Kolte-Patil Developers Limited

Q4 & FY21 Conference Call Transcript
May 31, 2021

Moderator: Ladies and gentlemen, good day and welcome to the Kolte-Patil Developers Q4 FY21 Earnings Conference Call. As a reminder all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Karl Kolah of CDR India. Thank you and over to you sir.

Karl Kolah: Thank you very much Aman. Good evening everyone and thank you for joining us on the Q4 & FY21 results conference call of Kolte Patil Developers Limited. We have with us today Mr. Gopal Sarda – Group CEO and Mr. Vikram Rajput – Head Investor Relations and Corporate Finance.

Before we begin, I would like to state that some statements in today's discussion may be forward looking in nature and may involve certain risks and uncertainties. A detailed statement is available in the Q4 & FY21 results presentation that has been shared with you earlier. I would now like to invite Mr. Gopal Sarda to begin the proceedings of the call. Over to you.

Gopal Sarda: Good evening, everyone. I warmly welcome you all today and thank you for taking out time to join us to discuss the operating and financial performance of our company for the quarter and financial year ended 31st March 2021. I hope all of you, your families and colleagues are keeping safe through this difficult phase. We are already seeing some easing out of the present situation and remain hopeful for better times ahead.

I trust that all of you would have received our financial results presentation for Q4 and FY21, which has been uploaded on the stock exchanges website earlier today. I am pleased to report a very encouraging operating and financial performance by Kolte-Patil in one of the most challenging period for both human and commercial activity in recent memory.

We ended FY21 on a strong note, achieving a noteworthy turnaround across all key parameters in H2FY21 compared to the weakness in H1, which was a period with extensive lockdowns and overall tightness in economic and business conditions. Despite deriving a large part of our business from Pune and Mumbai, two cities which have been most impacted by the pandemic, our customer collections were up 2.7 times to Rs. 823 crore in H2 versus H1. Similarly, value of pre-sales was up 2.4 times to Rs. 842 crore in H2 versus H1 and H2 Sales Volume doubled to 1.41 msf in the same period. This allowed us to report FY21 sales bookings of 2.08 msf, higher than our stated guidance of 1.8 msf.

Sales traction has been strong across markets of Pune, Mumbai and Bengaluru as well as across product categories. Our robust sales & marketing machinery and brand equity is getting increasing recognition in Mumbai and Bengaluru as well. Contribution from projects in Mumbai and Bengaluru expanded to ~Rs. 300 crore during FY21, which was ~25% of FY21 Sales Value of Rs. 1,200 crore. This has diversified the business portfolio further and is completely in line with our business objective of scaling the Kolte-Patil brand across a larger portfolio of projects in the three cities of presence.

We have also hit significant sales milestones in Q4FY21, which has been our best ever sales quarter in the last six years both in terms of volume and value. Q4 sales volume was 0.85 msf and sales value was Rs. 511 crore, on the back of continuing sustenance sales across our key projects as well as stronger contributions from projects recently launched in Pune and Mumbai. This clearly indicates the solid momentum in our business and we remain well-positioned to deliver significant traction in the coming period as conditions normalize.

We launched Evara, a society re-development project located in Borivali, towards the end of Q3. This was our first new launch in Mumbai in four years. It received strong interest and sold 54 units till Q4, which is 75% of the total saleable inventory in the project. Subsequently, we have launched Verve at Goregaon and Vaayu at Dahisar and both projects have seen encouraging traction in a very challenging period marked by lockdowns. These three redevelopment projects in Mumbai have a combined saleable area of ~0.52 msf with expected topline of over Rs. 1,000 crore.

We have been putting in concerted efforts to strengthen our Mumbai operations and are happy with the way our Mumbai story is shaping up. Coming into FY22, we expect to record a strong performance from Mumbai – our target is to double the contribution from Mumbai in FY22 on the back of Evara, Verve, Vaayu and the balance RTMI inventory in Jai Vijay. We also have five additional society re-development projects in the pipeline, all in prime locations in the western suburbs, which represent a topline potential of another Rs. 1,500 crore for Kolte-Patil. Of these, Sukh Niwas (Khar West), Golden Pebbles (Kalina) and Jeevan Sudha (Andheri West) with a combined expected topline of ~Rs. 700 crore have are in next in line to be unlocked and launched.

Very recently, we have also announced two new projects in Pune under the development management (DM) model. These projects, located at Hinjewadi and Tathawade have aggregate saleable area of 1.3 msf, and DM fees of Rs. 80 crore is expected to be garnered in aggregate. Earlier, in February this year, we had signed three Pune projects located in Baner, Moshi and Wagholi with a combined saleable area of 2.2 msf under revenue share and profit share structures. These projects have further strengthened our visibility in the Pune market and will certainly expand our market share. The expected total topline potential from the three projects signed in February is ~Rs. 1,500 crore with profit before tax potential of Rs. 220 crore. In line with our ongoing philosophy, we will now be focused on expediting sales, execution, collections and deliveries across the larger portfolio to drive cash flows and expand ROIs.

Overall, over the last few years, we have been judiciously building our projects pipeline to drive the next round of growth. This process started in FY19 with the buyout of ICICI Venture's 50% stake in Life Republic and the acquisition of the balance 49% equity stake from IL&FS in our Downtown project in Pune. Subsequently, in FY20, we signed three DM projects with a combined saleable area of ~1.6 msf in Pune with expected fees of Rs. 85-88 crore. These buyouts and all our new projects have been structured in a manner that limits capital deployment as well as our peak funding requirement for Kolte-Patil, enabling strong ROCE visibility upon their implementation.

Another, significant milestone was Q4FY21 recording best ever collections – highest in the company's three-decade history. This follows Q3 FY21, which was the best ever collections quarter till Q4 FY21.

We are happy to share that during FY21, based on further improvement in liquidity in our business operations, there has been a reduction of Rs. 124 crore in KPDL's net debt. This is the second consecutive year of Net Debt reduction at KPDL. Our Net Debt to Equity stands at 0.24 as on March 31, 2021. Given our collections growth and lower interest outgo, we have delivered healthy OCF of ~Rs. 400 cr despite FY21 being a pandemic year. This performance also evidences working capital efficiency where we have managed overheads, construction costs, investments and tax payments seamlessly.

During Q4, momentum in financial performance also picked up with the company reporting POCM revenues of Rs. 392 crore, up 40% YoY. POCM EBITDA expanded by 30% to Rs. 72 crore and Profit After Tax increased by 35% to Rs. 42.2 crore. This was a positive achievement following the substantial impact on project execution in FY21 due to four to five months of lockdowns that resulted in slower than expected deliveries.

While the current lockdown has impacted real estate activity, we have managed to retain 70-75% of our workforce across sites and FY22 is expected to record strong delivery numbers. However, the current lockdown and surge in revised approval applications post-UDCR has resulted in Q1FY22 being slow from an approval and launch perspective. We expect the environment to normalize in subsequent quarters.

We have added a combined saleable area of 3.5 msf to our portfolio in the last four months. We look forward to build on our Business Development intensity with structured transactions and scale up our profitable and operating cash flow generating business to deliver stronger ROCEs and IRRs.

We have created an efficient S&M engine which has achieved the targeted geographic mix, invested in the business and yet finished with higher cash flows, moderated debt on the books despite payments, strengthened sales pipeline for next round of growth and are proceeding towards outperformance. We are looking to build a solid, self-sustainable company geared up to capitalize on industry consolidation and create newer records in the coming years.

On that note I conclude my opening remarks and would like to now ask the moderator to open the line for Q&A.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Prithvi Raj from Unifi Capital.

Prithvi Raj: The launch calendar shows 7.2 million sq. ft. of priority launches. Out of this, how many of the projects have already received all of the approvals? What would be the various stages of approvals for these projects?

Gopal Sarda: As far as the launch calendar is concerned, currently none of the projects have an approval, otherwise they would have been considered as projects 'under execution'. All these projects require at least a 3-6 months' time to get all of the approvals. Thus, on a QoQ basis a couple of projects will be cleared for launch. As of today, perhaps none of these projects have the complete set of approvals and these will come over a period of the next 3-9 months in a phase-wise manner.

Prithvi Raj: After receiving approvals for these projects, what would be the new launches this year?

Gopal Sarda: The Company has an existing inventory of ~2.8 million sq. ft.. There are a couple of 'Phase II' projects at Life Republic that have received the RERA number. However, the launches will be deliberated on internally. On the Mumbai projects, like – Evara and Verve, it saw good traction in the month of April; post lockdown, it seems that the customers are unable to come and see the apartment, have the site visits and interact with the sales team to arrive at a decision. However, the overall initial response was encouraging. Every quarter, the Company has a decent launch pipeline. Talking about the recent DM projects, like – Highmount and Tathawade, it currently has an approved area of 2 lakh sq. ft.. The landowners have been asked to follow the Brand's protocols by locking the complete towers to enable the Company to plug and play. By this, it would enable the Company to derive the larger sales velocity that it wants to bring into the system. Thus, this is the kind of pressure that is on them. Hopefully, in the next 3-6 months' time, RERA and the rest of the approvals would be received. The current inventory of 3 million sq. ft. should serve for the first two quarters and then in Q3 and Q4, when it witnesses significant traction that is being expected, the launch pipeline should come into execution. By the end of H1, there should be ~5 million sq. ft. onward sort of approved inventory which would help deliver pre-sales for H2 FY22. The Company would be surpassing all of the previous years' numbers.

Prithvi Raj: Given that Q1 is very soft because of the lockdowns and the like, what is the sales target for the full year; how much can the Company deliver?

Gopal Sarda: On the sales front, in Q4 FY21, the Company has delivered 0.85 million sq. ft. and we were looking at maintaining the same run rate. However, with Q1 FY22 being a quarter which saw lockdowns, there were limitations in terms of physical interaction with the customers. In the real estate industry, the digital platform also has certain limitations. Over the digital platform, the initial booking's cheque could be received. For the next steps of closure and registration; and to further the flow of money into the system, physical interaction with the team is a requirement. They need to see the site and the overall infrastructure. Overall, the Company should be able to touch 3 million sq. ft., but that depends on the launch pipeline. If everything remains seamless for the balance three quarters, then hopefully, the 3 million sq. ft. mark would be surpassed. It will depend on whether or not we see the 3rd/4th wave COVID. Also In terms of the launch calendar, which has been set for the financial year, if the approvals are received in time.

Moderator: Thank you very much. The next question is from the line of Pritesh Sheth from Edelweiss Financial Services Ltd.

Pritesh Sheth: What was the strategy behind launching the Mumbai project during the lockdown? Would it not have been better to hold it for a couple of months to get good walk-ins for the project so that the sales would have been better then?

Gopal Sarda: Redevelopment projects come with certain commitments. The residents of the societies were asked to vacate the premises so that the buildings could be demolished and the approvals obtained; this was before the lockdown. Now once the rentals are being paid, the overall overhead meter starts. These projects are so strategically located that even if there would not have been a launch, customers would have come on the sites and inquired and hence, the launch. Today, we are not spending heavily. What we did is that – we opened the sales offices on both the sites along with the limited digital spend and the walk-ins attended to. The next level of determined activity for sales penetration has not started yet. We are awaiting the same; once the lockdown is lifted, only probably then would the ATL & BTL events start. It depends on the Government of India's guidelines. Currently the sales are being managed through sites and digital portals only; these cannot be judged as the optimum number for sales as we have not yet started with the full-fledged activation on account of the current environment. Currently, it can be assumed that the Company is doing sustenance sales. The project has been launched on account of the contract commitment to the societies. We would be happy to see moderate sales even in the initial months. The focus is on execution to avoid delays on the delivery commitments. Once the construction advances the stage of a set milestone, then the perhaps the prices could be increased which could cover-up the working capital investment and interest, there on.

So the initial response was good. It is being continued and have seen a decent 20-25 bookings in the initial month at Verve. Thus, if sustenance sales can be continued, then why stop? At the right time, the aggressive sales campaign will be rolled out. Although the focus is on the revenue side, there should not be any kind of change in the construction plan and team has been asked to continue with the construction momentum as the delivery is time-bound in contractual agreements. Over the next 2-3 quarters, we would go back to the original business plan and catch-up on the hits that would be expected in Q1 and Q2 on redevelopment projects.

Pritesh Sheth: Good to see three more redevelopment projects in Mumbai coming into the pipeline for FY22. On the pipeline, where is the Pimple Nilakh luxury project that was planning on being launched earlier? Has the approval already been received for that; why is not in the pipeline?

Gopal Sarda: On the Pimple Nilakh projects – there have been some sort of legal hindrances. When it was shown in the pipeline, it had a clean report. However, later on an objection was filed on that land. Currently it is under discussion with the legal team. Thus, it has been removed from the launch calendar, till the clearances come through – which is a non-time bound activity. In a quarter or so, it could probably be considered in the launch calendar again. Then the revenues, costs and the free cash flows would be considered for the next level of modelling for the business.

Pritesh Sheth: The core focus, now, would be on business development across Bengaluru and Mumbai. What is the traction like; is the Company close enough to closing any deal in Bengaluru and Mumbai that will boost the pipeline of launches and help it meet the 5-year target?

Gopal Sarda: A lot of work has been done on the business development front. In spite of last year being a pandemic year, the Company closed 3.5 million sq. ft. and by the end of March, it had a term sheet of 6-7, i.e., signed 2-3 for Mumbai and ~4 in

Bengaluru. However, now there have been a lot of problems at the landowners' offices – on issuances, people being down with COVID, some with their own financial constraints. The deals where the Company has won on the out-right front, there we want to create some sort of CP to demonstrate a margin of safety on the business plan. Minor changes on the commercial understanding and a couple of CPs, which have been demonstrated in the term sheet; this needs to be achieved by the landowners and only then will we profit from two other definitive agreements. Being in this time, even in their own offices, personally – in their families, there are certain infections and certain casualties. We have to live with that and at times, they have asked us for more time. By H2, there should be see significant closures at the Mumbai and Bengaluru portfolios where the Company has done good work and already non-binding term sheets have been signed at these locations.

On a QoQ basis, business development will see continued momentum for the Company and across the three regions, there would be some development. We will focus to garner larger share in Mumbai and Bengaluru as we have to build the next level of inventory. The Company is pretty much on track for the 5 million sq. ft. journey by March 2024 and today we are in March 2022. We have 2 more years and for this, the pipeline has been started to create the next level of growth.

Pritesh Sheth: Now that the net debt has reached a much comfortable level, than was thought of, at Rs. 300 crore, could we expect more of the land outright deals from your side? From here on, given that recovery has panned out, what is the optimism in the sector? Would the Company actively engage in outright land deals or would it be given a pass for 2-3 quarters?

Gopal Sarda: As you rightly said, in the last 2 years the net debt has been reduced by ~Rs. 207 crore and the Company is very well positioned. Currently the net debt is at Rs. 310 crore. The industry, being debt-ridden, some of the projects coming to us are already with debt. We have to structure it in a manner such that the integrity of the balance sheet is not going for a toss. We will be focusing on JV-JDs, profit sharing and DM projects to maintain the integrity of the balance sheet. While if there are any good projects or if we see good value on our own financial parameters, then we are open and keen to buying outright. There are one or two transactions in Mumbai; we are in discussions on a big land parcel, where half of the money would be upfront, with the rest half being in the form of stock. The prospect of the outright transaction is not being completely rejected, but if there is a decent value, nice margin of safety and clarity in terms of the approvals that are in 6-8 months' time, then we can launch. It will not be significant buying of ~5-10 million sq. ft. but more of ~1-2 million sq. ft. sort of a project. With the mentioned clarities, we would be keen and would definitely evaluate outright purchases as now the Company is in a position to.

Irrespective of the current environment, we are not worried for Q2, Q3 and Q4 because survival is absolutely not a question for the Company; it being such an operating cash flow positive company since the last couple of years. Growth is what we are focusing on and are open for all kinds of deals. Every transaction is looked at in a different manner, in terms of – EBITDA, PAT, ROCE, IRR, margin of safety and money multiple. We have set 6-7 criteria for ourselves. We can fit outright transactions in those propositions with a proper milestone and less of risk on the approval front. We do not want to do any speculation for the approval of the outright transaction. If the rest of the things fall in line, then we will definitely do some outright transactions in the coming quarters.

Moderator: The next question is from the line of Himanshu Upadhyay from PGIM Mutual Fund.

Himanshu Upadhyay: On the business development side – the Company has added 1.3 million sq. ft. where the development management fee would be Rs. 80 crore which is nearly ~Rs. 600 per sq. ft. type of thing. Is there any other component in terms of profit sharing; how is the Company looking at projects - perhaps on the amount of cash or the focus? Is the size of the project important? How does the Company evaluate the DM-JD projects?

Gopal Sarda: As far as the DM model is concerned – talking about the specific two projects which you have asked first, these two projects have received part approvals and the balance approvals are expected in 3 months' time. The IOD and MoU files have been submitted, Phase 1 has been delivered and Phase 2 is a clean project where they have certain money or a line of credit from the banks to complete construction. Our role is restricted in these projects. We are to take care of the sales, marketing and collections. The Company is charging them a top line percentage which you have rightly calculated that as Rs. 600 per sq. ft.. The Company will have to incur the brokerage and marketing costs on books. These fees would be a gross number and there would be some deduction towards brokerages and marketing spend. The balance would be added to PAT. As far as DM projects are concerned, we ensure that we are 100% confident on the product. Our sales team visit the projects. If there are any kind of negative reports on the product front where we feel that these products would not be able to sell, then those kinds of projects are let go. In projects where the developer has delivered Phase 1 nicely and Phase 2 is in line with the Company's strategy of designing products then those deals are the ones that we would be evaluating.

Sometimes the scope of work goes to the next level,, where we have to do the design and development, we need to help them for the funding of the project and we have to also do a joint closure of the contract for execution and then the monitoring will be done by our PMC team. Thus, the DM percentage goes on a higher side. Typically, this ranges from 12-16%. If the scope of work is on a higher side, we charge ~15-16%. If the scope of our work is only limited to the revenue side, we restrict our charge to 12%. On a project-to-project basis, we evaluate and ensure that there should not be any CRM issue or any litigation. The landowners or the developers are in line with the business plan proposition by us and the products are an absolutely saleable product with the flavour of the market. These are the kinds of checklists that we make while evaluating these types of deals.

Himanshu Upadhyay: On the business development side, you have used DM and JD more in Bengaluru and Pune; what is the view on Mumbai? It is generally redevelopment that is focused on in Mumbai; but just on the DM and JD, what is restricting the Company in Mumbai?

Gopal Sarda: Currently if you see, on the business development strategy, DM profit sharing, revenue sharing, JD and outright or structure deals - these are the 5-6 avenues which we are open to in all three markets. There is no specific criteria that we will not do DM in Mumbai or will not do DM in Bengaluru or that we will only do DM in Pune. Pune being the home market where the Company has delivered a larger portfolio, our brand recognition is different – we are the leaders in Pune. Thus, to get a DM project there is very easy for the Company, for we have demonstrated good work, a solid brand name. On the Mumbai and Bengaluru front, to close on DM projects; perhaps those who have seen the Pune portfolio and those who believe in the overall ecosystem, they are comfortable, otherwise there is a kind of a counter proposition that is coming toward JV-JD and profit-sharing models. For some projects, their upfront requirement is to reduce debt or do their financial closure so there, the Company's strategy does not fit. However, we are absolutely open across the three markets for all these structures and on a case-to-case basis and a business plan-to-business plan basis we are closing on a regional specific.

Himanshu Upadhyay: The Company's focus in Mumbai is on the redevelopment of buildings. What impact is the cost of inflation of raw material having on the IRRs of these projects because when let's say Goregaon or Borivali projects were signed, ~1.5-2 years ago. What will be given to the people who are residing there? The Company had its limited area of sales and it has not seen much of sales realisation improve but has seen significant cost inflation on the raw material side. How big a risk is inflation to the projects and what does the Company do to channel the inflation; specially in the redevelopment building, if the raw material remains high for 1-2 years?

Gopal Sarda: You have rightly pointed out in terms of the way the cement and steel prices are going up. We believe that 8-10% there would be the cost escalation. This needs to be mitigated either on the sale price or that we have to ensure that we managing the working capital cycles so efficiently that these can be adjusted against the interest. Our strategy would remain in such a manner that for the next one or two quarters, the focus will be on execution. We will try to see whether we can increase the prices by Rs. 500-800 at all these locations to cover up the incremental cost on the product front. If we see that there is some sort of reluctance or probably if the velocity goes for a toss, then we would probably have to infuse lesser money, by way of own equity or working capital. We will try to save on the interest front. Balancing between interest or increase in the selling price is the only avenue to mitigate the incremental costs. In the journey, if we feel that there is a third component for redevelopment being a business model which is very encouraging for us and motivating to save on the cost front is rental. If we feel that we are unable to balance it, we will try to curtail the period of the business plan and save on the rental front to ensure the overall ROCE and IRR for the business plan. These are the three avenues. As and when time progresses, we will try to catch up in one of them and adjust the incremental cost.

Moderator: The next question is from the line of Andrey Purushottam from Cogito Advisors.

Andrey Purushottam**:** On the financial metrics – the ROCE for FY21 was 14%. Could you share what the ROE was?

Gopal Sarda: FY21 ROCE is not 14%; it is an average of last 5 years which is coming to 14%. FY21 being an exceptional pandemic year with the first two quarters impacted, we knew that there were losses because the overheads were fixed while the operational performance had gone down and the revenue recognition had not flown into the system. Thus, the first two quarters were a negative and if on a YoY basis you will consider, we have come down to Rs. 45 crore of PAT versus last year's whatever Rs. 130-135 crore of PAT. I will suggest adding a FY21 per se, being an exceptional year, it would be wrong to calculate on ROE because on the ROCE front if we are at 4-5% in ROE would be less than that but on a 4-5 year period if you see, the ROE was also upward of 10%. We always clocked 10-11% on ROE front and average ROCE was 14%. Removing FY21, I think these were the numbers and going forward also, we would surpass these numbers because of the asset-light model which we are demonstrating year-after-year. There are a couple of outright transactions' discussions where if we deliver the business plan within the stipulated time, then this should improve further.

Andrey Purushottam: From the future outlook – one is, could you give us an estimate of what the operating cash flow in FY22 would be? If you look at a post-COVID scenario, what do you see as the long-term growth trajectory as? If you could describe in terms of the Company likely to hit 3 million sq. ft. this year, plus-minus depending on COVID etc. How do you see this going up over the years and what kind of time period do you see? Do you see any trends in your price realisation going up; because as another participant observed, the price realisation has not gone up very much in the last couple of years or so? Can that price realisation be either achieved by better pricing or by different product mix; which is a greater mix towards more affluent homes that you are trying to sell or any other strategies that you might have? What is the growth that you are likely to achieve in the post-COVID scenario going in the future and what are the strategies that you are going to do to achieve that growth. Also, what kind of internal benchmarks does the Company use for the IRR on any project? Do you have any hurdle rate below which you say no to a project?

Gopal Sarda: I will try to answer your question in 5-6 zones because you have touched on APR, ROCE, IRR, growth strategy, ops and other aspects. So, let's consider it one by one.

On the APR front, definitely the average price realisation will improve because the Mumbai contribution has started flowing into the system. So, in the last year, Mumbai contributed Rs. 180 crore, and you can clearly see that the APR had moved from Rs. 5,300 to Rs. 5,785 for the full financial year. Going forward APR will definitely improve because of the Mumbai contribution. As far as the collections are concerned, collection is a pure function of basically a physical movement. Most of the times what happens, for the first disbursement the customer has to go to the bank and sign and then thereafter the bank keeps on disbursing money based on the milestones. Collection is a function of registrations, bank proceedings and for this, lockdown will play a very important role. For the balance 10 months there likely would not be any kind of further waves and further lockdowns then there would be healthy cash flows as usual in last previous years, like March 2019, March 2020, March 2021. But if there is any kind of another 3rd or 4th wave, and another 2-3 months are going into a lockdown then probably some sort of hit on the cash flow front.

As far as the P&L, overall financial discipline and the business development strategy is concerned, the Company evaluates each transaction on 5-6 parameters and should win on 2-3 of them. Thus, maybe some projects are completely based on EBITDA, PAT, margins and money multiples. Some projects are specifically based on ROCE, ROE and a lower investment. On a larger spectrum, looking at the portfolio mix, there is redevelopment, township, JD-JVs, DM projects, affordable MIG and luxury projects. It would be very difficult to give any guidance on the EBITDA and PAT front. By and large, on a 3-year basis, EBITDA would always surpass 20% and PAT will always surpass 10%. ROCE and ROE would remain as the key focus. If the Company delivers on the 5 million sq. ft. plan over the next 2 years, then the current ROCE from 14%, could go up to 24%; and would see upward movement. It depends on project contribution on QoQ basis. We are bullish on ROCE and IRR; as far as EBITDA and PATs are concerned, 20% onward EBITDA and 10% average PAT would be a bare minimum which should be demonstrated.

On the debt front – as we have a mandate from the board, like a 0.5 Debt-to-Equity ratio can be maintained; currently, the Company is at 0.24. Indirectly the Company has passed Rs. 250 crore in the debt and probably this year we are expecting significant PAT because the Company has demonstrated the next level of system process and ecosystem to be delivered – all during the time of the pandemic. It will not be like last year's Q1 and Q2; we were not ready – the pandemic created higher overheads and lower revenue recognition. Thus, probably this will help in the current times and this money can be utilised for the purpose of business development. We are creating the funnel to hit the 5 million sq. ft. dream or probably the goal which have set for the organisation by March 2024. Slowly and steadily, while not disturbing the stability of balance sheet, we are moving towards the 5 million sq. ft. journey. We are confident that by March 2024, the Company should be able to deliver. Should the pandemic end by March 2022, then 2023 and 2024 should see a clean year like that in pre-COVID times wherein the only focus would be on work and targets.

Andrey Purushottam: What would the estimate of FY22 operating cash flow be?

Gopal Sarda: It would be very difficult to comment on cashflow because we would need to see how the pre-sales for Q1 FY22 are, the overall registration and collection flow. I would only be able to provide guidance on the cashflow front by Q2 FY22 earnings call.

Moderator: The next question is from the line of Biplab Debbarma from Antique Stock Broking.

Biplab Debbarma: On the redevelopment projects that are being evaluated – is there any change or softening of expectations of society for redevelopment projects? We have been reading about the same over the last 4-5 months for Mumbai. What is your view on that and has the Company come across any such instances?

Gopal Sarda: As far as the redevelopment sector is concerned – first a lot of societies were waiting for the unified DCPR 2034. Once the DCPR is out, every society has a different feasibility. Society to society, the feasibility is different and societies which are practical in taking true calls, they are moving ahead while some societies are struggling because of their non-alignment between the members or lack of clarity on the cost and revenue front. They feel that the developers offer on the lower side. Mumbai being a market which has a scarcity of land, hence so many projects are available for redevelopment. It has been mentioned in the earlier calls as well, some 19,000 odd societies around SoBo and some 13,000 co-operative societies in the suburbs are available for redevelopment. This is likely to be a 50-100 year business which will be continued. It all on the developer's selection, he has to focus and see that there is feasibility, financial closure and reasonable margins. The developer needs to be very careful in selecting the society. Some societies have ample profit while some are not feasible for redevelopment because of their higher FSI consumption and lower rates. A balance is required where the existing FSI has to be low and the rates should be Rs. 15,000-18,000 onwards. Either that there should be some retail portion or be getting good terms from the redevelopment perspective. On the redevelopment front – during this time of the pandemic, because this is a 'people' event, they have to come under one roof to discuss on the proceedings of the redevelopment. That is the reason that in the last 15 months, there is no traction; it is because people cannot gather. They have to be socially distant and this activity requires a social gathering; people are afraid because of the pandemic as most of the redevelopment societies have senior citizens and the like. Over a period of time, it will again go back to the normalcy like that of the pre-COVID level and there will be further traction coming in post March 2022. The existing societies are moving, i.e., wherever they have committed to the DAPA with the developers. Thus, that is the difference and I am still bullish on the continuity of the flow of redevelopment. Once there are some relaxations on the lockdown front and people feel confident, that they have been vaccinated, then things will come back to normalcy.

Biplab Debbarma: Again on redevelopment – is there any conscious strategy in chasing small a redevelopment project, say 1.1/1.2/1.3 lakh sq. ft. or is it just a co-incidence that the Company is getting the kind of dues; are they better on IRR? Was there any consultation or is it that the Company is doing this relatively as I say "small projects in redevelopment segment"?

Gopal Sarda: A couple of years ago the Company entered in the Mumbai market; we had to enhance its footprint. To show its presence to the market we have to show more execution. At that time, even if it was half an acre or more than 1 acre, we were very keen on it as we wanted to demonstrate the Company's footprint. When you enter in a new market, there is no size constraint and there is a lot of hunger for execution. This was seen and we have demonstrated on those lines. Going forward also, we have changed our parameters that at least each project should give us a more than Rs. 50 crore sort of a PBT. We are very happy to get 4-5 acre sort of bigger redevelopment projects but currently those kinds of tenders are very low in the market. Now suppose in the Mulund area, even if it is a 5 acre project for redevelopment, it would be very difficult to demonstrate profitability because as I said that even Rs. 14,000-15,000 is a very tough market to start in for the redevelopment, unless the FSI consumption is less than 0.5. Going ahead if there are bigger projects of 5-6 acre, those would definitely help the Company to strengthen its growth in the Mumbai market and deliver larger top line, bottom line, free cash flows and ROCE for the Company. We will remain bullish for the larger projects and will not let go of the mid-size projects either, as those will be the bread and butter for the Company in the Mumbai market. Probably once we see some traction in JV-JD and outright opportunities, then we will change our strategy on the redevelopment front. Probably we are looking for only higher projects but currently yes, we will focus on mid-size as well as large-size both.

Biplab Debbarma: On redevelopment – are there any, in terms of IRR or margin; with a significant difference, between a redevelopment or JDA or land owned by the Company? Is there any difference in the margin or would the margin remain at same level for redevelopment in Mumbai as compared to a JDA/other kind of project?

Gopal Sarda: Redevelopment is basically a different model altogether where the Company has to ensure that the initial outlay is very low and that it is generating a decent free cash flow; which, if divided on the initial outlay, should give 2-3 money multiples. On the redevelopment projects probably if you see the top line, it would be 20-25% but these are more on the ROCE front where the initial investment has to be low or else it would have a staggered payment on the corpus or a deferred payment on the rentals and then generate larger ROCE and IRR. Obviously, depends on a case-on-case basis. As said before, in the real estate environment, sometimes you have to go on a 'per sq. ft.' basis, sometimes it would be about the absolute 'crore value' and sometimes it would be based on the EBITDA, PAT and IRR. Whenever there is a fund involved, we have to also think from the IRR perspective because ultimately, they are answerable on the IRRs and money multiples. Whenever the Company is individually entering a project, then redevelopment for us is purely on ROCE and ROE but other than EBITDA, PAT and other angles are looked at too.

Moderator: The next question is from the line of Pavan Ahluwalia from Laburnum Capital.

Pavan Ahluwalia: First, we pass the 24% ROE that you mentioned in response to a previous questioner. I am assuming that the improved capital utilisation in the business is due to a greater use of JDAs and possibly redevelopment projects, is that correct? As the mix shifts towards those, does the ROIC exceeds us? Just wanted to check that on whether it has been understood?

The second question is – from say 3 million sq. ft. onwards, truly this quarter hitting a different level of cadence in terms of sales and delivery than seen in the last few years. I think any investor would want to know is – how much of this is due to some degree of pent-up demand released post-pandemic? In the context of the Company's journey to be able to deliver 5 million sq. ft., how would it achieve that? How much is predicated on a big surge in demand and how much is predicated on the Company being able to tap into larger opportunities that it has not. Looking at the Pune market, the Company is the top developer there, however, overall there are 2-3 other or ~5-10 other equally well-funded, equally respected developers, there is no shortage of land and everyone has large projects. So, what exactly would lead to that 5 million sq. ft. run rate, considering that there are external factors?

Gopal Sarda: So, I think let me start with your ROCE and ROE question –, I have said anything in between 14% to 24%, because there is logic behind it. If you see last year, we signed 1.6 million sq. ft. under DM and this year we assigned 1.3 million sq. ft. under the DM model. Under this DM model, only fee income comes to the top line and then that is gets added to the pack. Ultimately when you calculate the ROCE and ROE, it helps to strengthen the same. Thus, it is only because of the DM model contribution, where there is a significant fee coming into the system over a period of next 3-4 years, that helps us to strengthen ROCE and ROE. This was logic. In some projects, probably in JDA, maybe on the margin front we would remain at 15-16%, but there also, the Company's investments are low. Thus, that was the idea to see expansion in ROCE and ROE.

On the second question – on the demand front, Q3 and Q4 have surpassed all numbers, i.e., even the pre-COVID numbers. If you see an apple-to-apple comparison, between Q3 FY20 and Q3 FY21 or probably similar, Q4 FY20 and Q4 FY21, it has gone upwards. Post-pandemic, there is such a significant change in the customer's mind where people are looking for larger homes. The housing loan has come down to seven-ish, then developers are giving freebies, discounts and payment plans; there are also governing authorities to safeguard their interests. Thus, probably, people have realised the importance of a listed organised developer.

Look at the trend from 2013 to 2021. Let's categorise all the developments under 3 segments – listed developers, unlisted developers having brand value and others. This share is getting reversed. The 'others' were initially getting 80% of share and 20% were organised and listed developers. Now it is shifting to the next level, so if in 2013, the listed developers' share was 6-7%, by 2021 it has reached ~20% share in the market. The first consolidation was during RERA, then demonetisation and GST. This is the second phase of consolidation where listed players and organised developers will see a lot of benefits. This is because currently small-time developers have a lot of constraints in filling at a higher velocity. They have constraints to raise money at a cheaper cost of capital or sometimes even banks are reluctant to give money to their projects and in the current environment where one requires – money and TDR at the land stage, FSI premium at the second stage and working capital cycle management at the third stage. Thus, looking at the funding constraint and velocity constraint, the buyers are approaching larger players. This consolidation will definitely help to garner a larger share in our respective markets like Pune, Mumbai and Bengaluru. This is where the Company is demonstrating the higher plan of 5 million sq. ft.. This pandemic has surely helped to push demand to the next level because of these kinds of emotional environments where people prefer to buy homes. They want larger home because of the 'work from home culture' which also required an additional room or half a room. This has again helped to look back on the products and increase the sizes there. Higher sizes help to deliver higher pre-sales because the efforts are the same but it is the additional sq. ft. that is getting sold over a period of time. All in all, looking at these 5-6 changes, in the consolidation phase with good demand, the organised and listed players have an advantage towards funding. The customers also have a lot of confidence on the delivery track record and smaller developers are approaching the larger ones, which is ultimately resulting in the share being diluted. Thus, the Company will be able to achieve this 5 million sq. ft. journey by March 2024.

Moderator: The next question is from the line of Anuj Sharma from M3 Investment.

Anuj Sharma: My question is on Life Republic as the product is maturing, what changes do you see in the profitability and realisations over a period of time? What is the expectation now, moving forward in this project?

Gopal Sarda: Life Republic is the significant and major contributor project. In Life Republic, the volumes where decent – in 2018-19, we sold ~1 million sq. ft., in 2019-20, we sold another million sq. ft. and in the last year, due to pandemic, the sales were down to ~0.7-0.8 million sq. ft.. However, going forward, we will catch up on the value and velocity front. Life Republic will keep on deriving growth for the organisation. On the cost parameter – costs have gone up because of the cement and steel prices rising. Thus, there would be some sort of a dent on EBITDA, but we will not stop selling nor stop executing because of the kind of FSI and the land the Company holds there. W, I think in the time value of money we can catch up in the coming time. So, for us, Life Republic is going to be the residential focus. We are also looking for a strategic tie-up on the commercial front and are looking for the next level of infrastructural development at Life Republic, which will help us to revise the prices on the upward journey and catch up on EBITDA and PAT. The Company is very well positioned, with enough FSI and enough remainder in land parcel, where we can catch up on the short-term dent on the EBITDA and on the larger time value of money to achieve the objective. So, with Life Republic, the focus would be on volume and construction delivery with sales and production being at the next level. We would be open to taking ~2-3% EBITDA, but will achieve on the time value of money and catch up that.

Anuj Sharma: Looking at other developers with a land parcel that has visibility, they are able to upgrade their customers to a higher offering. When we envisage that within Life Republic, can you have small projects which are premium/luxury and within the same component take the customer experience to a higher level while also selling affordable and mass? Where is the product and/or would it be similar throughout its entire parcel or does the market have absorption capacity for such higher end customers?

Gopal Sarda: A very nice question on the Life Republic front – nowadays we have been doing brainstorming sessions with the top team and there were a lot of inputs from my Sales, Marketing and BH teams, thinking on the similar lines. What we concluded at a later discussion was that – we need to bifurcate Life Republic in 3 zones where we will have all of the products. These will include – the affordable products, MIG products and would shortly be launching the luxury products; wherever possible at a central location to Life Republic.

We may go to ~100-120 meters tower where we would have to demonstrate the next level of aspiration for the township. For the same, the first milestone or the first footstep is basically to take the external township infrastructure to the next level. We have to make the township plush-green – set up a lot of towers, create retail spaces, hospitals, schools and the like. Thus, we are working on all the spectrums.

Currently, if you see business development – the Company has the infrastructural development, different categorisation of products and it is at the right time. Once we feel that the things have been well-placed, that would be the time to increase the prices and achieve a higher EBITDA and PAT for the organisation. Currently, without disturbing the sales and production volumes, the back-end work has already been started on the other aspects. In the longer term, we would be able to achieve all these spectrums and revise the business plan. However, for the next 1-2 years, we will not let go on the volume, production and delivery front.

Moderator: The next question is from the line of Kritika Mehta from Axis Bank.

Kritika Mehta: What is the momentum in Mumbai like after the 31st March also some statistics on shifting to a larger home?

Gopal Sarda: In the Mumbai portfolio, post March, i.e., in the month of April and May, we witnessed an increasing response at our sites – Verve and Vaayu. Here, we had thought that there would not be much in sales but achieved good numbers. Overall, about the Mumbai market, till March, that there was a significant sale on the luxury front. Developers uploaded a huge number which has not been delivered in the last 8 years. In one way, luxury was very bullish till March, but post March, the stamp duty has come down from 5% to 2% and that was a big saving to the home buyers. Thus, they are probably looking for that absorption or would probably give discounts which they were giving pre-COVID, then they could see some sort of traction. Otherwise, the sales have gone down significantly in the month of April and May because of many factors – one on the discount front, second on the attractive payment plan that the developers have to still consider and hopefully everybody's expecting that continuation of the reduction in stamp duty or re-announcement that the 2% thing will come back. So, customer in the wait and watch mode and are looking for either that 2% benefit to come back or probably that the developers should absorb. So, once we see discounts and the revival in the stamp duty reinstatement, that will help the luxury segment; but currently for sure, it is on a downside.

Kritika Mehta: And on the shift to a larger home?

Gopal Sarda: On the larger homes – people want to shift and not only Mumbai but even in Pune and Bengaluru. The demand for 3 BHK has gone up significantly; in fact, in our portfolio as well. Initially, the demand for 2BHK was 70%, 1BHK was 15% and 3BHK and other/4 BHK was 15%. However, now, the share for 3BHK has significantly increased. We have reached a contribution of 26-28% and likewise for larger homes specifically 3BHK homes in Pune and Bengaluru market has been on the higher side like between Rs. 80 lakhs to Rs. 1.5 crore. For those who can afford to upgrade, the momentum will continue for another 2 years, but not with the same pace what we have seen in pre-COVID times. In FY20, you have seen a significant number on the higher inventory, in FY22, you will see 70-80% of that and FY23 would depend on the other factors. It would be difficult to comment on whether the housing loan will remain same, on the stamp duty or other benefits the developers are giving or probably freebies.

Moderator: The next question is from the line of MB Mahesh from Kotak Securities.

MB Mahesh: I have two questions; one is from a labour availability standpoint. What is the current situation that we see? Second one is on construction – there is news around the challenges which employees have had on the salary front; in your portfolio, could you tell us if there have been cancellations or if things continued to remain the same and what is the impact on salaried and non-salaried people?

Gopal Sarda: On the labour front, like last year labour has significantly gone down to 35%; 40% in Q1 and 65% in Q2 and by Q3-Q4, we have seen that we have reached to a pre-COVID level. Likewise in Quarter 1, I think currently, obviously, we are not at the Q4 levels on the labour front. We are currently running at 70-75% of the availability. The second wave and the lockdown have resulted in lesser labour on the sites. We are hopeful that by Q2/end of September, there should be optimum labour on the sites and we should be able to start our production at a full pace, that is on the labour front. On the salaries, in our organisation, we are paying them continuously and last year also, they were paid a full salary, without deductions. This year also we are continuing with the full salary payment.

MB Mahesh: I am asking on salaried customer front.

Gopal Sarda: Are you asking on the cancellation front? Last year, we did see some cancellations, no doubt about it. The number that we delivered of 2.08 million sq. ft. was net of cancellations. We have seen approximately 180-200 cases for cancellation because of job losses and because of salary deductions; they were not able to take on the EMIs. So far, in the month of April and May, we have not seen any such requests flowing into the system. Whatever needs to happen, that has happened last year. This year there is stability and as of today, we have not seen further cancellation. For us, April and May was like the pre-COVID phase where a 3-4% cancellation is in the regular business flow.

MB Mahesh: On the salaried and non-salaried customers, is there any material change in your customer base in terms of inflow of queries and conversions?

Gopal Sarda: There is probably only ~5% deviation. In a pre-COVID scenario, 95% were home loan and end-user cases and 5% were the investors. So currently we have seen that it is a 90:10 ratio. Probably 90% are still end users, home loan and mortgage cases mortgage cases, while 10% are the ones with the investor traction. From 5%, to 10%, marginal increment interest has been flowing from the investor's community.

MB Mahesh: Is there tightness in terms of credit underwriting from the lender or is it broadly comfortable?

Gopal Sarda: From a developer's perspective I can answer that – definitely there is tightness because we all have seen ILFS, DHFL and a lot many. Currently, a good balance sheet having potential to raise further money like us, Mahindra and Godrej, I think all those people can avail good money, at 9-10% is available for us. But definitely for a smaller developer or those developers who have a financial stress, or their balance sheet does not support raising money, then there are a lot of challenges for them. On the equity front, there is a significant change, since the initial days a lot of equity investment is happening in the residential portfolio, but currently residential equity has gone down significantly. Other assets or be it the commercial portfolio, there we have seen significant equity. So equity is challenging for the residential segment as a whole, but debt to the organized, listed and the branded developer who has an appetite to raise money on their balance sheet is going smoothly.

Moderator: The next question is from the line of Manoj Dua, an Individual Investor.

Manoj Dua: My question is, now you have a good balance sheet can you review on the let say categorize people to buy house any liberal payments plan should be there in the

Kolte strategy and last year was an exceptional year and this H1 maybe also muted, any strategy on dividend policy going forward or it will be dynamic?

Gopal Sarda: So, let me bifurcate your question in two parts – one is on payment plan and secondly on dividend policy. On the payment plan – yes, one has to flow with the market. Last year, we generated good numbers just because of our timely call on the freebies/discounts and payment plan. Last year, ~4-4.5 lakh sq. ft. has been sold under the 10:90 or 20:80 scheme. Three Jewels, Ivy and Nia sold under 10:90, 20:80 schemes and even Bengaluru's Exente resulted nicely. We have seen the incremental pre-sales flowing into Exente. This year, as and when required, we see that if we need to again consider the payment plan, freebies and discounts to generate larger sales velocity, it is absolutely fine because on the financial closure front for all the projects, we have sold 60% and we have good money to take care of the balance in the construction costs. There is absolutely a financial closure and we can take those by increasing the price and adjusting that component towards the interest and maintain the business plan in a healthy manner.

On your second question pertaining to dividend – currently, it is under discussion. This morning, in the board meeting we discussed that there needs to be a proper policy on the dividend front. We thought that we are on the growth path where we need capital yet there has to be a dividend for the shareholders. We have thought of taking a balanced approach. Should we see the operating cash generated on a QoQ basis and if there is not a significant requirement on the business development front, then we could distribute the dividend. Whenever there is an opportunity to grow, then we would deploy that money for the growth of the Company.

So on a YoY basis, there would not be any fixed criteria for the dividends. It depends on the cash availability and the opportunities based on which, we will take the call. Perhaps, we may distribute it one year and in some year we may invest for the business development in order to expand the business and take the Company to the next level. Perhaps, 1-2 years down the line, based on how the overall financials and cash-flow are, we may change the policy; although currently, this is the stand which we are taking towards dividend.

Manoj Dua: As the portfolio is a combination of redevelopment, JV, DM and online purchase, where some is historical and some is being invested as we have an aspiration of vision of 5 million sq. ft.. What should the price be, would it be Rs.300-400 crore profits as that 5 million sq. ft. comes into the P&L?

Gopal Sarda: With the 5 million sq. ft. in number, we should surpass a Rs. 3 billion mark as PAT. If the structuring is good and other income is flowing as expected, then we may touch Rs. 4 billion also.

Moderator: The next question is from the line of Ishan Agarwal from Erevna Capital.

Ishan Agarwal: Regarding the capital structure strategy, the Mumbai strategy and the overall vision – firstly, regarding the capital structure – the Company is one of the lowest levered players in the industry which is a great thing. The Company generally enters into strategic partnerships with a PE or venture fund when entering a project. My understanding is that the IRR required by these funds is generally a bare minimum of say 16%. The Company tends to buy from all these players at a later stage. So, in a way you are paying the higher pseudo interest costs to the strategic partners. Thus, when you have the option of raising debt at 9-10%, why do you get into such partnerships and pay a higher interest cost, not actually interests but yes, why do you get into that kind of a structure?

Gopal Sarda: To answer equity versus debt in a nutshell – every company has their own strategy. We as a company are averse to debt. Basically, we would love to maintain the debt-to-equity ratio to tune of 0.5 and within that, we are open to a couple of good opportunities that can be locked by taking debt and closing them nicely; our classic example is that of Life Republic. When we did a 50% buy-out from ICICI Ventures, that time we made three bullet payments of Rs. 70 crore each. For the first tranche payment, we took a debt and repaid it because we knew that the second and third can be managed from the internal accruals. Why dilute the equity and create substantial cash flowing out of the system? We took on a debt, absorbed that and moved ahead. Likewise, rather than this absolute IRR, now look at the current situation in the market; if one goes ahead with an equity transaction and if for another year are struggling in this lockdown; so the debt returns are committed returns, while with equity you have a partner to share these risks with.

We believe we want to grow on asset-light model or probably ensuring that the debt levels of the Company are not going to the next level. Sometimes we have a lot of back-ended promotes, so in the equity structure also we create some a deferred payment or we create some a back-ended incentive for us to derive the higher ROCE and IRR for us. Going forward also I think the bigger transaction by leveraging the balance sheet we are not interested, but within the range like 0.5 if there are good opportunities, which we can close by on our own debt, we will have absorbed that. But whenever it is goes beyond 0.5 that is the time, we will introduce a private equity or equity levered money to for growth and while not disturbing the integrity of the balance sheet. So, there is a thin line and that is the mandate that we have from board and promoters and we would love to do business around that.

Ishan Agarwal: So, secondly on the Mumbai redevelopment focus of the Company, right now it is say ~10 odd projects in Mumbai which are at their early stages. Some are completed, some are at the launch phase and some are there in the future pipeline. What number of projects are you comfortable taking at a time in Mumbai even the management bandwidth availability?

Gopal Sarda: For us, Mumbai is going to be a value game. It looks like probably we have 7-8 projects and these projects are coming in a phase wise manner. Initially when we did Link Palace and Jai-Vijay, we were focusing on those two projects that have now been delivered. Now, in the next 18 months, we are focusing on the current projects of Evara, Vaayu and Verve. Hopefully, at any given point of time 8-10 projects in one city is what we have the bandwidth for and we have upgraded our team to that level. We have the regional teams to take care of the regional businesses. So, like for Pune we are running 15-20 projects at one go, so we have a very large team. Now Mumbai also we have strengthened our team to the next level. In Mumbai market also 7-10 projects is what we can comfortably manage at one go. Our focus is more on the revenue and value front.

It is not on the quantity, but more on the top line and bottom line which is giving a decent and significant addition to the group as a whole. So that would be the focus and, in a nutshell, if I have to answer your question, I think 8-10 projects on a yearly basis is good to be manageable with the current bandwidth.

Ishan Agarwal: Bagging 8-10 projects a year is what you would be looking at adding to the Company's portfolio?

Gopal Sarda: Yes, absolutely fine.

Ishan Agarwal: Evara actually seems to be a pretty small project and a relatively cheaper micro market of Borivali in terms of top line as well as bottom line. What made you take that project up?

Gopal Sarda: At the time, the project came to us at very lucrative terms and it was a vacant plot. We were not required to do too much of hard work there. That was acquired by a developer, the contract with him was terminated by the society and the plot was vacant. We thought that he will get some blessings from the members because they were out and they were not getting paid for the rentals as their corpus and other money. We thought if the plot is a vacant 2,500 meter plot and bang on the highway where you can see the visibility to the brand. There were three parameters which were very good - the plot was vacant, superb visibility to the brand and a retail component which would help manage the cash flows. Then within 18-24 months, if we could deliver the project, it would take care of about 2 years' overheads in Mumbai. That was the logic and we went ahead.

Ishan Agarwal: Regarding redevelopment – whatever SPVs we make for redevelopment what is the debt equity ratio that you have worked within these SPVs for redevelopment and you target a delivery time of 30-36 months within all these projects?

Gopal Sarda: Each of the redevelopment projects has a different timeline. For a project like Sagar-Vaibhav we had committed 36 plus 6 months, for a project like Verve which we called Hari Ratan society, there we have a proper 5-year timeline because initially the FSI was 21,300 sq. mt. and then later on it has increased to 29,300 sq. mt.. So, there we have a different timeline, all in all I think, 3-5 years depend on project size and total construction area and we will deliver within that.

Ishan Agarwal: Last question on, reinventing a Jai-Vijay and what is the value of the inventory that we are holding at Jai-Vijay and when you calculate your projections of an IRR on a particular redevelopment project, you must be assuming that we get sold out at the 4th or 5th year. If we hold onto that inventory for larger period of time that will suppress our IRR, right. What is the situation at Jai-Vijay right now and what is the profitability that we achieved that Jai-Vijay?

Gopal Sarda: So, as far as the redevelopment projects are concerned, we are absolutely not working on IRR basis because even the IRR number can go in three-digits and four digits also. I think for us, we see that there has to be a margin of safety if the price goes down by 7-8% if the cost escalates by 5-6% still there have to be a 10-12% sort of a margin of safety. So that is the first criteria. Second, we restrict our investment on a minimal basis that we feel that the total profit divided by two should be our max investment. As far as Jai-Vijay project is concerned, I think we have made somewhere around Rs. 55-60 crore as absolute profit with the investment of not more than Rs. 15 crore initially and then there was another Rs. 15 crore investment as a working capital which has been repaid back.

Moderator: Thank you. Ladies and gentlemen, that will be the last for today. I know hand the conference over to the management for closing comments.

Gopal Sarda: Thank you once again for your interest and support. We will continue to stay engaged, please be in touch with our investor relations team for any further details or discussion. Looking forward to interacting with you next quarter.

- ENDS -

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