everybody.

## **Jackbastian K. Nazareth, Chief Executive Officer**

Hi Puneet.

## **Puneet Jain**

Hi. Do you have a target for FY13 in terms of resale value?

## **Jackbastian K. Nazareth, Chief Executive Officer**

We should be in the range of about 1,000 crores to 1,200 crores.

## **Puneet Jain**

Okay. Then I wanted to understand the constraints that why do you have a target given the inventory. And what are the constraints for pushing higher sales value?

## **Jackbastian K. Nazareth, Chief Executive Officer**

Sorry could you repeat that please?

## **Puneet Jain**

You are like right now you will have some 7 million square feet of inventory that you intend to finish in this year. Plus you are also launching more properties. And 10 billion to 12 billion of sales target would possibly mean 2.5 million to 3 million square feet of...

No, no. See these are all in different locations. These are all in different locations and different micro markets.

## **Puneet Jain**

Yes, so like because you have got this some large amount of inventory getting handed over or projects getting finished, plus you are also launching more properties. So what are the constraints that you see not to have say higher targets from say 2.5 million to 3 million square feet of sales volumes.

## **Jackbastian K. Nazareth, Chief Executive Officer**

In terms of guidance, we've always mentioned that it's a conservative guidance of 3 million. I am sure if we stay on target with our sort of launch plans, we should definitely cross that number.

## **Puneet Jain**

Okay. But so do you think that constraints could come in from pricing right now or constraints are coming in from say customer demand or customer sentiment?

## **Jackbastian K. Nazareth, Chief Executive Officer**

No. I think there are two answers to this question and two different solutions to it. Pricing for new launches, is not a challenge, if you go into specific micro markets, the other answer to ready-to-move-in inventory is the timing at which people want to buy. So, if you basically ask me how 3 million will get broken into how much of ready-to-move-in and how much of launch, it all depends at the specific stages. Venezia for example in more than four months we have been able to liquidate good enough of stock and I think a similar kind of fashion will follow for Highlands but coming to a new launch of Sarjapur I believe that about 30% to 40% would be sold in about four months of launch.

So each of these products has pricing and sales volume strategy that is so very different.

## **Puneet Jain**

Okay. Thanks a lot.

## **Jackbastian K. Nazareth, Chief Executive Officer**

Thank you.

## **Operator**

Thank you. [Operator Instructions]. We'll take our next question from the line of Samar Sarda from Anand Rathi. Please go ahead.

## **Samar Sarda**

Yeah hi again.

## **Jackbastian K. Nazareth, Chief Executive Officer**

Hi.

## **Samar Sarda**

Just a small clarification I wanted on the debt numbers like Jack you said probably by March '13 our debt numbers will dip a little down. We have a collection schedule of something around 600 crores, construction of 300 crores, 350 crores, debt repayment of 350 crores. So unless and until our collections don't go up or our construction does not fall down, and what we have also seen in the past is near completion projects, which we believe we tend to spend a little more to give it a good Purva finishing touch and also new launches expenditure is a little more.

So, with this like I particularly the debt inching up a bit by the year end.

## **Jackbastian K. Nazareth, Chief Executive Officer**

Samar that finishing touches, I have already been done in the last two or three quarters for Highlands, Venezia and all there, but I think what Hari was giving you the numbers are from products that are being executed, does not have the new launches. And the new sales coming there on.

## **Samar Sarda**



Okay. So we've already seen that in case in construction cost usually for example Venezia is like at normal stage and even Highlands so...

**Jackbastian K. Nazareth, Chief Executive Officer**

They are ready to move, I think.

**Samar Sarda**

Okay. So the 600 crores of incoming is only from the projects which are sold.

**Jackbastian K. Nazareth, Chief Executive Officer**

Sold yeah. Pending collections from sold units.

**Samar Sarda**

Okay. And typically from the new sales like what we're talking about 1,000 crores, 1,200 crores of new sales will receive round about 15%, 20%?

**Corporate Participant**

Yes definitely.

Sure. Thanks.

**Corporate Participant**

Okay.

**Operator**

Thank you sir. [Operator Instructions]. Our next question from the line of Nitin Idnani from Enam Securities. Please go ahead.

**Nitin Idnani**

Sorry just one last question. I wanted to know if you can give a sense of what is the price differential that you've experienced in terms of when a project is complete and when it's like may be six months or nine months away from completion. Is it quite stock?

**Jackbastian K. Nazareth, Chief Executive Officer**

Yeah very. Venezia is a classic example of 3,500 about six to nine months ago to 4,200 base price currently and still moving fast.

**Nitin Idnani**

Alright. Thanks.

**Operator**

Thank you. [Operator Instructions]. As there are no further questions. I would now like to hand the conference over to the management of Puravankara Projects for their closing comments.

**Jackbastian K. Nazareth, Chief Executive Officer**

Thank you, thank you everybody for being on this call. As usual I take this opportunity to invite you all to see our projects because firmly

I think real estate is about seeing and believing. So the next time that you all are here just let us know, I think two projects that you could see while coming from the airport or going back is Welworth City and Venezia. Also wish to let you know that our AGM is on the August 21, 2012 and the Annual Report is on the website but however in case you need a hard copy please reach out to Hari. And I would request you also to come sometime and meet up with Anil and Hari when you all are in Bangalore. Thank you so much.

## **Operator**

Thank you. On behalf of ICICI Securities Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.