“Puravankara Limited Q4FY20 and FY20 Earnings Conference Call”

June 26, 2020

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MODERATOR: **MR. DHAVAL SOMAIYA - ANALYST, PHILLIPCAPITAL (INDIA) PRIVATE LIMITED**

Moderator: Good day, and welcome to the Puravankara Limited Q4FY20 and FY20 Earnings Conference Call hosted by PhillipCapital. 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 * and then 0 on your touchtone phone. I would now like to hand the conference over to Mr. Dhaval Somaiya of PhillipCapital (India) Private Limited. Thank you, and over to you, sir.

Dhaval Somaiya: A very good evening to all of you. I hope everyone is safe and healthy. Today, we have with us the management of Puravankara Limited represented by Mr. Ashish Puravankara - Managing Director; Mr. Kuldip Chawlla - Chief Financial Officer; Mr. Vishnu Moorthi - Senior Vice President, Risks and Control; Mr. Abhishek Kapoor - Chief Operating Officer; and Mr. Neeraj Gautam - Vice President, Finance.

I now request Kuldip to open the floor with his remarks. Thank you, and over to you.

Kuldip Chawlla: Thank you, Dhaval. A very good evening and a warm welcome to all of you. Firstly, our apologies for the delay in uploading the Investor Corporate Presentation as well as the start of our call. We thank you for your patience.

My name is Kuldip Chawlla, Chief Financial Officer of Puravankara Limited. We hope you and your family are safe and well during this pandemic. And appreciate all of you for taking the time to be with us on this call. The presentation and financial results for the quarter and the year ended March 31st have now been uploaded on the stock exchange. We will start with a short update on the business, including the impact of COVID-19 and then the financial performance. Following that, my colleagues and I would be delighted to answer any questions that you may have.

The COVID pandemic has had a far-reaching impact. Unlike previous periods of uncertainty, which were mostly economic in nature, COVID-19 has been unprecedented given its impact across all aspects of human life. While the long-term outlook is still highly uncertain, businesses, individuals and families are nevertheless having to adapt to such new challenges such as the severe supply and demand disruption, social distancing and health implications. In the current situation, there are 5 critical areas where we have used the force of COVID to focus on what we believe is necessary for our stakeholders- strengthen the brands, allocation and productivity of resources, managing engagement with all our stakeholders, especially customers, channel partners, workman, staff, colleagues etc., managing cash flows and liquidity and sales velocity and launches.

Considering this, we at the Puravankara Group have focused our efforts on business continuity and adopting newer and improved ways to do business. Our initial priority was the safety of our workman, our colleagues and their families and allowing our staff to be ready to return to work

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effectively once the situation improved. We have used this crisis to re-engineer our business processes and implement digital strategies, which we believe have significant benefits going ahead. We were one of the few real estate players to rapidly adopt a complete digital approach to new e-launches. And I am pleased to report that we have successfully had e-launches of projects across both brands, Puravankara and Provident. We also launched a home booking platform, BOOK MY HOME, to cater to the growth in digital transactions. The aim is to ensure better and faster reach to the consumers and to make it more convenient for the buyers to access projects at the click of a button. The results are there to see.

We have continued to maintain good liquidity during this period, given our position with capital providers and our privileged access to capital. There are several other measures that we have taken to ensure that we remain resilient and strengthen our core competencies and processes to remain agile and flexible in this environment where there is no structural change in the housing markets.

Coming to the operational performance. In this year, we completed and handed over more than 3,100 homes. On the operating front, Q4 saw a booking value of Rs. 380 crores, 588 units sold with an average realization of Rs. 5,592 per square foot. Despite insignificant new launches, operating inflows came in at Rs. 372 crores, which is encouraging, considering the fact that the last couple of weeks of March involved bank disbursements, which were held up. For the full year, with only sustenance sales, we sold almost 2,400 homes at an average realization over Rs. 6,000 and we have managed to maintain or improve our realization across most categories.

Coming to the financial performance. First, for the quarter. The consolidated revenues for the quarter were Rs. 390 crores impacted in part by the dislocation due to COVID as customers and the authorities; both either deferred registration or were unavailable. EBITDA was reported at Rs. 101 crores. Profit before tax at Rs. 7.3 crores and consolidated income at Rs. 2.8 crore. Importantly, gross operating surplus was Rs. 138 crores for the quarter, a material improvement over the Rs. 107 crores in Q4FY19. This enabled us to generate for 4 straight quarters meaningful operating surpluses after interest and taxes.

Next, for the full year. Our consolidated revenues were up 3% at Rs. 2,187 crores, EBITDA was Rs. 506 crores, profit before tax Rs. 143 crores and consolidated income Rs. 90 crores. Again, gross operating surplus was Rs. 642 crores as against Rs. 281 crores for the previous year. For the last 5/6 quarters, we have stayed away from any new land investments. Accordingly, operating surplus after interest and taxes for the full year was Rs. 294 crores against a net operating loss the previous year. This enabled us to reduce gross debt by Rs. 241 crores in the year.

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Our efforts on paring our debt levels continue and near-term repayments have reduced materially due to the prepayments linked to the improved inflows in the previous financial year. Our net debt-to-equity has accordingly also been trending down, and we will see this continuing going forward. Our net debt-to-equity ratio now stands at 1.32x versus 1.48x a year ago. We have a robust and prudent capital allocation strategy in place with a clear objective to release capital from existing land holdings and judicious investments and launches going forward. The sector may continue to see some headwinds over the next couple of quarters. In such a scenario, we believe it will be beneficial to maintain liquidity buffers, stay nimble and yet be prepared to capitalize on opportunities as they arise.

Finally, we would like to touch upon some of the policy measures announced by the government as part of the 20 trillion package, which re-emphasizes the importance of the real estate sector in India's growth. The Urban Development Ministry issued an advisory, which would allow developers to extend all registration and completion dates of projects by up to 6 months. Using the force majeure clause suo moto, state warehouse can extend registrations and completion dates if these were falling after March 25, 2020. In addition, there's been a greater push for affordable housing via schemes such as the CLSS, under the PMAY for middle class being extended until March 31, 2021. A greater focus on launching affordable rental housing scheme under the PMAY and converting government-funded housing in cities into affordable rents and housing complexes also augurs well for the sector.

We remain confident that our established brands, the continued trust of our customers as well as our quality, our execution capabilities, our digital and widespread geographic footprint and our robust launch pipeline in the gateway cities of South and West India will allow us to bounce back to normal in the next couple of quarters, and emerge from this pandemic as a much stronger and formidable organization.

With this, we open the floor for questions.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. We take the first question from the line of Seema Singh, individual investor. Please go ahead.

Seema Singh: I have 2 questions. One is for Mr. Kuldip and one is for Abhishek or Ashish. I see that a lot of your focus is now on Provident. So, I just want to understand, what are your plans for Provident going ahead? There seems to be a larger scheme in play here. So, I just want to understand your long-term strategy for Provident. And for Kuldip, where do you expect your debt levels to trend down to? Is there an ideal debt-equity ratio that you as a company are comfortable with and what are the various steps you are taking to sort of get there?

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Ashish Puravankara: Thank you. First, I think in terms of the focus, there are 2 independent companies. So, our focus is equal on both the brands and both the products. Having said that, it's important to note the nature of the business in terms of Provident. So, these are affordable mid-income housing projects. So, by nature, they are fairly large like a township etc. So, they'll be larger in terms of volume. Puravankara on the other hand, will be in the luxury space. In the Bangalore context, I would like to say it will still continue to be maybe the Rs. 60 lakhs to the Rs. 1.2 crores for major chunk of our launches. Provident will operate in the Rs. 30 lakhs to about Rs. 65 - 70 lakhs. But volumes will always look larger in the Provident because these will be much larger projects. If you look at Pune, if you look at Bangalore, if you look at Bombay, we have almost equal number of launches in both the brands. So, example, Bombay, we have a Chembur and then we have a Shil, Thane. Shil, which is a Provident; Chembur is a Puravankara. In Pune, we have Silversands is Keshav Nagar, which is Puravankara and Bavdhan is Puravankara, but then we also have Kondhwa, which is going to be a Provident. You look at Bangalore similarly. So, I think in terms of number of launches, they're almost equal, but Provident project sizes are much larger.

Seema Singh: And is there any plan to sort of look at hive off Provident and list it separately? So, this is more of premium-affordable? So, the gap between Puravankara and Provident will continue to narrow? Or will these 2 brands merge at some point?

Ashish Puravankara: The 2 brands will not merge. So Puravankara, yes, we have rationalized the sizes a bit. But you never see that the sizes merging, or the company is merging. Going forward, I believe, over the last 10 years, we launched Provident in 2009, since then, we have launched now close to about 18-odd million square foot of projects. We have delivered over 10 million square foot. We have sold over 14 - 15 million square foot. We have deployed the latest technology in terms of Precast, delivered 3,000-plus units in Precast. We continue to construct another 2,000 odd units in Precast. So, we have deployed the right kind of construction technology, which not only allows us to expedite in terms of time, but also reliability on labor comes down, also standardization of quality. I think with this, being ahead of the learning curve, and getting a little more scale, as a management, we will then probably evaluate if it needs to be separated from Puravankara and separately brought to market.

Seema Singh: And this is for Kuldip, could you just take my question on debt.

Kuldip Chawlla: Sure. I think we need to look at our debt from 2 points of view. Number one, that we prepaid a fair bit in the current financial year, which gives us a comfortable position to be in. Number two, if you look at our inventory, we are sitting at about Rs. 700 crores or thereabouts of ready inventory. Last year, we sold more than that of the total inventory. So, no matter what happens this year, even if you sell 60%/70% of that inventory, assuming a worst-case scenario, 80% of that will go to debt reduction. This is not counting all the rest of our debt reduction, which happens from the sale of ongoing projects, where also we have standing instructions, number one. Number two, 6 quarters ago, we stopped taking debt for land. So that is not adding to debt. Number three is the fact that over the last couple of years, our new launches barely need any construction finance. Does that answer your question?

Seema Singh: It does. Is there any aspirational target of any kind? Is there something that you want to put a number to this issue and say, this is where we will get to?

Kuldip Chawlla: If I can just put that in context, last year, we did Rs. 250 crores. This year, we should do more than that. Now just to give you a range, it will be somewhere between Rs. 300 to Rs. 600 crores. The reason I'm giving you a range is because depending on how well our sales pick up, and we will share with you very happily what we've seen over the last couple of months from when the market has come back. If that continues, then I think we will have some positive news to share.

Seema Singh: Ashish, this is for you. I just want to understand the demand landscape now in the various markets. If you could give a quick overview of how Puravankara is seeing the demand landscape?

Ashish Puravankara: Sure. So, one is I feel that through the lockdown, there has been some rethinking on part of the prospective buyers. In the sense that they have realized that owning their own home gives them a physical sense of security. I also understand from the market that, in residential projects across Bangalore and Bombay and Pune, owners were treated very differently from tenants. We saw this because we completely stopped all marketing activities on March 24, getting into the lockdown. April first week, we said, why not get back with digital marketing. April 10, we rolled out our digital marketing again, gave remote access to all our sales personnel on the salesforce, remote access at their homes. Through 10th of April to the 30th of April, we had about 175-plus transactions. I think in the 3 months, so far, we have done really well. Only April and May, we closed 300 plus. So, in my mind, one is what I've been hearing from the market. Secondly is what we've experienced in terms of sales. So clearly, no change there.

Moderator: Thank you. We take the next question from the line of Sourabh Taparia from UBS Securities. Please go ahead.

Sourabh Taparia: So, team, 2 questions from my side. First, in an earlier question, you answered a bit about how you're looking at different market in terms of demand. Can you also talk a bit about pricing outlook for the year? And second question would be, how was the response to our e-launch Purva Aspire? And in general, while you talked about sales, how has collections trended?

Ashish Puravankara: Sorry, what is the second part of your question?

Sourabh Taparia: So how was the response to your e-launch, which was in Pune, right?

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Ashish Puravankara: Yes.

Sourabh Taparia: And in general, how has last 3 months been in terms of collection?

Ashish Puravankara: Okay. So, we've had 3 launches starting June 6. So, we had 2 launches on the same day on June 6, one was of a Provident project development. There, we sold, I think about 190-odd units out of the total 300 units, which is a fantastic response on that day. We sold about 150-200 out of Atmosphere. We closed about over 90 units at launch. We had set a target for the team. This is a luxury product, close to about Rs. 8,000 a square foot, but the micro market is excellent because this is off Ring Road on Thanisandra Main Road next to Manyata. So there, the team achieved a number of 95. We are confident we should hit 125 by the end of this month. So even that was a great response. Aspire, again, Bavdhan is a small project, it's about 220 units. There, we have sold about 35%. We sold about 55 plus units.

Sourabh Taparia: Right. And in terms of collections, given that you must have had very limited construction activity during the quarter. So how did collections trend?

Ashish Puravankara: So, collections were low. In March, we collected about 65% of what we usually collect on a month-on-month basis. And this was primarily on accounts. So there are debtors. They are primarily on account of the RBI giving that flexibility to customers to sort of postpone their payments. So, all customers self-funded as well as bank funded took advantage of that and have postponed payments. I think it's only a matter of time. I think in the next couple of months, we should come back online.

Sourabh Taparia: And on my earlier question, can you talk a bit about pricing, pricing outlook in terms of different markets?

Ashish Puravankara: So, pricing of the new launches, we have not reduced at all. In fact, we have gone with 10% over what is currently operating in those micro markets. In terms of ongoing projects, through the lockdown, we gave the customers some comfort in terms of price protection. So, what we said is, 'you are taking a massive step of booking your home, you don't know if prices will go down. So, if the prices go down over the next 6 months, if we reduce prices, you will get advantage of that reduced price.' So, these are a few things. But besides that, no major discounts were offered.

Sourabh Taparia: I mean, so this scheme is valid for 6 months, if there are any reductions?

Ashish Puravankara: The price protection only during the lockdown was offered to those customers. Stating that, you book at this price today, if we revise the price downwards over the next 6 months, that price will be applicable to you.

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Sourabh Taparia: And if I can squeeze 1 more. So how do you look at this year, especially in terms of launches? And talking about Mumbai launches or entering Mumbai?

Ashish Puravankara: So again, we were not too sure when we started. I think we're the first developers in the country to do a launch post the lockdown, which was June 6, with a Puravankara and a Provident. With the success of those launches, we had the confidence and we went ahead and did a Pune launch this past Saturday, which also did well. If the same momentum continues, I think we are committed to our launch pipeline for the rest of the year, as listed out in our presentation.

Moderator: Thank you. We take next question from the line of Dhaval Somaiya from PhillipCapital. Over to you, sir.

Dhaval Somaiya: Sir, my first question is on the outflows. Sir, I see that in this quarter, the outflows have spiked up. Any particular reason for that?

Kuldip Chawlla: Sorry, could you say it again? You're saying in Q4 outflows have gone up?

Dhaval Somaiya: Yes.

Kuldip Chawlla: In Q4, outflows are lower than both Q2 and Q3 and I'll tell you why also because half our sales have been coming from ready-to-move inventory, where the only costs we have to incur are sales and marketing.

Dhaval Somaiya: And what would be your pending collections through the existing sales? And how much do you think we'll be able to collect over next 1 quarter?

Kuldip Chawlla: If you look at Slide 19 of the Investor Corporate Presentation, across both our brands, the balance collection from sold units, both ready and ongoing, is Rs. 1,813 crores spread Rs. 1,107 crores across Provident and the balance Rs. 706 crores on Puravankara. The bulk of Puravankara sales have been ready to move.

Dhaval Somaiya: And in this environment, Ashish sir, what will be our strategy going forward in terms of, I believe that there will be opportunities that will be available in the market in the coming quarters as the consolidation picks up pace. So, do you think are we open for exploring more opportunities in the coming quarters? And if so, which micro markets will we be more focusing upon?

Ashish Puravankara: So, the micro markets that we will be focusing on will be Bangalore, Hyderabad, Pune and Mumbai. And in terms of exploring, we are constantly exploring new opportunities. And you are right. I think in this environment and especially, I will tell you, in the last 3 weeks, if I take that as an example, because of the success of the 3 launches that we've had, a lot of smaller developers in some micro markets have in fact approached us with projects, with planned sanctions that they want us to sort of do a joint development on. So, we are constantly going to be in the market. Obviously, joint development and relatively less upfront capital kind of projects where we leverage our brand will be preferred over any sort of outright at this point.

Moderator: Thank you. We take the next question from the line of Amit, individual investor. Please go ahead.

Amit: My question is around digital launches. Could you explain how these works and will these have better cost savings versus traditional sales channel, sir?

Ashish Puravankara: I think it's a long-drawn-out process. So, I can probably answer this better offline. But having said that, a short answer is that we did the entire launch for these projects where it would start live on our website, YouTube and Facebook. We would have a 90-minutes presentation from the architects of the project, the sales and marketing head of the project. We again highlight the USPs, amenities etc. And then that ends with us revealing the final base price. From there, the customer goes on to the website, he has a live availability where he blocks his units. He has 3 minutes to go to the payment gateway, use his credit card/debit card to sort of put the down payment. If he does not conclude that within 3 minutes that apartment that he's blocked gets released. In terms of marketing costs, yes, there is a huge savings. Typically, at the end of an EOI, which would go on for 60 to 90 days, it would end up at this grand event in a 5-star hotel, typically with 1,000, 1,200, 1,500 customers. You'll have entertainment, you'll have this entire stage, you will definitely take a jacket on Times of India. Today, most of this marketing and even getting prospective buyers and people who have expressed their interest during the EOI process were all contacted through digital marketing and through e-mails and invited to this online launch. So, costs are significantly lower with digital.

Moderator: Thank you. We take the next question from the line of Lokesh Dodani from IndusInd Bank. Please go ahead.

Lokesh Dodani: My question is to Kuldip. Kuldip, I have 2 questions. The first question is that the cost of debt has increased slightly from 11.4% in Q4FY19 to 11.97% in Q4FY-20. So, my question is basically, the repo rates or the RBI rates have reduced in the last 1 year. However, the cost of debt has slightly gone up. So, if you can throw some light on that and give me some guidance on that.

Kuldip Chawlla: The fact of the matter is that unlike what has been intended both by the RBI and the government, even well-performing developers are not getting the benefit of the reduction in repo rate being passed on to them, at this point in time. We would like to believe and hope that this situation changes, especially considering, a) the fact that there is a lot of liquidity in the system; b) that

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developers have a demonstrated track record; and c) that at the risk of being immodest there would be lesser opportunities when there is a flight to safety by capital providers.

Lokesh Dodani: Yes. So cost of debt is expected to be slightly lower in FY-21 or Q4FY-21?

Kuldip Chawlla: We would certainly expect that to happen. And it would be certainly our endeavor to start paying off from the surpluses that we are generating any high-cost debt on a go-forward basis.

Lokesh Dodani: And Kuldip, my second question is a little on the economy side. So, after this COVID pandemic, there is a downward pressure, which is expecting on the sales side. However, the cost, which is the construction costs and other costs is expected to be sticky. So, do you see any downward pressure on the PBT margins or EBITDA margins or PAT margins in the coming year?

Kuldip Chawlla: There are 2 ways to look at this. One is the fact that the number of launches, as you would have noticed even pre-COVID went down. And post-COVID, there's been a very dramatic fall. What that means is that in our target market, supply is down. Now what we have witnessed, including in the e-launches that we have done recently, the demand may have been postponed slightly, but there is no structural change in the demand for housing. Therefore, we do not believe that prices for organized developers and certainly in the markets we are talking about, will actually go down. That's part one. Part 2 is, we've had the benefit of our contracting partners being open to. And in fact, while some of the discussions are ongoing, they're even willing to look at lower prices because they have lesser opportunities for growth because supply has come down and they look at people where they are sure that they will get their payments on time. The only thing that what we are seeing because of either a commodity cycle or other reasons is steel and cement prices, we would like to believe that, that is temporary.

Moderator: Thank you. We take the next question from the line of Mohit Agrawal from IIFL. Please go ahead.

Mohit Agrawal: Sir, I had a couple of questions. I'm sorry, it's just been asked earlier. But could you elaborate a little bit on what is the labor availability? And what kind of issues are you facing there? I understand a lot of them would have gone back. What's the sense there? And when do you see normalcy returning back on that front?

Ashish Puravankara: So far, I think the sites are currently at about 25% labor strength, but having said that, I think from last week, at least what we are hearing from the labor aggregators is that the laborers are all ready to come back. There were a few state level issues in terms of quarantine rules that were being sought out with the local government. So, in the sense that if the laborer comes in, he was going to be made to be quarantined for 14 days. So, I think that is going to be sorted out. So, what they are doing is, they're talking to the local government , as long as the labor camp is within the site and they're going to be working between the camp and the site, which should be fine. In my mind, I think over the next 1 to 2 months, it should come back to normal.

Mohit Agrawal: Okay. And typically, sir, in monsoons, the construction activity level would have reduced itself, right? So, at what level generally in monsoons do you operate at? Or is it like full 100% during monsoons also?

Ashish Puravankara: It depends on the stage of construction. Example if you are stuck in excavation, doing of basements or retaining walls, I think it plays havoc in terms of schedules. But if already your structure is up and your finishing is going on, then not so much. So, depending on which site and at which stage of construction, efficiencies will vary anywhere between, I think 100% to 65%.

Mohit Agrawal: Sir, my second bit is on the first quarter that is just about to end, what is the kind of bookings run rate that we have seen, if you could help us, how had April been, May been and June until now had been? And how has been the collections till date, if you could throw some light on that?

Ashish Puravankara: I think in terms of sales, I can tell you that it has exceeded our Jan to March number. I don't want to say that number out now, but it is definitely done much better than Jan to March. In terms of collections, I did share earlier, in terms of current customers for ongoing projects under construction, customers did take advantage of the moratorium offered by the RBI and have postponed their payments. I think it's only a timing issue. It should come back online over the next 1/2 months.

Moderator: Thank you. We take the next question from the line of Ankit Agarwal from ED Capital Advisors. Please go ahead.

Ankit Agarwal: Sir, my question was regarding offers like most of the developers currently are offering 90/10 payment terms and decreasing their repayment terms. So, is your company also planning to provide such offers?

Ashish Puravankara: I think depending on the project, different schemes are worked out from time to time. We ourselves, also run 80/20, 90/10 schemes. And so, what happens is, at launch, you end up selling a significant percentage of the project. Then the project enters a sustenance mode I'm just giving an example. On a month-on-month basis, you are selling 25 to 45 units. We let that happen for a quarter or so. This has got nothing do with COVID. Even then, what we do is, we launch a 20/80 scheme, get a boost of about 100-150 units over 30 to 45 days, and then gets back into sustenance. So, this is, a normal practice through the life cycle of a project.

Ankit Agarwal: Okay. And do you expect that your provision of bad debts might rise up next year?

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Ashish Puravankara: Position of bad debt, there is no bad debt in real estate. The apartment is with me, all I do is cancel and resell it.

Moderator: Thank you. We take the next question from the line of Seema Singh**,** individual investor. Please go ahead.

Seema Singh: I have a question on your online sales. So obviously, Puravankara has been an early adopter in Precast, and also in online sales. So, Ashish, how much of this medium, this channel do you see in the future vis-à-vis your traditional channel? I know this is a very hypothetical question, but do you see more of sales coming from online channel vis-à-vis your traditional sales channel?

Ashish Puravankara: So, I think there are 2 parts to it. One is in terms of marketing, digital versus traditional. Second is the basic act of doing that booking. So, in terms of marketing, I think over the last 2 years, we have seen an increased percentage in digital spends over traditional spend mediums like newspaper etc. which we are able to get better results, we're able to track the minute it's a digital. So, for example, you are advertising across online platforms from Google to Facebook to Instagram or wherever the case may be. On a daily basis, we are able to track the kind of response each project gets from each medium. And you are able to be nimble and you are able to change that strategy very next day. A quick example of a project in Chennai, which is in Guindy, a very high-end project. We realized that out of 6 of the digital platforms, only 1 platform gave us results. So, the very next day, the entire marketing spend was shifted to that. So that's on the digital bit. On the booking front, going forward, I think the customers will visit the site, see what's around it, the micro market etc. But we are trying to change the culture by incentivizing customers going forward to actually go back home and book their apartment online. It may mean some sort of discount, a saving of small percentage, an incentive to go back home and actually use that live availability, use their cards and book online. So, we hope that we're able to change consumer behavior with this.

Seema Singh: Do you also see more customers wanting to do ready-to-move in vis-à-vis under construction because we live in a little uncertain time. I also want to understand how is the approval process right now for real estate projects.

Ashish Puravankara: So, 2 things. On the ready-to-move in versus under construction, as of now, there is no data to change what we personally have experienced over the last 2 years, which means, I think, it's 50-50, and we've seen that trend across every quarter, 45% to 48% has been contributed by RTM and the balance has been under construction. The reason I say that is because we were quite positively encouraged by the results of 3 of our launches, which are under construction at this point, but was a great response. So, I believe that going forward, it will be about 50-50, you're going to have a certain class of customers who would want something ready-to-move in. The other set of customers want to take advantage of having that choice of getting in early. So

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therefore, the price benefit before the escalation happens. They are also aspirational to say that today, the pre-EMIs at this salary level is lower. And over the next 4 to 5 years, they see their salary is growing. So, when their EMI starts their salary is at that level 4 years down the line, they will be able to afford it. So, I think there's demand on both sides. In terms of our approvals, so far, nothing significant in terms of delays. The last 2 months- obviously has been a washout because most officials have been on COVID duty across, I think, every major city in the country. But the last 15 days, we have seen our files move normally. So, I don't see any inordinate delay going forward in terms of approvals.

Seema Singh: And then if I can ask 1 more question, actually 2 more. Any plans for your development platform? Anything that is fructified? And second, on the business front, I want to understand if Puravankara is looking at integrated cities because some SOPs by the government moved in this direction. So, anything on integrated cities and also, do you believe Tier 2, Tier 3 cities are attractive given this reverse migration happening?

Ashish Puravankara: I didn't understand your first question on development, focus on development.

Seema Singh: It's more on your platform, a funding platform for your future projects?

Ashish Puravankara: Yes. So, we've been in talks with a few funds to create that growth platform for Provident, they seem to be progressing fine, even post-COVID. So, we're confident and I think once we get to a certain stage, we'll be happy to share those details with you. In terms of Tier 2 cities, as of now, we already have land in Tier 2 cities like Coimbatore. So, wherever we have land in Tier 2 cities, we will evaluate either developing them or monetizing them. But we will not go into new Tier 2 cities and acquire any new projects. We'll continue our focus in Bangalore, Pune, Mumbai and Hyderabad.

Seema Singh: And on integrated cities, if you have any plans also?

Ashish Puravankara: See, we have a few large land parcels, where we are trying to do a mixed use, which will be maybe a work from home or walk to work sort of a concept with a little bit of retail. But besides that, there are no new large acquisitions because for a large township, I think the acreage of land required, aggregating that land, getting the approvals, it's too long drawn-out of process, in my opinion. Having said that, we do have already acquired large parcels on which we are doing a mixed used development. So, I would like to differentiate between what you are referring to as a township vis-à-vis a mixed use.

Moderator: Thank you. We take the next question from the line of Anushka Khanna from GIC Investment. Please go ahead.

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Anushka Khanna: Sir, congratulations on the debt, it's come down from 1.48x to 1.32x over the last 4/5 quarters. So, where do you see this level in the coming year?

Kuldip Chawlla: We had answered that question. And what we were saying is that basically, we think between Rs. 300 to Rs. 600 crores over the course of the next 4-5 quarters is something that we think is more likely.

Anushka Khanna: And what will be your debt profile? And what is your plan for repayment in FY21?

Kuldip Chawlla: So, like I said, I mean, in FY21, our committed repayments have come down significantly largely because we prepaid, and then we've taken the benefit of some moratorium. But we are in a comfortable position, a) because we had ready-to-move inventory sales where the debt automatically comes down; and b) in terms of actual numbers, we repaid Rs. 241 crores, which is ahead of our mandatory repayment schedule.

Anushka Khanna: If I could ask another question. For commercial real estate, it was a focus area in our last few quarters and the new collapse of the shared working space concept like we have WeWork. So, do you still have aggressive plans for commercial real estate, like even large IT companies have entered towards 50% to 75% reduction in the space needs.

Ashish Puravankara: So, we are evaluating this space. Having said that, the land that we have already acquired, which we already own, on which we've designed commercial spaces, fortunately, are within the CBD areas. So, if you see the commercial space trend in terms of absorption as well as rental rates, the first to be affected are in the periphery of any city. So, in the context of Bangalore, you would first see this effect in the new developments that are happening along Sarjapur Road. So, they are the first to get affected. The CBD is the last to be affected. In terms of recovery, CBD is the first to get affected and then it sprinkles down. So, the 4/5 projects that we already have, that we've already designed that are in the sanction process, are city projects, they're not 5/7 million square foot large commercial campuses. So, we will continue. New acquisitions, obviously, we will now evaluate to see how this trend changes.

Anushka Khanna: If I may ask one last question. On your JV and developments, has there been any re-negotiations with partners, how do we see these projects playing out in the future?

Ashish Puravankara: So, in terms of the joint developments and joint ventures, we have done a quick evaluation in terms of the commercial that we had entered. The ones that we thought warranted a little bit of tweaking and re-negotiation, we have approached the landowners and is currently being negotiated. I think people at large have accepted that life has changed post-COVID. So, landowners have been patient, they've heard us out, I think they're evaluating it and they'll come back.

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Moderator: Thank you. We take the next question from the line of Dhaval Somaiya. Please go ahead.

Dhaval Somaiya: I have a couple of questions, starting with a follow-up on the previous question. So. Ashish sir, I vaguely remember you stating at one of your CNBC interviews last year that we would like to hold a 7 to 8 million square feet kind of commercial portfolio. So, if you can chart out the trajectory that we have in mind over the medium term, how our commercial portfolio will shape up or is there a tactical change?

Ashish Puravankara: As of now, about little, I think, close to 9 million square foot of commercial projects we already have the land with us. The designing is almost complete or in the final stages. As an organization, I think we will proceed to get these projects approved. Unlike Mumbai, there's no large premiums to be paid besides approval fees, which are not very high. So, we will, I think, get the sanctions, get the approvals in place. See how this space sort of develops over the next 6 to 8 months. Like I said in the previous answer, this 8/9 million, we are fortunate, most of it is within city limits. So, I don't see a major disruption happening because there is no more supply in the city. The first one to be affected in terms of demand absorption or rentals will start happening from the periphery of any city. Since these are city projects, I'm not too concerned about it. So, we will proceed to get approvals and keep them in place and evaluate the space.

Dhaval Somaiya: And sir, if you can give some broad guidance in terms of per square feet costs that we might incur on these projects?

Ashish Puravankara: So, in terms of land cost is already incurred. In terms of construction, depending, it will be in the range of about Rs. 3,300 to Rs. 3,500 a square foot.

Dhaval Somaiya: And sir, the next question is, broadly, have you seen any change in the ticket size mix, especially during the lockdown. So, have you seen some kind of a trend wherein the buyers are preferring the lower ticket size or any such specific trend coming out of the sales over the last 3 months?

Ashish Puravankara: Not really. So, what we've seen in terms of sales through April and May, they have been equally distributed, like in the previous quarters between both the brands and between under construction and RTM. So, there's no significant change in trends yet.

Dhaval Somaiya: And sir, lastly, from my side, it's more of a broader industry-related question that I have. The land prices still were notching up especially in Bangalore in certain cases, at least on the pre-COVID base. Going forward, do we expect the land prices to soften? Or how do you think the scenario will pan out, especially in Bangalore?

Ashish Puravankara: I think it all depends on a micro market. Now if you look at South Bangalore, where there is stable demand, I don't foresee there'll be any huge reduction in terms of land prices. I should also say, if you compare - Hyderabad and you compare Bangalore, it's not like the land prices

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really went up over the last 2, 3 years in Bangalore, I think they were realistic. Some stray individual transaction or some micro market, it may have. But on a general basis, I think there have been increases, but more realistic. So, depending on where you're acquiring new land, I don't see any huge correction that will happen at least in Bangalore. Hyderabad, on the other hand, I do believe that there will be huge corrections in terms of land prices because there was no FSI in Hyderabad. People derived land cost with the assumption that a developer will construct 5, 6, 7 FSI. 5, 6, 7 FSI meant, you would have to go down 3, 4, 5 basements, pushing the cost of construction up. Plus, you have high premium in Hyderabad. So today, if you're not able to absorb that kind of a selling price, you are going to definitely reduce the density to bring your cost of construction down, thereby reduce land cost in a city like Hyderabad, for example.

Dhaval Somaiya: And sir, any views on Mumbai and Pune micro market?

Ashish Puravankara: Yes. So, I think these micro markets, so far, we're not seeing any reduction in land prices. And like I said, because I think they are in line with the price of the end product.

Moderator: Thank you. The next question is from the line of Seema Singh, individual investor. Please go ahead.

Seema Singh: Last question from my side is, can someone give me the estimated value of the inventory for Chennai for Puravankara?

Kuldip Chawlla: Our ready inventory should be in the region of about Rs. 200 crores.

Seema Singh: This is ready-to-move in?

Ashish Puravankara: This is ready-to-move in both the brands.

Kuldip Chawlla: Between both the brands spread across about 3 projects.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for their closing comments.

Kuldip Chawlla: Thank you so much. COVID-19 has not altered the structural underpinning, especially of the residential sector. Whilst the first couple of quarters would be impacted, it is our belief and that our brand, our execution capabilities, our product portfolio and our geographic spread should enable us to come back strongly. We thank you for taking the time to join us on this call. We realize that many of you may not have had the opportunity to read through the investor presentation, and we will be happy to connect with you over the course of the next couple of weeks, should you have further questions. Thank you and have a wonderful weekend.

Moderator: Thank you. On behalf of PhillipCapital (India) Private Limited, we conclude today's conference. Thank you for joining. You may now disconnect your lines.

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