PURAVANKARA

20.08.2022

To

The General Manager – DCS,	The Manager,
Listing Operations-Corporate Services Dept. BSE Limited 1st Floor, New Trading Ring, Rotunda Building, 'P J. Towers, Dalal Street, Fort, **Mumbai 400 001.** corp.relations@bseindia.com **Stock Code: 532891**	Listing Department, National Stock Exchange of India Ltd., Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra (E), **Mumbai** cc_nse@nse.co.in **Stock Code: PURVA**

Dear Sir / Madam,

Sub: Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015; SEBI (Prohibition of Insider Trading) Regulations, 2015 as amended- Conference call update

Further to the conference call held on August 12, 2022 at 1.30 pm. to present and discuss the financial results of the company for the quarter ended June 30, 2022, please find attached the transcript of the conference call.

This is for your information and records.

Thanking you

Yours sincerely

For Puravankara Limited

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Company Secretary

"Puravankara Limited Q1 FY2023 Earnings Conference Call"

August 12, 2022

ANALYST: **MR. SAMAR SARDA – AXIS CAPITAL LIMITED**

MANAGEMENT: **MR. ABHISHEK KAPOOR – EXECUTIVE DIRECTOR & CHIEF EXECUTIVE OFFICER - PURAVANKARA LIMITED**
MR. VISHNU MURTHY - HEADING RISK & CONTROL - PURAVANKARA LIMITED
MR. NEERAJ GAUTAM - EXECUTIVE VICE PRESIDENT, FINANCE - PURAVANKARA LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Puravankara Limited Q1 FY2023 Earnings Conference Call hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Samar Sarda from Axis Capital Limited. Thank you and over to you Mr. Sarda.

Samar Sarda: Thanks Neerav. Welcome again for the results call for Puravankara Limited. Thanks for taking time out. From the management we have Mr. Abhishek Kapoor, ED and CEO of the company, we also have Vishnu Murthy who is heading risk and control and Neeraj Gautam, Executive Vice President of Finance. Can I request Neeraj to start with his initial comments post which we can open the floor for Q&A.

Neeraj Gautam: Thank you so much. Good afternoon everybody. Thank you for joining us at Puravankara Limited's Q1 FY2023 earnings conference call. My name is Neeraj Gautam, I am the Executive Vice President, Finance of Puravankara Limited. The presentation and financial results for the quarter ended June 30, 2022 have been uploaded on the stock exchanges. I presume you have all had a chance to go through the results and presentation uploaded by us. I would like to take you all through the key highlights for the quarter following that my colleagues and I will be happy to answer any questions you may have while listening to feedback and suggestions from you.

We believe real estate will continue to witness sustained growth this year and in coming years r in our country. The latest increase in home loan interest rates and global economic environment will have very little impact on housing demand..

We have started the financial year on a very good note, we are delighted to say that the company has achieved its highest ever sales in the first quarter of any financial year and this is remarkable as it has been achieved in an inflationary environment without any new launches.

We have registered the highest ever first quarter sales this quarter reinforcing the team's dedication as well as sound leadership and the pillars of quality, trust and customer experience that Puravankara brings to the table.The quarter sales touched Rs.513 Crores riding on the favorable market sentiment and rising home ownership aspirations. The entire sales were achieved from booking of inventory on ongoing projects. The sales volume during Q1 FY2023 stood at 0.68 million square feet up by 64% year-on-year basis. As a result sales value during Q1 FY2023 jumped by 63% to Rs.513 Crores compared to Rs.314 Crores in the first quarter of the previous financial year.

Coming to the profit and loss account for the quarter. Our consolidated revenue for Q1 FY2023 was Rs.297 Crores, EBITDA for the quarter was Rs.139 Crores, implying an EBITDA margin of 47%. During the quarter, we achieved a PAT of Rs.35 Crores implying a PAT margin of 12%.

We have continued to maintain sustainable levels of debt during the quarter. Our net debt as on 30th June 2022 stood at Rs.1,889 Crores. We have maintained similar debt levels for the last one year ensuring that we are optimally leveraged, fast track our growth while keeping our feet on the ground. As on June 30, 2022 our cost of debt was 10.69%.

Coming to the cash flow management for the quarter, our operating inflows for the Q1 FY2023 was Rs.667 Crores, up by 16% from Rs.575 Crores in Q4 FY2022. As on June 30 , 2022, the balance collection from sold units in all launch projects stood at Rs.2,550 Crores, the balance cost to be incurred stood at Rs.2,849 Crores. Combined with the unsold receivables of Rs.4,394 from launch projects, the projected operating surplus of Rs.4,095 Crores on the launch portfolio compares very favorably against the current outstanding net debt of Rs.1,889 Crores. Besides this we have not opened for sale inventory in existing projects with an estimated surplus of INR 2036 crores.

The Indian economy is showing stability and resilience and we are bullish on it. The government focus on infrastructure including airports, roads and rail networks will help to the growth of our country and create employment and that will result in further demand of home.. We are upbeat about our new launches and will continue to focus on scaling our operations while maintaining a healthy balance sheet.

As a customer-centric entity our primary focus will be to offer our customers high quality products and a seamless home buying experience. Our projects and expenses control measures have put us in a solid position to optimize buoyant sentiment. We remain confident in creating sustained value for all our shareholders by delivering growth and margin expansion through optimal capital utilization. With this I conclude my remarks. Thank you for joining the conference call. Now we are open for questions that you may have. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Aryan Sharma from Infinity Capital. Please go ahead.

Aryan Sharma: Good afternoon Sir and congratulations on the good result. My question is regarding the land parcels, you already have a good presence in South India, are you also looking towards some more land parcels in other parts of the country or will you focus on these areas and in that case by when it will happen and what could be the size of these land parcels?

Abhishek Kapoor: Hi Aryan, thank you for the question. So while we have the current land bank of almost about 57 million square foot which is spread across south and west, our further growth which is increased acquisition activity is happening in majorly five markets, which is Bangalore, Chennai, Hyderabad, Mumbai and Pune and these are the markets where we want to go deeper. For the rest of the market, it is more opportunistic because we have been in these markets which are like Kochi, Coimbatore, Goa, Mangalore these are markets that we have always been present in and we look at it more opportunistically because we have strength and we understand the local environment we have delivered multiple projects that enables us and gives us the confidence to continue in these markets, but growth will come from the other markets. From the size of the land parcels, our strategy is quite clear in terms of the acquisition plan, now that is largely spread between Puravankara, commercial & residential, Provident and Purva land. Purva land typical size of transactions would be anywhere between 50 to 100 acres because that is the kind of plotted development we look at, wherein we need because the kind of volumes we are able to do and sales that we are able to achieve in the plotted development gives us that flexibility and comfort. As far as Provident is concerned we look at least a million square foot of salable area to start with so if you look at our realization, a topline of at least Rs.650 Crores, Rs.700 Crores would definitely be something that will be required because that is the attention we need to pay to the project and it should be worthwhile the time of the management, so that is the minimum size. Of course we have done two million, three million, six million square foot larger projects in provident and because it also requires a certain scale of operations to drive efficiencies being affordable house. As far as Puravankara is concerned again we look at a minimum topline of Rs.700 Crores to Rs.1,000 Crores and that could range in different markets from anywhere between 5,00,000 square foot going up to a million-and-a-half or even larger depending again on the location in the market so that is a general tendency, but our most of our acquisition is in the sweet spot of about a million square foot to 2.5 million square foot which gives us a lot of comfort and visibility on financial closure of these projects within a time frame of five to six years, so that is generally the area of focus and that is how we go about our acquisition.

Aryan Sharma: Okay, got it. Sir, my next question is regarding the Starworth Infrastructure and Construction Limited that is the SICL, can you throw some light on what kind of revenue we are clocking over there and what are the margins and also what sort of market we are targeting and the growth in the next three to five years?

Abhishek Kapoor: Starworth is an organization which we have recently done some additions in the leadership team. Let me just introduce that a little bit to you. So, on the management we have added a CEO from Katerra who specializes in precast, we added Satya Narayanan from Tata projects, he was Ex-CEO for Tata project, he has handled a very large book. The business per se is really focused onto two key areas. One is of course precast and two is buildings and special projects which is the third one, so in buildings when we say we count commercial, we count data centers, we count residential that is a general setup, and third of course as I mentioned is special projects because it is a EPC business and we are building the entire EPC strength over there, we already have it actually. So let me give you an example of the kind of projects that we are looking at, so for example we are executing the Bangalore metro stations about 23 metro stations. We are executing Taj at the Bangalore international airport, we have taken just recently another contract with Taj GVK. We are doing a very interesting one of the largest sports ever we have done or we are now going to do which is in blast furnace we are doing for Jindal Steel, so special projects like Jindal Steel, metro etc. ITC is another client that we have recently added to our portfolio, so the idea is to look at grade A clients and add, so today for example a larger portion almost 60%, 65% of the business comes from Puravankara and about 35% is outside. We want to exactly reverse it in fact we want 80% to 90% of the business trip to come from outside and that is where the entire focus is Starworth because we believe that there is an opportunity for a mid-sized player in the contracting space. Coming to your question on margins, you are typically looking at a net margin of somewhere between 8% to 10% for a contracting company and that is what we work towards network overheads, so that is the plan. From the growth point of view, last year we did very well, but it was on a very small base that the business grew, this year again we are targeting an aggressive growth number.

Neeraj Gautam: Rs.500 Crores turnover from that company.

Abhishek Kapoor: Yes, so that is the target. Let us see how that pans out but the billing looks good, the business looking good, acquisition pipeline is looking healthy, so we are quite optimistic about where we head into.

Neeraj Gautam: This quarter we recognize Rs.89 Crores revenue in that company, SICL turnover was for the quarter was Rs.89 Crores and a net profit was about Rs.2 Crores for the quarter and yearly as Abhishek mentioned we are targeting sort of Rs.500 Crores revenue from that company in this entire financial year.

Aryan Sharma: Thank you for the detailed answer and lastly coming to the order book like we are saying the order is more than Rs.1,000 Crores for quite some time now, so what is the current size and what would be the year over your growth in the order?

Abhishek Kapoor: As we mentioned because now we just strengthen the team and it has been in the last five months, six months in fact there is the focus first has been to strengthen the systems, processes, internal, the organization itself and start speed up our current execution which is why you are seeing the existing revenue booking at the same time you are looking at new acquisitions, so by the end of this year, the order book will improve with the way the pipeline is looking, we will have to wait and watch and see where we lined up with it, but our goals are quite aggressive.

Aryan Sharma: Thank you. That is all from my side and all the best.

Moderator: Thank you. The next question is from the line of Nikita Gupta from LKP Securities. Please go ahead.

Nikita Gupta: Good afternoon Sir. Thank you so much for the opportunity. I just had a couple of questions on the Purva asset management front. I just wanted to know like since you launched your first AIF fund in April, have we been able to raise some money as of now and when do we expect to take the mark Rs.750 Crores assuming the green-shoe option is exercised first on that and how is the revenue sharing agreement going to work, can you throw some light on that as well?

Abhishek Kapoor: Thanks Nikita for the question. The answer is yes, we have been able to do the first close which was targeted at about a little over Rs.200 Crores that has already been done. Now we are in the process of additional further capital which is also lining up and we will hear soon about the next round of closure. The second piece is on how do we see the revenue shared with the fund. So basically the way we look at this entire structure, the fund structure is that the fund potentially is participating in the land which is where maximum value is and the acquisition is happening from the capital of the fund and the development is done by Puravankara, so therefore the revenue share has to be in a manner which is targeted to achieve a mid 20s early to mid 20s kind of return for the investors in the fund and of course the process validation of third-party validation of the numbers so that there is complete transparency, there is advisory board in place for the guidance, the whole idea is to keep it objective and ensure in fact this is something that we believe personally that will be a significant line of capital going forward from equity point of view which will give us great amount of strength, so we want to really ensure that the deployment of capital is done in a manner which ensures not just the security of capital, but the return that we have which we have promised from the front, so we are quite optimistic with this and we will start hearing soon about the deployment of the capital which is already raised.

Nikita Gupta: Thank you so much. That is all from my side. I will join the queue for more.

Moderator: Thank you. The next question is from the line of Dikshit Mittal from LIC Mutual Fund. Please go ahead.

Dikshit Mittal: Good afternoon Sir. My question is on new launches, so though you have maintained the pipeline of around 15-16 million square feet but during this quarter there was no new launch in particular the reason for that?

Abhishek Kapoor: There is no reason except that we are in the final leg of some of them are in registration, some are at the final leg of approvals so that is the only thing, there is no other reason per se so we are pretty much on track, we are pushing hard on these launches, so I think you will start hearing it from this quarter itself.

Dikshit Mittal: Because in your last presentation you had mentioned one million to be launched in quarter itself so that is why we are asking is there any approval related delays or anything like that?

Abhishek Kapoor: Yes, so there is marginal delay, because these were expected anyways towards the end of the first quarter which is spilled over so I think in the second quarter you will see these launches.

Dikshit Mittal: What is the kind of number that you are looking at in terms of new launches?

Abhishek Kapoor: In the next 12 months time frame we are looking at total as I mentioned earlier the target is actually by the March of this financial year to launch 16 million square foot. As I mentioned Puravankara is about six million square foot, Provident another six and then four is Purva land.

Dikshit Mittal: In terms of target completion for this year, what is the target?

Abhishek Kapoor: This year in fact we have set ourselves up to deliver about three thousand homes and a lot of that delivery also, so if you look at our numbers operating cash flows have also gone up, cash outflows which is basically our burn has gone up significantly, it has gone up by about 77%, so we are obviously really focused so that has really picked up very well. Today we have over 5,200 laborers on our site and it is only increasing by the day, so there is a lot of delivery planned in this year 3,000 units minimum we should be able to achieve that is the target we have set for ourselves, but most of it will constantly start coming from the third and the fourth quarter.

Dikshit Mittal: What is the square foot, can you give some any guidance?

Abhishek Kapoor: I am sorry, I missed that.

Dikshit Mittal: In terms of million square foot, how many a million square foot will be delivered or may be completed this year?

Abhishek Kapoor: You can safely assume about three million square foot typically about a thousand square foot average you can assume and we should deliver about three million square foot this year.

Dikshit Mittal: Okay because first quarter is NIL

Abhishek Kapoor: It is all under construction because at the time when we hit the COVID and then the delays and all of that so lots of spillover happened and last year also there was some extent of disruption so I think now that is all streamlined we should start seeing delivery in the third and fourth quarter.

Dikshit Mittal: Lastly what are the collections for the first quarter?

Abhishek Kapoor: Total operating cash flows wasRs 667 cr

Neeraj Gautam: Rs.667 Crores. If you look at our presentation on slide #15, Rs.667 Crores to be precise,

Dikshit Mittal: Okay, lastly what is the component of other income total that you have reported in total sales Rs.82 Crores of other income?

Neeraj Gautam: In our business other income is also related to business operation only , these are other operating income. other income from investment or interest or transfer charge is very small, about Rs.10 Crores, rest of our other income was from business operations either from sale of the project or exit from one of the assets here and there.

Dikshit Mittal: Okay, lastly for the full year in terms of pre-sales, any target that you are working with?

Dikshit Mittal: For the full year in terms of pre-sales, any target that you have for FY 2023?

Abhishek Kapoor: No, we do not really give any forward-looking statements, but yes we have given you a certain set of area and new launches and you can compare with what we have done in the last year, if area sold was about three-and-a-half million square foot and Rs.2,400 Crores. Now if you look at our number in the first quarter itself versus Rs.300 Crores odd we are already at Rs.513 Crores right, so you can do the math, but yes it is looking good so far and this is only from sustenance without adding new launches so I think we will have to wait and watch and see how the company performs, but yes we internally, we have fairly aggressive targets.

Dikshit Mittal: Last three quarters, you are maintaining run rate of one million square feet on an average, so this quarter we have seen on that front, so that is why we are asking, can we go back to 1.2 million average for the full year 4 to 5 million square feet?

Abhishek Kapoor: Let me answer it the other way round, last year in the same quarter, this is normally April, May, June is our weakest quarter every year and that across the industry more or less generally unless you add new launches, but all of the sales has come from sustenance and within sustenance we have been able to do increase our square footage and we have gone to almost 7 lakh square foot which is 0.7 million square foot, so I think we see that trend only going forward with addition of new launches going up.

Dikshit Mittal: Thank you Sir.

Moderator: Thank you. The next question is from the line of Ashutosh Mittal from Axis Capital. Please go ahead.

Ashutosh Mittal: Good afternoon everyone. Now that you are present in six big markets, what is the medium-term sales per market that you are targeting, you can quantify the same?

Abhishek Kapoor: Over time, let me break it down first business wise, so we are looking at about 35% of our business from Puravankara, 35% from Provident, about 20% coming from Purva land, about 10% from commercials that is the general breakup of the categories we are present in and the brands. Now if you look at geography, today majority of our business comes from the south and a very large portion, this is coming from Bangalore. For some more time because of our land bank and because of our current availability of lands which are already in the portfolio and paid for is from the same region and of course, the largest portion of the south is in Bangalore which is good news for us. Having said that I think going forward there is clearly a target that west is going to grow quite a bit and while south will continue to do the square footage that is going and add to it which will add disproportionate square footage because we have entered that market and we believe that there is a huge opportunity for us over the next five years, so as we go along I think in terms of value terms if I look at two to three years time frame, in next three years we would expect sales of at least 25%, 30% from the west and then take it possibly even up to 40% to 50% at some point in time in terms of value. In terms of square footage we will always continue to see south as being very, very dominant because values are lower compared to the West specifically Mumbai market.

Ashutosh Mittal: Okay, talking about Mumbai specifically, so you have hired senior industry resources for extension there, so what does the BD pipeline in Mumbai look like currently if you can put some light on it?

Abhishek Kapoor: BD pipeline looks fantastic across the board not just west and south, we are really, really focusing on it a lot of term sheets and we use are in process right now due diligence and documentation is being discussed, so obviously as I mentioned there will be a lot more value expected from the western market, so therefore you will see this proportionate kind of acquisition happening from the western market.

Ashutosh Mittal: And there would be more of outright or JDA agreements?

Abhishek Kapoor: It is a healthy mix of both obviously outright purchases have its own advantage in terms of value and the margins and then JDA, of course, allows you to do volumes and it is an asset light model so it will be a mix of both.

Ashutosh Mittal: Okay and is there any specific amount that has been set aside or decided for new project tie-ups in west as well as in south, if you can quantify that number?

Abhishek Kapoor: If you look at it from acquisition point of view over the next few years the kind of capital we are talking about Rs.750 Crores coming from the AIF itself and then we are in discussions for multiple platforms for our residential commercial space right and in fact IFC is also on board on the affordable housing side. So between all of this we would estimate that we will be able to raise and deploy about, a target is about anywhere between Rs.2500 Crores to Rs.3000 Crores over next two to three years' time frame.

Ashutosh Mittal: Got it and the last question from my end, gross and net debt have been relatively stable over the period, so with number of projects and sales increasing, how will it turn over the next 18 or 24 months?

Abhishek Kapoor: A lot of our business and I am sure you understand this possibly even better you work across industries as well. Your overheads and multiple fixed costs get only reduced as you do the volumes right, so it is for us very, very important that we have the bandwidth, we have in fact added the bandwidth to be able to do more and more volumes so overall basis I think we will definitely maintain or improve our margins as we go along and we do a more number of projects.

Neeraj Gautam: As far as debt is concerned we maintain this kind of debt for last one year' however, we are in growth phase and we have leverage to take opportunity in the market.

Abhishek Kapoor: I think what we should look at from the debt point of view . sorry I missed that question we should look at it from the per square foot basis, so how much square footage do you have on the floor and I think there is a healthy way of looking at it and that is your debt backed by project cash flows what are you looking at with the debt piece, how is that debt going to help you unlock your equity which is there in these this 57 million square foot, so we look at it in that context. I think we are in a very healthy position we have maintained the current levels. On a per square foot basis as we go about with the launches I think overall you will see the reduction in the debt on per square foot, in absolute number I think that is dependent on the quantum of business that we put out on the floor.

Ashutosh Mittal: Thank you. That was it from my end.

Moderator: Thank you. The next question is from the line of Pritesh Sheth from Motilal Oswal. Please go ahead.

Pritesh Sheth: Thanks for taking my question. Sorry I joined the bit late, so one question on the cash flows reversal in the investment by IFC, if you can explain what is that?

Neeraj Gautam: Good that you have asked this question. it is not a reversal, we have repaid IFC investment of Rs.68 Crores from the project collections, rather we have paid Rs.100 Crores including accurued interestt As you are aware y that IFC had invested in two of our projects. In one project we have repaid them about Rs.100 Crores during the quarter from the project receivables and we have fully repaid them in the month of July.

Pritesh Sheth: What is balance amount, in terms of how much you have paid in July additionally?

Neeraj Gautam: We have paid about Rs.205 Crores for complete exit to them from the project. They invested about Rs.157 Crores in that project and we have given a full exit for Rs.205 Crores.

Pritesh Sheth: And what was the time frame when they entered into this project and…

Neeraj Gautam: Enter into December 2020 at the first investment and the final investment in March 2021 and we have given full exit exit in July 2022.

Pritesh Sheth: Great and secondly while during the last question you answered about your internal capability being increased, firstly I missed that slide when you generally give your details about that, currently the ongoing project what is the size maybe if you can add next time that is very helpful for us to understand how the business is scaling up and secondly since we have over the last two years invested a lot in terms of manpower where the organization capabilities going ahead in the future like historically we have built 20 to 24 million square feet of ongoing projects at a point where do you see that increasing in future since we have invested in capabilities in the last two years?

Abhishek Kapoor: Good question I think from the way we are looking at using this uh leadership strength and the whole idea is of the P&L structure is to really focus and you are right on the delivery of the projects. Now if we were to look at our portfolio of total land bank that is available which is in excess of 50 million square foot and we are talking about 16 million square foot taking to market this year then obviously our expectation is that this 3 to 3.5 million square foot should scale up minimum to 5 to 6 million square foot over next few years right, but from the time I launched to the time we start delivering the projects go under construction but the delivery has to pick up only when the project completes which is the life cycle you can assume of anywhere between three to four years so real deliveries you will start seeing in three to four years in terms of delivery and revenue booking, but if you look at it, I think what we should really watch for is our sales numbers annually and the cash flows and the burn rate. If you look at these three numbers and that continues to remain in the growth direction the way we are planning I think that should give a lot and more or less your overheads get with this entire scale up and strengthening that we have done we should be able to bring in a lot of efficiency there.

Pritesh Sheth: Right, just a followup on that so 23, 24 million square feet of ongoing project that we have been doing that should obviously go to 30, 35 continuous growth in sales number is it the right way to look at it?

Neeraj Gautam: What Mr. Abhishek said that I just would like to add to it. Right now what we have been managing over the period of time you can see 2022 million square feet by adding the leadership team, also bifurcated the P&L in the businesses like he said during the conversation the PHL is another business vertical, Purva land is another business vertical and Puravankara is another business vertical, all put together if you look at the project which is currently doing which is ongoing plus the launch pipeline, so everything is about to come for the overall business volume for the company. I clarified that if you look at the current projects under operation plus the pipeline up for launches, this entire pipeline plus the existing project will be managed by the team.

Pritesh Sheth: Okay, got it and sorry just a follow up on that. Regarding repayment, so we have done that from our existing cash balance or we have generated enough cash flow in July and we have paid out from pocket just checking because so as to ensure that…

Neeraj Gautam: First Rs.100 Crores we have paid out of the project cash flows and the remaining Rs.105Crores we have paid, by raising funds through commercial paper of

Pritesh Sheth: Got it and that commercial paper I assume would be for a short term one year, two years?

Neeraj Gautam: 30 days maturity period which we are paying them in August.

Pritesh Sheth: Okay, so yield must be around 5.5%

Neeraj Gautam: Yes.

Abhishek Kapoor: This project has sold very well and collections have been extremely robust here, so that really gives us the strength to be able to quickly pay back and negotiate a good exit.

Pritesh Sheth: Thanks. That is it from my side and all the best for full year 2023.

Moderator: Thank you. The next question is from the line of Niraj from White Pine Investments. Please go ahead.

Niraj: I have a question on your launch pipeline, all the launchers that you are planning in future will be launched in March 2023, is that the right statement?

Abhishek Kapoor: Will be launched by?

Niraj: March 2023 all the launch which is represented…

Abhishek Kapoor: 16 million square foot we are talking about launching in phases starting from this current quarter to the next two quarters, Q2, Q3 and Q4 correct.

Niraj: Okay. The other thing is that you have a target to reach to five to six million square foot as a potential run rate of pre-sales over the period of three to four years, is that also a right way to see?

Abhishek Kapoor: Again that there is a question of the quantum of launches we do and how many phases we open up, but I think the previous question or the previous discussion was more on the delivery on how much volume you are looking at in terms of delivery which is why I answered and I said look over the next three to four years you would start seeing about 5 to 6 million square foot per year of delivery versus say about 2.5, 3 million square foot that we have been doing traditionally, so you would double it up in terms of delivery but of course from launch to delivery, there is a journey of about three to four years and that is the journey we need to cover over the next two years in the meanwhile I think we need to really watch as I said earlier sales number and the cash flows.

Niraj: Okay so how much land bank in square feet do you require to go to that run rate of say assume let us do a six million square feet of pre-sales, how much land bank would you require on our run rate to achieve that resale?

Abhishek Kapoor: Typically whatever you open or what is your open for inventory sale in a year, you typically sell about 50% to 60% of that and then it starts lagging, because the choice of inventory comes down and then you add more inventory and then you sell again 50 % to 60% in the year so that is the general cycle that it works, so whatever you open for sale of that 15 to 16 million so for example traditionally when we have been doing about say three million square foot traditionally we have had about five million open for sale at any point in time, so that is how the numbers move up.

Niraj: I got it, but I was asked you something else, I was asking on your land bank.

Neeraj Gautam: You asked about land bank, right now whatever we are going to launch about 18 million square feet that everything land is acquired and by the company and it is a different stage of approval and hence launch for next three quarters since current quarter next two quarters in that land has been acquired and in various stage of approval.

Niraj: Got it, but the future land bank apart from the new launches that will do it for 60 million square feet, you have as much as what I know is almost 65 million square feet?

Neeraj Gautam: I got your question, remaining out of the total land bank of which is we are proposing to launch about 18 million square feet over next three quarters and remaining land bank also in different stage of clearances, approval, etc., and at the same time like we informed in earlier calls that we are continuously working on the business development, exploring new opportunities and we keep adding in our land bank development salable area.

Abhishek Kapoor: I will just add to that the balance area which is available is also under work right so we will see continuity of launches even in the next year, because as you rightly said if there is over 50 million square foot of portfolio and that portfolio needs to be monetized so if 16 million goes to market this year of that of course in phases, similarly we are working on the next phase which is going to come in the next year and of course the unopened phases of the current 16 million will also come to the market in the next year, so it will continue to grow on accumulated basis.

Niraj: Just on some numbers like we have around 44 million square feet of land asset that you have given the presentation so that 16 million square feet is included in this 44?

Abhishek Kapoor: Yes, you are right perfect.

Neeraj Gautam: This is the subject of the land bank slides.

Niraj: You will have remaining 28 million square usually at around four to five years of potential sales that you can do right?

Abhishek Kapoor: Correct plus you will add whatever we are adding now we are already in the acquisition mode as the previous caller had asked, so we will continue to add more and more inventory and land bank as we go along which will also cumulatively add for the year after next and then the year after that.

Niraj: What I was coming to and you also have entity which also is the AIF fund that you have started for buying land which will help to your development projects, so you have so much of land you have an AIF fund which you will buy up land so then why do you say that you would not see a reduction in your absolute debt because you already have five, six years of existing land bank in existing company, you have an AIF which can also do that plus there are also operating cash flows for future projects coming which can say partially to buy land so, I am not able to understand why do you say that the absolute debt should not fall for the company?

Abhishek Kapoor: On an absolute number I think one needs to look at it slightly differently. There are two, three things. One is, there is capital that is obviously churning constantly wherein the debt is getting repaid, but freshly drawn down depending on the quantum or square footage on the floor, for example launches or for example construction funding, CF etc., plus more importantly as we venture also in the commercial real estate piece there will be debt drawn down for the commercial projects which are going to go under construction, for example we have already undertaken about eight lakh square foot of a project which is in South Bangalore, which is already gone under construction. We intend to take another 2.1 million square foot of North Bangalore project into under construction, so you know it is a constant process of churning capital and churning debt and an overall basis, so that is what I say when you look at it on a per square foot basis, obviously as you do more and more launches, the numbers will look very different and as an absolute number we have to continue to look at it from the basis of what is the quantum of the project that you are bringing on the floor.

Niraj: The last question, how much investment you have done in the commercial project till date?

Abhishek Kapoor: Let me come back to you with that specific number on how much investment I think we will respond to that offline.

Niraj: And how much cash flow would it say when it starts?

Abhishek Kapoor: I think over time, the total business we are looking at from the commercial business itself as I mentioned earlier is minimum as this year itself for example as I said 2.7 million is going to go into construction and if 2.7 million goes into construction of course it is all yield dependent and sale value dependent on what kind of numbers you are looking at but from within this number itself you would easily assume that you would land up with at least a topline of somewhere between Rs.2,500 Crores, Rs.2,600 Crores, so we go along and add more and more projects I think the numbers will keep evolving.

Niraj: Any thought of any early stage of taking some easy structure or it is too early to think about it?

Abhishek Kapoor: I think it is a little early to think about it. For us what is important is to keep our heads down and continue to build this business and over a period of time that strategy will evolve of course as I mentioned earlier we are looking at a partner, a platform level transaction there for the commercial business, so we intend to scale that business over time, but we will be patient, we will continue to put effort in that direction. I think what is important is the longer term vision as far as the commercial piece is concerned.

Niraj: Thank you very much.

Moderator: Thank you. The next question is from Duran Akshay from UBS Group. Please go ahead.

Akshay: Thank you for taking my question. This quarter pre-sales is of Rs.513 Crores and in presentation you also projected cash flow where you give value of inventory if I calculate difference of this versus last quarter it is Rs.280 Crores while sales is of Rs.513 Crores so what explains this difference Sir?

Neeraj Gautam: This Rs.513 Crores we have sold out of unsold inventory of the last quarter.

Akshay: Which was Rs.4,674 Crores as per last presentation and in this presentation, the value of inventory open for sale is Rs.4,400 Crores, so it is a drop of Rs.280 Crores.

Abhishek Kapoor: Your question is right, the observation is right. I will answer it again what typically happens is you replace what you have sold by releasing more inventory from not open for sale inventory, so that is what will continue to show up so while my sales numbers will show up I keep opening this stock, because I cannot at any point in time have lesser choices in my projects from the consumer's point of view, so it is very important to continue to open not open for sale inventory which we do not count as new launches so I think that is the difference.

Abhishek Kapoor: Q4 of the previous years when we sold out something that was opened and closed in the same quarter.

Akshay: Okay understood, so that explains the difference on launch pipeline also which was 16.3 million last quarter and 15.3 million this quarter, is this right?

Neeraj Gautam: That difference is coming from the inventory which is not open for sale in the inventory slide, the difference in the launch pipeline is coming because of the one project Kadiganahalli which was there in the last quarter’s presentation, and not there in the current slide . Kadiganahalli land we wanted to develop earlier as a residential project, now because of the demand and the traction for the commercial property and also because front end of that land is a commercial project we have decided to develop that property also as a commercial project which is under planning stage, we will put to in that slide once the necessary plan approval will come.

Abhishek Kapoor: So phase one which is what I was mentioning where we are doing about 2.1 million square foot this is a North Bangalore, the phase one is going under construction, now this will be part of the phase two, so we moved this from residential to commercial and that is the reason why we have removed it from the launch pipeline of residential.

Akshay: Okay understood sir and I am not sure if you mentioned this before I joined a late, what was the sequential pricing growth?

Abhishek Kapoor: So overall if you look at it the sequential pricing growth was about between 6% to 8% on project on project basis, but average realization I think has not moved much, because that is more comes from the weighted average of the mix of inventory that gets sold, but on an overall basis the prices went up between 6% and 8%.

Akshay: Right, is it fair to assume that value of inventory open for sale, this also goes for price adjustment which we have taken?

Abhishek Kapoor: What is not open for sale and what is open for sale and unsold will go into this.

Akshay: Understood. Okay, sir. Thank you. That is all from my side.

Moderator: Thank you. The next question is from line of Ronald from Sharekhan. Please go ahead.

Ronald: Good afternoon Sir. I had just one question regarding deployment of capital through institutions like IFC as our debt levels are at the levels and you do not want to increase the debt levels going ahead, so we may see in your further investments coming from third parties residential or commercial and you also provide them IRR in the range of 20% to 30% so my question is that how you are able to generate that because does that dilute your returns from the project also AIF, we are committing at mid 20s return so no able to leverage the balance sheet and getting this funds with a fixed kind of IRR, so are you able to kind of generate returns from this project?

Abhishek Kapoor: Let me answer this question in two parts. One is, it is never close to 30%, it is early 20s and it is not a fixed IRR, it is dependent on the performance of the project that is point number one. Point number two, I think is when we have to look at our capital is obviously far more expensive than the 20% kind of IRR that we are giving to these equity partners. The objective of diversifying your risk and taking equity instead of debt I think comes from the fact that we want to be very, very mindful of the market conditions that obviously continue to go into cycles as we go along in the economic cycle. Therefore the need for equity versus taking debt I think there are a whole lot of analysts on the same call who asked me will you take more debt for acquisition so that is where this comes from. As far as the debt per se is concerned we do not have a problem with increasing our debt, but our whole focus really is how much business justifies, how much that you have got that is how we look at it, so if you are quantum of business on the floor and the volumes you are doing is going to justify more debt because you need construction funding or launch or pre-launch expenses etc., then that is yes, that is no problem, that is justifiable and you will take it. But for example I will give you another example, what happens is our equity which is there today in these is projects the surpluses which is there, which is sitting in this 50 million square foot which is our equity as an organization. I will leverage that equity to create add more equity to it and therefore it multiplies my ability to do business, so that is how we look at multiplying our capital strength and of course the kind of opportunities we are looking at is a mix of joint development as well as outright where the IRR numbers are fairly different and when we factor in the BD we factor in the cost of this capital before we look at our margins and then we look at our multiples on our equity investor and therefore it looks much better and therefore we are able to do a lot more volumes than what we do currently, but yes would we want to do more business with our internal approvals, the answer is yes and it will happen and of course a lot more of our internal approvals as they come along, we may prepay a lot of equity like for example we have done that prepayment right now and that has saved us money correct. IFC has been paid back earlier than planned we earlier from internal approvals, so we will continue to engineer our capital to minimize our cost of capital but at the same time we will not compromise growth while we do this.

Neeraj Gautam: If you look at where we deployed this equity money and even for AIF fund we are planning to deploy this money to acquire the land, we are not planning to use this money for a construction finance , where ever we can take ,we will take construction finance for a cheaper cost .This is kind of balancing between costlier capital and cheaper capital depending upon endues we have .For acquiring projects or land I will take equity funding and where there is a construction finance we will go for a bank and get a cheaper finance and overall we will achieve an optimal weighted average cost of capital. **Ronald**: Just one follow up that you are able to generate similar kind of returns you provide to the investors or a bit less for?

Abhishek Kapoor: Our return on equity is obviously much higher than what the investor gets clearly that makes sense.

Ronald: Thank you very much.

Moderator: Thank you. The next question is from the line of Raj Shah from RS Investments. Please go ahead.

Raj Shah: Thanks for the opportunity. I have some questions. What will be your marketing expense for the quarter as a percentage of sales and given that the sector is on an update, can we assume that the marketing cost would be expensively going up in the coming quarters?

Abhishek Kapoor: Typically our marketing expense is between 5% and 6% of the sales value, but during many quarters where you are incurring pre-launch expenses wherein the sales are not shown but to prepare for the launch you do marketing expenses those show up in the same quarter wherein the revenues do not show up or the sales numbers show up only in the next quarter, so to that extent yes, it may look higher in some cases, in some quarters but then in the follow through quarters on an annualized basis if you look at it, it should range around 5% to 6%.

Raj Shah: Okay.

Abhishek Kapoor: But that is different from what it is in terms of the revenue booking, so again you need to keep that you need to be mindful of that.

Raj Shah: Correct and just to follow up on your answers, we had a good quarterly sales number this time; however, our revenue recognition was not that strong because being a lag and delivery so if you can just highlight when can we see this improvement?

Abhishek Kapoor: I think in the third and fourth quarter, we will see a sizeable improvement, because a lot of these projects are coming up for possession in those two quarters, so we will start seeing improvement in the third and the fourth quarter.

Raj Shah: Okay, thank you and just one last question. If you can just give your revenue of mix as in the revenues which are coming from Bangalore and outside Bangalore? Sales mix.

Abhishek Kapoor: Currently over 50% of our sales is coming from the Bangalore market and the rest is distributed in the other market, which is other regions which include south and west and in fact more than 50% almost 60% close to 60% coming from the Bangalore market. This trend will continue for now, for some more time we will in fact we may see a larger contribution of the Bangalore market in times to come. Overall south will also look a much larger number compared to west for some time till we do not start launching the project that we are acquiring in the west.

Raj Shah: Thank you for your detailed answer and wish you all the best.

Moderator: Thank you. The next question is from the line of Mihir Desai from Desai Investments. Please go ahead.

Mihir Desai: Thank you for taking my question Sir. I just wanted to ask regarding the AIF, so where are we actually planning to deploy this fund like in terms of category that is Puravankara Provident, Purva land or also if you can throw some light in terms of geographical locations where are you planning to deploy this fund?

Abhishek Kapoor: Good question. This fund is planned for Purva land and Provident. The idea is to turn the fund around as quickly as possible and return the capital and we see both these businesses generating a faster return of capital, so that is the answer and the deployment in terms of geography of course south remains one of our favorite markets, so yes south will definitely be there, but we are adding projects in the west as well, so we are looking at some projects in the west as well, so it will be a mix of both south and west.

Mihir Desai: Okay and so secondly I just wanted to ask regarding the land bank so if we see that currently we have a land bank of which is totaling somewhere around 57 million square feet that in

Puravankara groups interest would be somewhere around 44 million square feet so can you please throw some light on where it is located and how are we planning to monetize it incoming?

Abhishek Kapoor: If you look at the numbers it is mentioned in slide #8 almost 38 million square foot is in Bangalore which is why I keep saying Bangalore will continue to be dominant for some time then Chennai is about 6.8, we have Kochi and the west which is mentioned in the slide #8 so if you look at that that will give you a breakup.

Mihir Desai: Okay sure and lastly I just wanted to ask that till last quarter here this Kadiganahalli under Puravankara Bangalore schedule to be launched somewhere in Q2 FY2023, if you see this quarter it has been removed from the launch pipeline, so is there any specific reason behind this?

Abhishek Kapoor: I think this question was answered in the previous question. What we have done is we have shifted that piece from residential to commercial. In the front portion we are doing about 2.1 million square foot of commercial which we are launching in the next quarter in terms of construction, so the kind of demand we are seeing in that market and the RFPs that are coming we realize that it has great potential as a commercial asset and hence we have moved it out of residential and decided to do it under commercial and we have put those plans on hold and therefore you see the change.

Mihir Desai: I think I am done with my questions. Thank you for answering my question.

Moderator: Thank you very much. I now hand the conference over to the management for closing comments.

Neeraj Gautam: Thank you once again ladies and gentlemen for your time and attention. I hope me and my colleagues were able to answer all your questions; however, if you require any further discussion we are always available for the discussions during the coming weeks. Thank you and wishing you a happy weekend and a very Happy Independence Day. Jai Hind.

Moderator: Thank you very much. On behalf of Axis Capital Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.